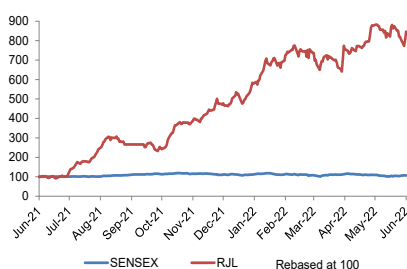


Mid-to-long term prospect intact in spite of temporary blip in sales momentum

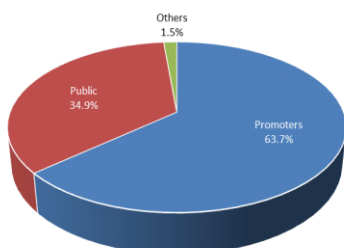
BUY

Sector	: Gems & Jewellery
Target Price	: ₹295
Last Closing Price	: ₹190
Market Cap	: ₹448 crore
52-week High/Low	: ₹201/21
Daily Avg Vol (12M)	: 52,139
Face Value	: ₹10
Beta	: 0.73
Pledged Shares	: 0.0%
Year End	: March
BSE Scrip Code	: 540125
NSE Scrip Code	: N/A
Bloomberg Code	: RADJL IN
Reuters Code	: RDHI.BO
Nifty	: 16,523
BSE Sensex	: 55,381
Analyst	: Research Team

Price Performance



Shareholding Pattern



4Q FY22 Update

Results Analysis

- Radhika Jeweltech Limited's (R.J.L.'s) 4Q FY22 and consequently FY22 results came in below our expectations. Revenues were down 9.7% y-o-y to Rs 53.1 crore in 4Q FY22, while for the financial year, sales were up 69.4% to Rs 232.8 crore.
- EBITDA was lower by 38.9% y-o-y to Rs 6.4 crore as EBITDA margin declined by 574 bps y-o-y to 12.0% in 4Q FY22. In FY22, EBITDA was up 52.4% to Rs 35.2 crore in spite of a 168 bps drop in EBITDA margin to 15.1%
- PAT declined by 56.8% y-o-y to Rs 4.4 crore with PAT margin falling 914 bps y-o-y to 8.4% in 4Q FY22. FY22 PAT expanded by 19.6% to Rs 27.1 crore, even as PAT margin slid 483 bps to 11.6% in line with a fall in the EBITDA margin, which was further exacerbated by a higher effective tax rate as a result of a deferred tax credit in the previous year.

Outlook & Valuation

R.J.L.'s sales momentum witnessed a temporary blip in 4Q FY22, possibly due to the Omicron wave of Covid-19 in January and subsequently a postponement in buying by customers due to a steep rise in gold prices in March. Nonetheless, the company delivered an overall strong performance in FY22, marked by robust growth in sales and profits. The most important driver for R.J.L.'s growth in the near-to-medium term is the planned new showroom that is expected to start operating by 2Q FY23. Serviced by 150 sales representatives, the 10,000 sqft showroom in Rajkot city's upmarket Kalawad Road neighbourhood will increase the company's total retail space to 5x its current area, pushing R.J.L.'s revenues to a significantly higher trajectory. With a history of over 3 decades in Rajkot, the Radhika brand has gained considerable goodwill amongst customers. The R.J.L stock gained 7% since we initiated coverage on the company on 21 April 2022. Based on an unchanged target multiple of 10.0x FY24E EPS, we arrive at a price target of Rs 295, reiterating a BUY with an upside of 55%.

Key Financial Metrics

₹ crore	FY20A	FY21A	FY22A	FY23E	FY24E
Operating revenue	171.8	137.4	232.8	432.4	581.5
Growth		-20.0%	69.4%	85.8%	34.5%
EBITDA	13.7	23.1	35.2	66.5	91.6
EBITDA margin	8.0%	16.8%	15.1%	15.4%	15.8%
PAT	12.8	22.6	27.1	50.6	69.5
PAT margin	7.5%	16.5%	11.6%	11.7%	12.0%
Diluted EPS (₹)	5.43	9.58	11.47	21.46	29.47

