

**Radico Khaitan Limited**  
**Analysts/Investors Conference Call**  
**July 02, 2007**

Moderator

Good afternoon ladies and gentlemen. I am Rita, the moderator for this conference. Welcome to the Radico Khaitan Limited conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the Q&A session will be conducted for participants connected to the international bridge. After that the Q&A session will be conducted for participants connected to India. I would like to hand over to Mr. Jitendra Jain. Thank you and over to you sir.

Jitendra Jain

Dear friends, on behalf of Radico Khaitan Limited I warmly welcome all of you to the 2006-07 earnings conference call. It is my pleasure to introduce you the management team of Radico Khaitan Limited who are present here in boardroom at our corporate office in Delhi. Today we have Mr. Abhishek Khaitan our Managing Director.

Abhishek Khaitan

Hello.

Jitendra Jain

Mr. Raju Vaziraney, President – Sales and Marketing.

Raju Vaziraney

Hello, I am Raju Vaziraney.

Jitendra Jain

Mr. Sanjay Lamba, President – Exports.

Sanjay Lamba

Hello, how are you?

Jitendra Jain

And Mr. Ajay Agrawal – Senior Vice President – Finance.

Ajay Agrawal

Hello, good afternoon. How are you?

Jitendra Jain

Now I will formally announce that the results of the company. As you are aware, that company board meeting took place on 30<sup>th</sup> of June and we have made announcement of our audited financial year for last year 06-07. These results have already been sent to you by email and also got published in newspapers.

During the year the gross sales of the company has gone up from Rs. 1135.40 crores to Rs. 1365.58 crores, an increase of 20%. The EBITDA of the company has gone up from Rs. 87.21 crores to Rs. 99.95 crores, a growth of 15%, and the profit after tax has remained at around Rs. 45 crores because of the heavy brand building expenses.

May I now request our Managing Director Mr. Abhishek Khaitan to say a few words about the performance of the company.

Abhishek Khaitan

Good afternoon ladies and gentlemen. It gives me great pleasure to welcome you all for the 2007 earnings conference call of Radico Khaitan Limited. I am pleased to inform you that the year 2006-07 has been another eventful year for the company. The company continued to scale new heights on growth path while taking new initiatives. In the last year the company made foray into premium segment i.e. Magic Moments Vodka, and Master Stroke Delux Whiskey. Magic Moments Vodka launched last year is already the fastest growing vodka in its category. We expect Magic Moment Vodka to sell around 750,000 cases during the current year against 320,000 cases last year, thus it will become the largest selling vodka in its category in India.

During the year the company has forged a 50:50 joint venture with Diageo. Diageo is the largest premium liquor company in the world with iconic brands like Johnnie Walker, Black Label, Smirnoff, Baileys, and many other brands. The first brand from this joint venture, Master Stroke Whiskey, has already been launched. I am happy that Mr. Shahrukh Khan is endorsing the brand. The initial response has been commendably encouraging. We expect to do half a million cases in the current year, and we expect that in the next 2 years it will have a market share of about 15-20% in its category.

Last year Radico had installed 27 million liters of grain plant. As a measure of cost cutting and to reduce the cost of power and fuel, company had installed co-generation unit in the grain spirit during June '07 with a capex of about 18 crores. This will realize in substantial cost saving during the current year. Moreover looking at the declining price scenario of molasses, company has planned to have the flexibility of dual feed facility in the plant and which should be operational by November of this fiscal.

I am pleased to inform you that considering the present scenario the company has decided to revise our guidance upwards and we expect our top line to grow by atleast 15% and the bottom line by atleast 20-25% in the coming 2 years in line with the trends we expect the company to show margin improvement.

On behalf of Radico I wish to reiterate our commitment for formulating and implementing new strategy for continuous growth of the company in future. Thank you very much.

Jitendra Jain

Before we begin, I would like to state that some of the statements in today's discussions may be forward-looking in nature based on management's expectations and may also involve risks and uncertainties. I would like to mention that this conference call is being recorded. May I now hand over to moderator for connecting question and answer session please. We invite the questions now from the analysts.

