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High Conviction MTF Pick

8-March-2026

Allied Blenders and Distillers Ltd.



Investment Thesis

Allied Blenders & Distillers (**ABDL**) is demonstrating a clear shift toward a higher-quality growth and earnings profile, supported by premiumization, luxury portfolio expansion, channel diversification, and integrated capacity creation. Q3 FY26 showed continued premium mix improvement, while management reiterated strong top-line growth in Q4 FY26 and a medium-term path toward mid-double-digit value growth. At the same time, the company is actively reducing outsourcing dependence and building a more margin-accretive manufacturing base, which supports both earnings visibility and cash generation over time.

Premiumisation-led growth visibility

The core growth engine remains the premium and above ("P&A") portfolio, which grew 16.9% YoY in Q3 FY26 and increased its salience to 48.5% from 42% in Q3 FY25, underscoring the company's premiumization trajectory. Management expects P&A to continue growing at double digits, while mass premium should deliver low single-digit growth. ICONIQ White remains the primary growth engine and is running at about 1 million cases per month, with the brand expected to cross 10 million cases in FY26. ABD Maestro is also scaling rapidly, with a Q3 FY26 run-rate of about ₹40 crore and a stated target to double in the next financial year.

Capacity expansion and strategic market access

ABDL's capex programme is strategically aligned to growth and margin expansion rather than capacity addition. Phase 1 backward integration involves ₹525 crore, while phase 2 additions in Uttar Pradesh and Maharashtra take total announced capex to just over ₹700 crore. PET (Polyethylene Terephthalate) has been fully commissioned, and the Telangana malt distillery and Maharashtra ENA (Extra Neutral Alcohol) distillery are on track. The Uttar Pradesh project is especially important, as it is designed to reduce transport costs, lower working capital, and eliminate the ₹27 per case franchise fee on roughly 6 million cases.

Margin expansion and balance sheet improvement

Management highlighted a structurally improving margin profile, supported by an estimated 300 bps expansion in gross margins by FY28. Roughly 70 bps has already been realised through the PET project, while the balance is expected from backward integration, improved mix, lower outsourcing, and operating leverage. Importantly, ABDL generated ₹173 crore of operating cash flow in Q3 FY26 and reduced net debt to ₹785 crore from ₹893 crore despite ongoing capex, indicating improving financial resilience.

Andhra Pradesh Approval Strengthens Expansion Pipeline

The Government of Andhra Pradesh revived the company's Letter of Intent (LOI) until September 26, 2028 and permitted ABDL to obtain a DM2 (MGO) licence for setting up a greenfield IMFL bottling plant in the state. The proposed facility, with annual capacity of approximately 46.5 lakh cases, enhances the company's manufacturing footprint in a strategically important liquor market and supports long-term capacity-led growth. The approval remains subject to fulfilment of specified conditions, including payment of dues.

Valuation

ABDL continues to strengthen its business profile through premiumization, new launches, international expansion, and margin-accretive capacity additions, positioning the company as a more diversified, integrated, and higher-margin platform over the medium term. Key monitorables over the coming quarters include Q4 FY26 growth momentum, normalization in Telangana, stabilization in Maharashtra, execution of the UP and Aurangabad projects, and timely realization of backward integration benefits. Based, improving margin visibility, and a stronger earnings trajectory we see 14% upside with a target price of ₹656, based on 40x FY28 earnings.

| | |
|--------------------|--------------|
| NSE/BSE | ABDL/ 544203 |
| CMP | 575 |
| Upside | 14% |
| Target Price | 656 |
| Bloomberg Code | ABDL:IN |
| High/Low | 720 / 303 |
| Market Cap (in Rs) | 159.74 bn |

Shareholding %

| Particulars | Q2FY26 | Q3FY26 | Q4FY26 |
|-------------|--------|--------|--------|
| Promoter | 80.9 | 80.9 | 80.9 |
| FII | 3.0 | 3.4 | 3.2 |
| DII | 4.6 | 4.6 | 4.8 |
| Others | 11.6 | 11.1 | 11.0 |