Source: Company data, Khambatta Research

Radhika Jeweltech Limited

01 June 2022

Financial Performance

₹ crore	4Q FY21	3Q FY22	4Q FY22	Y-o-Y	Q-o-Q	FY21	FY22	Y-o-Y
Operating revenue	58.8	92.0	53.1	-9.7%	-42.2%	137.4	232.8	69.4%
EBITDA	10.4	15.1	6.4	-38.9%	-58.0%	23.1	35.2	52.4%
EBITDA margin	17.7%	16.5%	12.0%	-574 bps	-449 bps	16.8%	15.1%	-168 bps
PAT	10.3	11.3	4.4	-56.8%	-60.6%	22.6	27.1	19.6%
PAT margin	17.5%	12.3%	8.4%	-914 bps	-389 bps	16.5%	11.6%	-483 bps
Diluted EPS (₹)	4.36	4.78	1.88	-56.8%	-60.6%	9.58	11.47	19.6%

Source: Company data, Khambatta Research

Profit & Loss Account

₹ crore	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Operating revenue	173.0	171.8	137.4	232.8	432.4	581.5
Growth		-0.7%	-20.0%	69.4%	85.8%	34.5%
Cost of goods sold	144.6	143.8	102.1	185.2	342.5	459.6
Gross profit	28.4	28.0	35.3	47.6	89.9	121.8
Gross margin	16.4%	16.3%	25.7%	20.4%	20.8%	21.0%
Operating expenses	11.9	14.3	12.2	12.3	23.4	30.2
EBITDA	16.5	13.7	23.1	35.2	66.5	91.6
EBITDA margin	9.6%	8.0%	16.8%	15.1%	15.4%	15.8%
Depreciation & amortization	0.3	0.2	0.1	0.3	0.4	0.3
EBIT	19.6	16.4	29.9	36.9	68.2	93.5
Interest expense	4.3	2.5	0.3	0.5	0.5	0.5
PBT	15.3	13.9	29.6	36.4	67.7	93.0
Tax expense	6.9	1.1	7.0	9.3	17.1	23.4
PAT	8.4	12.8	22.6	27.1	50.6	69.5
PAT margin	4.9%	7.5%	16.5%	11.6%	11.7%	12.0%
Diluted EPS (₹)	3.56	5.43	9.58	11.47	21.46	29.47

Source: Company data, Khambatta Research

Abridged Balance Sheet

₹ crore	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Total share capital	126.6	138.0	163.4	188.1	236.3	303.5
Total debt	49.3	24.0	24.3	22.2	23.5	24.9
Total current liabilities	5.8	5.7	28.0	23.1	24.8	26.5
Total equity & liabilities	181.8	167.7	191.4	211.1	261.1	330.1
PP&E	0.8	0.6	0.4	1.7	1.6	1.3
Inventory	110.1	119.2	134.4	161.5	205.5	290.7
Cash & cash equivalents	44.8	18.5	51.3	42.2	47.3	30.7
Total current assets	160.8	147.0	186.0	204.5	254.5	323.7
Total assets	181.8	167.7	191.4	211.1	261.1	330.1

Source: Company data, Khambatta Research

Radhika Jeweltech Limited

01 June 2022

Guide to Khambatta's research approach

Valuation methodologies

We apply the following absolute/relative valuation methodologies to derive the 'fair value' of the stock as a part of our fundamental research:

DCF: The Discounted Cash Flow (DCF) method values an estimated stream of future free cash flows discounted to the present day, using a company's WACC or cost of equity. This method is used to estimate the attractiveness of an investment opportunity and as such provides a good measure of the company's value in absolute terms. There are several approaches to discounted cash flow analysis, including Free Cash Flow to Firm (FCFF), Free Cash Flow to Equity (FCFE) and the Dividend Discount Model (DDM). The selection of a particular approach depends on the particular company being researched and valued.

ERE: The Excess Return to Equity (ERE) method takes into consideration the absolute value of a company's return to equity in excess of its cost of equity discounted to the present day using the cost of equity. This methodology is more appropriate for valuing banking stocks than FCFF or FCFE methodologies.

Relative valuation: In relative valuation, various comparative multiples or ratios including Price/Earnings, Price/Sales, EV/Sales, EV/EBITDA, Price/Book Value are used to assess the relative worth of companies which operate in the same industry/industries and are thereby in the same peer group. Generally our approach involves the use of two multiples to estimate the relative valuation of a stock.

Other methodologies such as DuPont Analysis, CFROI, NAV and Sum-of-the-Parts (SOTP) are applied where appropriate.

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Buy recommendations are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) by at least 15%.

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Radhika Jeweltech Limited**01 June 2022**

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