

Tilaknagar Industries | BUY

Stable quarter; scale-up in IB volume key

TIL's Q4FY26 revenue (based on earlier accounting method) was 3–4% below our estimate due to lower volumes; however, higher gross margin resulted in EBITDA beat. Imperial Blue (IB) transition is well on track with 75% of the business now exiting the TSMA. IB volume of 4.6mn in 4Q appears to be lower (versus 1.8mn in December) largely due to transition impact, and it should normalise going ahead. On the volume front, TIL expects high-single-digit to low-double-digit volume growth for FY27 for the combined business with the IB business growing faster than the legacy business. On profitability, near-term margins will be impacted due to RM inflation. However, a combination of margin expansion in IB, cost optimisation in the legacy business, UK-FTA benefit and possible price hikes should help sustain margins closer to lower end of guidance (16–18%) in FY27E. We lower our sales estimates for FY27/28E by ~5% to factor in accounting change (schemes/discounts netted off from sales now, earlier included in other expenses); absolute EBITDA is unchanged. Maintain BUY with TP of INR 550 (35x FY28E). Execution in P&A (especially IB) and debt reduction shall be key to bridging the valuation gap versus peers.

- Volume performance below expectation:** Q4FY26 represents the first full quarter of consolidation with the IB business; as a result, net revenue of the combined entity grew 147.5% to INR 9.5bn. Excluding subsidy income, net revenue was up 154% YoY. Revenue performance was driven by the IB business, which clocked 4.6mn cases (lower than JMFe of 4.8mn) during the quarter, while IB volume (ex-Maharashtra) grew 9% YoY. Volume (ex-IB) growth was flat at 3.4mn cases, predominantly due to high base (change in RTM benefit in AP was seen in Q4FY25), although secondary sales remained healthy at 5% YoY. Combined NSR for the quarter stood at INR 1,177, reflecting 5.4% increase YoY, while ex-IB NSR grew 2.6%.
- Healthy gross margin trajectory drives EBITDA beat:** TIL's combined gross margin was steady at 45.7%; however, adjusting for the impact of change in accounting (selling expenses deducted from net revenue), gross margin was better than expected. As a result, EBITDA growth of 97.1% to INR 1.5bn was ~8% ahead of our estimate with EBITDA margin at 16.3%. Adjusting for subsidy income, EBITDA grew 123.5% with margin at 15.5% for the quarter. PBT (before exceptional items) was down 39% YoY to INR 472mn, due to higher depreciation and interest cost post-acquisition of IB, though ~10% better than our expectation. Exceptional item for the quarter includes INR 510mn towards TSMA fee paid to Pernod Ricard and integration costs along with INR 120mn towards impact of change in labour code. Consequently, the company reported net loss of INR 149mn for the quarter. Adjusted for exceptional items, PAT was INR ~480mn.
- Management guidance:** Overall management commentary was encouraging. Key highlights: i) Management expects volume growth of high single digit to low double digit in FY27 with the IB business growing faster than the legacy business. This trajectory will further improve with low-double-digit to mid-teens volume growth, implying double-digit volume CAGR over the next three years; ii) Revenue trajectory to be ~200bps ahead of volume performance; iii) Combined entity to deliver EBITDA margin of 16–18%, driven by synergy benefits from bottling plant, process and supply chain optimisation, likely price hikes in key markets (e.g.: Telangana), UK-FTA benefit and scale leverage; and iv) Net Debt/EBITDA to be below 1x by FY29 supported by efficient capital deployment, disciplined debt management and working capital investments.



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

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	550
Upside/(Downside)	20.9%
Previous Price Target	550
Change	0.0%

Key Data – TLNGR IN EQUITY

Current Market Price	INR455
Market cap (bn)	INR112.5/US\$1.2
Free Float (%)	60.1
Shares in issue (mn)	247.2
Diluted share (mn)	247.2
3-mon avg daily val (mn)	INR291.1/US\$3.1
52-week range	INR550/335
Sensex/Nifty	74,776/23,548
INR/US\$	95.0

