

Radico Khaitan Ltd (RKL) is one of the major players in the Indian spirits industry. The company manufactures different forms of liquor viz. – whisky, gin, vodka, rum and brandy. In FY15, it sold 19.4 million cases of Indian made foreign liquor (IMFL) commanding a volume share of ~10%. During the fiscal, IMFL contributed 72% to the total revenues. RKL has four millionaire brands in its portfolio. Some of the prominent brands are – 8PM, After Dark, Magic Moments, etc.

### Key Developments

#### Focus on premium products:

In the IMFL business, more than 20% of the company's volumes come from prestige and above products. The share of prestige and above (premium) brands in the overall volume mix has risen from 7.9% in FY09 to 20.7% in FY15. These premium brands have reported a volume CAGR of ~17.5% over the last five years. During the same period, the company launched four premium brands across the product categories (whisky, brandy, vodka).

#### Products launched by the company:

RKL has been expanding its product basket with continued product launches. In the year 1998, it launched its first whisky brand – 8 PM. The company sold one million cases within the first year of its launch. In 2005, company launched its first premium vodka brand 'Magic Moments'. Thereafter, the company enriched its premium product portfolio with brands like Morpheus, After Dark etc. In June 2015, it launched a ready to drink (RTD) namely 'Magic Moments Electra' on a test marketing basis in the states of UP, Haryana, Delhi and West Bengal.

#### International presence of RKL:

The company exports its products to around 20 countries worldwide. The company has foothold across both developed markets such as the US and Europe coupled with the developing economies in Africa and Middle East.

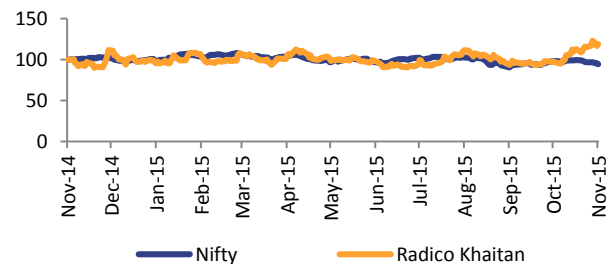
### Market Data

<b>CMP (Rs.)</b>	<b>101</b>
Face Value	2
52 week H/L (Rs.)	131/79
Adj. all time High (Rs.)	131
Decline from 52WH (%)	22.6
Rise from 52WL (%)	28.3
Beta	0.5
Mkt. Cap (Rs.Cr)	1,348
Enterprise Value(Rs. Cr)	2,051

### Fiscal Year Ended

	FY13	FY14	FY15
<b>Net Sales (Rs.cr)</b>	1,258	1,452	1,488
<b>Net Profit (Rs.cr)</b>	77	71	68
<b>Share Capital (Rs.Cr)</b>	27	27	27
<b>EPS (Rs.)</b>	5.8	5.4	5.1
<b>P/E (x)</b>	22.3	27.1	17.5
<b>P/BV (x)</b>	2.4	2.5	1.4
<b>ROE (%)</b>	11.1	9.4	8.4

### One year Price Chart



Shareholding Pattern	Sep15	Jun15	Diff.
<b>Promoters</b>	40.5	40.5	0.0
<b>DII</b>	13.3	11.1	2.2
<b>FII</b>	21.1	18.5	2.6
<b>Others</b>	25.1	29.9	(4.8)

Radico Khaitan Limited (RKL) is an India based manufacturer of different types of liquor viz. – whisky, rum, gin, vodka, etc. It has presence in over 60 countries overseas.

