

Tilaknagar Industries

Raising the Bar

**Imperial Blue takeover to widen TAM,
fast-track premiumisation**

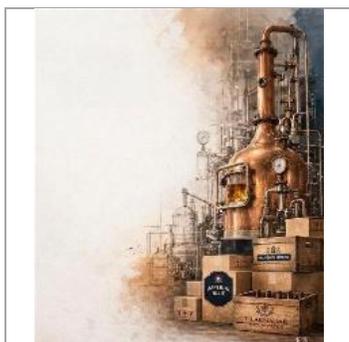
**Formidable player in
two largest IMFL sub-segments**

**Levers in place for volume
growth and margin expansion**



Table of Contents

- [Focus Charts](#) 4
- [Investment Thesis](#) 6
- [Valuation: Initiate at BUY; TP INR 550](#) 9
- [Key Risks](#) 11
- [Business Analysis](#) 12
- [Industry Overview, Competitive Landscape](#) 29
- [Visionary Leadership with Professional Management Team](#) 33
- [Financial Overview](#) 34
- [Financial Tables](#) 37



We are initiating coverage on Tilaknagar Industries (TIL) with a BUY and TP of INR 550 (35x FY28E). TIL is among the top five spirits players in India, with a leadership position in the brandy segment driven by its flagship brand *Mansion House*. The recent acquisition of Imperial Blue is a strategic step that transforms TIL's portfolio, expands its TAM and provides a strong foothold in the largest segment of the IMFL industry—whisky, wherein Imperial Blue ranks as the second-/third-largest brand in the lower prestige/overall IMFL segment. On the volume front, we expect the legacy business to see steady growth (c. 11% volume CAGR over FY26–28E) and recovery in IB led by increased focus, higher brand spends and scale-up in under-indexed markets. We estimate combined volume growth (LTL) of c. 8%/9% over FY27E/28E with EBITDA margins of 12.5–12.8% in FY26E and room for c. 150bps expansion over FY26–28E supported by synergy benefits and operating leverage. Given limited capex requirements, we expect the company to generate strong FCF of INR 4.4bn/5.8bn in FY27E/28E.

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Tilaknagar Industries

Raising the Bar

Tilaknagar Industries (TIL) is among the top five spirit players in India and now a formidable player in two of the largest sub-segments of IMFL—whisky and brandy, which account for c. 65% and c. 20% of the industry, respectively. TIL's portfolio includes flagship brands such as *Mansion House*, leader in brandy, and *Imperial Blue*, the second-/third-largest brand in lower prestige/overall IMFL segment.

Over the last two decades TIL's journey has been one of crests and troughs: i) FY04–14: A phase of large capacity expansion and high growth. ii) FY15–16: Disruption in key markets of TN and Kerala, impacting volumes along with a sharp uptick in debt. iii) FY17–21: Successful debt restructuring and stabilisation of operations. iv) FY22–25: Fund-raise brings in growth capital, facilitating a successful turnaround with volumes almost doubling and TIL turning into a net-cash company.

With the legacy business back on track for growth and profitability, the key challenge for TIL was widening its play pan-India in large sub-segments (whisky) in the IMFL category considering about 90% of its sales come from the brandy segment in South. To address this, TIL acquired Imperial Blue (IB) from Pernod Ricard in Nov'25, providing it with the necessary mix to participate in a larger TAM and tap into the ongoing premiumisation trend within IMFL. With IB becoming a focused brand under TIL coupled with internal initiatives (strengthened sales/professional team, step-up in A&P spends) and better cost structures, we see room for volume as well as margin expansion for the acquired/combined business.

We are initiating coverage on TIL at BUY with a Mar'27E TP of INR 550 (c. 25% upside potential), valuing the stock at 35x Mar'28E EPS (discount to target multiple for peers considering lower margins/RoIC/higher debt). Execution in the P&A segment and debt reduction shall be key to bridging the valuation gap versus peers. Key downside risks: i) Slower-than-expected recovery in IB. ii) Adverse regulatory changes in key markets.

Embarking on transformational journey; betting big on premiumisation: To extend its growth runway, it was imperative for TIL to widen participation in the IMFL category, particularly in the largest (whisky) and fast-growing (white spirits) segments. Acquisition of Imperial Blue (entry into lower P&A segment) and strategic investment in Spaceman Spirits (white spirits) enables diversification in both portfolio (whisky salience increases to 67% versus <10% earlier) and geographic (non-South salience increases to 50% from 7% earlier), thereby significantly increasing its TAM. More importantly, a diversified portfolio, bigger scale and optimal regional mix create a vehicle to accelerate its premiumisation journey.

Leverage exist to accelerate volume growth... The legacy business is stable, and we expect c. 11% volume CAGR thereof over FY26–28E. As IB becomes a focused brand under TIL, we see levers for recovery in volumes led by: i) leveraging TIL's strength in the South to scale up IB in states such as Karnataka, Kerala, AP and Orissa; ii) step-up in A&P spends and a strengthened sales team in North to tap into large markets such as Uttar Pradesh, Haryana and Delhi. Initial signs of recovery are visible from traction since December'25 (management has guided for high-single-digit volume growth for IB in 4QFY26E). We expect c. 6% (LTL)/8% volume growth for IB in FY27E/28E (c. 3% CAGR decline over FY23–26E), resulting in LTL volume growth of c. 8%/9% for combined entity in FY27E/28E (versus low-single-digit CAGR over FY23–26E).

...as well as margins for combined entity: With mid-teens margins for TIL (legacy business) and low-double-digit margins for IB, we reckon the combined entity's EBITDA margin would be 12.5–12.8% for FY26E. A&P spends will rise in pursuit of driving IB volume growth. However, with synergies, particularly on staff costs, packaging, bottling arrangements and other overheads (IT/admin expenses), we expect margin trajectory to improve for IB. We bake in c. 190bps expansion over FY26–28E (management has guided for 225–350bps over next two–three years) for IB, which along with some uptick in the base business should result in c. 150bps expansion (LTL basis) for the combined entity (guidance: 150–250bps uptick over next two–three years). Given no material capex intensity, we estimate the combined entity would generate FCF of INR 4.4bn/5.8bn in FY27E/28E.

Recommendation and Price Target		Financial Summary					
		(INR mn)					
		Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Current Reco.	BUY	Net Sales	13,875	13,988	24,779	48,359	53,887
Current Price Target (12M)	550	Sales Growth (%)	20.0	0.8	77.1	95.2	11.4
Upside/(Downside)	24.7%	EBITDA	1,854	2,549	4,071	6,700	7,722
Key Data – TLNGR IN EQUITY		EBITDA Margin (%)	13.3	17.8	16.0	13.8	14.3
Current Market Price	INR441	Adjusted Net Profit	1,410	2,296	2,502	2,659	3,926
Market cap (bn)	INR108.9/US\$1.2	Diluted EPS (INR)	7.3	11.9	9.9	10.5	15.5
Free Float (%)	60.1	Diluted EPS Growth (%)	87.8	62.1	-16.8	6.3	47.6
Shares in issue (mn)	247.2	ROIC (%)	21.8	29.5	10.9*	9.5*	11.4*
Diluted share (mn)	247.2	ROE (%)	24.8	29.9	12.3	8.1	11.0
3-mon avg daily val (mn)	INR256.7/US\$2.8	P/E (x)	60.3	37.2	44.7	42.0	28.5
52-week range	INR550/200	P/B (x)	13.0	9.7	3.5	3.3	3.0
Sensex/Nifty	74,564/23,151	EV/EBITDA (x)	59.2	42.5	31.9	19.1	16.1
INR/US\$	92.5	Dividend Yield (x)	0.1	0.2	0.2	0.2	0.2
Price Performance		Source: Company data, JM Financial. Note: Valuations as of March 13, 2026					
%	1M	6M	12M	*ROIC includes goodwill and intangibles from IB acquisition			
Absolute	-2.2	-5.1	85.6	JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ			
Relative*	9.2	4.8	83.8	Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.			

*To the NSE Nifty 50

Mehul Desai
mehul.desai@jmfl.com
Tel: (91 22) 66303065

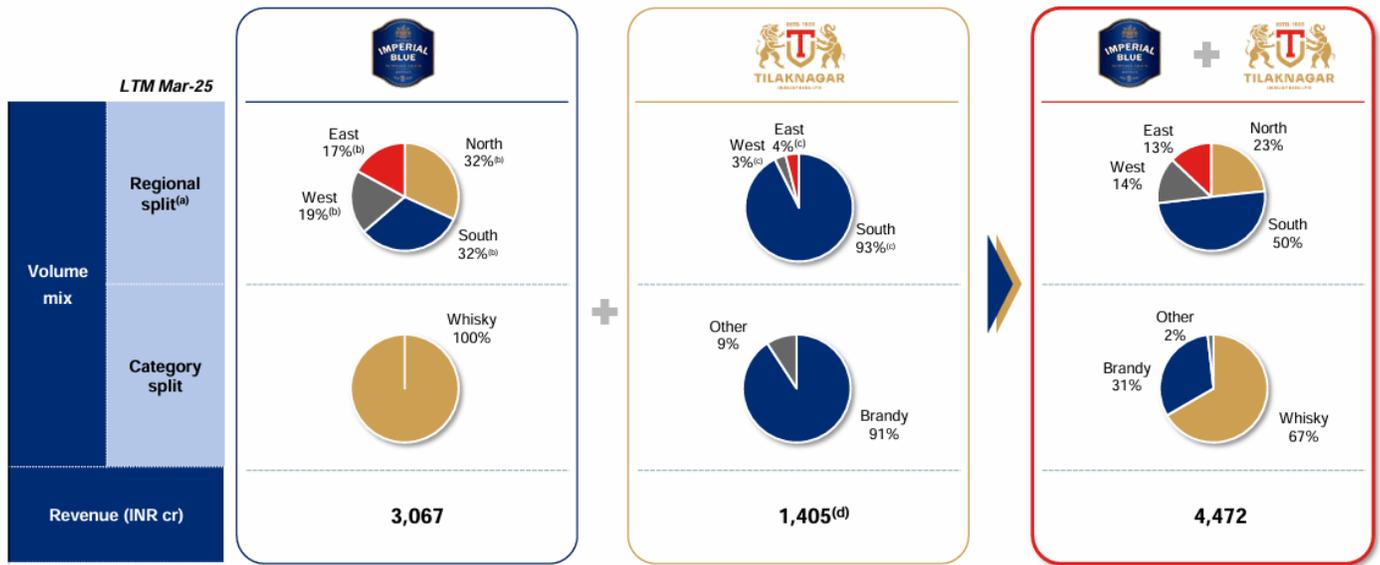
Gaurav Jogani
gaurav.jogani@jmfl.com
Tel: (91 22) 66303085

Pooja Kubadia
pooja.kubadia@jmfl.com
Tel: (91 22) 66303074

Rajat Gupta
rajat.gupta@jmfl.com
Tel: (91 22) 66303077

Focus Charts

Exhibit 1: Embarking on transformational journey – IB acquisition to widen portfolio offerings...



Source: Company

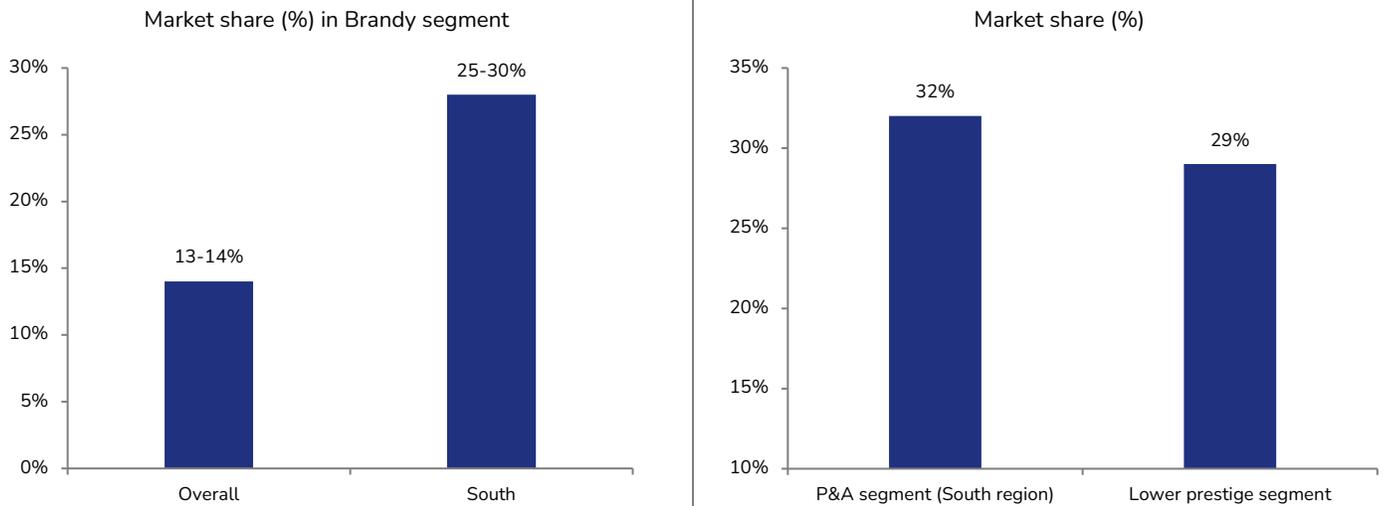
Note: a) The regional/cluster wise data depicted above does not reflect the market definitions from an anti-trust perspective, b) excluding export & IC, c) Excluding export & institution segment, and d) excluding subsidy.

Exhibit 2: ...and increase TAM, thereby elongating growth runway



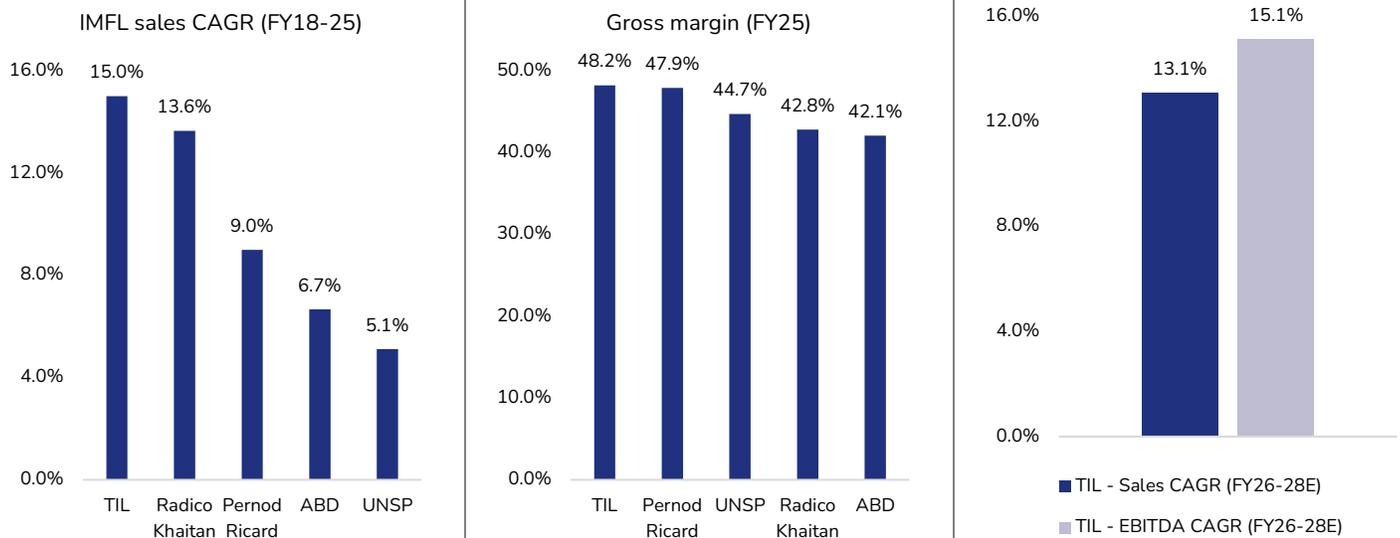
Source: Company

Note: Category/Segment size (in cases) as per management estimates

Exhibit 3: Flagship brands with strong market position – Mansion House (leader in brandy segment) and IB (formidable player in entry-level P&A)

Source: Company, JM Financial.

