

Q1FY24: Sustained strong operating performance led by P&A category

Important Statistics

- Total IMFL volume of 7.36mn cases, expanded 7.9% YoY.
- Prestige & above brands volume of 2.39Mn cases (27.2% YoY).
- Prestige & above brands contribution to the total IMFL volumes of 36.5% (vs. 29.6%)
- Net sales increased by 25.9% to ₹953Cr. Gross profit expanded 26.1% YoY
- EBITDA increased 29.1% YoY to ₹119Cr and margin at 12.5%

M.CAP (₹ Cr)	₹18,687
52 Week H/L (₹)	₹1,229/765
NSE Code	RADICO
BSE Code	532497

Shareholding pattern (%)	Jun'23
Promoter	40.27
FII	18.26
DII	23.76
Public & Others	17.71

Key takeaways from Q4FY23 result

Relative Comparison

Volumes Growth:

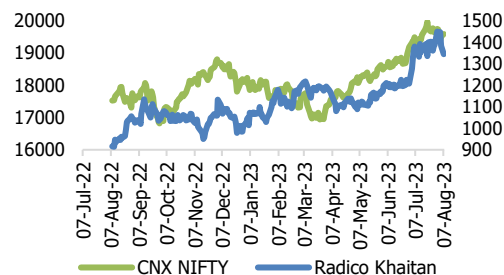
- Radico Khaitan's net sales grew 25.9% to ₹954Cr. Total IMFL volume was expanded 7.9% to 7.36mn whereas Prestige & Above category volume grew 27.2%. Prestige & above net revenue growth was 40% compared to Q1FY23. Prestige & above brands contribution to the total IMFL sales value of 59.5% (vs. 50%)
- Non-IMFL revenue growth was due to incremental country liquor volumes from Sitapur bottling unit coupled with the country liquor price increases received w.e.f. 1-April-2023.

Gross Margin:

- Gross Margin during the quarter was 43.6% compared to 40.6% in Q4FY23 and flat Y-o-Y. On Q-o-Q basis, gross margin improved significantly due to the price increases received in the Country Liquor business coupled with price increases and ongoing premiumization in the IMFL business. On Y-o-Y basis, despite significant commodity inflation across ENA and glass bottles (accounting for over 65% of cost of production) company have been able to sustain Gross Margins.
- Although, prices of certain packaging materials have softened recently, Radico have been cautiously monitoring the trends of ENA and glass bottles where volatility persists.

Operating efficiency:

- EBITDA increased 29.1% YoY at ₹119Cr and margin expanded 30 bps to 12.5%. PAT increased by 8.5% to ₹63Cr.
- Employee benefit expenses increased by 13.5% y-o-y to ₹41.3Cr and QoQ basis it declined 7.2%. Selling & distribution expenses increased by 14.6% YoY to ₹108Cr while QoQ basis it increased by 29.5%. During Q1FY24, A&SP as % of IMFL sales was 5.9% vs. 5.0% in FY23. On a quarterly basis, the amount may vary but expect to maintain A&SP spend around 6% to 8% of IMFL revenues to be able to drive the sales momentum.
- The Company has incurred ₹776.7Cr on the Rampur Dual Feed and Sitapur Green Field projects since inception.
- Other expenses increased by 38% YoY. Finance cost was at ₹12.3Cr vs ₹3Cr in Q1FY23



