

# **THEMATIC INVESTING**

**BREWERIES**

**&**

**DISTILLERIES**



## **Radico Khaitan Ltd**

CMP (Rs): 1699

Buy Range: 1680-1700

Target Price: 2070

Upside : 22%



## **United Spirits**

CMP (Rs): 1116

Buy Range: : 1100-1116

Target Price: 1340

Upside: 20%



## **Sula Vineyards Ltd**

CMP (Rs): 610

Buy Range: 605-615

Target Price: 760

Upside: 24%



## Company Name: Radico Khaitan Ltd

BSE CODE: 532497

NSE CODE: RADICO

Sector: Alcoholic Beverages

Industry: Breweries &amp; Distilleries

**CMP (Rs): 1699 | Buy Range: 1680-1700 | Target Price: 2070 | Upside: 22%**
**Duration of Recommendation: 8- 12 months**

### Company Data

Market Cap (Rs Cr)	22,725
Enterprise value (Rs Cr)	23,553
52-Week High/Low (Rs)	1885/1069
EPS (TTM) (Rs)	17.70
P/E Ratio (x)	96.5
Industry PE (x)	23.7
EV/EBITDA (x)	50.2
P/PB (x)	10.1

Shareholding %	Q1FY23	Q2FY24	Q3FY24
Promoters	40.27	40.26	40.26
FII's	18.26	18.18	19.01
DII's	23.76	23.92	23.99
Public	17.71	17.63	16.75
Govt	-	-	-
Total	100.0	100.0	100.0
Pledged	0.00	0.00	0.00

Financial Performance (Standalone)			
INR (Cr)	FY23	FY24E	FY25E
Revenue	3,133	3,931	4,411
Growth (%)	9.6%	25.5%	12.2%
EBITDA	359	505	550
EBITDA growth	-10.0%	40.7%	9.0%
EBITDA margin	11.5%	12.8%	12.5%
Net Profit	220	276	382
Profit growth	10.4%	25.5%	38.2%
Profit margins	7.0%	7.0%	8.7%
Adj. EPS	16.5	20.7	28.6
BVPS	161.0	181.0	204.0
P/E (x)	72.5	83.9	60.7
P/BV(x)	7.4	9.6	8.5
ROE (%)	9.9%	11.8%	14.3%
RoCE	10.0%	11.2%	15.2%
EV/EBITDA(x)	46.05	46.40	42.49

### Price Performance



**Our Recommendation:** Company performed very well in recent quarter (Q3FY24) with consolidated revenue/EBITDA/PAT up by 46.6%/47.4%/22% YoY. As per management, its strategy is to continue to make sound marketing investments over existing core brands and new launches to sustain the growth and market share. Given this scenario, **we recommend BUY in price range of 1680-1700 with target price of 2070 (based on 72x FY25E EPS) with upside 22%.**

**Radico Khaitan Ltd (RKL)** is among India's most established and prominent liquor producers. The company has ownership of three top-tier brands: 8 PM Whisky, Contessa Rum, and Old Admiral Brandy. Their product portfolio spans various spirits including whisky, rum, brandy, and vodka, alongside the production and marketing of gin under the Magic Moment and Contessa brands.

**Buisness Outlook:** Company has famous brands across verticals.

- ❖ **Vodka** – Magic Moments super premium, Magic Moment Orange, Magic Moment Green Apple.
- ❖ **Brandy** – Morpheus Blue, Morpheus XO, Whytehall.
- ❖ **Rum** – Pluton Bay, 1965, Bermuda XXX, Contessa.
- ❖ **Whisky** – Royal Ranthambore, 8 PM premium black, After Dark, Regal Talons, Whytehall, 8 PM grain blended.
- ❖ **Premium Brands** – Rampur single malt, Jaisalmer indian craft gin, Magic Moments dazzle.

**Market Leader & New Launches:** Magic Moments is the top vodka brand in India with 58% market share. Morphues Brandy leads the premium brandy category with 56% market share. On November 23, the company introduced Magic Moments Remix Pink Vodka to meet the increasing demand for colored and flavored. alcoholic beverages.

**New Plants & Capex:** In September, the company began production at its new distillery in Sitapur, UP, which will support growth for the next 7-10 years alongside the Rampur campus. The company invested about Rs. 834 Crore in these projects and increased its net debt by Rs. 160.4 Cr after spending Rs. 156 Crore on new projects since March 2023.

