

AlcoBev | Q4FY24 Result Update

A tad soft, upbeat outlook!

- RDCK's Q4FY24 result was a tad soft vs. expectations (yet healthy) driven by payment challenges in a state and annual policy related hiccups. On soft base, Revenue/GP/EBITDA/APAT grew by +30/31/51/52% YoY and FY24 ended on a healthy note with +31/33/41/25% YoY growth.
- FY24-26E earnings are expected to be strong (~41% CAGR) driven by (1) healthy growth in P&A (2) growth in Popular on favourable base (3) full-year benefit from backward integration (vs. H2 in FY24) (4) softening of RM and (5) financial leverage playing out. The anticipated RM softening in FY25/26 could result in significant earning delta but is not fully factored. Growth slowdown in P&A is a key risk to earnings and thus the PE multiple.
- We increase our FY25/26E EPS by 17/8% to factor softer RM. Valuations at 56/45x FY25/26E EPS partly capture business optimism but as growth pans out, we expect earnings, roll-forward and re-rating led price uptick to continue. RDCK has seen time correction since the last results. In backdrop of impending triggers, we upgrade to 'Accumulate' from Reduce with revised TP of Rs 1,920 @ 50x FY26E EPS (earlier Rs 1,780 @ 50x FY26E EPS).

P&A (IMFL) and Non-IMFL continue to shine!

RDCK's Q4 revenue grew by 30% YoY led by 4%/126% growth in IMFL/non-IMFL. Within IMFL, P&A reported healthy growth of 16% YoY, led by 14.5% volume growth and 1.4% price/mix. However, de-growth in Popular was steep at 21% led by volume decline of 22%. This has been on account of price increase in Karnataka and payment challenges in Telangana. Minor hiccup in IMFL volumes was also led by policy uncertainty. Further, elections may likely impact Q1FY25. **But management remains confident of 15%+ volume growth in foreseeable future in P&A with 600-700bps realization improvement driven by price increases and product-mix improvements.**

Steep RM inflation impacts margins, but green-shots visible

Despite healthy premiumization and low-base margin improvement was modest. GP/EBITDA/PAT were at +42/160/51bps YoY but -85/-96/-110bps QoQ. On YoY basis, GM stands impacted by bulk alcohol sales from new plant (~14-15% of revenues) which has single-digit GM. **Worst of RM impact is behind in our view. Both glass & ENA have stabilized (peaked) and will be moderate in medium-to-long term which will be an important earnings trigger besides premiumization.**

Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	10,787	8,318	29.7	11,609	(7.1)
Total Expense	9,562	7,529	27.0	10,181	(6.1)
EBITDA	1,225	789	55.2	1,428	(14.2)
Depreciation	315	199	58.3	318	(0.8)
EBIT	910	590	54.2	1,110	(18.1)
Other Income	22	14	63.1	48	(53.7)
Interest	167	90	85.2	177	(5.8)
EBT	765	514	49.0	982	(22.0)
Tax	197	141	39.9	243	(18.8)
RPAT	568	373	52.4	738	(23.1)
APAT	568	373	52.4	738	(23.1)
			(bps)		(bps)
Gross Margin (%)	41.0	40.6	42	41.8	(86)
EBITDA Margin (%)	11.4	9.5	187	12.3	(95)
NPM (%)	5.3	4.5	79	6.4	(110)
Tax Rate (%)	25.8	27.5	(167)	24.8	103
EBIT Margin (%)	8.4	7.1	134	9.6	(113)

CMP	Rs 1,710
Target / Upside	Rs 1,920 / 12%
NIFTY	22,201

Scrip Details

Equity / FV	Rs 267mn / Rs 2
Market Cap	Rs 229bn
	USD 2.8bn
52-week High/Low	Rs 1,885/ 1,096
Avg. Volume (no)	215,474
Bloom Code	RDCK IN

Price Performance	1M	3M	12M
Absolute (%)	(3)	0	55
Rel to NIFTY (%)	(3)	(1)	33

Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	40.3	40.3	40.3
MF/Banks/FIs	23.9	24.0	24.7
FIs	18.2	19.0	18.6
Public / Others	17.6	16.7	16.4

Valuation (x)

	FY24A	FY25E	FY26E
P/E	89.4	56.4	45.2
EV/EBITDA	46.6	32.8	27.9
ROE (%)	11.3	16.0	17.4
RoACE (%)	10.0	13.5	14.7

Estimates (Rs bn)

	FY24A	FY25E	FY26E
Revenue	41.2	48.8	52.4
EBITDA	5.1	7.2	8.4
PAT	2.6	4.1	5.1
EPS (Rs.)	19.1	30.3	37.8

