

RESEARCH REPORT

RADICO KHAITAN LTD



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About

Incorporated in the year 1943, Radico Khaitan is one of the most recognised IMFL (Indian Made Foreign Liquor) brands in India. [1]

The company was initially known as Rampur Distillery Company and was focussed on distillation and bottling for branded players and canteen stores of armed forces.

Later on in the year 1997, Radico Khaitan ventured into its own branded IMFL products and launched its first brand 8PM whisky which became its millionarie brand within a year of its launch.

Revenue Break-Up

IMFL

Prestige & Above : 48%

Regular & Others : 25%

Other : 2%

Non IMFL : 25%

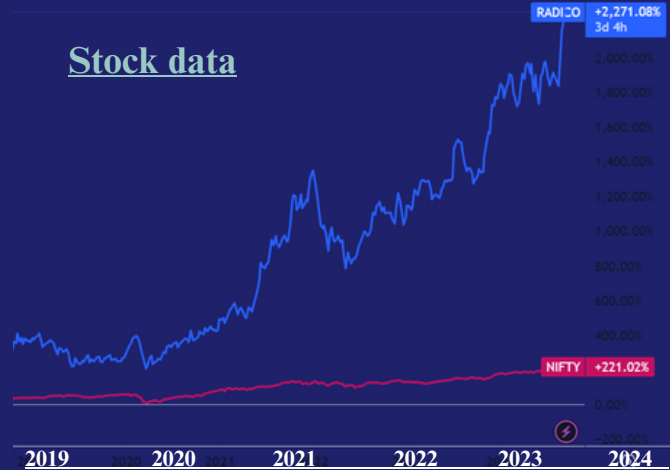
Synopsis of Financials

- Q1 FY '25 Results:
- Achieved IMFL volume of 7.07 million cases, reflecting a year-on-year decline of 4%.
- Notable growth in the Prestige & Above (P&A) category:
- - Volume growth of 14.3%. - Value growth of 19.1%.
- P&A category now accounts for 43.4% of IMFL volume, up from 36.5% in Q1 FY '24.

Stock data (as 09th Sep 2024)

Nifty Price	: 24,999.15
52 week High (in Rs.)	: 2,069
52 week Low (in Rs.)	: 1,141
Market Cap. (in Crore)	: ₹ 26,466 Cr.
NSE Code	: RADICO

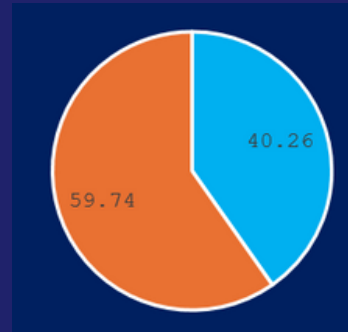
Stock data



-NIFTY50

-CUMMINSIND

Shareholding Pattern (March 2024)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	March 2022	March 2023	March 2024
Sales	2,859	3,133	4,106
Sales Growth %	20.44%	9.59%	31.03%
Expenses	2,457	2,775	3,599
Operating Profit	402	359	507
OPM %	14%	11%	12%
Net Profit	252	204	256
EPS in Rs	18.86	15.29	19.13

Quarterly Results



Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	761	792	832	954	925	1,161	1,079
Expenses	671	695	753	834	804	1,018	956
Operating Profit	90	97	79	120	121	143	123
OPM %	12%	12%	9%	13%	13%	12%	11%
Other Income	1	3	1	1	1	5	2
Interest	4	6	9	12	12	18	17
Depreciation	17	17	20	24	26	32	32
Profit before tax	70	76	51	84	83	98	77
Tax %	26%	25%	27%	25%	26%	25%	26%
Net Profit	52	57	37	63	62	74	57

