

Radico Khaitan

Nifty: 24368

CMP: INR 1,683

Target Price: INR 2,015

Breweries & Distilleries

Radico Khaitan (RDCK) showcased a robust performance in 1QFY25, primarily driven by its Prestige & Above (P&A) brands, which experienced a volume and value growth of 14% and 19%, respectively, along with a 4% increase in realization. The company's non-IMFL segment also saw significant improvement, with a 57% growth attributed to the operationalization of the Sitapur plant. Looking ahead, we anticipate sustained strong demand for P&A brands, with RDCK expected to achieve mid-teens volume growth, supported by new product launches, enhanced execution, and the scaling up of existing brands. We maintain BUY recommendation with a TP of INR 2,015 based on a PE(x) of 50x FY26E EPS.

P&A Brands Propel Radico Khaitan's Growth:

RDCK's revenue jumped 19.1%, led by P&A brands and non-IMFL business expansion. Despite a 7.1% overall volume decline, driven 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 remarkable 57% growth to 390Cr, 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:

While gross margins contracted by 208 basis points YoY to 41.5% due to grain price inflation, this was offset by premiumization and price hikes in the IMFL business. EBITDA margins expanded by 58 bps YoY to 13.1%, with EBITDA itself growing 24.6% to 149Cr. Selling and distribution expenses were optimized, decreasing by 7.7%, while A&P spending was adjusted to maintain a full-year target of 6%-8%. PAT for the quarter rose by 20.7% YoY to 76.3 Cr.

Other Highlights:

Debt Management: Debt increased this quarter due to inventory buildup and higher receivables. However, the company aims to be debt-free by FY26, indicating a strong focus on improving its financial health.

Capex and IRR Outlook: The company has allocated 150Cr for FY25 capex, with a focus on capacity expansion and maintenance. The expected Internal Rate of Return (IRR) for recent capex is 7%-8%, with a long-term target of 16%-17%.

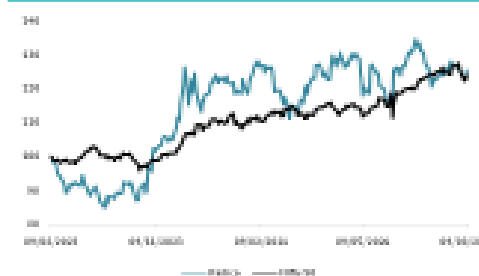
Magic Moments Performance: The flagship brand "Magic Moments" achieved significant success, with a volume of 1.9 million cases and sales reaching INR 3 billion, showcasing the brand's strong market presence.

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 recommend a BUY recommendation with a target price of INR 2,015 based on a PE(x) of 50x FY26E EPS.

Shareholding (%)	Jul-24
Promoters	40.26
Mutual Funds	24.47
FII	18.82
Retail and Others	16.44

Relative Price Performance



Key Data	
NSE Symbol	RADICO
Bloomberg Code	RDCK
Reuters Code	RADC.BO
Shares Outstanding (In Cr)	13.4
Face Value	2
Mcap (In cr)	22,508
52 week H/L	1,885 / 1,141
Beta	0.91

Board of Directors				
Name	Designation			
Mr. Lalit Kumar Khaitan	Chairman & Managing Director			
Mr. Abhishek Khaitan	Managing Director			
Mr. Dilip Banthiya	Chief Financial Officer			
Mr. Amar Singh	Whole Time Director			
Mr. Dinesh Kumar Gupta	Vice President - Legal, Company Secretary & Compliance Officer			
(In Cr)	FY23	FY24	FY25E	FY26
Net Revenue	3,142.8	4,118.6	4,940.2	5,662.5
Growth (%)	9.6%	31.0%	19.9%	14.6%
EBITDA	358.4	506.2	700.3	858.7
EBITDA Margin (%)	11.4%	12.3%	14.2%	15.2%
PAT	204.4	255.8	402.6	537.7
PAT Margin (%)	6.5%	6.2%	8.1%	9.5%
P/E (x)	111.3	89	56.5	42.3

