Radico Khaitan

23 January 2026

Operator: And welcome to the Radico Khaitan Limited Q3 FY26 earnings conference call hosted by Dam Capital Advisors. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is now being recorded. I now hand the conference over to Mr. Sanjay Manyal from Dam Capital Advisors. Thank you and over to you, sir.

Sanjay Manyal – Dam Capital Advisors: Thank you. Good afternoon everyone. We would like to thank Radico Khaitan's management for providing Dam Capital with the opportunity to host the Q3 FY26 earnings call. We have with us the senior leadership team from Radico Khaitan: Mr. Abhishek Khaitan, Managing Director; Mr. Dilip Bantia, CFO; and Mr. Sanjeev Banga, President of International Business. I hand over the call to Mr. Abhishek Khaitan for his opening remarks. Over to you, sir.

Management: Good afternoon, ladies and gentlemen. First of all, wishing everyone a very happy New Year and thank you for joining us on Radico Khaitan's Q3 FY26 earnings conference call. The third quarter represents a defining phase of acceleration for Radico Khaitan, where strategic clarity, portfolio depth, and execution excellence have translated into tangible outcomes. The Indian spirit sector continues to build strong momentum led by premiumization and evolving consumer aspirations. We have converted these structural tailwinds into our highest ever quarterly performance with volumes of 9.75 million cases, net revenue of 1,547 crores, and EBITDA of 365 crores.

These results reflect the strength and quality of our business model. Our performance was led by a premium and luxury focused portfolio supported by a benign raw material environment and strong operating leverage. This translated into meaningful margin expansion and a sharp improvement in return ratios, marking a clear inflection point in the sustainability and predictability of our earnings.

On the brand front, our recent launches have seen strong early traction, validating the depth of our consumer insights and the disciplined innovation approach. The launch of Rampur 1943 Virasat Indian Single Malt marks a defining milestone in our journey of building world-class luxury Indian spirits. The brand carries forward the soul of Rampur distillery, an institution with a legacy since 1943, where tradition and innovation come together to create whiskies of depth, warmth, and character. Rooted in heritage and craftsmanship and shaped by modern aspiration, it is positioned to set the new benchmarks in the category.

Alongside this, our broader premium portfolio continues to scale steadily across key markets, supported by sharper execution and increasing consumer pull. Royal Ranthambore whiskey delivered an outstanding performance with over 50% growth in Q3 driven by strong demand across both civil and CSD channels. Magic Moments vodka continued its strong growth trajectory with 18% volume growth during Q3 and crossed 1,050 crores of sales in the nine-month period. This performance was led by the recent flavor innovations. After Dark whiskey continued to deliver strong performance, recording 40% growth year-over-year in the quarter and crossing 2.4 million cases in volume during the nine months. 8 PM Premium Black, where we unveiled the new packaging earlier this year, has started gaining strong momentum. This brand will also be a key driver of our premium volumes going forward. We are seeing broad-based strength across our premium brands, driven by strategic price positioning and sharper execution. This balanced performance across categories is enhancing brand equity while providing greater stability and consistency to our overall portfolio.

The on-trade channel continues to be a strategic priority for us. As consumption increasingly shifts towards experiences and brand-led choices, we are deepening our partnership with key outlets and influencers. Strong brand advocacy in the on-trade is improving visibility, accelerating trials, and strengthening the long-term consumer franchise across premium segments. I am also pleased to share that during the quarter, Rampur Indian Single Malt became the only Indian spirits brand to be served on Air India's first and business class on international flights. This is a moment of pride for us as an Indian brand carrying Indian craftsmanship, heritage, and excellence to global consumers, and a strong validation of the growing stature of Indian spirits on the world stage.

Looking ahead, our confidence is supported by strong forward visibility, a robust balance sheet, a stable cost environment, improving mix, and a pipeline of brands and extensions that align well with evolving consumer preferences. We remain focused on disciplined growth, capital efficiency, and building brands that endure with a differentiated portfolio and execution-driven organization and a clear premiumization-led strategy. We are well positioned to sustain momentum and deliver consistent profitable growth in the next quarter and the year ahead. With that, I would now like to hand over the call to our CFO, Dilip Bantia, for a detailed review of our financial and operational performance. Thank you. Over to you, Dilip.

