

Radico Khaitan

Outperformance continues

Radico's 4QFY20 performance was strong with 15% yoy growth in net revenues. IMFL revenue and volume growth was 16% and 13%, out of which, P&A clocked 31% and 11% respectively. This was in stark contrast to the industry (flat yoy) which struggled in 4QFY20 (UNSP posted rev/vol decline of 11/13% yoy). Co continued scaling its premium brands (Rampur, Morpheus, 8PM Black, etc) and Morpheus is expected to become a millionaire brand in FY21. EBITDA growth of 13% was not only superior to UNSP but also to other FMCG players. Lockdown and sharp increase in taxes by states are a caveat for FY21 growth for the liquor industry. However, we expect that Radico can sustain its outperformance led by aggressive marketing, successful recent launches and competitive pricing. With ENA prices being steady and expected to be soft in FY21, we believe co will be able to sustain its EBITDA margin. Receivables were high on Mar'20 but co received ~Rs 1bn during April/May from few states (mainly AP). Thereby, working capital stretch was more of timing mismatch. Consumption slowdown will also have its impact on the liquor industry, thereby, we cut EPS estimates by 7/2% for FY21/FY22. We value Radico at 16x on Mar-22E EPS, deriving a TP of Rs 363. Maintain BUY.

- Robust Revenue Growth:** Net revenues grew by 15% yoy (6% in 4QFY19, 17% in 3QFY20) vs. expectation of 12%. IMFL volumes grew by 13% yoy (P&A 11%, Popular 14%) vs. 10% exp (P&A 12%, Popular 9%). P&A/Regular revenue growth was 31/4% yoy. Realisation growth in P&A was 17.5% led by price hike, favourable state mix, higher mix from premium P&A (Rampur, Morpheus Brandy, 8PM Black). Realisation for Popular was down by 8% yoy. Co saw market share gain throughout FY20, and we expect it will sustain. Online delivery and availability of premium liquor in malls can be structurally positive for the industry.
- Miss in margins:** GM (adjusted for IND AS impact of country liquor stock) was down by 400bps yoy to 48.6% (+208bps in 4QFY19, +11bps in 3QFY20) due to high RM inflation. Employee/S&D/other expenses grew by 6/3/-3% yoy resulting in 13% yoy growth in EBITDA (IND AS adjusted) to Rs 810mn (exp Rs 786mn). EBITDA margin declined by 22bps yoy to 13.8% (+21bps in 4QFY19, -180bps in 3QFY20). APAT was up by 15% yoy to Rs 449mn (exp Rs 462mn). Cost control initiatives will sustain EBITDAM in FY21.
- Call & other takeaways:** (1) All 32 units of Radico are operational now, (2) 50% liquor stores have opened pan-India with ~80% demand, (2) Online delivery of liquor will be a boost to the industry, (3) ENA and glass prices are expected to remain stable to decline in FY21, (4) GM can be 48-49% for FY21, co taking various control cost measures to sustain margin, (5) Net Debt for the co increased from Rs 3.2bn in FY19 to Rs 3.8bn in FY20.

Financial Summary

YE Mar (Rs mn)	Q4 FY20	Q4 FY19	YoY (%)	Q3 FY20	QoQ (%)	FY19	FY20P	FY21E	FY22E
Net Sales	5,854	5,100	14.8	6,479	(9.7)	20,969	24,270	25,472	28,531
EBITDA	810	717	13.0	1,006	(19.5)	3,503	3,718	3,975	4,615
APAT	449	391	14.9	623	(28.0)	1,881	2,134	2,425	3,032
Diluted EPS (Rs)	3.4	2.9	14.9	4.7	(28.0)	14.1	16.0	18.2	22.7
P/E (x)						23.4	20.6	18.2	14.5
EV / EBITDA (x)						13.4	12.8	11.4	9.4
RoCE (%)						11.5	14.5	12.8	14.7

Source: Company, HSIE Research

BUY

CMP (as on 29 May 2020)	Rs 330
Target Price	Rs 363
NIFTY	9,580

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 371	Rs 363
EPS %	FY21E	FY22E
	-7%	-2%

KEY STOCK DATA

Bloomberg code	RDCK IN
No. of Shares (mn)	134
MCap (Rs bn) / (\$ mn)	44/584
6m avg traded value (Rs mn)	252
52 Week high / low	Rs 439/220

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(19.5)	5.6	(2.8)
Relative (%)	(4.2)	26.1	15.1

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	40.32	40.31
FIs & Local MFs	8.21	12.99
FPIs	20.47	19.37
Public & Others	31.00	27.33
Pledged Shares	1.84	1.83

Source : BSE

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Radico Khaitan Quarterly Commentary

