Radico Khaitan Ltd.

ISIN :INE944F01028 | NSE :RADICO

Price: 2,429
Recommendation: Buy
Industry: Breweries & Distilleries
Sector: Fast Moving Consumer Goods
Report Date: 31-Mar-2025

Radico Khaitan, a prominent player in the Indian alcoholic beverage sector, is experiencing significant growth. In Q3 FY25, the company saw a 15.3% increase in IMFL volume, with luxury brands like Rampur Whisky and Jaisalmer Gin driving sales. Strategic initiatives focus on brand building and premiumization, aiming for debt-free status by 2026-27. Challenges remain in the non-IMFL segment, but overall, Radico Khaitan is poised for continued success.

Sales		Profit & Loss		Profitability Matrix	
Current Year	4626 Cr	Operating Profit(Year)	619 Cr	Operating Profit Margin	13.4 %
Previous Year	3133 Cr	Operating Profit(Quarter)	184 Cr	EBITDA Margin	11.13 %
Current Quarter	1294 Cr	PAT (Year)	256 Cr	Net Profit Margin	6.23 %
Previous Quarter	1116 Cr	PAT (Quarter)	96.0 Cr	EPS	23.3
Revenue (QYoY)	1161 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	104	Sales Growth	19.5 %	Sales Growth	15.95 %
PEG Ratio	16.5	PAT Growth	26.11 %	Sales Growth QYoY	11.46 %
EV/EBITDA	53.2	EPS Growth	21.99 %	PAT Growth	16.79 %
P/B	13.0	Dividend Yield	0.12	PAT Growth QYoY	30.08 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	11.3 %	Promoter	40.2 %	Debt/Equity	0.36
RoA	6.63 %	FII	17.7 %	Debt	903 Cr
RoCE	13.2 %	DII	25.6 %	Market Cap	32501 Cr
RoIC	10.0 %	Public	16.5 %	Enterprise value	33334 Cr
		No of Shares	13.4 Cr	Cash Equivalents	70.1 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Radico Khaitan's recent conference call highlighted several strategic initiatives and growth prospects. The company reported a robust 15.3% year-on-year growth in IMFL volume for Q3 FY25, with the Prestige & Above category seeing an 18% increase. The luxury portfolio, including Rampur Indian Single Malt Whisky and Jaisalmer Indian Craft Gin, continues to expand its distribution across states, contributing to a net sales value of Rs. 100 crores in Q3 FY25. The company anticipates crossing Rs. 500 crores in net sales for luxury and semi-luxury brands by FY26, driven by strong domestic and international demand. Royal Ranthambore Whisky, in particular, recorded a 55% growth, bolstered by a celebrity campaign featuring Bollywood star Saif Ali Khan.

The company's business strategies focus on brand building, sustained profitable growth, and long-term value creation. Radico Khaitan is leveraging its strong distribution network to expand its luxury and semi-luxury product lines, aiming to increase market share and profitability. The company is also capitalizing on the buoyant liquor industry, which has seen a shift towards premium segments, now accounting for 42% of the IMFL industry. This strategic focus is expected to drive continued growth, with the company maintaining leadership positions in gin, rum, brandy, and vodka, while steadily growing in the whisky segment.

Looking ahead, Radico Khaitan is optimistic about the growth prospects in the Indian alcoholic beverage sector. The company plans to drive profitable growth through efficient working capital management and debt reduction, aiming to become debt-free by 2026-27. The strategic roadmap includes a robust new product development pipeline and a focus on premiumization, which is expected to improve margins by 100 to 125 basis points annually over the next three years. The company is also exploring opportunities in the Andhra Pradesh market, which has contributed significantly to volume growth.

While the company is well-positioned for growth, there are areas for improvement. The regular segment, although recovering, could benefit from further strategic rationalization to enhance profitability. Additionally, the company faces challenges in the non-IMFL segment, where margins are squeezed due to high grain prices. Addressing these issues could further strengthen Radico Khaitan's market position. Overall, the company's strategic initiatives and market expansion efforts are expected to yield positive results, with a focus on driving industry growth and creating long-term value for stakeholders.