Moderator

Thank you very much sir. We will now begin the Q&A interactive session for participants connected to the international bridge. Thank you and over to you Zainab.

International Moderator

Thank you Rita. We will now begin the question and answer session for participants connected to the international bridge. Please press 01 to ask the question. At this moment there are no questions from participants at the international bridge. I would like to hand over the proceedings back to India moderator, Rita. Over to you.

Moderator

Thank you Zainab. We will now begin the Q&A session for participants connected to the India bridge. Participants who wish to ask questions kindly press \*1 on our telephone keypad. On pressing \*1, participants will get a chance to present their question on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press \*1 now. First in line we have Mr. Suchit Sehgal from SSKI Securities. Over to you sir.

Nikhil Vora

Hi. I am Nikhil Vora here. Just on the Diageo Radico JV, I would like to know what is your capitalization of that business right now and what are the other product lines that we are looking at introducing through this JV?

Raju Vaziraney

As you know this is 50:50 joint venture with management control by Radico Khaitan. We have initially invested Rs. 7.5 crores each. The company is a brands company, so there is hardly any capex involved. What was your second question please?

Nikhil Vora

Sir, is the capitalization likely to improve from the existing 15 crores?

Raju Vaziraney

Yes, see this is an initial investment, because the response of the first offering i.e. Master Stroke Delux Whiskey, has been overwhelming. So the money will not be the limiting factor for growth of the brand, and we expect to do more than one brand in the next 12-18 months.

Nikhil Vora

Okay, and the second one on which are the new categories and segments that you are likely to route through this JV?

Raju Vaziraney

This will all depend upon the customer research. As you know Diageo is the marketing innovation giant in the world and they have iconic brands like Johnnie Walker, so it will all be researched, and the research is underway. Whatever is the consumer need, we will do our brand in that price points, but let me clarify that it will be only in the premium space.

Nikhil Vora

Okay, thanks for this.

Moderator

Thank you very much sir. Participants who wish to ask questions kindly press \*1 on your telephone keypad. Next in line we have Mr. Prashant from ICICI Prudential. Over to you sir.

Prashant

Sir, I just wanted to understand in this quarter we have seen good amount of margin erosion, how do you explain that and what is the trend you can look forward to in the next year?

Jitendra Jain

Prashant, if you analyze the results which we have already sent to you, you will find that the company has spent substantial amount of money on the brand building expenses mainly the Magic Moment Vodka, which we have already said that is already the fastest growing vodka in India in this category. The company has spent substantial money on Magic Moment Vodka and other brands and company will continue to for the same quality, because you know some of our own brands also needs money, this is the time for the consolidation for the company and I think its a consolidation period, it is a investment period, and we will continue to invest money behind brands for 12-15 months.

Prashant

So we can expect that the margins the way we see it, would remain depressed, because we are investing in newer brands?

Abhishek Khaitan

See, last year Magic Moment was the big initiative for the company, so this present perspective the vodka industry is only 4.5%, so vodka accounts for 4.5% of the entire liquor category, whereas worldwide if you see vodka category is 80%, and vodka category per se in India is growing at a rate of about 40% and luckily our company could analyze and see that gap because there was no premium vodka or semi-premium vodka in that category, we launched our Magic Moments Vodka, and from the budgets the volumes have already doubled, so going forward this would add healthy contribution to the bottom line in the next 1-2 years, in the meanwhile the margins would see the same because the declining of the molasses price will give a huge substantial savings to the company, which part of it would be consumed in building new brands, which would give us the earnings in the next couple of years, and overall as the guidance goes we expect the bottom line to grow between 20-25% in the coming 2 years.

Prashant

Okay, the second question is how much was the international revenues this year, basically the export revenues, were they on target?

Sanjay Lamba

On the international business front, both the volumes and the revenues have grown by almost 100%.

Prashant

How much was it in numbers term sir?

Sanjay Lamba

The revenue is close to 70 crores.

Prashant

And how much volumes we had in there?

Sanjay Lamba

Approximately half a million cases.

Prashant

Okay, and the last question is we have seen some item called excise duty change on deferred stocks, can you just explain what it means out as accounted?