Particulars	1QFY20	2QFY20	3QFY20	4QFY20
Industry/ Co Strategy	<ul style="list-style-type: none"> - Despite slowdown in the economy, industry volume saw robust growth - AP govt taking over retail market is likely to have a favourable impact - UP market grew well, especially CL which saw double digit growth 	<ul style="list-style-type: none"> - IMFL Volume growth was flat y-o-y - Consumer sentiment is expected to improve due to improved monsoon and govt initiatives - UP and southern markets have been showing strong growth - Capex for the year is expected to be in the range of Rs 650-700mn 	<ul style="list-style-type: none"> - IMFL industry vol grew at 1.5% for 3QFY20 and 2.5% in 9MFY20 - Inventory levels are normal and channel filling has not happened - UP grew by 17-18%, Uttaranchal, Maharashtra also posted strong double digit growth - AP and Telangana despite several headwinds have done well for Radico. AP is not seeing any phasing out of consumers due to policy change - Whiskey contributes 60% IMFL industry 	<ul style="list-style-type: none"> - Co has begun operations in all of its units - 50-55% of stores pan India have opened with ~80% demand. Co expects >80% stores to open within 2 weeks - Growth in UP continues to be strong and Radico remains the market leader. Co expects UP to be fastest to recover - Radico is focusing on online sales and co is increasing its social media presence and making targeted marketing investments - Co had plans to launch 1 premium brand in the near term. However, it will not reevaluate the launch. Most new launches will be in the whisky space.
Revenue				
P&A	<ul style="list-style-type: none"> - Rampur and Jaisalmer continued to gain strong traction and penetrated US & Europe market. Jaisalmer now available in 20 countries - Demand for Rampur exceeds the supply - Jaisalmer is one of the highest priced gins globally and it available in 20-25 duty free stores around the world - P&A led the growth for the co with 8PM Premium and 1965 gaining momentum and making significant contribution - 8PM Premium is available in 11 states and will be rolled out to 4 more in 2QFY20 	<ul style="list-style-type: none"> - Rampur and Jaisalmer continued to gain strong traction and penetrated US & Europe market. Jaisalmer now available in 22 countries - Both brands could become a sizeable part of business due to increased capacity and focus on quality - 8PM Premium and 1965 continued a strong growth trajectory - 8PM Premium is currently available in 11 states and will be rolled out to 4 more in FY20 - Magic Moments has been performing very well - Focus is on driving premiumisation by introducing new products like flavors in MM - Target is for P&A growth to go in the range of 12-15% in 3 to 5 years 	<ul style="list-style-type: none"> - Growth has been broad based across all brands and geographies - Telangana liquor industry degrew by 30% but premiumisation and price positioning in the state enabled Radico to gain share - Launched Jaisalmer in select states in India - 8PM Premium Black (now available in 14 states) and 1965 Rum continued growth. 8PM Black can achieve 1mn cases in FY21. - Co launched semi luxury variant "Morpheus Blue Brandy" - Co plans to launch 2 new whisky brand in the next 2 years which will be premium to 8PM Premium Black. One of the new launch will be by July'20 	<ul style="list-style-type: none"> - Co is focusing on expanding its premium portfolio and scaling existing brands. - P&A realization was robust as a result of better state mix (strong growth in North). - The realisation trend going forward will depend on state mix. However, mgt expects improvement to continue. - Morpheus Super Premium Brandy volumes are close to 1 million now and co expects it to be a millionaire brand in the near future.
Regular (Popular) & Country Liquor	<ul style="list-style-type: none"> - Regular category provided respectable growth but lagged behind P&A - Growth in Regular has been driven by 8PM - CL has been growing rapidly in UP with no build-up of inventories. 	<ul style="list-style-type: none"> - Regular is being sold only in states where the brand is profitable - 8PM and Old Admiral Brandy are the best performing brands within Regular 	<ul style="list-style-type: none"> - Healthy growth in popular segment continues across markets - Breakthrough in price rise could happen in FY21 	<ul style="list-style-type: none"> - Loss of sales after 23rd March impacted revenues adversely for Popular. - Lower realization in Popular has been a result of conscious de-focus on the category by co. - Realisation also reduced due to an adverse state mix as channel filling in some key states happens in the last few days of March.