## Radico Khaitan Ltd. – Overview

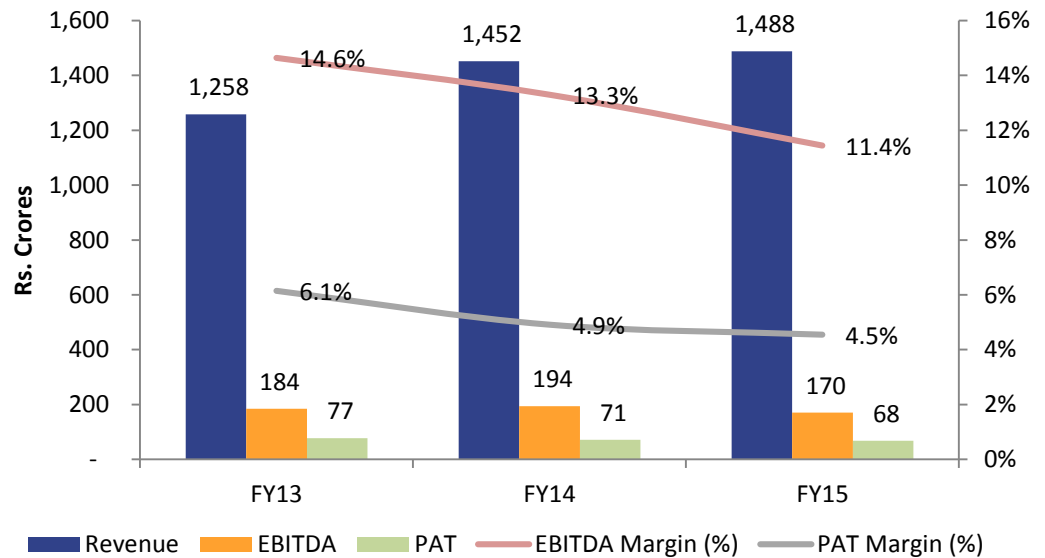
Radico Khaitan Ltd (RKL) is one of the leading players in the Indian spirits industry. In FY15, it sold 19.4 million cases of IMFL which gives it a volume share of nearly 10%. During the fiscal, IMFL contributed 72% to the total revenues.

The company has four millionaire brands (sell more than 1 million cases per annum) in its portfolio namely 8 PM Whisky, Magic Moments Vodka, Contessa Rum and Old Admiral Brandy. Further, RKL is one of the major providers of branded IMFL to the Canteen Stores Department (CSD). It has 18 products registered with the CSD across categories.

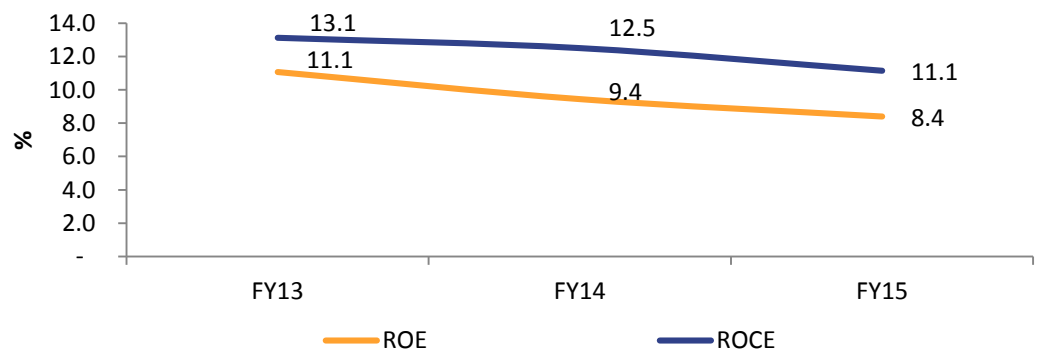
Besides IMFL, the company also sells country liquor and bulk spirits. Apart from the liquor business, the company's PET division produces a wide range of PET bottles and jars which caters to industries like Pharma, Cosmetics, Home and Personal care etc.

The company has a total installed capacity of 150 million litres with three distilleries in Rampur (Uttar Pradesh) and one in Aurangabad (Maharashtra). It currently owns five bottling units and 28 other contract units throughout the country.

### Financial snapshot for Radico Khaitan Ltd.



### Return ratios trend

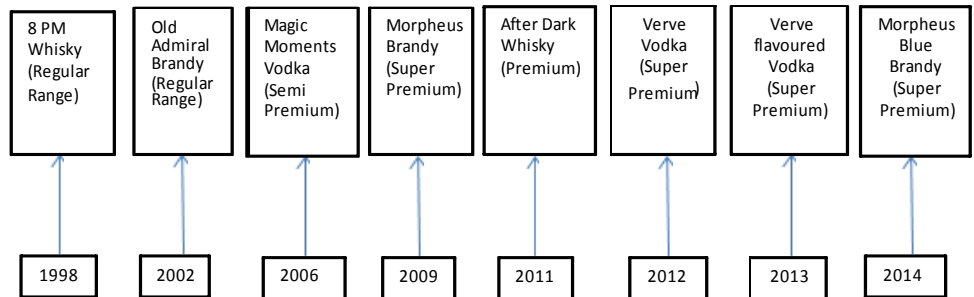


RKL has continuously driven product innovation and has succeeded in introducing various successful brands over the years.

