

RADICO KHAITAN LTD.

Buy at CMP: Rs 2488 | Target: Rs 2780 (12%) | SL: Rs 2330

Sector

Dec 23, 2024

Alcohol

RKL, established in 1943 as Rampur Distillery, is one of India's oldest and largest Indian Made Foreign Liquor (IMFL) manufacturers. It produces and trades IMFL, alcohol, and country liquor, serving both domestic and global markets.

Investment Rationale

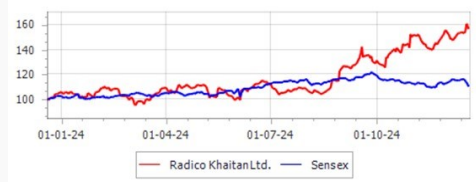
- ◆ **Strong Brand with diverse product portfolio:** The company boasts a well-recognized brand portfolio in the IMFL industry, covering whisky, brandy, rum, gin, and vodka. RKL, with over 7 million brands, offers a diverse product range spanning from regular to luxury segments. It holds a 50% market share in the luxury gin market, 59% in the overall vodka market, and 64% in the premium brandy market. In Q2FY25, its Prestige & Above (P&A) category contributed 51% of total revenue, with the rest from regular brands. P&A category contribute 45.6% of the total IMFL volume in FY24 from 28.3% in FY19, which is 180% growth in volume since FY19. The P&A segment is expected to drive growth, with a projected 15%-17% increase in the next 2-3 quarters. Overall, revenue is modeled to grow at a 19% CAGR between FY24 and FY27E.
- ◆ **Strong Backward Integration insure smoothness in raw material supply:** RKL operates a fully integrated production model, from alcohol manufacturing to packaging and distribution. The company has 8 distilleries—4 in Rampur, 1 in Sitapur, and 3 in Aungabad (via a 36% JV)—with a commissioned capacity of 350 KLPD. In FY24, RKL expanded its capacity to 321 mn liters from 271 million liters in FY23. Its network includes 43 bottling units, comprising 5 owned facilities and 9 operating under royalty agreements, with a presence across India, along with 3 printing units. This extensive manufacturing network enables RKL to efficiently meet consumer demand while minimizing costs, driving margin growth. Margins are expected to remain between 13% and 15% from FY25 to FY27, supported by increased sales of premium products and stable raw material costs.
- ◆ **RKL, riding the premiumisation wave in India's booming spirits market:** The Indian spirits industry's growth is fueled by premiumisation, rising disposable incomes, and shifting consumer preferences. RKL, leveraging its robust premium portfolio and new launches in the P&A segment, including Magic Moments and Single Malt, is well-placed to capture opportunities. With IMFL volume and value expected to grow at 5.6% and 11% CAGR through 2028, alongside regulatory advancements, increasing demand for white spirits, and resilience to inflation, the sector presents a strong investment case.
- ◆ **Outlook and Valuations:** We model a Revenue/PAT CAGR of 19%/9% and estimate RADICO to clock PAT of Rs 458 Cr by FY27E. RADICO is trading at forward PE (x) of 115.7 and we value at 81(x) FY27E and Recommend BUY on RADICO with Target Price of Rs. 2,780 (12%) .

Script Details

BSE Group	A
BSE Code	532497
NSE Code	RADICO
Bloomberg Code	RDCK IN
Market Cap (INR Cr.)	33,231
Free Float (%)	59.8%
52wk Low/High	2612/1429
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	2/0.1
Total paid Up Shares (Mn.)	133.8

Share Holding Pattern (%)

Promoters	Public	Others
40.2%	59.8%	-

Share Price Relative Performance

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	16,313	1,958	287	115.7	57.4
FY25E	18,270	2,558	365	90.9	6.9
FY26E	20,463	2,865	409	81.2	6.1
FY27E	22,918	3,209	458	72.5	5.5

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- RADICO continues to maintain a robust bullish trend across higher timeframes. On the weekly chart, the stock exhibits remarkable resilience, showcasing a well-defined and solid price structure. This resilience indicates strong buying interest at key levels, which has helped sustain the ongoing uptrend.
- On the recent week index has retested the prolonged rising channel denotes stock likely to continue its upward trajectory.
- The stock's ability to rebound from critical levels and remain above key moving averages, such as the 12-week and 26-week EMAs, underscores its underlying strength. Additionally, the MACD indicator is trending positively, signaling persistent bullish momentum.
- The ratio chart of RADICO versus the NIFTY highlights a rising trend, signifying the stock's consistent outperformance and strong relative strength against the broader market.
- In summary, the combination of solid support, stable price action, and rising momentum indicators presents a positive outlook for RADICO.



Inference & Expectations

- Considering these factors, it can be inferred that RADICO stock is set to begin uptrend.
- Going ahead we expect the prices to move higher till 2780 level.
- The stop loss must be at 2330 level, strictly on the closing basis.

Invest Now →

Source: Tradingview.in, GEPL Research



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