Source: Screener

Key Ratios

Key Financial Ratios

Year	FY2024	FY2023	Y-o-Y Change
Debtors Turnover (days) (on Gross Sales basis)	21	23	(6.1)%
Inventory Turnover (days) (on Gross Sales basis)	20	20	(0.6)%
Creditor Turnover (days) (on Gross Sales basis)	42	51	(18.0)%
Interest Coverage Ratio (x)	6.8	13.4	(49.5)%
Current Ratio (x)	1.71	1.70	0.9%
Debt Equity Ratio (x)	0.31	0.32	(4.2)%
EBITDA Margin (%)	12.3%	11.4%	92 bps
Total Comprehensive Income Margin (%)	6.2%	6.4%	(21) bps
Return on Average Equity (%)	11.3%	9.9%	142 bps
Return on Average Capital Employed (%)	12.5%	10.2%	237 bps

Source: Annual Report

Yearly Results

Particulars	March 2022	March 2023	March 2024
Equity Capital	27	27	27
Reserves	1,960	2,125	2,351
Borrowings	202	754	818
Other Liabilities	555	762	846
Total Liabilities	2,744	3,668	4,042
Fixed Assets	821	1,213	1,657
CWIP	30	327	54
Investments	135	135	135
Other Assets	1,757	1,993	2,195
Total Assets	2,744	3,668	4,042

Synopsis Quater Results

Con-Call Aug 25: Key Highlights

Strategic Initiatives:

Product Launches:

Introduced several luxury products:

- **Rampur Asava:** Single Malt priced at INR 10,000, available in seven states. - **Sangam World Malt Whisky:** Launched in India after success in international markets, priced between INR 4,000 to INR 7,500. - **Jaisalmer Gold Edition:** Gin with saffron, priced between INR 4,000 to INR 7,000, available in three states.

- Emphasis on expanding distribution, including through canteen store departments.

Marketing and Brand Development:

- Continued investment in brand portfolio through targeted marketing and introduction of new luxury and premium brands.
- Partnership with Saregama for a music series titled 'Magic Moments Music Studio' to enhance brand visibility.

Market Positioning:

Luxury Segment:

- Strong focus on premiumization, with confidence in the medium- to long-term potential of the Indian IMFL sector.
- Positioned to capitalize on growth opportunities in the luxury and premium segments.

Competitive Landscape:

- Noted increasing competitive intensity from regional and national players, particularly in the P&A segment.
- Management remains optimistic about Radico's ability to maintain its market position and innovate within the luxury segment.

Challenges and Outlook:

Raw Material Costs:

- Ongoing monitoring of raw material prices, particularly with respect to food grains and packaging materials.
- Anticipation of stabilization in raw material costs as the year progresses.

Regulatory Environment:

- Addressing potential restrictions on surrogate advertising for liquor brands, with a proactive approach to adapt marketing strategies.
- Positive discussions regarding duty rationalization in certain states, which could benefit the industry.

Growth Expectations:

- Projected muted growth in the regular category, with an aspiration of 4% to 5% growth overall.
- Management remains optimistic about achieving mid-teen margins by FY '26, supported by their strategic initiatives and brand portfolio expansion.

Future Developments:

Capex Plans:

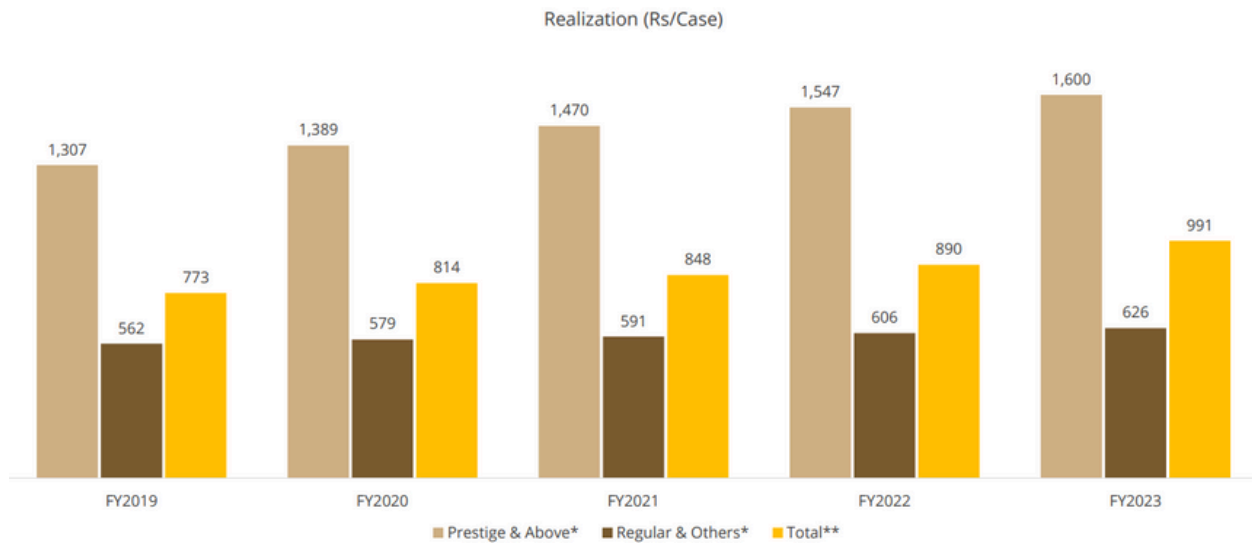
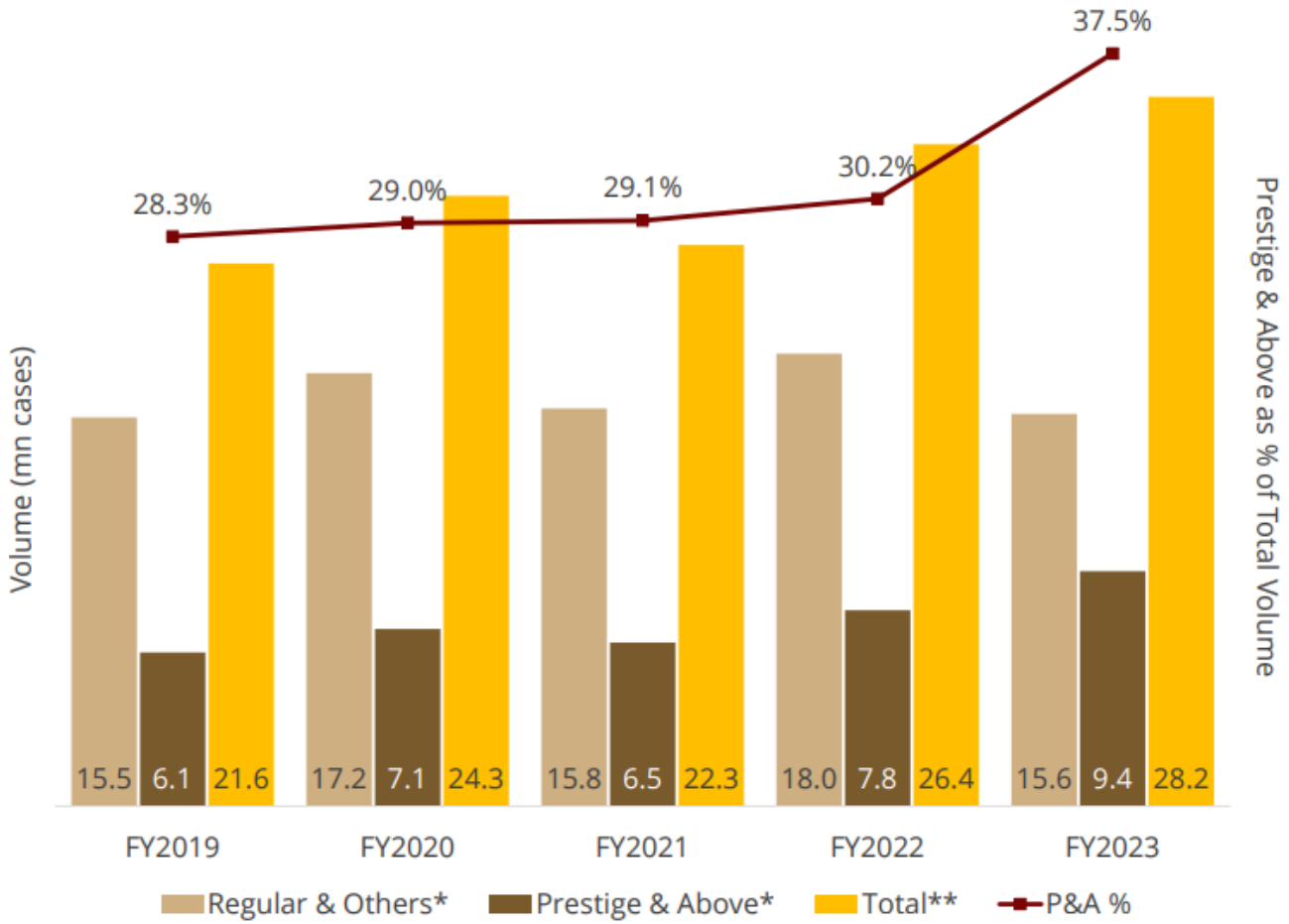
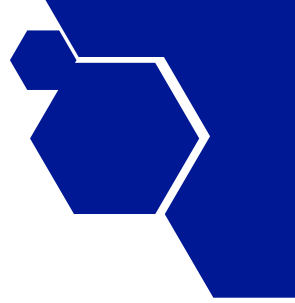
- Future capex is expected to be around INR 70 to INR 80 crores annually after major projects are completed.
- Ongoing focus on malt production and maturation capacity to support long-term growth strategy.

