

**Q4FY24 Performance**

- Total IMFL volume of 7.16mn cases, declined 1.2% YoY. Prestige and above category sales grew 16% YoY on account of a 14% volume and a 2% increase in realisation.
- Prestige & above brands volume of 2.92mn cases (14.2% YoY) and its contribution to the total IMFL volumes stood at 49.6% (vs. 40.2%).
- Prestige & above brands contribute to the total IMFL sales value of 73.2% (vs. 65.8%).
- Net sales increased by 29.7% to ₹1078.7crs. Gross profit grew 31% YoY to ₹442crs margin expanded 40bps to 41%.
- EBITDA grew ~55% to ₹122.5crs with margin expanding to 11.4% (190bps).

**Important Statistics**

<b>Nifty</b>	22,529
<b>Sensex</b>	73,953
<b>M.CAP (₹ Cr)</b>	₹22,732
<b>52 Week H/L (₹)</b>	₹1,882/1094
<b>NSE Code</b>	RADICO
<b>BSE Code</b>	532497
<b>Bloomberg Code</b>	RDCK:IN

**Shareholding pattern (%) Mar'24**

Promoter	40.26
FII	18.58
DII	24.72
Public & Others	16.45

**Key takeaways from Q4FY24 result**

- **Volumes Growth:**
  - Radico Khaitan (RDCK) reported a strong performance in P&A (Prestige & Above) brands with 14%/ 16% volume/ value growth and 2% realization growth.
  - The company expects to continue to deliver a double-digit premium volume growth in FY25. 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.
  - The popular segment continues to struggle as off-take contracted 22% YoY due to portfolio rationalisation and excise duty revisions. Additionally, a sharp surge in non-IMFL revenues, on account of full capacity utilisation at the Sitapur plant, boosted the Q4 top line.
- **Gross Margin:**
  - Gross Margin during the quarter was 41.0% compared to 40.6% in Q4FY23 and 41.8% in Q3FY24. Gross Margin was impacted a Y-o-Y basis due to significant foodgrain inflation. Grain price inflation had a negative impact of 490 bps Y-o-Y on Gross Margin. Despite commodity inflation in the ENA and grain prices, Radico has been able to sustain Gross Margin due to the ongoing premiumization and price increases in the IMFL business.
- **Operating efficiency:**
  - Employee benefit expenses were flat YoY to ₹47crs and declined 20% QoQ. Selling & distribution expenses increased by ~35% YoY to ₹112crs.
  - 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 Q4FY24, A&SP was 7.4% of IMFL sales compared to 4.5% in Q4FY23. On a quarterly basis, the amount may vary but expect to maintain A&SP spending around 6% to 8% of IMFL revenues to be able to drive the sales momentum.
  - The Company has incurred ₹891crs on the Rampur Dual Feed and Sitapur Green Field projects since inception (Apr'22).
  - Other expenses increased by 25% YoY. Finance cost was at ₹17crs vs ₹9crs in Q4FY23.

**Financials**

Particulars	₹ Cr	
	FY23	FY24
Revenues	12744	15879
EBITDA	358	506
<i>EBITDA Margin (%)</i>	<i>11.4</i>	<i>12.3</i>
Net Profit	262	220
EPS (₹)	16.5	19.6
PE	102.8	86.5

**Relative Performance**

Absolute Return (%)	1 Yr	3Yr	5 Yr
<b>Radico Khaitan Ltd</b>	<b>46</b>	<b>178</b>	<b>370</b>
<b>Nifty 50</b>	23	46	91
<b>Sensex</b>	20	44	87

Source: Company, Way2Wealth Research

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> **FY24:**

- The company ended the year with robust Prestige & Above brand volume growth of 20%, under scoring the strength of the brand portfolio and excellent execution capabilities. Radico Khaitan has been strengthening its core brands through focused marketing investments and launching select new brands in the super-premium and luxury segments.
- Total MFL volume of 28.73 Million Cases (+1.7%). Prestige & Above brands volume of 11.26 Million Cases (+20.3%). Net revenue grew 31% YoY to ₹4118.5crs. EBITDA grew ~42% YoY to ₹507crs with a margin of 26.7%.