### Q3FY24 Results:

- ❖ Consolidated sales up by 46.6% YoY to ₹ 1161 Cr from ₹ 792 Cr.
- ❖ EBITDA up by 47.4% YoY to ₹ 143 Cr from ₹ 97 cr with no changes in margins.
- ❖ Net Profit increased by 22.3% YoY to ₹ 75 Cr from ₹ 61Cr.
- ❖ On QoQ basis, Sales, EBITDA, Net Profit increased by 25.5%/18.2%/15.4% respectively.

### Key Risks:

- ❖ Unfavorable excise duty hike.
- ❖ Lower discretionary spends.

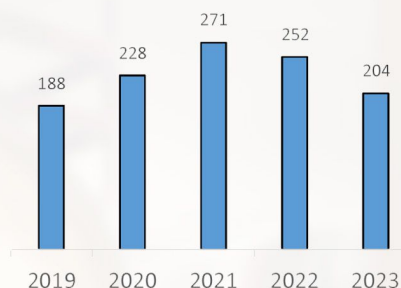
## Company Name - Radico Khaitan

## Financial Story In Charts

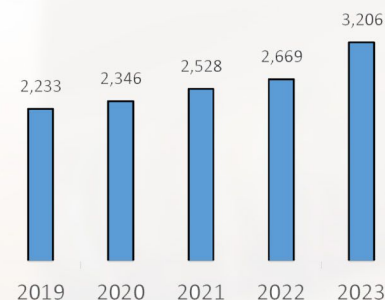
### Revenues (INR Cr)



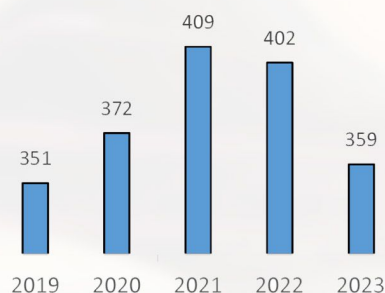
### Net Profit (INR Cr)



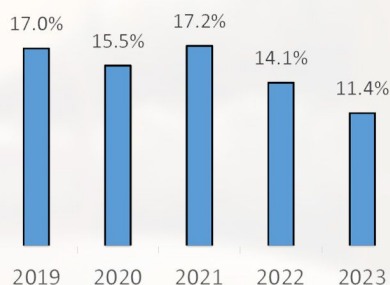
### Total Assets (INR Cr)



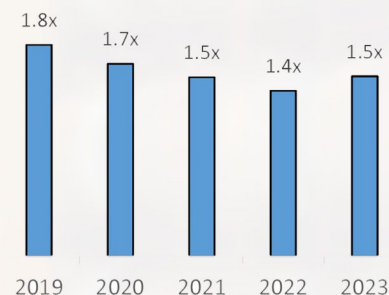
### EBITDA (INR Cr)



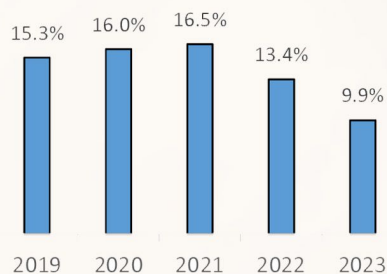
### EBITDA Margins (%)



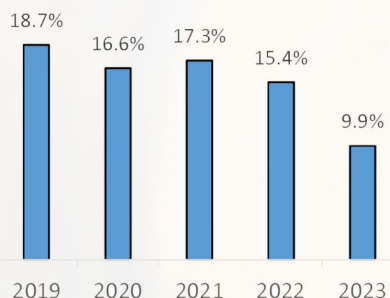
### Financial Leverage



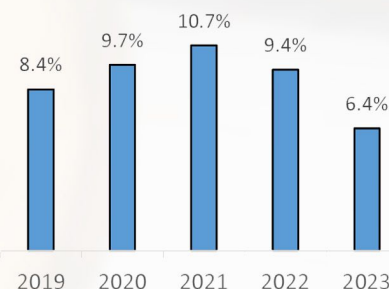
### Return on Equity (%)



### Return on Capital Employed (%)



### Return on Assets (%)





## Company Name: United Spirits

BSE CODE: 532432

NSE CODE: MCDOWELL-N

Sector: Alcoholic Beverages

Industry: Breweries &amp; Distilleries

**CMP (Rs): 1116 | Buy Range: 1100-1116 | Target Price: 1340 | Upside: 20%**
**Duration of Recommendation: 8- 12 months**