Price Performance

%	1M	6M	12M
Absolute	-0.3	-4.4	24.8
Relative*	2.5	9.5	35.9

*To the NSE Nifty 50

Financial Summary

Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Sales	13,875	13,988	22,722	45,706	50,951
Sales Growth (%)	20.0	0.8	62.4	101.2	11.5
EBITDA	1,854	3,085	4,192	6,699	7,700
EBITDA Margin (%)	13.3	21.5	17.9	14.6	15.1
Adjusted Net Profit	1,410	2,832	2,528	2,689	3,985
Diluted EPS (INR)	7.3	14.6	10.2	10.6	15.7
Diluted EPS Growth (%)	87.8	100.0	-30.1	3.6	48.2
ROIC (%)	21.8	36.6	11.9	10.1	12.0
ROE (%)	24.8	36.9	13.1	8.7	11.9
P/E (x)	62.3	31.1	44.5	43.0	29.0
P/B (x)	13.4	10.0	3.8	3.6	3.3
EV/EBITDA (x)	61.1	36.3	31.5	19.5	16.5
Dividend Yield (x)	0.1	0.2	0.2	0.2	0.2

Source: Company data, JM Financial. Note: Valuations as of May 29, 2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Q4FY26 conference call highlights

■ Operating environment

- FY26 was a landmark year for Tilaknagar, with strong underlying demand and an improving policy environment in key states. The company also noted that the recent West Asia-led commodity shock is creating some near-term cost pressure, but the business is entering FY27 on a much larger scale and a stronger distribution platform.
- Karnataka is a key positive, with INR20/nip MRP cut on Imperial Blue and Mansion House (180ml size) to support further volume growth. It also said the earlier price reduction in the state had already driven strong growth beyond high teens, and the new move should again aid penetration.
- TIL continues to be the largest P&A IMFL player in South India with a market share of c. 40% in Q4FY26.

■ Imperial Blue and its integration

- This was the first full quarter after the acquisition, and the main execution focus is the transition away from TSMA; 75% of Imperial Blue had exited TSMA by end-Q4FY26, and only three states remained, with full exit expected by Mar'27.
- Post exit of TSMA in some of the states in 4Q, there was some business disruption in April during the transition, but the team delivered record volumes in May under TI ownership.
- Imperial Blue's seasonality is more balanced than the erstwhile TI business, though 2H still accounts for about 51–52% of volumes. Management expects IB to grow slightly faster than the erstwhile business, aided by a lower FY26 base.
- Management clarified that the run-rate view should be adjusted for the revised accounting treatment, where selling expenses are now netted off revenue, and the selling-cost burden is roughly 6–6.5% of grossed-up revenue.
- The implied NSR for IB (net of schemes) is INR 20–30 higher than the currently reported combined NSR.
- Post-acquisition, a deferred consideration of EUR 28mn is due to Pernod Ricard after four years, with no other significant cost anticipated.
- TSMA costs are expected to step down sequentially, with full-year impact of roughly INR 550–600mn.

■ Ex-IB/erstwhile TI business

- The core business still grew around 5% on a secondary basis, and the apparent flat growth in 4Q was mainly because Andhra Pradesh and Odisha had an unusually high base after route-to-market changes in late 2024.
- The company is also building the luxury and premium portfolio and plans to launch brandy in North India during FY27, including the premium brandy portfolio and Monarch.

■ Margin, cost and synergy

- Management reiterated a medium-term consolidated EBITDA margin target of 16–18% for the combined business over the next 24–36 months; margin expansion is expected to come mainly from cost optimisation, better supply chain leverage and operating synergies, rather than from custom duty changes alone.
- The potential UK FTA/customs duty reduction would lower consumer MRPs but would not directly improve margin.

- Telangana remains an important margin lever and management said a possible price increase there could have a meaningful impact, although the timing is not yet clear.
- On the current geopolitical inflation shock, management there could be some pressure in Q1FY27, and the business may not expand margins quarter-on-quarter; but, on a full-year basis, margins may stay within the guided range. The upper end of the guidance includes UK-FTA and some Telangana price hike benefits as well.
- On synergies, management highlighted that the cost synergies are already visible, while the revenue synergies from new brands and geographic expansion should start becoming visible from FY27.
- Spaceman Spirits synergies have already started kicking in, and management expects more cross-linkages across TI's luxury/super-premium portfolio and SSL's portfolio as the integration progresses.
- Staff cost is now largely at a steady-state run-rate of about INR 430mn per quarter after the team size has gone up from around 350 employees to 850 employees.
- The company's change in revenue recognition to show selling expenses, including discounts, schemes, and incentives, as a reduction from gross revenue, will negatively impact reported revenue and gross margin but positively affect EBITDA and PAT margins, with no impact on absolute EBITDA, PAT or EPS.

