

PAT growth in 17 out of 19 quarters

- Radico Khaitan (RDCK) Q3FY21 numbers were in-line and healthy. Revenue/EBITDA/APAT grew by a healthy +5.6/21.5/30.9% YoY. UNSP's performance was -3.6/-9.5/-11.1% YoY. RDCK's outperformed UNSP by miles in 9MFY21 with revenue/EBITDA/APAT growth of -6.4/+6.3/ +11.1% YoY vs. UNSP's -18.2/-46.5/-59.7% YoY. Step-up in A&P spends (+37% YoY), launch of new variants and expansion of brands to new cities/states were other positives.
- Over the last three years, RDCK experienced robust volume growth, price increases, premiumisation, RM tailwinds, and thus de-leveraging. RDCK's revenue/EBITDA/PAT grew at an impressive CAGR of 13/21/41% over FY17-20. Net debt declined from Rs 9.5bn in FY16, to Rs 2.55bn as of Dec-20. We remain constructive on RDCK story due to expansion in addressable opportunity in premium whisky, premiumisation, and deleveraging trajectory.
- RDCK is trading at attractive 21/18x FY22/23E EPS vs. 50/40x for UNSP. With continued superior performance, we believe this discount should narrow. Reiterate BUY with revised TP of Rs 625 @ 24x Dec-22E EPS (earlier Rs 593 @ 24x Sep-22E EPS). Our estimates remain unchanged. Increase in TP is on account of roll-forward.

Expanding the addressable market – positive

RDCK's core IMFL volumes/revenue grew by 0.6%/4.9% YoY (81.8% of total revenue). P&A volumes grew by 5.3% and Popular by -1.3%. Non-IMFL revenue grew by 8.9% YoY. P&A volume growth was led by 8PM premium black and 1965, Spirit of Victory rum. Gross margin improved by 230/190bps YoY/QoQ led by benign RM prices and premiumisation. EBITDA margin expanded by 240/120bps YoY/QoQ.

RDCK received price increase in Kerala wef Feb'21, which is expected to improve realization by 30bps. It introduced Jaisalmer Craft Gin in cities of Mumbai, Bangalore and Hyderabad besides Delhi and Goa. It also expanded 8PM Premium Black whisky in Jharkhand and Haryana taking total states to 16. It launched two additional flavors in Verve premium vodka.

Q3FY21 Result (Rs Mn)

| Particulars | Q3FY21 | Q3FY20 | YoY (%) | Q2FY21 | QoQ (%) |
|-------------------|--------|--------|---------|--------|---------|
| Revenue | 6,842 | 6,479 | 5.6 | 6,301 | 8.6 |
| Total Expense | 5,597 | 5,454 | 2.6 | 5,228 | 7.0 |
| EBITDA | 1,246 | 1,025 | 21.5 | 1,072 | 16.1 |
| Depreciation | 136 | 131 | 3.5 | 133 | 2.1 |
| EBIT | 1,110 | 894 | 24.1 | 940 | 18.1 |
| Other Income | 26 | 18 | 40.9 | 38 | (31.8) |
| Interest | 54 | 81 | (33.5) | 54 | (0.9) |
| EBT | 1,082 | 745 | 45.1 | 923 | 17.2 |
| Tax | 276 | 188 | 46.7 | 199 | 39.2 |
| RPAT | 805 | 557 | 44.6 | 724 | 11.2 |
| APAT | 805 | 615 | 30.9 | 724 | 11.2 |
| | | | (bps) | | (bps) |
| Gross Margin (%) | 50.8 | 48.5 | 232 | 48.9 | 188 |
| EBITDA Margin (%) | 18.2 | 15.8 | 238 | 17.0 | 118 |
| NPM (%) | 11.8 | 8.6 | 317 | 11.5 | 28 |
| Tax Rate (%) | 25.6 | 25.3 | 27 | 21.5 | 403 |
| EBIT Margin (%) | 16.2 | 13.8 | 242 | 14.9 | 131 |

| | |
|-----------------|--------------|
| CMP | Rs 489 |
| Target / Upside | Rs 625 / 28% |
| NIFTY | 13,635 |

Scrip Details

| | |
|------------------|-----------------|
| Equity / FV | Rs 267mn / Rs 2 |
| Market Cap | Rs 65bn |
| | USD 897mn |
| 52-week High/Low | Rs 530/ 220 |
| Avg. Volume (no) | 385,007 |
| Bloom Code | RDCK IN |

| Price Performance | 1M | 3M | 12M |
|-------------------|----|-----|-----|
| Absolute (%) | 9 | 10 | 27 |
| Rel to NIFTY (%) | 12 | (7) | 15 |

Shareholding Pattern

| | Jun'20 | Sep'20 | Dec'20 |
|-----------------|--------|--------|--------|
| Promoters | 40.3 | 40.3 | 40.3 |
| MF/Banks/FIs | 15.3 | 16.6 | 17.0 |
| FIIIs | 18.6 | 18.0 | 18.3 |
| Public / Others | 25.8 | 25.1 | 24.4 |

Valuation (x)

| | FY21E | FY22E | FY23E |
|-----------|-------|-------|-------|
| P/E | 25.1 | 20.6 | 18.3 |
| EV/EBITDA | 16.4 | 13.1 | 11.7 |
| ROE (%) | 15.9 | 16.8 | 16.3 |
| RoACE (%) | 13.6 | 15.4 | 15.5 |

Estimates (Rs mn)

| | FY21E | FY22E | FY23E |
|-----------|--------|--------|--------|
| Revenue | 23,393 | 27,996 | 30,290 |
| EBITDA | 4,123 | 5,002 | 5,461 |
| PAT | 2,599 | 3,174 | 3,580 |
| EPS (Rs.) | 19.5 | 23.8 | 26.8 |

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Key concall highlights

Volume and geographic trend

- Industry volume de-growth stood at 1% YoY in Q3FY21. RDCK marginally outperformed the industry.
- UP, Karnataka, Telangana, Uttaranchal, Maharashtra etc delivered growth YoY. AP had been a key dampener.
- Excluding AP, volume growth would have been in high single digit. RDCK has 4% industry share in AP. It is a large market and thus impacted due to changes in the RTM. AP market is currently doing around 23-24lacs cases per month and should come back to its pre-covid levels of 30lacs plus shortly. It is liberalizing its policies in last 2-3 months.
- In AP, RDCK volumes have declined on QoQ basis but it has been on account of premiumisation push. It has seen QoQ increase in revenues/gross profits.
- Telangana price increase benefitted 0.5% in price/mix during the quarter.
- Led by strong growth opportunity in the Indian liquor market, competitive intensity in the industry is expected to remain high.