Source: Company, Way2Wealth Research

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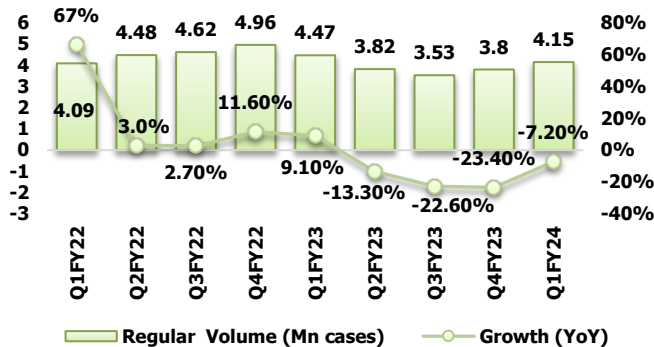
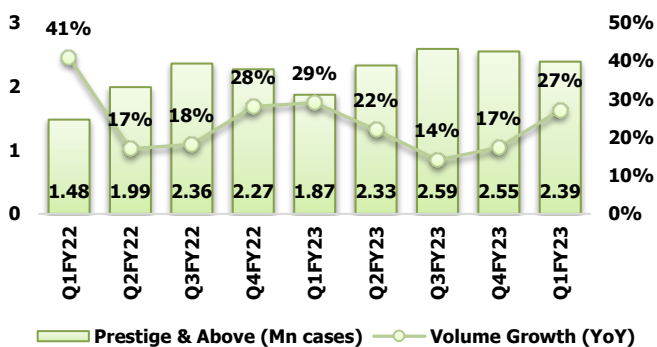
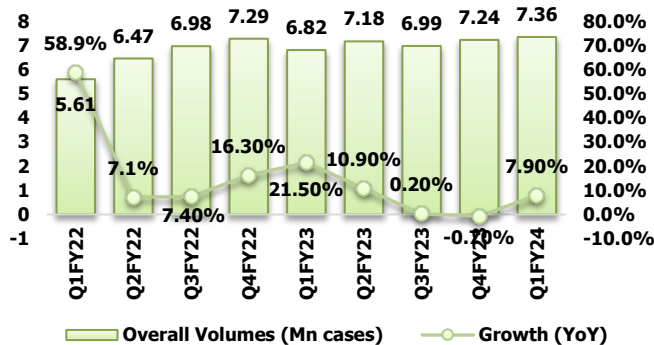
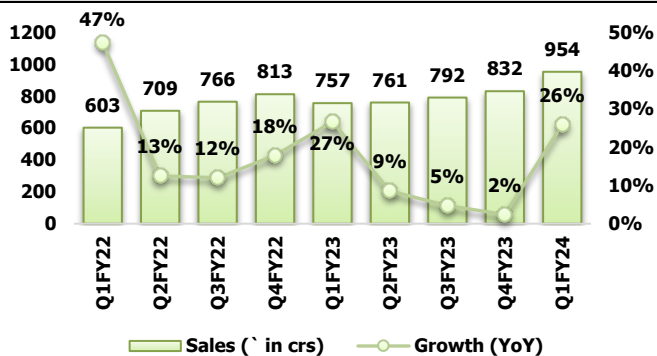
➤ **Net Debt:**

- Net debt as of Jun'23 stands at ₹720Cr vs ₹611Cr in Mar'23. There was an increase in Net Debt of ₹109Cr after Capex on new projects of ₹99Cr since Mar'23.

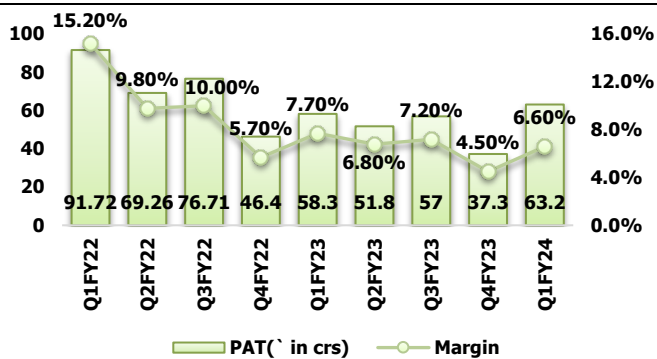
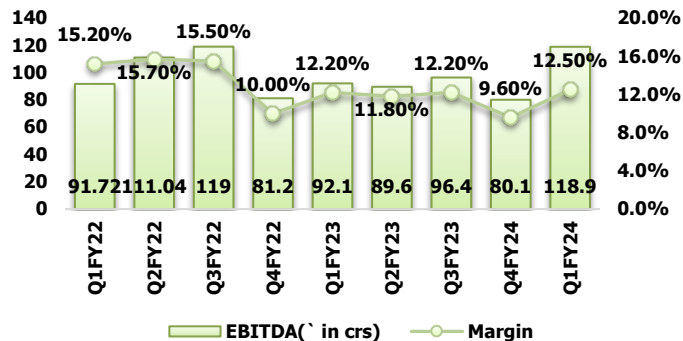
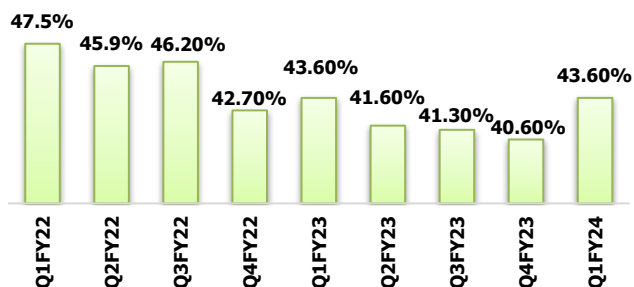
As of June'23	₹ Cr
Total Debt	801
Cash & Cash Equivalent	(80)
Net Debt	721

- Radico Khaitan is very well placed to benefit from the strong premiumization trend of the Indian spirits industry. The Sitapur Greenfield distillery project is progressing well and is in the last stage of implementation and expect to start commercial production during Q2FY24.

