

Radico Khaitan

Nifty: 23,249

CMP: Rs. 2,190

Target Price: Rs. 2,298

Breweries & Distilleries

Radico Khaitan (RDCK) delivered a strong 3QFY25 performance, with Revenue/EBITDA/PAT rising by 11%/29%/30% YoY, respectively. This growth was driven by robust performance in the Prestige & Above (P&A) segment and a strong recovery in the Regular segment. P&A brands recorded an 18% increase in volume and 25% value growth, with realization improving by 6%. The Regular segment rebounded sharply with 13.5% volume growth and a 15% increase in value, backed by the reopening of Andhra Pradesh. With new product launches, better execution, and brand scaling, demand in the P&A segment is expected to remain strong. Profitability is likely to enhance, sustained by premiumization, lower grain prices, and enhanced non-IMFL business performance. We maintain a **BUY** rating with a **target price of INR 2,298**, based on a **PE of 60x FY26E EPS**.

P&A Brands Leading the Way:

RDCK's revenue jumped 19.1%, led by P&A brands and non-IMFL business expansion. Despite a 7.1% overall volume decline, led by a 14% drop in Regular brands, P&A volumes grew impressively by 14.2% YoY, reaching 2.7 million cases. This led to a 19% YoY value growth, surpassing expectations. The P&A segment's contribution to RDCK's IMFL business increased to 67% in value and 43% in volume.

The non-IMFL segment, including country liquor and ENA, saw a impressive 57% growth to 390 Crs, thanks to the full capacity utilization of the Sitapur plant commissioned in 3QFY24. RDCK continues to focus on premiumization, aiming for mid to high-teens volume growth in the P&A segment.

Margin Expansion in Sight:

Despite grain price inflation, which led to a 208 bps contraction in gross margins (now at 41.5%), RDCK managed to offset the impact through premiumization and price hikes in its IMFL business. As a result, EBITDA margins improved by 58 bps YoY to 13.1%, with EBITDA growing by 24.6% to INR 149 crore. Operational efficiency played a key role in this performance, as selling and distribution expenses declined by 7.7%, while advertising and promotional (A&P) spend was optimized to stay within the 6%-8% target range for FY25. At the bottom line, PAT grew by 20.7% YoY to INR 76.3 crore.

Outlook & Valuation:

RDCK's strategic execution and its ability to identify and launch brands in lucrative market segments. The strong growth in P&A brands and anticipated margin improvements through backward integration and portfolio premiumization justify the company's re-rating. We maintain a BUY rating with a target price of INR 2,298, based on a PE of 60x FY26E EPS.

Other Highlights:

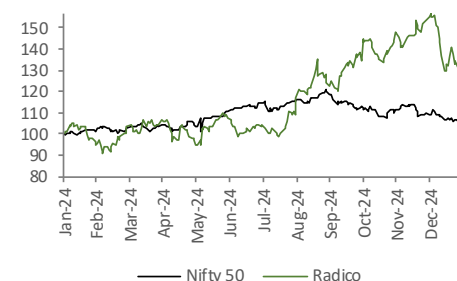
Debt Management: Debt increased due to higher working capital requirements, but RDCK expects inventory levels to decline in 4QFY25, leading to a reduction in debt. The company remains committed to becoming net debt-free by FY27 through internal accruals.

Luxury & Semi-Luxury Brands Scaling Up: Sales from Luxury & Semi-Luxury brands crossed INR 1 billion in 3QFY25, with expectations to surpass INR 5 billion in FY26. These brands saw 45% value growth and 54% volume growth, with their contribution to total sales rising to 12% in 3QFY25 from 9% last year.

Improving Payment Cycle in Andhra Pradesh: Outstanding dues in Andhra Pradesh are significantly lower than peers, and a new state policy mandating payments within 45 days is expected to ease receivables management.

Shareholding (%)	Dec-24
Promoters	40.24
Mutual Funds	17.71
FII	25.26
Retail and Others	16.48

Relative Price Performance



Key Data	
NSE Symbol	RADICO
Bloomberg Code	RDCK
Shares Outstanding (In Cr)	13.4
Face Value	2
Mcap (In cr)	29,286
52 week H/L	2,638 / 1,429

(RS. Cr)	FY23	FY24	FY25E	FY26E
Net Revenue	3,142.8	4,118.6	4,729.3	5,474.1
Growth (%)	9.6%	31.0%	14.8%	15.7%
EBITDA	358.4	506.2	664.0	840.8
EBITDA Margin (%)	11.4%	12.3%	14.0%	15.4%
PAT	204.4	255.8	344.8	511.9
PAT Margin (%)	6.5%	6.2%	7.3%	9.4%
P/E (x)	111.3	114.7	85.1	57.3