Margin				
Gross Margin	<ul style="list-style-type: none"> - RM prices continue to rise with ENA expected to remain under pressure for all of FY20 - Price increase in ENA impacted GM by ~150bps - With inflation in ENA ongoing, price hikes are likely in multiple states - Glass bottle prices also ran up but are expected to remain stable at these levels - However, due to product mix change and price hikes, GM expansion trajectory remains unchanged 	<ul style="list-style-type: none"> - ENA prices increased significantly. However, they appear to have peaked in October and are consolidating - Glass prices also saw inflation but are expected to remain stable going forward - GM suffered as alcohol for the manufacture of country liquor was purchased from third parties due to the restricted capacity of Rampur plant - GM saw improvement due to a favourable product mix and should stay stable or improve from here 	<ul style="list-style-type: none"> - Excise duty in Telangana has shifted from manufacturers to retailer. It has impacted gross revenue growth in 3Q. (Telangana contributes 8-9% in volume) - ENA prices up 2% QoQ and 22% YoY. Have consolidated since Nov/Dec. Expect inflation to remain muted - Grain prices up by 20% while Molasses inflation has been benign - Co has taken 1.3-1.4% price increase on a blended basis and may take price hike in FY21 (in southern markets) 	<ul style="list-style-type: none"> - ENA prices decreased 2% QoQ, but up 19% YoY. - Co expects ENA prices to go down due to lower demand and healthy sugarcane crop. - Glass prices increased last year and they have stabilized now. Co does not expect an increase in glass prices in the near future. - Co expects GM to be between 45-49%.
EBITDA Margin	<ul style="list-style-type: none"> - Co has undertaken a comprehensive exercise to identify areas of cost optimization - As a result of this cost push, EBITDA margins will be under consolidation in FY20 - The co is confident of sustaining the EBITDAM level in FY20 and will begin expanding the margin from next year 	<ul style="list-style-type: none"> - Co continues to make marketing investment, with marketing for P&A being the main focus - Due to the cost push, EBITDA margin is under pressure. It is expected to resume expansion from 2020 - Margins will begin expanding from FY21 onwards at a rate of ~110-150bps per year 	<ul style="list-style-type: none"> - EBITDA margins to expand going forward from FY21 onwards - Higher other expenses was due to Rs 70mn cow cess (Rs 200mn in 9M), Stock transfer duty of Rs 40mn, provision for bad debts & inventory loss Rs 75mn (100mn in 9M) 	<ul style="list-style-type: none"> - Cost management efforts are on across the board. - No reduction in salary or headcount. - Other expenses in FY20 increased primarily due to Rs 200mn of cow cess in UP. - Co will change its A&P strategy and higher share will be allocated to digital marketing. - Co expects EBITDA to remain stable in FY21.
Others	<ul style="list-style-type: none"> - Andhra and Telangana saw a working capital buildup as well as a temporary buildup in CSD - This is expected to return to normalcy within 3-6 months - FCF of Rs 1,000-1,500mn is expected to be generated in FY 20 - Net debt as on June 19 stood at Rs 3bn - The co is on course to become a debt free company over the next 1.5-2 years 	<ul style="list-style-type: none"> - Co saw short term delays in receivable collection leading to a temporary working capital buildup in specific markets - Debt reduction in FY20 is not expected to be significant due to the temporary investment in receivables - FCF is expected to be in excess of Rs 1,000mn for FY20 - The debt reduction in FY20 is expected to be Rs 1,000mn - Net debt as on Sep-19 stood at Rs 3.5bn. The co plans to be deleveraged and debt free by 2021-22 	<ul style="list-style-type: none"> - Working capital increase is on account of delay in payments. It is temporary and co expects pressure will ease in the coming quarters - Total overdues are at Rs 1,500mn, co plans to recover Rs 1,000mn over the next few months. These overdues are from CSD channel and state govts, thereby, co does not see any credit risk - Co plans to debt free in FY22. Rs 400-500mn debt reduction in 4QFY20 	<ul style="list-style-type: none"> - Co is reducing capex to ensure optimal use of cash - Currently, co does not have any excess exposure of receivables in any particular state. - Co has written off outstanding dues from Bihar due to delays in SC judgements. They will write it back if it is received in the future - Co collected Rs 1bn from AP in April-May. These were overdues from 4QFY20 and hence, receivables are now at normal level in the state. - Global trends indicate that liquor industry will be one of the fastest to recover

Quarterly Financial Snapshot

Particulars (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY20	FY19	YoY (%)
Net Revenue	5,854	5,100	14.8	6,479	(21.3)	24,270	20,969	15.7
RM Costs	3,069	2,353	30.4	3,256	(27.7)	12,557	10,188	23.2
Gross Profit	2,785	2,746	1.4	3,223	(14.8)	11,714	10,781	8.6
Employee cost	480	451	6.3	496	(8.9)	1,861	1,714	8.6
S&D	788	799	(1.4)	782	2.2	3,112	2,912	6.9
Other Exps	694	779	(10.9)	921	(15.4)	3,022	2,653	13.9
Total Operating Exps	1,962	2,030	(3.3)	2,198	(7.7)	7,996	7,278	9.9
EBITDA	823	717	14.8	1,025	(30.1)	3,718	3,503	6.1
Adj. EBITDA (IND-AS 116)	810	717	13.0	1,006	(28.8)	3,649	3,503	4.2
D&A	134	109	23.3	131	(17.0)	525	424	23.8
Interest costs	85	77	9.4	81	(4.6)	316	355	(10.9)
Other Income	22	36	(39.4)	18	97.9	92	133	(30.9)
PBT	626	567	10.5	831	(31.8)	2,969	2,857	3.9
Exceptional item	(86)	-	na	(86)	na	(242)	-	na
Tax	156	176	(11.3)	188	na	452	976	(53.7)
RPAT	384	391	(1.6)	557	(29.9)	2,275	1,881	21.0
Adjustment	64	-	na	66	na	(141)	-	na
APAT	449	391	14.9	623	(37.4)	2,134	1,881	13.5

Source: Company, HSIE Research

Quarterly Performance Analysis

% of Net revenue	4QFY20	4QFY19	YoY (bps)	3QFY20	QoQ (%)	FY20	FY19	YoY (bps)
RM Costs	52.4	46.1	628	50.3	(411)	51.7	48.6	315
Gross Profit	47.6	53.9	(628)	49.7	411	48.3	51.4	(315)
Employee cost	8.2	8.9	(66)	7.6	120	7.7	8.2	(51)
S&D	13.5	15.7	(221)	12.1	360	12.8	13.9	(106)
Other Exps	11.9	15.3	(342)	14.2	107	12.5	12.6	(20)
Total Operating Exps	33.5	39.8	(629)	33.9	588	32.9	34.7	(176)
EBITDA	14.1	14.1	1	15.8	(177)	15.3	16.7	(139)
Adj. EBITDA (IND AS 116)	13.8	14.1	(22)	15.5	(148)	15.0	16.7	(167)
PBT	10.7	11.1	(41)	12.8	(172)	12.2	13.6	(139)
RPAT	6.6	7.7	(109)	8.6	(94)	9.4	9.0	40
Tax as % of PBT	24.9	31.1	(615)	22.7	840	15.2	34.2	(1,895)
APAT	7.7	7.7	1	9.6	(196)	8.8	9.0	(18)

