



3R MATRIX

Right Sector (RS)



Right Quality (RQ)



Right Valuation (RV)



+ Positive

= Neutral

- Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

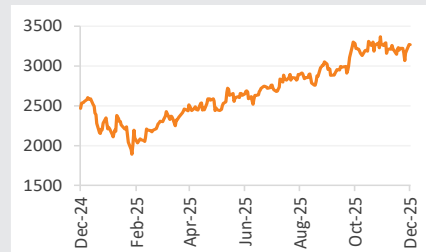
Company details

Market cap:	Rs. 43,770 cr
52-week high/low:	Rs. 3,695/1,846
NSE volume: (No of shares)	2.9 lakh
BSE code:	532497
NSE code:	RADICO
Free float: (No of shares)	8.0 cr

Shareholding (%)

Promoters*	40.2
FII	18.6
DII	25.5
Others	15.7

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	0.4	10.5	23.3	32.4
Relative to Sensex	-0.3	6.4	18.9	23.5

Source: Mirae Asset Sharekhan Research, Bloomberg

Radico Khaitan Ltd

Multiple tailwinds to sustain strong trajectory

Consumer Goods	Sharekhan code: RADICO		
Reco/View: Buy	↔	CMP: Rs. 3,269	Price Target: Rs. 3,840 ↑

Summary

- Radico Khaitan Limited's (RKL's) growth trajectory is likely to stay strong driven by P&A category with overall volume growth pegged at 15-20% y-o-y.
- Management sees new launches scaling up well and it plans to expand presence of new products to more states/geographies in FY26.
- As raw material prices soften and product mix gets better, management has maintained guidance of a ~150 bps rise OPM in FY26 and ~125 bps rise annually for the next two years.
- Stock trades at 75x/58x/48x its FY26E/FY27E/FY28E earnings, respectively. We retain a Buy with a revised PT of Rs. 3,840.

We interacted with the Vice President - Finance and Investor Relations of Radico Khaitan Ltd (RKL) - Saket Somani to understand the company's outlook on demand and margin guidance. RKL has reported double-digit volume growth in the P&A category for the past many quarters and expects the momentum to continue led by robust traction to premium brands, new launches and geographic expansion. The company launched multiple products in FY25 and 4-6 new products in FY26 so far and management indicated that these launches are scaling up well. The company plans to expand presence of new products to additional states/geographies in FY26. RKL has maintained guidance of ~150 bps rise OPM in FY26 and ~125 bps rise annually for next two years driven by softening of raw material prices and a better product mix. We expect RKL to clock an 18% and 38% revenue and PAT CAGR over FY25-28E, respectively led by its focus on premiumisation, new launches, distribution expansion and operating efficiencies.

- Double-digit volume growth momentum to continue:** In Q2FY26, Prestige & Above (P&A) category's volumes grew by 22% y-o-y, mainly driven by Magic Moments Vodka (~20% y-o-y volume growth), Royal Ranthambore (67% y-o-y growth) and After Dark whisky (~115% y-o-y growth in H1). Management indicated that strong growth momentum in these brands has continued and expects P&A category to post 15-20% y-o-y volume growth in Q3. However, regular category's growth is likely to slow on a high base effect (~14% growth in Q3FY25). Consolidated volumes are likely to grow 15-20% in Q3. Further, the luxury portfolio (Rampur, Sangam, Jaisalmer) is on track to deliver Rs. 500 crore revenue in FY26 versus Rs. 340 crore in FY25.
- New launches scaling up well:** RKL highlighted that new launches are scaling up well with 1) Morpheus Super Premium Whisky is receiving encouraging response and is now available in 3 states, with plans to expand to 10 states in FY26; 2) Spirit of Kashmir vodka (Natural, Saffron) is now available in 7 states and positioned as India's first homegrown brand in the new age luxury vodka category and 3) Portfolio extension of Magic Moments Flavors of India - Mango, Thandai and Jamun SpicyMint receiving good customer response. Further, the company launched 8 new SKUs (small packs) in P&A / luxury in Q2 to fuel the consumer drive, including Rampur Double Cask, Sangam World Malt, 1999 Spirit of Victory, Magic Moments Pink Vodka, After Dark Blue celebration pack & pocket pack.
- Margins to rise steadily:** Management stated that with softening raw material prices (grain prices are declining since mid-November), the guidance of a ~150 bps OPM expansion in FY26 and ~125 bps expansion per annum for the next two years is intact and will be driven by better mix, favourable raw material prices, operational efficiencies. During H1FY26, OPM rose by ~190 bps y-o-y. RKL eyes OPM of late teens over 2-3 years.

