

Radico Khaitan

Nifty: 19395

CMP: INR 1,382

Target Price: INR 1,590

WHERE ADVISORY MEETS EXCELLENCE

Breweries & Distilleries

Radico Khaitan, a leading producer of Indian Made Foreign Liquor, has reported a robust 21.5% YoY revenue growth in its latest quarterly results. The Prestige & Above segment exhibited growth across all states and geographies, with Royal Ranthambore surpassing FY23 volumes in H1FY24. Notably, Magic Moments vodka commands a 60% market share in the vodka industry. Despite challenges in commodity prices, the company has maintained strong gross margins through strategic pricing and capitalizing on the premiumization trend. The introduction of two new whiskies in the Jugalbandi series at The Whisky Show in London enhances their super-premium product line. The operational commencement of the Sitapur facility in Q2FY2024 further strengthens their positive outlook. With the current debt at 771.4 crores, expected to peak in Q3FY24, Radico Khaitan is targeting a debt-free status by FY26. Given these achievements and sound financials, a "BUY" rating is maintained with a target price of Rs. 1,590/-.

Improved P&A movement:

Q2FY24 demonstrated a robust performance, marked by an impressive 35.6% YoY growth for Prestige & Above category brands. Although there was a 3.1% decline in total Indian Made Foreign Liquor (IMFL) volume, the Prestige & Above category witnessed a substantial 21.8% growth in volume. The surge in Non-IMFL revenue (49.3% YoY) can be attributed to increased country liquor volumes from the Sitapur bottling plant and the implementation of country liquor price hikes from April 1, 2023. Noteworthy is the rise in the Prestige & Above category's contribution to IMFL volume, climbing from 37.9% in Q2FY2023 to 47.1% in Q2FY24. The successful introduction of two single malt whiskies in the Jugalbandi series, coupled with the anticipated launch of a luxury whisky brand in the latter half of FY2024 and the addition of pink vodka to the Magic Moment portfolio in the coming future, is expected to provide further momentum and sustain the current upward growth trajectory.

Healthy Margins:

With a substantial 29.1% YoY increase, the Gross Profit has demonstrated impressive growth. The Gross Margin for the quarter reached 44.1%, marking a notable improvement from 41.6% in Q2FY2023 and 43.6% in Q1FY2024. This noteworthy year-on-year

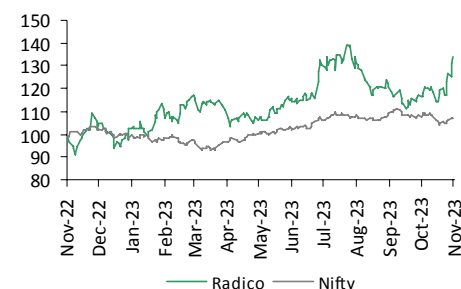
enhancement is credited to price increases and the ongoing premiumization trend in the Indian Made Foreign Liquor (IMFL) sector, coupled with upward price adjustments in the Country Liquor business. Despite challenges such as commodity inflation in Extra Neutral Alcohol (ENA) and grain prices, successful maintenance of Gross Margins on a quarter-on-quarter basis has been achieved. While certain packaging materials have seen recent price softening, we remain vigilant in monitoring the dynamics of ENA and glass bottles, where volatility persists. Additionally, the company's current net debt stands at 771.4 crore, taking into account the influence of new projects totaling Rs. 156 Crore since March 2023. With an anticipated peak in Q3FY24, Radico Khaitan is on track to achieve a debt-free status by FY26. The initiation of production at the Sitapur facility, coupled with the expansion of the Prestige & Above mix and the management's commitment to achieving a debt-free status by FY26, is expected to further contribute to the strengthening of the company's margins. This is supported by the management's guidance of reaching EBITDA Margins in the range of 14 - 15% in the coming two to three years.

