

Radico Khaitan

Refer to important disclosures at the end of this report

Improving on all fronts

CMP: Rs 418
as of (October 1, 2020)TP: Rs 600 (▲)
12 months

Rating: BUY (■)

Upside: 43.5 %

RDCK's volumes have grown at a 10% CAGR with faster growth in P&A at a 14% CAGR since FY17, outperforming the industry. Vodka offers a big opportunity in terms of global trends and RDCK with a 60% share in premium Vodka is a natural beneficiary as the category becomes more mainstream. With equal success in new products (40% of P&A), RDCK has diversified the portfolio and accelerated growth. Cash flow improvement has outpaced revenue gains, substantially strengthening the balance sheet, partly aided by favorable industry changes. As the impact of Covid-19 fades, we expect sales/earnings to recover and rise at a 13%/18% CAGR through FY23, with continued improvements in cash flows and ROEs. We expect RDCK to up-trade at 25x Sep'22E EPS with a more diversified revenue profile and accompanying higher economic profits. We reiterate Buy with a revised TP of Rs600 (from Rs500).

- **RDCK to exploit leadership as vodka becomes more mainstream:** RDCK now boasts of a stronger portfolio and rising success in the premium segment with P&A volume/value share moving to 29%/50% from 21%/38% over five years. Vodka accounts for 20-30% of consumption globally (~30% in US), vs. 4-5% in India due to premium pricing. Rising affordability, greater acceptance among youth and women and preferred choice of base for cocktails offer faster growth in the category vs. other spirits and RDCK with a dominant position should be a key beneficiary.
- **Success in newer brands/ extensions have de-risked P&A franchise:** RDCK has been more innovative than peers, and the stronger innovation pace and success in new launches have accelerated growth and diversified RDCK's P&A franchise. Excluding Magic Moments, growth in other P&A brands has been stronger at a 25% CAGR, with its share rising to 40% of P&A from 22% in FY15, led by continued success in niche and emerging categories and recent success in premium Whisky.
- **Management efforts complemented favorable industry changes, improving profitability and working capital:** Management has made significant efforts to improve profitability and cash flows (reduced WC by ~50%, debt by Rs6bn and improved margins by 400bps in five years). Favorable policies in UP (~30% of RDCK sales), including reduction in IMFL taxes in FY17 and opening of trade in FY19, doubled industry volumes and increased industry margins, benefitting RDCK. In addition, increased pricing and credit discipline by large players also helped RDCK improve margins and reduce WC.
- **Stronger balance sheet, cash flow improvement to drive rerating; reiterate Buy and raise TP to Rs600:** We expect continued improvement in cash flows and ROCE (net cash position by FY22, increase in dividend payouts and ROCE to increase to 20%+ by FY23). We believe that strong earnings visibility and improved balance sheet should lead to a re-rating. At 18x FY22E, valuations are still close to a 10-year mean. We retain Buy and increase the TP to Rs600, valuing it at 25x Sep'22E (vs. 20x earlier).

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(page 13\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	20,969	24,270	24,600	28,333	31,443
EBITDA	3,503	3,718	4,089	4,766	5,384
EBITDA Margin (%)	16.7	15.3	16.6	16.8	17.1
APAT	1,880	2,517	2,507	3,039	3,534
EPS (Rs)	14.1	18.8	18.8	22.8	26.5
EPS (% chg)	52.2	33.7	(0.4)	21.2	16.3
ROE (%)	15.3	17.8	15.3	16.1	16.2
P/E (x)	29.7	22.2	22.3	18.4	15.8
EV/EBITDA (x)	16.8	16.0	13.8	11.5	9.7
P/BV (x)	4.2	3.7	3.2	2.8	2.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	20
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	18.8	22.8
Consensus	17.0	21.6
Mean Consensus TP (12M)	Rs 471	

Stock Details

Bloomberg Code	RDCK IN
Face Value (Rs)	2
Shares outstanding (mn)	134
52 Week H/L	472 / 220
M Cap (Rs bn/USD bn)	56 / 0.76
Daily Avg Volume (nos.)	5,15,814
Daily Avg Turnover (US\$ mn)	2.9

Shareholding Pattern Sep '20

Promoters	40.3%
FIIIs	18.0%
DIIIs	16.6%
Public and Others	25.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	10	33	41
Rel. to Nifty	(4)	(2)	-	34

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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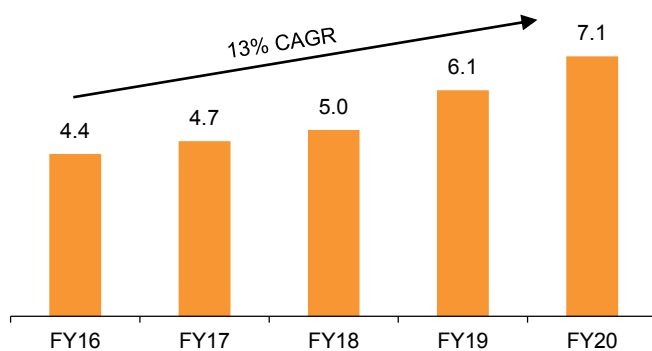
+91 22 6612 1340

Volume growth faster than peers, driven by acceleration in P&A segment

Radico has outperformed most peers with overall volume growth of 10% and P&A volume growth of 14% over the last three years, compared to 5-7% volume growth for larger peers. Its portfolio now looks stronger and diversified, with increasing success in the premium segment. P&A volume/value share increased to 29%/50% from 21%/38% in FY15. Excluding demonetization and highway ban, overall volume growth has been stronger over the last two years with P&A brands growing 21%/15% in FY19/20 and popular growing at 7%/11%.

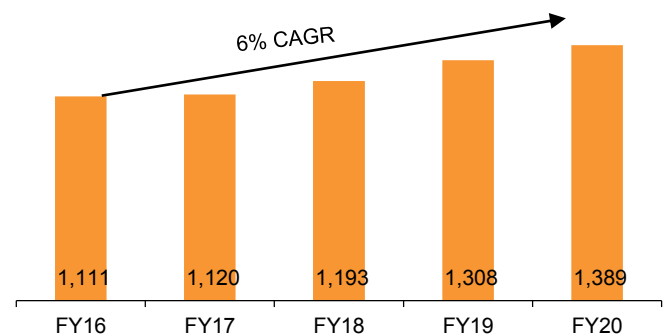
P&A mix has also improved with realizations growing at a 6% CAGR over the last four years led by more premium launches. While growth in flagship brand Magic Moments remains steady, success in new innovations helped accelerate growth. Other P&A brands, including new launches in the P&A segment, have grown at a ~25%+ CAGR over the last five years, driving strong acceleration in P&A growth.