VP - Research: Himanshu Shah

Tel: +91 22 4096 9737

E-mail: himanshu.shah@dolatcapital.com

Associate: Yash Visharia

Tel: +9122 40969714

E-mail: yashv@dolatcapital.com

Earnings Call KTAs

- **RM Prices & inflation outlook** – While FY24 saw volatility in RM prices – grain, glass & ENA which dented the margins, management is seeing **early signs of stabilization of RM inflation**. With good monsoon expectation, enough rice inventory with FCI, softening in maize prices, grain prices are expected to come down, which will be margin accretive, and start reflecting Q2FY25 onwards.
- **Margin outlook** – Steep increase in grain prices impacted GM by ~490bps in Q4FY24. Adverse product mix with higher growth of low-margin non-IMFL was another reason for fall in margin, which was partially off-set by high margin P&A volumes. Going forward, as RM prices stabilize, margins are expected to improve further. **Management expects sequential margin improvement from hereon and targets 16-17% margin in FY26E.**
- With regards to non-IMFL business, FY24 saw EBITDA margin improvement from negative to positive in mid-single digit. Management expects margins to reach high single digit by FY25 exit if the inflation scenario remains under control.
- **Volume growth:** Popular segment growth has been muted at the industry level, mainly on account of lower profitability due to inflationary environment, price increases in Karnataka and strategic reduction in supply by the company due to low profitability. However, with recent price hikes, the company is confident of achieving double digit volume growth over next couple of years with P&A, thereby leading growth at mid-teens.
- **P&A growth drivers:** As per industry reports, India's spirits market is expected to grow significantly driven by lower penetration, higher income levels, urbanization, reduction in social taboo and premiumization. Hence, the scope for growth is not a challenge. RDCK has been consistently launching premium products over last 4-6 quarters and has a list of products which are planned to be launched in due course over the coming couple of years.
- Management stated that its P&A portfolio is seeing strong growth momentum. With the focus on growing P&A at double-digit (~15%) for the next couple of years.
- **Portfolio of offerings in the premium segment:** Rampur Double Cask Whiskey priced at Rs. 78k/bottle saw a growth of 136%. Rampur Asava to be launched soon is expected to be priced at par or a notch higher than the international brands. Jaisalmer gin being a premium offering has captured 50% market share in short span from its launch. Royal Ranthambore whiskey priced at ~Rs. 1800/bottle saw a growth of more than 100%. Magic Moments Pink priced ~Rs 40/bottle higher than the normal version has received encouraging response since launch. The 8PM whiskey has become a 3mn cases+ brand. Brandy which is considered as a low-priced product has been preimmunized by the company through Morpheus brandy launch and has done very well in its core south market. Recently launched "Happiness in a bottle" gin in the mid-premium segment has received positive response. 1965 Premium Rum has captured 30% market share in the category since its launch, followed by launch of Kohinoor Premium Rum a couple of weeks back.
- RDCK's vision of becoming a global spirits producer taking Indian spirits to the world stage has panned out well and has been reflecting in its performance over last couple of years. Management remains confident of growing ahead of the industry average over next 2-3 years with robust premium product pipeline.
- **Capex & Debt** – RDCK does not expect any further capex for capacity expansion in near future. Only maintenance capex of ~Rs. 600-700mn will be incurred over next couple of years. It sounded confident of becoming near debt free by FY26.
- **Capacity** – Increased the capacity of Jaisalmer gin by 3x. Royal Ranthambore existing capacity is enough to cater to the demand. On an overall basis, the company has enough capacities to cater to all its brands well without any expansion requirement.
- **Competition in Indian Single Malt** – While demand for Indian single malt is rising, the competition too has gone up. However, Radico's products are priced much higher than competitor's and hence not comparable. Also, management feels that the expansion of the Indian single malt category will only have a positive impact on company's operational performance. In order to compete effectively in the lower price points of the single malts

category, RDCK's portfolio includes Victory of 1999, a pure malt single malt launched in the Uttar Pradesh (UP) region, which has received a positive response. The company's product portfolio is well positioned to take on the competition across segments.

- **Price hike** – RDCK took a price hike in 15 major states in FY24 including MH, DL, KTK, UP etc. in the recent past and hence does not expect any further price hikes in near future.

Miscellaneous

- FY24 was a year of consolidation with focus on P&A business development, rationalization of non-IMFL and managing COGS.
- Union elections will have slight impact on Q1 operational performance. Also, as the govt. officials are on election duty leading to delay in release of funds from govt. This is impacting primary sales though secondary sales remain robust. Funds are expected to be released in the second half of June'24. This will ease the working capital pressure.

Summary

- Management remains bullish on the opportunity size in the P&A market size in India and expects its P&A segment growth to be healthy double digit over next couple of years. Also, margins seem to have bottomed out and sequential improvement is expected from here on. Overall, the company expects to grow ahead of industry average with a strong pipeline of new product launches in the premium portfolio.

Exhibit 1: Actual vs. Estimates

Particulars (Rs Mn)	Actual	Estimate	Variance (%)	Remarks
Volumes (Mn Cases)	5.9	6.3	(6.0)	
- P&A	2.9	3.0	(1.3)	
- Popular	3.0	3.3	(10.2)	
Realization (Rs/Case)	1,146	1,162	(1.4)	
- P&A	1,724	1,811	(4.8)	
- Popular	577	581	(0.6)	
IMFL Rev. (Rs Mn)	6,874	7,374	(6.8)	
- P&A	5,035	5,357	(6.0)	
- Popular	1,715	1,921	(10.7)	
- Others	124	97	27.8	
Non-IMFL (Rs Mn)	3,912	4,341	(9.9)	
Revenue	10,787	11,716	(7.9)	
Gross Profit	4,420	4,869	(9.2)	
GP %	41.0	41.6	(58 bps)	
EBITDA	1,225	1,359	(9.8)	
EBITDA %	11.4	11.6	(24 bps)	
APAT	568	660	(13.9)	

Source: DART, Company

Exhibit 2: Change in estimates

Particulars	FY25E			FY26E			Comments
	Old	New	Chg. (%)	Old	New	Chg. (%)	
Volume (Mn cases)	27.2	26.6	(2.4)	29.1	28.2	(3.0)	We reduce our revenues estimates to factor Q4, election impact in Q1FY25 and higher base. This is off-set by higher GP/EBITDA led by softening RM and costs efficiencies driving APAT increase.
- P&A	12.9	12.7	(1.9)	14.4	14.0	(2.5)	
- Popular	14.4	13.9	(3.5)	14.7	14.2	(3.6)	
Realization (Rs/case)	1,208	1,197	(0.9)	1,264	1,262	(0.2)	
- P&A	1,836	1,802	(1.9)	1,882	1,874	(0.4)	
- Popular	645	646	0.2	655	656	0.1	
IMFL Revenue	32,922	31,779	(3.5)	36,750	35,616	(3.1)	
- P&A	23,652	22,796	(3.6)	27,153	26,315	(3.1)	
- Popular	9,270	8,983	(3.1)	9,597	9,300	(3.1)	
Non-IMFL Revenue	16,824	16,456	(2.2)	17,245	16,267	(5.7)	
Revenue	50,177	48,756	(2.8)	54,461	52,447	(3.7)	
Gross Profit	21,050	21,100	0.2	23,529	23,353	(0.7)	
EBITDA	6,430	7,180	11.7	7,921	8,355	5.5	
APAT	3,453	4,051	17.3	4,679	5,055	8.0	
AEPS (Rs)	25.8	30.3	17.4	35.0	37.8	8.0	
Margin %							
GP %	42.0	43.3	128	43.2	44.5	133	
EBITDA %	12.8	14.7	193	14.5	15.9	143	
APAT %	6.9	8.3	141	8.6	9.6	104	