New Product Development:

- Plans for launching additional whisky brands in the upper prestige segment are underway, with management indicating that products are on the drawing board for future release.

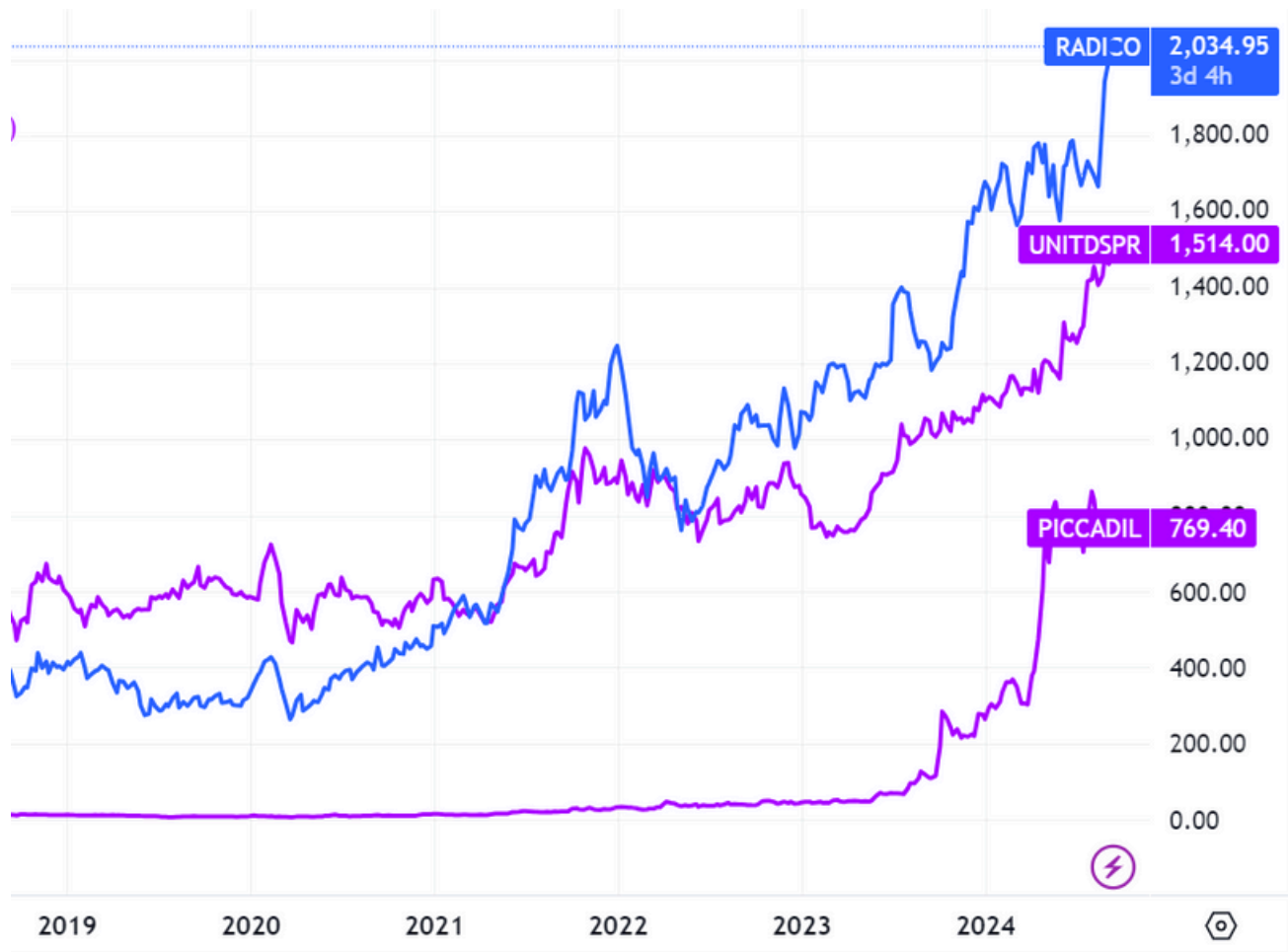
Overall, Radico Khaitan demonstrates a strategic focus on premiumization, brand development, and efficient operations while navigating challenges in the market and regulatory landscape. The management expresses confidence in the company's ability to capitalize on growth opportunities and maintain a strong market position.

Revenue Highlights



Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
United Spirits	1504.00	77.42	109393.55	0.62	485.00	-0.96	2761.00	3.52	27.87
Radico Khaitan	1978.60	98.48	26466.29	0.15	76.31	20.65	1136.54	19.14	13.16
Piccadily Agro	769.00	81.77	7254.70	0.03	13.07	19.58	195.69	-10.57	29.59

Source: Screener

Final Outlook

RADICO : BUY | LTP: 1,979

Radico Khaitan is forecasted to grow earnings and revenue by 30% and 12.3% per annum respectively. EPS is expected to grow by 30.2% per annum. Return on equity is forecast to be 17.5% in 3 years.

During five years of share price growth, Radico Khaitan achieved compound earnings per share (EPS) growth of 6.1% per year. This EPS growth is slower than the share price growth of 43% per year, over the same period. This suggests that market participants hold the company in higher regard, these days. That's not necessarily surprising considering the five-year track record of earnings growth. This favorable sentiment is reflected in its (fairly optimistic) P/E ratio of 90.36.

Radico Khaitan's TSR for the last 5 years was 504%, which exceeds the share price return mentioned earlier.

share price is up a whopping 493% in the last half decade, a handsome return for long term holders.

Sales has significantly increased in last Quarter Operating Profit also Increased by 41% in last Quarter, Investment is constant from last 3 quarters, Stock has shown constant high growth over last 5 yrs , soo in a long run company will give good return

By concluding with all these points i would say that this share is a good long term stock and will grow in the future.

I would suggest to **buy** this stock