### Company Data

Market Cap (Rs Cr)	81,176
Enterprise value (Rs Cr)	80,717
52-Week High/Low (Rs)	1149/731
EPS (TTM) (Rs)	17.40
P/E Ratio (x)	63.8
Industry PE (x)	23.7
EV/EBITDA (x)	39.7
P/PB (x)	11.9

Shareholding %	Q1FY24	Q2FY24	Q3FY24
Promoters	56.68	56.68	56.68
FII's	15.92	16.51	16.23
DII's	12.64	12.32	12.49
Public	14.77	14.49	14.6
Govt	-	-	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Pledged	1.18	1.18	1.18

Financial Performance (Standalone)			
INR (Cr)	FY23	FY24E	FY25E
<b>Revenue</b>	<b>10,611</b>	<b>11,261</b>	<b>12,694</b>
Growth (%)	9.3%	6.1%	12.7%
EBITDA	1,404	1,910	2,217
EBITDA growth	-12.0%	36.1%	16.0%
EBITDA margin	13.2%	17.0%	17.5%
<b>Net Profit</b>	<b>1,126</b>	<b>1,274</b>	<b>1,504</b>
Profit growth	10.4%	13.2%	18.0%
Profit margins	10.6%	11.3%	11.8%
Adj. EPS	15.5	17.5	20.7
BVPS	82.5	94.0	108.1
P/E (x)	48.8	62.1	52.7
P/BV(x)	9.2	11.6	10.1
ROE (%)	20.8%	19.2%	18.8%
RoCE	18.1%	21.8%	23.6%
EV/EBITDA(x)	38.60	40.94	35.15

### Price Performance



**Our Recommendation:** Company showed strong set of numbers in Q3FY24 with consolidated Revenue/EBITDA/PAT up by 8%/31%/63% YoY. The premiumisation of its popular brands & favorable state excise policy will drive the volume growth in long term. Blended realization will improve further aided by positive product mix. Given this scenario, **we recommend BUY in price range of 1100-1116 with target price of 1340 (based on 65x FY25E EPS) with upside 20%.**

**United Spirits** is India's top beverage alcohol firm and a subsidiary of the renowned global corporation Diageo PLC. The company manufactures, sells, and distributes diverse range of high-quality brands, including Johnnie Walker, Black Dog, Black & White, VAT 69, Antiquity, Signature, Royal Challenge, McDowell's No.1, Smirnoff, and Captain Morgan.

### Buisness Outlook:

**Brand Portfolio:** United Spirits has a comprehensive brand portfolio with more than 80 brands of Scotch whisky, IMFL whisky, brandy, rum, vodka, and gin. Out of these, 9 brands sell more than a million cases each year and 1 brand sells over more than 25 million cases each annually.

**Market Leadership:** United Spirits holds the largest market share of 25% in the Indian spirits industry and ranks as the second-largest spirits company worldwide. Within India, it commands a 45% market share in the whiskey sector, which constitutes more than 60% of total spirit sales in the country.

**Premiumisation & Product Mix:** Company premiumized some of its popular brands with newer launches (Godawan), innovations (Johnny Walker Blonde), renovations (Royal Challenge, Signature, Antiquity) in different categories. Blended realization will improve further aided by positive product mix.

**Industry outlook:** India is the world's third-largest market for alcoholic beverages by volume, after China and the USA. Spirits, particularly Indian-made foreign liquor (IMFL), dominate consumption, comprising 92%. Urbanization, increasing incomes, and changing lifestyles are expected to drive further volume growth in the country.

### Q3FY24 Results:

- ❖ Consolidated sales up by 8.0% YoY to ₹ 3002 Cr from ₹ 2779 Cr.
- ❖ EBITDA up by 30.9% YoY to ₹ 486 Cr from ₹ 372 Cr with 280 bps improvment in margins.
- ❖ Net Profit increased by 63% YoY to ₹ 350 Cr from ₹ 214 Cr.
- ❖ On QoQ basis, Sales, EBITDA, Net Profit increased by 4.7%/4.8%/4.3%

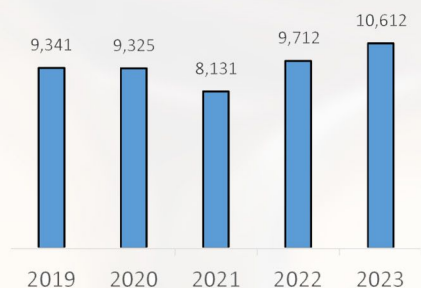
### Key Risks:

- ❖ Unfavorable excise duty hikes.
- ❖ Low sales in newly blended products.