## Product Mix of Radico

RKL has carried out many major brand launches. 8 PM was the first brand launched in 1998. It was a major takeoff as the company sold one million cases within the first year of its launch. In 2005, company launched its first premium brand 'Magic Moments' which saw great accomplishment (now the major operator in the premium vodka segment). Thereafter, the company enriched its premium product portfolio with brands like Morpheus (currently, prominent player in super premium brandy category), After Dark etc. Interestingly, Hrithik Roshan is the brand ambassador of Magic Moments brand. These premium brands have reported a CAGR of ~17.5% over the last five years.

### RKL's 4 millionaire brands



## Increasing pie of premium brands

In IMFL business, more than 20% of the company's volumes come from prestige and above products. The share of premium brands in the overall volume mix has risen from 14.6% in FY12 to 20.7% in FY15. Over the past five years, the company has launched four premium brands across the product categories (whisky, brandy, vodka) to capture the growing segment. Besides, state governments have consistently been increasing excise duties (it rose from 42.3% in FY12 to 53.7% of gross sales in FY15) on liquor, leaving no option for IMFL firms but to focus on premium brands to drive profitability.

Recently, RKL has launched Electra, a ready to drink vodka based beverage in some markets of North India.

## Distribution network of the company

RKL has a wide distribution network spanning across India. Currently, RKL owns five bottling units and 28 other contract units throughout the country. Further, it operates through over 400 wholesalers who in turn sell to 45,000 retail outlets and over 5,000 on premise outlets. Thus, distribution network covers almost 90% of retail outlets. Besides, nearly 300 employees are managing four zones.

## Q2FY16 performance

For the quarter ended Sep'15, net sales of the company stood at Rs. 362 crores registering a growth of ~3% over the corresponding quarter last year. This growth was mainly driven by 8.5% volume growth witnessed in Prestige and above brands. Their contribution to the IMFL volumes has risen from 21.2% in Q2FY15 to 24.7% in Q2FY16. However, the overall IMFL volumes declined by 7.2%. On the operational front, the company reported EBITDA margin expansion of 170 bps YoY to 13.9%. Net profit for Q2FY16 grew by 25% YoY to Rs. 19 crores owing to the lower interest cost down by 8.4% to Rs. 21 crores.

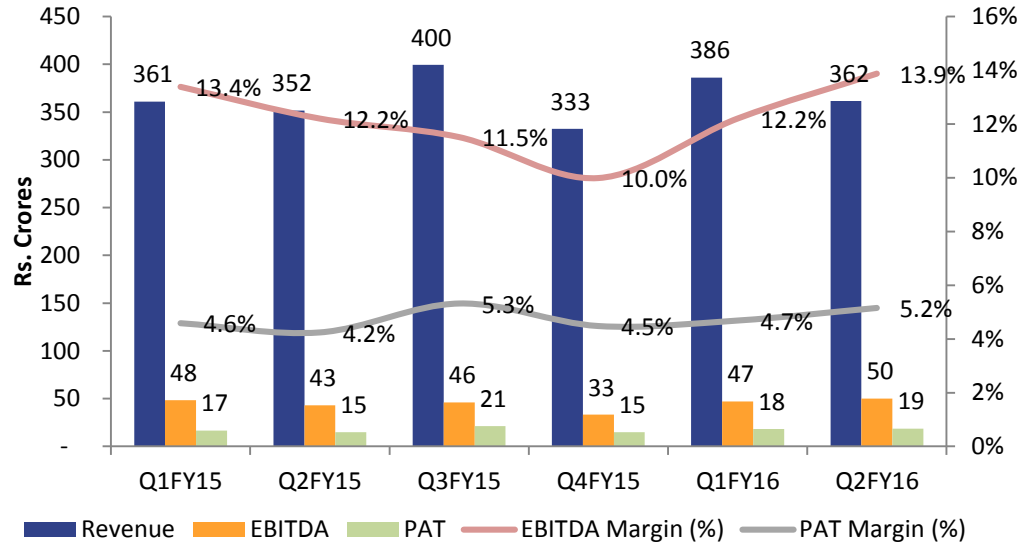
The share of premium brands in the volume mix has risen to around 21% in FY15.