Note: South region includes Telangana, Andhra Pradesh, Karnataka, Kerala and Pondicherry

Exhibit 4: Legacy business on stable footing: Sustained leadership in brandy, superior sales growth and healthy profitability

Source: Company, JM Financial. Note: Pernod Ricard includes Imperial blue business

Exhibit 5: Imperial Blue: Room to improve on both volumes and profitability

Imperial Blue	FY25	FY26E	FY27E	FY28E	Combined Entity (LTL)	FY25	FY26E	FY27E	FY28E
Volume (mn cases)	22.4	21.5	22.8	24.6	Volume (mn cases)	34.3	35.2	37.9	41.4
Sales (INR mn)	30,670	28,170	30,458	33,552	Sales (INR mn)	44,721	44,127	48,427	53,959
EBITDA (INR mn)	3,588	3,183	3,838	4,429	EBITDA (INR mn)	5,847	5,668	6,700	7,722
EBITDA margin (%)	11.7%	11.3%	12.6%	13.2%	EBITDA margin (%)	13.1%	12.8%	13.8%	14.3%

Source: Company, JM Financial. Note: Sales and EBITDA figures of the combined entity excludes subsidy income of TIL.

Exhibit 6: Profitability improvement and limited capex to drive debt reduction and positive FCF generation

Particulars	FY25	FY26E	FY27E	FY28E
Net debt/EBITDA	-0.3	5.1	2.8	2.0
FCF (INR mn)	1,716	-10,429	4,437	5,817
RoIC (ex-goodwill & intangibles)	30.9%	24.3%	29.3%	30.8%

Source: Company, JM Financial

Investment Thesis

Legacy business on a stable footing

TIL's journey over the last two decades has been a roller-coaster, from a high-growth phase over FY04–14 to substantial challenges emerging over FY15–16 resulting in a sharp increase in debt followed by debt restructuring, and then stabilisation of operations (FY17–21) followed by a successful fund-raise providing fuel for further debt reduction as well as necessary growth capital (FY22–25). Over FY20–25, TIL's sales compounded at 16.6% with a volume CAGR of 13.1%.

Operating performance also has seen a strong turnaround from EBITDA loss in FY20 to 15–16% EBITDA margin (ex-subsidy) in FY25/9MFY26. Balance sheet also strengthened with TIL turning net-cash in FY25 versus debt of INR 8bn/5bn in FY19/FY20, which was also key to raising funds, allowing it to acquire Imperial Blue (IB) in FY26. Over FY18–25, TIL's sales clocked a CAGR of 15%, outgrowing listed peers such as Radico (IMFL sales CAGR of 14%), United Spirits (IMFL sales CAGR of 5%) and Allied Blenders (IMFL sales CAGR of 7%). If we look at only P&A sales, then too TIL's sales CAGR of 15% is better than 10% CAGR for United Spirits and Allied blenders.

With strong brands and leadership position in key markets in the brandy business coupled with the step-up in innovation in the P&A segment, we expect sales traction to continue, and factor in a 13.1% sales CAGR for the legacy business over FY26–28E led by a volume CAGR of c.11%. TIL's gross margin is best-in-class (compared to peers). With input costs largely stable and some leverage benefit, we expect EBITDA CAGR (ex-subsidy income) of c. 15% over FY26–28E.

Imperial Blue acquisition to enable portfolio transformation, widen TAM and accelerate premiumisation

As a part of its portfolio expansion strategy, TIL acquired Imperial Blue (the second-largest brand in lower prestige) from Pernod Ricard in Nov'25 for a consideration of c. EUR 413mn (c. INR 42.5bn). With volume/sales/EBITDA of c. 22mn cases/INR28bn–30bn/INR 3.2bn–3.6bn (as of FY25/26E), Imperial Blue is 1.6–1.9x the size of TIL's legacy business in terms of volume, sales and EBITDA.

The combined entity (TIL+IB) with an estimated volume of c. 35mn cases and sales of INR 44.5bn for FY26E will be among the top five spirit players in the domestic market with high single-digit market share in the IMFL segment, and the third-largest player in the P&A segment with high teens market share (largest P&A player in the South with a market share of c. 32%).

Acquisition of IB (entry into the entry level P&A segment) and strategic investment in Spaceman Spirits (white spirits) enables both portfolio (whisky salience increases to 67% versus <10% earlier) and geographic diversification (non-South salience increases to 50% versus 7% earlier), thereby significantly increasing TAM. More importantly, a diversified portfolio and optimal regional mix create a vehicle to accelerate TIL's premiumisation journey.

Combined entity has levers to scale up volumes...

After strong growth over CY15–19 (volume CAGR of c. 13%), IB volume has remained under pressure over the past five years (volume down to c. 22mn cases in CY25 versus peak volume of 28mn cases in CY19). While competitive activity in the entry-level P&A segment remains firm, the key reason for the volume decline for the brand has been Pernod Ricard's strategy to step up focus on the mid prestige (Royal Stag), upper prestige (Blender's Pride) and luxury segments. We believe premiumisation trend in the IMFL whisky segment remains strong – entry-level P&A segment's volume expanded at a CAGR of 6–7% over CY22–25E, despite the decline in Imperial Blue and 2–3% volume CAGR in McDowell's.

Under TIL, IB becomes a focus brand and a key vehicle for its premiumisation journey in the IMFL segment. We expect volume trajectory for IB to revive led by: i) stepped-up brand investments (dedicated branding team in place); ii) leveraging of geographical synergies (scaling up presence in markets such as Kerala, Karnataka, AP, Orissa and possible entry in the CSD channel wherein TIL has a formidable presence); and iii) increased focus in North markets such as UP, Haryana and Delhi.

Initial signs are visible from traction seen in December and the management's guidance of high-single-digit volume growth for 4QFY26E. We are factoring in c. 6%/8% volume growth for IB in FY27E/28E (versus c. 3% CAGR decline over FY23–26E). On LTL basis, for the combined entity we expect sales (ex-subsidy income) CAGR of 10.6% and a volume CAGR of 8.5% over FY26–28E.

...as well as margin expansion

With mid-teens margins for TIL (organic) and low-double-digit EBITDA margin for IB, the combined entity's EBITDA margin is estimated at 12.5–12.8% for FY26E. A&P spends are likely to be stepped up to drive volume growth. However, with synergy benefits/savings, particularly on staff costs, packaging, bottling arrangements and other overheads (IT/admin expenses), we expect the margin trajectory to improve for the acquired business. We bake in c. 190bps expansion over FY26–28E (management has guided for 225–350bps improvement over the next two–three years) for the acquired business, which, along with some uptick in organic business, will result in c. 150bps margin expansion (on LTL basis) for the combined entity (management has guided for 150–250bps improvement over the next 2–3 years).

With synergy benefits/cost savings and improved scale, we expect the combined entity's EBITDA to compound at c. 17% over FY26–28E (net debt/EBITDA estimated to reduce to 2x in FY28E versus 5.1x in FY26E). Our margin assumptions do not factor in any major price hikes and likely UK-FTA benefit. With increase in debt, we expect interest expenses of INR 2.6bn/2.4bn over FY27/28E. Also, amortisation expenses will be higher on account of intangibles related to acquisition of Imperial Blue.

As a result, we expect the combined entity to clock adjusted PAT of INR 2.7bn/4bn for FY27E/28E. With uptick in profitability, stable working capital and lower capex intensity, we expect combined entity to generate healthy FCF of INR 4.4bn/5.8bn over FY27E/28E.

Capabilities in place; execution key

We believe TIL has necessary ingredients (strong brands, integrated manufacturing capabilities, capable leadership with professional management team) to tap into the large and attractive opportunity in the Indian IMFL space. We like the intent behind the acquisition and foresee considerable synergy benefits in terms of portfolio expansion, geography- and distribution-led benefits and cost synergies for the combined entity.

Going ahead acceleration in P&A segment sales led by reviving IB, scale-up in Spaceman Spirits and innovations in mid-upper presitge/luxury IMFL segments will be the key variables to monitor. Superior execution on these aspects can improve overall profitability and strengthen balance sheet, thereby unlocking significant value over the medium to long term.

Exhibit 7: Key assumptions

Particulars	FY25	FY26E	FY27E	FY28E
Total volumes (mn cases) - On LTL basis	34.3	35.2	37.9	41.4
YoY	NA	2.5%	7.7%	9.3%
- TIL volumes	11.9	13.7	15.1	16.8
YoY	6.7%	14.8%	10.4%	11.4%
- IB volumes	22.4	21.5	22.8	24.6
YoY	NA	-4.0%	6.0%	8.0%
Total volumes (mn cases) - On Reported basis	11.9	20.5	37.9	41.4
YoY	6.7%	71.8%	85.2%	9.3%
- TIL volumes	11.9	13.7	15.1	16.8
YoY	6.7%	14.8%	10.4%	11.4%
- IB volumes	-	6.8	22.8	24.6
YoY	NA	NA	NA	8.0%
Total Net Sales (INR mn) - On LTL basis	44,721	44,127	48,427	53,959
YoY	NA	-1.3%	9.7%	11.4%
- TIL (ex-subsidy income) Sales	14,051	15,956	17,969	20,407
YoY	0.8%	13.6%	12.6%	13.6%
- IB Sales	30,670	28,170	30,458	33,552
YoY	NA	-8.2%	8.1%	10.2%
Total Net Sales (INR mn) - On Reported basis	14,051	24,844	48,427	53,959
YoY	0.8%	76.8%	94.9%	11.4%
- TIL (ex-subsidy income) Sales	14,051	15,956	17,969	20,407
YoY	0.8%	13.6%	12.6%	13.6%
- IB Sales	-	8,888	30,458	33,552
YoY	NA	NA	NA	10.2%
Total realisation per case (INR) - On LTL basis	1,303	1,254	1,278	1,302
YoY	NA	-3.8%	1.9%	1.9%
Subsidy Income (INR mn)	290	582	-	-
Total Sales (INR mn) - On LTL basis	45,012	44,709	48,427	53,959
YoY	NA	-0.7%	8.3%	11.4%
Total realisation per case (INR) - On Reported basis	1,180	1,214	1,278	1,302
YoY	-5.5%	2.9%	5.3%	1.9%
Subsidy Income (INR mn)	290	582	-	-
Total Sales (INR mn) - On Reported basis	14,342	25,426	48,427	53,959
YoY	2.9%	77.3%	90.5%	11.4%
Gross Profit (ex-subsidy) - On LTL basis	20,581	20,342	22,376	24,986
Gross Margin (ex-subsidy) - On LTL basis	46.0%	46.1%	46.2%	46.3%
Gross Profit (ex-subsidy) - On reported basis	6,779	11,664	22,376	24,986
Gross Margin (ex-subsidy) - On reported basis	48.2%	47.0%	46.2%	46.3%
EBITDA (ex-subsidy income) - On LTL basis	5,847	5,668	6,700	7,722
YoY	NA	-3.1%	18.2%	15.2%
EBITDA margin (ex-subsidy income) - On LTL basis	13.1%	12.8%	13.8%	14.3%
EBITDA (ex-subsidy income) - On reported basis	2,259	3,489	6,700	7,722
YoY	21.8%	54.4%	92.1%	15.2%
EBITDA margin (ex-subsidy income) - On reported basis	16.1%	14.0%	13.8%	14.3%

Source: JM Financial

Note: 1) Reported basis – FY26E includes 4 months consolidation of IB, LTL growth is calculated assuming 12-month consolidation of IB.

2) Gross profit margin is calculated on net revenue (including other operating income)

Valuation: Initiate at BUY; TP INR 550

- TIL's IMFL volume/revenue rose at a CAGR of c. 11%/15% over FY18–25, thereby outperforming listed peers as well as overall industry growth. Leadership position in brandy, which is the second-largest segment within IMFL, in all the key markets clearly highlights its brand and portfolio strength in the legacy business. Moreover, as part of its portfolio diversification strategy, TIL acquired Imperial Blue (second-largest brand in low prestige segment, uncorking its entry into the whisky segment), made strategic investment in Spaceman Spirits (provides entry into the fast-growing white spirit segment) and continues to scale up its presence in the P&A whisky segment through premium offerings; it relaunched the Mansion House whisky in Sep'24 (in semi-premium segment) and Seven Islands Pure Malt Whisky (premium segment) in Nov'25. The combined entity now has a wider portfolio and enhanced geographic presence, which creates a formidable platform to tap into the larger TAM and premiumisation trend in the IMFL segment.
- With superior execution over the last four–five years, TIL has seen some re-rating; however, it still trades at a discount to listed peers in the alcoholic beverage space. We like TIL's intent to widen TAM by addressing portfolio gaps both organically and inorganically. However, competitive activity in the IMFL segment remains healthy. In order to bridge the valuation gap vis-a-vis peers, we believe execution on the following aspects will be key: i) sales growth in the P&A segment, especially reviving IB volumes, scaling up Samsara white spirits portfolio and stepping up innovations in mid-upper prestige/luxury IMFL segments; ii) extracting synergy benefits, thereby improving profitability of the combined entity; and iii) reduction in debt over the next three years.
- We value TIL at 35x FY28E (c. 30% discount to average target multiple of peers given lower margins/RoC and higher debt), yielding a Mar'27E TP of INR 550, implying c. 25% upside potential from CMP. Our Mar'27E TP implies c. 20x FY28E EBITDA on the consolidated business. We initiate coverage with a BUY rating.

Exhibit 8: TIL's 3-year average PE band



Source: Bloomberg, Company, JM Financial

Exhibit 9: TIL's 3-year average EV/EBITDA



Source: Bloomberg, Company, JM Financial

Exhibit 10: Peer comparables – Financial parameters

Company	Mcap (USD bn)	Rating	FY26-28E CAGR (%)			RoE (%)			RoIC* (%)		
			Sales	EBITDA	EPS	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Alcoholic Beverages											
United Spirits	10.3	ADD	7.9%	11.1%	11.5%	20.7%	20.6%	21.1%	35.4%	38.4%	40.3%
United Breweries	4.7	ADD	11.6%	26.7%	38.5%	9.8%	13.3%	16.8%	18.2%	23.2%	28.3%
Radico Khaitan	4.1	BUY	12.8%	18.0%	24.6%	19.5%	20.8%	21.3%	29.3%	31.6%	32.8%
Allied Blenders & Distillers	1.3	BUY	10.8%	20.7%	27.3%	16.8%	19.3%	21.5%	33.1%	34.1%	34.7%
Tilaknagar Industries	1.2	BUY	47.5%	37.7%	25.3%	12.3%	8.1%	11.0%	24.3%	29.3%	30.8%
Food and Beverages											
Nestle	25.1	REDUCE	9.5%	13.0%	15.2%	72.5%	76.7%	82.6%	97.8%	128.2%	164.7%
Britannia	15.1	BUY	10.4%	9.8%	12.3%	54.4%	51.9%	49.0%	105.5%	126.0%	150.6%
Varun Beverages**	14.7	BUY	12.1%	9.7%	11.0%	16.8%	15.5%	15.5%	16.2%	16.2%	17.8%
Tata Consumer	11.6	ADD	10.5%	16.5%	21.8%	7.7%	9.4%	10.5%	7.5%	9.3%	10.3%
Bikaji	1.6	BUY	14.6%	10.4%	14.6%	17.5%	18.0%	16.8%	17.5%	19.7%	20.2%

Source: JM Financial. Note: a) MCap as on 13th Mar'26; b) *RoIC for alcobev companies is pre-tax and excludes goodwill and intangibles; c) **Data for Varun Beverages is for CY25/26E/27E; d) Assuming 12-month consolidation in FY26, LTL sales/EBITDA CAGR is estimated to be 10.6%/17% over FY26-28E

Exhibit 11: Peer comparables – Valuation parameters

Company	PE (x)			EV/EBITDA (x)			EV/Sales (x)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Alcoholic Beverages									
United Spirits	58.1	51.9	46.7	42.0	35.6	32.3	7.4	6.8	6.3
United Breweries	99.4	70.0	51.8	48.7	38.5	30.2	4.8	4.3	3.8
Radico Khaitan	65.6	51.8	42.3	39.6	32.2	27.3	6.3	5.5	4.8
Allied Blenders & Distillers	45.0	35.1	27.7	24.7	20.2	16.8	3.4	3.0	2.7
Tilaknagar Industries	44.7	42.0	28.5	31.9	19.1	16.1	5.1	2.6	2.3
Food and Beverages									
Nestle	73.3	63.1	55.3	45.5	39.9	35.4	10.2	9.2	8.4
Britannia	54.5	49.0	43.8	37.0	33.4	30.1	7.2	6.4	5.8
Varun Beverages*	44.7	45.2	39.4	26.8	24.0	21.4	6.5	5.7	4.9
Tata Consumer	68.0	54.0	46.4	37.5	31.0	27.5	5.2	4.7	4.3
Bikaji	57.5	47.8	43.8	35.6	30.3	28.2	5.1	4.3	3.7