Growth outlook

- With exception of Q1FY21, RDCK registered YoY growth in all the quarters since Q3FY18 (i.e. in 12 out of 13 quarters). Management remains confident of delivering higher growth in Q4 and FY22.
- In CSD, RDCK enjoys a market share of 28-29% and it is about 10% of volumes currently. CSD market is de-growing by 12-14%. Govt has banned BIO products in CSD segment. It gives opportunity to RDCK for its premium brands given its leadership in CSD.
- UP has allowed 90ml smaller pack in IMFL which was being pushed by RDCK. Also grain based Country Liquor has been allowed. This will allow the consumers to move up the value chain and thus benefit.
- Exports account for 7.5% of IMFL revenue and 6% of the volumes. On low base, exports grew by 120% QoQ and for 9MFY21 at 82% YoY. Management expects the export sales to hit ~10% in next couple of years. Margins in exports are nominally higher but on absolute basis it is high.

RM pricing trend

- RM prices very flattish QoQ and should remain stable in Q4. Even if there is price increase in raw material, RDCK with its premiumisation strategy is confident of mitigating the same.

Exhibit 1: Actual vs. Estimates

| (Rs Mn) | Actual | Estimate | % Variance | Remarks |
|----------|--------|----------|------------|---|
| Revenue | 6,842 | 6,823 | 0.3 | RDCK's strong set of numbers were in line with our estimates. |
| EBITDA | 1,246 | 1,211 | 2.9 | |
| Margin % | 18.2 | 17.7 | 46 bps | |
| APAT | 805 | 748 | 7.7 | |

Source: DART, Company

Exhibit 2: Change in Estimates

| Particulars | FY21E | | | FY22E | | | FY23E | | | Comments |
|------------------------------|---------------|---------------|--------------|---------------|---------------|------------|---------------|---------------|------------|---|
| | Old | New | % chg | Old | New | % chg | Old | New | % chg | |
| Volume (Mn cases) | 22.1 | 22.1 | (0.2) | 25.8 | 25.7 | (0.6) | 27.2 | 27.1 | (0.3) | No material change in estimates. The change in TP is largely due to roll forward. |
| - P&A | 6.3 | 6.3 | 0.6 | 7.7 | 7.7 | 0.1 | 8.3 | 8.4 | 0.8 | |
| - Popular | 15.8 | 15.7 | (0.5) | 18.1 | 17.9 | (0.9) | 18.9 | 18.8 | (0.8) | |
| Realization (Rs/case) | 848 | 847 | (0.2) | 890 | 895 | 0.6 | 925 | 930 | 0.5 | |
| - P&A | 1,474 | 1,469 | (0.3) | 1,537 | 1,545 | 0.5 | 1,583 | 1,591 | 0.5 | |
| - Popular | 598 | 596 | (0.4) | 616 | 616 | 0.0 | 635 | 635 | (0.1) | |
| IMFL Revenue | 18,774 | 18,673 | (0.5) | 22,929 | 22,964 | 0.2 | 25,165 | 25,208 | 0.2 | |
| - P&A | 9,292 | 9,312 | 0.2 | 11,790 | 11,909 | 1.0 | 13,176 | 13,309 | 1.0 | |
| - Popular | 9,482 | 9,361 | (1.3) | 11,139 | 11,055 | (0.8) | 11,989 | 11,899 | (0.7) | |
| Non-IMFL Revenue | 4,596 | 4,720 | 2.7 | 4,909 | 5,031 | 2.5 | 4,959 | 5,082 | 2.5 | |
| Revenue | 23,319 | 23,393 | 0.3 | 27,838 | 27,996 | 0.6 | 30,124 | 30,290 | 0.6 | |
| Gross Profit | 11,787 | 11,879 | 0.8 | 13,720 | 13,858 | 1.0 | 14,921 | 15,069 | 1.0 | |
| EBITDA | 4,123 | 4,123 | 0.0 | 4,896 | 5,002 | 2.2 | 5,416 | 5,461 | 0.8 | |
| APAT | 2,540 | 2,599 | 2.3 | 3,066 | 3,174 | 3.5 | 3,531 | 3,580 | 1.4 | |
| AEPS (Rs) | 19.0 | 19.5 | 2.3 | 23.0 | 23.8 | 3.5 | 26.4 | 26.8 | 1.4 | |
| Margin % | | | | | | | | | | |
| GP % | 50.5 | 50.8 | 23 | 49.3 | 49.5 | 21 | 49.5 | 49.8 | 22 | |
| EBITDA % | 17.7 | 17.6 | (6) | 17.6 | 17.9 | 28 | 18.0 | 18.0 | 5 | |
| APAT % | 10.9 | 11.1 | 22 | 11.0 | 11.3 | 32 | 11.7 | 11.8 | 10 | |

Source: DART, Company

Exhibit 3: Standalone Quarterly Financials

| Rs Mn | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Revenue | 6,479 | 5,854 | 4,092 | 6,301 | 6,842 |
| RM Costs | 3,256 | 2,936 | 1,856 | 3,218 | 3,366 |
| Gross Profit | 3,223 | 2,918 | 2,235 | 3,082 | 3,476 |
| Employee cost | 496 | 480 | 387 | 433 | 472 |
| S&D | 782 | 788 | 494 | 803 | 922 |
| Other Exps | 921 | 827 | 596 | 774 | 836 |
| Total Operating Exps | 2,198 | 2,095 | 1,477 | 2,010 | 2,230 |
| EBITDA | 1,025 | 823 | 758 | 1,072 | 1,246 |
| D&A | 131 | 134 | 129 | 133 | 136 |
| Interest costs | 81 | 85 | 66 | 54 | 54 |
| Other Income | 18 | 22 | 19 | 38 | 26 |
| PBT | 831 | 626 | 582 | 923 | 1,082 |
| Exceptional Items | (86) | (86) | 0 | 0 | 0 |
| Tax | 188 | 156 | 141 | 199 | 276 |
| RPAT | 557 | 384 | 441 | 724 | 805 |
| APAT | 615 | 463 | 441 | 724 | 805 |

