

## Breweries & Distilleries

Industry Code (as per CMIE Prowess): 0101011101300000'

June 2022

**Overall Industry Risk Score: 13/20 Marginally Favourable**

Sample Size: 13 Companies

Median Rating Value of sample size: BBB+

### Individual Parameters Contributing to the Score

Demand & Supply Balance  **16/20**

Moderate Demand

The severe disruption in the hospitality sector & lower social interactions due to the pandemic induced lockdowns had its effect on the brewery & distillery sector in FY21. The industry indicates an increase in y-o-y sales by 10.8% in quarter ending March 2022. Large players like United Breweries has seen marginal increase in sales by 2.8% in March 2022 quarter. With higher per capita incomes and change in social and cultural mores, the long term demand potential remains healthy in this industry.

Extent of Competition  **12/20**

Neutral

The industry is dominated by a few large players with top five companies having major market share. The branded players command a premium pricing and enjoy healthy operating margins.

## Regulatory Risk



12/20

### Predictable Regulatory environment

The sector is among the regulated sectors with the landscape changing from state to state. The sector has been subject to high taxation contributing significantly to exchequer. Hence the revenue considerations also have a influence on the regulatory environment.

## Input Related Risk



12/20

### Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

The industry is facing an increase in prices of cereals such as wheat and barley by 15%, mainly due to the Russia- Ukraine war. There are also risks of increases in taxes at central, state and local levels. However, the industry has the ability to pass any increases to the consumers.