RKL is selling its products through over 45,000 retail outlets and around 5,000 on premise outlets.

For the quarter ended Q2FY16, SEL's consolidated PAT grew by 25% YoY to Rs. 19 Crores in Q2FY15.

Likewise in H1FY16, net sales of the company stood at Rs. 748 crores registering a growth of ~5% over the corresponding period last year. The company witnessed 8.6% volume growth in Premium brands. Their contribution to the IMFL volumes rose from 21% in H1FY15 to 25% in H1FY16. During the period under review, EBITDA & PAT grew by 6.7% & 16.8% YoY to Rs. 97 crores & Rs. 37 crores respectively.

**Quarterly performance trend**



## Balance Sheet

(Rs.Cr)	FY13	FY14	FY15
Share Capital	27	27	27
Reserve and surplus	702	754	803
<b>Net Worth</b>	<b>729</b>	<b>781</b>	<b>830</b>
Total Debt	719	829	738
Other non-current liabilities	63	76	78
<b>Total Equity &amp; Liabilities</b>	<b>1,511</b>	<b>1,686</b>	<b>1,646</b>
Fixed Assets	535	579	574
Investments	109	108	98
Net current assets	658	861	828
Other non-current assets	209	138	146
<b>Total Assets</b>	<b>1,511</b>	<b>1,686</b>	<b>1,646</b>

## Cash Flow

Y/E (Rs. Cr)	FY13	FY14	FY15
<b>Net profit/loss before tax&amp; extraordinary items</b>	<b>109</b>	<b>106</b>	<b>87</b>
Net cashflow from operating activities	(66)	137	251
Net cash used in investing activities	46	(141)	(83)
Net cash used from financing activities	15	3	(173)
<b>Net inc/dec in cash and cash equivalents</b>	<b>(5)</b>	<b>(1)</b>	<b>(5)</b>

## Financial performance snapshot

Net sales of the company stood at Rs. 1,488 Crores in FY15, a growth of 2.5% as compared to Rs. 1,452 Crores in FY14. The company witnessed 8.8% YoY volume growth in its Prestige and above category brands during FY15. Contrary to the increase in net sales, the company's EBITDA de-grew by 12.2% YoY to Rs. 170 Crores from Rs. 194 Crores in FY14. The operating costs rose 4.8% YoY to Rs. 1,318 Crores from Rs. 1,258 Crores during the said period. The EBITDA margin fell by 185 bps to 11.4% from 13.3% in FY14. The net profit declined by 5.1% to Rs. 68 Crores in FY15 from Rs. 71 Crores in FY14. The NPM margin also fell by 36 bps to 4.5% from 4.9% during the year.

## Profit & Loss Account

(Rs.Cr)	FY13	FY14	FY15
<b>Net Sales</b>	<b>1,258</b>	<b>1,452</b>	<b>1,488</b>
Expenses	1,074	1,258	1,318
<b>EBITDA</b>	<b>184</b>	<b>194</b>	<b>170</b>
Other Income	30	36	45
Depreciation	35	39	38
<b>EBIT</b>	<b>179</b>	<b>191</b>	<b>177</b>
Interest	70	85	90
<b>Profit Before Tax</b>	<b>109</b>	<b>106</b>	<b>87</b>
Tax	32	35	19
<b>Net Profit</b>	<b>77</b>	<b>71</b>	<b>68</b>

## Key Ratios

	FY13	FY14	FY15
EBITDA Margin (%)	14.6	13.3	11.4
EBIT Margin (%)	14.3	13.2	11.9
NPM (%)	6.1	4.9	4.5
ROCE (%)	13.1	12.5	11.1
ROE (%)	11.1	9.4	8.4
EPS (Rs.)	5.8	5.4	5.1
P/E (x)	22.3	27.1	17.5
BVPS(Rs.)	54.8	58.7	62.3
P/BVPS (x)	2.4	2.5	1.4
EV/EBITDA (x)	13.2	14.3	11.4



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