Exhibit 1: P&A volumes have grown at 13% CAGR



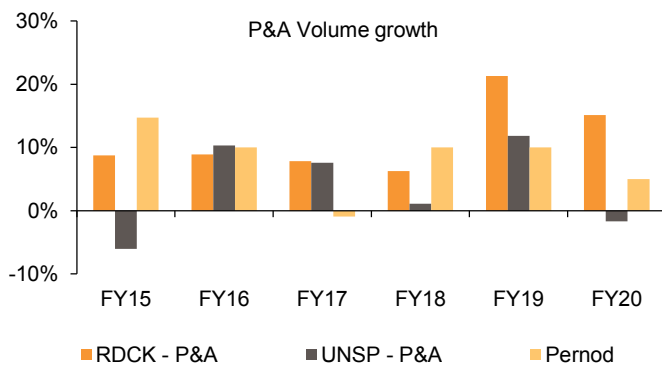
Source: Company, Emkay Research

Exhibit 2: P&A mix improvement and pricing driving strong realization growth at 6% CAGR



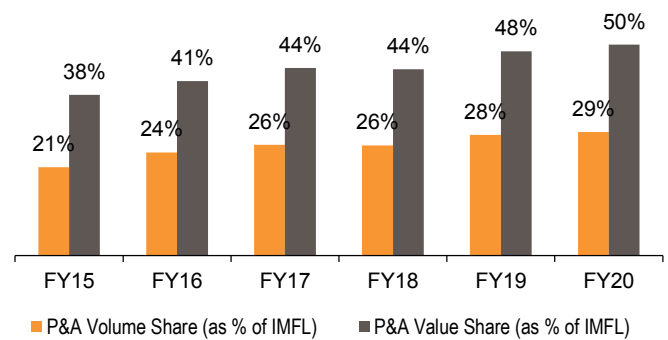
Source: Company, Emkay Research

Exhibit 3: RDCK P&A volume growth has been faster than peers



Source: Company, Emkay Research

Exhibit 4: P&A share has expanded strongly to 50% of value now



Source: Company, Emkay Research

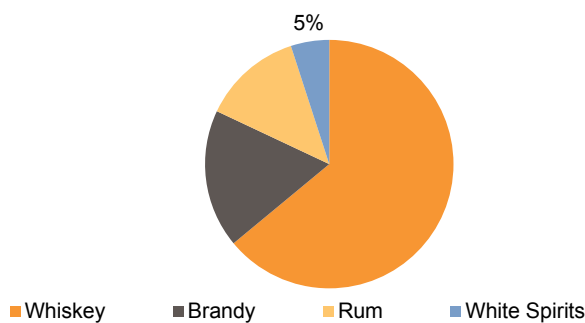
Vodka segment offers long growth runway; RDCK well-placed to exploit leadership as vodka becomes more mainstream

Vodka segment contributes most to the white spirits' consumption in India. Though volume share of white spirits is currently small at 4% (value share of 6%), global trends suggest Vodka offers a long growth runway and should record faster growth than whisky, which accounts for 65% of industry volumes. Globally, Vodka is the second largest consumed spirit after whisky with its share of consumption within the western style spirits at over 20%. In India, the share of Vodka consumption is currently low partly due to premium pricing. Against whisky where a substantial part of volumes and brands exists in the cheap/popular segment in India, we note that most of Vodka consumption is in the premium segment. Rising affordability, higher acceptance among youth and women and preference for vodka as a preferred base for cocktails are likely to offer a strong growth opportunity for the category.

RDCK seems attractively-placed to exploit the opportunity in Vodka with a leadership position in the premium vodka segment with a market share of more than 60%. Flagship brand Magic Moments has recorded steady ~6% volume growth over the last 5 years despite disruptions, including demonetization and highway ban. Pricing of Magic Moments appears attractive and more affordable to convert and attract new consumers to Vodka. Big competitors have been largely focused on the whisky segment with low focus on Vodka. In addition, large competitors have presence in Vodka but at a significant price premium to Magic Moments and lack brands in the price segments that can compete with Magic Moments. Hence, competitive intensity and risks appear low for Magic Moments, which should help it continue to expand its share in the Vodka segment. RDCK has also increased its share in the super premium segment with the launch of Verve Vodka at a price similar to Smirnoff. Continued success in the super premium segment will be an incremental positive.

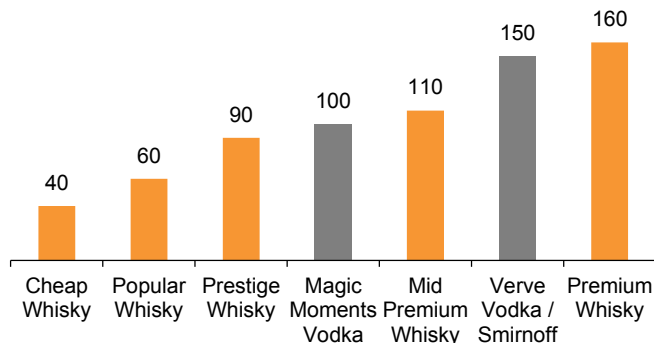
Exhibit 5: Vodka still accounts for a small share of industry but has been growing well with premium segments growing faster

IMFL Industry Break-up (Volume)



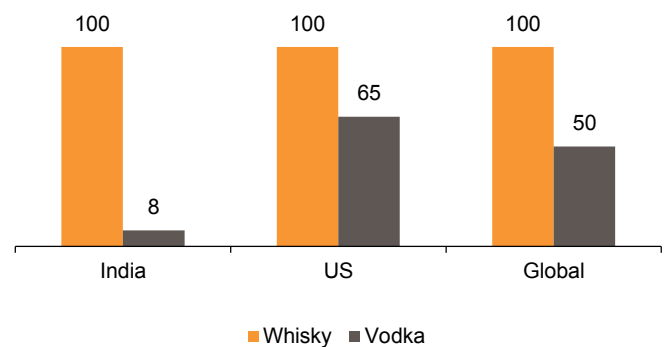
Source: Company reports

Exhibit 7: Vodka largely a premium category vs. whisky in India, cheap/popular brands account for more than 2/3rd of whisky