Management: Thank you, Abhishek. Thank you everyone for joining us on this call today. Q3 FY26 was a strong quarter with encouraging operating performance translating into higher profitability and improved return ratios. The results reflect the combined impact of premiumization, scale benefits, input cost stability, and disciplined financial management. During the quarter, we delivered a strong all-round performance with our highest ever total IMFL volume of 9.75 million cases, reflecting 16.7% year-over-year growth. Prestige and Above category, excluding the royalty brand, continued its steady upward trajectory, recording 26% volume growth and 29% value growth, with realization improving by 2.8% on a year-over-year basis. Our regular category volume grew by 33% in the quarter.

The change in route-to-market in Andhra Pradesh was a key driver of this robust growth, supported by agile execution and strengthened brand availability. Our performance in Andhra Pradesh has been empowering, with our market share increasing from 15% in Q3 of last year to 26% in the quarter gone by, making us the leading player in the state. On the profitability front, gross margin during the quarter was 46.9%, representing a 350 basis point expansion on a year-over-year basis and a 290 basis point expansion on a quarter-over-quarter basis. Gross margin improved on a year-over-year basis due to an improved raw material scenario coupled with ongoing premiumization. Raw materials accounted for 225 basis points of gross margin expansion during the quarter as compared to Q3 of last year. We remain optimistic that ENA and grain prices will stay stable to favorable in the near term, providing continued margin support.

Our A&P; investment was at 6.9% of net revenue compared to 5.5% in Q3 FY25. While quarterly variations are expected due to the campaign timing, we continue to guide for A&P; spending in the range of 6-8% to sustain strong brand visibility and growth. EBITDA margin expanded by 300 basis points on a year-over-year basis to 17.2%. Turning to the balance sheet, net debt reduced by 209 crores since March 2025, driven by improved profitability. Our balance sheet remains strong and we are on track to become debt-free by FY27. The Board of Directors has approved setting up a 100% wholly owned subsidiary of the company in Scotland. This is in line with our strategy of investing in our malt capabilities. Radico Khaitan is one of the largest importers of blended malt spirit and this step is towards securing access to the matured malt supply chain for distillation and maturation in a cost-effective manner. Capital allocation continues to be prudent and selective. Our ongoing capex is largely directed toward maintenance capex and essential capacity optimization. Looking ahead, while we remain mindful of external volatility, the current cost environment, operating leverage benefits, and financial discipline provide comfort on margin sustainability and cash flow generation. Our focus remains on improving profitability, strengthening the balance sheet, and enhancing returns. With this, we now open the line for Q&A.; Thank you.

Operator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Avnish Roy from Nuvama. Please go ahead.

Avnish Roy – Nuvama: Congratulations on the great performance. My first question is on the Andhra market where you highlighted market share gains and very strong absolute performance. My question is, which other markets have grown faster than the company average or where have you gained market share?

Management: Our growth has basically come from everywhere except Maharashtra. The major states where we have grown faster would be Andhra Pradesh, Uttar Pradesh, Telangana, Rajasthan, Madhya Pradesh, and Haryana.

Avnish Roy – Nuvama: On two specific states, could you comment if there is any increase in competition in Uttar Pradesh for country liquor? Secondly, some other companies mentioned that in Q3 there was some adverse impact of the route-to-market change in Telangana. Have you also seen this in these two markets?

Management: As far as the country liquor segment in Uttar Pradesh goes, there is competition everywhere, but Radico has the highest volume and market share in that segment. Regarding Telangana, there was a lottery conducted in September. Sales were slow in October and November, but December was a bumper month for everyone.

Avnish Roy – Nuvama: For the entire quarter, what was the growth in Telangana?

Management: The entire quarter saw high single-digit growth, about 5-6%.

Avnish Roy – Nuvama: Understood. Most liquor companies are seeing good expansion in gross margins. Historically, when gross margins expand, players sometimes become more competitive regarding market share. Is there a risk that some players might become more aggressive on pricing?