Source: JM Financial. Note: Valuation as on 13th Mar'26. Note: *Data for Varun Beverages is for CY25/26E/27E

Key Risks

- **Adverse regulatory environment particularly in key markets (e.g. Telangana):** The spirits Industry in India operates in a highly regulated environment, marked by diverse regional laws including varying production levies, complex tax structures, advertising restrictions and multiple licensing requirements for manufacturing, storage, and distribution. Any changes in state-specific regulations or lapses in compliance could disrupt operations, delay product movement and adversely impact the company's business operations and profitability
- **Slower-than-expected execution in Imperial Blue and P&A segment:** The IMFL industry in India is highly competitive with many existing incumbents penetrating the market with diverse and differentiated offerings across whisky, brandy, rum and White spirits. Further, country liquor players are also diversifying and upgrading their portfolios with entry-level IMFL products, adding to the overall competitive intensity. TIL through acquisition of Imperial Blue has taken a big step in its premiumisation journey. Any integration challenges or slower than expected scale up in Imperial Blue volumes, lack of innovation in P&A segment can impact the overall earnings trajectory.
- **Volatility in input costs:** TIL's key raw materials include molasses, grains, extra-neutral alcohol (ENA) and packaging materials like glass. Price volatility in these inputs driven by global commodity cycles, supply-demand imbalances or geopolitical factors could lead to higher production costs. Since, the company operates in a highly regulated environment where price flexibility is negligible; cost escalations may adversely affect it and potentially result in margin compression.
- **Litigation risk related to ownership of key brand – Mansion House:** A suit was filed in the Bombay High Court in 2009, disputing ownership of one of the company's brands – "Mansion House". While the 2011 court order and subsequent appeals have ruled in favour of the company, allowing unrestricted nationwide use of the brand, the matter remains under litigation. On February 7, 2025, an order permitting the counterparty's assignee to use the brand in West Bengal was passed which was later stayed and then set aside by the division bench (July 16, 2025). This decision was subsequently upheld by the Supreme Court (September 16, 2025) until the final adjudication of the suit which is pending before the Bombay High Court. Although, the company continues to enjoy uninterrupted and exclusive use and sale of goods under this brand, any adverse outcome in the ongoing litigation could impact the Company's rights to use the brand and may adversely affect its business and operations

Business Analysis

Pan-India player; formidable in two largest sub-segments of IMFL

- Exceptional journey from B2B to leadership in brandy segment; aspires to be pan-India/pan-category IMFL player:** In the 1970s, Tilaknagar Distilleries and Industries Ltd (TDIL) was promoted as a 100% subsidiary of Maharashtra Sugar Mills Limited (MSML, incorporated in 1933) to manufacture industrial alcohol, IMFL and sugar cubes. After MSML exited the sugar business (post change in government stance on essential commodities), TDIL was merged with MSML and renamed as Tilaknagar Industries Ltd (TIL) in 1993. Over the years the company has transformed itself from manufacturing sugar to industrial alcohol, then to manufacturing portable ENA to industry players and then in 1987 into manufacturing, marketing and selling of own alcoholic beverage brands. Under the leadership of Mr. Amit Dahanukar (CMD) and a capable/experienced professional management team, TIL has established itself as the market leader in the brandy segment and is now, with the acquisition of Imperial Blue, is looking to scale up its presence pan-India across various sub-segments of IMFL (especially in the P&A segment).
- Leadership position with strong brand (Mansion House) in brandy segment:** As per industry reports, brandy (market size of 80mn–85mn cases) is the second-largest category within the IMFL segment, accounting for 20%/11%+ of the overall IMFL industry volume/value. The brandy segment has grown faster versus whisky and the overall IMFL segment in the last 5–6 years. In terms of portfolio mix, brandy accounts for c. 90% of TIL's overall volume, followed by whisky. The company, with its strong portfolio of brands (Mansion House, Courier Napoleon, Monarch) enjoys leadership position in the brandy segment with a market share of 13–14% on a pan-India basis. Within the South region (ex-Tamil Nadu), which accounts for a majority of the consumption of brandy, we estimate TIL's market share to be higher at 25–30%.
- Making inroads into whisky (largest sub-segment in IMFL) through Imperial Blue takeover:** Imperial Blue, with a volume of c. 22mn cases, is the third-largest IMFL brand in terms of volume and the No. 2 brand in the lower prestige whisky segment. This coupled with TIL's leadership position in the brandy segment makes it the third-largest P&A player pan-India (with market share in mid-high teens) and the largest P&A player in the South (Telangana, Andhra Pradesh, Karnataka, Kerala and Pondicherry) with c. 32% market share in Dec'25.
- Requisite capabilities in place to tap into large and attractive opportunity in IMFL:** TIL's manufacturing network is spread across 10 states. The infrastructure is asset light with a total production footprint of 21 units, of which four are owned units (three are subsidiaries) and 17 are contract manufacturing units. The mother plant is in Shrirampur (Maharashtra) where it also has 50 KLPD molasses-based and 100 KLPD grain-based distillation plants and an IMFL bottling plant. Further, with the acquisition of IB, TIL will get two owned and two exclusive units as part of the transaction as well as access to IB's pan-India distribution network. Apart from a wider portfolio offering and distribution/manufacturing capabilities, TIL also has a strong management team in place, comprising professionals with more than a decade of experience in marquee alcoholic beverage firms. This provides comfort on smooth integration and improvement in execution, going ahead.

Exhibit 12: Comparative analysis across alcoholic beverages peers (FY25)

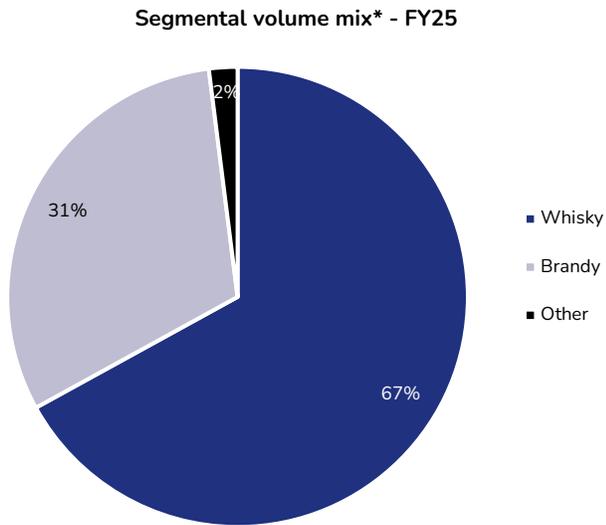
FY25	Overall Volume	P&A Volume	IMFL revenue	EBITDA margin
United Spirits	63.9	52.9	1,15,170	17.8%
Pernod Ricard*	41.9	41.9	1,01,657	22.8%
Tilaknagar Industries (TIL + IB)**	34.3	34.3	44,658	13.1%
Radico Khaitan	31.4	13.0	33,717	13.9%
Allied Blenders & Distillers	33.1	13.4	33,340	12.2%

Source: Company, JM Financial.

Note: *excludes Imperial Blue.

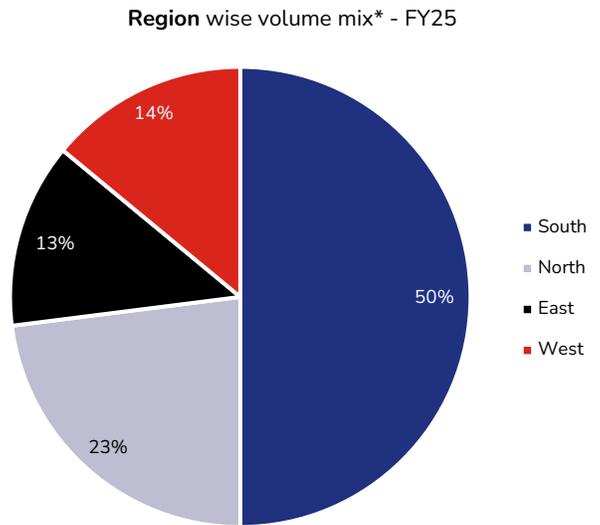
**Proforma figures for combined entity for FY25

Exhibit 13: Whisky to be largest segment by volume



Source: Company. Note: *Volume mix is for combined entity (TIL + IB)

Exhibit 14: Regional mix – Equally split between South and non-South



Source: Company. Note: *Volume mix is for combined entity (TIL + IB)

Exhibit 15: Wider portfolio with strong brands in two largest segments within IMFL



Source: Company Note: Category/Segment size (in cases) as per management estimates

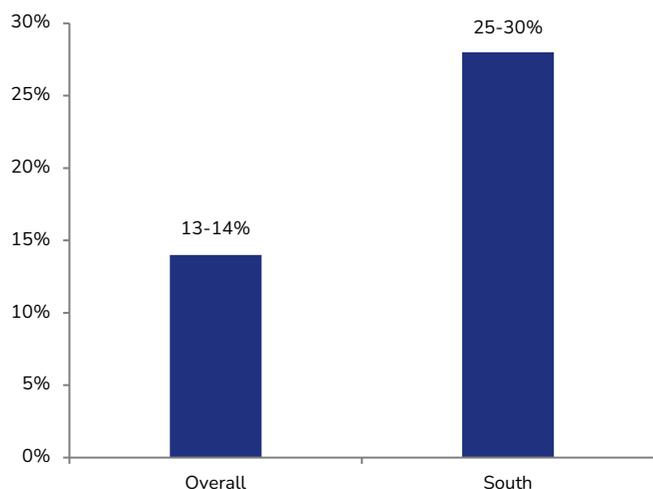
Exhibit 16: TIL's brand portfolio across price points

Brands	Segment	Specific product	MRP (INR per 750ml)
Monarch Legacy Edition	Luxury	Monarch Expertly Crafted Fine Brandy Legacy Edition	5,000
Courrier Napoleon Brandy	Premium/Semi Premium	Courrier Napoleon Finest French Brandy-Green	1,405
Mansion House Whisky	Premium/Semi Premium	Mansion House Gold Whisky	1,170
Mansion House Brandy	Deluxe	Mansion House French Brandy	970
Imperial Blue	Deluxe	Imperial Blue Superior Grain Whisky	970

Source: JM Financial. Note: MRP given is of Karnataka state for all brands and has been taken from Karnataka State Beverages Corporation Limited (KSBC).

Exhibit 17: TIL is leader in premium brandy segment...

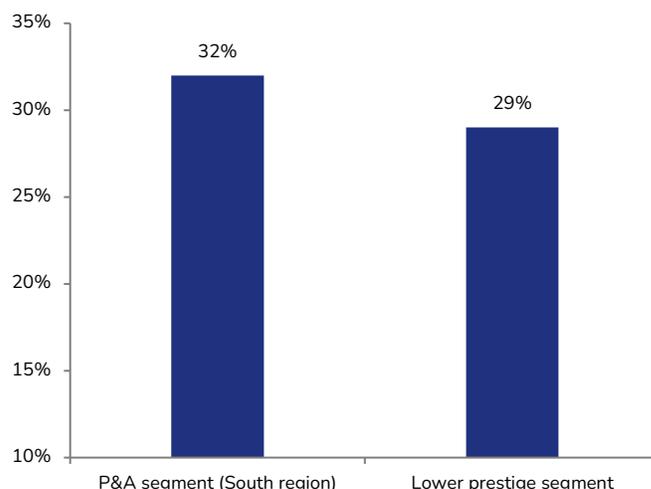
Market share (%) in Brandy segment



Source: JM Financial, Company

Exhibit 18: ...and now formidable in P&A post-Imperial Blue acquisition

Market share (%)



Source: JM Financial, Company. Note: South region includes Telangana, Andhra Pradesh, Karnataka, Kerala and Pondicherry

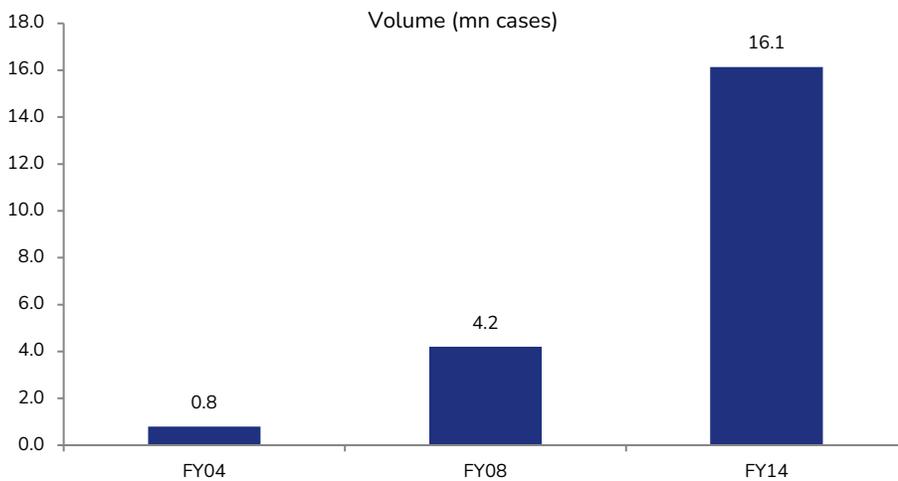
Legacy business: A healthy turnaround...

Over the last two decades, TIL's journey has been quite eventful. In the sections below, we analyse the last two decades of its journey comprising various phases: i) FY04–14: A phase of large capacity expansion and high growth; ii) FY15–16: Challenges emerge, resulting in a sharp increase in debt; iii) FY17–20: debt restructuring and stabilisation of operations; and iv) FY22–25: Successful fund-raise enables debt reduction and provides growth capital, resulting in an impressive turnaround.

High-growth phase – A decade prior to 2015

- Over FY08–11, TIL undertook significant expansion (almost 4x increase) in its distillation capacities through both organic and inorganic routes. The company incurred a capex of INR 2.3bn and commissioned a 50 KLPD molasses-based ENA plant (Nov'09) and 100 KLPD grain-based ENA plant in Shrirampur (commissioned in Nov'11). As a result, the total distillation capacity increased to 200 KLPD in FY11 (versus 50KLPD in FY09). This apart, it also enhanced bottling capacity from 50,000 cases/month to 300,000 cases/month.
- Over FY04–14, TIL's volume increased from 0.8mn cases to 16.1mn cases. A further drilldown reveals that FY08 was a standout year with volume being c. 3x of FY07 reaching 4.2mn cases. This strong growth was a function of optimisation of existing capacities, tie-ups with regional manufacturing/bottling facilities to cater to regional demand, new launches in the whisky segment (59% sales growth in FY08), increased geographic spread, and aggressive investments behind marketing and sales. The strong sales momentum continued over FY08–12 with volume CAGR of 39.4%. In FY13, growth moderated due to a weak macro environment, decline in volume in Tamil Nadu, the company's largest market (as liquor ordering process changed in the state, favouring local players) and stagnant CSD sales. In FY14, there was a recovery led by strong growth in the brandy portfolio. Over FY11–14, net contribution from the Tamil Nadu market fell from 40% to 10%.
- Overall, over FY08–14, TIL delivered robust sales CAGR of 33.4%, propelled by strong volume momentum, with volume reaching an all-time high of 16.1mn cases (CAGR: 25.1% over the same period).