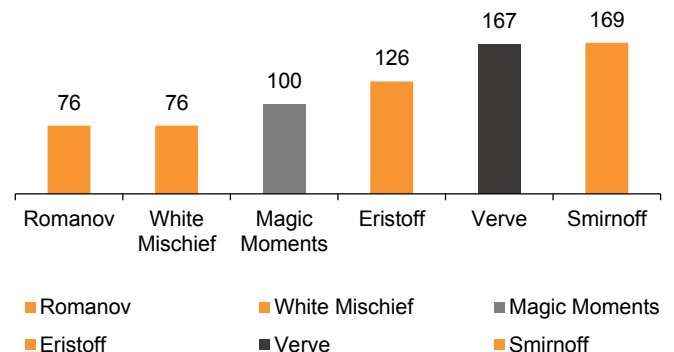
Source: Emkay Research

Exhibit 6: Value share of Vodka vs. whisky is small in India compared to other markets; offers long-term growth opportunity



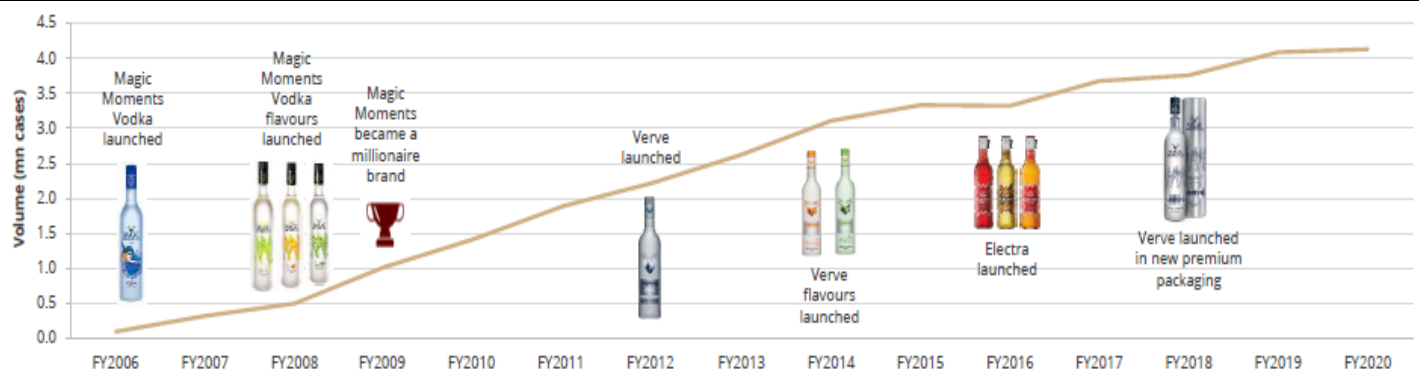
Source: Company, Emkay Research

Exhibit 8: Magic Moments attractive pricing in premium segment; competition remains low from similar / low priced brands



Source: Emkay Research

Exhibit 9: Magic Moments has grown at ~6% over last 5 years; in line with P&A growth of UNSP and Pernod

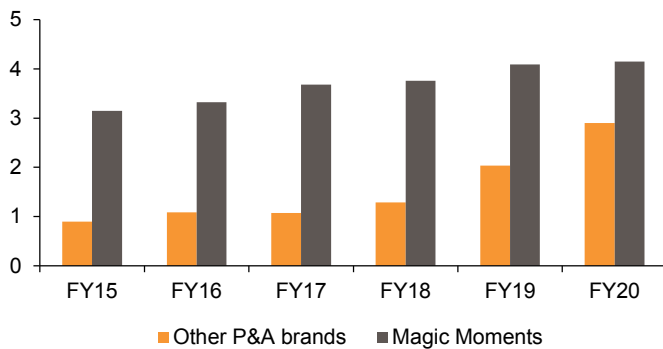


Source: Company reports

More innovative than peers; new launch success driving high growth in premium segment

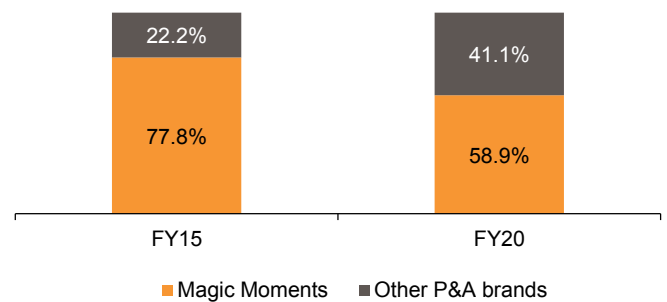
While competitors are focused largely on the whisky segment (70% of market), RDCK has been more innovative in launching new products and targeting emerging categories. It was the first to launch a premium brandy - Morpheus Brandy in 2010, which is now reaching 1mn cases. Similarly, new launches in Rum and craft Gin categories target emerging trends and are receiving an encouraging response. RDCK has also expanded its whisky franchise with extension of 8PM Black, premium variant of 8PM launched in 2019, which is priced in competition to Royal Challenge/Royal Stag (25-30mn cases segment). 8PM Black is also close to reaching volume of 1mn cases. Gradual scale up of its scotch brand *Rampur* and new launches in Rum (Pluton Bay and 1965 Spirit of Victory) and Jaisalmer Craft Gin are likely to maintain the strong growth momentum. Excluding Magic Moments, other brands, including new launches in the P&A segment, have grown at a ~25% CAGR over the last five years and now contribute close to 40% of P&A segment. Volume share of Magic Moments now stands at 59% vs. 77% in FY16, with volume contribution from other brands (Morpheus brandy, 8PM Black, After Dark, etc.) increasing from 23% to 40%.

Exhibit 10: Steady growth in Magic Moments; growth in new innovations driving 25% CAGR in other P&A brands



Source: Company, Emkay Research

Exhibit 11: Success in new products diversify and de-risk portfolio



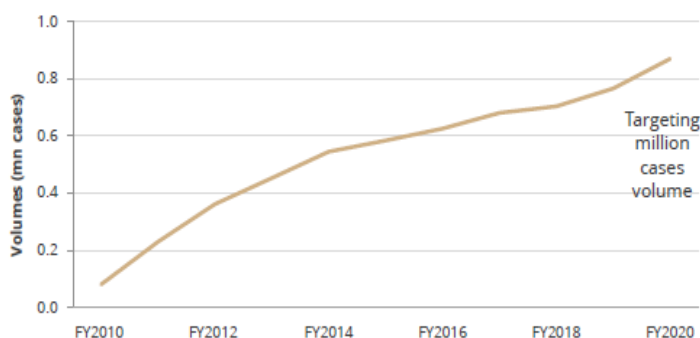
Source: Company, Emkay Research

Exhibit 12: Stronger portfolio with new launches targeting emerging premium segments