RADICO Daily Closing One Year Price Chart

Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Allied Blenders	8564.72	71.62	1.93%	12.22%	8.82%	20.47%	26431.82%
Piccadily Agro	5328.75	50.36	30.61%	-1.42%	2.63%	0.53%	17.01%
United Breweries	52861.20	120.40	10.06%	-5.50%	9.64%	-60.56%	-38.91%
Tilaknagar Inds.	4584.28	23.91	24.58%	-9.18%	-9.63%	-7.38%	23.21%
India Glycols	3436.11	16.43	9.07%	1.46%	7.85%	14.28%	36.46%

Aspect	Commentary
Revenue	The company experienced a significant increase in revenue, with a year-over-year growth of 19.5%. This indicates strong sales performance, driven by strategic initiatives and market expansion efforts. The quarterly growth also reflects a positive trend, suggesting effective operational strategies and market demand.
Profit & Loss	The operating profit margin stands at 13.4%, with a net profit margin of 6.23%. This reflects efficient cost management and profitability. The year-over-year growth in PAT by 26.11% highlights the company's ability to enhance its bottom line, despite market challenges.
Profitability Matrix	The company's profitability metrics, including an EBITDA margin of 11.13% and EPS growth of 21.99%, indicate robust financial health. These figures suggest effective management of operational costs and successful revenue generation strategies, contributing to overall profitability.
Valuation Matrix	The valuation metrics, such as a trailing P/E of 104 and a PEG ratio of 16.5, suggest the company is valued at a premium. This reflects investor confidence and expectations of future growth. The EV/EBITDA ratio of 53.2 indicates a high enterprise value relative to earnings.
Growth (YoY)	Year-over-year growth metrics show a positive trend, with sales growth at 19.5% and PAT growth at 26.11%. This indicates strong market performance and effective strategic initiatives. The dividend yield of 0.12% suggests a focus on reinvesting profits for growth.
Growth (QoQ)	Quarter-over-quarter growth metrics reveal a 15.95% increase in sales and a 16.79% rise in PAT. This consistent growth underscores the company's ability to adapt to market conditions and capitalize on opportunities, maintaining a competitive edge.
Capital Allocation	The company's capital allocation strategy is reflected in a RoE of 11.3% and RoCE of 13.2%. These figures indicate efficient use of capital to generate returns. The focus on debt reduction and strategic investments supports long-term financial stability.
Holdings	The shareholding pattern shows a balanced distribution, with promoters holding 40.2% and public holding 16.5%. This indicates a stable ownership structure, with significant institutional investor confidence, as reflected by FII and DII holdings.
Leverage	The company's leverage position, with a debt/equity ratio of 0.36, suggests a conservative approach to debt management. This low leverage, combined with a market cap of 32501 Cr, indicates financial stability and capacity for future growth investments.

Analyst viewpoint: Radico Khaitan exhibits strong short to mid-term growth potential, reinforced by its impressive quarter-over-quarter sales growth of 15.95% and PAT growth of 16.79%. The strategic focus on brand building and premiumization has resulted in significant market share gains, particularly within the luxury spirits category where brands like Rampur Indian Single Malt Whisky and Jaisalmer Indian Craft Gin excel. Valuation metrics show a premium P/E ratio, signifying robust investor confidence backed by strategic initiatives aimed at reducing debt by 2026-27 and leveraging a diversified product line in an expanding luxury market. The company's operational strategies, throwing light on its efficiency, demonstrate exceptional profitability matrices that include an EBITDA margin of 11.13% and a sales growth trajectory continuing to pace ahead of its peers.

In competitive markets, Radico Khaitan's ability to innovate and expand its product lines offers a competitive edge, while its capital allocation strategy, underscored by a debt/equity ratio of 0.36, ensures financial stability and long-term investments. In the recent conference call, the positive outlook was further energized by potential new market opportunities, such as the Andhra Pradesh segment. However, it should be noted that certain areas like the non-IMFL segment could see improved margins by addressing high grain prices. The strategic emphasis moving forward remains on innovation and premiumization, promising sustained profitability and growth in the dynamically evolving alcoholic beverage sector.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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