

Radico Khaitan – Investment Thesis

Recommended Date: 22 Jan 2026

Price: 2870

Action: BUY

1. Robust Premiumization Strategy Driving Volumes:- Radico Khaitan (RKL) continues to outpace industry growth, fueled by a relentless focus on the Prestige & Above (P&A) segment, which grew 22% in volume during Q2FY26. Key brands like Magic Moments Vodka (+20%) and Royal Ranthambore (+67%) are exhibiting massive traction. With the high-margin Luxury portfolio (Rampur, Sangam, Jaisalmer) on track to hit INR 500 crore revenue in FY26, the shift toward a premium product mix is fundamentally de-risking the revenue profile and enhancing brand equity.

2. Strategic Launch Pipeline and Market Expansion:- The company is aggressively scaling its new launches to capture market share. Morpheus Super Premium Whisky is expanding from 3 to 10 states this year, while Spirit of Kashmyr establishes a foothold in the homegrown luxury vodka niche. The introduction of 8 new SKUs (small packs) in Q2 and an upcoming entry into the Tequila category via a joint venture ensure that the product pipeline remains fresh and aligned with evolving consumer preferences for the upcoming festive and wedding seasons.

3. Sustained Margin Expansion via Softening Inputs:- Operational profitability is on a steep upward trajectory, with H1FY26 OPM rising by 190 bps YoY. Management has firmly maintained guidance for a 150 bps expansion in FY26 and 125 bps annually thereafter. This growth is underpinned by declining grain prices since mid-November and high operational efficiencies. As raw material headwinds subside, RKL is well-positioned to achieve its target of late-teen margins within the next 2-3 years.

4. De-leveraging and Strong Financial Health:- RKL's balance sheet continues to strengthen, with net debt reduced by INR 146 crore since March 2025. Despite recent outflows for dividends and a strategic stake in D'YAVOL Spirits, the company remains on track to become debt-free by FY27. This focus on debt reduction, coupled with steady free cash flow generation, provides the financial flexibility needed to reinvest in distribution and supply chain scaling.

5. Seasonal Tailwinds and Valuation Justification:- While trading at premium valuations, RKL's consistent double-digit growth in both Revenue and PAT justifies the multiplier. The 6-month duration (Oct–March) is historically the strongest for the alcobev sector due to winter seasonality, the wedding surge and peak tourism. Despite short-term contraction in Maharashtra due to price hikes, the management guidance of surpassing 20% full-year growth makes it a compelling buying opportunity for the H2FY26 cycle.

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