Our Call

View - Retain Buy with a revised PT of Rs. 3,840: RKL's focus on premiumisation, support of backward integration, product launches and distribution expansion will drive consistent strong double-digit earnings growth in the coming years. We like RKL's strategy of launching products in brown and white spirits, targeting premium/luxury segment to consistently gain market share in key markets and outpace the industry. Easing raw material prices, better product mix, operational efficiencies, and supply chain investments will drive margin expansion in the coming years. We expect steady free cash flow generation to help in debt reduction (targets to be debt-free by FY27). Stock trades at 75x/58x/48x its FY26E/FY27E/FY28E earnings, respectively. We retain a Buy on the stock with a revised PT of Rs. 3,840.

Key Risks

Any change in liquor policies in key states, increase in excise rate on liquor or volatility in raw-material prices would act as a key risk to our earnings estimates in the near to medium term.

Valuation (Consolidated)

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	4,119	4,851	6,158	7,010	8,053
OPM (%)	12.3	13.9	15.6	16.6	17.0
Adjusted PAT	256	345	583	750	908
Adjusted EPS (Rs.)	19.6	25.8	43.6	56.1	67.9
P/E (x)	-	-	74.9	58.3	48.1
P/B (x)	17.9	15.9	13.3	10.9	9.0
EV/EBIDTA (x)	87.7	65.8	45.9	37.6	31.6
RoNW (%)	10.5	12.5	17.7	18.8	18.7
RoCE (%)	12.0	14.9	21.5	23.6	24.4

Source: Company; Mirae Asset Sharekhan estimates

Multiple new launches in FY26

Launch month	Brand	Spirit Category	Pricing	Initial launch
May-25	Morpheus Super Premium Whisky	Whisky	Rs. 1,200 – 1,500	-
June-25	Magic Moments Flavours of India - Alphonso Mango and Thandaai	Vodka	-	Initial launch in Rajasthan and Uttarakhand, followed by MP, Assam and Goa
Sept-25	Rampur Jugalbandi #7 and #8	Whisky	-	Select international markets and Global Travel Retail
Sept-25	Magic Moments Flavours of India - Jamun SpicyMint	Vodka	Rs. 710 for 750 ml in Uttar Pradesh	Uttar Pradesh
Nov-25	1965 Spirit of Victory Espresso Coffee Premium Dark Rum	Rum	Rs. 950 for 750 ml in Uttar Pradesh	Debating in Uttar Pradesh, with availability to follow in Jharkhand and Haryana
Nov-25	Rampur 1943 Virasat Single Malt	Whisky	Rs. 3,500 – Rs. 4,500 per bottle	First rolled out in Uttar Pradesh, Haryana, and Delhi before expanding nationwide
Dec-25	Kohinoor Reserve Indian Dark Rum*	Rum	-	After its successful international debut, the brand is now being introduced in India, beginning with Uttar Pradesh and soon expanding to Karnataka and Delhi.

Source: Company; Mirae Asset Sharekhan Research; *Not a new product launch but first time launch in India

RKL's millionaire brands are leading brands globally

							
Magic Moments Vodka	8PM Premium Black Whisky	Morpheus Brandy	After Dark Whisky	1965 Spirit of Victory Rum	8PM Whisky	Contessa Rum	Old Admiral Brandy
6th Largest Vodka	13th Largest Indian Whisky	4th Fastest growing Brandy 10th Largest Brandy	3rd Fastest growing Brand	1st Fastest growing Rum 7th Largest Rum	7th Largest Indian Whisky	9th Largest Rum	3rd Fastest growing Brandy 4th Largest Brandy