■ Guidance

- For FY27, management expects high-single-digit to low-double-digit volume growth for the combined business, with double-digit volume growth over the next couple of years, aiming for double-digit volume catch-up over three years.
- Net debt is expected to come down to about INR 17,000mn by Mar'27, with the company continuing to target net debt/EBITDA below 1x by FY29.
- Capex is expected to be maintained at c. INR 250mn annually for both FY27 and FY28.
- Management expects working capital cycle at 53–55 days of net revenue on an ongoing basis.

■ Other highlights

- The board recommended a dividend of INR1 per share for FY25–26.
- The company received the government's nod for starting operations at its expanded capacity at Prag distillery in Andhra Pradesh. The capacity has now increased from 0.6mn cases to 3.6mn cases annually, and management expects this to save about INR 100mn per annum in bottling costs. The total investment was around INR 600mn.
- The Nigeria subsidiary is being scaled with an investment of up to INR 300mn; the existing business there is around 0.25mn cases and is sustainable.

Exhibit 1: Q4FY26 result snapshot: Revenue performance below estimate due to lower volumes, while better gross margin drives EBITDA beat

Consolidated Financials (INR mn)	4QFY26	4QFY25	YoY %	4QFY26E	Variance %	FY26	FY25	YoY %
Net Revenue	9,495	3,836	147.5%	10,453	-9.2%	23,795	14,119	68.5%
COGS	5,158	2,079	148.1%	5,593	-7.8%	12,548	7,272	72.5%
Gross Profit	4,337	1,757	146.8%	4,860	-10.8%	11,247	6,847	64.2%
Gross Profit Margin %	45.7%	45.8%	-14	46.5%	-82	47.3%	48.5%	-123
Staff Cost	429	137	212.4%	400	7.1%	969	550	76.4%
Other expenses	2,363	836	182.6%	3,026	-21.9%	6,085	3,749	62.3%
EBITDA	1,546	784	97.1%	1,434	7.8%	4,192	2,549	64.5%
EBITDA margin %	16.3%	20.4%	-416	13.7%	256	17.6%	18.1%	-43
Depreciation	455	73	527.0%	437	4.3%	797	305	161.3%
EBIT	1,091	712	53.3%	997	9.3%	3,395	2,244	51.3%
EBIT margin %	11.5%	18.6%	-707	9.5%	194	14.3%	15.9%	-162
Interest expense	689	23	2904.2%	627	9.9%	1,131	122	829.6%
Other Income	70	84	-17.1%	60	16.8%	261	176	48.5%
PBT (before exceptional items)	472	773	-39.0%	430	9.6%	2,525	2,298	9.9%
PBT (after exceptional items)	-154	773	NM	-70	NM	206	2,298	-91.0%
Share of profit/(loss) of associate	5	0	1735.1%	1	274.1%	3	-2	NM
Reported Net Profit	-149	773	NM	-68	NM	209	2,296	-90.9%
Adjusted Net Profit	476	773	-38.4%	432	10.4%	2,528	2,296	10.1%

Source: Company, JM Financial. Note: Figures for Q4FY26 includes 3 months of consolidation of Imperial blue and FY26 includes 4 months of consolidation.

Exhibit 2: Segmental snapshot

Segmental information	FY26	FY25	YoY growth
Volume (mn cases)			
Ex-IB volumes	13.6	11.9	13.8%
IB volumes*	6.4	-	NM
Realisation per case (INR)			
Realisation per case	1,193	1,186	0.7%

Source: Company, JM Financial. Note: IB volumes for FY26 pertains to 4 months of consolidation.