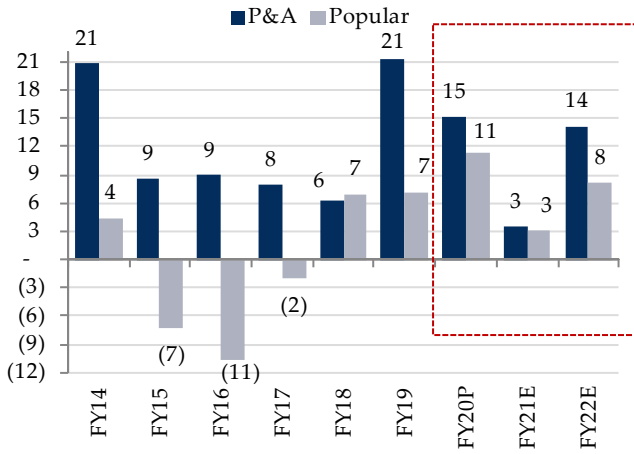
Source: Company, HSIE Research

Operating Performance

Particulars	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Revenue Split (Rs Mn)							
P&A	2,089	1,973	2,147	1,796	2,544	2,244	2,666
Regular	2,032	2,054	2,271	2,330	2,444	2,431	2,666
IMFL	4,121	4,027	4,418	4,127	4,989	4,675	5,332
Non IMFL	1,043	1,149	1,111	973	1,247	1,026	1,140
Total	5,164	5,176	5,529	5,100	6,236	5,702	6,473
Rev Growth YoY (%)							
P&A	36.4	28.6	29.0	34.4	21.8	13.7	24.2
Regular	29.5	12.7	9.4	3.9	20.3	18.4	17.4
IMFL	32.9	20.0	18.1	15.3	21.1	16.1	20.7
Non IMFL	3.1	2.2	2.4	(20.8)	19.6	(10.7)	2.3
Total	25.6	15.5	14.6	6.1	20.8	10.1	17.1
Revenue Mix (%)							
P&A	50.7	49.0	48.6	43.5	51.0	48.0	50.0
Regular	49.3	51.0	51.4	56.5	49.0	52.0	50.0
IMFL	79.8	77.8	79.9	80.9	80.0	82.0	82.4
Non IMFL	20.2	22.2	20.1	19.1	20.0	18.0	17.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
IMFL Volume details (Mn Cases)							
Prestige & Above	1.7	1.5	1.6	1.4	2.0	1.6	1.9
Regular	3.9	3.7	4.1	3.8	4.3	4.2	4.6
Total	5.6	5.2	5.7	5.1	6.3	5.8	6.5
Chg YoY (%)							
Prestige & Above	30.2	14.6	18.4	21.7	16.1	11.3	21.3
Regular	14.7	10.3	3.4	1.6	10.3	10.7	11.1
Total	19.1	11.5	7.2	6.3	12.1	10.9	13.9
Mix %							
Prestige & Above	30.7	28.1	27.7	26.7	31.8	28.2	29.5
Regular	69.3	71.9	72.3	73.3	68.2	71.8	70.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Realization/case (Rs)							
P&A	1,219	1,348	1,370	1,306	1,279	1,377	1,403
Regular	525	548	554	618	572	586	586
Blended	738	773	780	802	797	809	827

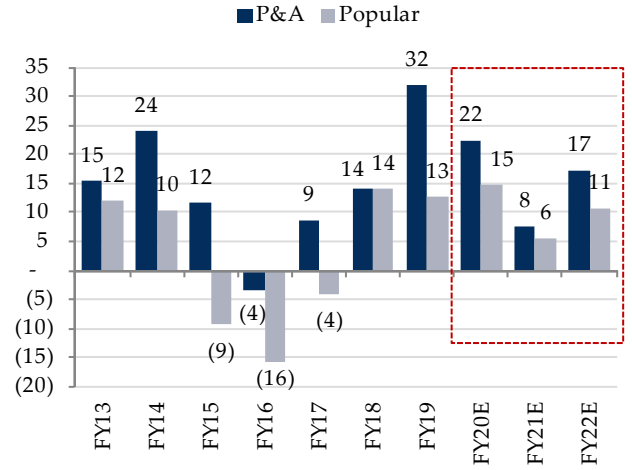
Source: Company, HSIE Research

P&A and Popular Volume Growth



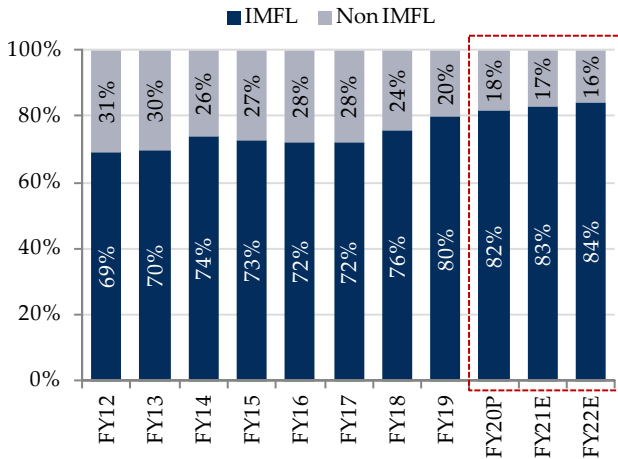
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P&A and Popular Revenue Growth



