

12th February 2024

CMP – ₹1725/-

View – **Accumulate on corrections**
Q3FY24 Performance

- Total IMFL volume of 7.25mn cases, grew 3.7% YoY. Prestige and above category sales grew 29% YoY on account of 20% volume growth and 9% increase in realisation.
- Prestige & above brands volume grew to 3.11mn cases (20.2% YoY) and its contribution to the total IMFL volumes stood at 49.9% (vs. 42.4%)
- Prestige & above brands contribution to the Total IMFL sales value stood at 71.3% (vs. 63.4%)
- Net sales increased by 46.6% to ₹1161crs. Gross profit grew 48% YoY to ₹485.8crs margin expanded 50bps to 41.8%
- EBITDA grew 47.6% YoY to ₹142crs with flat margin (12.2%)

Important Statistics

Nifty	21,783
Sensex	71,595
M.CAP (₹ crs)	₹23,210
52 Week H/L (₹)	₹1,882/1070
NSE Code	RADICO
BSE Code	532497
Bloomberg Code	RDCK:IN

Shareholding pattern (%) Dec'23

Promoter	40.26
FII	19.01
DII	23.99
Public & Others	16.75

Key takeaways from Q3FY24 result
Volumes Growth:

- Radico Khaitan (RDCK) reported a strong performance in P&A (Prestige & Above) brands with 20%/ 29% volume/ value growth and 9% realization growth.
- Non-IMFL revenue growth was due to full capacity utilization of the Sitapur plant, incremental country liquor volumes from Sitapur coupled with the country liquor price increases received w.e.f. 1-April-2023.

Gross Margin:

- Gross margins were impacted both on Y-o-Y and Q-o-Q basis due to significant foodgrain inflation. Grain price inflation had a negative impact of 500bps Y-o-Y and 370bps Q-o-Q on gross margins. Despite commodity inflation in the ENA and grain prices, the company has been able to sustain gross margins on Y-o-Y basis due to the ongoing premiumization and the price increases in the IMFL business. Although, prices of certain packaging materials have softened recently, hence company is cautiously monitoring the trends of grain, ENA and glass bottles where volatility persists.

Operating efficiency:

- Employee benefit expenses increased by 29% Y-o-Y to ₹59crs and 21% QoQ. Selling & distribution expenses increased by 44% YoY to ₹113crs.
- The company's strategy is to continue to make prudent marketing investments over existing core brands and new launches to sustain the growth and market share. During Q3FY24, A&SP stood at 6% of IMFL sales compared to 5.3% in Q3FY23. 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 ₹864crs on the Rampur Dual Feed and Sitapur Green Field projects since inception.
- Other expenses increased by 61% YoY. Finance cost was at ₹17.7crs vs ₹6.1crs in Q3FY23

Net Debt:

- Net debt as of Dec'23 stands at ₹669.5crs vs ₹771crs in Sep'23. There was an increase in Net Debt of ₹102crs since Sep'23.

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
Radico	51	218	335
Nifty 50	21	43	101
Sensex	18	38	98

Source: Company, Way2Wealth Research

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- The management expects negligible debt by FY26. With most of the capex getting over, the management anticipates a gradual reduction in leverage over FY25 and FY26 through internal accruals.