Exhibit 3: Quarterly snapshot of operating performance – consolidated

Consolidated (INR mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Volume growth (ex-IB)	0.4%	1.2%	3.2%	2.0%	20.0%	26.4%	16.3%	16.9%	-0.6%
Imperial Blue (mn cases)								1.79	4.6
Gross sales	7,706	6,592	8,130	8,053	8,459	8,253	9,156	13,922	20,815
Excise duty	4,118	3,517	4,485	4,649	4,754	4,547	5,174	7,893	11,406
YoY	14.4%	4.7%	13.3%	10.5%	15.4%	29.3%	15.4%	69.8%	139.9%
Other operating income/subsidy income	-	56	104	-	131	386	-	197	86
Net revenue	3,588	3,131	3,749	3,404	3,836	4,091	3,982	6,226	9,495
YoY	0.4%	2.9%	5.8%	-9.6%	6.9%	30.7%	6.2%	82.9%	147.5%
COGS	1,848	1,578	1,793	1,822	2,079	1,968	2,060	3,362	5,158
Gross Profit	1,740	1,552	1,956	1,582	1,757	2,124	1,922	2,864	4,337
Staff cost	154	131	142	139	137	140	164	237	429
Other expenses	1,104	920	1,154	840	836	1,039	1,156	1,528	2,363
EBITDA	482	501	660	603	784	945	602	1,100	1,546
YoY	10.9%	30.2%	39.1%	17.4%	62.6%	88.4%	-8.8%	82.3%	97.1%
Depreciation	78	77	78	78	73	73	73	196	455
Interest	49	42	33	24	23	28	21	392	689
Other income	41	18	34	39	84	43	22	127	70
Exceptional gain/(loss)	-81	-	-	-	-	-	-	-1,694	-625
PBT (after exceptional item)	315	401	582	541	773	886	529	-1,056	-154
YoY	-46.8%	55.1%	57.2%	23.7%	145.8%	121.1%	-9.1%	NM	NM
Share of profit/(loss) of associate	-	-	-	-2	0	-1	-2	2	5
Reported PAT	315	401	582	539	773	885	527	-1,054	-149
YoY	-46.8%	55.1%	57.2%	23.2%	145.9%	120.8%	-9.5%	NM	NM
% to net revenue	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Gross margin	48.5%	49.6%	52.2%	46.5%	45.8%	51.9%	48.3%	0.0%	45.7%
Staff cost	4.3%	4.2%	3.8%	4.1%	3.6%	3.4%	4.1%	3.8%	4.5%
Other expenses	30.8%	29.4%	30.8%	24.7%	21.8%	25.4%	29.0%	24.5%	24.9%
EBITDA margin	13.4%	16.0%	17.6%	17.7%	20.4%	23.1%	15.1%	17.7%	16.3%

Source: Company, JM Financial

Exhibit 4: Three-year average PE band



Source: Bloomberg, JM Financial

Exhibit 5: Three-year average EV/EBITDA band



Source: Bloomberg, JM Financial

Exhibit 6: Revision in estimates

INR mn	Revised		Earlier		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Sales	45,706	50,951	48,359	53,887	-5.5%	-5.4%
EBITDA	6,699	7,700	6,700	7,722	0.0%	-0.3%
PAT	2,689	3,985	2,659	3,926	1.1%	1.5%
EPS	10.6	15.7	10.5	15.5	1.1%	1.5%

Source: JM Financial

Financial Tables (Consolidated)

Income Statement					
	(INR mn)				
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Sales	13,875	13,988	22,722	45,706	50,951
Sales Growth (%)	20.0	0.8	62.4	101.2	11.5
Other Operating Income	65	354	734	68	72
Total Revenue	13,940	14,342	23,456	45,774	51,023
Cost of Goods Sold/Op. Exp	7,088	7,272	12,548	25,796	28,642
Personnel Cost	468	550	969	1,574	1,665
Other Expenses	4,529	3,435	5,746	11,705	13,016
EBITDA	1,854	3,085	4,192	6,699	7,700
EBITDA Margin (%)	13.3	21.5	17.9	14.6	15.1
EBITDA Growth (%)	35.2	66.4	35.9	59.8	14.9
Depn. & Amort.	319	305	797	1,747	1,757
EBIT	1,536	2,780	3,395	4,953	5,942
Other Income	141	176	261	344	454
Finance Cost	267	122	1,131	2,608	2,411
PBT before Excep. & Forex	1,410	2,834	2,525	2,689	3,985
Excep. & Forex Inc./Loss(-)	-29	-	-2,320	-550	-
PBT	1,410	2,834	2,525	2,689	3,985
Taxes	-	0	-	-	-
Extraordinary Inc./Loss(-)	-29	-	-2,320	-550	-
Assoc. Profit/Min. Int.(-)	-	-2	3	-	-
Reported Net Profit	1,380	2,832	209	2,139	3,985
Adjusted Net Profit	1,410	2,832	2,528	2,689	3,985
Net Margin (%)	10.1	19.7	10.8	5.9	7.8
Diluted Share Cap. (mn)	193	194	247	254	254
Diluted EPS (INR)	7.3	14.6	10.2	10.6	15.7
Diluted EPS Growth (%)	87.8	100.0	-30.1	3.6	48.2
Total Dividend + Tax	96	194	247	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	FY26A	FY27E	FY28E
Profit before Tax	1,410	2,834	2,525	2,689	3,985
Depn. & Amort.	319	305	797	1,747	1,757
Net Interest Exp. / Inc. (-)	267	122	1,131	2,608	2,411
Inc (-) / Dec in WCap.	-745	-988	-6,490	-2,014	-1,863
Others	-33	-492	-2,372	-894	-454
Taxes Paid	-11	4	-37	-	-
Operating Cash Flow	1,207	1,784	-4,446	4,136	5,837
Capex	-82	-178	-35,440	-254	-254
Free Cash Flow	1,125	1,606	-39,886	3,882	5,583
Inc (-) / Dec in Investments	121	-55	186	-	-
Others	-204	-536	-448	344	454
Investing Cash Flow	-165	-769	-35,702	90	200
Inc / Dec (-) in Capital	324	55	20,907	-	-
Dividend + Tax thereon	-48	-96	-193	-247	-254
Inc / Dec (-) in Loans	-1,310	-796	22,357	-672	-2,000
Others	-253	-108	-899	-2,608	-2,411
Financing Cash Flow	-1,287	-944	42,173	-3,527	-4,665
Inc / Dec (-) in Cash	-245	71	2,024	699	1,371
Opening Cash Balance	663	957	1,579	3,604	4,303
Closing Cash Balance	418	1,028	3,604	4,303	5,674