Management: We feel alcohol is more of a luxury product; it is about the brand. Brands are not built by cutting prices. As far as Radico is concerned, we do not chase volumes. We prefer to build brands, which pays off in the long run. We are not seeing that kind of activity.

Avnish Roy – Nuvama: Sure, thank you. That is all from my side.

Operator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor – Investec: Good evening and congratulations on the excellent results. My first question is on 8 PM Premium Black. This brand did extremely well, then slowed down a bit last year, and now seems to have picked up growth again. Could you highlight any changes made to the brand packaging, blend, or distribution? Also, what is the outlook for market share gains in that price point, considering you also have After Dark there?

Management: For 8 PM Premium Black, we implemented a packaging change which we have gradually extended to all states. Last quarter, the brand did extremely well and grew by 30%. It is now back on a growth trajectory. As far as After Dark goes, it has also grown very well. It grew at 40% for the quarter and is up by 80% for the entire year. Both brands are on the right trajectory.

Harit Kapoor – Investec: Regarding the subsidiary in Scotland, could you explain how this helps with procurement and what specific benefits or investments are required?

Management: We are the largest importer of matured malt spirits from Scotland. Our focus is on malt-based alcohol and whiskey. This is the first step toward procuring more matured malt. There are various options available, such as buying fresh malt, maturing it there, or exchanging malt. If needed, we can invest in a distillery in the future. As our requirements increase every year, we feel it is appropriate to have an investment in that part of the world.

Harit Kapoor – Investec: Will there be any incremental initial investment required there?

Management: We are starting in a very small way. As value creation happens, we will look at that. Being a 100% subsidiary under the ODI route, we do not have any issues, and we will share a distinct strategy in due course.

Harit Kapoor – Investec: We have seen many new initiatives in Prestige and Above over the last 6-12 months. Looking ahead 12-15 months, do you see more investment in these existing initiatives, or is there scope for filling white spaces and adding new variants?

Management: This is a good question. Over the last two to three years, we have launched brands like our Indian Single Malt, Spirit of Kashmir vodka, Kohinoor rum, and Sangam. These are very powerful brands. Five years down the line, these will be very significant. Over the next two years, we will take them nationwide and concentrate on building them. All these brands are in the luxury space, where we see huge potential, similar to what we achieved with Jaisalmer Indian Craft Gin, which now commands more than 50% market share in the luxury gin space. The next 12-15 months will focus on consolidation and distribution expansion of these brands.

Operator: Thank you. The next question is from the line of Karan from Choice Institutional Equities. Please go ahead.

Karan – Choice Institutional Equities: Congratulations on a great set of numbers. I have seen Royal Ranthambore available in gymkhanas as part of an on-trade exercise. Could you provide more detail on what you are doing to increase on-trade presence and what the current percentage of on-trade versus off-trade is?

Management: About a year and a half ago, we mentioned that we needed to work hard on the on-trade segment because we now have luxury brands. We have since beefed up our on-trade team, recruiting from various institutions, and now have close to 50-70 people dedicated to this side. We have addressed bars and clubs, and we are seeing great results. For instance, 70-80% of airport outlets now carry our brands.

Karan – Choice Institutional Equities: What is the percentage of on-trade sales now?

Management: It is close to 6-7% of our sales now.

Karan – Choice Institutional Equities: Regarding promotions like "buy one get one," are these included in your A&P; or are they above the revenue line?

Management: It is part of our A&P.; On-trade involves many activities like DJ nights, happy hours, and visibility initiatives. All of it is part of the A&P; spending.

Operator: Thank you. The next question is from the line of Heath Rajchira from Ananya Research. Please go ahead.

Heath Rajchira – Ananya Research: Congratulations on the numbers. I would like an update on the Tequila category. What kind of margins are you looking at and what volume should we expect?

Management: Tequila is a high-margin business, but volume will take time as it is a growing category in India. Margins will be quite healthy.

Heath Rajchira – Ananya Research: Any specific margin numbers you would like to share?