Source: DART, Company

Exhibit 4: Margin Analysis (%)

| % of Net revenue | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| RM Costs | 50.3 | 50.2 | 45.4 | 51.1 | 49.2 |
| Gross Profit | 49.7 | 49.8 | 54.6 | 48.9 | 50.8 |
| Employee cost | 7.6 | 8.2 | 9.5 | 6.9 | 6.9 |
| S&D | 12.1 | 13.5 | 12.1 | 12.7 | 13.5 |
| Other Exps | 14.2 | 14.1 | 14.6 | 12.3 | 12.2 |
| Total Operating Exps | 33.9 | 35.8 | 36.1 | 31.9 | 32.6 |
| EBITDA | 15.8 | 14.1 | 18.5 | 17.0 | 18.2 |
| PBT | 12.8 | 10.7 | 14.2 | 14.6 | 15.8 |
| RPAT | 8.6 | 6.6 | 10.8 | 11.5 | 11.8 |
| APAT | 9.5 | 7.9 | 10.8 | 11.5 | 11.8 |
| Tax as % of PBT | 22.7 | 24.9 | 24.3 | 21.5 | 25.6 |

Source: DART, Company

Exhibit 5: Growth YoY (%)

| Particulars | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 |
|-----------------------------|-------------|--------------|---------------|--------------|-------------|
| Net Revenue | 17.2 | 14.8 | (34.4) | 10.5 | 5.6 |
| RM Costs | 19.3 | 19.9 | (42.8) | 8.5 | 0.8 |
| Gross Profit | 15.1 | 10.0 | (25.3) | 12.6 | 10.7 |
| Employee cost | 14.5 | 6.3 | (8.1) | (6.7) | -4.7 |
| S&D | 3.5 | 2.8 | (38.0) | 7.8 | 18.0 |
| Other Exps | 40.7 | 15.3 | (22.5) | 16.8 | -0.3 |
| Total Operating Exps | 19.3 | 8.3 | (25.7) | 7.4 | 5.4 |
| EBITDA | 7.0 | 14.8 | (24.5) | 24.0 | 21.5 |
| D&A | 22.7 | 23.3 | 0.4 | 0.4 | 3.5 |
| Interest costs | 6.1 | 9.4 | (11.0) | (29.2) | -33.5 |
| Other Income | (34.1) | (39.4) | (43.7) | 100.2 | 40.9 |
| PBT | 3.6 | 10.5 | (30.3) | 36.8 | 30.1 |
| Tax | (33.0) | (11.3) | (48.8) | (217.7) | 46.7 |
| RPAT | 6.9 | (1.6) | (19.5) | (7.8) | 44.6 |
| APAT | 18.0 | 18.6 | (28.7) | 45.0 | 30.9 |

Source: DART, Company

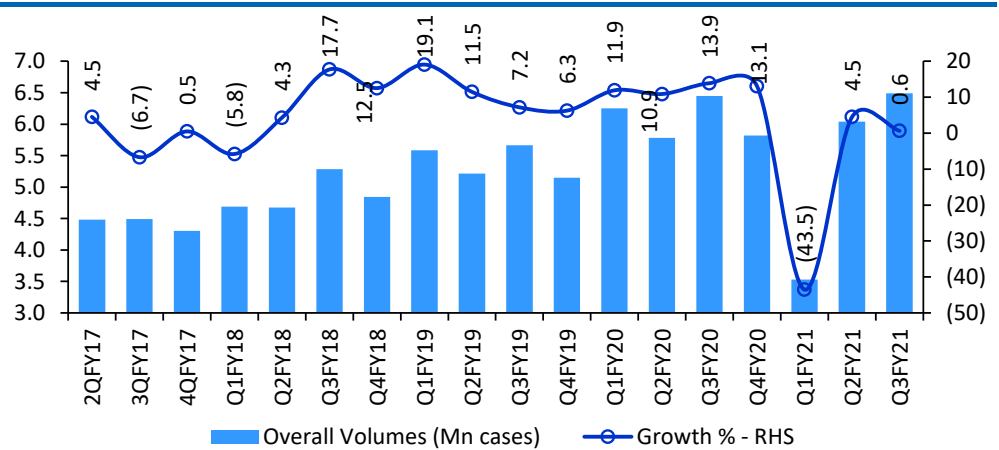
With exception of Q1FY21, RDCK has registered a healthy revenue and EBITDA recovery in Q2 and Q3FY21

Exhibit 6: IMFL Volume details (Mn Cases)

| Particulars | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Prestige & Above | 1.63 | 1.90 | 1.53 | 1.05 | 1.69 | 2.00 |
| Regular | 4.15 | 4.55 | 4.29 | 2.48 | 4.35 | 4.49 |
| Total | 5.78 | 6.45 | 5.82 | 3.53 | 6.04 | 6.49 |
| Chg YoY (%) | | | | | | |
| Prestige & Above | 11.3 | 21.3 | 11.3 | -47.2 | 3.7 | 5.3 |
| Regular | 10.7 | 11.1 | 13.7 | -41.8 | 4.8 | -1.3 |
| Total | 10.9 | 13.9 | 13.1 | -43.5 | 4.5 | 0.6 |
| Mix % | | | | | | |
| Prestige & Above | 28.2 | 29.5 | 26.3 | 29.7 | 28.0 | 30.8 |
| Regular | 71.8 | 70.5 | 73.7 | 70.3 | 72.0 | 69.2 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

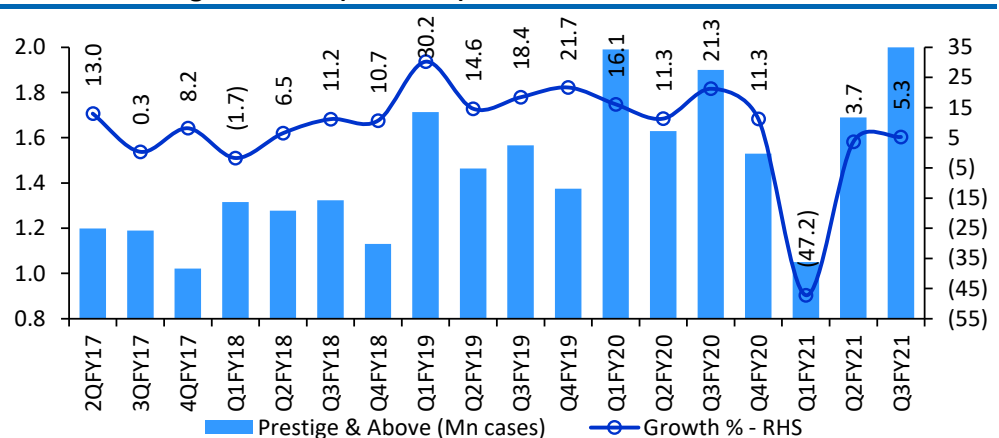
Source: DART, Company

Exhibit 7: IMFL Volumes (Overall)