Raju Vaziraney

Can you repeat the question please?

Prashant

In the P&L published, there is an item called excise change on deferred stocks, what is that and how it is accounted?

Ajay Agrawal

Basically it is a type of country liquor where the increase or decrease to the duties for a period of year so this year there is a increase in the deferred stocks which is adjusted to the P&L.

Moderator

Mr. Prashant , are you done with the question sir?

Prashant

Okay, yeah, I am done. Thanks.

Moderator

Thank you so much. Participants who wish to ask questions kindly press \*1 on your telephone keypads. Next in line we have Mr. Shah from Birla Mutual Fund. Over to you sir.

Shah

Sir, how much is advertisement and sales promotion expenses this year and where do you see the ratio settling down going forward as a percentage of sales?

Raju Vaziraney

That has increased by 45% because of brand building expenses of Magic Moment Vodka and the other brands of the company.

Shah

Hello.

Jitendra Jain

Total sales and distribution expenses were 112.11 crores.

shah

No, out of that how much was advertisement and sales promotion?

Mukesh Agrawal

Advertisement expenses in the current financial year it was around 22 crores as against the last year figure of around 12 crores, so there is an additional 10 crores brand building expenditure we have result in the P&L account this year.

Shah

Okay, and sir where do you see this ratio moving forward as a percentage of sales?

Mukesh Agrawal

This advertisement to sales promotion ratio is likely to come down because of the increased impact of the net sales, because net sales will grow to the extent of 15%, so ultimately this ratio will come down in the current year as a percentage.

Shah

Okay, thank you very much sir.

Moderator

Thank you very much sir. Participants who wish to ask questions kindly press \*1 on your telephone keypad. Next in line we have Mr. Gupta from Emkay Shares. Over to you sir.

Gupta

Good evening gentlemen. Sir I want to know that how many brands we are expecting to launch in the next couple of year sir?

Raju Vaziraney

We have a very high success rate of launching successful brands. So if we want to consolidate in the next one year we have to consolidate our position as far as Magic Moments is concerned and grow it. We also want to grow Master Strokes Delux Whiskey. We will definitely look at one more brand in the JV in the brown spirit segment, and you know three brands are sufficient for us to take care in the next one year.

Gupta

So we can expect that across the Radico and JV, now in any other segment, we are not going to see any new brands coming in the market from Radico only?

Abhishek Khaitan

We are working on as we said that both Radico and JV together, in the next 2 years we plan to launch about 3-4 brands that is taking care of 2007-08 and 2008-09.

Gupta

So that will be under Radico and not under the Radico-Diageo JV?

Abhishek Khaitan

It will be under Radico and it will be also under the JV, both.

Gupta

No, as well as I believe in the last meeting we had done that Diageo Radico JV, it is expected to come in some 2 to 3 new brands in the next 2 years, and I want to know that what about Radico, the Radico as a standalone we are expecting to have any plans to launch new brands in the market?

Abhishek Khaitan

Radico we are expecting in the next 1-1/2 years to launch atleast two brands.

Gupta

Two to three brands?

Abhishek Khaitan

Yeah, two brands atleast.

Gupta

In the whiskey segment only sir?

Abhishek Khaitan

We will be addressing one is the premium brandy segment, and one more segment which will be discussed and then we will make our entry. See we are looking at gaps where the growth rate of brands is high and that is what we have identified that which is the spending for the consumer which is the spending state where we should launch our brands and where there is a demand & growth, so that is what a premium brandy we have already addressed, so we are going to launch a brand at the premium brandy space.

Gupta

Sir are you also planning to extend the Magic Moments as a umbrella brand as we had seen the 8 PM was a big success and extending the umbrella brand, so are we going to see some more products are coming under the Magic Moments brand?

