



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

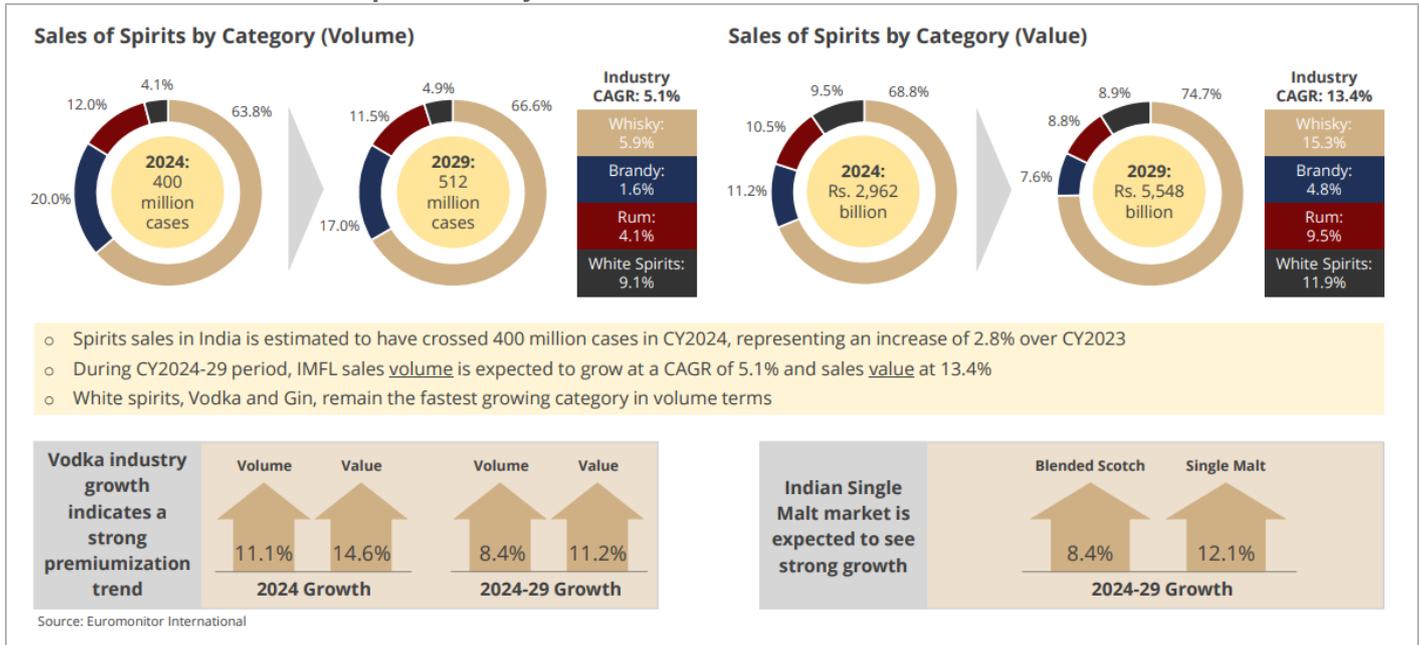
Slow expansion in OPM due to a change in liquor policies in key states, any increase in excise rate on liquor or volatility in the raw material prices would act as a key risk to our earnings estimates in the near to medium term.