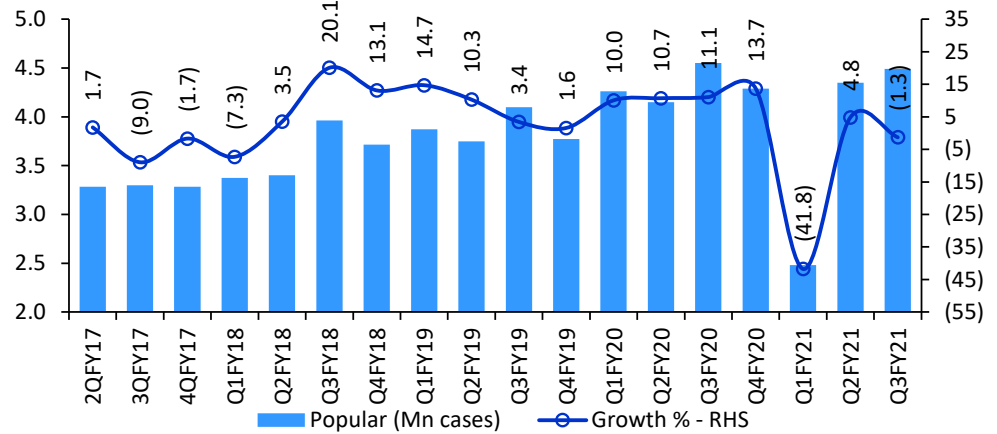
Source: DART, Company

Exhibit 8: Prestige & Above (Premium) volumes



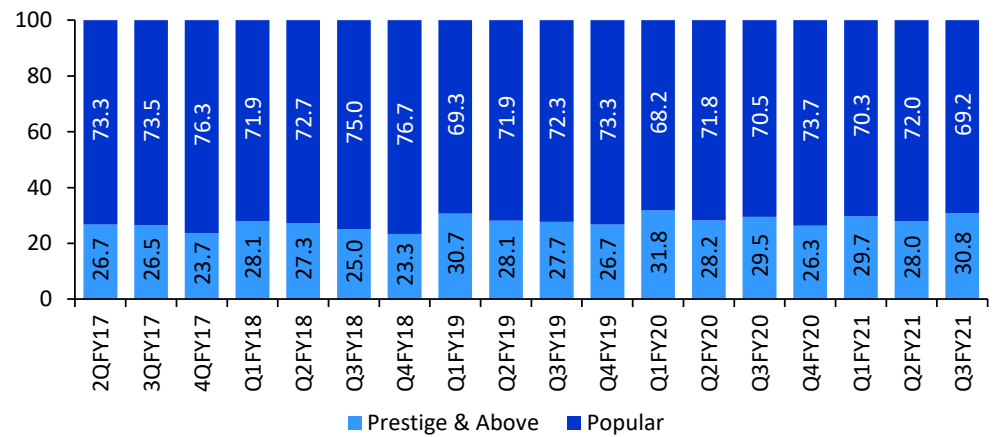
Source: DART, Company

Exhibit 9: Regular (Popular) volumes



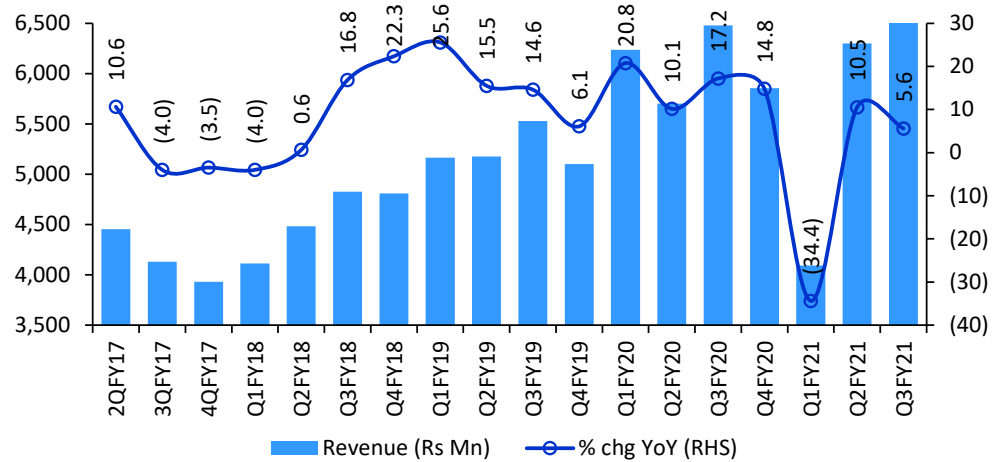
Source: DART, Company

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



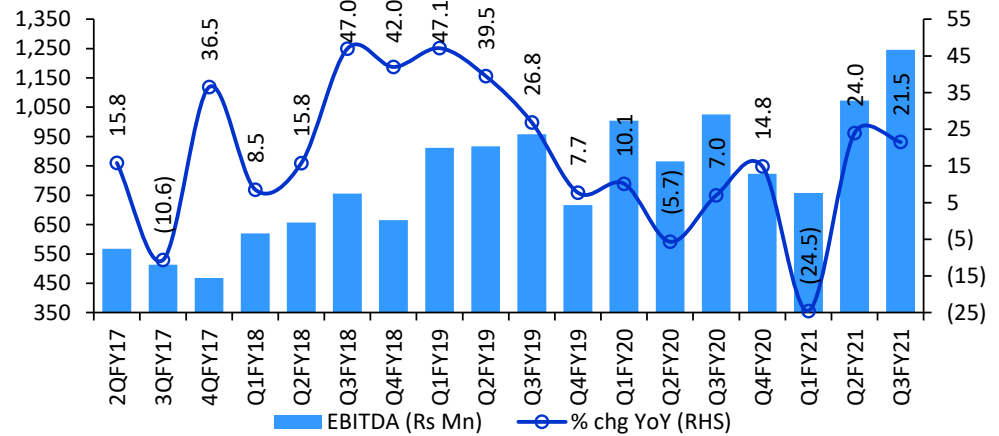
Source: DART, Company

Exhibit 11: Revenue trend



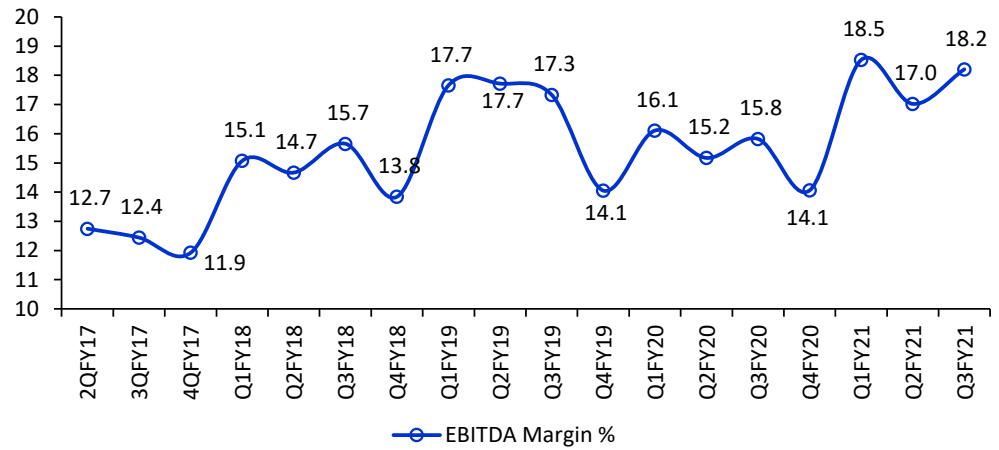
Source: DART, Company

Exhibit 12: EBITDA trend



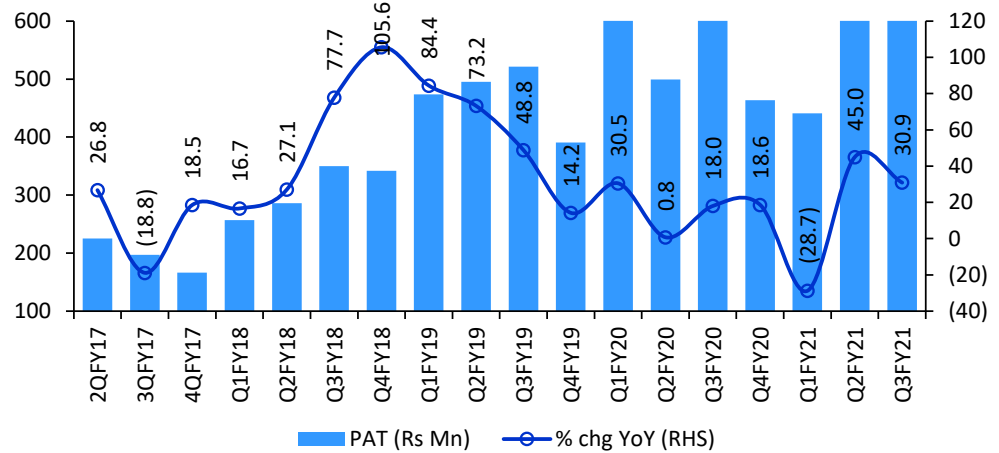
Source: DART, Company

Exhibit 13: EBITDA margin (%)



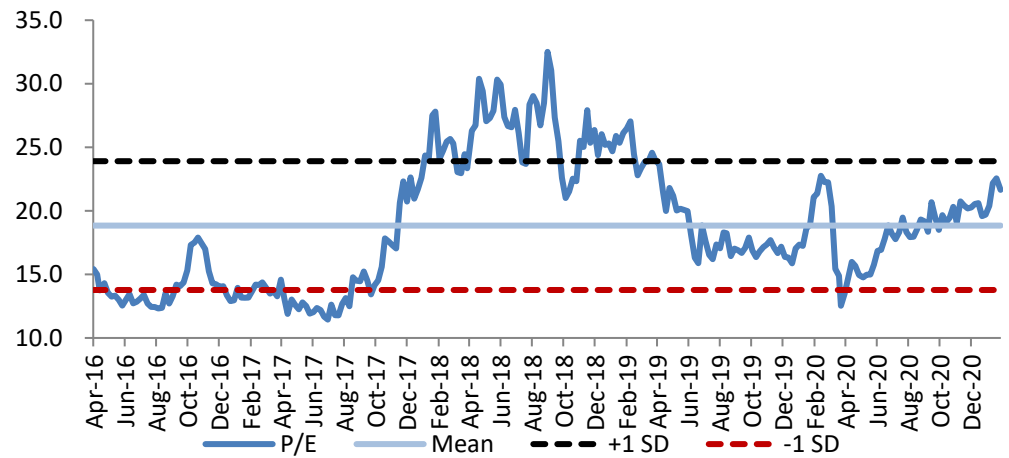
Source: DART, Company

Exhibit 14: PAT trend



Source: DART, Company

Exhibit 15: RDCK's PE valuation trend



Source: DART, Company

Exhibit 16: Peer valuation comparison

| Company | Mcap (Rs bn) | CMP (Rs) | TP (Rs) | + / (-) % | P/E (x) | | | EV/EBITDA (x) | | | P/B (x) | | | ROE (%) | | |
|---------|--------------|----------|---------|-----------|---------|-------|-------|---------------|-------|-------|---------|-------|-------|---------|-------|-------|
| | | | | | FY21 E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY22E |
| UBL | 258 | 1,283 | 1,476 | 13.5 | 273.9 | 47.7 | 42.2 | 83.6 | 27.1 | 24.6 | 10.3 | 9.2 | 8.1 | 3.7 | 20.4 | 20.5 |
| UNSP | 432 | 594 | 631 | 6.2 | 98.3 | 46.4 | 37.2 | 46.9 | 27.9 | 23.2 | 10.4 | 8.5 | 6.9 | 8.1 | 20.2 | 20.5 |
| Radico | 66 | 494 | 625 | 27.7 | 25.4 | 20.8 | 18.4 | 16.5 | 13.2 | 11.7 | 3.8 | 3.2 | 2.8 | 16.3 | 16.9 | 16.2 |

