

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/um/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

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Disclosure:

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