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



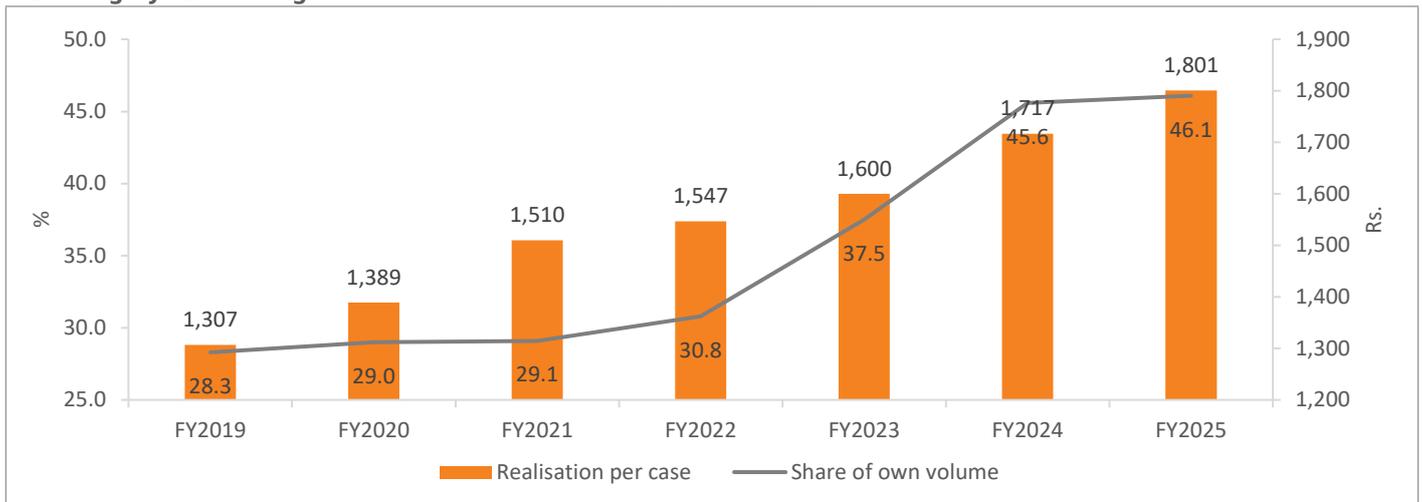
Source: Company presentation

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

- A strong and growing premium product portfolio
- Successful launches in the luxury space with Indian single malt and Indian craft gin
- Robust brand equity, with well-recognized products across various categories and segments
- Strategically located, well equipped quality driven manufacturing facilities in India
- Technology-driven research and development capabilities
- Pan-India sales and distribution network with an efficient supply chain management system
- Exports to over 100 countries, which provides access to a global scale

Source: Company presentation; Mirae Asset Sharekhan Research

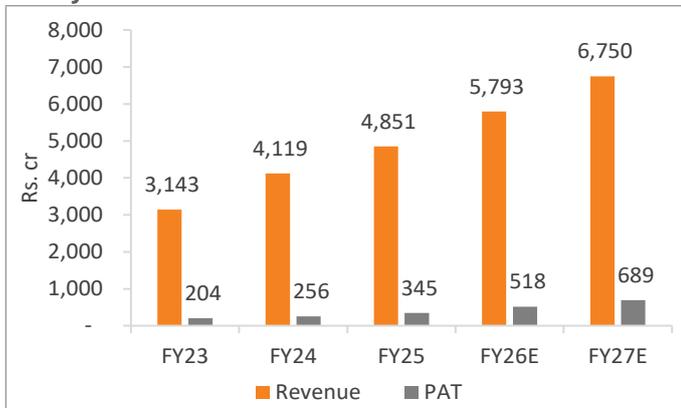
Global rankings (2025) of RKL's Millionaire brands