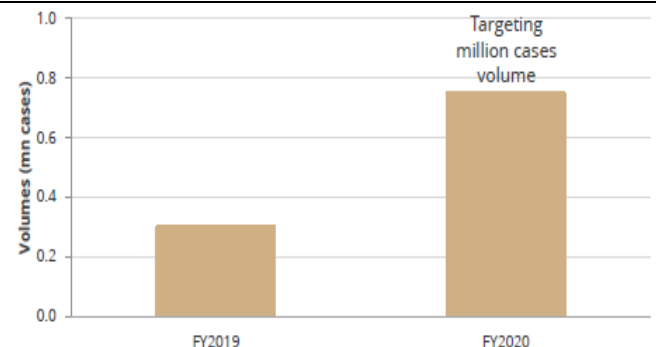
Source: Company reports

Exhibit 13: Morpheus Brandy - Steady success in creating premium brandy segment



Source: Company, Emkay Research

Exhibit 14: 8PM Premium Black – strong scale up post encouraging response

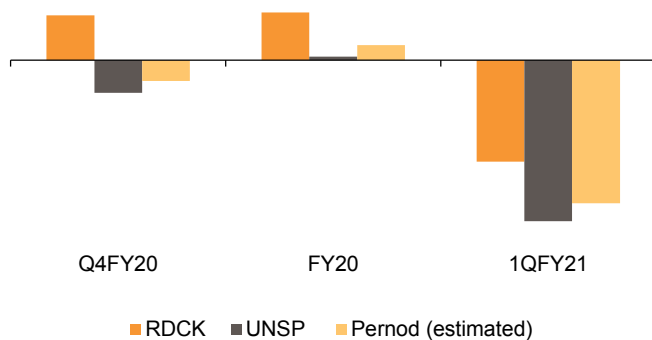


Source: Company, Emkay Research

Core markets recovering faster with moderate tax increases

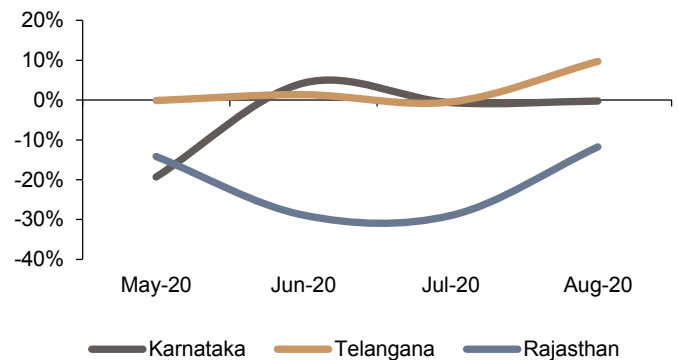
Post Covid-19, several states have increased taxes with a few states announcing a sharp increase of 20-75% in taxes. RDCK seems well-placed compared to peers as its core markets have seen moderate tax increases and are recording faster recovery than states, which have witnessed steep tax increases. Lower presence in the on-trade channel, which has been non-operational till now and higher volume share in CSD would also help RDCK report a better volume performance. RDCK Q1 performance was better than the industry, which we expect to continue due to faster recovery in core states, particularly Uttar Pradesh, Uttaranchal, Karnataka and Telangana. Despite a steep 34% sales decline in Q1, we expect RDCK to report marginal growth in FY21 led by a strong volume performance in the coming quarters. IMFL volume in Karnataka and Telangana has already recovered to pre-Covid levels despite the tax increases, whereas our channel checks indicate a good volume growth in UP and Uttaranchal due to stable taxes.

Exhibit 15: RDCK sales performance has been ahead of peers even during Covid-19



Source: Company, Emkay Research

Exhibit 16: Faster recovery in some core markets (% change in volumes)



Source: Company, Emkay Research

Management efforts complemented favorable industry changes, driving efficiencies and better profitability

Management has made significant efforts in reducing debt and working capital, strengthening balance sheet and improving growth and profitability. Moreover, favorable changes in alcobev policies of Uttar Pradesh, increased pricing and credit discipline in the market driven by large players and increased focus on premiumization with lower competition in popular segment have also significantly supported RDCK. With these favorable changes, RDCK looks well-placed to outperform in the medium term. We expect RDCK to become net cash positive by FY22. Further improvement in margins and reduction in WC will drive higher cash flows and improve ROCE to 20%+ by FY23.

RDCK has delivered a strong 10% volume CAGR and also improved its realizations. Realization in the P&A segment and popular segment increased by 7% and 5% over the last three years, driven by pricing actions, lower discounting and better mix. In addition, management has also tightened working capital and reduced debt. Working capital intensity has almost halved over the last five years and debt has fallen nearly Rs5bn to a gross debt of Rs4bn in FY20, which further declined to Rs3bn in Q1FY21.

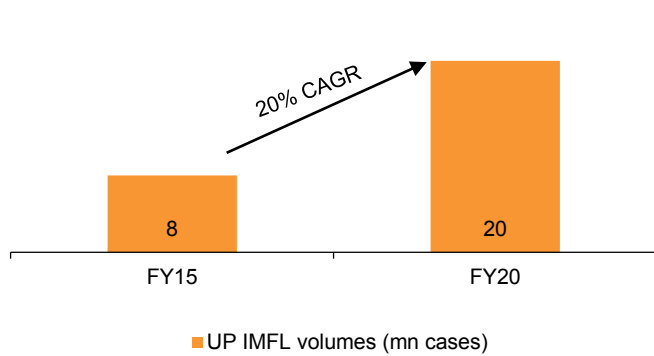
Benefits of UP alcobev policy change and industry moving toward profitable growth, improved pricing and working capital efficiency

Favorable changes in Uttar Pradesh (~30% of RDCK), including the tax rate cut in IMFL in FY17 (bringing down product prices by ~20%) and in April 2018 breaking the monopolistic trade and opening up the wholesale and retail trade to new players, led to significant growth in the state and increased profitability for the companies. Besides reduction in retail prices and trade margins, improved realizations to companies and increase in number of outlets resulted in a sharp increase in industry volumes and in government excise revenues. Over the last five years, IMFL volumes in UP have more than doubled with industry profitability and government revenues increasing significantly.

In addition, large players in the industry are driving favorable changes, which has resulted in better margins and working capital reduction. Since Diageo's acquisition of United Spirits, there has been defocus on the popular segment, which has reduced competition and discounting in the segment. Increased focus on more profitable premium segment increased competition in this

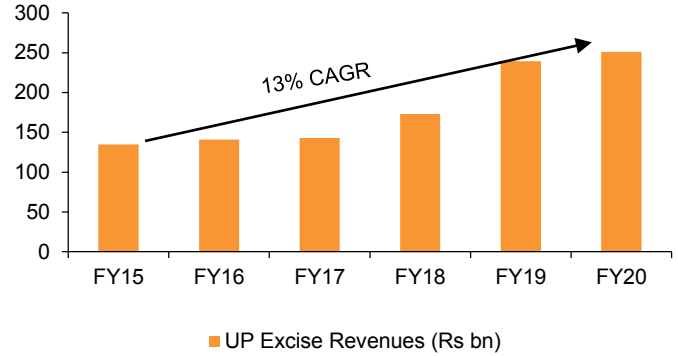
segment but has also improved the pace of premiumization and created new segments. The industry has also seen significant improvement in working capital led by large players driving favorable changes in government-controlled and high credit driven auction markets. This has also helped Radico reduce its working capital intensity over the years.