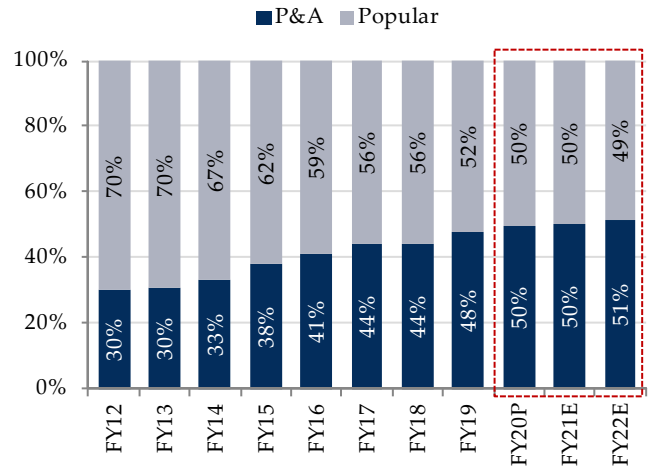
Source: Company, HSIE Research

IMFL vs non-IMFL Volume Mix



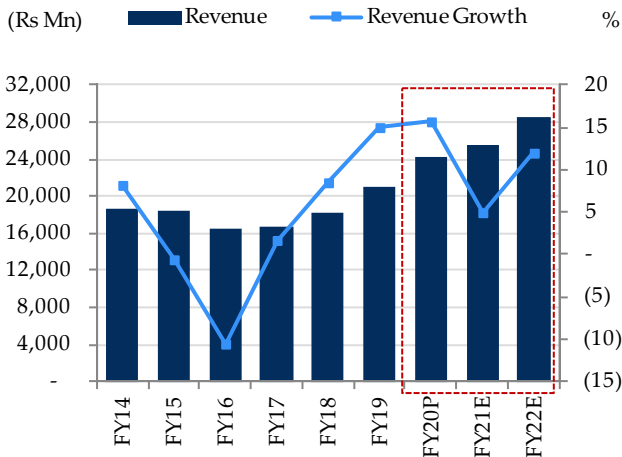
Source: Company, HSIE Research

P&A vs Popular Volume Mix



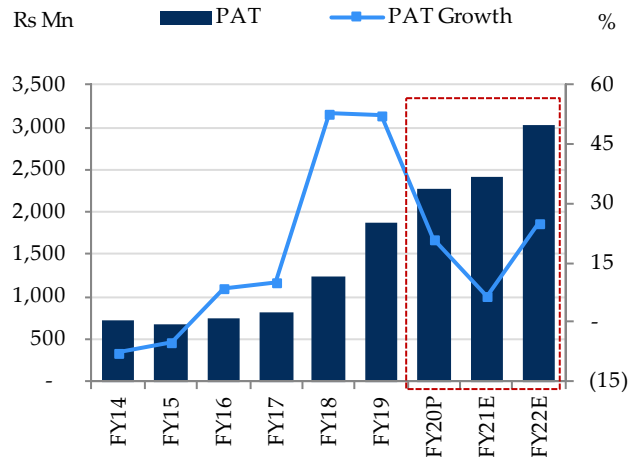
Source: Company, HSIE Research

Revenue Trend: P&A is driving revenue growth



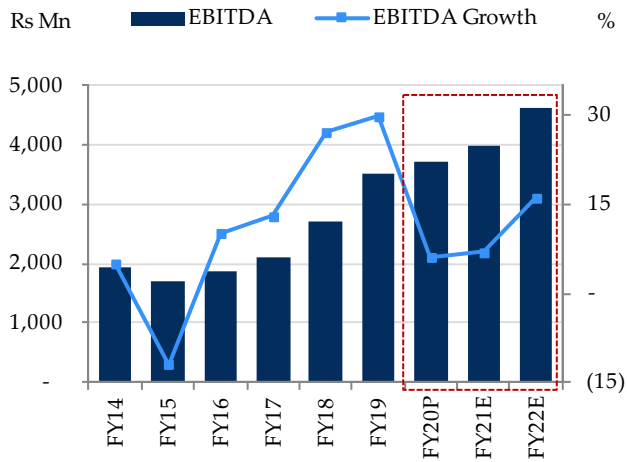
Source: Company, HSIE Research

PAT Trend: Earnings growth is moderating



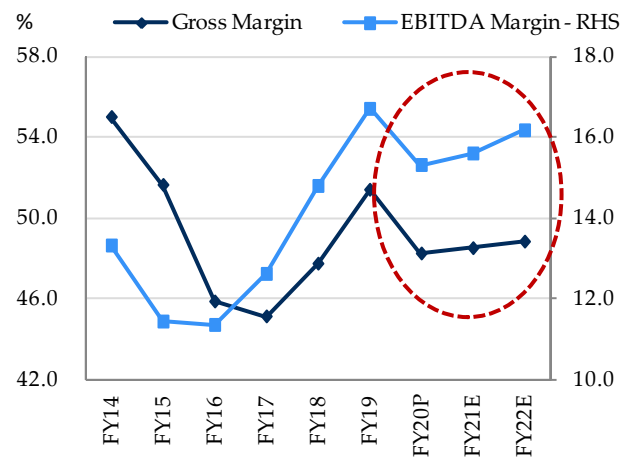
Source: Company, HSIE Research

EBITDA trend: Higher Scale and richer product mix led growth



Source: Company, HSIE Research

GM and EBITDA margin trend: RM pressure to keep a lid on EBITDAM expansion



Source: Company, HSIE Research

Assumptions

	FY15	FY16*	FY17	FY18	FY19	FY20P	FY21E	FY22E
Volumes (Mn Cases)								
P&A	4.04	4.40	4.75	5.05	6.12	7.05	7.29	8.33
Popular	15.44	13.79	13.51	14.45	15.49	17.26	17.79	19.24
Total	19.48	18.19	18.26	19.50	21.61	24.31	25.08	27.56
Growth YoY (%)								
P&A	8.6	8.9	8.0	6.2	21.3	15.2	3.5	14.2
Popular	(7.2)	(10.7)	(2.0)	7.0	7.2	11.4	3.1	8.2
Total	(4.3)	(6.6)	0.4	6.8	10.8	12.5	3.2	9.9
Mix (%)								
P&A	20.7	24.2	26.0	25.9	28.3	29.0	29.1	30.2
Popular	79.3	75.8	74.0	74.1	71.7	71.0	70.9	69.8
Total	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	1,308	1,391	1,447	1,487
Popular	541	510	500	533	561	578	593	607
Total	689	656	661	707	772	814	841	873
Growth YoY (%)								
P&A	2.8	(11.4)	0.8	7.4	8.8	6.3	4.1	2.8
Popular	(2.2)	(5.7)	(2.0)	6.6	5.1	3.1	2.5	2.5
Total	2.1	(4.9)	0.9	6.8	9.3	5.3	3.4	3.8
Revenue (Rs Mn)								
P&A	5,070	4,890	5,319	6,067	8,006	9,805	10,559	12,388
Popular	8,354	7,036	6,759	7,710	8,686	9,976	10,542	11,685
IMFL subtotal	13,424	11,926	12,077	13,776	16,693	19,780	21,101	24,073
Non IMFL	5,041	4,592	4,722	4,453	4,277	4,484	4,371	4,459
Total	18,465	16,518	16,799	18,230	20,969	24,264	25,472	28,531
Growth YoY (%)								
P&A	11.7	(3.6)	8.8	14.1	32.0	22.5	7.7	17.3
Popular	(9.2)	(15.8)	(3.9)	14.1	12.7	14.8	5.7	10.8
