

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. 34,681 cr
52-week high/low:	Rs. 2,790/1,628
NSE volume: (No of shares)	2.5 lakh
BSE code:	532497
NSE code:	RADICO
Free float: (No of shares)	8.0 cr

Shareholding (%)

Promoters*	40.2
FII	17.5
DII	26.8
Others	15.5

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	5.9	9.1	1.6	42.8
Relative to Sensex	2.8	0.8	-5.2	36.7

Source: Mirae Asset Sharekhan Research, Bloomberg

Radico Khaitan Ltd

On a strong growth path

Consumer Goods	Sharekhan code: RADICO		
Reco/View: Buy	↔	CMP: Rs. 2,592	Price Target: Rs. 3,090 ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- We maintain a Buy rating on Radico Khaitan Ltd (RKL) with a revised PT of Rs. 3,090. Stock trades at 67x/50x its FY26E/FY27E earnings, respectively.
- We expect P&A volumes to clock an 18% volume CAGR during FY25-27, taking P&A volume contribution to 52% by FY27 aided by scale-up of recent launches, new launches in the luxury and premium segments and distribution expansion within India and overseas.
- Premiumisation, cost optimisation, stable/declining raw material prices and operating leverage to aid a ~100 bps annual rise in OPM for 2-3 years.
- With strategies in place, we expect RKL's revenues and PAT to post an 18% and 41% CAGR, respectively, over FY25-27.

Radico Khaitan Ltd (RKL) continues to focus on premiumisation and expects double-digit volume growth momentum in the Prestige & Above (P&A) category to continue. Contribution of P&A portfolio to overall IMFL sales volumes rose to 46% in FY25 from 28% in FY19 and we expect this to further increase to ~52% by FY27 led by RKL's strategy to launch new products in the premium and luxury segments and expand reach in key states and countries that have strong growth potential. Premiumisation, cost optimisation initiatives (backward integration and packaging changes), stable/declining raw material prices and operating leverage will drive ~100 bps annual OPM improvement. RKL is targeting late-teens OPM in three years. Debt reduction and strong cash flow generation will help significantly improve return profile.

- Double-digit growth momentum in P&A segment to continue:** The P&A segment (69% of IMFL revenue) clocked 25% revenue CAGR and a 19% volume CAGR during FY21-25 (volume/value contribution increased to 42%/69%, from 29%/51% of the IMFL business) driven by strong performance in core brands (Magic Moments Vodka, After Dark, 8PM Premium Black) and the scaling up of new launches in premium and luxury brands (Royal Ranthambore, Jaisalmer Gin, Rampur, Morpheus Brandy, among others). Going ahead, we expect double-digit growth momentum in P&A segment to continue supported by 1) scale up of recent launches (Royal Ranthambore, Jaisalmer, Sangam, Morpheus Brandy, flavoured Vodka, etc), 2) new launches in the luxury and premium segments, 3) distribution expansion within India, and 4) increasing presence in the overseas markets. We expect P&A volumes to clock 18% volume CAGR during FY25-27, taking volume contribution to 52% by FY27.
- Eyeing ~100 bps annual rise in OPM:** In FY25, OPM rose by 160 bps y-o-y to 13.9% driven by a better mix driven by premiumisation, cost optimisation measures such as 1) backward integration (commencement of Sitapur distillery) and 2) changes in packaging (shifting from glass to PET bottles in the regular segment and removal of mono cartons) and operating leverage. These factors and stable/declining raw material prices will aid margin expansion in the coming years. Moreover, the UK-India FTA would help RKL improve profitability further due to a reduction in the import duty. RKL targets ~100 bps y-o-y OPM improvement every year and aims for late-teens OPM in three years.
- Debt to reduce; return profile to significantly improve:** RKL incurred a capex of ~Rs. 950 crore on the Rampur Dual Feed, Sitapur Green Field, and other projects since April 2022. Capex was largely done through debt, with total debt on books standing at Rs. 631 crore at FY25-end. With no major capex planned in the medium term, RKL targets a 35-40% debt reduction in FY26 and to become almost debt-free by FY27 aided by strong free cash flow (FCF) generation. Strong earnings growth and reduction in debt will boost return profile, with RoE/RoCE expected to rise to 18%/22% in FY27 from 13%/15% in FY25, respectively.