Source: DART, Company

Exhibit 3: Quarterly Standalone P&L

Particulars (Rs Mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Net Revenue	8,318	9,539	9,250	11,609	10,787	29.7	(7.1)
RM Costs	4,944	5,380	5,167	6,751	6,367	28.8	(5.7)
Gross Profit	3,374	4,159	4,083	4,858	4,420	31.0	(9.0)
Employee cost	445	413	486	589	470	5.5	(20.2)
S&D	832	1,078	995	1,132	1,121	34.6	(1.0)
Other Expenses	1,285	1,473	1,390	1,708	1,605	24.9	(6.0)
Total Op. Expenses	2,562	2,964	2,871	3,429	3,195	24.7	(6.8)
EBITDA	812	1,195	1,212	1,428	1,225	50.9	(14.2)
D&A	199	243	261	318	315	58.3	(0.8)
Interest cost	90	123	125	177	167	85.2	(5.8)
Other Income	14	11	7	48	22	63.1	(53.7)
PBT	536	840	833	982	765	42.7	(22.0)
EO Income/(Expense)	(23)	0	0	0	0	-	-
Tax	141	208	214	243	197	39.9	(18.8)
APAT	395	632	619	738	568	52.4	(23.1)

Source: DART, Company

Exhibit 4: Margin Analysis

% of Net revenue	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (bps)	QoQ (bps)
RM Costs	59.4	56.4	55.9	58.2	59.0	(42)	86
Gross Profit	40.6	43.6	44.1	41.8	41.0	42	(86)
Employee cost	5.4	4.3	5.3	5.1	4.4	(100)	(72)
S&D	10.0	11.3	10.8	9.8	10.4	38	64
Other Expenses	15.4	15.4	15.0	14.7	14.9	(56)	17
Total Op. Expenses	30.8	31.1	31.0	29.5	29.6	(118)	8
EBITDA	9.8	12.5	13.1	12.3	11.4	160	(95)
PBT	6.4	8.8	9.0	8.5	7.1	65	(136)
APAT	4.7	6.6	6.7	6.4	5.3	51	(110)
Tax as % of PBT	26.3	24.7	25.7	24.8	25.8	(52)	103

Source: DART, Company

Exhibit 5: Revenue Mix

(Rs Mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
P&A	2,989	3,611	4,025	4,336	4,195	4,897	5,197	5,035
Regular	2,944	2,411	2,250	2,175	2,783	2,014	1,997	1,715
Franchise Fees	46	78	72	77	77	80	100	124
IMFL	5,979	6,100	6,347	6,588	7,055	6,991	7,294	6,874
Non-IMFL/Others	1,596	1,513	1,575	1,729	2,484	2,260	4,315	3,912
Total	7,575	7,613	7,922	8,317	9,539	9,251	11,609	10,786
Chg YoY %								
P&A	37.0	25.0	19.1	18.2	40.3	35.6	29.1	16.1
Regular	18.3	(11.0)	(19.4)	(26.0)	(5.5)	(16.5)	(11.2)	(21.1)
IMFL	27.7	8.5	2.4	(0.7)	18.0	14.6	14.9	4.3
Non-IMFL	23.1	8.7	15.0	16.0	55.6	49.4	174.0	126.3
Total	26.7	8.6	4.7	2.4	25.9	21.5	46.5	29.7
Mix %								
P&A	50.0	59.2	63.4	65.8	59.5	70.0	71.3	73.2
Regular	49.2	39.5	35.4	33.0	39.4	28.8	27.4	24.9
IMFL	78.9	80.1	80.1	79.2	74.0	75.6	62.8	63.7
Non-IMFL	21.1	19.9	19.9	20.8	26.0	24.4	37.2	36.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