Source: DART

Exhibit 17: Key assumptions

| | IGAAP | IGAAP | IndAS | IndAS | IndAS | IndAS | IndAS | IndAS | IndAS |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E | FY23E |
| Volumes (Mn Cases) | | | | | | | | | |
| P&A | 4.0 | 4.4 | 4.8 | 5.0 | 6.1 | 7.1 | 6.3 | 7.7 | 8.4 |
| Popular | 15.4 | 13.8 | 13.5 | 14.5 | 15.5 | 17.3 | 15.7 | 17.9 | 18.8 |
| Total | 19.5 | 18.2 | 18.3 | 19.5 | 21.6 | 24.3 | 22.1 | 25.7 | 27.1 |
| Growth YoY (%) | | | | | | | | | |
| P&A | 8.6 | 8.9 | 8.0 | 6.2 | 21.3 | 15.2 | -10.1 | 21.6 | 8.5 |
| Popular | (7.2) | (10.7) | (2.0) | 7.0 | 7.2 | 11.4 | -8.9 | 14.2 | 4.5 |
| Total | (4.3) | (6.6) | 0.4 | 6.8 | 10.8 | 12.4 | -9.2 | 16.3 | 5.7 |
| Mix (%) | | | | | | | | | |
| P&A | 20.7 | 24.2 | 26.0 | 25.9 | 28.3 | 29.0 | 28.7 | 30.0 | 30.8 |
| Popular | 79.3 | 75.8 | 74.0 | 74.1 | 71.7 | 71.0 | 71.3 | 70.0 | 69.2 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Realization (Rs/Case) | | | | | | | | | |
| P&A | 1,255 | 1,111 | 1,120 | 1,202 | 1,315 | 1,390 | 1,469 | 1,545 | 1,591 |
| Popular | 541 | 510 | 500 | 533 | 558 | 573 | 596 | 616 | 635 |
| Total | 689 | 656 | 661 | 707 | 772 | 810 | 847 | 895 | 930 |
| Growth YoY (%) | | | | | | | | | |
| P&A | 2.8 | (11.4) | 0.8 | 7.4 | 9.3 | 5.7 | 5.7 | 5.2 | 3.0 |
| Popular | (2.2) | (5.7) | (2.0) | 6.6 | 4.6 | 2.7 | 3.9 | 3.4 | 3.0 |
| Total | 2.1 | (4.9) | 0.9 | 6.8 | 9.3 | 4.9 | 4.5 | 5.7 | 3.9 |
| Revenue (Rs Mn) | | | | | | | | | |
| P&A | 5,070 | 4,890 | 5,319 | 6,067 | 8,046 | 9,800 | 9,312 | 11,909 | 13,309 |
| Popular | 8,354 | 7,036 | 6,759 | 7,710 | 8,647 | 9,887 | 9,361 | 11,055 | 11,899 |
| IMFL subtotal | 13,424 | 11,926 | 12,077 | 13,776 | 16,693 | 19,686 | 18,673 | 22,964 | 25,208 |
| Non IMFL | 5,041 | 4,592 | 4,722 | 4,453 | 4,277 | 4,584 | 4,720 | 5,031 | 5,082 |
| Total | 18,465 | 16,518 | 16,799 | 18,230 | 20,970 | 24,270 | 23,393 | 27,996 | 30,290 |
| Growth YoY (%) | | | | | | | | | |
| P&A | 11.7 | (3.6) | 8.8 | 14.1 | 32.6 | 21.8 | -5.0 | 27.9 | 11.8 |
| Popular | (9.2) | (15.8) | (3.9) | 14.1 | 12.2 | 14.3 | -5.3 | 18.1 | 7.6 |
| IMFL subtotal | (2.3) | (11.2) | 1.3 | 14.1 | 21.2 | 17.9 | -5.1 | 23.0 | 9.8 |
| Non IMFL | 4.4 | (8.9) | 2.8 | (5.7) | (4.0) | 7.2 | 3.0 | 6.6 | 1.0 |
| Total | (0.6) | (10.5) | 1.7 | 8.5 | 15.0 | 15.7 | -3.6 | 19.7 | 8.2 |
| Mix (%) | | | | | | | | | |
| P&A | 27.5 | 29.6 | 31.7 | 33.3 | 38.4 | 40.4 | 39.8 | 42.5 | 43.9 |
| Popular | 45.2 | 42.6 | 40.2 | 42.3 | 41.2 | 40.7 | 40.0 | 39.5 | 39.3 |
| IMFL subtotal | 72.7 | 72.2 | 71.9 | 75.6 | 79.6 | 81.1 | 79.8 | 82.0 | 83.2 |
| Non IMFL | 27.3 | 27.8 | 28.1 | 24.4 | 20.4 | 18.9 | 20.2 | 18.0 | 16.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Exhibit 18: Key assumptions...

