

**Q1FY25 Performance**

- Total IMFL volume of 7.07mn cases, declined 4% YoY. Prestige and above category sales grew 19% YoY on account of 14% volume and 5% increase in realisation.
- Prestige & above brands volume of 2.73mn cases (14.3% YoY) and its contribution to the total IMFL volumes stood at 43.4% (vs. 36.5%)
- Prestige & above brands contribution to the Total IMFL sales value of 67% (vs. 59.5%)
- Net sales increased by 19% to ₹1137crs. Gross profit grew 13.5% YoY to ₹472crs margin contracted 210bps to 41.5%
- EBITDA grew ~25% to ₹148crs with margin expanding to 13% (50bps)

**Important Statistics**

<b>Nifty</b>	24,139
<b>Sensex</b>	78,956
<b>M.CAP (₹ Crs)</b>	₹22,137.76
<b>52 Week H/L (₹)</b>	₹1,885/1141
<b>NSE Code</b>	RADICO
<b>BSE Code</b>	532497

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

Promoter	40.26
FII	18.82
DII	24.47
Public & Others	16.44

**Key takeaways from Q1FY25 result**

- **Volumes Growth:**
  - Radico Khaitan (RDCK) reported a strong performance in P&A (Prestige & Above) brands with 14.3%/ 19% volume/ value growth and 5% 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 which was commissioned during Q3FY24.
  - The popular segment continued to post negative growth in Q1FY25 as well with 14% YoY portfolio rationalisation and excise duty revisions.
- **Gross Margin:**
  - Gross Margin during the quarter was 41.5% compared to 43.6% in Q1FY24 and 41% in Q4FY24. Gross Margin was impacted on a Y-o-Y basis due to significant food grain inflation. Grain price inflation had a negative impact of 335 bps Y-o-Y on Gross Margin. Radico has been able to sustain gross margin due to the ongoing premiumization and the price increases in the IMFL business on a Q-o-Q basis. Although, prices of certain packaging materials have softened recently, the company is cautiously monitoring the trends of grain and ENA where volatility persists.
- **Operating efficiency:**
  - Employee benefit expenses grew 21.8% YoY to ₹50.4crs. Selling & distribution expenses declined by ~8% YoY to ₹99.5crs. A&SP was 5.3% of IMFL sales compared to 5.9% in Q1FY24. On a quarterly basis, the amount may vary but management expects to maintain A&SP spending 6- 8% of IMFL revenues to drive the sales momentum.
  - 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.
  - The Company has incurred ₹923crs on the Rampur Dual Feed and Sitapur Green Field projects since inception (Apr'22). The increase in Net Debt over Mar'24 is primarily due to the cyclical building up of inventory at the plants.
  - Other expenses increased by 18% YoY. Finance cost was at ₹18.4crs vs ₹12.3crs in Q1FY24.

**Financials**

Particulars	₹ crs	
	FY23	FY24
Revenue	3133	4106
EBITDA	359	507
<i>EBITDA Margin</i>	<i>11%</i>	<i>12%</i>
PAT	204	256
PAT Margin	6.5%	6.2%
EPS	15.3	19.1
PE	108.4	86.8

**Relative Performance**

Absolute Return (%)	1 Yr	3Yr	5 Yr
<b>Radico Khaitan Ltd</b>	<b>28</b>	<b>88</b>	<b>401</b>
<b>Nifty 50</b>	24	47	119
<b>Sensex</b>	21	43	112

Source: Company, Way2Wealth Research

➤ **Net Debt:**

- 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 Jun'24	₹Cr
Total Debt	826.3
Cash & Cash Equivalent	(75.9)
Net Debt	750.4