 > **Net Debt:**

- Net debt as of Dec'23 stands at ₹687.1crs. There was an increase in Net Debt of ₹76crs since Mar'23.
- 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 Mar'23	₹Cr
Total Debt	737.1
Cash & Cash Equivalent	(50)
Net Debt	687.1

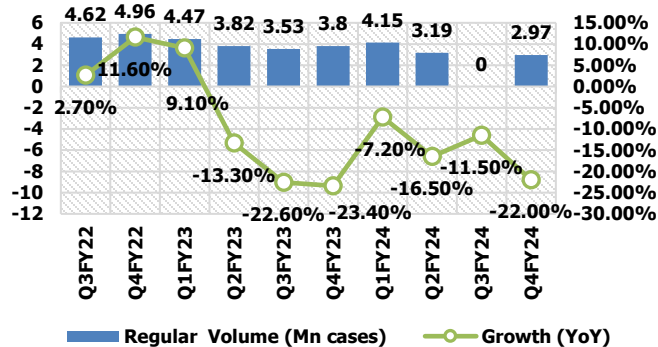
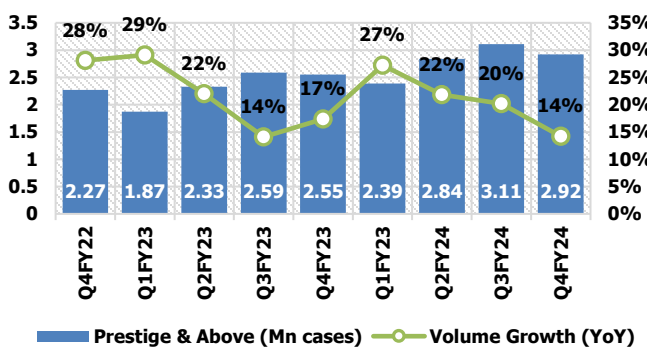
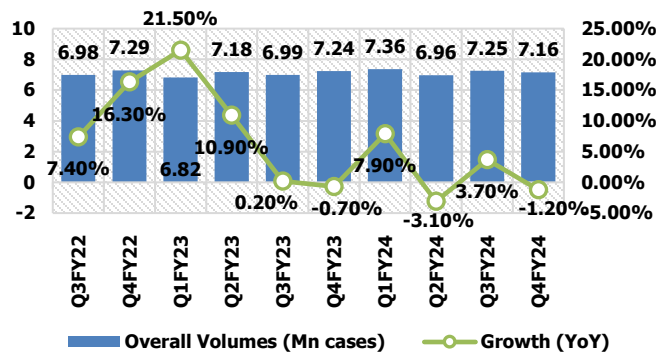
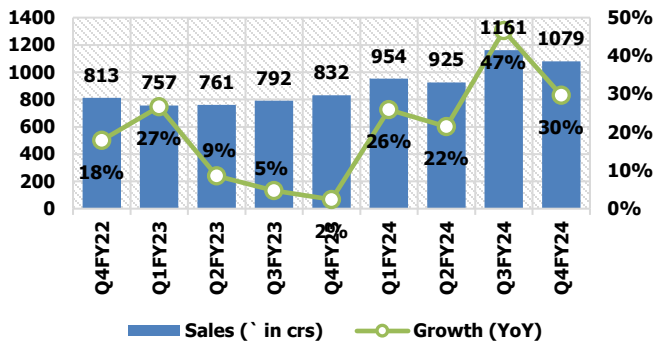
- > **The magic Moments Vodka** has crossed 6.3 mn cases in FY24 (vs 5.0mn in FY23) and Morpheus Super Premium Brandy achieved 1.3mn cases in FY24. The company continues to strengthen its foothold in the industry with both Magic Moments and Morpheus Super Premium Brandy accounting for ~60% of the market share in their respective product categories.
- > The company has completed the commissioning of 350 KLPD distillery at Sitapur. The commissioning of this facility not only secures long-term ENA supplies but also positions the company strongly to capitalize on future growth opportunities in the branded business with enhanced bottling capacities.
- > The Luxury (Rampur Single Malt Whisky, Sangam World Malt Whisky, Kohinoor Reserve Indian Dark Rum etc.) and Semi-Luxury (Royal Ranthambore Whisky, Happiness in a Bottle Gin etc.) portfolio delivered volume growth of ~50% in FY24.