No Promoter Pledge

NIFTY VS ABDL:IN

| Returns (%) | 1M | 3M | 6M | 12M |
|-------------|------|-------|--------|------|
| Nifty 50 | 5.2 | (5.3) | (4.6) | 0.2 |
| ABDL | 36.2 | 11.1 | (11.0) | 79.8 |

Financial Summary

| Particulars (Rs Mn) | FY26E | FY27E | FY28E |
|---------------------|--------|--------|--------|
| Revenue | 40,479 | 46,550 | 53,533 |
| EBITDA | 5,262 | 6,517 | 8,030 |
| PAT | 2,578 | 3,438 | 4,439 |
| EPS | 9.5 | 12.7 | 16.4 |

Growth (%)

| | | | |
|---------|------|------|------|
| Revenue | 15.0 | 15.0 | 15.0 |
| EBITDA | 22.2 | 23.8 | 23.2 |
| PAT | 32.3 | 33.3 | 29.1 |

Margins (%)

| | | | |
|---------------|------|------|------|
| EBITDA Margin | 13.0 | 14.0 | 15.0 |
| PAT Margin | 6.4 | 7.4 | 8.3 |

Valuation

| | | | |
|-----------|------|------|------|
| P/E | 60.1 | 45.1 | 34.9 |
| EV/EBITDA | 31.3 | 25.3 | 20.5 |
| ROE | 14.3 | 16.0 | 17.2 |
| ROCE | 25.0 | 26.4 | 27.1 |
| Net D/E | 0.5 | 0.4 | 0.3 |

Analyst

Shashwat Singh – shashwat.singh@bajajbroking.in

Nisarg Shah – nisarg.shah@bajajbroking.in

Financials & Ratio Analysis

| Income Statement | | | (Rs in mn) |
|--------------------------|-----------------|-----------------|-----------------|
| Particulars | FY26E | FY27E | FY28E |
| Net Sales | 40,478.7 | 46,550.5 | 53,533.0 |
| COGS | 23,446.7 | 26,963.7 | 31,008.2 |
| % Sales | 57.9% | 57.9% | 57.9% |
| Gross Profit | 17,032.0 | 19,586.8 | 22,524.8 |
| Gross margin | 42.1% | 42.1% | 42.1% |
| Employee Benefit Exp | 1,891.8 | 2,100.8 | 2,329.9 |
| Other expenses | 9,877.9 | 10,968.9 | 12,165.0 |
| EBITDA | 5,262.2 | 6,517.1 | 8,030.0 |
| EBITDA Margins | 13.0% | 14.0% | 15.0% |
| Other Income | 208.6 | 208.6 | 208.6 |
| Depreciation | 730.4 | 823.4 | 982.7 |
| EBIT | 4,740.5 | 5,902.2 | 7,255.9 |
| EBIT Margins | 11.7% | 12.7% | 13.6% |
| Finance Cost | 1,256.6 | 1,256.6 | 1,256.6 |
| Profit before tax | 3,483.9 | 4,645.7 | 5,999.3 |
| Total Tax expenses | 905.8 | 1,207.9 | 1,559.8 |
| Tax rate | 26.0% | 26.0% | 26.0% |
| Profit after tax | 2,578.1 | 3,437.8 | 4,439.5 |
| PAT Margins | 6.4% | 7.4% | 8.3% |
| Basic EPS | 9.51 | 12.68 | 16.38 |

| Balance Sheet | | | (Rs in mn) |
|-------------------------------------|---------------|---------------|---------------|
| Particulars | FY26E | FY27E | FY28E |
| ASSETS | | | |
| Fixed Assets | 6,286 | 8,189 | 9,911 |
| Right to Use Assets | 1,075 | 973 | 881 |
| Intangible Assets | 1,133 | 1,026 | 928 |
| Trade Receivable | 20,089 | 23,102 | 26,567 |
| Inventories | 5,460 | 5,540 | 5,947 |
| Other Non Current Assets | 460 | 460 | 460 |
| Cash and cash equivalent | 1,042 | 757 | 1,011 |
| Other Assets | 646 | 631 | 615 |
| Total Assets | 36,192 | 40,678 | 46,320 |
| EQUITY | | | |
| Equity Share Capital | 559 | 559 | 559 |
| Other Equity | 17,648 | 21,086 | 25,525 |
| Total Equity | 18,207 | 21,645 | 26,084 |
| Long Term Borrowings | 937 | 937 | 937 |
| Short Term Borrowings | 9,535 | 9,535 | 9,535 |
| Trade Payables | 6,979 | 8,026 | 9,230 |
| Other Liabilities | 534 | 534 | 534 |
| Total Liabilities | 17,984 | 19,031 | 20,235 |
| Total Equity and Liabilities | 36,192 | 40,678 | 46,320 |

