

Comparative Ratio & DuPont Analysis: United Spirits vs Radico Khaitan

Yafet Mulaw

1. Company Overview

United Spirits Limited (USL) and Radico Khaitan are key players in the Indian alcoholic beverages industry, operating across whisky, vodka, rum and premium spirits segments. The sector is characterized by strong brand competition, regulatory oversight and growing premiumization trends.

United Spirits, backed by Diageo, holds a dominant market position with a strong premium portfolio and wide distribution network. Radico Khaitan operates as a growing challenger with expanding premium offerings and improving operational scale.

Both companies follow a brand-driven, distribution-led business model with focus on margin expansion, premiumization and operational efficiency to drive profitability.

2. Objective of Analysis

The objective of this analysis is to compare the financial performance and operational efficiency of United Spirits and Radico Khaitan using ratio analysis and DuPont analysis for FY2021–FY2024.

The analysis focuses on:

- Profitability and return metrics
- Working capital efficiency
- Liquidity and leverage position
- Drivers of return on equity (ROE)
- Overall financial strength and risk profile

This report is prepared from a financial analyst perspective using Excel-based ratio calculations.

3. Methodology Used

Ratio Analysis

Financial ratios were calculated to assess profitability, efficiency, leverage and liquidity.

These ratios help evaluate operational performance and financial stability across both companies.

DuPont Analysis

DuPont analysis was used to break ROE into:

- Profit margin
- Asset turnover
- Financial leverage

This helps identify whether returns are driven by operational performance or capital structure.

4. Financial Analysis & Findings

Profitability

United Spirits has demonstrated strong profitability improvement over the period. Net profit margin increased from ~3.9% in FY21 to ~12.3% in FY24, supported by margin expansion and cost control. ROE and ROCE improved consistently, indicating stronger shareholder returns and capital efficiency.

Radico Khaitan maintained stable profitability with net margins around 6–7% and moderate improvement in ROE to ~12.8% in FY24. However, profitability metrics remain lower than United Spirits across most years.

Interpretation: United Spirits shows stronger margin expansion and return improvement compared to Radico.

Operating Efficiency

United Spirits improved inventory management significantly, reducing inventory days from ~92 days (FY21) to ~70 days (FY24). Asset utilization also improved steadily.

Radico maintained relatively stable inventory and receivable cycles but did not show major efficiency gains. However, the company benefits from strong supplier credit reflected in higher payables turnover.

Interpretation: USL demonstrates improving operational efficiency, while Radico maintains stable but slower efficiency improvements.

Leverage & Solvency

United Spirits has significantly reduced leverage, with near-zero debt-to-equity by FY24 and strong interest coverage above 20x. This reflects a highly stable balance sheet and low financial risk.

Radico Khaitan maintains moderate leverage with debt-to-equity around 0.23 in FY24. Interest coverage improved but remains lower than USL.

Interpretation: USL has a stronger solvency position and lower financial risk compared to Radico.

Liquidity

United Spirits improved its current ratio from 1.23 (FY21) to 1.93 (FY24), reflecting stronger shortterm financial flexibility. Quick ratio also improved consistently.

Radico's current ratio remains adequate but has declined over time. Quick ratio below 1 indicates relatively tighter liquidity compared to USL.

Interpretation: USL maintains stronger liquidity and working capital position.

DuPont Analysis

United Spirits' ROE increased from 7.5% in FY21 to 18.8% in FY24. This growth is driven primarily by improving profit margins and stable asset turnover, while financial leverage declined. This indicates operationally driven returns rather than debt-driven growth.

Radico's ROE improved moderately and remained stable around 12–13%. Returns are supported by steady margins and moderate leverage.

Interpretation: USL's ROE growth is driven by operational improvement and margin expansion, while Radico shows stable but moderate returns.

5. Key Insights

- United Spirits shows strong improvement in profitability and return ratios.
- Radico Khaitan demonstrates stable but moderate financial performance.
- USL has significantly reduced leverage, improving its credit profile.
- Working capital efficiency improved more for USL than Radico.
- DuPont analysis indicates USL's ROE growth is driven by operational strength rather than leverage.
- Overall financial strength and margin expansion favor United Spirits.

6. Conclusion

The comparative analysis indicates that United Spirits has demonstrated stronger financial performance over FY2021–FY2024, supported by margin expansion, improved efficiency and a significantly deleveraged balance sheet.

Radico Khaitan maintains stable growth with moderate profitability and manageable leverage but lags behind United Spirits in return ratios and margin expansion.

From a financial analysis perspective, United Spirits reflects a stronger profitability trajectory, better liquidity and lower financial risk, while Radico Khaitan represents a stable but moderately leveraged competitor within the industry.

7. Learning Outcome

This project strengthened my ability to perform comparative ratio and DuPont analysis using Excelbased financial data.

It enhanced my understanding of how profitability, efficiency, leverage and asset utilization drive return on equity and overall financial performance. The analysis also improved my ability to interpret financial trends from an analyst perspective suitable for equity and credit evaluation.