As of Dec'23	₹ crs
Total Debt	731.1
Cash & Cash Equivalent	(61.6)
Net Debt	669.5

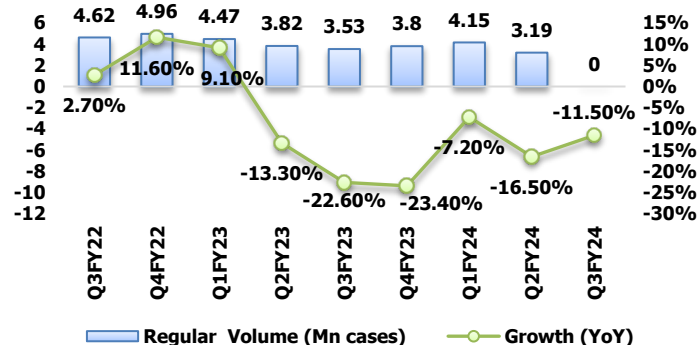
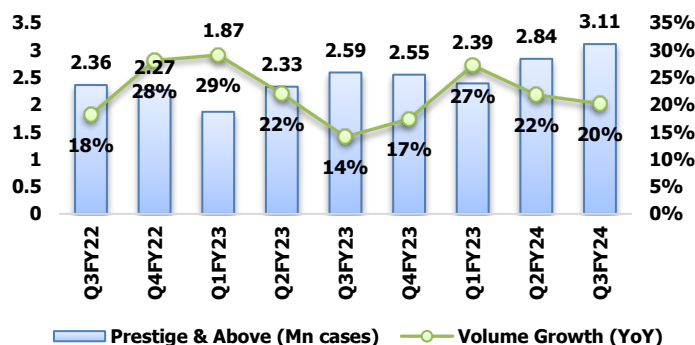
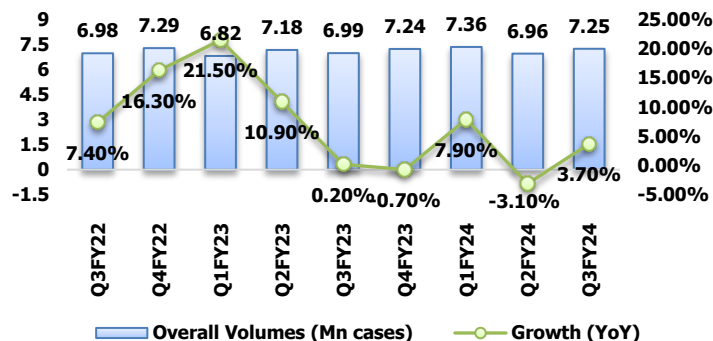
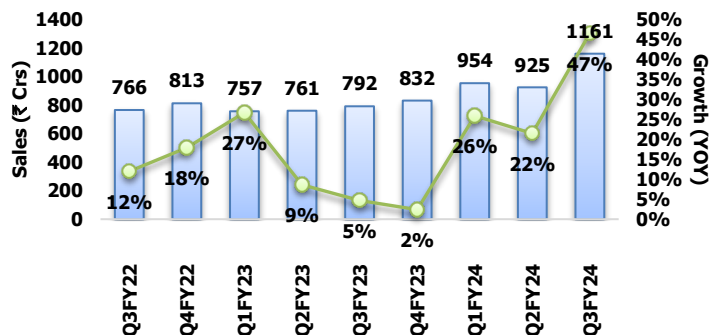
- **The magic Moments Vodka** — has crossed 4.7mn cases in 9MFY24 (vs 5.0mn in FY23). The company continues to strengthen its foothold in the industry with both Magic Moments and Morpheus Super Premium Brandy accounting for ~60% of the market share in their respective product categories. The distribution of Jaisalmer Gin and Rampur Single Malt has now been expanded to 20 states and 14 states, respectively.