Source: Company; Mirae Asset Sharekhan Research

Rampur Indian Single Malt portfolio diversified across price segments



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Structural change in the alcohol industry

Indian Made Indian Liquor (IMIL) is evolving from a restricted quota-based, commoditised market to a consumer-driven brand-based industry. Its main attractiveness lies in its sizeable base, comprising SEC-D, below which could translate into ~40% of total population (excluding Below Poverty Line population). The segment's growth is expected to be driven by a growing consumer base, rising rural incomes, consumption, conversion from illicit/toddy to IMIL with increasing awareness about health and quality, conducive regulatory policies and population growth. In the short run, the IMIL industry could benefit from lower discretionary incomes, which would push up demand for lower-priced liquor. The government is targeting to achieve a 20% ethanol blending by 2025, which would result in higher demand for grain-based molasses in the coming years.

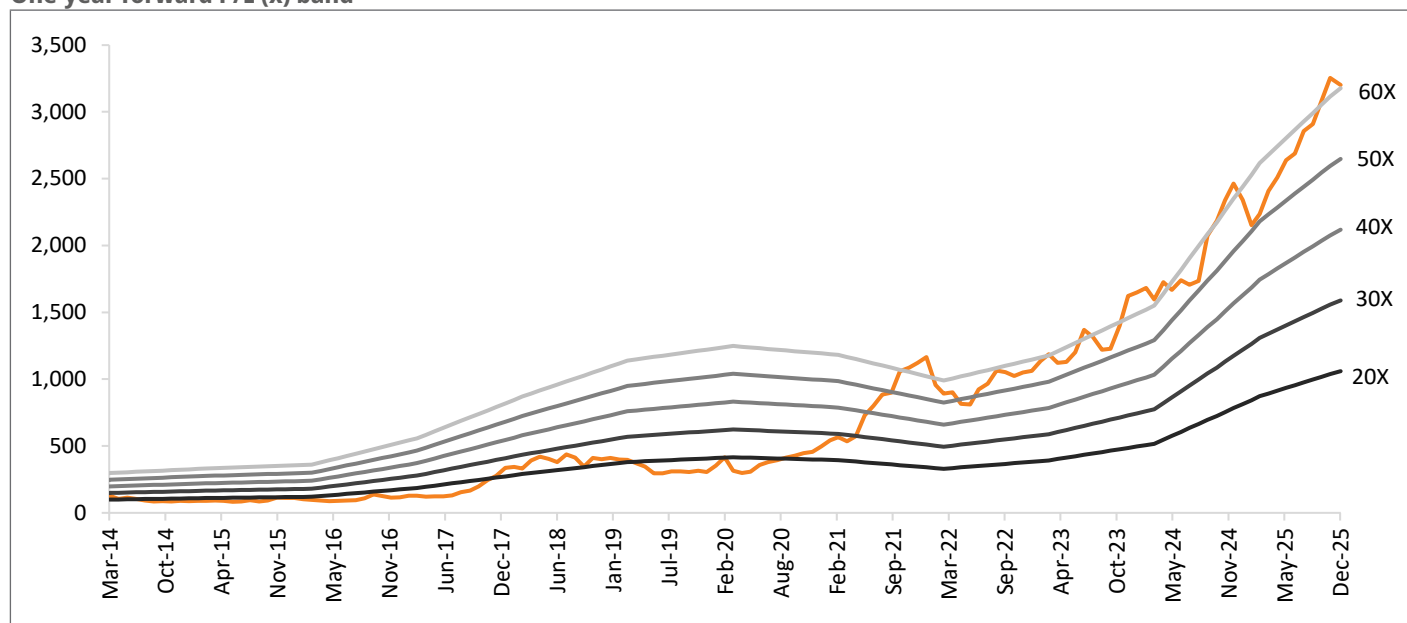
■ Company Outlook – Premiumisation remains the key growth driver

With consumers shifting to premium IMFL brands, RKL's focus on improving presence of each brand in key markets and emergence of favourable liquor policies in key states would aid faster growth of branded liquor products in the near to medium term. The company expects double-digit volume growth in the P&A segment to sustain in the medium term due to strong traction to its premium brands and scale-up of the luxury portfolio. The management raised its OPM expansion guidance to 125-150 bps y-o-y (from 100-125 bps earlier) over the next 2-3 years, aided by an improved mix, backward integration and stable/declining raw-material prices.