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Quarterly Financials

Rs in Cr.	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)
Revenue	1294.2	1160.9	11.5	1116.3	15.9
Expenditure	1110.3	1018.1	9.1	953.1	16.5
Consumption of RM	737.4	675.1	9.2	629.3	17.2
% of net sales	5.7	5.82	-118 bps	5.64	60 bps
Employee Cost	62.9	58.9	6.8	51.3	22.5
% of net sales	4.9	5.1	-21 bps	4.6	26 bps
SG&A	121.8	113.2	7.6	105.6	15.3
% of net sales	9.4	9.8	-34 bps	9.5	-5 bps
Other expenditure	188.2	170.8	10.2	166.9	12.7
% of net sales	14.5	14.7	-17 bps	15	-41 bps
EBITDA	184	142.8	28.8	163.2	12.7
EBITDA Margin	14.2	12.3	191 bps	14.6	-40 bps
Depreciation	35.6	31.8	12	35.7	-0.2
EBIT	148.3	111	33.6	127.5	16.4
Other Income	1.1	4.8	-77.6	3.2	-66.2
Interest	19.5	17.7	10.1	18.8	3.6
PBT	129.9	98.2	32.3	111.8	16.2
Total Tax	33.9	24.3	39.6	29.7	14.4
PAT	96	73.8	30	82.2	16.8
Adjusted EPS	7.2	5.5	30	6.1	16.8

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Financials

Income Statement

Y/E Mar (RS. Cr.)	FY23	FY24	FY25E	FY26E
Net Revenue	3,142.8	4,118.6	4,729.3	5,474.1
Gross Profit	1,314.9	1,752.1	2,033.6	2,381.2
Op. Expenses	(956.5)	(1,246.0)	(1,369.6)	(1,540.4)
EBITDA	358.4	506.2	664.0	840.8
Depreciation	(70.9)	(113.8)	(140.3)	(140.8)
EBIT	287.5	392.4	523.7	700.0
Other income	9.4	8.9	12.0	35.0
Interest Exp.	(22.1)	(59.1)	(74.8)	(50.6)
Reported PBT	274.8	342.1	460.9	684.4
Tax	(70.4)	(86.3)	(116.2)	(172.5)
PAT	204.4	255.8	344.8	511.9
EPS (INR)	15.3	19.2	25.8	38.3

Key Ratios

Y/E	FY23	FY24	FY25E	FY26E
Margins (%)				
EBITDA Margin (%)	11.4	12.3	14	15.4
EBIT Margin (%)	9.1	9.5	11.1	12.8
PAT Margin (%)	6.5	6.2	7.3	9.3
Valuation Ratios				
P/E (x)	143.6	114.7	85.1	57.3
P/BV (x)	13.6	12.3	11.1	9.5
EV/EBITDA (x)	83.5	59.2	45	35.2
Financial Ratios				
ROE (%)	9.9	11.3	13.7	17.8
ROCE (%)	11.5	13.1	16.2	20.9
Net Debt/Equity (x)	0.3	0.3	0.2	0.1

Balance Sheet

Y/E Mar (RS. Cr.)	FY23	FY24	FY25E	FY26E
Share Capital	26.7	26.7	26.7	26.7
Reserves & Surplus	2,125.3	2,350.6	2,628.6	3,073.8
Total Equity	2,152.0	2,377.4	2,655.4	3,100.5
Debt	696.8	737.1	687.1	437.1
Net deferred Tax liabilities	77.7	83.1	83.1	83.1
Total Liabilities	2,926.5	3,197.5	3,425.5	3,620.7
Gross Fixed Assets	1,593.7	2,151.5	2,301.5	2,391.5
Accumulated Depreciation	(380.7)	(494.5)	(634.7)	(775.5)
Capital work in progress	326.9	54.2	54.2	54.2
Net Fixed Assets	1,540.0	1,711.2	1,721.0	1,670.2
Investments	135.4	135.4	135.4	135.4
Non Current Investments	135.4	135.4	135.4	135.4
Current Assets, Loans & Adv.	1,987.8	2,177.2	2,514.0	2,903.6
Inventory	715.4	779.7	895.3	1,036.3
Debtors	824.1	978.2	1,123.2	1,300.1
Cash & Bank balance	130.8	100.0	133.6	154.6
Loans & advances and others	317.6	319.4	362.0	412.7
Current Liabilities & Provisions	736.7	826.3	944.9	1,088.5
Liabilities	716.1	806.1	921.7	1,061.7
Provisions	20.6	20.2	23.2	26.8
Net Current Assets	1,251.1	1,350.9	1,569.2	1,815.1
Total Assests	2,926.5	3,197.5	3,425.5	3,620.7

Cash Flow Statement

Y/E Mar (RS. Cr.)	FY23	FY24	FY25E	FY26E
PBT	274.8	342.1	460.9	684.4
Depreciation & amortization	70.9	113.8	140.3	140.8
Interest expense	22.1	59.1	74.8	50.6
Change in working capital	(76.0)	(259.5)	(184.6)	(225.0)
Tax paid	(71.9)	(72.6)	(116.2)	(172.5)
CF from operating activities	223.8	182.9	375.2	478.3
Capital expenditure	(683.4)	(239.2)	(150.0)	(90.0)
Change in investments	(3.3)	(11.4)	-	-
Income Recd	2.6	8.1	-	-
CF from investing activities	(684.1)	(242.6)	(150.0)	(90.0)
Change in share capital	0.9	22.9	-	-
Change in debt	506.9	40.3	(50.0)	(250.0)
Dividend Paid	(40.1)	(53.4)	(66.8)	(66.8)
Others	14.5	13.9	(74.8)	(50.6)
CF from financing activities	482.1	28.9	(191.6)	(367.4)
Net cash flow	21.9	(30.8)	33.6	21.0
Opening balance	108.9	130.8	100.0	133.6
Closing balance	130.8	100.0	133.6	154.6

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