Exhibit 19: Strong volume growth FY04–14



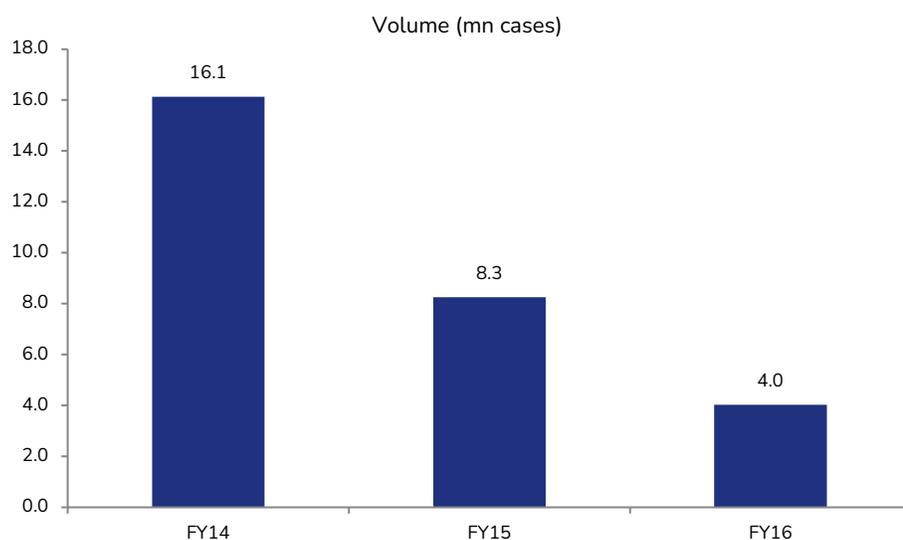
Source: Company, JM Financial

FY15–16: Challenges emerge

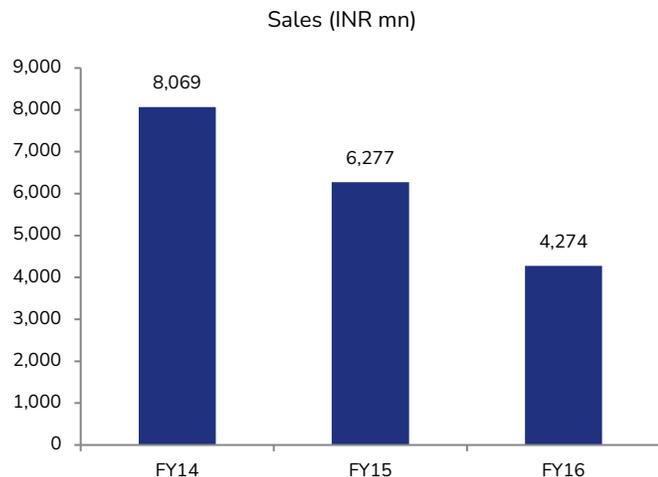
- By the end of FY14, business performance began to face pressure due to unforeseen challenges in Tamil Nadu, one of the company's key markets, such as: i) lower-than-anticipated price hikes from the regulator; ii) shutdown of the licensee's bottling unit, which impacted TIL's sales and contribution from premium segments; and iii) sharp price increase in ENA. Further, industry growth moderated due to price hikes, bans, and distribution realignments. In addition, operational disruptions following the bifurcation of Andhra Pradesh state (into Andhra Pradesh and Telangana) and sales restrictions imposed in Kerala aggravated the impact for TIL as both were among the key markets for the company.

- The management recognised early that the company’s high-volume, low-margin product portfolio was unsustainable in a working-capital-intensive industry. Several initiatives were undertaken to navigate through these challenges.
 - **Strategic shift towards premiumisation:** In FY15, the company decided to discontinue its high-volume, low-margin product line. Resources were reallocated towards premium and semi-premium segments to drive value-accretive growth rather than volume-led expansion.
 - **TIL undertook product range consolidation and geographic rationalisation** by reducing exposure to less profitable markets. Shipments were reduced/discontinued in the CSD channel and in low profitable markets like Kerala.
 - **No near-term capex requirement:** Given the shift from a volume-driven approach to a value-focused model, existing manufacturing capacity was deemed adequate for future requirements. No significant capital expenditure was considered necessary in the foreseeable future.
- **Impact visible on company performance:** Volume fell by c. 49%/51%, resulting in sales (ex-subsidy income) decline of 22%/32% in FY15/16. Scale deleverage resulted in EBITDA (ex-subsidy income) loss of INR 204mn/INR 1.2bn in FY15–16.
- **Sharp increase in debt:** Legacy of high-volume low margin business, disruption in key markets, delay in receipt of receivables from Tamil Nadu bottlers and high finance cost (due to increased premium paid on forward exchange contracts and hike in interest rates by banks). As a result, debt increased substantially, cash flows got constrained and company defaulted in repayment of loans in FY16. Management continued to explore restructuring opportunities to reduce debt to sustainable levels and alleviate working capital constraints.

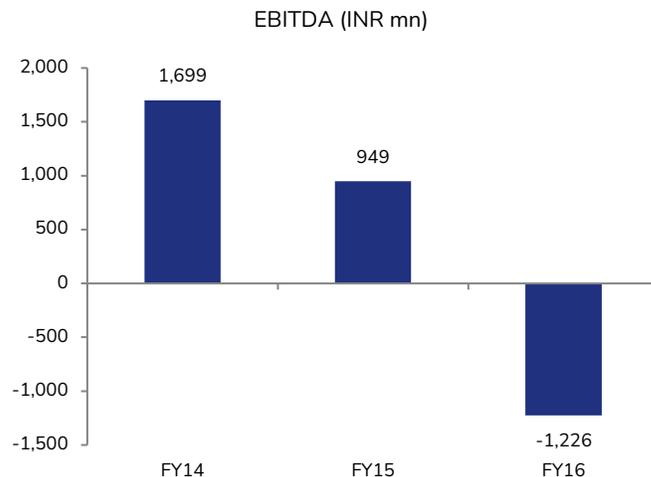
Exhibit 20: Challenges in key market led to sharp moderation in volumes over FY15/16...



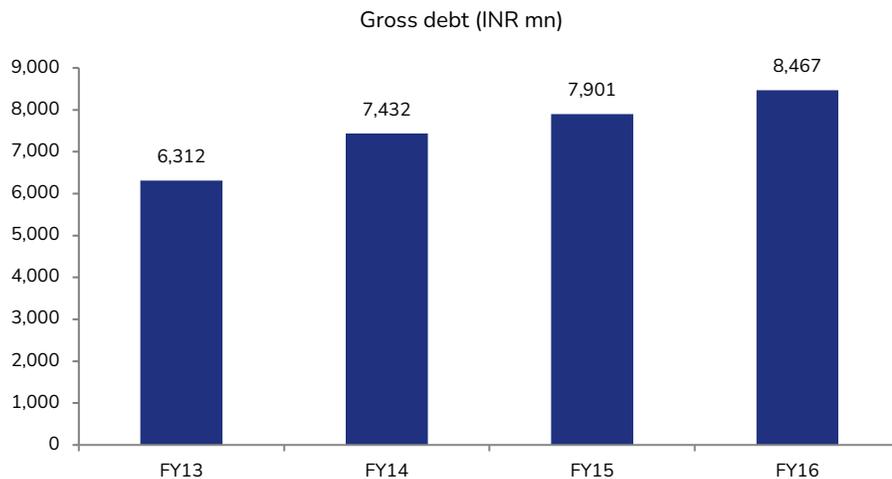
Source: Company

Exhibit 21: ...thereby impacting overall sales...

Source: Company

Exhibit 22: ...as well as profitability

Source: Company

Exhibit 23: Weak profitability and higher receivables drive up overall debt

Source: Company

FY17–21: Undergoes successful debt restructuring resulting in sharp reduction in debt

- With continued losses, high working capital requirements and regulatory headwinds weighing on business performance, there was an inevitable need to reduce debt (at elevated levels) and ensure business and financial stability. While business fundamentals, in terms of product, brands, sales & marketing remained strong, the company undertook the necessary interventions to reduce debt.
 - In FY17, Punjab National Bank, IFCI and Axis Bank assigned all their rights (nearly 47% of the debt) to Edelweiss Asset Reconstruction Company Limited (EARC), with whom a long-term debt restructuring schedule to service the principal and interest was charted out as a part of debt restructuring exercise.
 - In FY18, TIL entered a one-time settlement arrangement of principal dues with Axis Bank (of INR 250mn) and Bank of India (of INR 950mn).
- As on FY19, the company's debt was INR 11bn. The debt reduction happened in two parts – i) a one-time settlement arrangement of principal dues with Axis Bank, Bank of India, SBI and IDBI Ltd; overall, TIL paid INR 2.6bn against outstanding of INR 6bn; and ii) In FY20, it signed and executed a master restructuring agreement (MRA) with EARC to restructure its outstanding loan of INR 5.2bn.

- As per the MRA, the outstanding debt was divided into two parts – restructured debt of INR 3.4bn (on which company would pay interest @ 9% per annum) and balance debt of INR 1.78bn. Of the balance debt, INR 338.7mn did not bear any interest and was converted into equity shares. The company issued and allotted 1,39,03,752 equity shares having face value of INR 10 on 24th Apr'21 to EARC at an issue price of INR 24.36 per share (including premium of INR 14.36 per share). On balance debt minus the converted balance debt, i.e., INR 1.45bn, interest would accrue at 0.001% till such time as the company repaid its restructured debt to the lender. Post completion of repayment, the lender would waive the outstanding balance debt along with accrued interest.
- **The compromise settlements and restructuring agreement entered by the company in FY20 significantly reduced the debt burden (from INR 11bn in FY19 to INR 6.6bn in FY20) and consequential finance cost thereon.**

FY22–25: Fund-raise resulting in further reduction in debt, stepped-up investments in growth; all in all, a strong turnaround in both volumes and profitability

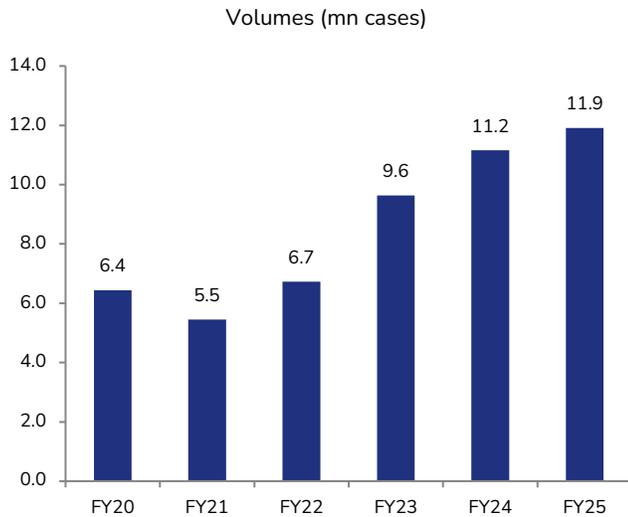
- To further reduce debt and invest in growth, the company successfully completed three rounds of preferential allotment in FY22/23 and raised INR 3.1bn. Of this, INR 1.47bn was utilised to repay high-cost debt. In FY23, it prepaid a portion of its outstanding principal and accrued interest of INR 0.5bn (originally payable in FY24). As a result, the balance debt of INR 1.3bn was waived off by EARC and accordingly was written back as exceptional income. As on 31st Mar'23, outstanding debt to EARC was INR 1.9bn, which was refinanced by Kotak Mahindra Bank in FY24, to the extent of 1.3bn and the balance was discharged by internal accruals.
- Gross debt further reduced from INR 6.6bn in FY20 to INR 1.2bn/INR 424mn in FY24/FY25 (TIL turned net cash in FY25). The balance amount of the fund-raise was used to invest in growth.
- **This strategic financial management has been instrumental in reshaping the company's financial health by bolstering profit margins and streamlining cash flows. The results were promising – volumes almost doubled over FY20–25, and the momentum has remained strong in FY26E. Profitability metrics also improved substantially from EBITDA loss in FY20 to mid-teens EBITDA margin in FY25/1HFY26.**

Exhibit 24: Preferential issue infuses growth capital, strengthens BS via debt paydown

Month	Investors	No. of shares	Issue Price (INR)	Fund Raised (INR mn)
Dec-21	Lotus Family Trust	1,18,86,792	53	630
Dec-21	Promoter Group	1,18,86,792	53	630
Jun-22	Channel partners in key southern states	1,18,05,556	72	850
Dec-22	Think Investments	1,05,26,315	95	1,000

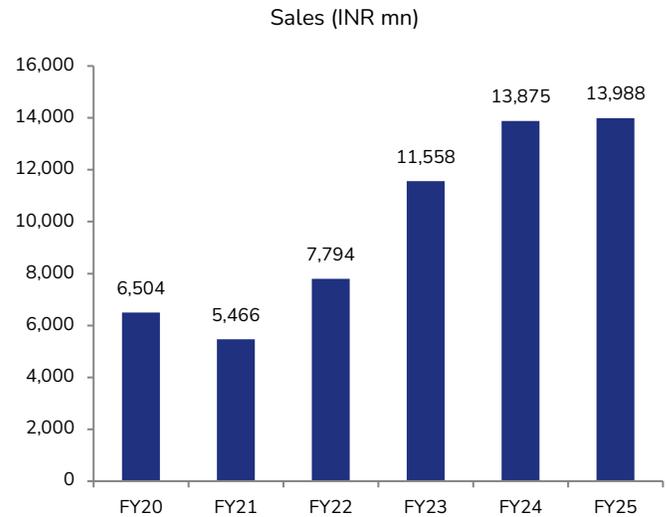
Source: Company, JM Financial

Exhibit 25: Growth capital allowed TIL turn around volumes...



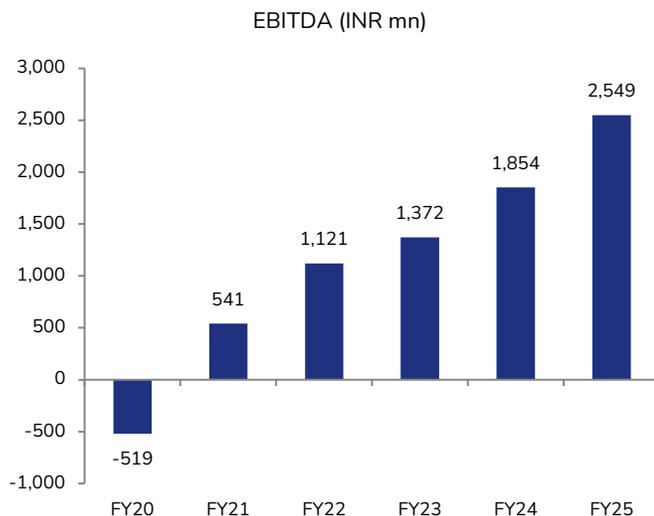
Source: Company

Exhibit 26: ...resulting in a steady uptick in sales



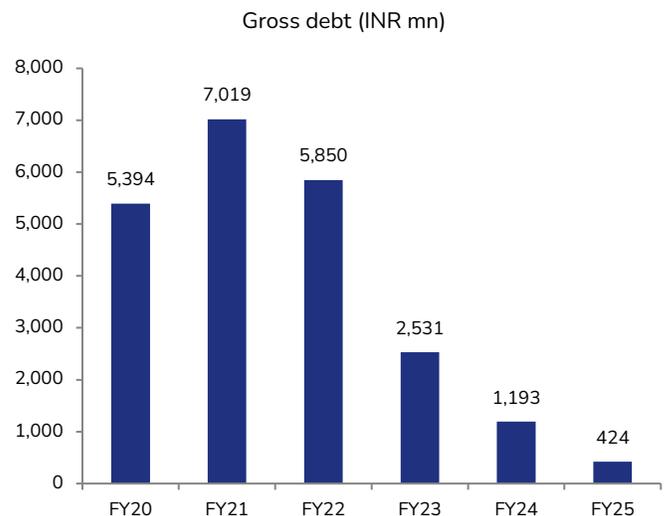
Source: Company

Exhibit 27: Profitability also improved sharply...



Source: Company

Exhibit 28: ...as did balance sheet strength; TIL turned net-cash in FY25



Source: Company

...and remains on a stable footing

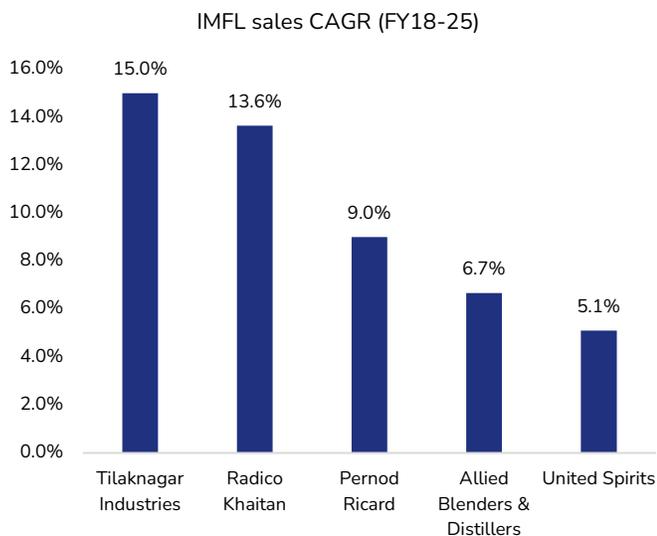
Analysing core markets of TIL for brandy segment: As highlighted earlier TIL is the dominant player in the brandy segment. A look at its organic business (ex-Imperial Blue) reveals that, on a regional basis, South is the largest market for the company, accounting for a majority of its sales. Within the South, Andhra Pradesh, Telangana, Karnataka and Kerala are the four large markets for the company, accounting for 75–80% of its overall volumes.