Abhishek Khaitan

See I would like to dwell upon Magic Moment for a little time, because I think it has been one of the biggest success what Radico has tasted in the last so many years after 8 PM whiskey, because this is one segment where Radico in the last 8 months has put all its efforts, because this is a space which is a premium segment and this space in India is growing by 40%, so what we have done is we have created the first movers advantage and in this year alone in our strategy our market share should be close to 70-80% of this category, and we are expecting that vodka being only 4.5% of the entire liquor category then easily will have to copy the western parameters where the consumption of vodka is bound to increase, and in the next 3-4 years we expect this 4.5 – 5% to easily become up to 8-10%, and most of the users would be attracted to our Magic Moments Vodka, so at Radico we are not going to follow the umbrella route as of today, but only concentrate as strength our position and in fact right now we are averaging about 60,000 cases of Magic Moments Vodka already we have not launched that we are planning to take this plan forward in the next 2 months and make it as national brand. So we are going to concentrate on the Magic Moments Vodka for the next 2 years as a vodka category.

Gupta

Okay, also a little bit on the molasses front, we are definitely seeing price softening in the molasses, can you please give us a little idea about what the molasses prices are currently and what you are expecting for the next couple of years?

Abhishek Khaitan

We had anticipated 2 years back only where we said that sugar is a commodity industry, so this excess production especially in the state of UP and Maharashtra, as a result the price are bound to come down and that is what you are witnessing now, and from the last level we expect from the last fiscal where the average rate of molasses was about Rs. 400 a quintal delivered, we expected a reduction of close to 15-20% in the current fiscal, and the same trend we expect in the next year also.

Gupta

Sir Rs. 400 was per ton prices of last year.

Abhishek Khaitan

Yeah, that is right.

Gupta

And you are expecting 15-20% reduction this year?

Abhishek Khaitan

Yes.

Gupta

And further 15-20% next year?

Abhishek Khaitan

No, I hope that trend continue, which should continue, so the reduction should be 15-20% from the peak levels.

Gupta

Anyway roughly Rs. 350 per ton, I mean the prices should be?

Raju Vaziraney

See we have to be very careful in talking about numbers, because see this is a commodity market, and the government is very sensitive to price change, because outside India and other factors also constitute a very important part as far as pricing is concerned of molasses, so in foreseeable future we can expect this kind of rationalization of price. But it is very difficult to predict next year.

Gupta

Okay, and sir what about your future plans if you can give us a little idea about what is happening on the EU front about the news which was in the market? So can you please inform us about the development on this?

Jitendra Jain

Are you asking the WTO?

Gupta

Yes, that EU nations which were fighting on behalf of Indian this BM Mittal permitted in the Indian market, that BM Mittal should be permitted in the Indian market with the import duty reduction, that the additional duty which we charge?

Abhishek Khaitan

See as we are aware there is a agreement by the central government to the WTO that the government will rationalize the import duties, but we have to be very careful in understanding this that 150% is the custom duty below which the government is not supposed to reduce, however domestic business is totally protected from any advent of imported secondary brands of imported category, that is one. Second is, see the government is very progressive in looking at the duty structure in the sense that CVD - the countervailing duty, as we gave read in papers, may be kind of revised, and CVD once it is done away the state governments will have the mandate, they already have the mandate to charge excise duty and have a level playing field with domestic business, so this is absolutely in line with WTO understanding, and as a benefit to the Indian industry we also will be getting benefits in exporting our brands across Europe and the western countries made out of grain spirits, so this is the clear understanding of that review.

Gupta

Okay sir, thanks a lot for taking my question. If I really have something then I will get back.

Moderator

Thank you very much sir. Next in line we have Mr. Sehgal from SSKI Securities. Over to you sir.

Nikhil Vora

Hi, Nikhil again. A couple of things; one was your top line growth for the consolidated year was I guess around 12-13%, can you explain the difference between the top line growth and the revenue growth that we have had, is it all realization increase or it is change in product mix?

Jitendra Jain

Nikhil can you repeat your question, because ....?

Nikhil Vora

What is the top line growth in volume terms for the year for Radico Khaitan?

Jitendra Jain

When you look at the RKL sales as a whole, the top line has gone up by 20%, so net-net has gone up by 23.55%.

Nikhil Vora

What is the volume growth in that?

Jitendra Jain

Volume growth is around 13%.