Our Call

View - Maintain Buy with a revised PT of Rs. 3,090: Focus on premiumisation, support of backward integration and distribution expansion will drive consistent strong double-digit earnings growth in the coming years. We like the company'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 FCF generation to help gradually reduce debt. Stock trades at 67x/50x its FY26E/FY27E earnings, respectively. We retain a Buy on the stock with a revised PT of Rs. 3,090.

Key Risks

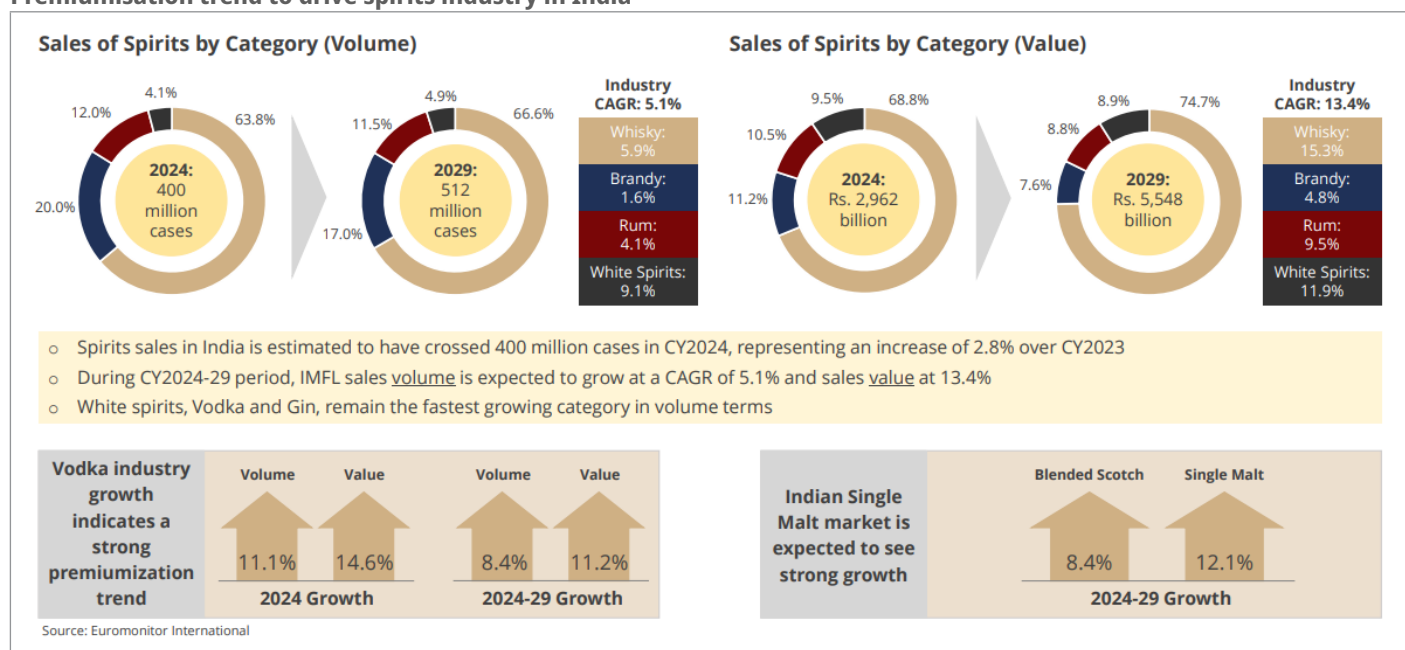
Slow expansion in OPM due to a change in liquor policies in key states, any increase in excise rate on liquor or volatility in the raw material prices would act as a key risk to our earnings estimates in the near to medium term.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	3,143	4,119	4,851	5,793	6,750
OPM (%)	11.4	12.3	13.9	14.9	15.9
Adjusted PAT	204	256	345	518	689
Adjusted EPS (Rs.)	16.5	19.6	25.8	38.7	51.5
P/E (x)	-	-	-	66.9	50.3
P/B (x)	15.7	14.2	12.6	10.7	9.0
EV/EBIDTA (x)	98.2	69.8	52.4	40.3	32.5
RoNW (%)	9.3	10.5	12.5	16.1	17.8
RoCE (%)	9.8	12.0	14.9	19.5	22.4