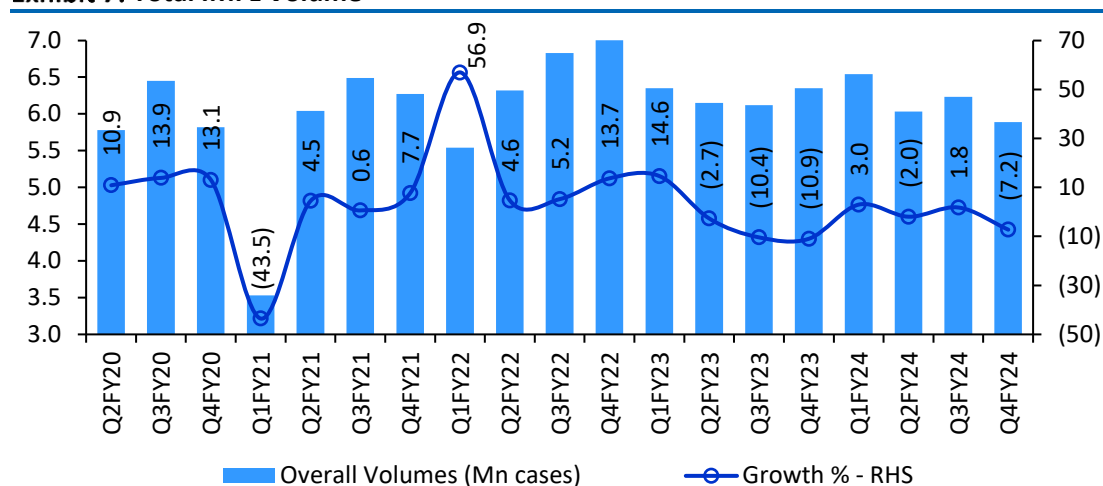
Source: Company, Bloomberg

Exhibit 6: IMFL Volume and Realization/case trend

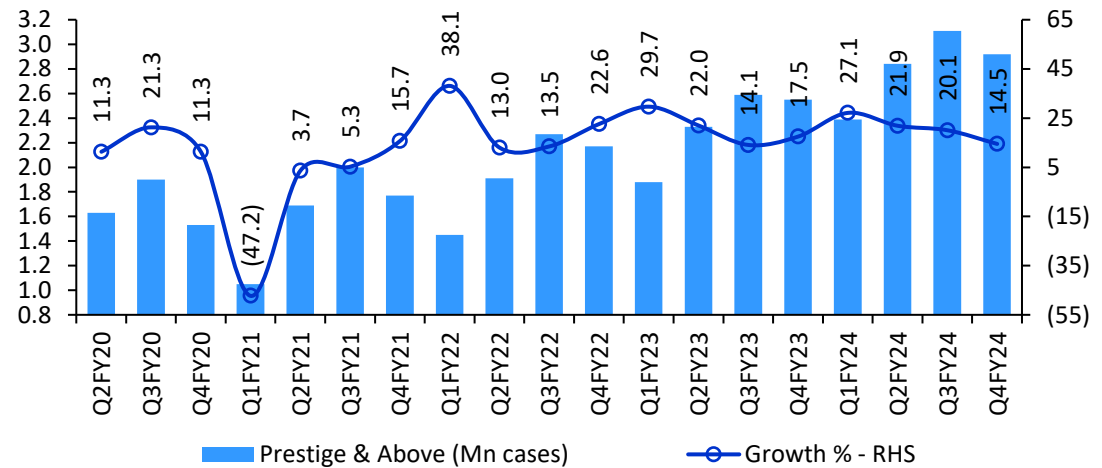
Particulars	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Volumes (Mn Cases)								
P&A	1.88	2.33	2.59	2.55	2.39	2.84	3.11	2.92
Regular	4.47	3.82	3.53	3.80	4.15	3.19	3.12	2.97
Total	6.35	6.15	6.12	6.35	6.54	6.03	6.23	5.89
Chg YoY (%)								
P&A	29.7	22.0	14.1	17.5	27.1	21.9	20.1	14.5
Regular	9.3	(13.4)	(22.6)	(23.4)	(7.2)	(16.5)	(11.6)	(21.8)
Total	14.6	(2.7)	(10.4)	(10.9)	3.0	(2.0)	1.8	(7.2)
Mix %								
P&A	29.6	37.9	42.3	40.2	36.5	47.1	49.9	49.6
Regular	70.4	62.1	57.7	59.8	63.5	52.9	50.1	50.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Realization/case (Rs)								
P&A	1,590	1,550	1,554	1,700	1,755	1,724	1,671	1,724
Regular	659	631	637	572	671	631	640	577
IMFL	942	992	1,037	1,037	1,079	1,159	1,171	1,167
Chg YoY (%)								
P&A	5.7	2.5	4.4	0.6	10.4	11.3	7.5	1.4
Regular	8.3	2.8	4.1	(3.5)	1.8	0.0	0.4	0.9
Total	11.4	11.5	14.3	11.5	14.6	16.9	12.9	12.5