- Andhra Pradesh:** Prior to the route-to-market change, our checks suggest AP had a market size of c. 35mn cases for IMFL. Post opening of the market, it has been one of the fastest-growing markets for spirit players in India with a size of c. 40mn cases. This benefit of this is visible in the high growth seen by players such as United Spirits and Radico Khaitan in the past 3–4 quarters. In terms of sub-segments, it is a large whisky market (55–60% of the industry) followed by brandy (c. 35%). Premiumisation trends are also strong in this market and TIL is the second-largest player in AP within the P&A segment. In the brandy segment, TIL is the dominant leader with c. 25% market share in the state. Overall, TIL has a low-double-digit market share (c. 12%) in IMFL segment in AP (150–200bps gain seen compared to market share prior to route-to-market change).

- Telangana:** Like AP, Telangana too is a large IMFL market with a volume size of 35mn–37mn cases. In terms of sub-segments, whisky is the largest (c. 85% of the market) followed by brandy (11–12%). Moreover, the product mix is more skewed towards the P&A segment, which is 60% of the industry; TIL is the third-largest player in this segment. The brandy segment has grown much faster than whisky in the state and TIL is the clear leader with 65%+ market share. With increased investments in growth, TIL has almost doubled its market share (6%+ currently) from c. 3% market share in FY20 in the overall IMFL segment.
- Karnataka:** It is one of the largest IMFL markets with a volume size of 65mn–70mn cases; however, the mix is more skewed towards regular and segments below it. Whisky is the dominant segment while the share of brandy in the overall industry is c. 9%. In P&A, TIL is the third-largest player in the state after Diageo and Pernod Ricard with a market share of c. 20%.
- Kerala:** The IMFL industry size is c. 20mn cases, but, in contrast with other South markets, Kerala has much higher salience of brandy and rum, accounting for c. 50%/40% of the industry. However, like Tamil Nadu, regional/local players have larger market share in the state. TIL has c. 15% market share in brandy and the company has been reducing its focus on the state as it is the least profitable market.

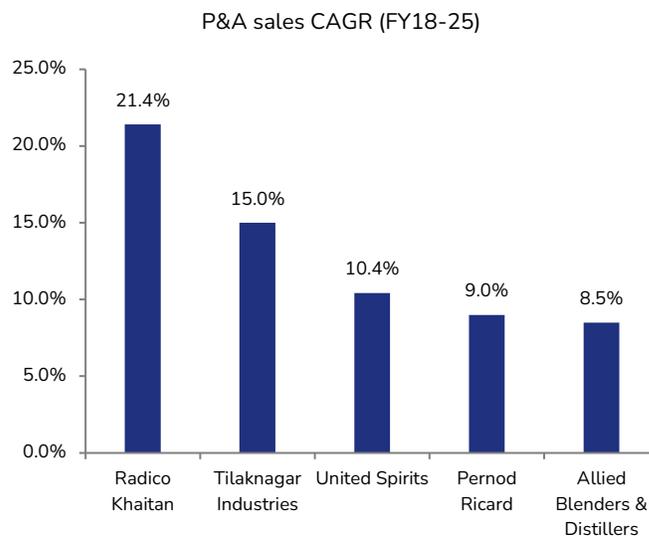
Over FY18–25, TIL’s sales has grown at a CAGR of 15%, faster than that of listed peers like Radico (IMFL sales CAGR of 14%), United Spirits (IMFL sales CAGR of 5%) and Allied Blenders (IMFL sales CAGR of 7%). If we look at only P&A sales, then too TIL’s sales CAGR of 15% is better than 10% CAGR for United Spirits and Allied Blenders. With strong brands and leadership position in key markets for the brandy business, **we expect sales traction to continue and factor in 13.1% sales CAGR for the legacy business over FY26–28E led by low-double-digit volume CAGR. TIL’s gross margin is best in class when compared to peers. With input costs largely stable, coupled with some leverage benefit, we expect EBITDA CAGR (ex-subsidy income) of 15.1% over FY26–28E. Our assumptions do not factor in any material price hike (expected in Telangana, one of TIL’s largest markets).**

Exhibit 29: TIL outperformed peers in terms of IMFL sales...

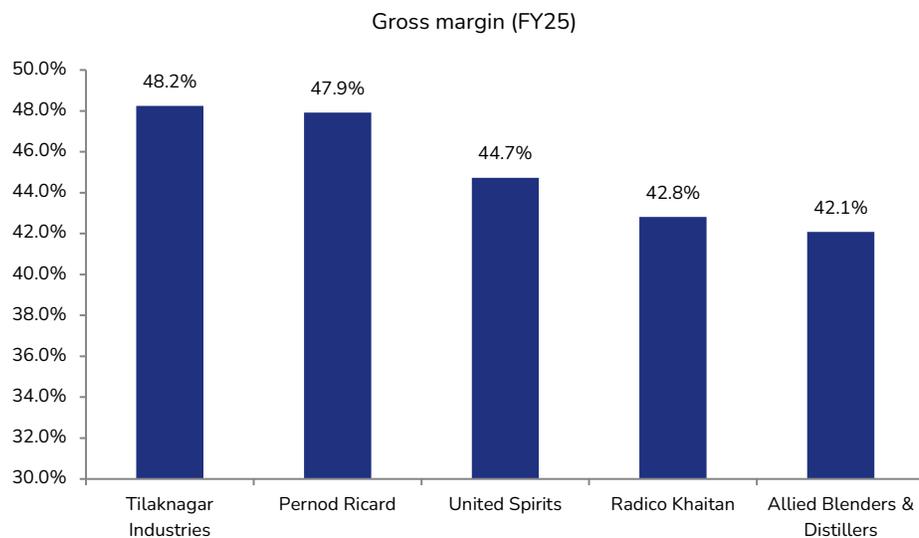


Source: Company, JM Financial

Exhibit 30: ...and P&A sales over FY18–25



Source: Company, JM Financial

Exhibit 31: Gross margin: TIL's profile best in class

Source: Company, JM Financial

Exhibit 32: TIL's legacy business: Key assumptions

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Volume (mn cases)	11.2	11.9	13.7	15.1	16.8
YoY growth (%)	15.8%	6.7%	14.8%	10.4%	11.4%
Net Sales (INR mn, ex-subsidy income)	13,875	13,988	15,891	17,901	20,335
YoY growth (%)	20.0%	0.8%	13.6%	12.6%	13.6%
Realisation/case	1,243	1,174	1,162	1,185	1,209
YoY growth (%)	3.7%	-5.5%	-1.1%	2.0%	2.0%
EBITDA (INR mn, ex-subsidy income)	1,854	2,259	2,484	2,863	3,293
YoY growth (%)	35.2%	21.8%	10.0%	15.2%	15.0%
EBITDA margin	13.3%	16.1%	15.6%	15.9%	16.1%

Source: Company, JM Financial. Note: Figures are only for Tilaknagar industries (legacy business and excludes subsidy)

Imperial Blue: A transformation journey to premiumisation

As a part of its transformation and portfolio expansion strategy, TIL entered into a definitive agreement with Pernod Ricard to purchase Imperial Blue for a lumpsum consideration based on an enterprise value (EV) of EUR 413mn (INR 43.5bn), thereby making it the largest transaction in the Indian alcoholic beverage space by an Indian company. Overall EV includes a normalised working capital of EUR 70mn (INR 8bn) and a deferred consideration of EUR 28mn (INR 2.9bn), payable at the end of four years, i.e., in FY30. The acquisition was completed in Nov'25.

- Transaction perimeter:** As a part of the transaction, TIL has rights and ownership of the Imperial Blue trademarks, copyrights, technical knowhow, recipe and goodwill in relation to IB. Raw material supply is also secured by entering into a long-term supply agreement with Chivas Brothers for CAB (Concentrated Alcoholic Beverage), an essential raw material for manufacturing IB products. Further, it has entered into a Transition Manufacturing and Services Agreement (TSMA) with Pernod Ricard whereby the seller has agreed to help in smooth transitioning of the business post-closing wherein operations will be supported by 22 manufacturing units. Post end of TSMA, TIL will get two owned and two exclusive units as part of the transaction.
- Valuations:** As of FY25, the brand clocked overall volumes of 22mn and sales of INR 30.67bn. Moreover, as per our estimate/checks, the brand has low-double-digit EBITDA margin. The deal values the acquisition at 1.2x FY25 EV/Net sales and c.10x FY25 EBITDA (1.4x sales /c.12x EBITDA including normalised working capital), lower than TIL's valuation of 6x FY25 Sales and 35x FY25 EBITDA (based on CMP when acquisition was announced). In comparison, UNSP's transaction with Inbrev in May'22 had two parts: i) Divestment of 32 popular brands, which happened at 1.1x EV/sales and c. 7x EV/EBITDA (on FY22). ii) Franchising of 11 brands, which if converted to a long-term franchisee agreement would translate into 2.5x EV/sales and c. 17x EV/EBITDA (on FY22).
- Deal funding:** TIL intends to finance the deal through a mix of equity and debt. The company has already raised INR 23bn through a preferential issue of equity shares (issue size of INR 5.5bn) and convertible warrants (issue size of INR 17.5 bn, of which promoter subscribed to warrants worth INR 3bn) in Jul'25. The balance consideration amount was raised through debt of INR 20bn.

Exhibit 33: Transaction consideration for IB business

Transaction summary	INR in Bn
Consideration paid to Pernod Ricard ⁽¹⁾	32.6
Normalised working capital	8.0
Deferred Consideration	2.9
Enterprise valuation ⁽²⁾	35.5
Revenue (FY25) ⁽³⁾	30.7
EBITDA (FY25) ⁽³⁾	3.6
EV/Sales (x)	1.2
EV/EBITDA (x)	9.9

Source: JM Financial, Company. Note: (1) Base consideration, doesn't include closing adjustment of INR 1.8bn (total payment of INR 34.4bn made in Nov-25), INR 1.8bn primarily include inventory and prepaid expenses; (2) Excludes normalized working capital of appx. INR 8.0bn; (3) As per carve-out financials

Exhibit 34: Funding through mix of debt and equity (QIP)

Nature of transaction	INR in Bn
QIP in Jul'25	23.0
- By way of issue of equity shares	5.5
- By way of issue of share warrants	17.5
Gross debt as on Dec'25	21.5
- Term loan	20.4
- Working capital loan	0.6
- Others	0.5

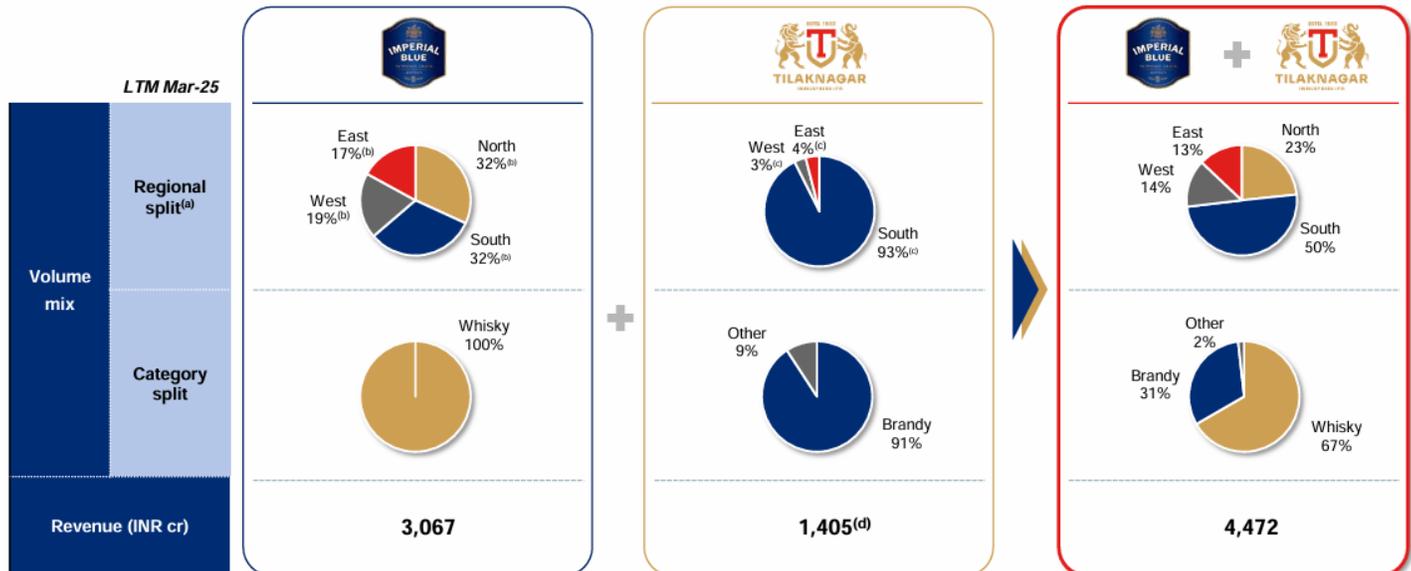
Source: JM Financial, Company

In the sections below, we delve into various aspects of the acquisition in terms of industry overview, size/scale of combined entity, synergy benefits and proforma financials.

Combined entity to have much wider TAM benefiting from portfolio and geographic diversification

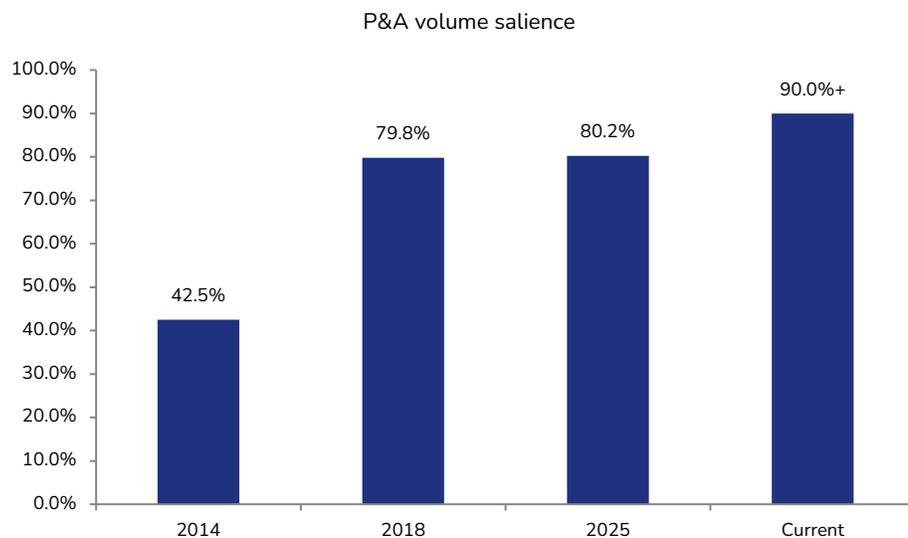
- Portfolio diversification with entry into whisky segment (largest segment within IMFL will now account for 2/3rd of its sales) where TIL is significantly under-indexed** compared to spirit players like Radico Khaitan, ABD, Pernod Ricard and UNSP. Prior to this acquisition, TIL derived c. 90% of sales from the brandy segment. With this acquisition, around two-thirds of TIL's sales will come from the whisky segment, followed by brandy, which will account for c. 31% of sales.
- Geographic synergies (non-South salience increases to 50% from 7% earlier) provide opportunity to enhance presence in under-indexed states:** Another key synergy benefit from this acquisition is access to newer geographies. Imperial Blue, being a pan-India brand, has a presence in North (32% of sales), South (32% of sales), West (19%) and East (17%). TIL, due to its portfolio skew towards brandy, has been strong in the South (93% of sales) but has a relatively weaker presence in North/Central India. Acquisition of Imperial blue provides TIL entry into key markets in the North such as UP, Haryana, Punjab, Rajasthan and MP. Further, TIL can use its strong sales and distribution strength in the South to scale up IB's presence in markets such as Karnataka, AP, Kerala, Tamil Nadu and Orissa.

Exhibit 35: Combined entity to have much wider product portfolio catering to much larger TAM



Source: Company.

Note: a) The regional/cluster wise data depicted above does not reflect the market definitions from an anti-trust perspective, b) excluding export & IC, c) Excluding export & institution segment, and d) excluding subsidy

Exhibit 36: P&A salience to volumes: Almost doubled over last decade, to rise further post-IB

Source: Company, JM Financial, *current refers to combined entity post-acquisition of IB

- Wider offerings and distribution strengthen overall platform, will help accelerate premiumisation:** One of the key challenges for TIL's legacy business was its dependence on the brandy segment, that too in the South. Being a single segment/geography company also makes it challenging to gain shelf space in liquor outlets, especially outside the company's core markets. With IB coming into its portfolio, a key portfolio and geography gap has been addressed. With the platform becoming stronger versus erstwhile TIL, it will help the company to scale up its premium and super-premium offerings.