Exhibit 17: UP IMFL volumes have grown at a 20% CAGR led by tax cut in FY17 and opening up of trade in FY19



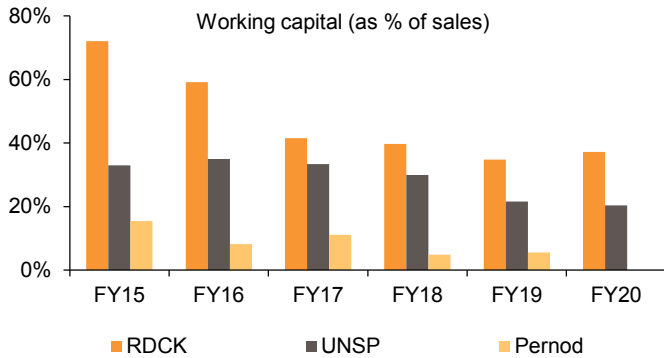
Source: Company, Emkay Research

Exhibit 18: Excise revenues have grown at 13% CAGR



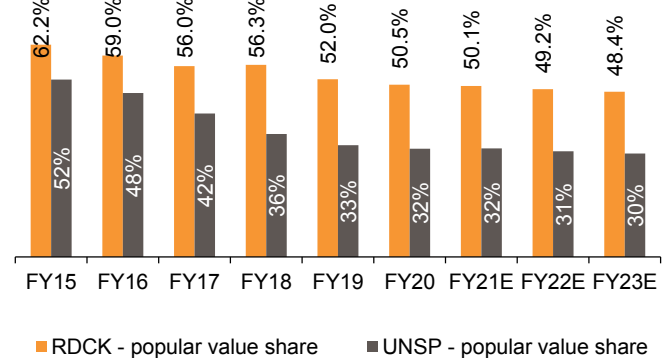
Source: Company, Emkay Research

Exhibit 19: Industry taking steps to reduce working capital requirements



Source: Company, Emkay Research

Exhibit 20: RDCK and competition defocusing on low margin popular segment

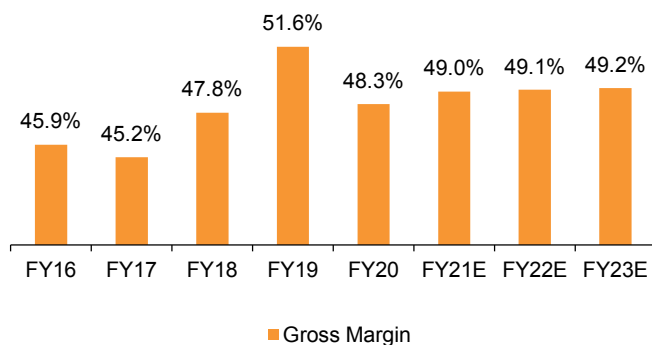


Source: Company, Emkay Research

Margin headwinds behind; benign input price, mix improvement to drive gains ahead

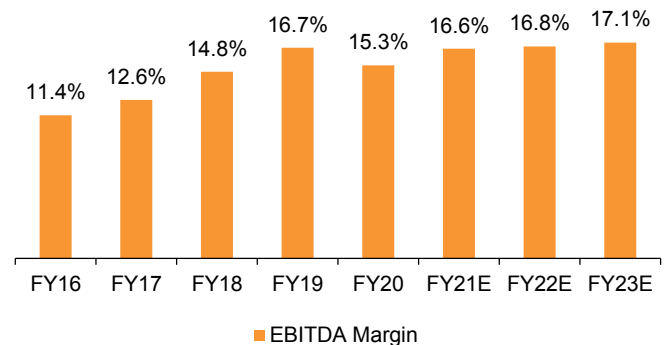
RDCK delivered strong improvement in margins over the last five years with EBITDA margins expanding by nearly 400bps. Margin expansion was high till FY19 but after a steep increase in ENA and glass prices in FY19-20 gross margins reduced by 330bps in FY20 and EBITDA margins by 140bps. Margin pressure is behind us and input prices have started to moderate since Q4FY20, which should aid strong margin expansion ahead. ENA prices have declined 10-15% from peak levels and are expected to remain soft. Lower demand for glass bottles and increase in supply from capacity additions by the industry have likely eased the demand-supply situation in glass, which along with lower crude prices, is expected to keep glass prices benign. In addition, management increased focus on cost savings, cut in discretionary spends and reduced competition can drive gains on operating margins. Our forecast factor in a gross margin expansion of 90bps and EBITDA margin expansion of 180bps over FY20-23, which can see potential upsides.

Exhibit 21: RDCK gross margin improvement is driven by premiumization; softening input prices to benefit margins ahead



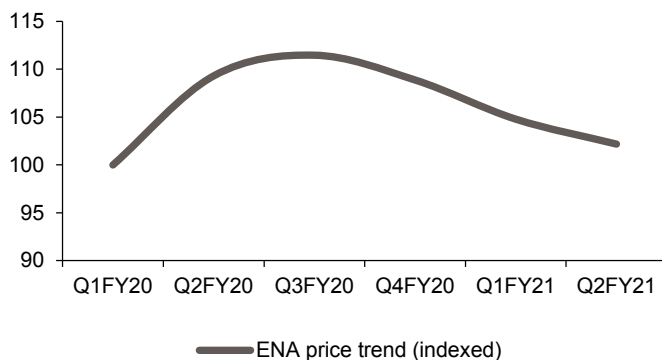
Source: Company, Emkay Research

Exhibit 22: Strong improvement in EBITDA margins; forecasts factor in moderate expansion