Source: DART, Company

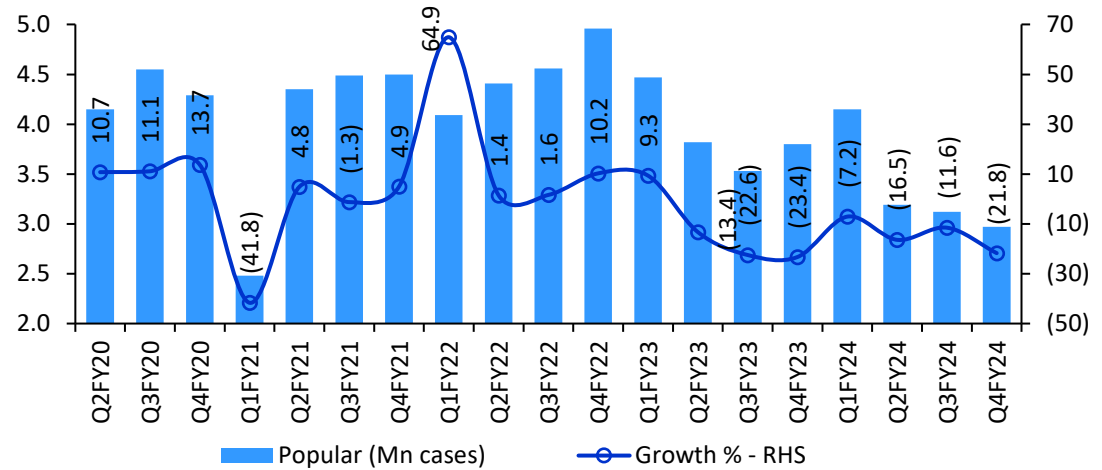
Exhibit 7: Total IMFL Volume



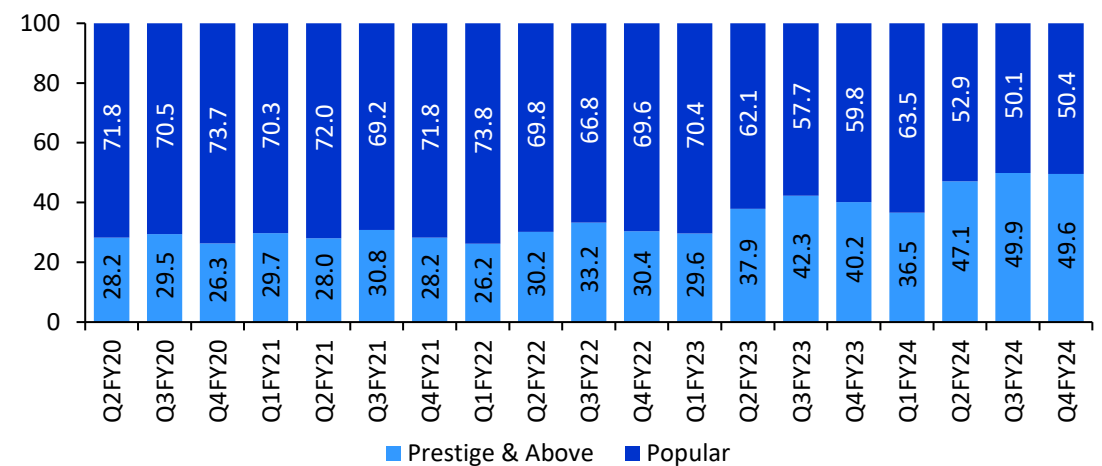
Source: Company, DART

Exhibit 8: Prestige & Above (Premium) Volume


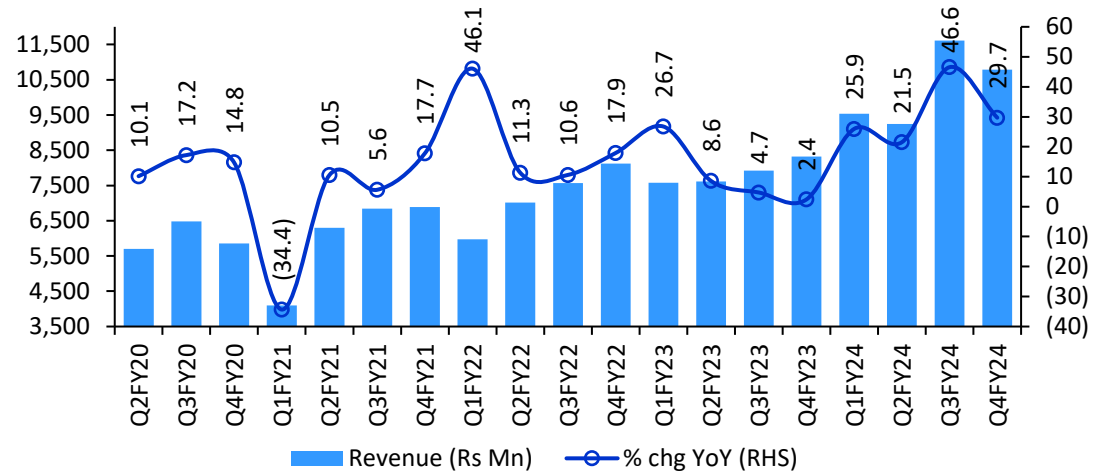
Source: Company, DART

Exhibit 9: Popular Volume


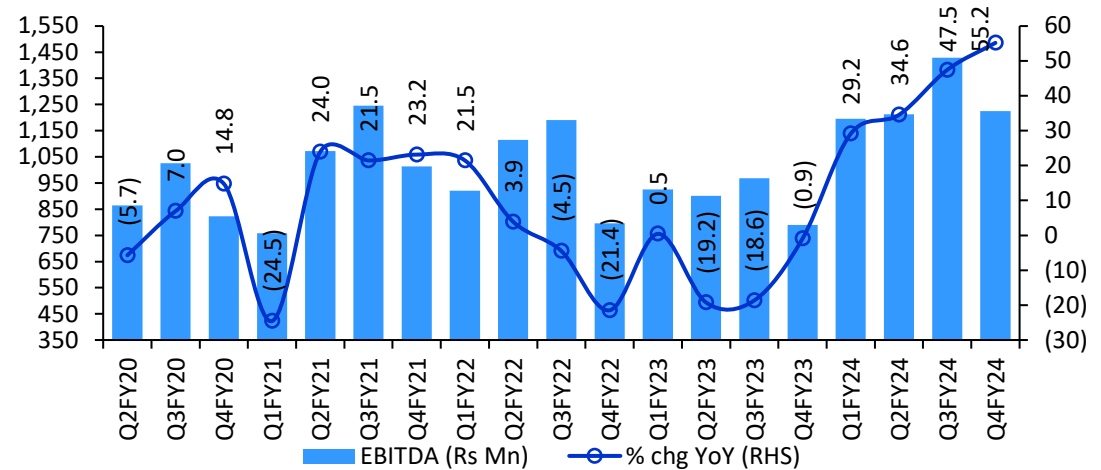
Source: Company, DART

Exhibit 10: P&A vs. Popular Volume Mix (%)