■ Valuation – Retain Buy with a revised PT of Rs. 3,840

RKL's focus on premiumisation, support of backward integration, product launches and distribution expansion will drive consistent strong double-digit earnings growth in the coming years. We like RKL's strategy of launching products in brown and white spirits, targeting premium/luxury segment to consistently gain market share in key markets and outpace the industry. Easing raw material prices, better product mix, operational efficiencies, and supply chain investments will drive margin expansion in the coming years. We expect steady free cash flow generation to help in debt reduction (targets to be debt-free by FY27). Stock trades at 75x/58x/48x its FY26E/FY27E/FY28E earnings, respectively. We retain a Buy on the stock with a revised PT of Rs. 3,840.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Companies	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Allied Blenders & Distillers	89.9	67.2	49.4	42.5	34.3	27.0	14.9	16.1	19.3
Radico Khaitan	-	75.0	58.3	65.8	45.9	37.6	14.9	21.5	23.6

Source: Company; Mirae Asset Sharekhan Research

About company

RKL, formerly known as Rampur Distillery, commenced its operations in 1943. Over the years, the company has evolved from being just a distiller of spirits for others to a leading IMFL company. Currently, the company has eight millionaire brands, which are 8PM Whisky, 8PM Premium Black Whisky, Contessa Rum, Old Admiral Brandy, Spirit of Victory 1965 Rum, Morpheus Brandy, Magic Moments Vodka, and After Dark Whisky. RKL has five distilleries in Uttar Pradesh and three in Maharashtra (joint venture). The company operates 43 bottling units (six own, 28 contract and nine royalty units) spread across the country with a combined capacity of 321 million litres. RKL is one of the largest providers of branded IMFL to Canteen Stores Department (CSD) and exports its products to over 100 countries.

Investment theme

RKL has transformed itself into a leading IMFL brand player from just a distillery player with premiumisation at the core of its growth strategy. The company's P&A segment reported a 13% CAGR over FY20-FY25, contributing ~46% to own IMFL sales volume (69% to IMFL's sales value). Going ahead as well, the company expects the strong growth trajectory in premium brands to continue. Efficient working capital management and improved profitability would help the company generate high free cash flows (FCF) in the coming years. The company invested Rs. 740 crore (mix of debt and internal accruals) in backward integration to secure extra neutral alcohol (ENA) supply (largely grain-based). This would help to achieve the company's guidance of high-teen margins over the next two years.

Key Risks

- ♦ **Decline in demand for the company's products:** Slowdown in global economic growth and other declines or disruptions in the Indian economy, in general, may result in reduction in disposable income of consumers and slowdown in the IMFL industry. This could adversely affect the company's business and financial performance.
- ♦ **Risk due to stringent regulation norms:** The Indian spirit industry is highly regulated and complex as each state has its own regulations governing the manufacture and sale of spirits. Any change in rules and regulations by the respective state governments and non-compliance with laws and regulations could adversely impact the business.
- ♦ **Increased raw-material prices:** ENA and packaging materials are two key raw-material components. Any price volatility in the prices of these components may have a bearing on the company's profitability.

Additional Data

Key management personnel

Name	Designation
Lalit Kumar Khaitan	Chairman-Managing Director
Abhishek Khaitan	Managing Director
Dilip K. Banthiya	Chief Financial Officer
Dinesh Kumar Gupta	Vice President - Legal, Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nippon Life India Asset Management Ltd.	3.42
2	Kotak Mahindra Asset Management Co. Ltd.	2.98
3	Vanguard Group Inc.	2.21
4	Aditya Birla Sun Life AMC	1.99
5	Classic Fintrex Pvt. Ltd.	1.92
6	TIMF Holdings	1.92
7	Tata Asset Management Pvt. Ltd.	1.90
8	Smallcap Worldfund INC /Fund Parent	1.31
9	Capital Group Cos India	1.31
10	Investor Education & Protectn FD	1.29

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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