

Q2FY22: Strong volume-led revenue performance
Important Statistics

- Total IMFL volume of 6.47mn cases (7.1% YoY).
- Prestige & above brands volume of 1.99mn cases (17.7% YoY).
- Net sales increased by 12.5% to ₹709Cr
- Due to inflationary pressure, gross margin contracted from 48.9% to 45.9% YoY.
- EBITDA increased by 4.1% while margin contracted to 15.7% (126 bps) YoY.

M.CAP (₹ cr)	₹14,750
52 Week H/L (₹)	₹1215/423
NSE Code	RADICO
BSE Code	532497

Key takeaways from Q2FY22 result

➤ **Volumes Growth:**

- Radico Khaitan's net sales grew 12.5% to ₹709Cr as the company witnessed YoY growth in most top markets and the Prestige & Above category delivered robust sales growth of 22.1% YoY in Q2. Prestige & above as % of total IMFL volume stood at 31% vs 28% in Q2FY21.
- Overall volume grew by 7.1% YoY to 6.47mn cases. Regular & Others category delivered 3% YoY volume growth to 4.48mn cases in Q2FY22.

➤ **Gross Margin:**

- Gross margin contracted 306 bps to 45.9% YoY but on QoQ basis it has contracted by 169 bps YoY.
- This was impacted due to commodity inflation, particularly in the non-IMFL business. Gross margin for the IMFL business remained broadly stable owing to a favorable premium product mix

➤ **Operating efficiency:**

- EBITDA increased by 4.1% while margin contracted to 15.7% (126 bps) YoY. PAT declined by 4% to ₹69Cr. PAT margin stood at 9.8% vs 11.5% in Q2FY21.
- Employee benefit expenses increased by 25.2% y-o-y to ₹37.89Cr on a lower base of last year. In FY2021, there was no salary hike or variable pay due to COVID related uncertainties. Q2 FY2022 includes the full impact of the variable pay as well as salary increments
- Finance cost decreased by 43.8% y-o-y from ₹5.44Cr to ₹3.06Cr. 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.

➤ **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.

Shareholding pattern (%)	Mar'21
Promoter	40.3
Institutions	38.7
Public & Others	21.0

➤ **New launches:**

- The company has launched two of the most awaited super premium brands in October 2021- Royal Crafted Whisky and two variants of Magic Moments Dazzle Vodka. Both these brands have received very strong feedback from consumers as well as trade channels for its exclusive blend, exciting packaging and unique market positioning.

➤ **Debt reduction with improvement in working capital cycle days:**

- The company has reduced debt significantly by ₹79Cr to ₹119Cr in September 21 enabling healthy free cashflow generation, going ahead.
- Working capital days has improved from 61 days in FY16 to 33 days in H1FY22.

➤ **Guidance:**

- Demand environment in key markets remained strong. The company expects double-digit volume growth in P&A segment to sustain in Q3.
- The company targets to achieve margins in the high teens as P&A contribution is expected to increase to 35% from current 30%

➤ **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%

➤ **H1FY22 Performance:**

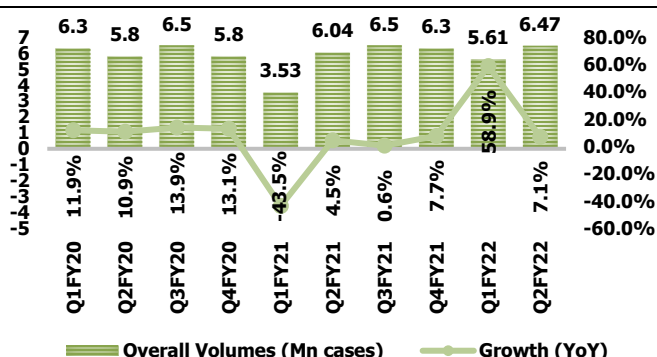
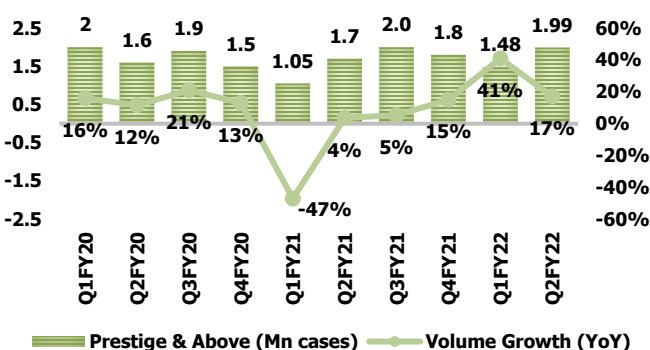
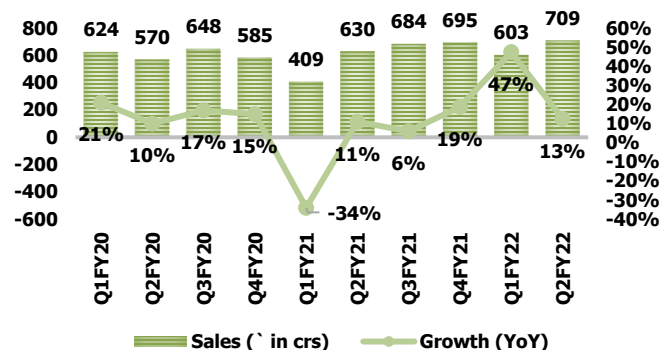
- Total IMFL volume of 12.09 Million Cases (+26.2%)
- Prestige & Above brands volume of 3.48 Million Cases (+26.7%)
- Revenue from Operations (Net) of ₹1,311.59Cr (+26.2%)
- Gross profit of ₹612Cr (15%)
- EBITDA of ₹202.76Cr (+11.5%) at 15.5% margin
- Reduction in interest costs from ₹12Cr to ₹7.69Cr

