

## Credit Update – Radico Khaitan Limited

August 29, 2023

### Update

CARE Ratings Limited (CARE Ratings) has taken on record the various news media reports mentioning the alleged underpayment of excise duty by Radico Khaitan Ltd. However, CARE Ratings is given to understand from the management that no such notice has been issued to the company by Comptroller and Auditor General of India (CAG) or the UP Excise Department. Henceforth, no such outstanding liability currently stands against the company. A clarification has already been filed to the Stock Exchanges by the company stating the purported nature of the media report.

As of date, there is no impact on the credit profile of the company. However, CARE Ratings, would be continuously monitoring the developments along with the other factors driving the credit assessment of the company's rated facilities and instruments.

CARE Ratings continues to rate the company's bank facilities and instruments at "CARE AA-; Positive/CARE A1+". The rating assessment derives strength from the company's established market position and strong nationwide presence in the Indian-made foreign liquor (IMFL) segment albeit some concentration in Uttar Pradesh, established brands, efficient supply chain and the industry's high entry barriers. The ratings also take into account RKL's strong financial risk profile, marked by healthy growth in its sales volume and total operating income (TOI) along with an increasing mix of premium category sales, and capital structure. RKL's long-term ratings outlook remains 'Positive', with CARE expecting an improved financial risk profile driven by rising revenue from the P&A category, leading to greater profitability. The ongoing capex and transition to grain-based alcohol will also facilitate a shift from non-IMFL business to premiumized country liquor brands (UPML), contributing to an overall enhanced financial risk profile. However, the ratings continue to remain constrained by the cyclical nature in the prices of its raw materials, the company's presence in a highly regulated industry, which exposes it to the changes in the state policies regarding pricing and sales of country liquor and IMFL.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and rating sensitivities of following companies.

Sr. No.	Entity Name	Link to press release
1.	Radico Khaitan Limited	<a href="#">Click here</a>

### Contact us

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### Disclaimer:

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