

Q4FY22: Strong volume growth; margins affected due to inflated raw material prices
Important Statistics

- Total IMFL volume of 7.29 mn cases (+16.3% YoY).
- Prestige & above brands volume of 2.27 mn cases (28.1% YoY).
- Prestige & Above brands contribution to the total IMFL volumes of 31.1% (vs. 28.2%)
- Net sales increased by 17.9% to ₹813Cr
- Due to inflationary pressure, gross margin contracted from 48% to 42.7% YoY.
- EBITDA declined 20% and margin contracted to 10% (480 bps) YoY.

M.CAP (₹ cr)	₹10,501
52 Week H/L (₹)	₹1,300/643
NSE Code	RADICO
BSE Code	532497

Key takeaways from Q4FY22 result
Volumes Growth:

- Radico Khaitan's net sales grew 18% to ₹813 Cr. Total IMFL volume growth was 16.3% y-o-y led by Prestige & Above category volume growth of 28.1%. Prestige & Above net revenue growth was 30.5% compared to Q4FY2021. Prestige & Above brands contribution to the total IMFL sales value of 55.7% (vs. 51.6%)

Gross Margin:

- Gross Margin during the quarter was 42.7% YoY.
- Continued commodity inflation had a strong bearing on gross margins, particularly in the non-IMFL business. Given a favorable product mix change, impact of cost push on the gross margin of the IMFL business was mitigated to a large extent
- In the near term, the inflationary scenario is expected to remain unpredictable. During this period, the company is focused on value engineering across the brand portfolio to minimize the impact of cost push.

Price Increase:

- The company have also received price increases in a few states which would help offset the input cost pressure to a large extent. This coupled with the backward integration benefit from Rampur dual feed plant is expected to support profitability improvement during the second half of FY2023.
- In Uttar Pradesh, prices were increased by 7-8%, in Uttarakhand by 10-15%, in Madhya Pradesh by 10%, and in Rajasthan by 6%. The company is expecting to receive price increases in other states as well in coming months.

Operating efficiency:

- EBITDA declined by 20.4% and margin contracted to 10% (480 bps) YoY. PAT declined by 31% to ₹46.5Cr. PAT margin stood at 5.7% vs 9.8% in Q4FY21.
- Employee benefit expenses increased by 14.6% y-o-y to ₹37.4Cr and QoQ basis it declined 5.9%.
- Selling & distribution expenses has increased by 10.6% YoY to ₹98.5Cr while QoQ basis it increased by 14.4%

Shareholding pattern (%)	Mar'22
Promoter	40.3
Institutions	38.5
Others	21.2

- Finance cost decreased by 50% y-o-y from ₹4.6Cr to ₹2.3Cr. The company's cost of borrowing is one of the lowest in the industry due to a lower interest environment, stable profitability, strong capital structure and improved liquidity position.
- The increase in other expenses is due to higher power & fuel cost and other production related overheads. The base quarter was also impacted by the second wave COVID-19.

➤ Continued to invest behind brands:

- The company's strategy is to continue to make judicious marketing investments over existing core brands and new launches to sustain the growth and market share. On a quarterly basis, the amount may vary but management expect to maintain A&SP to be around 7-8% of IMFL revenues to be able to drive the sales momentum.

➤ New launches:

- Royal Crafted Whisky and two variants of Magic Moments Dazzle Vodka which were launched in Oct'21, has received very strong feedback from consumers as well as trade channels for its exclusive blend, exciting packaging and unique market positioning. These brands have now available across 7 states.
- In the month of Feb'22, 8PM Premium Black whisky achieved volumes of 2mn cases and now is available across 20 states. This truly reflects the strong consumer franchise that brands enjoy.

➤ Net Debt:

- Net debt as of Mar'22 stands at ₹116Cr. The focus on free cash flow generation, helped to reduce net debt by ₹82Cr during the year after investment in growth capex. In the mid to long-term, company will stay on course of strategy to drive profitable growth and strengthen premium product portfolio through select new launches and expanding width of distribution for existing products.

As of Dec'21	₹ cr	Comment
Total Debt	189.9	Long term ₹5Cr
Cash & Cash Equivalent	(73.9)	
Net Debt	116	Reduction of ₹62Cr since Mar'21

Source: Company Filing, Way2wealth Research

➤ Capacity Expansion:

- **Expanding existing Rampur (UP)**
 - In addition to the conversion of Rampur existing 140 KLPD molasses plant into dual feed (Molasses and Grain based), the company will also install DDGS dryer for the existing 100 KLPD grain plant.
 - Post conversion grain ENA production at the Rampur campus will increase from 100 KLPD to ~260 KLPD and this will also make the entire Rampur campus 100% self sufficient on its power requirements using bio fuels (from 71% currently)
 - Rampur dual feed plant to be operational by Q3FY2023.