Outlook & Valuation:

Radico Khaitan demonstrated strong performance in Q2FY24, achieving a notable 21.5% revenue growth. The company's

Shareholding (%)	Sep-23
Promoters	40.26
Mutual Funds	18.07
Other Domestic Institutions	5.86
FII	18.19
Retail and Others	17.62

Relative Price Performance



Key Data	
NSE Symbol	RADICO
Bloomberg Code	RDCK
Reuters Code	RADC.BO
Shares Outstanding	133,673,765
Face Value	2
Mcap (In cr)	18,484
52 week H/L	1,478 /929.30
Beta	0.05

Board of Directors	
Name	Designation
Mr. Lalit Kumar Khaitan	Executive Director-Chairperson-MD
Mr. Abhishek Khaitan	Executive Director-MD
Dilip K. Banthiya	Chief Financial Officer
Mr. K.P.Singh	Executive Director
Mr. Dinesh Kumar Gupta	Vice President - Legal, Company Secretary & Compliance Officer

(In Cr)	FY21	FY22	FY23	FY24E	FY25E
Net Revenue	2374	2859	3143	3939.51	4410.13
PAT	277	263	220	505.00	601.56
EPS	20.75	19.69	16.48	37.78	45.00

Breweries & Distilleries

consistent emphasis on premiumization, new product launches, and a strengthened presence in the Defense segment is expected to result in increased profit margins in the coming years. The management's confidence in achieving mid-teens growth for P&A volumes and mid-single digits growth for the regular portfolio, coupled with strategic launches in the premium segment and the ongoing trend of premiumization, positions the company for sustained robust performance. Despite concerns about margin recovery due to factors such as raw material volatility and growth in the regular portfolio, along with potential costs related to capex affecting earnings, the company has successfully maintained good margins. Overall, we maintain a positive outlook on Radico Khaitan's growth prospects, assigning a value of Rs. 1590/-, and therefore, we maintain a "BUY" rating for this stock in comparison to the market price.

Key Risk:

1. Increase in some of the key input materials, which has impacted profitability margins particularly in the non-IMFL segment.
2. Government intervention: Considering the fact that in India every state has its own policy on alcohol consumption which therefore creates a challenge for alcohol companies
3. Governance on policies on alcohol industry is spread state wise and therefore it becomes a challenge for all the alcohol companies. This also makes distribution, marketing & taxation policies different from state to state. Irregular excise hikes/regulatory changes in key markets.

Particulars (Amount in Lakhs)	Q2FY24	Q1FY24	QoQ (%)	Q2FY23	YoY (%)	H1FY24	H1FY23	YoY (%)
Revenue	3,71,505.46	4,02,331.49	-8%	3,01,856.18	23%	7,73,836.95	6,20,236.45	25%
Cost of material consumed	54,552.12	54,939.10	-1%	47,253.58	15%	1,09,491.22	93,463.99	17%
Purchase of stock-in-trade	(51.78)	(107.12)	-52%	51.65	-200%	(158.90)	16.29	-1075%
Changes in inventories of finished goods, work-in-progress and stock-in-trade (net of excise duty)	(2,831.06)	(1,032.68)	174%	(2,802.13)	1%	(3,863.74)	(6,226.01)	-38%
Excise duty on sales	2,79,005.11	3,06,939.44	-9%	2,25,717.08	24%	5,85,944.55	4,68,354.29	25%
Employee benefits expense	4,862.87	4,133.42	18%	4,017.75	21%	8,996.29	7,660.81	17%
Selling & distribution expenses	10,137.20	10,781.25	-6%	7,316.47	39%	20,918.45	16,720.47	25%
Other expenses	13,710.62	14,727.07	-7%	11,294.33	21%	28,437.69	21,987.78	29%
EBITDA	12,120.38	11,951.01	1%	9,007.45	35%	24,071.39	18,258.83	32%
EBITDA Margin (%)	3%	3%	10%	3%	9%	3%	3%	6%
Depreciation and amortisation expense	2,612.15	2,433.59	7%	1,718.63	52%	5,045.74	3,392.12	49%
EBIT	9,508.23	9,517.42	0%	7,288.82	30%	19,025.65	14,866.71	28%
Finance Costs	1,247.09	1,227.45	2%	404.62	208%	2,474.54	701.88	253%
Other Income	68.71	111.77	-39%	94.17	-27%	180.48	530.67	-66%
Profit before tax	8,329.85	8,401.74	-1%	6,978.37	19%	16,731.59	14,695.50	14%
Taxes	2,143.15	2,078.42	3%	1,796.01	19%	4,221.57	3,685.81	15%
Profit After Tax (PAT)	6,186.70	6,323.32	-2%	5,182.36	19%	12,510.02	11,009.69	14%
PAT Margins (%)	2%	2%	6%	2%	-3%	2%	2%	-9%

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