

Current	Previous
CMP : Rs.90	
Rating : BUY	Rating : BUY
Target : Rs.165	Target : Rs.165

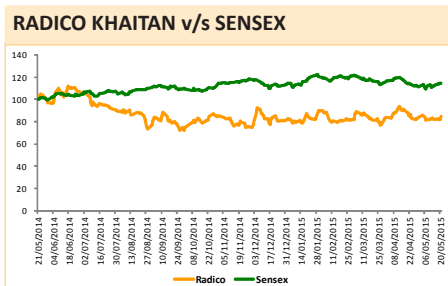
STOCK INFO	
BSE	532497
NSE	RADICO
Index	S&P BSE 500
Bloomberg	RDCK IN
Reuters	RADC.BO
Sector	Alcoholic Beverages
Face Value (Rs)	2
Equity Capital (Rs mn)	266
Mkt Cap (Rs mn)	12,246
52w H/L (Rs)	124/75
Avg Daily Vol (BSE+NSE)	490926

SHAREHOLDING PATTERN	%
(as on Mar. 2015)	
Institutions	30.1
Others, Incl Public	29.5
Promoters	40.5

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
RADICO	2	0	-16
SENSEX	2	-4	14

Source: IndiaNivesh Research



Source: IndiaNivesh Research, Capitaline

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Q4FY15 Result Update

During the quarter, reported revenues de-grew by 2.3% y/y to Rs.3,434 mn (v/s 3,514 mn in Q4FY14). As a result, actual revenue (Inc. distilleries /bottling unit sales) also went down 6.8% y/y to Rs.4,194 mn (v/s Rs.4,498 mn in Q4FY14).

Revenue Break-up (Rs Mn)	Q4FY15	Q3FY15	Q4FY14	Q/Q %	Y/Y %	FY15A	FY14A	Y/Y%
Total Revenue	3,434	4,125	3,514	-16.8	-2.3	14,884	14,517	2.5
Others	760	843	984	-9.8	-22.7	3,581	4,055	-11.7
Actual Revenue	4,194	4,968	4,498	-15.6	-6.8	18,465	18,572	-0.6

Source: Company Filings; IndiaNivesh Research

Given the revenue de-growth was due to higher raw material prices; reported EBITDA went down 18.6% Y/Y to Rs.332 mn (v/s Rs.408 mn in Q4FY14). Reported EBITDA including forex loss of Rs.14 mn stood at Rs.318 mn (v/s Rs.401 mn in Q4FY14). On back of rise in ENA prices (+2.2% Y/Y to Rs.47.5 per litre), operational EBITDA margins contracted to 7.6% in Q4FY15 as compared to 8.9% in Q4FY14.

EBITDA Break-up (Rs Mn)	Q4FY15	Q3FY15	Q4FY14	Q/Q %	Y/Y %	FY15A	FY14A	Y/Y%
EBITDA	332	460	408	-27.8	-18.6	1705	1936	-11.9
Charges	0	0	-7	NM	NM	1	-36	-102.8
Forex loss / (gain)	-14	53	0	NM	NM	-103	-155	-33.3
Adj EBITDA	318	513	401	-38.0	-20.7	1807	2127	-15.0

Financial Overview	Q4FY15	Q3FY15	Q4FY14	Q/Q %	Y/Y %	FY15A	FY14A	Y/Y %
Net Sales	4194	4,968	4,498	-15.6	-6.8	18,465	18,573	-0.6
Operational EBITDA	318	513	401	-38.0	-20.7	1,807	2,127	-15.0
Operational EBITDA Margin %	7.6	10.3	8.9			9.8	11.5	
Net Income	149	213	99	-30.0	50.4	676	714	-5.3
Net Income Margin %	3.6	4.3	2.2			3.7	3.8	
Operational Net Income	135	265	99	-49.1	36.3	780	860	-9.3
Operational Net Income Margin %	3.2	5.3	2.2			4.2	4.6	
Operational EPS	1.0	2.0	0.7	-49.2	36.8	5.9	6.7	-13.1

Source: Company Filings; IndiaNivesh Research

Depreciation expenditure during the quarter stood at Rs.83 mn (v/s Rs.98 mn in Q4FY14). During the quarter, other income went-up 47.8% Y/Y to Rs.149 mn (v/s Rs.101 mn in Q4FY14). Finance cost stood at Rs.217 mn (v/s Rs.224 mn in Q4FY14). Given the declaration of dividend by associate company, tax outgo in Q4FY15 was at Rs.32 mn (v/s Rs.89 mn in Q4FY14), resulting in tax rate of 17.8% (v/s 47.4% in Q4FY14). As a result, Reported net profit, went-up 50.6% Y/Y to Rs.149 mn (v/s Rs.99 mn in Q4FY14). Operational net profit (Inc. forex loss) also went-up 36.3% Y/Y to Rs.135 mn [v/s Rs.99mn in Q4FY14]. In FY15, the company declared Dividend of Rs. 0.80/share and also repaid debt of Rs.678 mn (total debt on 31st Mar 2015 was Rs.8,493 mn).