10th November 2021

CMP – ₹1,110/-

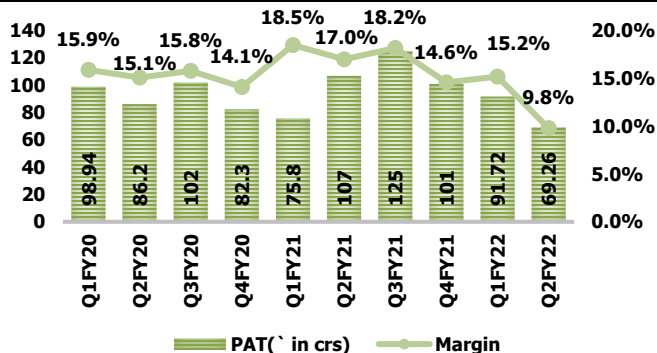
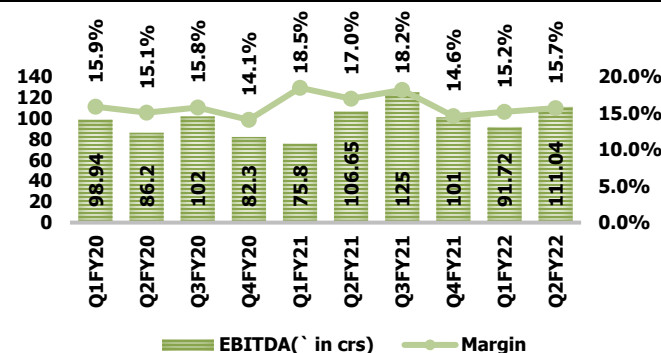
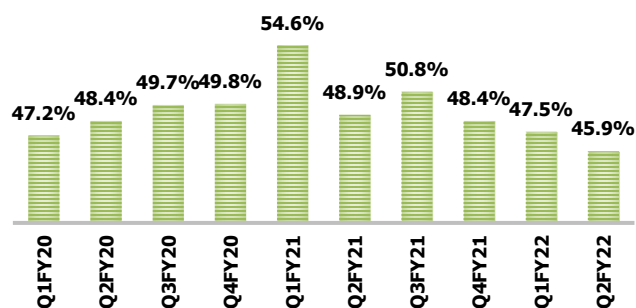
View – **Accumulate on Decline**

Story in charts

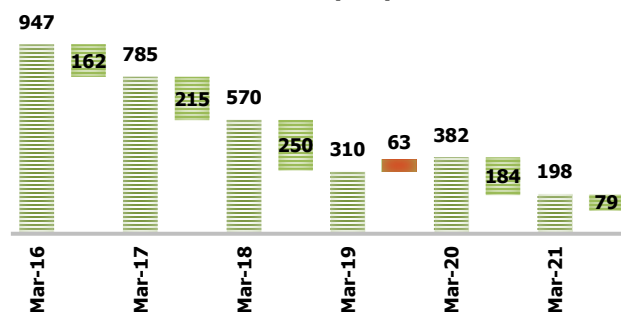


Volume growth	Prestige & Above	Regular	Total
2 year - CAGR			
	11.5%	3.3%	5.6%

GROSS MARGIN



DEBT (CR)



Source: Company, Way2Wealth Research

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 View – **Accumulate on Decline**
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 ~1.2x 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, margins expansion through premiumization, new launches in Prestige & Above category, and healthy balance sheet.

At its CMP of ₹1,110/-, the stock trades at ~54.7 its FY21 earnings of ₹20.3. We recommend investors to Accumulate on Decline.