IMFL	(2.3)	(11.2)	1.3	14.1	21.2	18.5	6.7	14.1
Non IMFL	4.4	(8.9)	2.8	(5.7)	(4.0)	4.8	(2.5)	2.0
Total	(0.6)	(10.5)	1.7	8.5	15.0	15.7	5.0	12.0
Mix (%)								
P&A	27.5	29.6	31.7	33.3	38.2	40.4	41.5	43.4
Popular	45.2	42.6	40.2	42.3	41.4	41.1	41.4	41.0
IMFL	72.7	72.2	71.9	75.6	79.6	81.5	82.8	84.4
Non IMFL	27.3	27.8	28.1	24.4	20.4	18.5	17.2	15.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Change in Estimates

	Old			New			Change %		
	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21	FY22
Revenue (Rs Mn)	24,113	25,942	28,487	24,270	25,472	28,531	0.7	(1.8)	0.2
EBITDA (Rs Mn)	3,681	4,113	4,635	3,718	3,975	4,615	1.0	(3.4)	(0.4)
EBITDA Margin (%)	15.3	15.9	16.3	15.3	15.6	16.2	5 bps	-25 bps	-9 bps
APAT (Rs Mn)	2,147	2,601	3,085	2,134	2,425	3,032	(0.6)	(6.8)	(1.7)
AEPS (Rs)	16.1	19.6	23.2	16.0	18.2	22.7	(1.0)	(7.1)	(2.1)

Peer Set Comparison

Company	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E
HUL	4,453	2,057	REDUCE	1,969	31.7	37.1	41.9	64.9	55.4	49.1	44.4	38.2	33.9	230.7	46.5	28.8
ITC	2,416	197	BUY	221	12.5	11.9	13.0	15.7	16.5	15.2	10.8	11.0	9.8	44.5	43.4	48.0
Nestle	1,690	17,530	REDUCE	14,042	206.0	237.6	278.2	85.1	73.8	63.0	56.7	50.8	44.5	75.0	70.7	69.1
Dabur	824	468	REDUCE	404	8.6	9.0	10.1	54.3	51.8	46.3	45.1	42.5	37.6	44.6	40.6	44.5
Britannia	812	3,381	REDUCE	2,711	56.4	61.9	71.4	59.9	54.6	47.4	43.7	39.4	34.6	41.1	43.4	47.2
GCPL	638	625	REDUCE	529	14.4	15.7	17.6	43.4	39.7	35.5	30.6	30.1	27.4	19.0	18.9	21.4
Marico	445	345	REDUCE	283	8.0	8.4	9.4	42.9	40.9	36.5	30.2	28.8	26.5	41.8	43.2	46.5
United Spirits	428	589	ADD	586	11.9	13.7	16.1	60.7	44.3	37.5	29.3	25.5	22.4	17.9	19.1	20.8
Colgate	377	1,385	ADD	1,328	30.0	31.2	35.0	46.2	44.4	39.6	31.0	28.7	25.7	64.7	63.9	75.2
Jubilant	217	1,641	REDUCE	1,420	26.8	20.7	35.5	61.2	79.1	46.2	36.6	43.5	27.7	28.4	11.5	21.7
Emami	87	193	REDUCE	221	11.7	11.6	13.0	16.5	16.6	14.8	11.7	11.7	10.5	23.2	24.1	29.9
Radico Khaitan	44	330	BUY	363	16.0	18.2	22.7	20.6	18.2	14.5	12.8	11.4	9.4	14.5	12.8	14.7