Greenfield Distillery Sitapur (UP)

- Spread over 100 acres, the new greenfield distillery will not only add to the growth of the company's branded business but also secure ENA supplies to the local manufacturing as well as supplies to the contract bottling units
- In addition to producing 350 KLPD of ENA, Sitapur campus will also have the Bottling capacity of 10 million cases each of IMFL and CL to be set up in phased manner (Q4FY23) and Malt maturation hall keeping in view the future growth potential of Rampur Indian Single Malt
- As per management, both these projects are expected to be return accretive with average ROCE in the range of 20-23%

➤ Guidance:

- The management remained positive on maintaining strong volume growth in P&A category and aims to achieve high teens EBITDA margin going forward. The company expect to maintain a double digit IMFL volume expansion trajectory in FY2023.
- The company expects margins to get back to historic level of 16-17% in FY2024 from 14% in FY2022. Backward integration benefit from Rampur dual feed plant is expected to support profitability improvement during the second half of FY2023.

➤ Industry growth vs Radico's growth

Volume Growth	Industry	Radico Khaitan
FY19	9%	11%
FY20	0.4%	12%
FY21	-14%	-8%
Q2FY22	6-7%	12%
Q3FY22	14%	18.6%
FY22	13%	18%

Source: Company Filing, Way2wealth Research

➤ FY22 Performance:

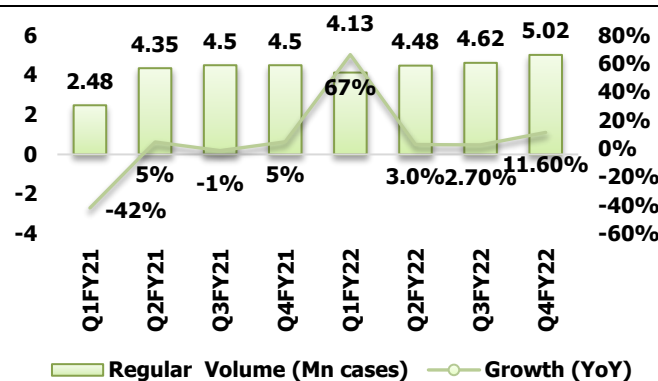
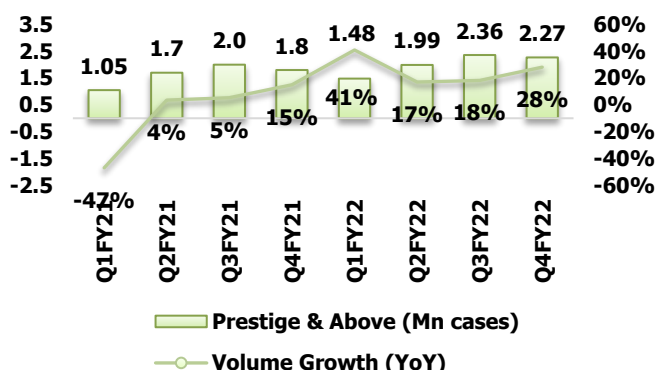
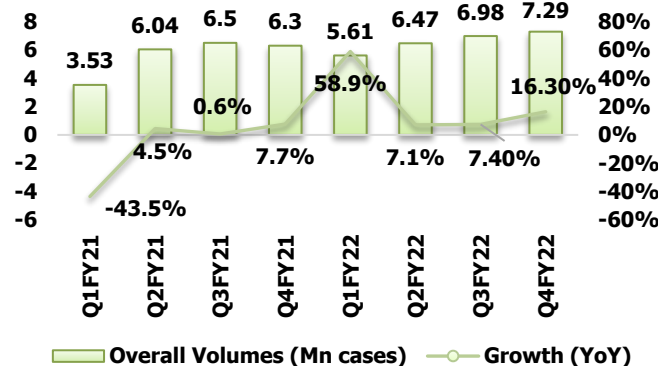
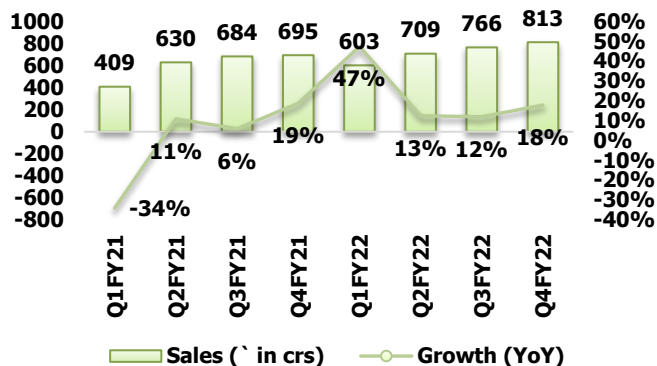
- Total IMFL volume of 26.35 Million Cases (+17.9%)
- Prestige & Above brands volume of 8.11 Million Cases (+24.5%)
- Revenue from Operations (Net) of ₹2,868Cr (+19.6%)
- Gross profit of ₹1,291Cr (7.9%)
- EBITDA of ₹403Cr at 14% margin
- Interest costs of ₹13.1Cr (-40.5%)