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

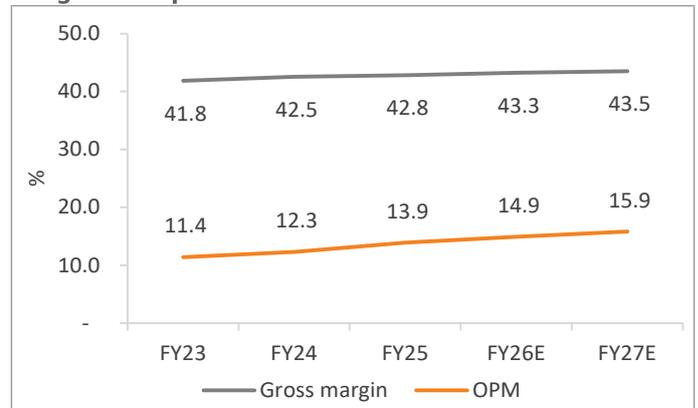
Financials in charts

Steady rise in revenue and PAT



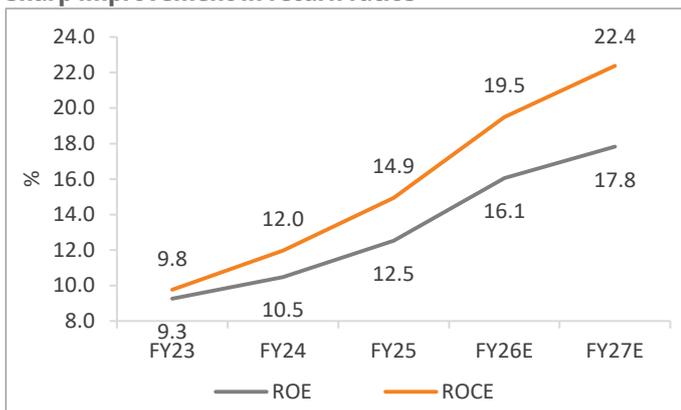
Source: Company; Mirae Asset Sharekhan Research

Margins to improve from current level



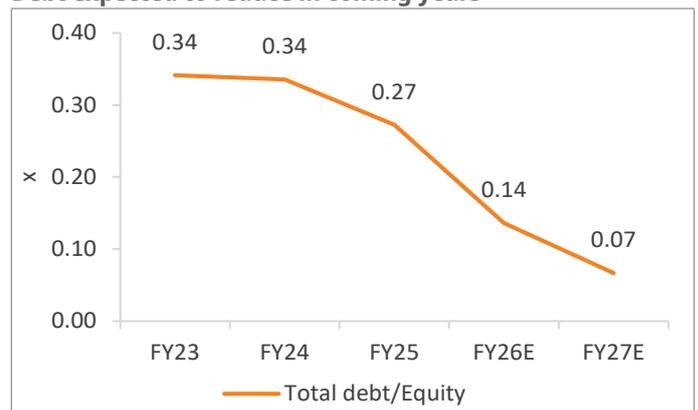
Source: Company; Mirae Asset Sharekhan Research

Sharp improvement in return ratios



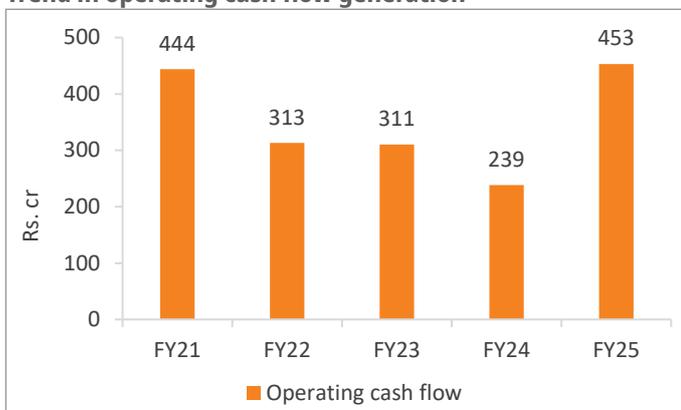
Source: Company; Mirae Asset Sharekhan Research