Source: Company, HSIE Research,

Financials

Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Net Revenues	14,884	16,518	16,799	18,228	20,969	24,270	25,472	28,531
<i>Growth (%)</i>		11.0	1.7	8.5	15.0	15.7	5.0	12.0
RM Costs	7,196	8,938	9,214	9,522	10,188	12,557	13,112	14,594
Gross Profit	7,688	7,580	7,585	8,706	10,781	11,714	12,361	13,938
Employee cost	1,195	1,283	1,403	1,549	1,714	1,861	1,939	2,136
S&D	4,789	1,772	1,979	2,159	2,912	3,112	3,209	3,615
Other Exps	-	2,647	2,082	2,300	2,653	3,022	3,237	3,572
Total Operating Cost	5,984	5,703	5,464	6,008	7,278	7,996	8,386	9,322
EBITDA	1,704	1,877	2,121	2,698	3,503	3,718	3,975	4,615
<i>EBITDA Margin (%)</i>	11.4	11.4	12.6	14.8	16.7	15.3	15.6	16.2
<i>EBITDA Growth (%)</i>		10.2	13.0	27.2	29.9	6.1	6.9	16.1
Adj. EBITDA (IND-AS 116)		1,877	2,121	2,698	3,503	3,649	3,895	4,535
<i>Adj. EBITDA Margin (%)</i>		11.4	12.6	14.8	16.7	15.0	15.3	15.9
Depreciation	383	431	417	409	424	525	556	588
EBIT	1,321	1,446	1,704	2,289	3,079	3,193	3,419	4,027
Interest	899	847	804	682	355	316	288	99
Other Income (Including EO Items)	450	389	196	267	133	92	110	123
PBT	871	987	1,097	1,873	2,857	2,969	3,241	4,052
Tax	195	253	288	638	976	452	816	1,020
RPAT	676	734	809	1,235	1,881	2,517	2,425	3,032
<i>RPAT Growth (%)</i>		8.6	10.1	52.7	52.3	33.8	(3.6)	25.0
Adjusted PAT	676	734	809	1,235	1,881	2,134	2,425	3,032
<i>APAT Growth (%)</i>		8.6	10.1	52.7	52.3	13.5	13.6	25.0
EPS	5.1	5.5	6.1	9.3	14.1	16.0	18.2	22.7
<i>EPS Growth (%)</i>		8.6	10.1	52.7	51.9	13.4	13.6	25.0

Source: Company, HSIE Research

Balance Sheet

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
SOURCES OF FUNDS								
Share Capital	266	266	266	266	267	267	267	267
Reserves	8,773	9,365	10,033	11,155	12,883	14,938	17,106	19,848
Total Shareholders Funds	9,040	9,631	10,299	11,421	13,149	15,205	17,373	20,115
Long Term Debt	3,210	1,957	1,033	344	217	15	8	-
Short Term Debt	5,886	7,676	6,994	5,597	3,158	3,974	2,066	-
Total Debt	9,096	9,633	8,027	5,941	3,375	3,989	2,074	-
Other Non current liabilities	572	633	784	1,034	1,151	949	1,060	1,186
TOTAL SOURCES OF FUNDS	18,708	19,897	19,111	18,395	17,675	20,143	20,507	21,301
APPLICATION OF FUNDS								
Net Block	7,343	7,313	7,060	7,057	7,299	7,615	7,700	7,766
Other Non current assets	2,828	2,691	3,503	2,865	2,753	2,769	2,768	2,768
Non Current Assets	10,171	10,004	10,563	9,922	10,053	10,384	10,468	10,534
Inventories	2,568	2,741	2,930	3,109	3,597	3,742	4,214	4,671
Trade Receivables	5,265	6,109	6,240	6,300	6,417	8,231	8,498	9,363
Other Current Assets	3,656	3,629	1,828	2,257	2,063	2,066	2,169	2,278
Total Current Assets	11,488	12,479	10,998	11,666	12,077	14,038	14,881	16,311
Trade Payables	1,565	1,760	1,853	2,141	2,448	2,642	2,913	3,234
Other CL & Provisions	2,003	1,452	1,238	1,775	2,183	1,818	2,480	2,694
Total Current Liabilities	3,568	3,212	3,091	3,916	4,631	4,461	5,394	5,927
Net current Assets	7,920	9,267	7,907	7,750	7,446	9,577	9,488	10,384
Cash & Equivalents	617	627	641	724	177	182	551	383
TOTAL APPLICATION OF FUNDS	18,708	19,897	19,111	18,395	17,675	20,144	20,507	21,301