6th June 2022

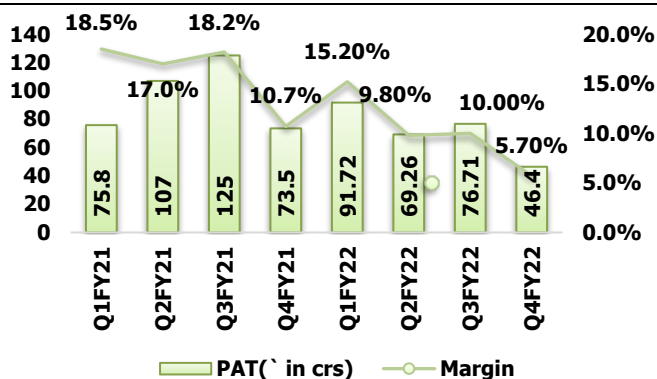
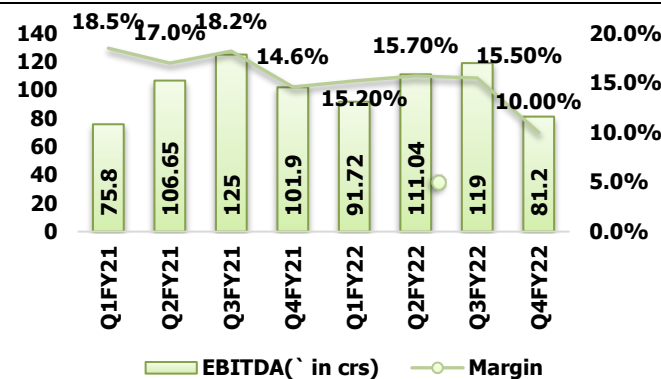
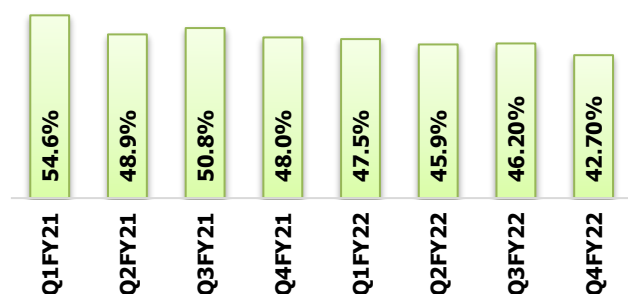
CMP – ₹787/-

View – Add on Dips

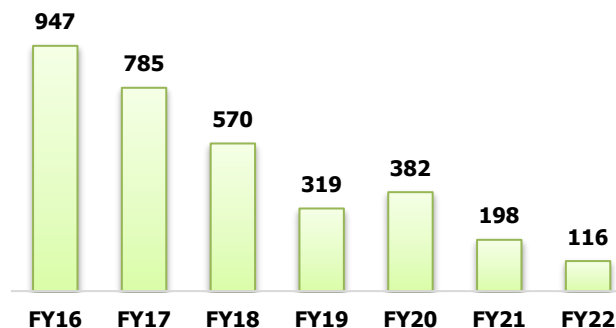
Story in charts



Gross Margin



Net Debt (in cr)



Source: Company, Way2Wealth Research

6th June 2022

CMP – ₹787/-

 View – **Add on Dips**
Risks

- Inflation in raw material prices
- Any change in rules and regulations by the respective state governments with regard to IMFL industry can impact the business.

View

The stock has gained ~1x from November'20 levels when we covered the stock around ₹462 share.

We feel Radico Khaitan is a good long term play considering its consistence out performance. The company expects margins to get back to historic level of 16-17% in FY2024 from 14% in FY2022, on account of strong portfolio of premium products, backward integration benefits from Rampur dual feed plant and volume increase in the IMFL segment

At its CMP of ₹787/-, the stock trades at ~39.9. its FY22 earnings of ₹19.7. The Radico Khaitan Ltd stock has corrected by around 40% from its 52-week high and investors can use this opportunity to add this stock on corrections.