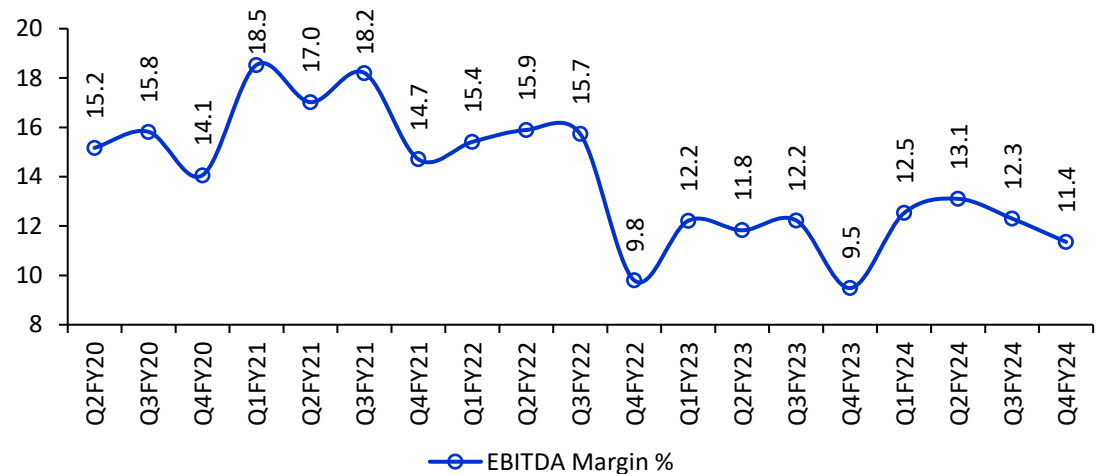
Source: Company, DART

Exhibit 11: Revenue Trend


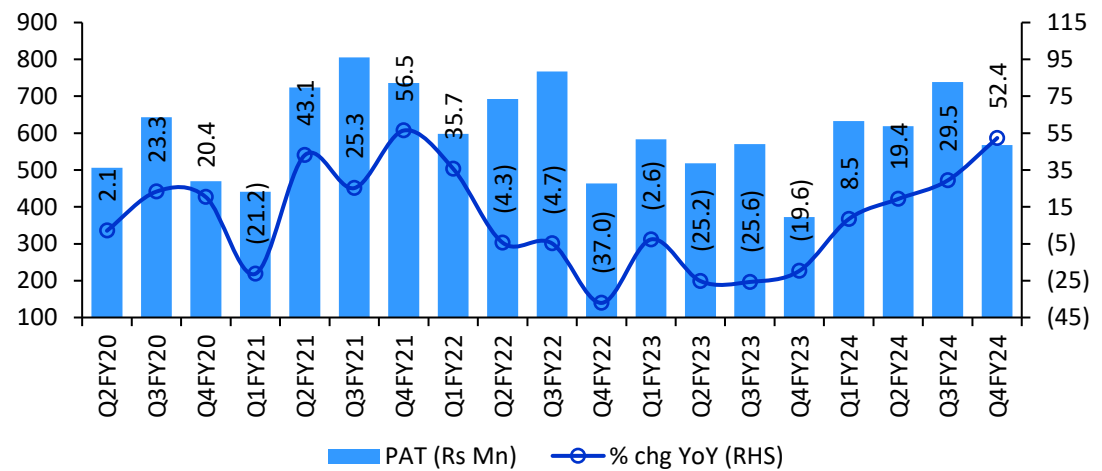
Source: Company, DART

Exhibit 12: EBITDA Trend


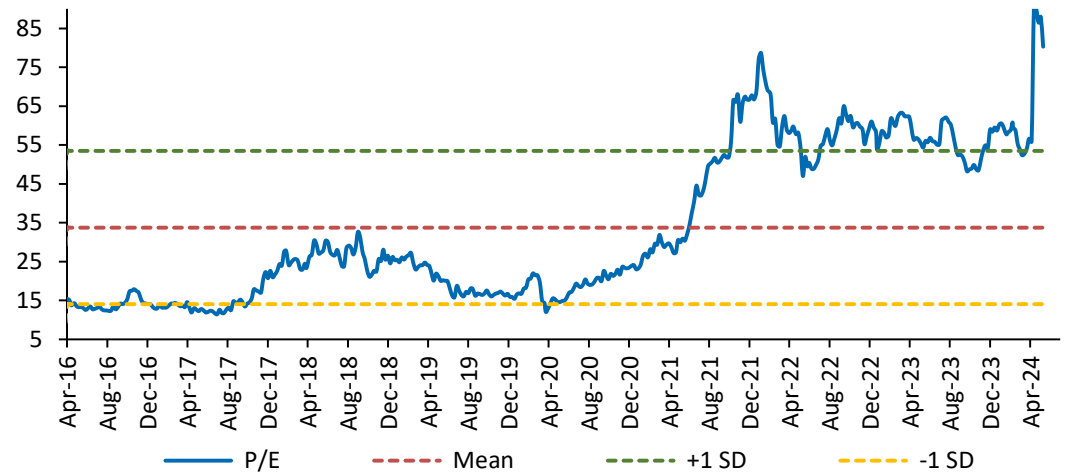
Source: Company, DART

Exhibit 13: EBITDA Margin Trend (%)


Source: Company, DART

Exhibit 14: PAT Trend


Source: Company, DART

Exhibit 15: RDCK's P/E Valuation Trend


Source: Company, DART

Exhibit 16: Peer Valuation

	Mcap	CMP	TP *	+ / (-)	P/E (x)			EV/EBITDA (x)			P/B (x)			ROE (%)		
	Rs bn	Rs	(Rs)	%	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
UBL	499	1,888	1,865	-1.2	121.9	79.4	56.3	71.7	50.2	36.8	12.0	11.0	9.7	10.1	14.4	18.3
UNSP	855	1,175	1,225	4.3	79.0	63.8	53.2	51.1	43.7	37.6	12.1	10.2	8.5	16.6	17.3	17.4
Radico	229	1,710	1,920	12.3	89.4	56.4	45.2	46.4	32.6	27.7	9.6	8.5	7.3	11.4	15.0	17.1

Source: DART, Company | *Target prices mentioned as per the last published report.

Exhibit 17: Target price derivation

Target price	
FY26E EPS	37.8
Multiple (x)	50
Standalone TP	1,890
Share in JV	30
Consol TP	1,920

Exhibit 18: Per share price for stake in NV Distilleries, Aurangabad

FY23 Share of Profit from JV (Rs Mn)	160
EPS/share of Radico (Rs)	1.2
Target multiple (x)	25
Per Share value for stake in JV	30

Exhibit 19: Target Price Sensitivity to EPS estimates

EPS ----->	30.3	37.8	46.1
Tgt PE (x)	FY25	FY26	FY27
30	939	1,164	1,414
40	1,242	1,542	1,875
50	1,545	1,920	2,336
60	1,848	2,298	2,798

Source: DART, Company

Exhibit 20: Key Assumptions

Particulars	IndAS FY17	IndAS FY18	IndAS FY19	IndAS FY20	IndAS FY21	IndAS FY22	IndAS FY23	IndAS FY24	IndAS FY25E	IndAS FY26E	IndAS FY27E
Volumes (Mn Cases)											
P&A	4.8	5.0	6.1	7.1	6.5	8.1	9.4	11.3	12.7	14.0	15.4
Popular	13.5	14.5	15.5	17.3	15.8	18.3	15.6	13.4	13.9	14.2	14.5
Total	18.3	19.5	21.6	24.3	22.3	26.4	25.0	24.7	26.6	28.2	29.9
Growth YoY (%)											
P&A	8.0	6.2	21.3	15.2	(7.7)	24.6	15.3	20.4	12.4	11.0	10.0
Popular	(2.0)	7.0	7.2	11.4	(8.3)	15.3	(13.4)	(13.9)	3.5	2.0	2.0
Total	0.4	6.8	10.8	12.4	(8.1)	18.0	(4.5)	(1.0)	7.5	6.3	6.0
Mix (%)											
P&A	26.0	25.9	28.3	29.0	29.2	30.8	37.5	45.6	47.7	49.8	51.6
Popular	74.0	74.1	71.7	71.0	70.8	69.2	62.5	54.4	52.3	50.2	48.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Realization (Rs/Case)											
P&A	1,120	1,202	1,315	1,390	1,477	1,498	1,600	1,716	1,802	1,874	1,921
Popular	500	533	558	573	597	598	627	634	646	656	666
Total	661	707	772	810	854	875	992	1,127	1,197	1,262	1,314
Growth YoY (%)											
P&A	0.8	7.4	9.3	5.7	6.2	1.8	6.8	7.3	5.0	4.0	2.5
Popular	(2.0)	6.6	4.6	2.7	4.2	1.2	3.4	1.1	2.0	1.5	1.5
Total	0.9	6.8	9.3	4.9	5.4	3.2	12.3	13.7	6.2	5.4	4.1
Revenue (Rs Mn)											
P&A	5,319	6,067	8,046	9,800	9,639	12,147	14,961	19,324	22,796	26,315	29,671
Popular	6,759	7,710	8,647	9,887	9,436	10,921	9,780	8,509	8,983	9,300	9,628
IMFL subtotal	12,077	13,776	16,693	19,686	19,076	23,069	24,741	27,833	31,779	35,616	39,299
Non IMFL	4,722	4,453	4,277	4,584	5,051	5,611	6,413	12,971	16,456	16,267	16,074
Total	16,799	18,230	20,970	24,270	24,126	28,680	31,427	41,185	48,756	52,447	55,972
Growth YoY (%)											
P&A	8.8	14.1	32.6	21.8	(2.3)	26.9	23.2	29.2	18.0	15.4	12.8
Popular	(3.9)	14.1	12.2	14.3	(5.3)	16.6	(10.5)	(13.0)	5.6	3.5	3.5
IMFL subtotal	1.3	14.1	21.2	17.9	(3.8)	21.8	7.2	12.5	14.2	12.1	10.3
Non IMFL	2.8	(5.7)	(4.0)	7.2	10.2	11.1	14.3	102.3	26.9	(1.1)	(1.2)
Total	1.7	8.5	15.0	15.7	(1.2)	19.6	9.6	31.1	18.4	7.6	6.7
Mix (%)											
P&A	31.7	33.3	38.4	40.4	39.9	42.4	47.6	46.9	46.8	50.2	53.0
Popular	40.2	42.3	41.2	40.7	39.0	38.4	31.1	20.7	18.4	17.7	17.2
IMFL subtotal	71.9	75.6	79.6	81.1	78.9	80.7	78.7	67.6	65.2	67.9	70.2
Non IMFL	28.1	24.4	20.4	18.9	21.1	19.6	20.4	31.5	33.8	31.0	28.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Exhibit 21: Key Assumptions (continued)