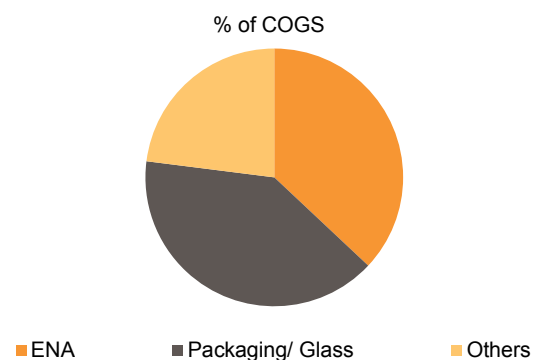
Source: Company, Emkay Research

Exhibit 23: ENA prices continue to soften



Source: Emkay Research

Exhibit 24: ENA and glass are key input costs for RDCK



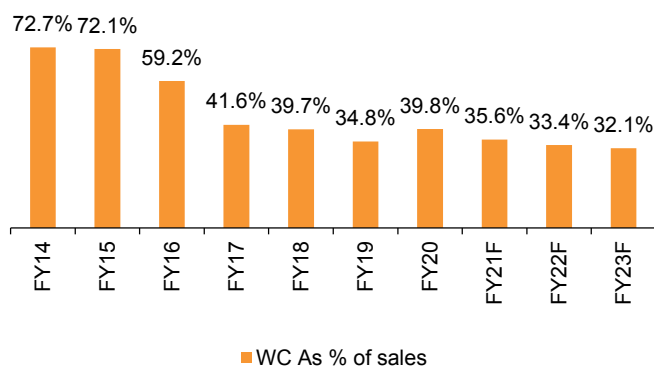
Source: Company, Emkay Research

Strong FCF generation highlights better quality and efficiency; RDCK to be net cash positive by FY22

RDCK has transformed its weak balance sheet into a stronger one with focus on cash flow improvement. Over the past four years, RDCK has generated OCF of Rs9bn and FCF of more than Rs7bn, which has been used to reduce debt by Rs5bn. Capex has been low at Rs2bn over four years and is likely to remain at Rs500-700mn a year going ahead. Given improving profitability and reducing working capital, we expect FCF to show strong improvement ahead.

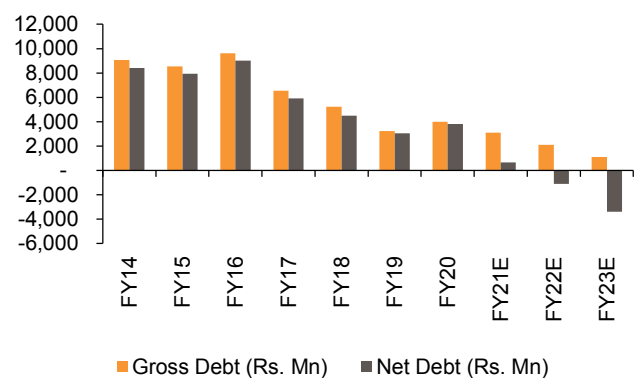
Working capital intensity has almost halved over the last five years. Compared to peers, it still remains high and offer further scope for reduction. Delay in payments by state governments during Covid-19 disruption in Q4FY21 led to an increase in working capital and debt in FY20 but with payment resuming in Q1, working capital has reduced and debt has come down to ~Rs3bn. From the peak debt of Rs9.6bn, net debt in Q1 stands at ~Rs3bn. RDCK expects to be net cash positive by next year. With capex being limited, improvement in profits and working capital is likely to boost dividends.

Exhibit 25: WC intensity has almost halved; expect further reduction ahead



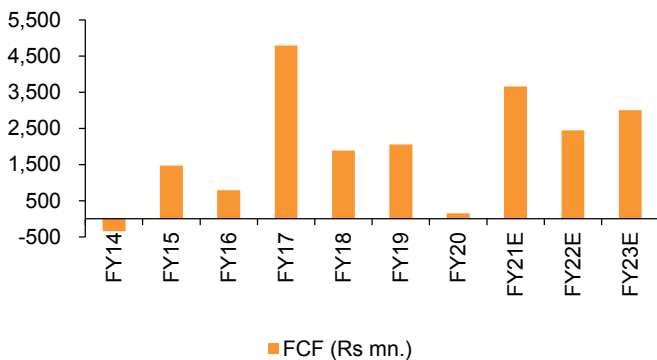
Source: Company, Emkay Research

Exhibit 26: Impressive debt reduction; estimate net cash positive by FY22



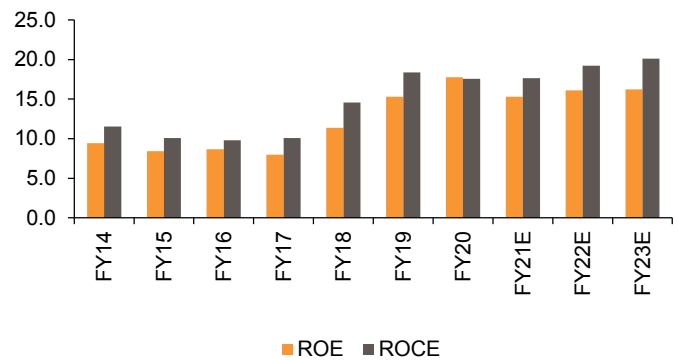
Source: Company, Emkay Research

Exhibit 27: FCF showing steady improvement



Source: Company, Emkay Research

Exhibit 28: ROCE to improve to 20% by FY23



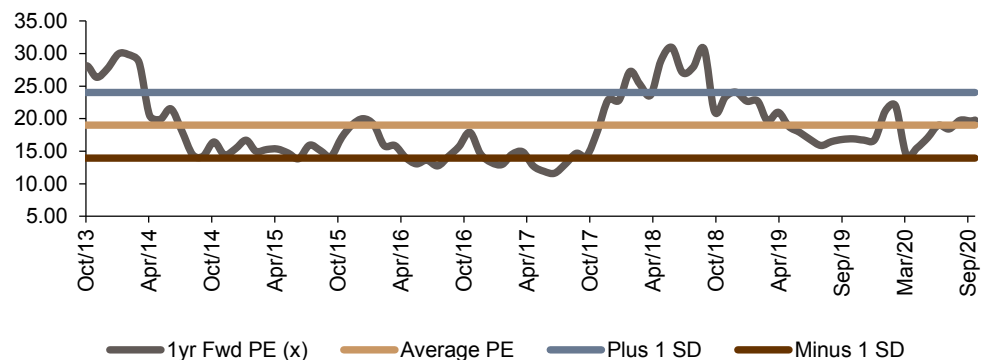
Source: Company, Emkay Research

Rerating triggers in place; increase TP to Rs600

Consistent volume outperformance, improvement in margins and balance sheet are positive factors. Faster volume recovery and positive margin outlook provide a strong earnings visibility ahead. This along with further reduction in debt and working capital and improving cash flows and ROCE offer rerating potential.