PAT Break-up (Rs Mn)	Q4FY15	Q3FY15	Q4FY14	Q/Q %	Y/Y %	FY15A	FY14A	Y/Y%
PAT	149	213	99	-29.9	50.6	677	714	-5.2
Charges	0	0	0	NM	NM	0	0	NM
Forex loss / (gain)	-14	53	0	NM	NM	-103	-146	NM
Operating PAT	135	266	99	-49.2	36.3	780	860	-9.3

Source: Company Filings; IndiaNivesh Research

Key highlights for the quarter

Premium brand delivered growth...

- Actual revenue de-grew to Rs.4,194 mn (v/s 4,498 mn in Q4FY14) due to 10.7% Y/Y decline in Other-Main Line Brands, partially offset by increase in the Premium Brands (7.8% Y/Y) and Other Brands (+7.8% Y/Y). The premium brands contributed 19.5% (v/s 17.3% in Q4FY14) to total IMFL volumes. IMFL sales contributed 74% of the total sales.
- Management expects portfolio shift to continue towards premiumisation as core brands such as Magic Moments and Morpheus is gaining traction. Given the harsh taxation environment and lack of adequate price increase from government Radico is consciously trying to defocus from regular category. As a result, we do not expect any material improvement on the revenue growth front over medium-term. However, we expect improvement in margin (EBITDA/PAT) going-ahead.

Brand Wise Volume (in mn)	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15
Magic Moments Vodka	NM	NM	NM	NM	NM	NM	NM	NM
Morpheus Brandy	NM	NM	NM	NM	NM	NM	NM	NM
Premium Brands	1.0	0.9	1.0	0.8	1.1	1.0	1.1	0.9
Other-Main Line Brands	3.2	2.7	2.7	3.1	3.1	2.7	2.9	2.7
Total main line brands	4.6	3.6	4.2	3.9	4.2	3.6	3.9	3.6
Other brands	1.4	1.2	1.0	0.8	1.0	1.0	1.1	0.9
Total	6.0	4.8	5.2	4.7	5.4	4.6	5.0	4.5

Source: Company Filings; IndiaNivesh Research

ENA prices impacted profitability...

Due to hardening of ENA prices (Rs. 47.5/per liter), Operational EBITDA margin contracted to 7.6% (v/s 8.9% in Q4FY14). The EBITDA margin was also impacted by increase in glass bottle price and depreciation of INR on the payment of US Dollar denominated ECB instalments. This amount has been classified under Other Expenses. In our view, ENA prices have reached the peak level; hence we do not expect significant disruption in the performance due to rise in input cost.

Outlook and Valuation

At CMP of Rs.90, the stock is trading at 13.4x FY16E and 11.6x FY17E Bloomberg earnings estimates. The current valuation offers attractive discount relative to last three years average P/E multiples of 17.2x one-year forward earnings. The revival in flagship brands, premiumisation, and strong macro demand in tier-2 and tier-3 cities, remain positive for the stock. Further, the transformational deal of Diageo plc with United Spirits could provide window of opportunity to Radico. We have a target price to Rs.165 (valuing 16.5x FY17E) with BUY on the stock.

Quarterly Update (Standalone)

(Rs Mn)	Q4FY15	Q3FY15	Q4FY14	Q/Q %	Y/Y %	FY15A	FY14A	Y/Y %
Gross Sales	7236	8962	7034	-19.3	2.9	31,687	30,056	5.4
Less: Excise Duty	3911	4966	3608	-21.2	8.4	17,242	15,934	8.2
Net Sales	3,325	3,996	3,427	-16.8	-3.0	14,445	14,122	2.3
Other Operating Income	109	130	87	-16.0	24.5	439	395	11.1
Total	3434	4125	3514	-16.8	-2.3	14,884	14,517	2.5
Expenditure								
Cost of material consumed	1593	1814	1751	-12.2	-9.0	6,708	6,665	0.6
Purchase of stock-in-trade	51	281	23	-82.0	121.5	392	220	77.9
Ch in Inventory	-93	116	-416	-179.8	-77.7	73	-355	-120.7
Employee benefits exp	277	297	237	-6.8	17.1	1,073	932	15.1
Selling & Distribution	671	767	706	-12.5	-5.0	2,836	2,862	-0.9
Other Exp	603	389	805	54.9	-25.1	2,098	2,257	-7.1
Total Expenses	3102	3665	3106	-15.4	-0.1	13,180	12,582	4.8
EBITDA	332	460	408	-27.8	-18.6	1,704	1,935	-11.9
Dep and amortisation exp	83	90	98	-7.7	-14.8	383	388	-1.1
Other Income	149	103	101	45.6	47.8	450	365	23.3
Finance Cost	217	230	224	-5.7	-3.0	899	848	6.1
Exceptional Items	0	0	0	NM	NM	-	-	NM
PBT	182	243	188	-25.3	-3.6	872	1,064	-18.1
Tax	32	30	89	8.0	-63.7	195	352	-44.6
PAT	149	213	99	-29.9	50.6	677	713	-5.1
EPS	1.1	1.6	0.8	-29.9	48.3	5.0	5.3	-4.8
O/Shares	134	134	134	-	-	134	134	0.0

Source: Company Filings; IndiaNivesh Research

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