Source: Company, JM Financial

Balance Sheet					
	(INR mn)				
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Shareholders Fund	6,539	8,822	29,817	31,709	35,440
Share Capital	1,927	1,936	2,472	2,472	2,472
Reserves & Surplus	4,612	6,886	27,345	29,238	32,969
Preference Share Capital	-	-	-	-	-
Minority Interest	-	-	-	-	-
Total Loans	1,193	424	22,949	22,277	20,277
Def. Tax Liab. / Assets (-)	-	-	-	-	-
Other non-current liabilities / Lease Liabilities	612	553	2,757	2,757	2,757
Total - Equity & Liab.	8,343	9,800	55,523	56,743	58,474
Net Fixed Assets	3,948	3,717	38,265	36,784	35,292
Gross Fixed Assets	8,147	8,180	9,792	10,042	10,292
Intangible Assets	414	413	33,568	33,568	33,568
Less: Depn. & Amort.	4,615	4,910	5,697	7,429	9,170
Capital WIP	3	34	603	603	603
Investments	108	214	323	323	323
Current Assets	6,260	8,184	22,954	27,055	30,836
Inventories	1,008	1,652	4,019	6,261	6,980
Sundry Debtors	4,185	4,105	12,718	13,774	15,355
Cash & Bank Balances	418	1,028	3,604	4,303	5,674
Loans & Advances	-	-	-	-	-
Other Current Assets	649	1,398	2,613	2,717	2,827
Current Liab. & Prov.	1,991	2,328	6,078	7,467	8,013
Current Liabilities	1,494	2,243	3,986	5,380	5,931
Provisions & Others	497	85	2,091	2,087	2,082
Net Current Assets	3,982	5,092	16,259	18,966	22,196
Other Non Current Assets/ROU Assets	305	777	676	670	663
Total - Assets	8,343	9,800	55,523	56,743	58,474

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Margin (%)	10.1	19.7	10.8	5.9	7.8
Asset Turnover (x)	1.7	1.6	0.7	0.8	0.9
Leverage Factor (x)	1.4	1.2	1.7	1.8	1.7
RoE (%)	24.8	36.9	13.1	8.7	11.9

Source: Company, JM Financial

Key Ratios					
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
BV/Share (INR)	33.9	45.6	120.6	125.0	139.7
ROIC (%)	21.8	36.6	11.9	10.1	12.0
ROE (%)	24.8	36.9	13.1	8.7	11.9
Net Debt/Equity (x)	0.1	-0.1	0.6	0.6	0.4
P/E (x)	62.3	31.1	44.5	43.0	29.0
P/B (x)	13.4	10.0	3.8	3.6	3.3
EV/EBITDA (x)	61.1	36.3	31.5	19.5	16.5
EV/Sales (x)	8.1	7.8	5.6	2.9	2.5
Debtor days	110	104	198	110	110
Inventory days	26	42	63	50	50
Creditor days	36	48	64	44	45

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
7-Apr-26	Buy	550	0.0
16-Mar-26	Buy	550	

Recommendation History Chart



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

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Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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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