22<sup>nd</sup> May 2024

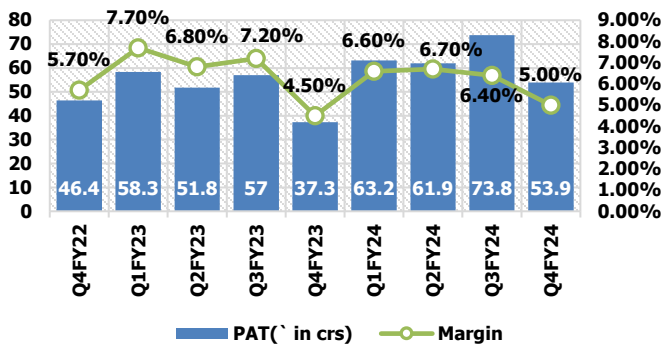
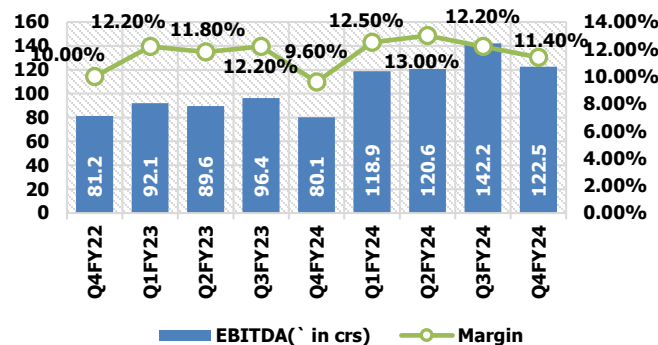
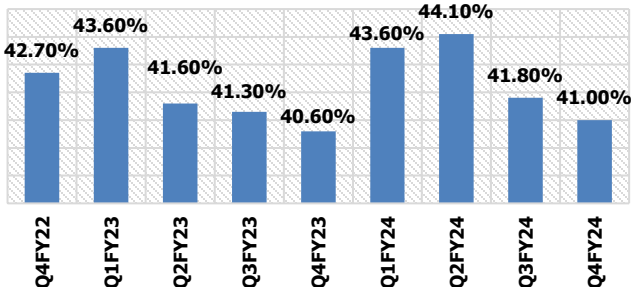
CMP – ₹1696/-

View – Accumulate

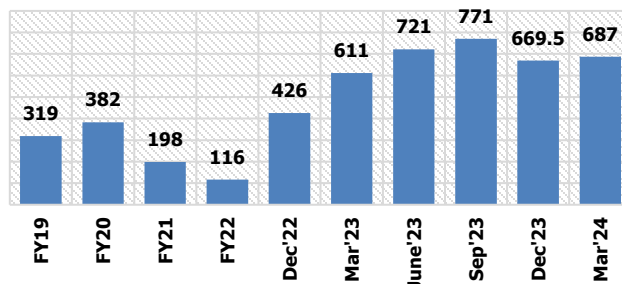
**Story in charts**



**Gross Margin**



**Net Debt (₹ cr)**



Source: Company, Way2Wealth Research

W2W Lighthouse - A Quick Perspective

**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. With positive macro indicators, continued government spending and a favorable consumer sentiment, we believe that the consumption should see an uptrend in the future.

Given the premiumization focus, Prestige & Above category brands account for 46% of IMFL sales volume and 69% of IMFL sales value. In this context, the Magic Moments brand family has achieved 6.3 million case sales and crossed the milestone of ₹1000crs in sales value, grew 25% YoY

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 2025 as well, supported by favourable consumption trends, expected, normal monsoon, better crop yield 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 ₹1696/-, the stock trades at ~86.5 to its FY24 earnings of ₹19.6.** 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.**

22<sup>nd</sup> May 2024

CMP – ₹1696/-

 View – **Accumulate**
**Quarterly Performance**

(₹ Cr)