Exhibit 37: Key metrics for combined entity (FY25)

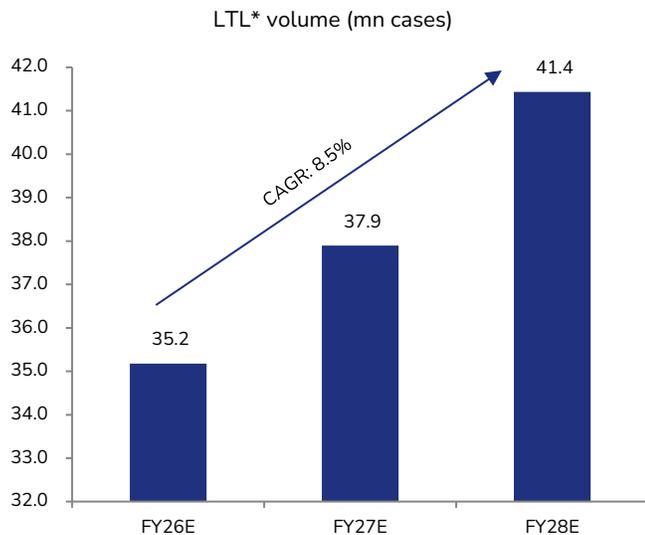
Particulars (FY25)	Tilaknagar Industries	Imperial Blue	Combined Entity*
Volume (mn cases)	11.9	22.4	34.3
Net sales (INR mn, ex-subsidy income)	14,051	30,670	44,721
EBITDA (INR mn, ex-subsidy income)	2,259	3,588	5,847
EBITDA margin	16.1%	11.7%	13.1%
Realisation/case (INR)	1,180	1,369	1,303
EBITDA/case (INR)	190	160	170

Source: Company, JM Financial. Note: a) Net Sales and EBITDA exclude subsidy income b) *Combined entity data is calculated assuming 12 months consolidation

Levers exist for volume growth and margin expansion

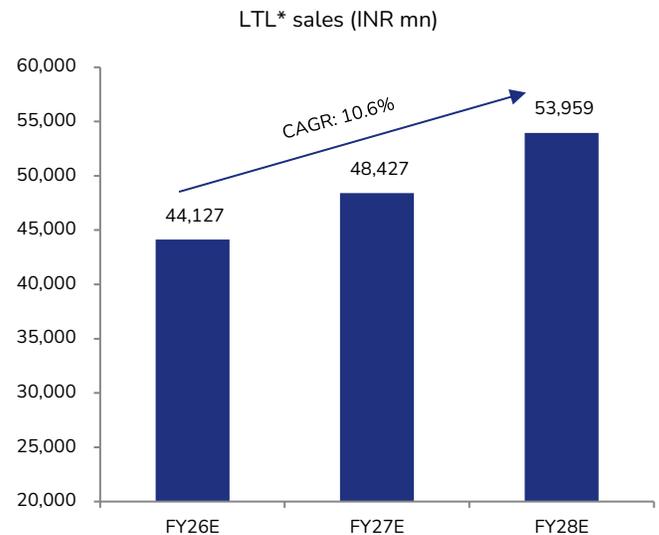
- Geographic/distribution synergies and brand interventions to drive recovery in volume growth for IB:** We expect volume trajectory for IB to revive led by: i) stepped-up brand investments (dedicated branding team in place); ii) leveraging geographical synergy (scaling up presence in markets such as Kerala, Karnataka, AP, Orissa and possible entry in CSD channel, where TIL has formidable presence); and iii) increased focus on large markets such as UP, Haryana and Delhi. Initial signs of recovery are visible from traction seen in December and YTD4Q (management has guided for high single-digit volume growth for IB in 4QFY26E). We are factoring in c. 6%/8% volume growth for IB in FY27E/28E (versus c.2% CAGR decline over FY23–26E).
- Extraction of savings on account of larger scale and better cost structures to enable margin improvement for acquired business resulting in margin expansion for combined entity:** With mid-teens' margins for TIL (organic) and low double-digit EBITDA margins for IB, the combined entity's margins are estimated to be 12.5–12.8% for FY26E. A&P spends will see a step-up (+c. 100bps as % of sales) to drive volume growth for IB. However, with synergy benefits/savings particularly with respect to staff costs, packaging, bottling arrangements and other overheads (IT/admin expenses), we expect margin trajectory to improve for the acquired business. We bake in margin expansion of c. 190bps over FY26–28E (management has guided for 225–350bps improvement over two–three years) for the acquired business, which along with some uptick in organic business margins would lift margins by c. 150bps (LTL basis) for the combined entity (management guided for 150–250bps improvement over two–three years) over the same period.
- We expect LTL sales/EBITDA CAGR of 10.6%/c. 17% for combined entity over FY26–28E:** For the combined entity on an LTL basis, we expect sales (ex-subsidy income) CAGR to be 10.6% with a volume CAGR of 8.5% (volume CAGR of c. 11%/7% for TIL (organic)/IB) over FY26–28E. With synergy benefits/cost savings and improved scale, we expect margins for the combined entity to expand by c. 150bps, resulting in an EBITDA CAGR of c. 17% over FY26–28E. Our margin assumptions do not factor in any major price hikes and a likely UK-FTA benefit.

Exhibit 38: We expect LTL volume CAGR of 8.5%...



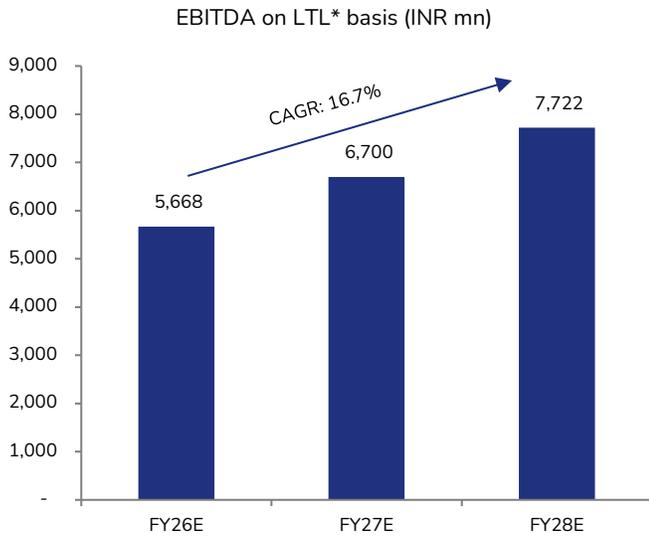
Source: Company, JM Financial
 Note: LTL calculation assumes Imperial blue consolidation for entire 12 months in FY26E.

Exhibit 39: ...resulting in sales CAGR of 10.6% over FY26–28E



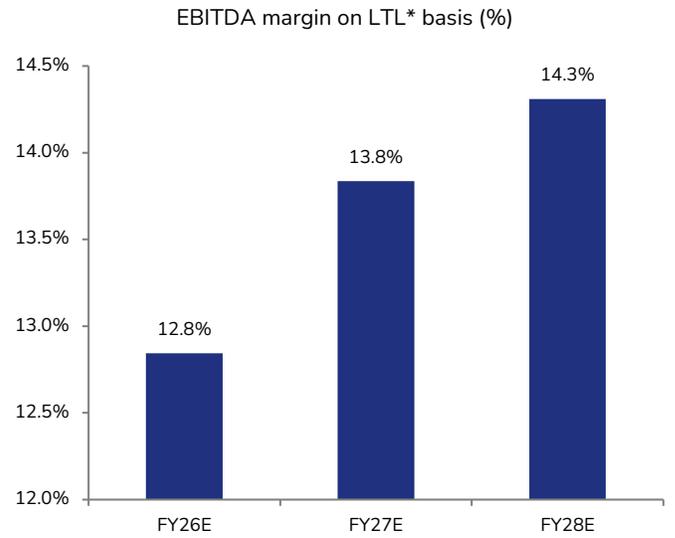
Source: Company, JM Financial
 Note: LTL calculation assumes Imperial blue consolidation for entire 12 months in FY26E.

Exhibit 40: EBITDA to expand at CAGR of c. 17% over FY26–28E...



Source: Company, JM Financial.
 Note: LTL calculation assumes Imperial blue consolidation for entire 12 months in FY26E.

Exhibit 41: ...led by uptick in margins due to improvement in IB margins



Source: Company, JM Financial.
 Note: LTL calculation assumes Imperial blue consolidation for entire 12 months in FY26E.

TIL's strategic bet: craft, cocktails and premiumisation

- **Spaceman Spirits Lab (SSLPL) – the craft spirit that arrived ready to scale up:** SSL is a founder-led craft spirits house best known for Samsara — India's favourite pink gin. Built as a craft-first brand, the company has rapidly broadened its portfolio and carved strong placement in retail outlets and HORECA channels.

The brand's playbook combines distinctive flavour expressions, high social engagement and curated placements in 5-star hotels, bars and clubs—attributes that made Samsara one of the fastest-growing Indian craft gins.

Going forward, SSL is preparing to diversify its product portfolio with strategic forays into new categories, including whisky, heritage liqueurs and tequila. Building on net revenue of c. INR 0.25bn and a volume of c. 27,000 cases in FY25, the company projects a robust FY26, targeting revenue/volume growth of c. 70%/60%.

Exhibit 42: Spaceman acquisition details

Transaction summary	INR in Bn
For 10% share in the company in FY24	
Enterprise valuation	0.98
Sales (FY24)	0.12
EV/Sales (x)	8.3
For additional 10.2% share in the company in FY25	
Enterprise valuation	1.31
Sales (FY25)	0.25
EV/Sales (x)	5.2

Source: Company, JM Financial

Exhibit 43: Spaceman Spirits Lab's portfolio



Samsara Gin

Sitara Rum

Amara Pink Vodka

Source: Company

- **Bartisans – modern mixers as cultural leverage for brandy:** Round The Cocktails Private Limited (RTC), the makers of Bartisans began as a homegrown, digital-first cocktail-mixer brand and quickly built a premium, convenience-led proposition: a portfolio of 19 flavours designed for bar-quality cocktails at home or can be consumed on their own as mocktails.

In FY25, Tilaknagar invested INR 80.03mn investment for a c. 36.17%. The investment aligns directly with TIL's long-term vision to make brandy fun, exciting and aspirational. While FY25 reported revenue stood c. INR 28mn (down from c. INR 35mn in FY24) with the early-stage losses typical of a startup scaling up, the brand's high recall, premium positioning and strong unit economics make it a strategic asset for TIL to play the cocktail culture emergence story in India's alco-bev evolution.

While the founders continue to drive Bartisans independently with their vision, TIL's significant minority stake ensures close strategic alignment. Management has hinted that if growth continues as expected, Bartisans could, in time, become part of the Tilaknagar family. Furthermore, as Bartisans grow across the D2C front, TIL collaborates on co-created mixers and brandy-centric cocktails with the launch of "Golden Hour" in Dec-25 to redefine the brandy experience and attract younger consumers.

Exhibit 44: Collaboration to extend Monarch into premium at-home cocktail ecosystem

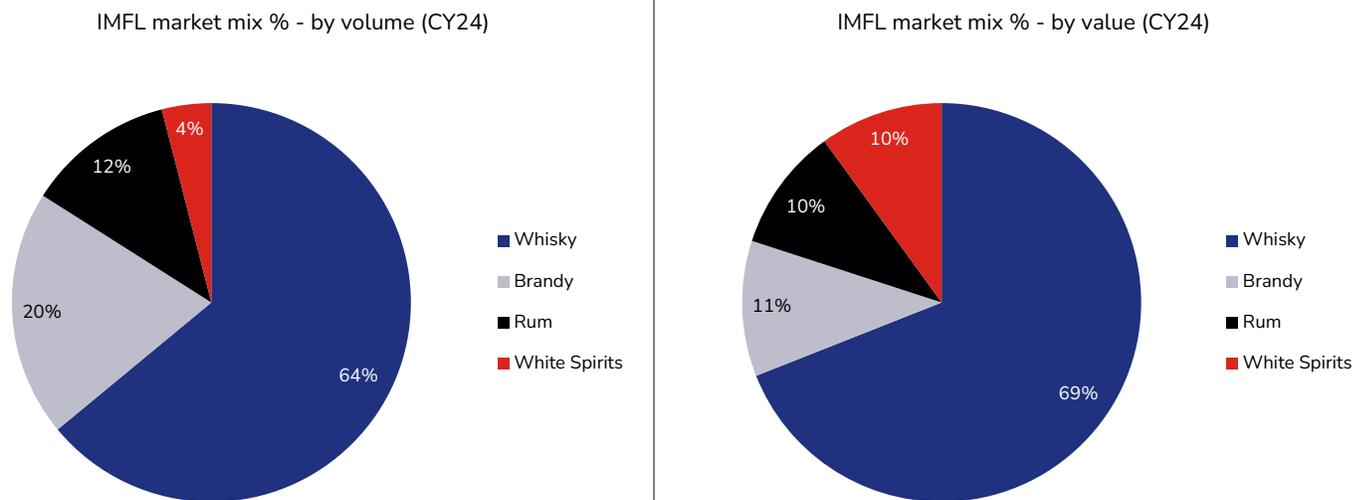


Source: Company

Industry Overview, Competitive Landscape

- Spirits is the largest segment in the Indian alcoholic beverage industry** (65–70% of industry volume/80–85% of industry value), which can be further divided into large sub-segments: IMFL and IMIL (country liquor). As per our checks and industry reports, both these segments are largely similar in size by volume; however, in value terms, IMFL is a much larger segment due to its higher realisations than IMIL.
- IMFL – Largest segment within spirits; dominated by whisky:** The IMFL segment, with a market size of c.400mn cases, can be divided into two segments: Brown (whisky, rum, brandy) and white spirits (vodka, gin, tequila). India is predominantly a brown spirit market with c. 96% of the overall industry volume. If we drill down, then whisky is the largest segment in the Indian IMFL segment, accounting for 64%/69% of volume/value, followed by brandy, rum and then white spirits.

Exhibit 45: Whisky and brandy are two largest sub-segments within IMFL



Source: Company, JM Financial

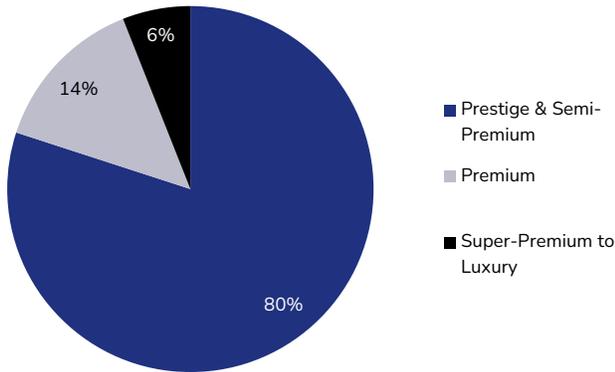
- Lower prestige – McDowell's No 1 and Imperial Blue account for two-thirds of segmental volumes:** According to our estimates, the lower prestige segment with an industry size of 75–80mn cases is the largest sub-segment within P&A. United Spirits is the segment leader, courtesy McDowell's No 1 – largest brand with a volume of c. 31mn cases – followed by Imperial Blue with a volume of c. 22mn cases.

Over the last decade (over CY15–25), as per our estimate, the lower prestige volumes have compounded at 4–5%, with top two brands' (McDowell's No 1 and Imperial Blue) clocking a CAGR of c. 3%. Meanwhile, ICONiQ White (from ABD) and After Dark (from Radico) have seen strong growth over the last four years.

The lower prestige segment's volumes have clocked a CAGR of 6–7% over CY22–25E despite a decline in Imperial Blue and c.2–3% volume CAGR in McDowell's. The underperformance of IB, we believe is largely a function of Pernod Ricard's increased focus on higher end (mid/upper and luxury) of its P&A portfolio. Premiumisation trend in IMFL remains intact; given the large share of the regular segment (c. 50%+ of IMFL volumes), there is enough room to drive consumer upgrades from the regular segment to the P&A segment.