6th June 2022

CMP – ₹787/-

View – Add on Dips

Quarterly Performance

(₹ Cr)

	Q4FY22	Q4FY21	VAR [%]	Q3FY22	VAR [%]	FY22	FY21	VAR [%]
Gross Sales	3224.45	2946.44	9.4%	3306.67	-2.5%	12492.6	10517.89	18.8%
Excise duty on Sales	2411.93	2257.21	%	2540.58		9602.39	8105.25	%
Net Sales (Net of Excise Duty)	812.52	689.23	17.9%	766.09	6.1%	2890.21	2412.64	19.8%
Other Income	2.13	5.78	-63.1%	1.61	32.3%	7.43	13.96	-46.8%
TOTAL INCOME	814.7	695.0	17.2%	767.7	6.1%	2897.6	2426.6	19.4%
Total Raw Material Cost	465.5	358.4	29.9%	412.0	13.0%	1577.4	1202.4	31.2%
Cost of Raw Material & Components Consumed	455.22	370.32	22.9%	414.41	9.8%	1579.26	1238.83	27.5%
(Increase)/ Decrease in Inventories	8.55	-12.52	-168.3%	-1.99	-529.6%	-3.95	-38.18	-89.7%
Purchase of Traded Goods	1.71	0.55	210.9%	-0.41	-517.1%	2.12	1.77	19.8%
<i>Total Raw Material Cost % to Sales</i>	<i>57.3%</i>	<i>52.0%</i>		<i>53.8%</i>		<i>54.6%</i>	<i>49.8%</i>	
Employee Cost	37.42	32.65	14.6%	35.34	5.9%	141.25	124.02	13.9%
<i>Employee Cost % to Sales</i>	<i>4.6%</i>	<i>4.7%</i>		<i>4.6%</i>		<i>4.9%</i>	<i>5.1%</i>	
Selling & Distribution Expenses	98.5	89.06	10.6%	86.09	14.4%	335.78	311.01	8.0%
<i>Selling & Distribution Expenses % of Sales</i>	<i>12.1%</i>	<i>12.9%</i>		<i>11.2%</i>		<i>11.6%</i>	<i>12.9%</i>	
Other Expenses	131.49	107.79	22.0%	113.54	15.8%	433.45	366.22	18.4%
<i>Other Expenses % of Sales</i>	<i>16.2%</i>	<i>15.6%</i>		<i>14.8%</i>		<i>15.0%</i>	<i>15.2%</i>	
TOTAL EXPENDITURE	732.9	587.9	24.7%	647.0	13.3%	2487.9	2003.7	24.2%
EBIDTA	79.6	101.4	-21.5%	119.1	-33.1%	402.3	409.0	-1.6%
EBIDTA Margin %	9.8%	14.7%		15.5%		13.9%	17.0%	
Finance Costs	2.29	4.62	-50.4%	3.12	-26.6%	13.1	22.01	-40.5%
PBDT	79.5	102.5	-22.5%	117.6	-32.4%	396.6	400.9	-1.1%
Depreciation, Ammortization & Impairment	16.39	14.2	15.4%	16.94	-3.2%	64.88	53.9	20.4%
PBT before Tax	63.1	88.3	-28.6%	100.7	-37.3%	331.7	347.0	-4.4%
Tax	16.58	20.88		23.93	#REF!	83.09	82.52	
<i>Tax Rate %</i>	<i>26.3%</i>	<i>23.6%</i>		<i>23.8%</i>		<i>25.0%</i>	<i>23.8%</i>	
Reported Profit After Tax	46.5	67.5	-31.1%	76.7	-39.4%	248.7	264.5	-6.0%
PAT Margin %	5.7%	9.8%		10.0%		8.6%	11.0%	
Share of net profit/(loss) in Associates and Joint Ventures using equity method	3.7	6.1		2.5		14.68	12.75	
Net profit for the period	50.2	73.6		79.3		263.3	277.3	
Other Comprehensive Income (net of tax)	1.1	0.5		0.3		0.33	-0.86	
Total Comprehensive Income	51.3	74.0	-30.7%	79.6	-35.5%	263.7	276.4	-4.6%
Basic:								
EPS	3.84	5.54	-30.7%	5.95	-35.5%	19.74	20.69	-4.6%
Equity	26.7	26.7	0.0%	26.7		26.7	26.7	0.0%
Face Value	2.0	2.0		2.0		2.0	2.0	

Source: Company Filing, Way2wealth Research

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Name of the Security	Radico Khaitan Ltd. (Radico)
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	Yes
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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