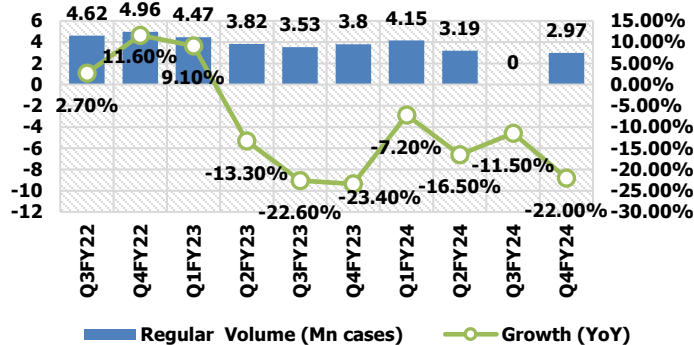
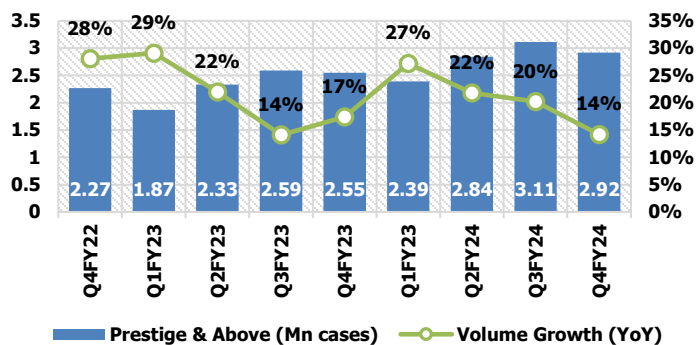
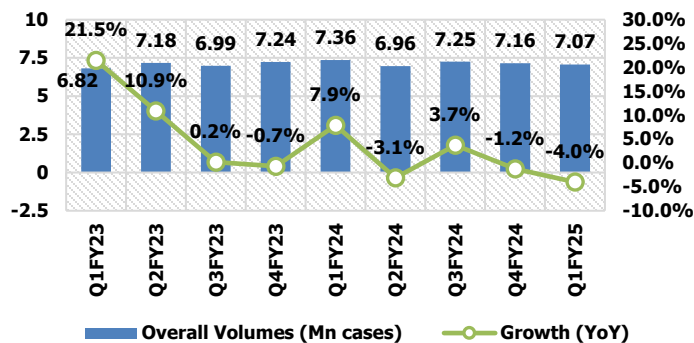
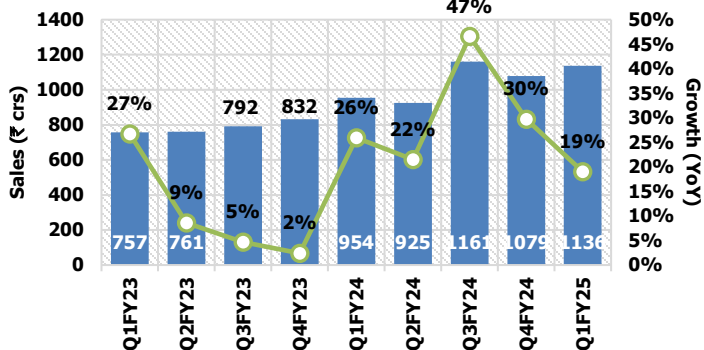
- **The Magic Moments Vodka** has crossed 1.9 mn cases in Q1FY25 grew 21.9% YoY and net sales value crossed ~300crs. The company has launched Magic Moments Remix Pink Vodka, strategically positioned to cater to the growing demand for colored and flavored beverage alcohol category.
- 8 PM Premium Black Whisky is available in 24 states and recently launched a pack of 180ml SKU which is easy to carry for young consumers. 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.