Source: Company; Mirae Asset Sharekhan estimates

Premiumisation trend to drive spirits industry in India



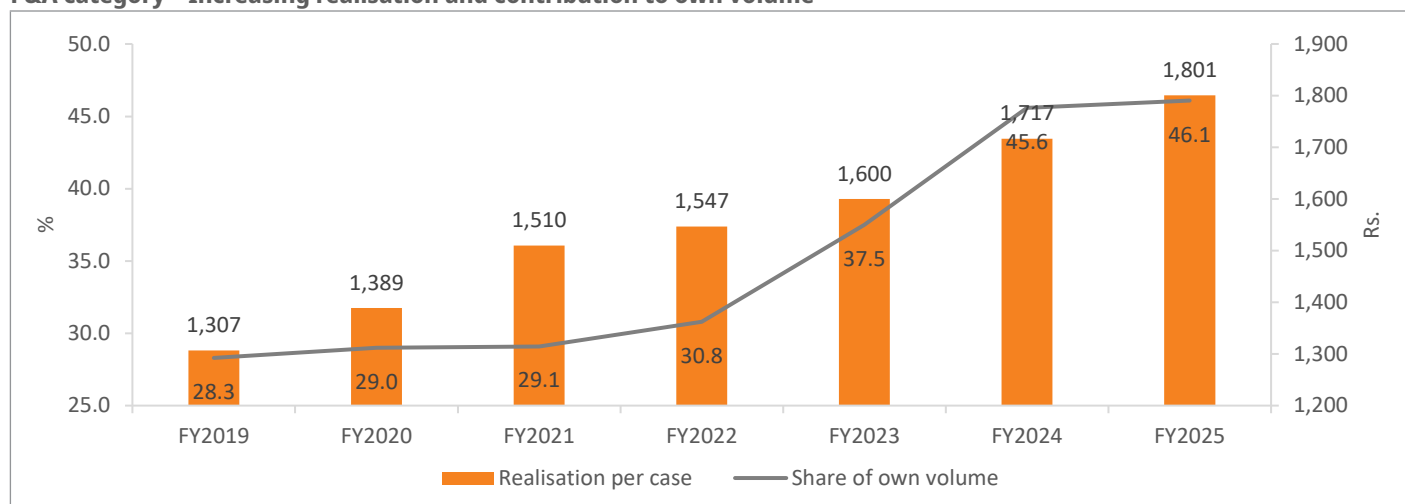
Source: Company presentation

RKL's portfolio – well diversified across price points and categories

Segment & Indicative MRP	Whisky	Rum	Brandy	Vodka	Gin
Luxury (>Rs. 4,000)	Rampur Indian Single Malt	The Kohinoor Reserve			Jaisalmer Indian Craft Gin
	Sangam World Malt				
	Spirit of Victory 1999				
Semi Luxury (Rs. 1,200-4,000)	Royal Ranthambore		Morpheus Blue	Magic Moments Dazzle	
Super Premium (Rs. 800-1,200)			Morpheus (60% MS)	Magic Moments Verve	
Semi Premium (Rs. 650-800)	8PM Premium Black (5% MS)	1965 Lemon Dash		Magic Moments (80% MS)	
Deluxe (Rs. 480-650)	After Dark	1965 The Spirit of Victory (18% CSD MS)	Whytehall		
Popular (<Rs. 480)	8PM (15% MS)	Contessa (15% CSD MS)	Old Admiral		