| | IGAAP | IGAAP | IndAS | IndAS | IndAS | IndAS | IndAS | IndAS | IndAS |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E | FY23E |
| P&L (Rs Mn) | | | | | | | | | |
| Net revenue | 14,884 | 16,518 | 16,799 | 18,228 | 20,969 | 24,270 | 23,393 | 27,996 | 30,290 |
| RM | 7,196 | 8,938 | 9,214 | 9,522 | 10,143 | 12,580 | 11,514 | 14,138 | 15,221 |
| GP | 7,688 | 7,580 | 7,585 | 8,706 | 10,826 | 11,691 | 11,879 | 13,858 | 15,069 |
| Employee cost | 1,195 | 1,283 | 1,403 | 1,549 | 1,714 | 1,861 | 1,796 | 1,999 | 2,168 |
| S&D | 4,789 | 1,772 | 1,979 | 2,159 | 2,881 | 3,112 | 2,968 | 3,435 | 3,727 |
| Other Exps | 0 | 2,647 | 2,082 | 2,300 | 2,728 | 3,000 | 2,992 | 3,422 | 3,713 |
| Operating Exps | 5,984 | 5,703 | 5,464 | 6,008 | 7,323 | 7,973 | 7,756 | 8,856 | 9,609 |
| EBITDA | 1,704 | 1,877 | 2,121 | 2,698 | 3,503 | 3,717 | 4,123 | 5,002 | 5,461 |
| PBT | 871 | 987 | 1,097 | 1,873 | 2,857 | 2,968 | 3,442 | 4,318 | 4,871 |
| RPAT | 676 | 734 | 809 | 1,235 | 1,881 | 2,274 | 2,599 | 3,174 | 3,580 |
| APAT | 676 | 734 | 809 | 1,235 | 1,881 | 2,196 | 2,599 | 3,174 | 3,580 |
| Common Size (%) | | | | | | | | | |
| Net revenue | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| RM | 48.3 | 54.1 | 54.8 | 52.2 | 48.4 | 51.8 | 49.2 | 50.5 | 50.2 |
| GP | 51.7 | 45.9 | 45.2 | 47.8 | 51.6 | 48.2 | 50.8 | 49.5 | 49.8 |
| Employee cost | 8.0 | 7.8 | 8.4 | 8.5 | 8.2 | 7.7 | 7.7 | 7.1 | 7.2 |
| S&D | 32.2 | 10.7 | 11.8 | 11.8 | 13.7 | 12.8 | 12.7 | 12.3 | 12.3 |
| Other Exps | 0.0 | 16.0 | 12.4 | 12.6 | 13.0 | 12.4 | 12.8 | 12.2 | 12.3 |
| Operating Exps | 40.2 | 34.5 | 32.5 | 33.0 | 34.9 | 32.9 | 33.2 | 31.6 | 31.7 |
| EBITDA | 11.4 | 11.4 | 12.6 | 14.8 | 16.7 | 15.3 | 17.6 | 17.9 | 18.0 |
| PBT | 5.9 | 6.0 | 6.5 | 10.3 | 13.6 | 12.2 | 14.7 | 15.4 | 16.1 |
| RPAT | 4.5 | 4.4 | 4.8 | 6.8 | 9.0 | 9.4 | 11.1 | 11.3 | 11.8 |
| APAT | 4.5 | 4.4 | 4.8 | 6.8 | 9.0 | 9.0 | 11.1 | 11.3 | 11.8 |
| Change YoY (%) | | | | | | | | | |
| Net revenue | 2.5 | 11.0 | 1.7 | 8.5 | 15.0 | 15.7 | (3.6) | 19.7 | 8.2 |
| RM | 10.2 | 24.2 | 3.1 | 3.3 | 6.5 | 24.0 | (9.1) | 22.8 | 7.7 |
| GP | (3.7) | (1.4) | 0.1 | 14.8 | 24.4 | 8.0 | 2.3 | 16.7 | 8.7 |
| Employee cost | 28.3 | 7.4 | 9.4 | 10.4 | 10.6 | 8.6 | (3.5) | 11.3 | 8.5 |
| S&D | (6.5) | (7.7) | 11.7 | 9.1 | 33.5 | 8.0 | (4.6) | 15.7 | 8.5 |
| Other Exps | 0.0 | 0.0 | (21.4) | 10.5 | 18.6 | 10.0 | 2.5 | 14.4 | 8.5 |
| Operating Exps | (1.1) | (4.7) | (4.2) | 10.0 | 21.9 | 8.9 | (1.7) | 14.2 | 8.5 |
| EBITDA | (11.9) | 10.2 | 13.0 | 27.2 | 29.9 | 6.1 | 10.9 | 21.3 | 9.2 |
| PBT | (18.1) | 13.3 | 11.1 | 70.8 | 52.5 | 3.9 | 16.0 | 25.4 | 12.8 |
| RPAT | (5.1) | 8.6 | 10.1 | 52.7 | 52.3 | 20.9 | 14.3 | 22.1 | 12.8 |
| APAT | (5.1) | 8.6 | 10.1 | 52.7 | 52.3 | 16.8 | 18.3 | 22.1 | 12.8 |

Source: DART, Company

Profit and Loss Account

| (Rs Mn) | FY20A | FY21E | FY22E | FY23E |
|--|---------------|---------------|---------------|---------------|
| Revenue | 24,270 | 23,393 | 27,996 | 30,290 |
| Total Expense | 20,553 | 19,270 | 22,994 | 24,829 |
| COGS | 12,662 | 11,514 | 14,138 | 15,221 |
| Employees Cost | 1,861 | 1,796 | 1,999 | 2,168 |
| Other expenses | 6,031 | 5,960 | 6,857 | 7,440 |
| EBIDTA | 3,717 | 4,123 | 5,002 | 5,461 |
| Depreciation | 525 | 535 | 570 | 602 |
| EBIT | 3,192 | 3,589 | 4,432 | 4,858 |
| Interest | 316 | 253 | 230 | 115 |
| Other Income | 92 | 106 | 116 | 128 |
| Exc. / E.O. items | (242) | 0 | 0 | 0 |
| EBT | 2,726 | 3,442 | 4,318 | 4,871 |
| Tax | 452 | 843 | 1,144 | 1,291 |
| RPAT | 2,274 | 2,599 | 3,174 | 3,580 |
| Minority Interest | 0 | 0 | 0 | 0 |
| Profit/Loss share of associates | 0 | 0 | 0 | 0 |
| APAT | 2,196 | 2,599 | 3,174 | 3,580 |

Balance Sheet

| (Rs Mn) | FY20A | FY21E | FY22E | FY23E |
|-------------------------------|---------------|---------------|---------------|---------------|
| Sources of Funds | | | | |
| Equity Capital | 267 | 267 | 267 | 267 |
| Minority Interest | 0 | 0 | 0 | 0 |
| Reserves & Surplus | 14,938 | 17,215 | 20,066 | 23,325 |
| Net Worth | 15,205 | 17,482 | 20,333 | 23,592 |
| Total Debt | 3,989 | 3,408 | 1,704 | 852 |
| Net Deferred Tax Liability | 949 | 746 | 621 | 553 |
| Total Capital Employed | 20,143 | 21,637 | 22,659 | 24,997 |