At Rs418, the stock trades at 18x FY22E EPS, which is at a substantial discount to consumer companies with similar mcap. We note that RDCK's brand portfolio has become stronger and wider, which reduces risks from competition, change in preferences, etc. Moreover, the dominant position in Vodka makes it best-placed to benefit from the strong growth opportunity in the category. Despite improved earnings momentum and a stronger balance sheet with improved FCF, ROCE's stock is still trading at a significant discount to peers and close to its 10-year mean. Faster recovery in its core markets post Q1 and stronger margin outlook have now increased the earnings visibility. We now value the stock at a higher multiple of 25x Sept22E EPS (vs. 20x earlier) and increase our TP to Rs600 (from Rs500 earlier).

Exhibit 29: Valuation at close to 10-year mean despite significant improvement in performance



Source: Company, Emkay Research

Exhibit 30: Relative Valuation

Companies	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV / EBITDA (x)		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Asian Paints	2,065	1,980	Hold	1,670	29.0	37.1	42.1	71.2	55.7	49.1	44.8	35.9	31.7
Berger Paints	608	591	Sell	450	7.6	9.5	11.1	80.1	63.9	54.9	49.7	40.5	34.9
Britannia	3,746	902	Buy	4,500	82.6	89.0	102.7	45.3	42.1	36.5	35.0	32.7	28.4
Colgate	1,453	395	Buy	1,590	31.9	36.3	40.7	45.5	40.0	35.7	29.3	26.0	23.3
Dabur	514	909	Hold	500	10.0	11.7	13.2	51.4	44.1	38.9	41.5	34.7	30.4
Emami	349	155	Hold	270	11.4	12.6	13.9	30.5	27.8	25.1	20.8	18.6	16.4
GCPL	715	731	Hold	645	15.7	17.5	20.0	45.6	40.7	35.6	31.4	28.3	24.8
HUL	2,138	5,024	Hold	2,300	36.3	44.5	51.8	58.9	48.0	41.3	41.5	33.9	29.1
ITC	170	2,094	Buy	255	10.6	13.2	14.6	16.1	12.9	11.7	11.8	9.3	8.3
Marico	367	474	Hold	350	8.8	9.9	11.0	41.6	37.1	33.5	29.2	26.0	23.5
Nestle	15,673	1,511	Sell	15,600	235.7	275.9	315.8	66.5	56.8	49.6	47.3	40.8	35.9
Pidilite	1,483	754	Sell	1,200	21.9	27.8	31.5	67.9	53.3	47.0	47.9	37.8	33.2
Radico Khaitan	416	56	Buy	600	18.8	22.8	26.5	22.2	18.3	15.7	13.7	11.4	9.7
United Breweries	971	257	Buy	1,225	11.8	22.8	27.9	82.1	42.7	34.9	34.2	22.3	18.8
United Spirits	526	383	Buy	640	9.0	14.7	17.2	58.4	35.9	30.7	32.8	22.4	19.5

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	20,969	24,270	24,600	28,333	31,443
Expenditure	17,466	20,552	20,510	23,567	26,060
EBITDA	3,503	3,718	4,089	4,766	5,384
Depreciation	424	525	543	589	636
EBIT	3,079	3,193	3,547	4,176	4,747
Other Income	133	92	104	109	114
Interest expenses	355	316	299	222	137
PBT	2,857	2,969	3,352	4,063	4,725
Tax	976	452	845	1,024	1,191
Extraordinary Items	0	(242)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,880	2,275	2,507	3,039	3,534
Adjusted PAT	1,880	2,517	2,507	3,039	3,534

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	267	267	267	267	267
Reserves & surplus	12,883	14,938	17,274	19,974	23,035
Net worth	13,149	15,205	17,541	20,241	23,302
Minority Interest	0	0	0	0	0
Loan Funds	3,233	3,989	3,113	2,113	1,113
Net deferred tax liability	1,040	785	785	785	785
Total Liabilities	17,422	19,979	21,438	23,138	25,200
Net block	7,139	7,434	7,468	7,579	7,643
Investment	1,554	1,554	1,554	1,554	1,554
Current Assets	13,453	15,435	16,959	19,265	21,859
Cash & bank balance	177	182	2,450	3,227	4,502
Other Current Assets	2,457	2,484	2,513	2,686	2,970
Current liabilities & Provision	4,884	4,625	4,724	5,440	6,037
Net current assets	8,569	10,810	12,235	13,825	15,822
Misc. exp	0	0	0	0	0
Total Assets	17,423	19,979	21,438	23,138	25,200

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	2,724	2,877	3,248	3,954	4,610
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(43)	(2,491)	842	(812)	(722)
Operating Cashflow	2,723	507	4,237	3,142	3,699
Capital expenditure	(667)	(841)	(577)	(700)	(700)
Free Cash Flow	2,056	(334)	3,660	2,442	2,999
Investments	0	0	0	0	0
Other Investing Cash Flow	(236)	(20)	(104)	(212)	(228)
Investing Cashflow	(770)	(769)	(577)	(803)	(813)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(1,989)	756	(876)	(1,000)	(1,000)
Dividend paid (incl tax)	(193)	(321)	(334)	(467)	(668)
Other Financing Cash Flow	37	149	116	128	195
Financing Cashflow	(2,500)	268	(1,393)	(1,561)	(1,610)
Net chg in cash	(547)	6	2,267	778	1,275
Opening cash position	724	177	182	2,450	3,227
Closing cash position	177	182	2,450	3,227	4,502

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	16.7	15.3	16.6	16.8	17.1
EBIT Margin	14.7	13.2	14.4	14.7	15.1
Effective Tax Rate	34.2	15.2	25.2	25.2	25.2
Net Margin	9.0	10.4	10.2	10.7	11.2
ROCE	18.4	17.6	17.6	19.2	20.1
ROE	15.3	17.8	15.3	16.1	16.2
RoIC	20.1	19.0	20.1	23.6	25.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	14.1	18.8	18.8	22.8	26.5
CEPS	17.3	22.8	22.8	27.2	31.2
BVPS	98.6	113.9	131.4	151.6	174.5
DPS	1.2	2.0	2.5	3.5	5.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	29.7	22.2	22.3	18.4	15.8
P/CEPS	24.2	18.3	18.3	15.4	13.4
P/BV	4.2	3.7	3.2	2.8	2.4
EV / Sales	2.8	2.5	2.3	1.9	1.7
EV / EBITDA	16.8	16.0	13.8	11.5	9.7
Dividend Yield (%)	0.3	0.5	0.6	0.8	1.2

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.2	0.3	0.0	(0.1)	(0.1)
Net Debt/EBIDTA	0.9	1.0	0.2	(0.2)	(0.6)
Working Cap Cycle (days)	146.1	159.8	145.2	136.5	131.4