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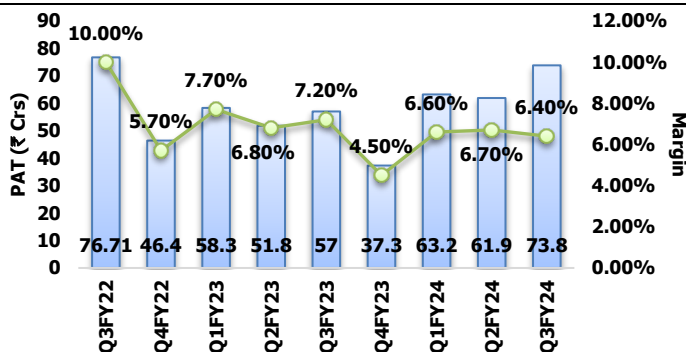
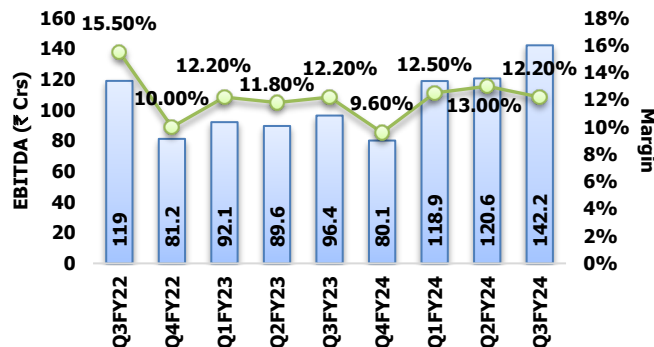
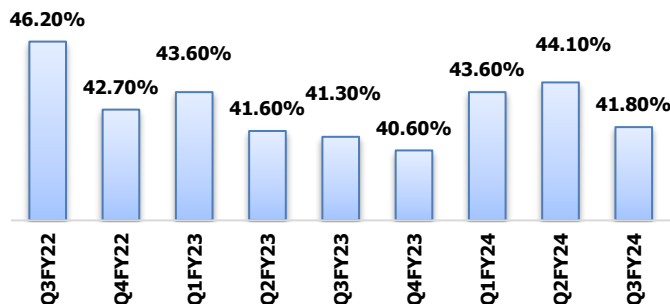
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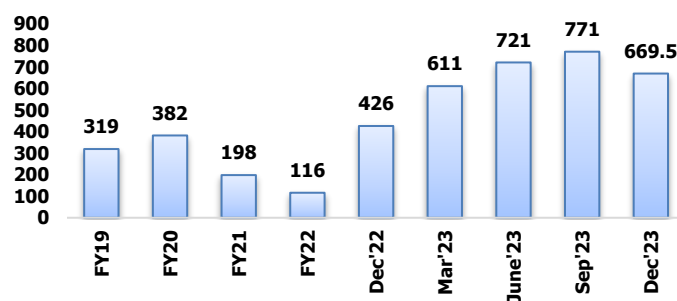
Story in charts



Gross Margin



Net Debt (₹ crs)



Source: Company, Way2Wealth Research

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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 another quarter of resilient performance with strong business fundamentals amidst a challenging operating environment. The commitment to delivering value to consumers, execution excellence, increasing investments in brands, and driving premiumization remains a cornerstone of company's success. With positive macro indicators, continued government spending and a favorable consumer sentiment, we believe that the consumption should see an uptrend in the future.

We are confident of the mid to long term potential of Indian Alcobev sector and Radico Khaitan remains well positioned to capitalize on this opportunity whilst steering the short-term challenges. The company's growth momentum is expected to continue in 2024, supported by favourable consumption trends and incremental volumes from the recently set up Sitapur plant.

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

At its CMP of ₹1725/-, the stock trades at ~97.4 to its TTM earnings of ₹17.7. 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.**

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Quarterly Performance

(₹ crs)