Exhibit 46: P&A segment: Volume mix

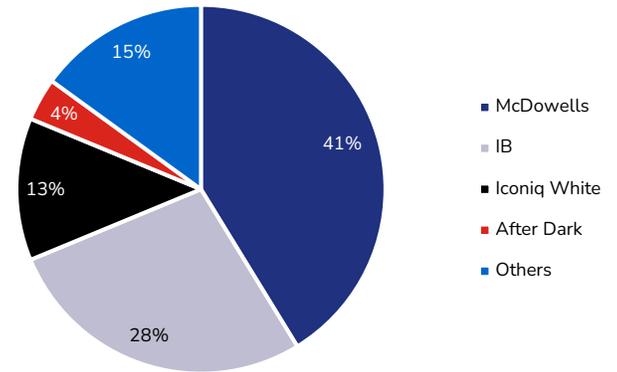
Industry volume mix for P&A segment



Source: Company, JM Financial, ABD PPT

Exhibit 47: McDowell's and IB two largest brands in lower prestige

Volume mix across brands in Lower prestige segment (FY26E)



Source: Company, JM Financial

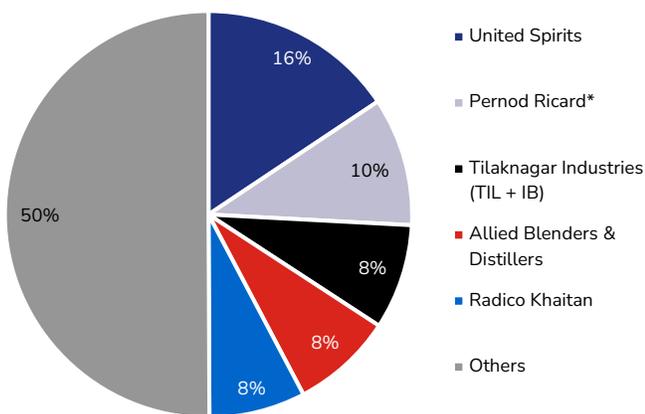
Exhibit 48: Lower prestige whisky key brands – A price comparison

Brands	Specific product	MRP (INR per 750ml)
McDowell's	McDowell's No.1 Luxury Premium Whisky	960
Imperial Blue	Imperial Blue Superior Grain Whisky	970
ICONiQ White	ICONiQ White Grand International Grain Whisky	970
After Dark	After Dark Blue Classic Grain Whisky	970

Source: JM Financial. Note: MRP given is of Karnataka state for all brands and has been taken from KSBCL.

Exhibit 49: TIL+IB enjoys high single-digit share in IMFL segment

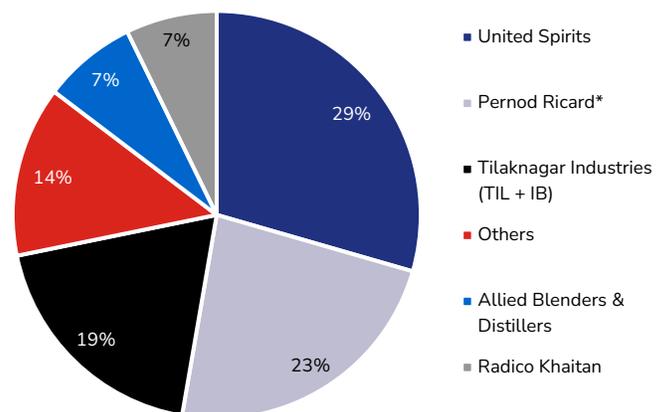
Volume market share of key IMFL players (FY25)



Source: Company, JM Financial. Note: *excludes Imperial Blue

Exhibit 50: Combined entity to be third-largest P&A player by volume

Volume market share of key IMFL players in P&A segment



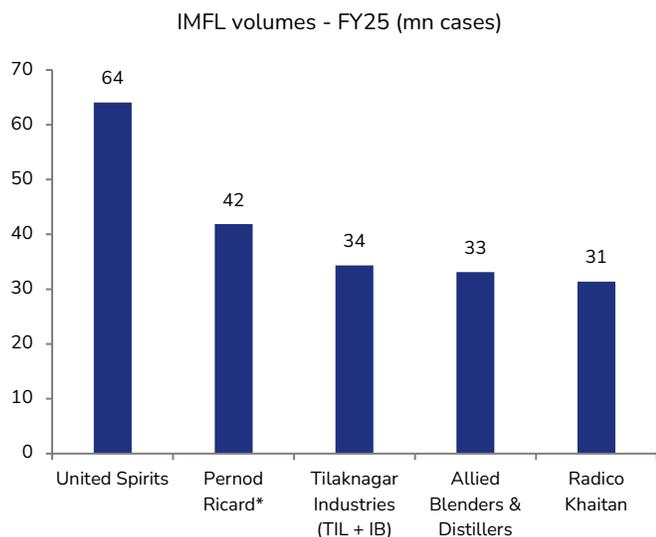
Source: Company, JM Financial. Note: *excludes Imperial Blue

- **Brandy is the second-largest category within the IMFL industry** with an estimated market size of INR 280bn (by value) and 90mn cases (by volume) in FY25. By volume, it commands a market share of 20–21% of IMFL and is projected to clock a CAGR of 4.5%, reaching 112mn cases by FY30E. By value, the category is expected to expand at a CAGR of 6.5% to INR 384bn over FY25–30E driven by rising premiumisation, broader geographic penetration and increasing acceptance of new-age brandy variants beyond traditional strongholds.

Brandy consumption in India remains highly regionally concentrated, with over 80% of demand originating from southern states such as Tamil Nadu, Kerala, Andhra Pradesh and Telangana. The blend-centric production approach keeps manufacturing costs relatively low, enabling competitive pricing in the domestic market. As a result, the consumer base remains largely price-sensitive, with most brands positioned in the popular and prestige segments (typically below INR800 for a 375ml pack).

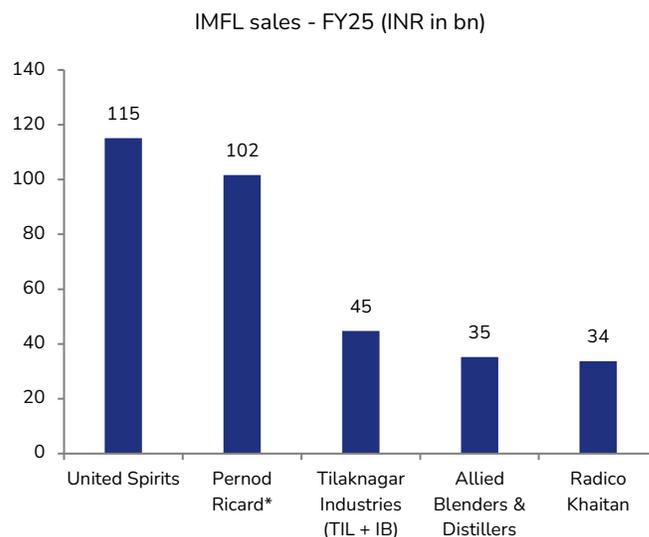
That said, the IMFL brandy segment is witnessing early signs of premiumisation, with several new launches targeting premium and luxury price points.

Exhibit 51: Combined entity third-largest by volume...



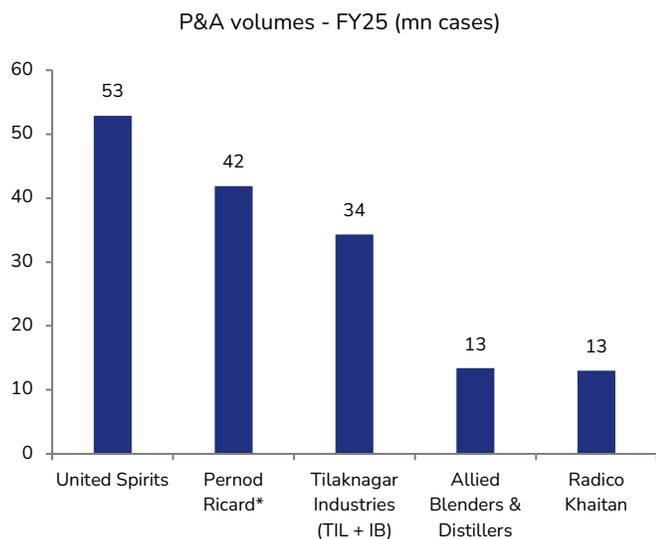
Source: Company, JM Financial. Note: Pernod Ricard volume is excluding Imperial Blue

Exhibit 52: ...as well as IMFL sales...



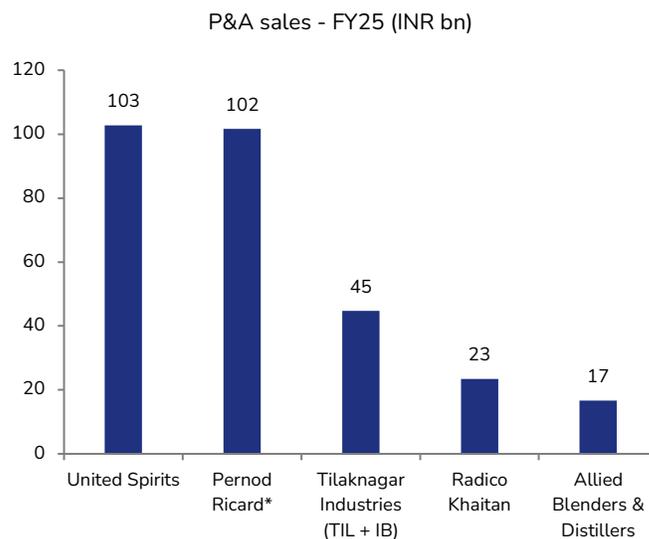
Source: Company, JM Financial. Note: Pernod Ricard sales are excluding Imperial Blue

Exhibit 53: ...with equally strong presence in P&A by volume...



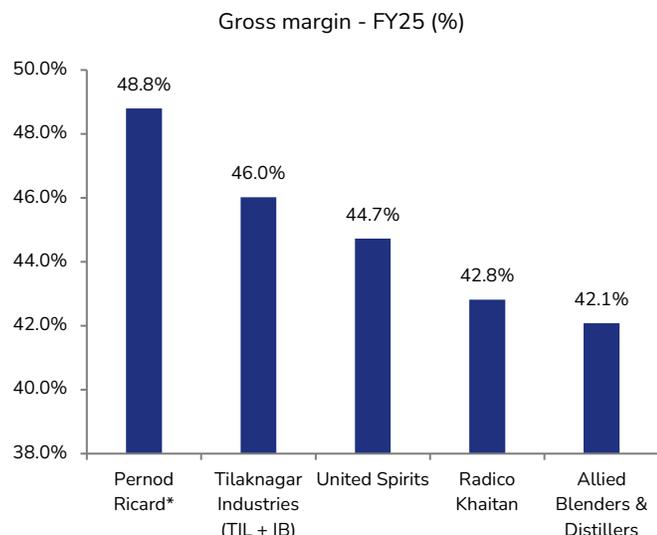
Source: Company, JM Financial. Note: Pernod Ricard volume is excluding Imperial Blue

Exhibit 54: ...as well as value



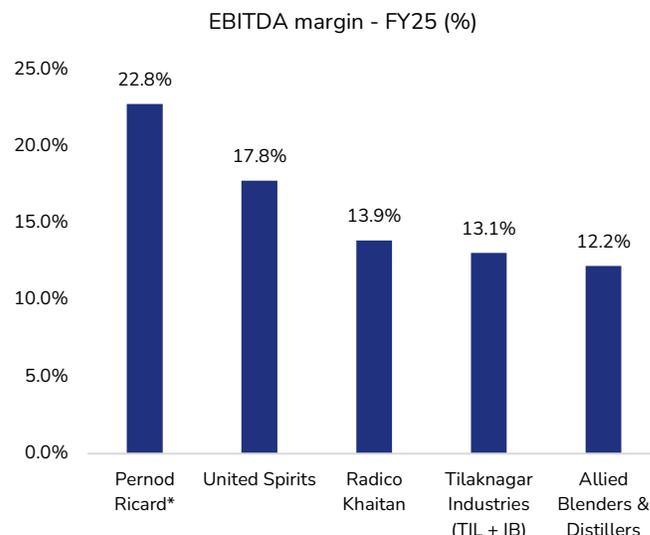
Source: Company, JM Financial. Note: Pernod Ricard sales are excluding Imperial Blue

Exhibit 55: Gross margin profile is better than most peers...



Source: Company, JM Financial. Note: GM for IB is as per JMFc.
*Excludes IB

Exhibit 56: ...with room for EBITDA margin uptick as synergies kick in**



Source: Company, JM Financial. Note: EBITDA margin for IB is as per JMFc.
*Excludes IB
**three years

Exhibit 57: Working capital (% to gross sales) of key spirits players

Working capital (as % to gross sales)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E
Pernod Ricard	10.5%	12.1%	13.5%	10.1%	11.9%	14.7%	13.7%	NA
United Spirits	10.7%	10.3%	10.2%	9.6%	10.4%	13.3%	14.1%	14.0%
Allied Blenders & Distillers	13.0%	10.7%	11.4%	10.7%	13.4%	12.5%	21.2%	21.1%
Radico Khaitan	9.4%	9.9%	8.8%	8.5%	10.0%	9.6%	11.4%	10.8%
Tilaknagar Industries	9.5%	10.0%	7.4%	7.7%	13.2%	13.5%	13.6%	14.2%*

Source: Company, JM Financial. Note: *FY26E calculation for TIL is on LTL basis i.e. assuming Imperial blue consolidation for entire 12 months

Exhibit 58: RoC (pre-tax) profile of key spirits players

RoC (pre-tax)*	FY25	FY26E	FY27E	FY28E
United Spirits	33.3%	35.4%	38.4%	40.3%
Allied Blenders & Distillers	29.0%	33.1%	34.1%	34.7%
Radico Khaitan	21.2%	29.3%	31.6%	32.8%
Tilaknagar Industries**	30.9%	24.3%	29.3%	30.8%

Source: Company, JM Financial. Note: a) *RoC (pre-tax) calculation excludes goodwill and intangibles. B) **For TIL, FY25 calculation excludes IB, FY26E calculation is on LTL basis i.e. assuming Imperial blue consolidation for entire 12 months

Visionary Leadership with Professional Management Team

- The IMFL industry in India is dominated by MNC (multinational corporation) players such as Diageo and Pernod Ricard, particularly in the P&A (Prestige and Above) segment while the regular segment is dotted with regional players. Considering the presence of strong brands and high entry barriers, TIL's transformation from a B2B supplier to a branded IMFL player with leadership position in the brandy segment, not to mention the company embarking on its next phase of growth to become a pan-India/pan-category player via Imperial Blue (one of the largest transaction in alcoholic beverage space), is exceptional. In our view, this is attributable to the visionary leadership of Mr Amit Dahanukar and a strong professional management team.

Exhibit 59: Snapshot of key management team

Name	Designation	Qualification & experience
Mr Amit Dahanukar	Chairman & Managing Director	For over two decades, Mr Dahanukar has been the leading force behind senior management. He provides strategic direction for TI's future initiatives and is also responsible for its various alliances and collaborations. Mr Dahanukar is a graduate in Electrical Engineering, and a Master of Engineering Management from Stanford University, U.S.A.
Ms Shivani Amit Dahanukar	Executive Director	Ms Dahanukar spearheads the community welfare activities of the Group in the fields of nutrition, primary education and healthcare. She is an MBA from the University of San Francisco and a law graduate from the Government Law College, University of Mumbai.
Mr Rajesh Choudhary	Chief Financial Officer	A Chartered Accountant and Company Secretary, Mr Choudhary has over 30 years of experience in the finance domain. Prior to joining TI, he was associated with Pernod Ricard, Flipkart and Perfetti Van Melle.
Mr Ahmed Rahimtoola	Chief Marketing Officer	An MBA from Symbiosis Centre for Management and HRD and an Executive MBA from ISB, Mr Rahimtoola is an advertising and marketing professional with over 25 years of work experience. Prior to TI, he was Head of Marketing at Allied Blenders and Distillers (ABD). He has also worked with reputable companies such as United Breweries, Reliance ADAG and Millenium Alcobev.
Mr Ameya Deshpande	Chief Strategy Officer	An MBA from Welingkar Institute of Management (Mumbai), Mr Deshpande has a cumulative experience of 17 years in corporate development, investment banking and entrepreneurship. He began his career in investment banking at Deutsche Bank, followed by Religare Capital Markets and BNP Paribas. Subsequently, he co-founded the food travel start-up Authenticook and capital markets firm A-Square Advisors.
Mr Nishant Jain	Chief Sales Officer	A seasoned sales leader with over 26 years of experience in the beverage industry, Mr Jain is an alumnus of IIT – Roorkee and IIM – Lucknow. He has worked at Inbrew Beverages, Allied Blenders & Distillers and Pernod Ricard India.
Mr Ishwinder Singh	Senior Vice President - Marketing	With 25 years of marketing and leadership experience in the beverages industry under his belt, Mr Singh has held several high-impact roles across global and Indian consumer brands. Prior to joining Tilaknagar Industries, he was associated with Pernod Ricard India, Anheuser-Busch InBev, SABMiller India and United Spirits.
Mr Yuvraj Singh Som	Vice President - Commercial & Operations	Mr Som is a Cost and Management Accountant from ICAI with over 15 years of experience in Finance & Accounts, MIS Reporting, and Planning & Analysis.
Mr Tarun Behl	Vice President - Manufacturing & Projects	A chemical engineer with more than 26 years of experience in Production & Operations in the liquor industry, Mr Behl has previously worked at United Spirits and Shaw Wallace.
Mr Sai Amrutkumar Vegiseti	Chief Information Officer	A Chartered Accountant and CPA with an ACCA diploma, Mr Sai has over a decade of experience in finance planning and analysis (FPA), budgeting, fund-raising, business strategy and project management. Prior to TI, he worked at ABD.