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Quarterly financial

INR Cr	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)
Revenue	1136.5	953.9	19.1	1078.7	5.4
Expenditure	987.6	834.4	18.4	956.2	3.3
Consumption of RM	664.6	538	23.5	636.7	4.4
% of net sales	58.5	56.4	208 bps	59	-55 bps
Employee Cost	50.4	41.3	21.8	47	7.3
% of net sales	4.4	4.3	10 bps	4.4	8 bps
Selling & Distribution	99.5	107.8	-7.7	112.1	-11.2
% of net sales	8.8	11.3	-255 bps	10.4	-163 bps
Other Expenditure	173.1	147.3	17.6	160.5	7.9
% of net sales	15.2	15.4	-20 bps	14.9	35 bps
EBITDA	149	119.5	24.6	122.5	21.6
EBITDA Margin	13.1	12.5	58 bps	11.4	175 bps
Depreciation	32.9	24.3	35	31.5	4.2
EBIT	116.1	95.2	22	91	27.6
Other Income	3.7	1.1	229.4	2.2	64.7
Interest	18.5	12.3	50.3	16.7	10.6
PBT	101.4	84	20.6	76.5	32.4
Total Tax	25	20.8	20.5	19.7	26.8
PAT	76.3	63.2	20.7	56.8	34.4
EPS	5.7	4.7	20.7	4.2	34.4

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Financials

Profit and loss Statement

Y/E (INR Cr)	FY23	FY24	FY25E	FY26E
Net Revenue	3,142.8	4,118.6	4,940.2	5,662.5
Gross Profit	1,314.9	1,752.1	2,109.5	2,434.9
Op. Expenses	-956.5	-1,246.0	-1,409.2	-1,576.2
EBITDA	358.4	506.2	700.3	858.7
Depreciation	-70.9	-113.8	-131.4	-133.7
EBIT	287.5	392.4	568.9	724.9
Other income	9.4	8.9	12.0	22.0
Interest Exp.	-22.1	-59.1	-42.7	-28.1
PBT	274.8	342.1	538.2	718.8
Tax	-70.4	-86.3	-135.6	-181.1
Net Profit	204.4	255.8	402.6	537.7
EPS	15.3	19.2	30.1	40.3

Cash Flow

Y/E (INR Cr)	FY23	FY24	FY25E	FY26E
PBT	274.8	342.1	538.2	718.8
Depreciation & amortization	70.9	113.8	131.4	133.7
Interest expense	22.1	59.1	42.7	28.1
(Inc)/Dec in working capital	-76.0	-259.5	-247.8	-218.2
Tax paid	-71.9	-72.6	-135.6	-181.1
CF from operating activities	223.8	182.9	328.9	481.3
Capital expenditure	-683.4	-239.2	-150.0	-90.0
Inc/(Dec) in investments	-3.3	-11.4	-	-
Add: Interest/Div. Income Recd.	2.6	8.1	-	-
CF from investing activities	-684.1	-242.6	-150.0	-90.0
Inc/(Dec) in share capital	0.9	22.9	-	-
Inc/(Dec) 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	-42.7	-28.1
CF from financing activities	482.1	28.9	-159.5	-344.9
Net cash flow	21.9	-30.8	19.4	46.4
Opening balance	108.9	130.8	100.0	119.3
Closing balance	130.8	100.0	119.3	165.7

Balance Sheet

Y/E (INR Cr)	FY23	FY24	FY25E	FY26E
Share Capital	26.7	26.7	26.7	26.7
Reserves & Surplus	2,125.3	2,350.6	2,686.4	3,157.3
Total Equity	2,152.0	2,377.4	2,713.2	3,184.0
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	3,483.3	3,704.2
Gross Fixed Assets	1,593.7	2,151.5	2,301.5	2,391.5
Accumulated Depreciation	-380.7	-494.5	-625.8	-759.6
Capital Work in Progress	326.9	54.2	54.2	54.2
Net Fixed Assets	1,540.0	1,711.2	1,729.9	1,686.1
Investments	135.4	135.4	135.4	135.4
Current Assets, Loans & Advances	1,987.8	2,177.2	2,601.1	3,005.3
Inventory	715.4	779.7	935.2	1,072.0
Debtors	824.1	978.2	1,173.3	1,344.8
Cash & Bank Balance	130.8	100.0	119.3	165.7
Loans & Advances and Others	317.6	319.4	373.3	422.8
Current Liabilities & Provisions	736.7	826.3	983.0	1,122.6
Liabilities	716.1	806.1	958.8	1,094.8
Provisions	20.6	20.2	24.2	27.7
Net Current Assets	1,251.1	1,350.9	1,618.1	1,882.7
Total Assets	2,926.5	3,197.5	3,483.3	3,704.2

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