Particulars	Q3FY24	Q3FY23	VAR	Q2FY24	VAR	9MFY24	9MFY23	VAR
Gross Sales	4245.96	3166.19	34.1%	3715.05	14.3%	11984.31	9368.55	27.9%
Excise duty on Sales	3085.04	2374.04		2790.05		8944.48	7057.58	
Net Sales (Net of Excise Duty)	1160.92	792.15	46.6%	925	25.5%	3039.83	2310.97	31.5%
Total Operating Income	1160.9	792.2	46.6%	925.0	25.5%	3039.8	2311.0	31.5%
Other Income	4.83	2.72	77.6%	0.69	600.0%	6.64	8.03	-17.3%
TOTAL INCOME	1165.8	794.9	46.7%	925.7	25.9%	3046.5	2319.0	31.4%
Total Raw Material Cost	675.2	464.8	45.3%	516.7	30.7%	1729.8	1337.4	29.3%
Cost of Raw Material & Components Consumed	686.79	469.28	46.3%	545.52	25.9%	1781.7	1403.92	26.9%
(Increase)/ Decrease in Inventories	-13.11	-7.12	84.1%	-28.31	-53.7%	-51.75	-69.38	-25.4%
Purchase of Traded Goods	1.48	2.65	-44.2%	-0.52	-384.6%	-0.11	2.82	-103.9%
<i>Total Raw Material Cost % to Sales</i>	<i>58.2%</i>	<i>58.7%</i>		<i>55.9%</i>		<i>56.9%</i>	<i>57.9%</i>	
Employee Cost	58.87	45.54	29.3%	48.63	21.1%	148.83	122.15	21.8%
<i>Employee Cost % to Sales</i>	<i>5.1%</i>	<i>5.7%</i>		<i>5.3%</i>		<i>4.9%</i>	<i>5.3%</i>	
Selling & Distribution Expenses	113.22	78.58	44.1%	101.37	11.7%	322.4	245.78	31.2%
<i>Selling & Distribution Expenses % of Sales</i>	<i>9.8%</i>	<i>9.9%</i>		<i>11.0%</i>		<i>10.6%</i>	<i>10.6%</i>	
Other Expenses	170.86	106.38	60.6%	137.11	24.6%	455.24	326.25	39.5%
<i>Other Expenses % of Sales</i>	<i>14.7%</i>	<i>13.4%</i>		<i>14.8%</i>		<i>15.0%</i>	<i>14.1%</i>	
TOTAL EXPENDITURE	1018.1	695.3	46.4%	803.8	26.7%	2656.3	2031.5	30.8%
EBIDTA	142.8	96.8	47.5%	121.2	17.8%	383.5	279.4	37.3%
EBIDTA Margin %	12.3%	12.2%		13.1%		12.6%	12.1%	
Finance Costs	17.71	6.08	191.3%	12.47	42.0%	42.45	13.1	224.0%
PBDT	129.9	93.5	39.0%	109.4	18.7%	347.7	274.4	26.7%
Depreciation, Ammortization & Impairment	31.79	17.06	86.3%	26.12	21.7%	82.25	50.98	61.3%
PBT before Tax	98.1	76.4	28.4%	83.3	17.8%	265.5	223.4	18.8%
Tax	24.31	19.39		21.43	-	66.53	56.25	
<i>Tax Rate %</i>	<i>24.8%</i>	<i>25.4%</i>		<i>25.7%</i>		<i>25.1%</i>	<i>25.2%</i>	
Reported Profit before share in profit of joint venture	73.8	57.0	29.5%	61.9	19.3%	198.9	167.1	19.0%
<i>PAT Margin %</i>	<i>6.4%</i>	<i>7.2%</i>		<i>6.7%</i>		<i>6.5%</i>	<i>7.2%</i>	
Share of net profit/(loss) in Associates and Joint Ventures using equity method	1.3	4.2		3.0		9.35	10.59	
Net profit for the period	75.2	61.2		64.8		208.3	177.7	
Other Comprehensive Income (net of tax)				-0.5				
Total Comprehensive Income	75.2	61.2	22.8%	64.3	16.9%	208.3	177.7	17.2%
Basic:								
EPS	5.63	4.58	22.8%	4.82	16.9%	15.59	13.30	17.2%
Equity	26.7	26.7	0.0%	26.7		26.7	26.7	0.0%
Face Value	2.0	2.0		2.0		2.0	2.0	

Source: Company, Way2wealth Research

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Disclosure of Interest Statement Radico Khaitan Ltd. (Radico) as on 12 February 2024

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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
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