Source: Company, JM Financial

Financial Overview

- **We expect LTL sales CAGR of 10.6% over FY26–27E:** On LTL basis (assuming IB business for full FY26), we expect volumes for the combined entity to grow at a CAGR of 8.5% over FY26-28E led by c.11% CAGR for TIL (organic) business and c.7% CAGR for IB. We are factoring in modest realisation growth (not factoring in any material price hikes), which should result in sales (ex-subsidy income) CAGR of 10.6% over FY26-28E. On a reported basis, we expect sales growth (ex-subsidy) of 77%/95%/11% YoY for FY26/27/28E with the IB business being consolidated for only four months in FY26E.

Exhibit 60: Combined entity expected to deliver volume CAGR of 8.5%...

Volume (mn cases)	FY25	FY26E	FY27E	FY28E
Tilaknagar Industries	11.9	13.7	15.1	16.8
YoY growth	6.7%	14.8%	10.4%	11.4%
Imperial Blue	22.4	21.5	22.8	24.6
YoY growth	NA	-4.0%	6.0%	8.0%
Combined Entity				
On LTL basis*	34.3	35.2	37.9	41.4
YoY growth	NA	2.5%	7.7%	9.3%
On reported basis**	11.9	20.5	37.9	41.4
YoY growth	NA	71.8%	85.2%	9.3%

Source: Company, JM Financial

* LTL basis calculation assumes 12 months consolidation in FY25/26

** Reported basis calculation assumes consolidation since record date (i.e. 4 months)

Exhibit 61: ...which along with modest price hikes to aid net sales CAGR of 10.6% over FY26–28E

Net Sales (INR mn)	FY25	FY26E	FY27E	FY28E
Tilaknagar Industries*	14,051	15,956	17,969	20,407
YoY growth	0.8%	13.6%	12.6%	13.6%
Imperial Blue	30,670	28,170	30,458	33,552
YoY growth	NA	-8.2%	8.1%	10.2%
Combined Entity				
On LTL basis**	44,721	44,127	48,427	53,959
YoY growth	NA	-1.3%	9.7%	11.4%
On reported basis***	14,051	24,844	48,427	53,959
YoY growth	0.8%	76.8%	94.9%	11.4%

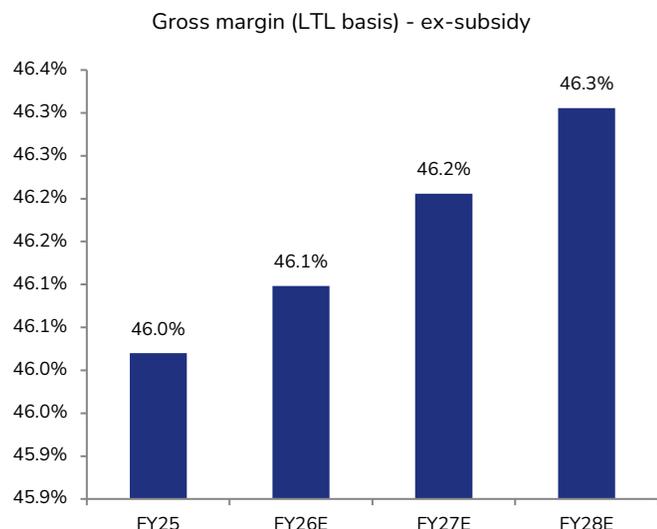
Source: Company, JM Financial

*net sales exclude subsidy income

** LTL basis calculation assumes 12 months consolidation in FY25/26

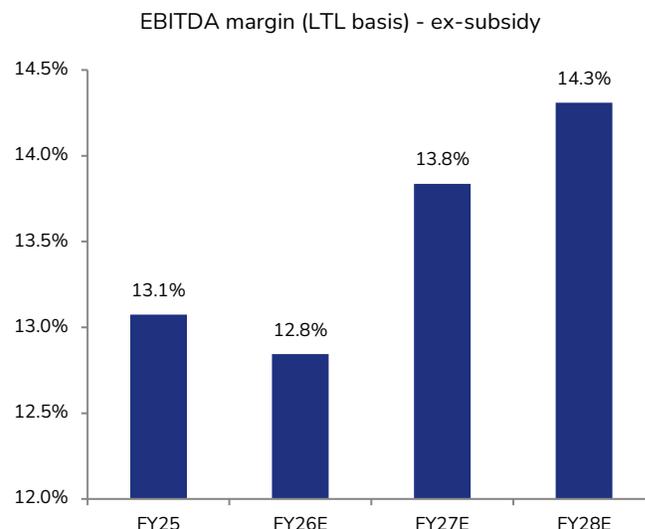
*** Reported basis calculation assumes consolidation since record date (i.e. 4 months)

- **Synergy benefits to aid margin expansion resulting in LTL EBITDA CAGR of c.17% over the same period:** As per our estimate, the combined entity (assuming full consolidation of IB in FY26E) would have EBITDA margin of c.12.8% (broadly similar to FY25). On LTL basis, we forecast c.150bps improvement in EBITDA margin over FY26-28E to 14.3% led by c.190bps expansion in IB business and c.50bps improvement in TIL (organic) business resulting in EBITDA CAGR of 17% over the same period. TIL funded the IB acquisition partly through debt of INR 20bn (interest cost of c.10-11%), which would lead to interest expense of INR 2.7/2.4bn in FY27/28E. Further, the acquisition will lead to higher intangible assets, resulting in higher depreciation and amortisation expenses. Hence, we expect the combined entity to clock PAT (bei) of INR 2.7/4bn in FY27/28E.

Exhibit 62: Gross margin to be largely range-bound

Source: Company, JM Financial

Note: LTL basis calculation assumes Imperial blue consolidation for entire 12 months in FY25/26

Exhibit 63: EBITDA margin to improve by 150bps over FY26–28E

Source: Company, JM Financial

Note: LTL basis calculation assumes Imperial blue consolidation for entire 12 months in FY25/26

Exhibit 64: Combined entity (on LTL basis) to see EBITDA CAGR of 17% over FY26-28E

INR mn	FY25	FY26E	FY27E	FY28E
Combined entity (on LTL basis)				
EBITDA (ex-subsidy income)	5,847	5,668	6,700	7,722
YoY growth (%)	NA	-3.1%	18.2%	15.2%
EBITDA margin - ex subsidy (%)	13.1%	12.8%	13.8%	14.3%
Combined entity (on reported basis)				
EBITDA (ex-subsidy income)	2,259	3,489	6,700	7,722
YoY growth (%)	21.8%	54.4%	92.1%	15.2%
EBITDA margin - ex subsidy (%)	16.1%	14.0%	13.8%	14.3%
Adjusted PAT (on reported basis)	2,296	2,502	2,659	3,926
YoY growth (%)	66.4%	9.0%	6.3%	47.6%

Source: Company, JM Financial

Note: LTL basis calculation assumes Imperial blue consolidation for entire 12 months in FY25/26

- Balance sheet:** We expect net working capital days (of sales) to remain broadly similar to the base business for the combined entity. Debt-raise (to fund acquisition) and working capital-related drawdown could result in gross debt increasing to INR 23bn in FY26/27E for the combined entity versus INR 424mn in FY25. With full consolidation, uptick in profitability and low capex intensity for the combined entity, we expect the consolidated business to generate free cash flow of INR 4.4/5.8bn in FY27/28E. With uptick in EBITDA and repayment of debt starting from 4QFY28E, we expect Net debt/EBITDA to come down to 1x in FY29E (5x in FY26E).

Exhibit 65: Higher debt on account of fund raise done for acquisition; however, uptick in profitability to support reduction in Net debt/EBITDA

Particulars (INR mn)	FY25	FY26E	FY27E	FY28E
Gross debt	424	23,000	23,000	20,000
Net debt/(cash)	-604	20,862	19,006	15,515
Net debt/EBITDA* (x)	-0.3	5.1	2.8	2.0

Source: Company, JM Financial. Note: *EBITDA including subsidy income is considered on reported basis

Note: a) Net debt is calculated as gross debt less of cash and cash equivalent and less of total investments (ex. Investment in Spaceman Spirits). b) EBITDA including subsidy income is considered on reported basis

Exhibit 66: With full consolidation, uptick in profitability and lower capex intensity, FCF to jump

Particulars (INR mn)	FY25	FY26E	FY27E	FY28E
Cash from operations	1,784	-8,525	4,691	6,071
Free cashflows	1,716	-10,429	4,437	5,817

Source: Company, JM Financial

Exhibit 67: Net working capital days of combined entity to be broadly similar to base business

Net working capital days	FY25*	FY26E**	FY27E	FY28E
Inventory days	43	43	43	43
Receivable days	107	110	110	109
Payable days	38	38	38	38
Net working capital days (on combined sales)	111	114	115	114

Source: Company, JM Financial.

Note: *FY25 calculation is for Tilaknagar Industries (excluding IB).

**For FY26E calculation, combined entity net sales on LTL basis are taken into consideration

Exhibit 68: RoIC to improve in FY27E/28E post-full consolidation impact

RoIC (%)	FY25*	FY26E**	FY27E	FY28E
RoIC	30.9%	8.1%	10.0%	11.6%
RoIC (ex. goodwill and intangibles)	30.9%	24.3%	29.3%	30.8%

Source: Company, JM Financial. Note: a) *FY25 calculation is for TIL (excluding IB), b) **FY26E calculation is on LTL basis i.e. assuming Imperial blue consolidation for entire 12 months

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	13,875	13,988	24,779	48,359	53,887	
Sales Growth (%)	20.0	0.8	77.1	95.2	11.4	
Other Operating Income	65	354	647	68	72	
Total Revenue	13,940	14,342	25,426	48,427	53,959	
Cost of Goods Sold/Op. Exp	7,088	7,272	13,180	26,051	28,973	
Personnel Cost	468	550	946	1,536	1,713	
Other Expenses	4,529	3,971	7,230	14,139	15,552	
EBITDA	1,854	2,549	4,071	6,700	7,722	
EBITDA Margin (%)	13.3	17.8	16.0	13.8	14.3	
EBITDA Growth (%)	35.2	37.4	59.7	64.6	15.2	
Depn. & Amort.	319	305	771	1,713	1,723	
EBIT	1,536	2,244	3,300	4,987	5,998	
Other Income	141	176	235	320	359	
Finance Cost	267	122	1,034	2,647	2,431	
PBT before Excep. & Forex	1,410	2,298	2,501	2,659	3,926	
Excep. & Forex Inc./Loss(-)	-29	-	-2,194	-500	-	
PBT	1,410	2,298	2,501	2,659	3,926	
Taxes	-	0	-	-	-	
Extraordinary Inc./Loss(-)	-29	-	-2,194	-500	-	
Assoc. Profit/Min. Int.(-)	-	-2	-1	-	-	
Reported Net Profit	1,380	2,296	307	2,159	3,926	
Adjusted Net Profit	1,410	2,296	2,502	2,659	3,926	
Net Margin (%)	10.1	16.0	9.8	5.5	7.3	
Diluted Share Cap. (mn)	193	194	254	254	254	
Diluted EPS (INR)	7.3	11.9	9.9	10.5	15.5	
Diluted EPS Growth (%)	87.8	62.1	-16.8	6.3	47.6	
Total Dividend + Tax	96	194	254	254	254	
Dividend Per Share (INR)	0.5	1.0	1.0	1.0	1.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Profit before Tax	1,410	2,298	2,501	2,659	3,926	
Depn. & Amort.	319	305	771	1,713	1,723	
Net Interest Exp. / Inc. (-)	267	122	1,034	2,647	2,431	
Inc (-) / Dec in WCap.	-745	-988	-10,402	-1,509	-1,651	
Others	-33	44	-2,429	-820	-359	
Taxes Paid	-11	4	-	-	-	
Operating Cash Flow	1,207	1,784	-8,525	4,691	6,071	
Capex	-82	-178	-34,904	-254	-254	
Free Cash Flow	1,125	1,606	-43,429	4,437	5,817	
Inc (-) / Dec in Investments	121	-55	-	-	-	
Others	-204	-536	235	320	359	
Investing Cash Flow	-165	-769	-34,669	66	105	
Inc / Dec (-) in Capital	324	55	22,956	-	-	
Dividend + Tax thereon	-48	-96	-194	-254	-254	
Inc / Dec (-) in Loans	-1,310	-796	22,576	-	-3,000	
Others	-253	-108	-1,034	-2,647	-2,431	
Financing Cash Flow	-1,287	-944	44,304	-2,901	-5,685	
Inc / Dec (-) in Cash	-245	71	1,110	1,856	490	
Opening Cash Balance	663	957	1,028	2,138	3,994	
Closing Cash Balance	418	1,028	2,138	3,994	4,485	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Shareholders Fund	6,539	8,822	31,892	33,798	37,469	
Share Capital	1,927	1,936	2,537	2,537	2,537	
Reserves & Surplus	4,612	6,886	29,355	31,261	34,933	
Preference Share Capital	-	-	-	-	-	
Minority Interest	-	-	-1	-1	-1	
Total Loans	1,193	424	23,000	23,000	20,000	
Def. Tax Liab. / Assets (-)	-	-	-	-	-	
Other non-current liabilities / Lease Liabilities	612	553	553	553	553	
Total - Equity & Liab.	8,343	9,800	55,445	57,351	58,023	
Net Fixed Assets	3,948	3,717	37,853	36,396	34,931	
Gross Fixed Assets	8,147	8,180	10,080	10,330	10,580	
Intangible Assets	414	413	33,413	33,413	33,413	
Less: Depn. & Amort.	4,615	4,910	5,674	7,381	9,097	
Capital WIP	3	34	34	34	34	
Investments	108	214	214	214	214	
Current Assets	6,260	8,184	22,834	26,618	29,335	
Inventories	1,008	1,652	5,159	5,697	6,348	
Sundry Debtors	4,185	4,105	13,238	14,574	16,092	
Cash & Bank Balances	418	1,028	2,138	3,994	4,485	
Loans & Advances	-	-	-	-	-	
Other Current Assets	649	1,398	2,298	2,352	2,409	
Current Liab. & Prov.	1,991	2,328	5,466	5,884	6,460	
Current Liabilities	1,494	2,243	6,081	6,516	7,109	
Provisions & Others	497	85	-615	-631	-649	
Net Current Assets	3,982	5,092	15,904	19,253	21,376	
Other Non Current Assets/ROU Assets	305	777	1,475	1,489	1,503	
Total - Assets	8,343	9,800	55,445	57,351	58,023	

Source: Company, JM Financial

Dupont Analysis		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Margin (%)	10.1	16.0	9.8	5.5	7.3	
Asset Turnover (x)	1.7	1.6	0.8	0.9	0.9	
Leverage Factor (x)	1.4	1.2	1.6	1.7	1.6	
RoE (%)	24.8	29.9	12.3	8.1	11.0	

Source: Company, JM Financial

Key Ratios		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
BV/Share (INR)	33.9	45.6	125.7	133.2	147.7	
ROIC (%)	21.8	29.5	10.9*	9.5*	11.4*	
ROE (%)	24.8	29.9	12.3	8.1	11.0	
Net Debt/Equity (x)	0.1	-0.1	0.7	0.6	0.4	
P/E (x)	60.3	37.2	44.7	42.0	28.5	
P/B (x)	13.0	9.7	3.5	3.3	3.0	
EV/EBITDA (x)	59.2	42.5	31.9	19.1	16.1	
EV/Sales (x)	7.9	7.6	5.1	2.6	2.3	
Debtor days	110	104	190	110	109	
Inventory days	26	42	74	43	43	
Creditor days	36	46	79	44	44	

Source: Company, JM Financial *RoIC includes goodwill and intangibles from IB acquisition

APPENDIX I

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com

Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com
