

Radico Khaitan

Resilient P&A momentum

Radico's Q1FY24 print saw a beat with revenue/EBITDA/PAT growing by 24/29/9%, led by resilient P&A momentum. Net sales grew by 26% YoY, with IMFL volumes up 8% YoY to 7.37mn cases. P&A volume/revenue grew by 27/40% (HSIE 15/19%). P&A is sustaining a 9-10% four-year volume CAGR. Regular portfolio volume/revenue fell by 7/5% (HSIE -10/-12%). GM expanded by 300bps QoQ (flat YoY) to 43.6%, well supported by a price hike in country liquor/IMFL and increasing P&A mix, while EBITDAM expanded by 30/300bps YoY/QoQ to 12.6% (HSIE 11%). Radico continues to remain upbeat about exiting FY24 with mid-teen EBITDAM, led by (1) mid-teen P&A volume growth; (2) mid-single digit regular volume growth; (3) price hikes in both country liquor and IMFL; (4) softening RM (glass and ENA expected to remain volatile); and (5) efficiency gains from in-house capacities. Whilst we remain positive about Radico's success in product innovation and luxury portfolio scale-up, we expect costs related to capex to impact earnings. We maintain our EPS estimates and value Radico at 30x P/E on Jun-25 EPS to arrive at a TP of INR 900. Maintain REDUCE.

- Resilient P&A momentum:** Net revenue grew by 26% YoY (11% four-year CAGR) to INR 9.5bn (HSIE 7%), with IMFL volumes up by 8% (4% four-year CAGR) to 7.27mn cases. P&A sustained outperformance, with volume/revenue up by 27/40% (HSIE 15/19%). We note that after three consecutive quarters of double-digit CAGR, P&A volume CAGR came at 9%. Realizations grew by 10% YoY to INR1,755/case. Regular volume/revenue fell by 7/5% (HSIE -10/-12%). Realizations grew by 2% YoY to INR671/case. Non-IMFL volume/revenue grew by 31/56% while realizations grew by 15%. We model a 10% IMFL volume CAGR for FY23-26, with overall revenue CAGR of 17%.
- Sequential improvement in margins:** Although GM was flat YoY, it expanded by 300bps QoQ to 43.6% (HSIE 43%), helped by a price increase in country liquor and an increasing P&A mix. With softening RM basket (glass and ENA remain volatile), increasing P&A mix and backward integration from the Sitapur facility (to be commissioned in Q2FY24), we expect GM to improve and model 43.5-44% for FY24-26. EBITDAM expanded by 30/300bps YoY/QoQ to 12.5% (HSIE 11%). We model 14-16% EBITDAM for FY24-FY26.
- Con call takeaways:** (1) In Q1, industry volumes grew by 5% with whiskey/rum/gin/vodka/brandy growing by 4/5/5/15/2%. (2) P&A saw growth across all states & geography. (3) Magic Moments vodka enjoys a 60% market share in the vodka industry. Launched RTD cocktail in three flavours. (4) In FY24, P&A volumes will grow in the mid-teens while the regular portfolio will grow by mid-single-digit. (5) Overall realizations improved by 400bps, of which 90bps is attributable to a price increase, and the rest is due to a higher premium mix. (6) Sitapur greenfield to commission in Q2FY24. (7) Net debt stood at INR 7.2bn. Target to become a net debt company by FY26.

Quarterly/annual financial summary

(INR mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	9,539	7,574	25.9	8,318	14.7	28,756	31,428	38,897	44,316	49,787
EBITDA	1,195	925	29.2	789	51.5	4,149	3,584	5,368	6,780	7,816
APAT	632	583	8.5	373	69.8	2,521	2,044	2,886	3,857	4,682
EPS (INR)	4.8	4.4	8.5	2.8	69.8	18.9	15.3	21.6	28.9	35.0
P/E (x)						72.6	89.6	63.5	47.5	39.1
EV / EBITDA (x)						44.1	52.4	35.0	27.4	23.4
RoCE (%)						12.6	8.5	11.0	13.5	15.2

Source: Company, HSIE Research

REDUCE

CMP (as on 4 Aug 2023)	INR 1,384
Target Price	INR 900
NIFTY	19,517

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 900	INR 900
EPS %	FY24E	FY25E
	0%	0%

KEY STOCK DATA

Bloomberg code	RDCK IN
No. of Shares (mn)	134
MCap (INR bn) / (\$ mn)	185/2,263
6m avg traded value (INR mn)	305
52 Week high / low	INR 1,478/908

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	27.1	20.3	50.3
Relative (%)	20.6	12.3	37.6

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	40.27	40.27
FIs & Local MFs	23.52	23.77
FPIs	18.63	18.26
Public & Others	17.58	17.70
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Naveen Trivedi

naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Varun Lohchab

varun.lohchab@hdfcsec.com
+91-22-6171-7334

Paarth Gala

paarth.gala@hdfcsec.com
+91-22-6171-7336

Riddhi Shah

riddhi.shah@hdfcsec.com
+91-22-6171-7359

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com