Applications of Funds

| | | | | |
|---|---------------|------------------|---------------|---------------|
| Net Block | 7,434 | 7,586 | 7,703 | 7,790 |
| CWIP | 181 | 90 | 45 | 23 |
| Investments | 2,768 | 2,768 | 2,768 | 2,768 |
| Current Assets, Loans & Advances | 14,221 | 16,033 | 17,740 | 20,271 |
| Inventories | 3,742 | 4,062 | 4,506 | 4,769 |
| Receivables | 8,231 | 8,687 | 9,486 | 10,595 |
| Cash and Bank Balances | 182 | 1,103 | 1,445 | 2,473 |
| Loans and Advances | 0 | 0 | 0 | 0 |
| Other Current Assets | 2,066 | 2,180 | 2,303 | 2,434 |
| Less: Current Liabilities & Provisions | 4,461 | 4,841 | 5,598 | 5,855 |
| Payables | 2,642 | 2,289 | 2,574 | 2,559 |
| Other Current Liabilities | 1,818 | 2,552 | 3,024 | 3,296 |
| | | <i>sub total</i> | | |
| Net Current Assets | 9,760 | 11,192 | 12,142 | 14,416 |
| Total Assets | 20,143 | 21,637 | 22,659 | 24,997 |

E – Estimates

Important Ratios

| Particulars | FY20A | FY21E | FY22E | FY23E |
|---|--------|--------|--------|--------|
| (A) Margins (%) | | | | |
| Gross Profit Margin | 47.8 | 50.8 | 49.5 | 49.8 |
| EBIDTA Margin | 15.3 | 17.6 | 17.9 | 18.0 |
| EBIT Margin | 13.2 | 15.3 | 15.8 | 16.0 |
| Tax rate | 16.6 | 24.5 | 26.5 | 26.5 |
| Net Profit Margin | 9.4 | 11.1 | 11.3 | 11.8 |
| (B) As Percentage of Net Sales (%) | | | | |
| COGS | 52.2 | 49.2 | 50.5 | 50.2 |
| Employee | 7.7 | 7.7 | 7.1 | 7.2 |
| Other | 24.8 | 25.5 | 24.5 | 24.6 |
| (C) Measure of Financial Status | | | | |
| Gross Debt / Equity | 0.3 | 0.2 | 0.1 | 0.0 |
| Interest Coverage | 10.1 | 14.2 | 19.3 | 42.2 |
| Inventory days | 56 | 63 | 59 | 57 |
| Debtors days | 124 | 136 | 124 | 128 |
| Average Cost of Debt | 8.6 | 6.8 | 9.0 | 9.0 |
| Payable days | 40 | 36 | 34 | 31 |
| Working Capital days | 147 | 175 | 158 | 174 |
| FA T/O | 3.3 | 3.1 | 3.6 | 3.9 |
| (D) Measures of Investment | | | | |
| AEPS (Rs) | 16.4 | 19.5 | 23.8 | 26.8 |
| CEPS (Rs) | 20.4 | 23.5 | 28.0 | 31.3 |
| DPS (Rs) | 2.0 | 2.0 | 2.0 | 2.0 |
| Dividend Payout (%) | 12.2 | 10.3 | 8.4 | 7.5 |
| BVPS (Rs) | 113.9 | 130.9 | 152.3 | 176.7 |
| RoANW (%) | 16.0 | 15.9 | 16.8 | 16.3 |
| RoACE (%) | 15.0 | 13.6 | 15.4 | 15.5 |
| RoAIC (%) | 17.0 | 17.7 | 21.2 | 22.2 |
| (E) Valuation Ratios | | | | |
| CMP (Rs) | 489 | 489 | 489 | 489 |
| P/E | 29.8 | 25.1 | 20.6 | 18.3 |
| Mcap (Rs Mn) | 65,358 | 65,358 | 65,358 | 65,358 |
| MCap/ Sales | 2.7 | 2.8 | 2.3 | 2.2 |
| EV | 69,165 | 67,663 | 65,618 | 63,737 |
| EV/Sales | 2.8 | 2.9 | 2.3 | 2.1 |
| EV/EBITDA | 18.6 | 16.4 | 13.1 | 11.7 |
| P/BV | 4.3 | 3.7 | 3.2 | 2.8 |
| Dividend Yield (%) | 0.4 | 0.4 | 0.4 | 0.4 |
| (F) Growth Rate (%) | | | | |
| Revenue | 15.7 | (3.6) | 19.7 | 8.2 |
| EBITDA | 6.1 | 10.9 | 21.3 | 9.2 |
| EBIT | 3.7 | 12.4 | 23.5 | 9.6 |
| PBT | (4.6) | 26.3 | 25.4 | 12.8 |
| APAT | 16.8 | 18.3 | 22.1 | 12.8 |
| EPS | 16.8 | 18.3 | 22.1 | 12.8 |

Cash Flow

| (Rs Mn) | FY20A | FY21E | FY22E | FY23E |
|--------------|---------|---------|---------|---------|
| CFO | 989 | 2,874 | 3,365 | 3,052 |
| CFI | (1,058) | (798) | (768) | (734) |
| CFF | 74 | (1,155) | (2,256) | (1,289) |
| FCFF | 148 | 2,279 | 2,723 | 2,386 |
| Opening Cash | 177 | 182 | 1,103 | 1,445 |
| Closing Cash | 182 | 1,103 | 1,445 | 2,473 |

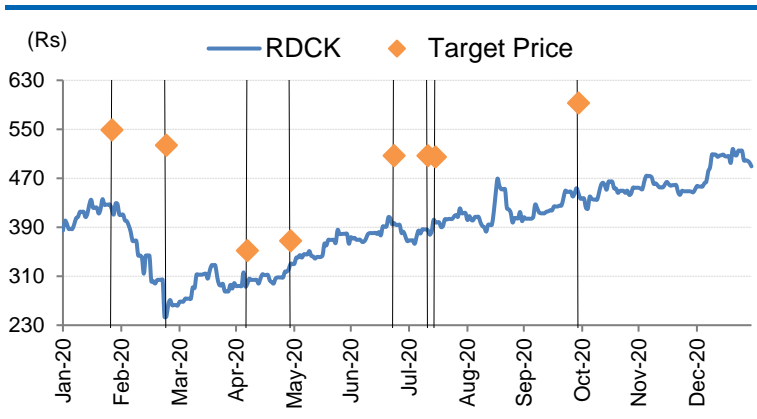
E – Estimates

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.) |
|--------|------------|----------|-------------|
| Feb-20 | BUY | 549 | 419 |
| Mar-20 | Buy | 524 | 244 |
| May-20 | Buy | 352 | 298 |
| May-20 | Accumulate | 368 | 330 |
| Jul-20 | BUY | 507 | 397 |
| Aug-20 | BUY | 507 | 385 |
| Aug-20 | BUY | 505 | 398 |
| Oct-20 | BUY | 593 | 446 |

*Price as on recommendation date

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