14th August 2024

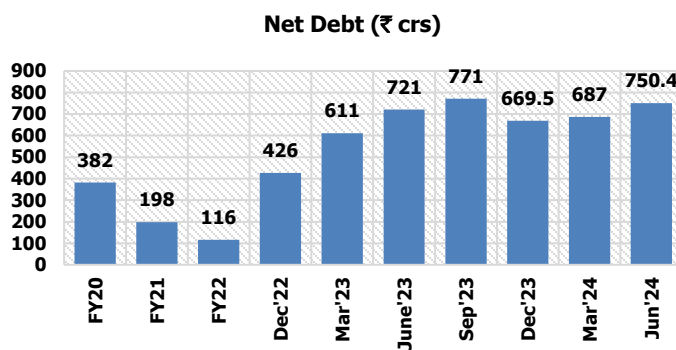
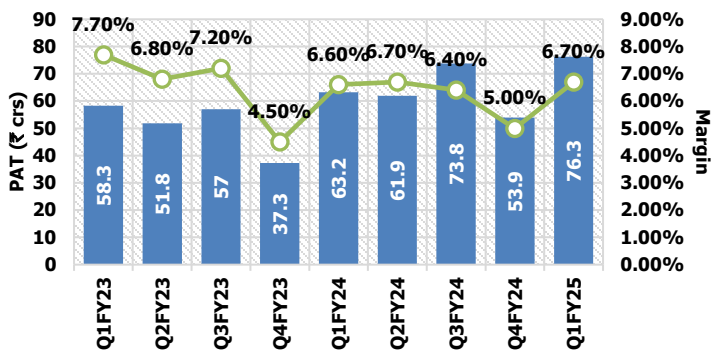
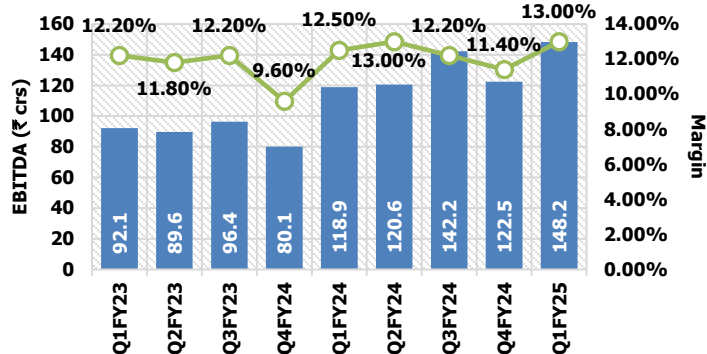
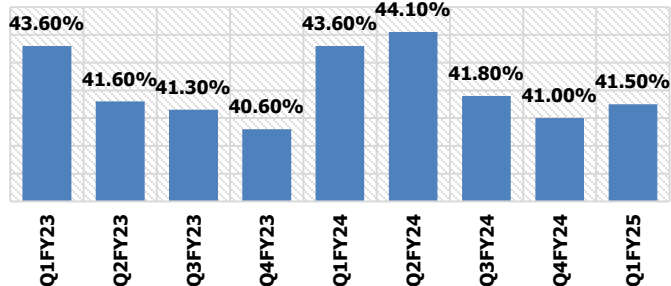
CMP – ₹1655/-

View – **Accumulate**

**Story in charts**



**Gross Margin**



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 a strong performance in prestige and above category. 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 43% of IMFL sales volume and 67% of IMFL sales value in Q1FY25. In this context, the Magic Moments brand family has achieved 1.9 million case sales and crossed the milestone of ₹300crs in sales value grew 22% YoY in Q1FY25.

We are confident of the mid to long term potential of the 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 FY25 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 ₹1655/-, the stock trades at ~85.1 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.**

Quarterly Performance

(₹ Cr)