Source: Company presentation; Mirae Asset Sharekhan Research; MS – Category Market Share

P&A category - Increasing realisation and contribution to own volume



Source: Company presentation; Mirae Asset Sharekhan Research

Multiple growth drivers in place



Source: Company presentation; Mirae Asset Sharekhan Research

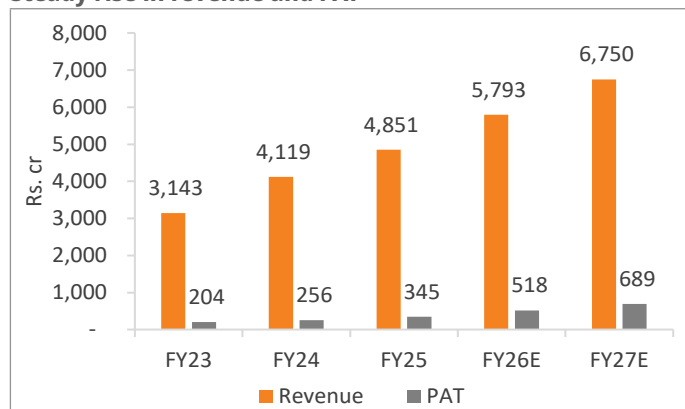
Global rankings (2025) of RKL's Millionaire brands

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 presentation

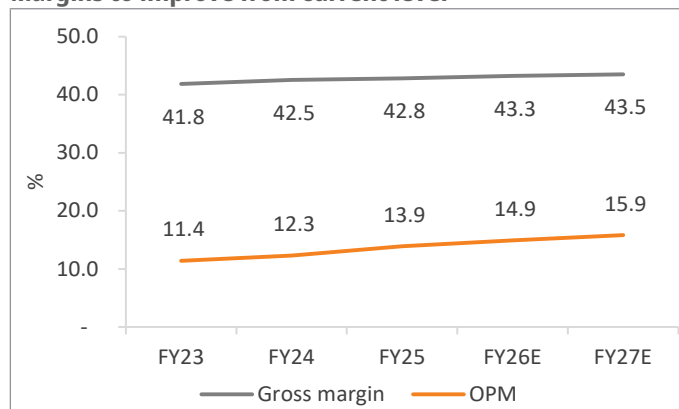
Financials in charts

Steady rise in revenue and PAT



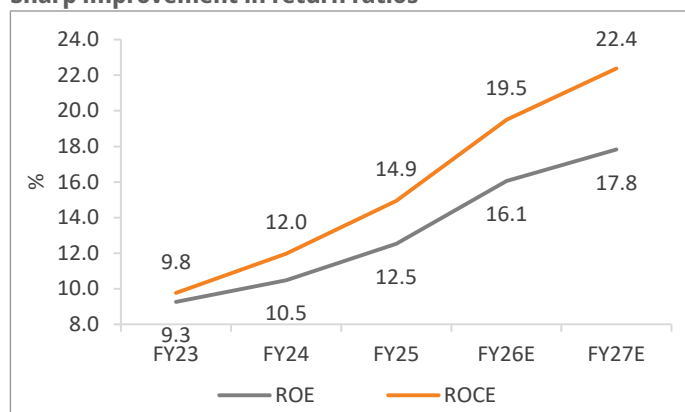
Source: Company; Mirae Asset Sharekhan Research