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	15.0	15.7	1.4	15.2	11.0
EBITDA	29.9	6.1	10.0	16.5	13.0
EBIT	34.5	3.7	11.1	17.8	13.7
PAT	52.3	21.0	10.2	21.2	16.3

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	6,236	5,702	6,479	5,854	4,092
EBITDA	1,004	866	1,025	823	758
EBITDA Margin (%)	16.1	15.2	15.8	14.1	18.5
PAT	548	786	557	384	441
EPS (Rs)	4.1	5.9	4.2	2.9	3.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoters	40.4	40.3	40.3	40.3	40.3
FII	20.7	20.5	19.4	18.6	18.0
DII	8.1	8.2	13.0	15.4	16.6
Public and Others	30.8	31.0	27.3	25.6	25.1

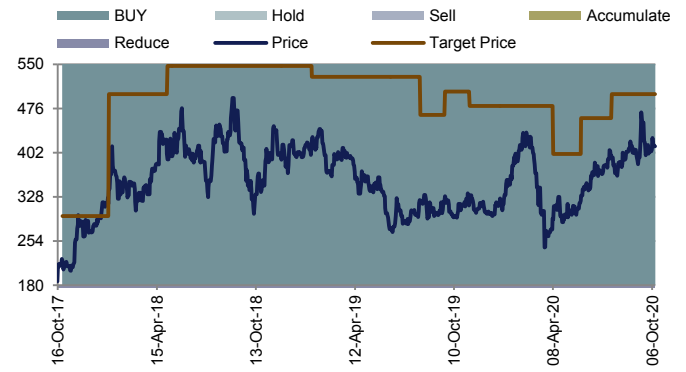
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
24-Jul-20	394	500	12m	Buy	Ashit Desai
29-May-20	330	460	12m	Buy	Ashit Desai
14-Apr-20	314	400	12m	Buy	Ashit Desai
08-Apr-20	291	400	12m	Buy	Ashit Desai
16-Mar-20	301	480	12m	Buy	Ashit Desai
24-Jan-20	380	480	12m	Buy	Ashit Desai
07-Nov-19	324	480	12m	Buy	Amit Zade
23-Sep-19	329	504	12m	Buy	Anubhav Gupta
09-Aug-19	318	465	12m	Buy	Anubhav Gupta
25-Jun-19	295	529	12m	Buy	Anubhav Gupta
03-May-19	362	529	12m	Buy	Anubhav Gupta
22-Apr-19	340	529	12m	Buy	Anubhav Gupta
23-Jan-19	422	529	12m	Buy	Anubhav Gupta
14-Jan-19	419	547	12m	Buy	Anubhav Gupta
24-Oct-18	354	547	12m	Buy	Anubhav Gupta
21-Sep-18	390	547	12m	Buy	Anubhav Gupta
24-Jul-18	381	547	12m	Buy	Anubhav Gupta
06-Jun-18	413	547	12m	Buy	Anubhav Gupta
04-May-18	391	547	12m	Buy	Anubhav Gupta
19-Apr-18	421	500	12m	Buy	Anubhav Gupta
24-Jan-18	380	500	12m	Buy	Anubhav Gupta
17-Jan-18	342	500	12m	Buy	Anubhav Gupta
20-Nov-17	275	296	12m	Buy	Anubhav Gupta
24-Oct-17	221	296	12m	Buy	Anubhav Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Consumer Goods & Retail



Analyst: Ashit Desai

Contact Details

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Sector

Consumer Goods & Retail

Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 12 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Consumer Goods & Retail	11.70	11.70	0%	0	100.00
Asian Paints	1.42	0.70	-51%	-72	6.00
Berger Paints	0.23	0.00	-100%	-23	0.00
Britannia Industries	0.67	1.05	57%	38	9.00
Colgate-Palmolive	0.29	0.35	19%	6	3.00
Dabur India	0.44	0.49	11%	5	4.20
Emami	0.11	0.00	-100%	-11	0.00
Godrej Consumer Products	0.41	0.46	11%	4	3.90
Hindustan Unilever	2.91	2.34	-20%	-57	20.00
ITC	2.27	2.52	11%	25	21.50
Marico	0.29	0.32	9%	3	2.70
Nestle India	0.85	0.64	-25%	-22	5.44
Pidilite Industries	0.35	0.00	-100%	-35	0.00
Radico Khaitan	0.00	0.35	NA	35	3.00
United Breweries	0.10	0.47	359%	37	4.00
United Spirits	0.00	0.29	NA	29	2.50
Varun Beverages	0.10	0.23	129%	13	1.96
ABFRL	0.06	0.22	250%	16	1.90
Jubilant FoodWorks	0.22	0.23	9%	2	2.00
Page Industries	0.18	0.00	-100%	-18	0.00
Shoppers Stop	0.00	0.00	NA	0	0.00
Titan Company	0.78	1.04	33%	26	8.90
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

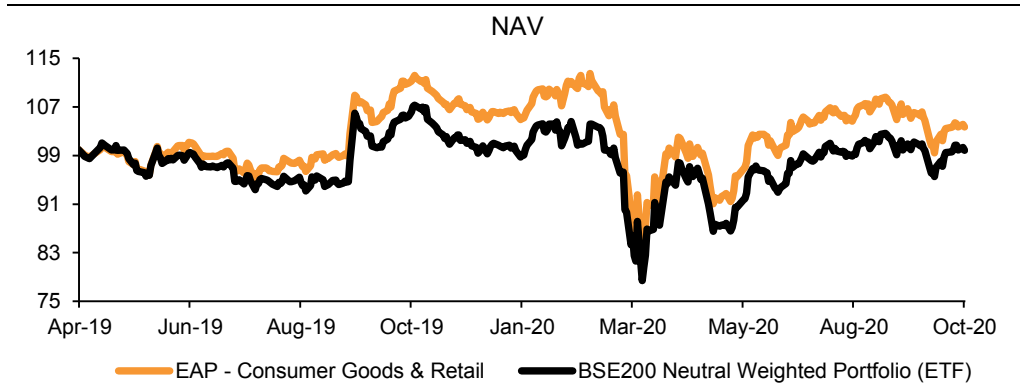
Sector portfolio NAV

	Base					Latest
	01-Apr-19	14-Jan-20	13-Apr-20	14-Jul-20	11-Sep-20	13-Oct-20
EAP - Consumer Goods & Retail	100.0	108.6	98.7	104.8	106.1	103.7
BSE200 Neutral Weighted Portfolio (ETF)	100.0	102.9	94.1	98.7	101.2	99.9

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 15 Oct 2020 13:50:10 (SGT)

Dissemination Date: 15 Oct 2020 13:51:10 (SGT)

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