Source: Company, HSIE Research

Cash Flow

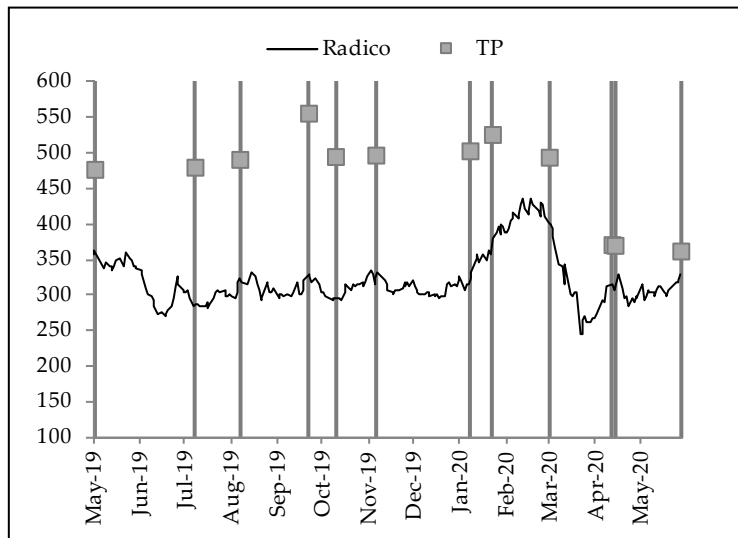
(Rs mn)	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
PBT	987	1,089	1,873	2,857	2,969	3,241	4,052
Non-operating & EO items	(94)	(168)	(162)	(35)	-	-	-
Interest	847	804	682	355	316	288	99
Depreciation	431	417	409	424	525	556	588
Working Capital Change	(2,355)	529	712	259	(2,131)	90	(896)
Tax Paid	(208)	(151)	(357)	(773)	(452)	(816)	(1,020)
OPERATING CASH FLOW (a)	(390)	2,519	3,158	3,087	1,227	3,359	2,822
Capex	(418)	(176)	(228)	(717)	(841)	(641)	(654)
Free Cash Flow (FCF)	(808)	2,343	2,930	2,370	386	2,718	2,169
Investments & Others	1,253	207	20	651	(218)	112	126
INVESTING CASH FLOW (b)	835	31	(208)	(65)	(1,059)	(529)	(528)
Capital Issuance	1	-	29	11	0	-	-
Debt Issuance	111	(1,409)	(2,127)	(1,739)	614	(1,915)	(2,074)
Interest	(851)	(803)	(699)	(370)	(316)	(288)	(99)
Dividend paid	(127)	(128)	(128)	(161)	(193)	(322)	(258)
Others					(268)	64	(32)
FINANCING CASH FLOW (c)	(866)	(2,340)	(2,926)	(2,259)	(163)	(2,461)	(2,462)
NET CASH FLOW (a+b+c)	(421)	210	24	762	6	369	(168)
Closing Cash	627	641	724	177	182	551	383

Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
PROFITABILITY (%)								
GPM	51.7	45.9	45.2	47.8	51.4	48.3	48.5	48.8
EBITDA Margin	11.4	11.4	12.6	14.8	16.7	15.3	15.6	16.2
EBIT Margin	8.9	8.8	10.1	12.6	14.7	13.2	13.4	14.1
APAT Margin	4.5	4.4	4.8	6.8	9.0	10.4	9.5	10.6
RoE	7.5	7.9	8.1	11.4	15.3	17.8	14.9	16.2
RoIC (or Core RoCE)	11.3	5.8	6.7	8.4	11.5	14.5	12.8	14.7
RoCE	11.0	5.6	6.4	8.0	11.2	14.3	12.6	14.4
EFFICIENCY								
Tax Rate (%)	22.4	25.6	26.3	34.1	34.2	15.2	25.2	25.2
Asset Turnover (x)	2.0	2.3	2.4	2.6	2.9	3.2	3.3	3.7
Debtors (days)	129	135	136	126	112	124	122	120
Payables (days)	38	39	40	43	43	40	42	41
Cash Conversion Cycle (days)	194	205	172	155	130	144	136	133
Net Debt/EBITDA (x)	5.0	4.8	3.5	1.9	0.9	1.0	0.4	(0.1)
Net D/E	0.9	0.9	0.7	0.5	0.2	0.3	0.1	(0.0)
Interest Coverage	1.5	1.7	2.1	3.4	8.7	10.1	11.9	40.9
PER SHARE DATA								
EPS (Rs/sh)	5.1	5.5	6.1	9.3	14.1	16.0	18.2	22.7
CEPS (Rs/sh)	8.0	8.8	9.2	12.4	17.3	22.8	22.3	27.1
Dividend	0.8	0.8	0.8	1.0	1.2	2.0	1.6	1.8
Book Value	67.9	72.4	77.4	85.8	98.6	113.9	130.1	150.6
VALUATION								
P/E (x)	64.9	59.8	54.3	35.6	23.4	20.6	18.2	14.5
P/BV	4.9	4.6	4.3	3.8	3.3	2.9	2.5	2.2
EV/EBITDA (x)	30.7	28.2	24.2	18.2	13.4	12.8	11.4	9.4
OCF/EV (%)	-	(0.7)	4.9	6.4	6.6	2.6	7.4	6.5
FCF/EV (%)	-	(1.5)	4.6	6.0	5.0	0.8	6.0	5.0
FCFE/Mcap (%)	-	(3.8)	3.5	5.1	4.5	0.2	5.5	4.7
EV/Revenues (x)	3.5	3.2	3.1	2.7	2.2	2.0	1.8	1.5
Dividend Yield (%)	0.2	0.2	0.2	0.3	0.4	0.6	0.5	0.5

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
3-May-19	362	BUY	478
9-Jul-19	287	BUY	481
9-Aug-19	322	BUY	492
22-Sep-19	320	BUY	557
11-Oct-19	300	BUY	496
8-Nov-19	324	BUY	498
9-Jan-20	324	BUY	504
24-Jan-20	380	BUY	527
2-Mar-20	410	BUY	495
13-Apr-20	313	BUY	371
14-Apr-20	316	BUY	371
30-May-20	330	BUY	363

From 2nd March 2020, we have moved to new rating system

Rating Criteria

- BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: >10% Downside return potential

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