Particulars	Q1FY25	Q1FY24	VAR	Q4FY24	VAR	FY24
<b>Gross Sales</b>	<b>4265.62</b>	<b>3908.94</b>	<b>9.1%</b>	<b>3894.64</b>	<b>9.5%</b>	<b>15878.95</b>
<b>Excise duty on Sales</b>	3129.08	2955.02	%	2815.96		<b>11760.44</b>
<b>Net Sales (Net of Excise Duty)</b>	<b>1136.54</b>	<b>953.92</b>	<b>19.1%</b>	<b>1078.68</b>	<b>5.4%</b>	<b>4118.51</b>
Other Operating Income			-		-	0
<b>Total Operating Income</b>	<b>1136.5</b>	<b>953.9</b>	<b>19.1%</b>	<b>1078.7</b>	<b>5.4%</b>	<b>4118.5</b>
Other Income	3.68	1.12	228.6%	2.24	64.3%	8.88
<b>TOTAL INCOME</b>	<b>1140.2</b>	<b>955.0</b>	<b>19.4%</b>	<b>1080.9</b>	<b>5.5%</b>	<b>4127.4</b>
Total Raw Material Cost	664.6	538.0	23.5%	636.7	4.4%	2366.5
Cost of Raw Material & Components Consumed	708.39	549.39	28.9%	639.64	10.7%	2421.34
(Increase)/ Decrease in Inventories	-43.7	-10.32	323.4%	-2.42	1705.8%	-54.17
Purchase of Traded Goods	-0.11	-1.07	-89.7%	-0.56	-80.4%	-0.67
<i>Total Raw Material Cost % to Sales</i>	<i>58.5%</i>	<i>56.4%</i>		<i>59.0%</i>		<i>57.5%</i>
Employee Cost	50.36	41.33	21.8%	46.95	7.3%	195.78
<i>Employee Cost % to Sales</i>	<i>4.4%</i>	<i>4.3%</i>		<i>4.4%</i>		<i>4.8%</i>
Selling & Distribution Expenses	99.49	107.81	-7.7%	112.06	-11.2%	434.46
<i>Selling &amp; Distribution Expenses % of Sales</i>	<i>8.8%</i>	<i>11.3%</i>		<i>10.4%</i>		<i>10.5%</i>
Other Expenses	173.13	147.26	17.6%	160.51	7.9%	615.72
<i>Other Expenses % of Sales</i>	<i>15.2%</i>	<i>15.4%</i>		<i>14.9%</i>		<i>15.0%</i>
<b>TOTAL EXPENDITURE</b>	<b>987.6</b>	<b>834.4</b>	<b>18.4%</b>	<b>956.2</b>	<b>3.3%</b>	<b>3612.5</b>
<b>EBIDTA</b>	<b>149.0</b>	<b>119.5</b>	<b>24.6%</b>	<b>122.5</b>	<b>21.6%</b>	<b>506.1</b>
<i>EBIDTA Margin %</i>	<i>13.1%</i>	<i>12.5%</i>		<i>11.4%</i>		<i>12.3%</i>
Finance Costs	18.45	12.27	50.4%	16.69	10.5%	59.14
<b>PBDT</b>	<b>134.2</b>	<b>108.4</b>	<b>23.8%</b>	<b>108.1</b>	<b>24.2%</b>	<b>455.8</b>
Depreciation, Ammortization & Impairment	32.85	24.33	35.0%	31.52	4.2%	113.77
<b>PBT before Exceptional Items</b>	<b>101.4</b>	<b>84.0</b>	<b>20.6%</b>	<b>76.5</b>	<b>32.4%</b>	<b>342.0</b>
Exceptional Items			#DIV/0!	0	#DIV/0!	2.89
<b>PBT after Exceptional Items</b>	<b>101.4</b>	<b>84.0</b>	<b>20.6%</b>	<b>76.5</b>	<b>32.4%</b>	<b>339.1</b>
Tax	24.24	20.78		19.76	-	86.29
<i>Tax Rate %</i>	<i>23.9%</i>	<i>24.7%</i>		<i>25.8%</i>		<i>25.4%</i>
<b>Reported Profit before share in profit of joint venture</b>	<b>77.1</b>	<b>63.3</b>	<b>21.9%</b>	<b>56.8</b>	<b>35.8%</b>	<b>252.8</b>
<i>PAT Margin %</i>	<i>6.8%</i>	<i>6.6%</i>		<i>5.3%</i>		<i>6.1%</i>
Share of net profit/(loss) in Associates and Joint Ventures using equity method						9.35
<b>Net profit for the period</b>	<b>77.1</b>	<b>63.3</b>		<b>56.8</b>		<b>262.2</b>
Other Comprehensive Income (net of tax)	-0.6	-0.5		2.3		2.33
<b>Total Comprehensive Income</b>	<b>76.6</b>	<b>62.8</b>	<b>21.9%</b>	<b>59.1</b>	<b>29.5%</b>	<b>264.5</b>
<b>EPS</b>	<b>5.77</b>	<b>4.74</b>	<b>21.9%</b>	<b>4.25</b>	<b>35.8%</b>	<b>19.63</b>
Equity	26.7	26.7	0.0%	26.7		26.7
Face Value	2.0	2.0		2.0		2.0

Source: Company, Way2wealth Research

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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
Way2Wealth ownership of any stock related to the information contained	NIL
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