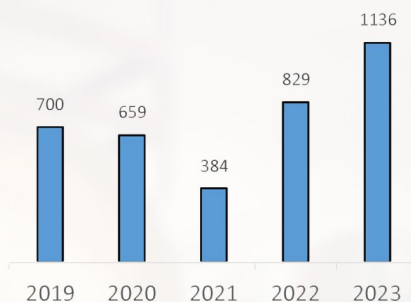
## Company Name - United Spirits

## Financial Story In Charts

### Revenues (INR Cr)



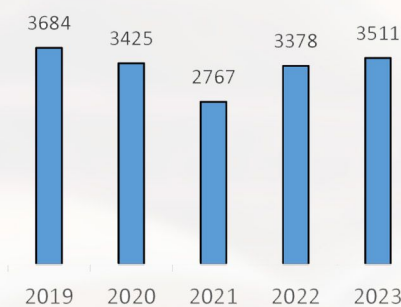
### Net Profit (INR Cr)



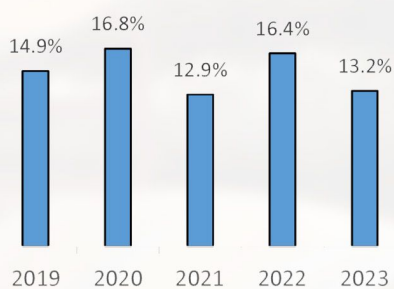
### Total Assets (INR Cr)



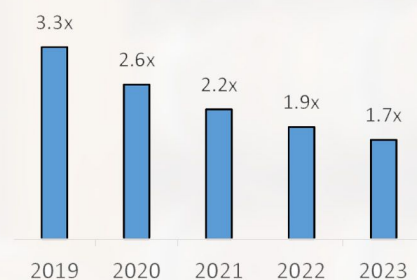
### EBITDA (INR Cr)



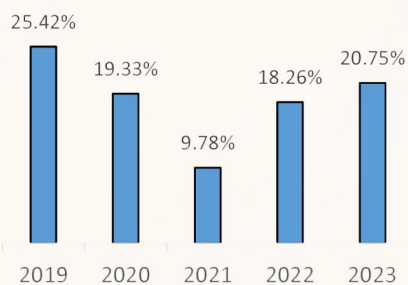
### EBITDA Margin (%)



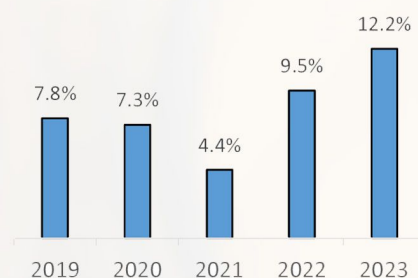
### Financial Leverage



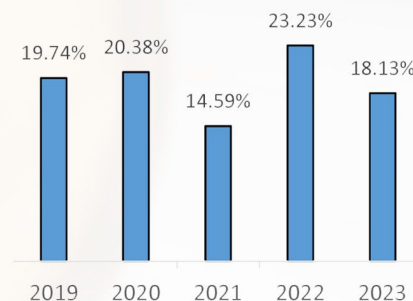
### Return on Equity (%)