Management: We would not like to commit to specific margin numbers for Tequila.

Operator: Thank you. The next question is from the line of Nilabja Day from Ashmore Research. Please go ahead.

Nilabja Day – Ashmore Research: Congratulations on the numbers. There are reports that alcohol companies are facing collection issues in Telangana and operational challenges following the new excise policy in Maharashtra. Could you throw some light on how things are panning out?

Management: The collection issue in Telangana has been ongoing for the last two years. In the last one to two months, we have received payments toward the old outstanding balance. We are hopeful that the remaining old outstanding will be cleared within a month. Regarding Maharashtra, they introduced Maharashtra Made Liquor (MML), which can only be supplied by local companies with a Maharashtrian partner or owner. MRPs have been raised to over 200 rupees for a 750ml bottle. The overall industry has declined by about 20%, but MML is gaining pace. The total market size is about 2.4 million cases per month, which is currently down to 1.8 million cases, with MML accounting for 4-5 lakh cases.

Operator: Thank you. The next question is from the line of Nitin from MK. Please go ahead.

Nitin – MK: Following up on the Maharashtra question, what are the plans regarding the court allowing all companies to participate in MML? Are you looking to participate through a joint venture?

Management: This month, we are going to launch our MML products through our joint venture, Radico-Diageo, and we should be in the market from this month onwards.

Nitin – MK: Regarding raw materials, how are you placed with Scotch sourcing and pricing?

Management: We are seeing a price decline. There is currently a surplus of Scotch available in Scotland. We are seeing a softening of prices and there is enough supply.

Nitin – MK: Regarding the banquet and events market, how material is this segment for you and how are you placed there?

Management: As told earlier, this is a key focus area. We have beefed up our team over the last 1.5 years. More than just volume, this segment is about brand imagery and visibility. Combined with on-trade, it represents about 7-8% of sales. It is highly effective for sampling and brand building.

Nitin – MK: Could you quantify the revenue from the luxury portfolio for the nine-month period?

Management: For the full year last year, we did 340 crores. This year, we should be close to 500 crores in revenue terms.

Operator: Thank you. The next question is from the line of Abhijit Kundu from Antique Stock Broking. Please go ahead.

Abhijit Kundu – Antique Stock Broking: Congratulations on a strong set of numbers. My first question is on Andhra Pradesh. You have outperformed and increased market share sequentially, likely driven by brandy. How do you see the scenario for next year, given the high base?

Management: Andhra Pradesh has been a very good market. We have seen the premium side of the portfolio gain traction in the last two to three months. In the regular brandy segment, we have a lion's share. Going forward, we aim to maintain our market share and grow with the industry.

Abhijit Kundu – Antique Stock Broking: Regarding debt, when do you plan to repay the majority of it?

Management: Our debt is currently minimal. With the cash flow we are generating, we will be debt-free by FY27.

Abhijit Kundu – Antique Stock Broking: For the Scotland subsidiary, would the acquisition of Scottish distilleries be a target?

Management: We are the largest buyers of Scotch, and our requirements will increase. Currently, there is an oversupply in Scotland and some distilleries are closing. We created the subsidiary to evaluate opportunities, whether maturing malt there or buying directly. If an opportunity arises at a very good price for inventory, we might look at it, but nothing is on the cards right now.

Operator: Thank you. The next question is from the line of Naveen Trivedi from Motilal Oswal. Please go ahead.

Naveen Trivedi – Motilal Oswal: Congratulations on strong numbers. Your Prestige and Above volume growth has been consistently strong compared to peers. Which specific markets are driving this outperformance?

Management: As mentioned earlier, we have seen market share increases relative to the competition in Uttar Pradesh, Rajasthan, Madhya Pradesh, Haryana, and Telangana.

Naveen Trivedi – Motilal Oswal: On margins, this quarter saw significant expansion. What is the outlook for gross and EBITDA margins for next year? How much did product mix and raw material costs contribute this quarter?