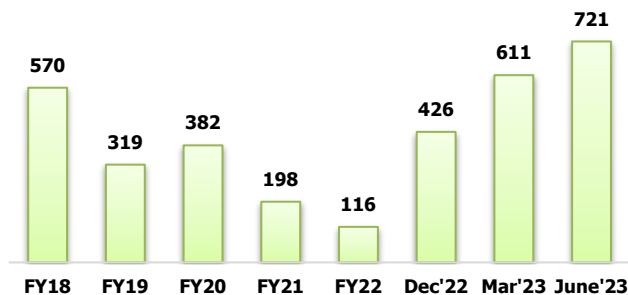
Story in charts



Gross Margin



Net Debt (cr)



Source: Company, Way2Wealth Research

Risks

- Inflation in raw material prices
- Any change in rules and regulations by the respective state governments with regard to IMFL industry can impact the business.

View

Radico posted healthy volume growth of Prestige and above category of 27.2% in Q1FY24. Commissioning of the Rampur dual-feed unit along with premiumisation aids in a better sales mix. The project execution for grain-based distillery in Sitapur is underway and the commercial operations are expected to commence in Q2FY24. This should drive the EBITDA margin to its historic level of 15-16% going forward.

We feel Radico Khaitan is a good long term play considering its consistent performance.

At its CMP of ₹1340/-, the stock trades at ~87.6 to its FY23 EPS of ₹15.3. Considering the track record of execution, the stock is currently trading at an expensive valuation. **We, therefore, recommend long term investors to accumulate this stock on corrections.**

8th August 2023

CMP – ₹1340/-

 View – **Accumulate on corrections**
Quarterly Performance

(₹ Cr)

Particulars	Q1FY24	Q1FY23	VAR	Q4FY23	VAR	FY23
Gross Sales	4023.3	3183.8	26.4%	3375.36	19.2%	12743.91
Excise duty on Sales	3069.39	2426.37	%	2543.52		9601.12
Net Sales (Net of Excise Duty)	953.91	757.43	25.9%	831.84	14.7%	3142.79
Other Income	1.12	4.37	-74.4%	1.38	-18.8%	9.41
TOTAL INCOME	955.0	761.8	25.4%	833.2	14.6%	3152.2
Total Raw Material Cost	538.0	427.5	25.8%	494.4	8.8%	1831.76
Cost of Raw Material & Components Consumed	549.39	462.1	18.9%	517.53	6.2%	1921.43
(Increase)/ Decrease in Inventories	-10.33	-34.24	-69.8%	3.78	-373.3%	-65.6
Purchase of Traded Goods	-1.07	-0.35	205.7%	-26.89	-96.0%	-24.07
<i>Total Raw Material Cost % to Sales</i>	<i>56.4%</i>	<i>56.4%</i>		<i>59.4%</i>		<i>58.3%</i>
Employee Cost	41.33	36.43	13.5%	46.77	-11.6%	168.92
<i>Employee Cost % to Sales</i>	<i>4.3%</i>	<i>4.8%</i>		<i>5.6%</i>		<i>5.4%</i>
Selling & Distribution Expenses	107.81	94.04	14.6%	83.24	29.5%	329.02
<i>Selling & Distribution Expenses % of Sales</i>	<i>11.3%</i>	<i>12.4%</i>		<i>10.0%</i>		<i>10.5%</i>
Other Expenses	147.27	106.93	37.7%	128.49	14.6%	454.74
<i>Other Expenses % of Sales</i>	<i>15.4%</i>	<i>14.1%</i>		<i>15.4%</i>		<i>14.5%</i>
TOTAL EXPENDITURE	834.4	664.9	25.5%	752.9	10.8%	2784.44
EBIDTA	119.5	92.5	29.2%	78.9	51.4%	358.35
EBIDTA Margin %	12.5%	12.2%		9.5%		11.4%
Finance Costs	12.27	2.97	313.1%	9.01	36.2%	22.11
PBDT	108.4	93.9	15.4%	71.3	52.0%	345.65
Depreciation, Amortization & Impairment	24.34	16.73	45.5%	19.91	22.3%	70.89
PBT before Tax	84.0	77.2	8.8%	51.4	63.5%	274.76
Tax	20.79	18.9		14.11	#REF!	70.36
<i>Tax Rate %</i>	<i>24.7%</i>	<i>24.5%</i>		<i>27.5%</i>		<i>25.6%</i>
Reported Profit before share in profit of joint venture	63.2	58.3	8.5%	37.3	69.7%	204.4
PAT Margin %	6.6%	7.7%		4.5%		0.065
Share of net profit/(loss) in Associates and Joint Ventures using equity method	5.0	3.7		5.4		15.98
Net profit for the period	68.3	62.0		42.7		220.38
Other Comprehensive Income (net of tax)	-0.5	0.6		-0.9		-1.247
Total Comprehensive Income	67.8	62.6	8.4%	41.8	62.3%	219.133
EPS	5.07	4.68	8.4%	3.13	62.3%	16.40
Equity	26.7	26.7	0.0%	26.7		26.72
Face Value	2.0	2.0		2.0		2

Source: Company, Way2wealth

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Name of the Security	Radico Khaitan Ltd. (Radico)
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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