Margins to improve from current level



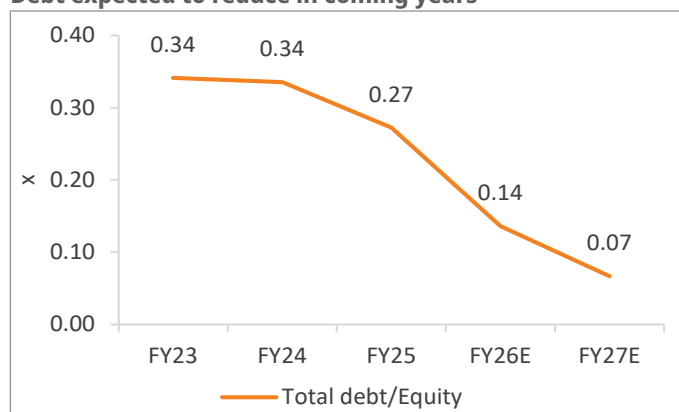
Source: Company; Mirae Asset Sharekhan Research

Sharp improvement in return ratios



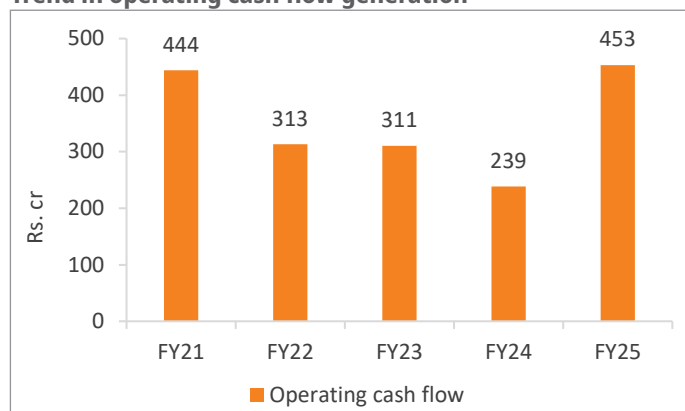
Source: Company; Mirae Asset Sharekhan Research

Debt expected to reduce in coming years



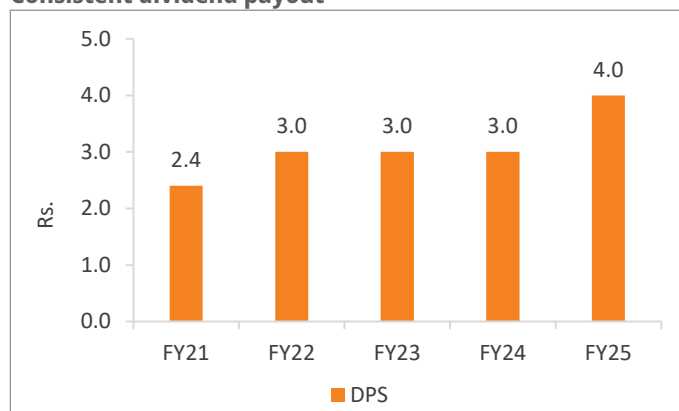
Source: Company; Mirae Asset Sharekhan Research

Trend in operating cash flow generation



Source: Company; Mirae Asset Sharekhan Research

Consistent dividend payout



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). Growth in this segment 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 20% ethanol blending by 2025, which would result in a higher demand for grain-based molasses in the coming years.