Particulars	Q4FY24	Q4FY23	VAR	Q3FY24	VAR	FY24	FY23	VAR
<b>Gross Sales</b>	<b>3894.64</b>	<b>3375.36</b>	<b>15.40%</b>	<b>4245.96</b>	<b>-8.30%</b>	<b>15878.95</b>	<b>12743.91</b>	<b>24.60%</b>
Excise duty on Sales	2815.96	2543.52		3085.04		11760.44	9601.1	
<b>Net Sales (Net of Excise Duty)</b>	<b>1078.68</b>	<b>831.84</b>	<b>29.70%</b>	<b>1160.92</b>	<b>-7.10%</b>	<b>4118.51</b>	<b>3142.81</b>	<b>31.00%</b>
Other Income	2.24	1.39	61.20%	4.83	-53.60%	8.88	9.42	-5.70%
<b>TOTAL INCOME</b>	<b>1080.9</b>	<b>833.2</b>	<b>29.70%</b>	<b>1165.8</b>	<b>-7.30%</b>	<b>4127.4</b>	<b>3152.2</b>	<b>30.90%</b>
Total Raw Material Cost	636.7	494.4	28.80%	675.2	-5.70%	2366.5	1831.8	29.20%
Cost of Raw Material & Components Consumed	639.64	517.53	23.60%	686.79	-6.90%	2421.34	1921.45	26.00%
(Increase)/ Decrease in Inventories	-2.42	-26.89	-91.00%	-13.11	-81.50%	-54.17	-96.27	-43.70%
Purchase of Traded Goods	-0.56	3.78	-114.80%	1.48	-137.80%	-0.67	6.6	-110.20%
<i>Total Raw Material Cost % to Sales</i>	<i>59.00%</i>	<i>59.40%</i>		<i>58.20%</i>		<i>57.50%</i>	<i>58.30%</i>	
Employee Cost	46.95	46.77	0.40%	58.87	-20.20%	195.78	168.92	15.90%
<i>Employee Cost % to Sales</i>	<i>4.40%</i>	<i>5.60%</i>		<i>5.10%</i>		<i>4.80%</i>	<i>5.40%</i>	
Selling & Distribution Expenses	112.06	83.24	34.60%	113.22	-1.00%	434.46	329.02	32.00%
<i>Selling &amp; Distribution Expenses % of Sales</i>	<i>10.40%</i>	<i>10.00%</i>		<i>9.80%</i>		<i>10.50%</i>	<i>10.50%</i>	
Other Expenses	160.48	128.49	24.90%	170.86	-6.10%	615.72	454.74	35.40%
<i>Other Expenses % of Sales</i>	<i>14.90%</i>	<i>15.40%</i>		<i>14.70%</i>		<i>15.00%</i>	<i>14.50%</i>	
<b>TOTAL EXPENDITURE</b>	<b>956.2</b>	<b>752.9</b>	<b>27.00%</b>	<b>1018.1</b>	<b>-6.10%</b>	<b>3612.5</b>	<b>2784.5</b>	<b>29.70%</b>
<b>EBIDTA</b>	<b>122.5</b>	<b>78.9</b>	<b>55.30%</b>	<b>142.8</b>	<b>-14.20%</b>	<b>506.1</b>	<b>358.4</b>	<b>41.20%</b>
<b>EBIDTA Margin %</b>	<b>11.40%</b>	<b>9.50%</b>		<b>12.30%</b>		<b>12.30%</b>	<b>11.40%</b>	
Finance Costs	16.69	9.01	85.20%	17.71	-5.80%	59.14	22.11	167.50%
<b>PBDT</b>	<b>108.1</b>	<b>71.3</b>	<b>51.60%</b>	<b>129.9</b>	<b>-16.80%</b>	<b>455.8</b>	<b>345.7</b>	<b>31.90%</b>
Depreciation, Amortization & Impairment	31.52	19.92	58.20%	31.79	-0.80%	113.77	70.9	60.50%
<b>PBT before Exceptional Items</b>	<b>76.6</b>	<b>51.4</b>	<b>49.00%</b>	<b>98.1</b>	<b>-22.00%</b>	<b>342</b>	<b>274.8</b>	<b>24.50%</b>
Exceptional Items	2.89	-5.39	-153.60%		#DIV/0!	2.89	-5.39	-153.60%
<b>PBT after Exceptional Items</b>	<b>73.7</b>	<b>56.8</b>	<b>29.80%</b>	<b>98.1</b>	<b>-24.90%</b>	<b>339.1</b>	<b>280.2</b>	<b>21.10%</b>
Tax	19.76	14.11		24.31		86.29	70.36	
<i>Tax Rate %</i>	<i>26.80%</i>	<i>24.90%</i>		<i>24.80%</i>		<i>25.40%</i>	<i>25.10%</i>	
<b>Reported Profit before Tax</b>	<b>53.9</b>	<b>42.7</b>	<b>26.40%</b>	<b>73.8</b>	<b>-27.00%</b>	<b>252.8</b>	<b>209.8</b>	<b>20.50%</b>
<b>PAT Margin %</b>	<b>5.00%</b>	<b>5.10%</b>		<b>6.40%</b>		<b>6.10%</b>	<b>6.70%</b>	
Other Comprehensive Income (net of tax)	2.3	-0.9				2.33	-0.87	
<b>Total Comprehensive Income</b>	<b>56.2</b>	<b>41.8</b>	<b>34.60%</b>	<b>75.2</b>	<b>-25.20%</b>	<b>264.5</b>	<b>219.5</b>	<b>20.50%</b>
<b>EPS</b>	<b>4.04</b>	<b>3.19</b>	<b>26.40%</b>	<b>5.63</b>	<b>-28.30%</b>	<b>19.63</b>	<b>16.5</b>	<b>19.00%</b>
Equity	26.7	26.7		26.7		26.7	26.7	
Face Value	2	2		2		2	2	

Source: Company, Way2wealth Research



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**Disclosure of Interest Statement Radico Khaitan Ltd. (Radico) as on 22 May 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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