

## Impressive volume growth amid tough scenario...

Radico Khaitan (RKL) reported 15% revenue growth in Q4FY20 to ₹ 585 crore. Gross margin declined 400 bps to 48.6% owing to elevated input cost. However, the company reported flat EBITDA margin at 14.1% on account of lower employee, selling and other expense, which declined 66 bps, 220 bps, 340 bps, respectively. Consequently, EBITDA grew 15% YoY to ₹ 82.3 crore. Higher depreciation, interest and lower other income led PBT before extraordinary expense to grow 10% to ₹ 62.6 crore. Further, exceptional loss of ₹ 8.6 crore and loss from associate of ₹ 6 crore led net profit to fall 20% to ₹ 33 crore.

## Strong volume growth continues for IMFL category

Despite the lockdown in the latter part of March, RKL was able to deliver double digit volume growth in Indian made foreign liquor (IMFL). For FY20, IMFL volume growth was ~12.5% whereas prestige and above segment grew 15.2% YoY to 7.05 million cases while regular and other segment volumes grew 11.4%. Volume growth was broad based across key states and key IMFL brands. RKL's new brands 8PM Black Whiskey and 1965 Spirit of Victory rum continued their strong growth trajectory. Revenue for FY20 registered growth of 15.7% to ₹ 2427 crore.

## Focus on premiumisation with new launches

RKL has an established brand portfolio with brands like Magic Moments vodka and Morpheus brandy. The company has been constantly launching new products under its various brands. The launches have been focussed on the prestige and above segment with new product launches like 8PM Premium Black whisky, Jaisalmer Indian Craft gin, Rampur Indian Single Malt, Morpheus Blue Brandy, 1965 rum and Electra in ready to drink category. The company is planning to launch more premium products in the whisky segment post normalisation of the industry scenario, which has been impacted by stores closures owing to Covid-19.

## Valuation & Outlook

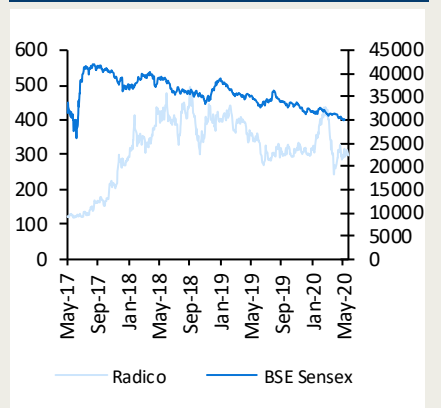
In a tough market scenario, Radico continues to outperform peers. For Q4FY20, it registered volume growth of 13%. The prestige and above segment grew 11% while regular segment grew 14%. The company's premiumisation trend continued with prestige and above share increasing to 29% in FY20 from 28.3% in FY19. The company has constantly reduced debt from ₹ 950 crore in FY16 to ₹ 382 crore in FY20, enabling it to report higher profitability over the last few year. With continued focus on brand development, newer premium IMFL launches and strong distribution network built over the years, RKL is poised to enhance its financial performance. We maintain our **BUY** rating on the stock with a revised target price of ₹ 400/share (~18x FY22E EPS).



### Particulars

Particulars	Amount
Market Capitalisation (₹cr)	4421
52 Week High / Low (₹)	439/220
Promoter Holding (%)	40.3
FII Holding (%)	19.4
DII Holding (%)	11.0
Dividend Yield (%)	0.4

### Price Performance



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### Key Financial Summary

₹ crore	FY18	FY19	FY20P	FY21E	FY22E	CAGR
Net Sales	1,822.8	2,096.9	2,427.0	2,494.1	2,967.4	13.0%
EBITDA	269.7	350.3	371.8	376.6	471.8	15.0%
PAT	124.0	194.1	229.1	225.9	305.0	25.2%
P/E (x)	35.5	22.7	19.2	19.5	14.4	
M.Cap/Sales (x)	2.4	2.1	1.8	1.8	1.5	
RoCE (%)	14.3	18.3	16.1	15.4	18.6	
RoE (%)	10.7	14.8	16.4	12.9	15.0	

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 1: Profit and loss statement		₹ crore			
(Year-end March)/ (₹crore)	FY 19	FY 20	FY 21E	FY 22E	
Total Operating Income	2,096.9	2,427.0	2,494.1	2,967.4	
Growth (%)	15.0	15.7	2.8	19.0	
COGS	1,035.4	1,255.7	1,272.0	1,513.4	
Gross Profit	1,061.6	1,171.4	1,222.1	1,454.0	
Gross Profit Margins (%)	50.6	48.3	49.0	49.0	
Employee Expenses	171.4	186.1	202.0	222.6	
SG&A	138.5	311.3	319.2	373.9	
Other Expenditure	401.4	302.2	324.2	385.8	
Total Operating Expenditure	1,746.6	2,055.2	2,117.5	2,495.6	
EBITDA	350.3	371.8	376.6	471.8	
Growth (%)	29.9	6.1	1.3	25.3	
Interest	35.5	31.6	30.3	18.3	
Depreciation	42.4	52.5	59.2	63.2	
Other Income	13.3	9.2	12.5	14.8	
PBT before Exceptional Items	285.7	296.9	299.6	405.1	
Less: Exceptional Items	0.0	24.2	0.0	0.0	
PBT after Exceptional Items	285.7	272.7	299.6	405.1	
Total Tax	97.6	45.2	75.4	102.0	
PAT	188.1	227.5	224.2	303.2	
Profit from Associates	6.1	1.6	1.7	1.8	
Adjusted PAT	194.1	229.1	225.9	305.0	
EPS Growth (%)	56.6	18.0	-1.4	35.0	
EPS	14.6	17.2	16.9	22.9	