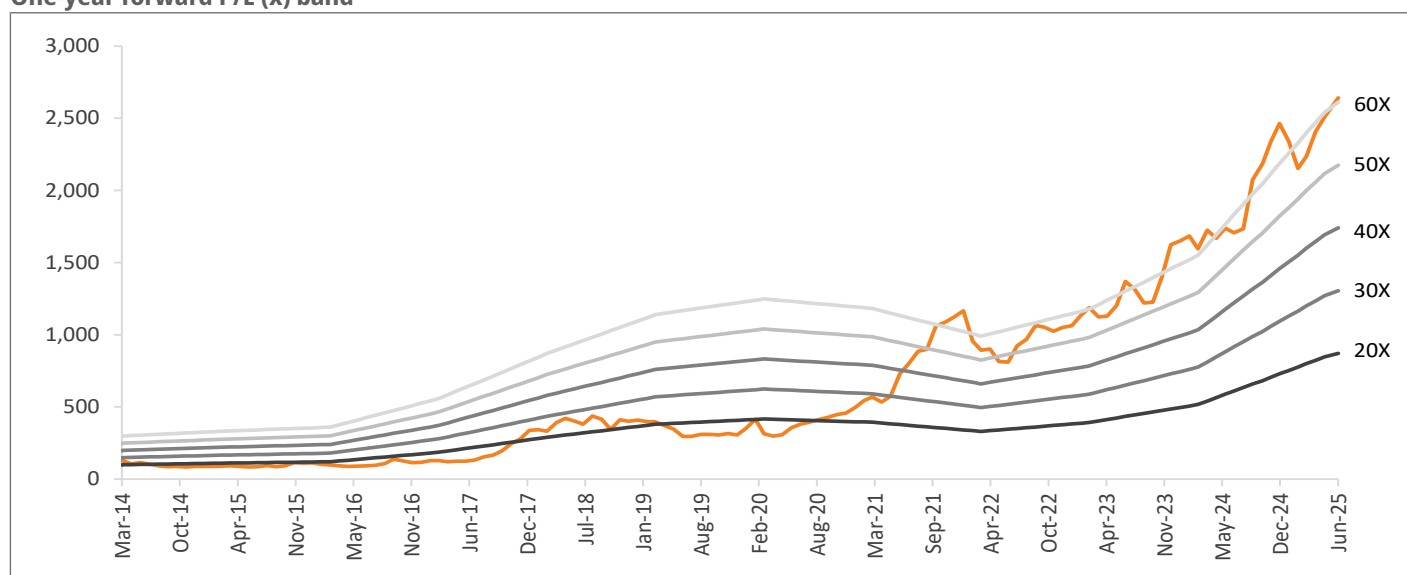
■ Company Outlook – Premiumisation remains the key growth driver

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. It expects double-digit volume growth in the P&A segment to sustain in the medium term due to strong traction to its premium brands. Inflationary pressures will continue to pressurise margins in the near term. However, the management has maintained its medium-term guidance of achieving high-teen OPMs in 2-3 years due to an improved mix of the P&A segment and backward integration to secure raw-material supply in the long run.

■ Valuation – Maintain Buy with a revised PT of Rs. 3,090

Focus on premiumisation, support of backward integration and distribution expansion will drive consistent strong double-digit earnings growth in the coming years. We like the company'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 FCF generation to help gradually reduce debt. Stock trades at 67x/50x its FY26E/FY27E earnings, respectively. We retain a Buy on the stock with a revised PT of Rs. 3,090.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer valuation

Companies	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Allied Blenders & Distillers	60.8	49.1	36.5	29.3	24.9	20.1	14.9	15.4	19.2
Radico Khaitan	-	66.9	50.3	52.4	40.3	32.5	14.9	19.5	22.4

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, RKL 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 FY19-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. RKL invested in backward integration to secure extra neutral alcohol (ENA) supply (largely grain-based). With strategies in place, we expect RKL's revenues and PAT to post an 18% and 41% CAGR, respectively, over FY25-27.

Key Risks

- ♦ **Decline in demand for the company's products:** Slowdown in global economic growth and other declines or disruptions in the Indian economy will impact demand.
- ♦ **Risk due to stringent regulation norms:** 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:** Any volatility in the price of its key components – ENA and packaging materials will hit company's profitability.

Additional Data

Key management personnel

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

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nippon Life India Asset Management Ltd.	3.40
2	Kotak Mahindra Asset Management Co. Ltd.	2.82
3	Tata Asset Management Pvt. Ltd.	2.64
4	Aditya Birla Sun Life Asset Management Co. Ltd.	2.54
5	TIMF Holdings	2.40
6	Vanguard Group Inc.	2.36
7	Tata AIA Life Insurance Co. Ltd.	1.94
8	L&T Mutual Fund Trustee Ltd.	1.40
9	Investor Education & Protectn FD	1.32
10	Smallfund World Fund Inc.	1.31

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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