10th November 2021

CMP – ₹1,110/-

View – Accumulate on Decline

Quarterly Performance

(₹ Cr)

Particulars	Q2FY22	Q2FY21	VAR [%]	Q1FY22	VAR [%]	H1FY22	H1FY21	VAR [%]
Gross Sales	3077.19	2752.99	11.8%	2884.29	6.7%	5961.48	4533.54	31.5%
Excise Duty	2368.36	2122.94	%	2281.53	%	4649.88	3494.34	%
Net Sales (Net of Excise Duty)	708.83	630.05	12.5%	602.76	17.6%	1311.6	1039.2	26.2%
Total Operating Income	708.8	630.1	12.5%	602.8	17.6%	1311.6	1039.2	26.2%
Other Income	1.75	3.75	-53.3%	1.94	-9.8%	3.69	5.62	-34.3%
TOTAL INCOME	710.6	633.8	12.1%	604.7	17.5%	1315.3	1044.8	25.9%
Total Raw Material Cost	383.8	321.8	19.3%	316.2	21.4%	699.9	507.4	37.9%
Cost of Raw Material & Components Consumed	375.69	325.56	15.4%	333.94	12.5%	709.63	534.39	32.8%
(Increase)/ Decrease in Inventories	8.08	-3.42	-336.3%	-18.58	-143.5%	-10.51	-28.61	-63.3%
Purchase of Traded Goods	0.01	-0.32	-103.1%	0.8	-98.8%	0.82	1.65	-50.3%
<i>Total Raw Material Cost % to Sales</i>	<i>54.1%</i>	<i>51.1%</i>		<i>52.5%</i>		<i>53.4%</i>	<i>48.8%</i>	
Employee Cost	37.89	30.25	25.3%	30.61	23.8%	68.49	59.2	15.7%
<i>Employee Cost % to Sales</i>	<i>5.3%</i>	<i>4.8%</i>		<i>5.1%</i>		<i>5.2%</i>	<i>5.7%</i>	
Advertisement & Sales Promotion Expenses	75.1	80.29	-6.5%	76.08	-1.3%	151.19	129.73	16.5%
<i>Advertisement & Sales Promotion Expenses % of Sales</i>	<i>10.6%</i>	<i>12.7%</i>		<i>12.6%</i>		<i>11.5%</i>	<i>12.5%</i>	
Other Expenses	100.6	90.46	11.2%	87.81	14.6%	188.42	159.81	17.9%
<i>Other Expenses % of Sales</i>	<i>14.2%</i>	<i>14.4%</i>		<i>14.6%</i>		<i>14.4%</i>	<i>15.4%</i>	
TOTAL EXPENDITURE	597.4	522.8	14.3%	510.7	17.0%	1108.0	856.2	29.4%
EBIDTA	111.5	107.2	3.9%	92.1	21.0%	203.6	183.0	11.2%
EBIDTA Margin %	15.7%	17.0%		15.3%		15.5%	17.6%	
Finance Costs	3.06	5.44	-43.8%	4.63	-33.9%	7.69	12	-35.9%
PBDT	110.2	105.5	4.4%	89.4	23.2%	199.6	176.7	13.0%
Depreciation, Ammortization & Impairment	16.17	13.27	21.9%	15.37	5.2%	31.55	26.15	20.7%
PBT before Exceptional Items	94.0	92.3	1.9%	74.0	26.9%	168.0	150.5	11.6%
PBT after Exceptional Items	94.0	92.3	1.9%	74.0	26.9%	168.0	150.5	11.6%
Tax	24.77	19.86		17.79	39.2%	42.58	34	
<i>Tax Rate %</i>	<i>26.4%</i>	<i>21.5%</i>		<i>24.0%</i>		<i>25.3%</i>	<i>22.6%</i>	
Reported Profit After Tax	69.2	72.4	-4.4%	56.2	23.0%	125.4	116.5	7.7%
PAT Margin %	9.8%	11.5%		9.3%		9.6%	11.2%	
Share of net profit/(loss) in Associates and Joint Ventures using equity method	3.9	2.3		4.7		8.5	3.1	
Net profit for the period	73.1	74.7		60.9		133.9	119.6	
Other Comprehensive Income (net of tax)	0.3	0.4		0.4		0.6	0.9	
Total Comprehensive Income	73.4	75.1	-2.3%	61.3	19.8%	134.6	120.5	11.7%
Basic:								
EPS	5.5	5.6	-2.3%	4.6	19.8%	10.1	9.0	11.7%
Equity	26.7	26.7	0.0%	26.7		26.7	26.7	
Face Value	2.0	2.0		2.0		2.0	2.0	

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Radico Khaitan Ltd. (Radico) as on November 10, 2021

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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