### Return on Assets (%)



### Return on Capital Employed (%)





## Company Name: Sula Vineyards Ltd

BSE CODE: 543711

NSE CODE: SULA

Sector: Alcoholic Beverages

Industry: Breweries &amp; Distilleries

**CMP (Rs): 610 | Buy Range: 605-615 | Target Price: 760 | Upside: 24%**
**Duration of Recommendation: 8- 12 months**

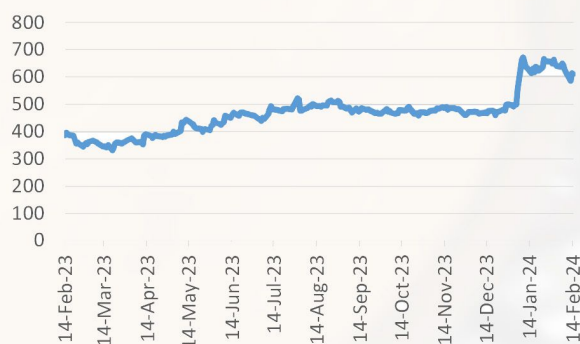
### Company Data

Market Cap (Rs Cr)	5,107
Enterprise value (Rs Cr)	5,362
52-Week High/Low (Rs)	700/326
EPS (TTM) (Rs)	11.10
P/E Ratio (x)	54.3
Industry PE (x)	28.4
EV/EBITDA (x)	29.5
P/PB (x)	9.72

Shareholding %	Q1FY23	Q2FY24	Q3FY24
Promoters	27.27	26.27	26.27
FII's	6.78	20.61	19.69
DII's	10.23	17.52	19.56
Public	55.73	35.60	34.49
Govt	-	-	-
Total	100.0	100.0	100.0
Pledged	0.00	0.00	0.00

Financial Performance (Standalone)			
INR (Cr)	FY23	FY24E	FY25E
<b>Revenue</b>	<b>516</b>	<b>645</b>	<b>774</b>
Growth (%)	21.6%	24.9%	20.0%
EBITDA	158	218	263
EBITDA growth	39.5%	37.9%	9.0%
EBITDA margin	30.6%	33.8%	34.0%
<b>Net Profit</b>	<b>84</b>	<b>104</b>	<b>128</b>
Profit growth	10.4%	23.8%	22.8%
Profit margins	16.3%	16.1%	16.5%
Adj. EPS	10.0	12.4	15.2
BVPS	63.1	69.0	76.4
P/E (x)	36.7	49.3	40.1
P/BV(x)	5.8	8.8	8.0
ROE (%)	18.1%	18.7%	19.2%
RoCE	18.0%	18.5%	18.5%
EV/EBITDA(x)	20.56	24.56	22.37

### Price Performance



**Our Recommendation:** Sula Vineyard showed strong set of numbers in Q3FY24 results due to strong demand of its premium brands - Dindori & Rasa. Wind tourism also logged an 16% rise in revenue. Consolidated revenue/EBITDA/PAT up by 52%/62/86% QoQ. Wine consumption could grow at CAGR 30% during 2022-2027 in India & Sula being the market leader in wine segment, is well positioned to grab a big chunk out of it. **We recommend BUY in price range of 605-615 with target price of 760 (based on 56x FY25E EPS) with upside 24%.**

**Sula Vineyards** is India's leading wine producer, with a passion for creating premium wines. Sula has wineries in Maharashtra and Karnataka, India's premier grape growing regions. The Company has achieved significant success in the Indian wine industry and is widely recognized for its excellent quality, innovation and sustainable practices.

### Business Outlook:

- ❖ **Wine Business:** Making wine, importing wines and spirits, and selling wines and spirits.
- ❖ **Wine Tourism Business:** Providing services through owning and running wine tourism destinations like vineyard resorts and tasting rooms.
- ❖ **Brands: Elite:** Dindori, Sula, The Source, Rasa. **Premium:** Sula, York, Satori. **Economy:** Mosaic, Dia, York, Madera. **Popular:** 6 labels, York.
- ❖ **Revenue Bifurcation: Wine Business** - Own Brands – 84% in FY22. Imports - 8% in FY22. **Wine Tourism Business** – 8% in FY22.
- ❖ **Revenue Breakup of Wine Business:** Elite & Premium: 74%. Economy & Popular : 26%

**Market Leader:** In H1FY24, the company dominates with a 60% market share in elite and premium categories, and 52% overall in the Indian wine industry. Sula Shiraz Cabernet leads as India's top-selling wine.

**Business Moat & High entry barrier:** Winemaking demands significant investment in vineyard upkeep and production, resulting in high operational costs. This poses a barrier to entry for new companies, solidifying Sula Vineyards' position as the market leader.