| Cash Flow Statement | | | (Rs in mn) |
|--|-----------------|-----------------|-----------------|
| Particulars | FY26E | FY27E | FY28E |
| Cash Flow from operating activities | | | |
| PBT | 3,483.9 | 4,645.7 | 5,999.3 |
| Depreciation | 730.4 | 823.4 | 982.7 |
| Operating Profit before WC change | 5,470.8 | 6,725.7 | 8,238.6 |
| Changes in Assets and liability | -1,437.2 | -2,046.7 | -2,667.6 |
| Cash used in Operations | 4,033.7 | 4,679.0 | 5,570.9 |
| Tax | -905.8 | -1,207.9 | -1,559.8 |
| Cash from Operating | 3,127.8 | 3,471.1 | 4,011.1 |
| Cash Flow from investing activities | | | |
| Capex | -1,710.0 | -2,500.0 | -2,500.0 |
| Cash from Investing | -1,710.0 | -2,500.0 | -2,500.0 |
| Cash Flow from financing activities | | | |
| Proceeds from Borrowings/ QIP | 0.0 | 1.0 | 2.0 |
| Dividend payout | 0.0 | 0.0 | 0.0 |
| Finance Cost | -1,256.6 | -1,256.6 | -1,256.6 |
| Proceeds other than borrowing | 0.0 | 0.0 | 0.0 |
| Cash from Financing | -1,256.6 | -1,256.6 | -1,256.6 |
| Net increase/(decrease) in Cash | 161.3 | -285.5 | 254.5 |
| Cash at the beginning of the year | 880.9 | 1,042.2 | 756.7 |
| Cash at the end of the year | 1,042.2 | 756.7 | 1,011.2 |

| Ratio Analysis | | | |
|--------------------------|-------|-------|-------|
| Particulars | FY26E | FY27E | FY28E |
| Growth (%) | | | |
| Revenue | 15.0 | 15.0 | 15.0 |
| Gross Profit | 15.0 | 15.0 | 15.0 |
| EBITDA | 22.2 | 23.8 | 23.2 |
| EBIT | 21.3 | 24.5 | 22.9 |
| PAT | 32.3 | 33.3 | 29.1 |
| % Of Revenue | | | |
| Gross Profit | 42.1 | 42.1 | 42.1 |
| EBITDA | 13.0 | 14.0 | 15.0 |
| EBIT | 11.7 | 12.7 | 13.6 |
| PAT | 6.4 | 7.4 | 8.3 |
| Return Ratios (%) | | | |
| ROCE | 25.0 | 26.4 | 27.1 |
| ROE | 14.3 | 16.0 | 17.2 |
| Valuation (x) | | | |
| P/E | 60.1 | 45.1 | 34.9 |
| P/B | 8.5 | 7.2 | 5.9 |
| EV/EBITDA | 31 | 25 | 20 |
| EV/ Sales | 2 | 2 | 1 |
| NET DEBT/EQUITY | 0.5 | 0.4 | 0.4 |



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Compliance Officer: Mr. Boudhayan Ghosh (For Broking/DP/Research) email@ compliance_sec@bajajbroking.in | Contact No.: 020-4857 4486 |

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For more queries reach out to : Name - Bajaj Broking Research Team | Email Id - researchdesk@bajajbroking.in

| | | | | |
|----------------------------|---|---|--|---|
| Research Analysts : | Sumit Singhania (Research Head) | Pradeep Kasat (Sr VP Technical Analyst) | Anand Shendge (DVP Derivative Analyst) | Pabitra Mukherjee (AVP Technical Analyst) |
| | Vikas Vyas (Derivative Analyst) | Raunaq Murarka (Derivatives Analyst) | Nisarg Shah (Fundamental Analyst) | Shashwat Singh (Fundamental Analyst) |