Debt expected to reduce in coming years



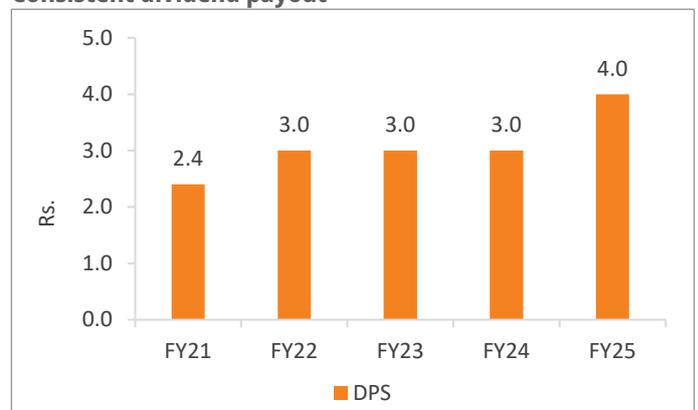
Source: Company; Mirae Asset Sharekhan Research

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.

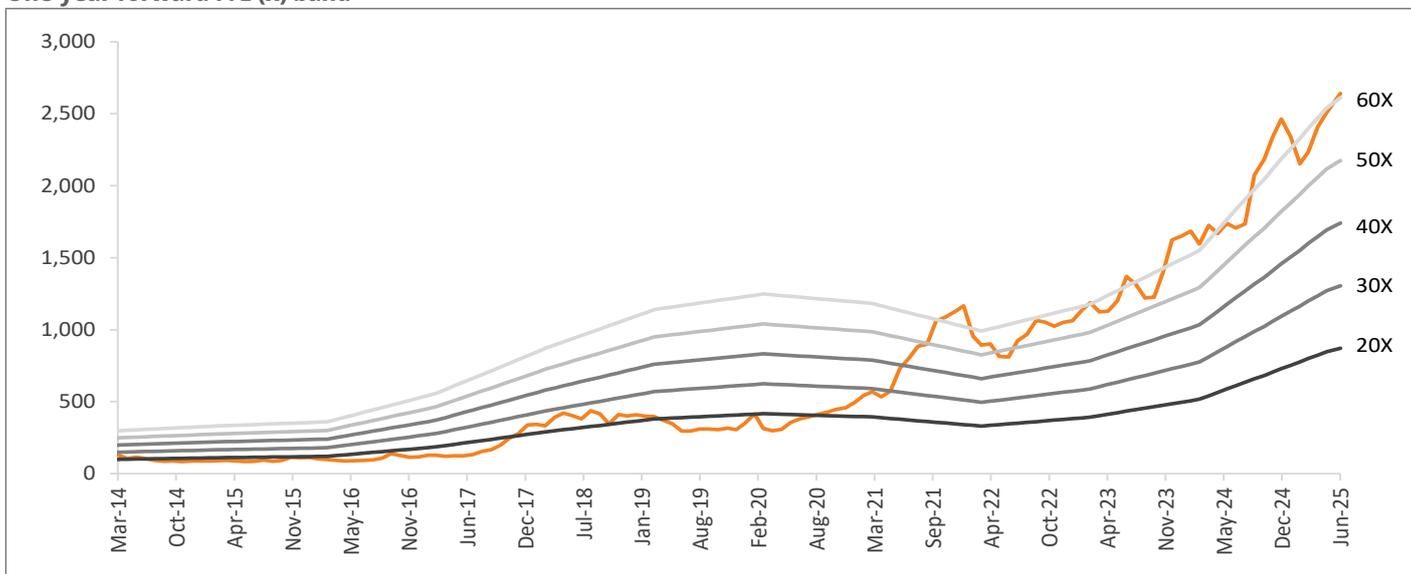
■ Company Outlook – Premiumisation remains the key growth driver

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

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

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to change without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/documents focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("Mirae Asset Sharekhan and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of Mirae Asset Sharekhan. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan do not have any material conflict of interest or have not served as officers, directors or employees or engaged in market-making activity of the company. The analyst and Mirae Asset Sharekhan have not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd, or its associates, or analysts.

have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from a third party in the past twelve months in connection with the research report.

Either Mirae Asset Sharekhan or its affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Sharekhan Ltd and its affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asiamoney Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE - 748, NSE - 10733, MCX - 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200/ 022-61151111.