### Q3FY24 Results:

- ❖ Consolidated sales up by 6.4% YoY to ₹ 203 Cr from ₹ 191 Cr.
- ❖ EBITDA up by 12.2% YoY to ₹ 72 Cr from ₹ 64 cr with 180 bps improvment in margins.
- ❖ Net Profit increased by 9% YoY to ₹ 43 Cr from ₹ 39Cr.
- ❖ On QoQ basis, Sales, EBITDA, Net Profit increased by 51.9%/62.6%/86%

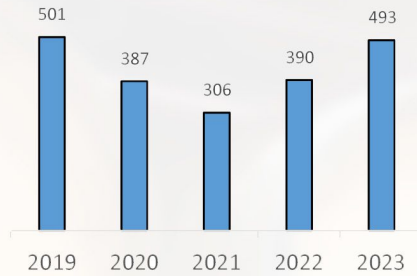
### Key Risks:

- ❖ Unfavorable state excise duty on wines may impact net profits.
- ❖ Growing competition from local wine manufacturers may impact sales growth.

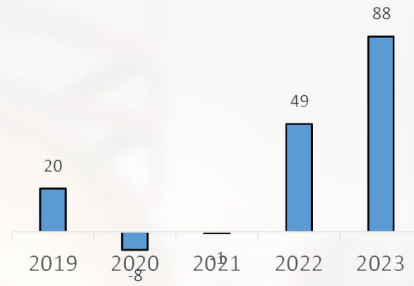
## Company Name - Sula Vineyards Ltd

## Financial Story In Charts

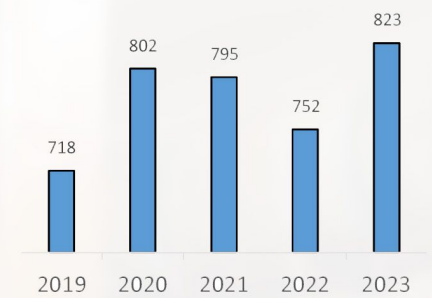
### Revenues (INR Cr)



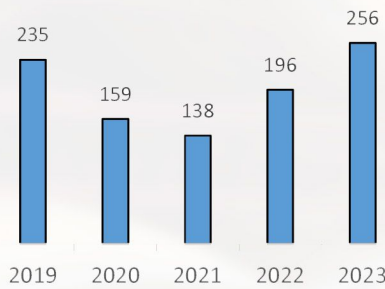
### Net Profit (INR Cr)



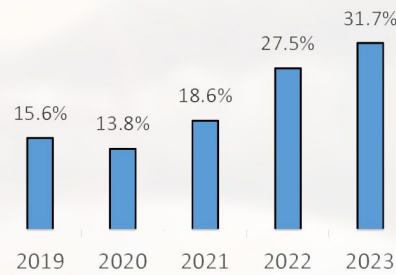
### Total Assets (INR Cr)



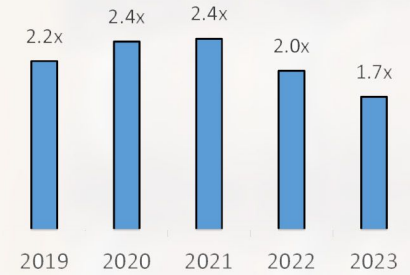
### EBITDA (INR Cr)



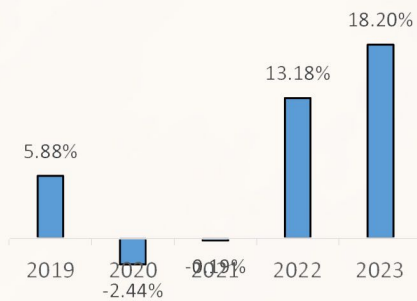
### EBITDA Margin (%)



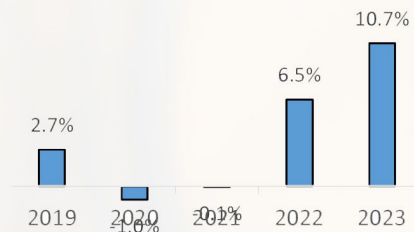
### Financial Leverage



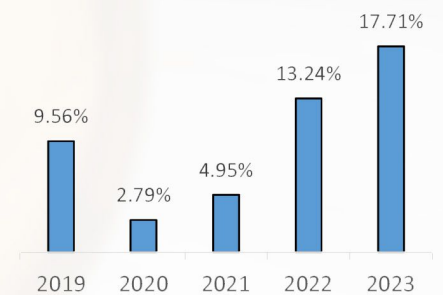
### Return on Equity (%)



### Return on Assets (%)



### Return on Capital Employed (%)





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