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement		₹ crore			
(Year-end March) (₹crore)	FY 19	FY 20	FY 21E	FY 22E	
Profit/(Loss) after taxation	194.1	229.1	225.9	305.0	
Add: Depreciation & Amortization	42.4	52.5	59.2	63.2	
Add: Interest Paid	35.5	31.6	30.3	18.3	
Net Increase in Current Assets	-41.1	-196.1	-70.6	-81.1	
Net Increase in Current Liabilities	13.9	-31.2	12.7	55.6	
Others	63.9	-26.3	0.0	0.0	
CF from Operating activities	308.7	59.7	257.5	361.0	
(Purchase)/Sale of Fixed Assets	-71.7	-71.8	-70.0	-70.0	
Long term Loans & Advances	0.0	0.0	0.0	0.0	
Investments	54.2	-31.0	-3.6	-100.0	
Others	-135.2	-52.9	-150.2	0.0	
CF from Investing activities	-81.0	-83.9	-153.8	-171.8	
(inc)/Dec in Loan	-199.0	75.7	-20.0	-150.0	
Dividend & Dividend tax	-19.3	-19.3	-19.3	-19.3	
Less: Interest Paid	-35.5	-31.6	-30.3	-18.3	
Other	21.4	0.0	0.0	0.0	
CF from Financing activities	-232.4	24.7	-69.6	-187.6	
Net Cash Flow	-4.7	0.6	34.1	1.6	
Cash and Cash Equivalent at	22.4	17.7	18.2	52.3	
Cash	17.7	18.2	52.3	53.9	

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet		₹ crore			
(Year-end March)	FY 19	FY 20	FY 21E	FY 22E	
Equity Capital	26.7	26.7	26.7	26.7	
Reserve and Surplus	1,288.3	1,516.2	1,722.8	2,008.5	
Total Shareholders funds	1,314.9	1,542.9	1,749.5	2,035.2	
Minority Interest	0.0	0.0	0.0	0.0	
Total Debt	323.3	398.9	378.9	228.9	
Deferred Tax Liability	104.1	78.5	0.0	0.0	
Long-Term Provisions	10.4	11.1	11.3	11.5	
Other Non Current Liabilities	0.7	5.3	5.4	5.5	
Source of Funds	1,753.3	2,036.7	2,145.2	2,281.2	
Gross Block - Fixed Assets	868.0	950.0	1,020.0	1,090.0	
Accumulated Depreciation	154.1	206.6	265.7	329.0	
Net Block	713.9	743.4	754.3	761.0	
Capital WIP	16.0	18.1	18.1	18.1	
Fixed Assets	729.9	761.5	772.3	779.1	
Investments	163.4	194.4	197.9	297.9	
Goodwill on Consolidation	0.0	0.0	0.0	0.0	
Deferred Tax Assets	0.0	0.0	0.0	0.0	
Other non-Current Assets	111.9	104.9	107.0	109.1	
Inventory	359.7	374.2	375.8	447.1	
Debtors	641.8	823.1	888.3	894.3	
Loans and Advances	46.7	40.7	41.1	41.6	
Other Current Assets	159.6	165.8	169.2	172.5	
Cash	17.7	18.2	52.3	53.9	
Total Current Assets	1,225.4	1,422.1	1,526.8	1,609.4	
Creditors	244.8	264.2	273.3	325.2	
Provisions	68.4	52.8	53.8	54.9	
Other Current Liabilities	164.1	129.1	131.7	134.3	
Total Current Liabilities	477.3	446.1	458.8	514.4	
Net Current Assets	748.1	976.0	1,067.9	1,095.0	
Application of Funds	1,753.3	2,036.7	2,145.2	2,281.2	

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios		₹ crore			
(Year-end March)	FY 19	FY 20	FY 21E	FY 22E	
Per share data (₹)					
Reported EPS	14.6	17.2	16.9	22.9	
BV per share	98.6	115.7	131.1	152.6	
Cash per Share	1.3	1.4	3.9	4.0	
Dividend per share	1.4	1.4	1.4	1.4	
Operating Ratios (%)					
Gross Profit Margins	50.6	48.3	49.0	49.0	
EBITDA margins	16.7	15.3	15.1	15.9	
PAT Margins	9.3	10.4	9.1	10.3	
Inventory days	62.6	56.3	55.0	55.0	
Debtor days	111.7	123.8	130.0	110.0	
Creditor days	42.6	39.7	40.0	40.0	
Asset Turnover	2.4	2.6	2.4	2.7	
Return Ratios (%)					
RoE	14.8	16.4	12.9	15.0	
RoCE	18.3	16.1	15.4	18.6	
RoIC	18.0	16.1	15.4	18.6	
Valuation Ratios (x)					
P/E	22.7	19.2	19.5	14.4	
EV / EBITDA	13.4	12.8	12.5	9.7	
EV / Net Sales	2.2	2.0	1.9	1.5	
Market Cap / Sales	2.1	1.8	1.8	1.5	
Price to Book Value	3.3	2.9	2.5	2.2	
Solvency Ratios					
Debt / EBITDA	0.9	1.1	1.0	0.5	
Debt / Equity	0.2	0.3	0.2	0.1	
Current Ratio	2.5	3.1	3.2	3.0	
Quick Ratio	1.8	2.3	2.4	2.2	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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