Management: Gross margin improved by 350 basis points year-over-year. This was driven by a softer raw material scenario contributing about 225 basis points and premiumization contributing another 125 basis points. For EBITDA, the margin expanded by 300 basis points. Raw materials accounted for about 200 basis points of that, with the rest coming from operating leverage and mix. Sequentially, product premiumization played a key role, contributing over 200 basis points of the expansion. We expect the raw material environment to remain stable. We aim to improve our margins by 125 basis points each year over the next two years to reach a 16% margin level.

Operator: Thank you. The next question is from the line of Jagdeep from Clockvine Capital. Please go ahead.

Jagdeep – Clockvine Capital: What have been the trends on the export front for the nine months? What is exports as a percentage of sales?

Management: Export volume is about 6% of the total and revenue is about 10%. We have had steady growth in both the luxury and regular portfolios. We are also focusing on global travel retail as a key channel for expansion.

Jagdeep – Clockvine Capital: What is the contribution of Prestige and Above to overall export revenue?

Management: By value, it is 7.5%, and by volume, it is 5%. Within the export portfolio, approximately 80% is Prestige and Above.

Operator: Thank you. The next question is from the line of Nitin Awasthi from Incred Research. Please go ahead.

Nitin Awasthi – Incred Research: Adecade ago, owning a distillery in Scotland was seen as essential for any Indian liquor company with global aspirations. However, Japanese and Indian malts have since done very well. Is owning a Scottish distillery still a requirement or is the current move more opportunistic given the pricing correction in Scotch?

Management: It is an interesting question. Formerly, high-quality wine was only associated with France, but now world-class wines come from many regions. Similarly, Japanese malts are now sometimes more expensive than Scotch, and Indian malts are gaining that same status. People globally want different experiences. Every country's malt has a unique character. Regarding Scotland, there is currently a slowdown in the US, Europe, and China, which has led to a surplus. It is a great opportunity to get a price advantage for the malts we use.

Operator: Thank you. The next question is from the line of Anurag Jain, an individual investor. Please go ahead.

Anurag Jain – Individual Investor: Congratulations on excellent numbers. Radico has traditionally developed brands in-house, but you have taken a different approach for the Tequila market. What are the reasons for this?

Management: Radico has created almost all its brands organically. Even in Tequila, the brand will be created organically and bottled in Mexico. We are following our core policy of building rather than buying because we excel at brand creation.

Anurag Jain – Individual Investor: The press release mentions Radico will hold a 47.5% stake. What is the arrangement for brand ownership?

Management: This is a joint venture where Radico Khaitan holds 47.5%, Shahrukh Khan and his associates hold 47.5%, and 5% is with Karim.

Operator: Thank you. The next question is from the line of Abhijit Kundu from Antique Stock Broking. Please go ahead.

Abhijit Kundu – Antique Stock Broking: Regarding Morpheus Brandy, it is now available across eight states. How has the initial response been? Do you plan to register it with the CSD?

Management: For the Morpheus extensions, it is currently in the seeding stage and the initial response is positive. We have priced it higher than leading brands. Radico always focuses on value over volume. Regarding CSD, it takes time because there are criteria regarding the number of years a brand must be in the civil market and the case volumes required before registration can commence.

Operator: Thank you. The next question is from the line of Ajay Thakur from Anand Rathi Securities. Please go ahead.

Ajay Thakur – Anand Rathi Securities: Could you share the current revenue run rate for the super-premium and luxury segment?

Management: We expect it to be close to 500 crores for the current year, compared to 340 crores last year.

Ajay Thakur – Anand Rathi Securities: What is the policy for cash utilization once the debt is repaid?

Management: Subject to the Board's decision, but the cash will likely be used for dividend payouts.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Management: In closing, this quarter highlights the strength and momentum of Radico Khaitan's business model. Our record operating performance, expanding margins, improving returns, and strong cash generation underscore the quality of our growth. With a differentiated portfolio and disciplined financial execution, we are well positioned to sustain this momentum. We remain confident and committed to creating long-term value for our shareholders. Thank you for joining the call today. We look forward to connecting with you next quarter.

Operator: Thank you. On behalf of Dam Capital Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your line.