Particulars	IndAS FY17	IndAS FY18	IndAS FY19	IndAS FY20	IndAS FY21	IndAS FY22	IndAS FY23	IndAS FY24	IndAS FY25E	IndAS FY26E	IndAS FY27E
P&L (Rs Mn)											
Net revenue	16,799	18,228	20,969	24,270	24,126	28,680	31,428	41,185	48,756	52,447	55,972
RM	9,214	9,522	10,143	12,483	12,024	15,774	18,279	23,665	27,656	29,094	30,210
GP	7,585	8,706	10,826	11,788	12,102	12,906	13,149	17,520	21,100	23,353	25,763
Employee cost	1,403	1,549	1,714	1,861	1,619	1,413	1,689	1,958	2,240	2,378	2,524
S&D	1,979	2,159	2,881	3,112	3,110	3,137	3,290	4,326	4,753	5,317	5,969
Other Exps	2,082	2,300	2,728	3,097	3,284	4,295	4,586	6,176	6,927	7,303	7,632
Operating Exps	5,464	6,008	7,323	8,070	8,013	8,844	9,565	12,460	13,920	14,998	16,125
EBITDA	2,121	2,698	3,503	3,717	4,089	4,061	3,583	5,061	7,180	8,355	9,638
PBT	1,097	1,873	2,857	2,968	3,531	3,392	2,747	3,420	5,438	6,785	8,279
RPAT	809	1,235	1,881	2,274	2,706	2,561	2,044	2,558	4,051	5,055	6,168
APAT	809	1,235	1,881	2,516	2,706	2,522	2,044	2,558	4,051	5,055	6,168
Common Size (%)											
Net revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
RM	54.8	52.2	48.4	51.4	49.8	55.0	58.2	57.5	56.7	55.5	54.0
GP	45.2	47.8	51.6	48.6	50.2	45.0	41.8	42.5	43.3	44.5	46.0
Employee cost	8.4	8.5	8.2	7.7	6.7	4.9	5.4	4.8	4.6	4.5	4.5
S&D	11.8	11.8	13.7	12.8	12.9	10.9	10.5	10.5	9.7	10.1	10.7
Other Exps	12.4	12.6	13.0	12.8	13.6	15.0	14.6	15.0	14.2	13.9	13.6
Operating Exps	32.5	33.0	34.9	33.3	33.2	30.8	30.4	30.3	28.5	28.6	28.8
EBITDA	12.6	14.8	16.7	15.3	17.0	14.2	11.4	12.3	14.7	15.9	17.2
PBT	6.5	10.3	13.6	12.2	14.6	11.8	8.7	8.3	11.2	12.9	14.8
RPAT	4.8	6.8	9.0	9.4	11.2	8.9	6.5	6.2	8.3	9.6	11.0
APAT	4.8	6.8	9.0	10.4	11.2	8.8	6.5	6.2	8.3	9.6	11.0
Change YoY (%)											
Net revenue	1.7	8.5	15.0	15.7	(0.6)	19.6	9.6	31.0	18.4	7.6	6.7
RM	3.1	3.3	6.5	23.1	(3.7)	31.2	15.9	29.5	16.9	5.2	3.8
GP	0.1	14.8	24.4	8.9	2.7	7.9	1.9	33.2	20.4	10.7	10.3
Employee cost	9.4	10.4	10.6	8.6	(13.0)	13.9	19.6	15.9	14.4	6.1	6.1
S&D	11.7	9.1	33.5	8.0	(0.1)	5.6	4.9	31.5	9.9	11.9	12.3
Other Exps	(21.4)	10.5	18.6	13.5	6.0	17.3	5.8	34.7	12.2	5.4	4.5
Operating Exps	(4.2)	10.0	21.9	10.2	(0.7)	12.3	7.7	30.3	11.7	7.7	7.5
EBITDA	13.0	27.2	29.9	6.1	10.0	(0.7)	(10.9)	41.2	41.9	16.4	15.4
PBT	11.1	70.8	52.5	3.9	19.0	(4.0)	(18.0)	24.5	59.0	24.8	22.0
RPAT	10.1	52.7	52.3	20.9	19.0	(5.3)	(18.9)	25.1	58.4	24.8	22.0
APAT	10.1	52.7	52.3	33.8	7.5	(6.8)	(18.9)	25.1	58.4	24.8	22.0

Source: DART, Company

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Revenue	31,428	41,185	48,756	52,447
Total Expense	27,845	36,125	41,576	44,092
COGS	18,279	23,665	27,656	29,094
Employees Cost	1,689	1,958	2,240	2,378
Other expenses	7,876	10,502	11,679	12,620
EBIDTA	3,583	5,061	7,180	8,355
Depreciation	709	1,138	1,311	1,391
EBIT	2,874	3,923	5,869	6,964
Interest	221	591	533	296
Other Income	94	89	102	117
Exc. / E.O. items	0	0	0	0
EBT	2,747	3,420	5,438	6,785
Tax	704	863	1,387	1,730
RPAT	2,044	2,558	4,051	5,055
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	2,044	2,558	4,051	5,055

Balance Sheet

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Sources of Funds				
Equity Capital	267	267	267	267
Minority Interest	0	0	0	0
Reserves & Surplus	21,253	23,506	26,755	30,874
Net Worth	21,520	23,774	27,023	31,141
Total Debt	7,536	8,184	7,147	6,398
Net Deferred Tax Liability	901	921	646	453
Total Capital Employed	29,957	32,878	34,815	37,993

Applications of Funds

Net Block	12,143	16,570	16,002	15,355
CWIP	3,256	529	715	965
Investments	2,430	2,433	2,632	2,632
Current Assets, Loans & Advances	18,803	20,782	24,452	27,788
Inventories	7,154	7,797	9,151	9,852
Receivables	8,241	9,782	12,404	13,184
Cash and Bank Balances	1,308	1,000	584	2,322
Loans and Advances	0	0	0	0
Other Current Assets	2,100	2,204	2,314	2,430
Less: Current Liabilities & Provisions	6,675	7,435	8,986	8,747
Payables	2,749	2,670	3,780	3,616
Other Current Liabilities	3,925	4,765	5,206	5,131
<i>sub total</i>				
Net Current Assets	12,128	13,347	15,466	19,040
Total Assets	29,957	32,878	34,815	37,993

E – Estimates

Important Ratios

Particulars	FY23A	FY24A	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	41.8	42.5	43.3	44.5
EBIDTA Margin	11.4	12.3	14.7	15.9
EBIT Margin	9.1	9.5	12.0	13.3
Tax rate	25.6	25.2	25.5	25.5
Net Profit Margin	6.5	6.2	8.3	9.6
(B) As Percentage of Net Sales (%)				
COGS	58.2	57.5	56.7	55.5
Employee	5.4	4.8	4.6	4.5
Other	25.1	25.5	24.0	24.1
(C) Measure of Financial Status				
Gross Debt / Equity	0.4	0.3	0.3	0.2
Interest Coverage	13.0	6.6	11.0	23.5
Inventory days	83	69	69	69
Debtors days	96	87	93	92
Average Cost of Debt	4.6	7.5	7.0	4.4
Payable days	32	24	28	25
Working Capital days	141	118	116	133
FA T/O	2.6	2.5	3.0	3.4
(D) Measures of Investment				
AEPS (Rs)	15.3	19.1	30.3	37.8
CEPS (Rs)	20.6	27.6	40.1	48.2
DPS (Rs)	4.0	5.0	6.0	7.0
Dividend Payout (%)	26.2	26.1	19.8	18.5
BVPS (Rs)	160.9	177.8	202.1	232.9
RoANW (%)	9.9	11.3	16.0	17.4
RoACE (%)	8.6	10.0	13.5	14.7
RoAIC (%)	11.4	13.0	17.8	19.9
(E) Valuation Ratios				
CMP (Rs)	1710	1710	1710	1710
P/E	111.9	89.4	56.4	45.2
Mcap (Rs Mn)	228,653	228,653	228,653	228,653
MCap/ Sales	7.3	5.6	4.7	4.4
EV	234,882	235,837	235,217	232,729
EV/Sales	7.5	5.7	4.8	4.4
EV/EBITDA	65.5	46.6	32.8	27.9
P/BV	10.6	9.6	8.5	7.3
Dividend Yield (%)	0.2	0.3	0.4	0.4
(F) Growth Rate (%)				
Revenue	9.6	31.0	18.4	7.6
EBITDA	(10.9)	41.2	41.9	16.4
EBIT	(14.8)	36.5	49.6	18.7
PBT	(18.0)	24.5	59.0	24.8
APAT	(18.9)	25.1	58.4	24.8
EPS	(18.9)	25.1	58.4	24.8

E – Estimates

Cash Flow

Particulars	FY23A	FY24A	FY25E	FY26E
Profit before tax	2,747	3,420	5,438	6,785
Depreciation & w.o.	709	1,138	1,311	1,391
Net Interest Exp	221	591	533	296
Direct taxes paid	(704)	(863)	(1,387)	(1,730)
Change in Working Capital	(451)	(1,527)	(2,535)	(1,836)
Non Cash	0	0	0	0
(A) CF from Operating Activities	2,522	2,760	3,360	4,906
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(7,600)	(2,837)	(928)	(994)
Free Cash Flow	(5,078)	(77)	2,431	3,913
(Inc.)/ Dec. in Investments	389	17	(475)	(193)
Other	0	0	0	0
(B) CF from Investing Activities	(7,211)	(2,820)	(1,404)	(1,187)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	5,521	647	(1,036)	(749)
Interest exp net	(221)	(591)	(533)	(296)
Dividend Paid (Incl. Tax)	0	0	0	0
Other	(392)	(304)	(802)	(936)
(C) CF from Financing	4,908	(248)	(2,372)	(1,981)
Net Change in Cash	219	(308)	(416)	1,739
Opening Cash balances	1,089	1,308	1,000	584
Closing Cash balances	1,308	1,000	584	2,322

E – Estimates

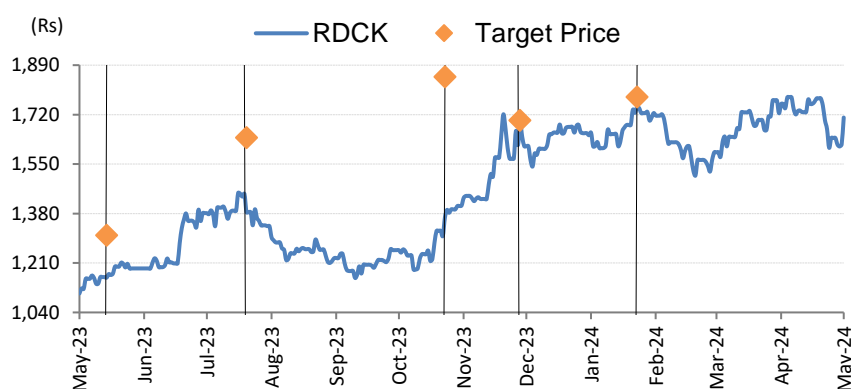
Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
May-23	BUY	1,305	1,159
Aug-23	BUY	1,640	1,384
Nov-23	Buy	1,850	1,366
Dec-23	Reduce	1,700	1,694
Feb-24	Reduce	1,780	1,745

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
-------------	-------------------	-------------------------	-----------------

Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
-------------------	------------------	-----------------------	-----------------

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Girish Raj Sankunny	VP - Equity Sales	girishr@dolatcapital.com	+9122 4096 9625
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Rajeev Lala	AVP - Equity Sales	rajeevl@dolatcapital.com	+9122 4096 9767
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Naman Midtown, A-1203, 12th Floor, Senapati Bapat Marg, Prabhadevi, Mumbai 400013

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. persons only: This research report is a product of Dolat Capital Market Private Limited, under Marco Polo Securities 15a-6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Research reports are intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be affected through Marco Polo or another U.S. registered broker dealer.



Dolat Capital Market Private Limited.

Corporate Identity Number: U65990GJ993PTC116741

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000014012

Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com