Nikhil Vora

Okay. Second was on your distribution or rather the JV part, is there any likelihood of the distribution changing the way it is done by Diageo right now?

Raju Vaziraney

I didn't understand the question, what is question?

Nikhil Vora

The present distribution structure that we have, you have a JV structure with Diageo, Diageo also had their own 100% subsidiary which is doing the distribution in India, is there any likelihood of distribution getting combined into a single entity?

Raju Vaziraney

No.

Nikhil Vora

Okay, so the relationship between Diageo and Radico will remain on this JV front where we are promoting new brands?

Raju Vaziraney

Yes.

Nikhil Vora

Okay, great, thanks for this.

Moderator

Thank you very much sir. Next is a follow up question from Mr. Shah from Birla Mutual Fund. Over to you sir.

Shah

Sir, what is the volume growth in some of our key brands like 8 PM, Contessa Rum and Old Admiral?

Raju Vaziraney

You know as our managing director told you the entire industry is moving towards premium brands, so our growth in Magic Moments Vodka of course is absolutely mind boggling, from 21,000 cases that we have done in fiscal year 2005-06, because it captured only one or one and half months, it went on to 347,000 cases giving a phenomenal 1593% growth, that was our main growth area. Our 8 PM whiskey which is our flagship, I get lot of satisfaction in mentioning that as mentioned in our last investor conference we have crossed the 4.5 million mark for 8 PM whiskey. As far as Whytehall is concerned, which is our semi-premium whiskey, we have registered a 16% growth with close to half a million cases. Our third brand Old Admiral brandy has also registered a 10% growth. And as you are aware the Old Admiral has been rated as the fastest growing brandy in the last 2 years by Drinks International London. Our other brands including the ones which we acquired last to the previous year, that is about 2 years ago, Brihans, has also grown by 16%. So this is the break up of three brands which are very buoyant.

Shah

Okay, and sir any plans to enter new categories like wine or beer?

Raju Vaziraney

We have no intention of entering this business, because there is enough potential to be harnessed in the IMFL liquor.

Shah

Okay, thank you very much sir.

Moderator

Thank you very much sir. Next in line we have Mr. Rohan Gupta from Emkay Shares. Over to you sir.

Rohan Gupta

Sir one question I wanted to ask, sir you just mentioned that top line growth was 20% and in that volume growth was 13%, right sir? So, it means that from around 7% we have been observing realization front, sir I just wanted to know that if the realization has improved, I mean overall pricing power of the industry or it is just because of the product mix?

Raju Vaziraney

It is a combination of both

Rohan Gupta

Because sir if I am right in product Mix front we cant do much because our presence as a whiskey is only in regular segment, we cant go in premium and super premium segment which is already done through Diageo Radico JV company and Diageo, so as a company as Radico we can only have our presence in regular segment as well as the whiskey is concerned, and that is the largest volume we have, I mean that is the largest selling segment of our product portfolio, that kind of scenario I don't expect much that realization growth will be from change of the product mix. So am I right sir?

Jitendra Jain

As you are aware that the company is basically in three segments, IMFL, country liquor, and alcohol business. The business and margin dynamix in each of this segment are very different and at the pricing power in each of these three segments are differed from each other. it also varies from state to state, it varies on the molasses prices, it varies on the state UP, and that is why the impact on the balance sheet as a whole is what you are seeing

Rohan Gupta

So have you done any kind of study that only in IMFL segment how much we have gained pricing power and for that we have gained the realization?

Abhishek Khaitan

As Jitendra rightly said you know the thrust area of the company is branded liquor, and as I mentioned to you Magic Moments Vodka has been a run away success and Magic Moments Vodka realization is more then double of what our other regular brands are, with the result the realization is higher and not only that it is higher it is increasing at an increasing rate, and to do 3.5 lakh cases of Magic Moments Vodka in the premium segment it has given a lot of strength to the company in terms of realization, so the product mix has contributed substantially for the growth of the top line which is not necessarily commensurate with the volume.

Rohan Gupta

Okay, so it means the maximum realization gain which we have achieved it was because of the change in the product mix, it means that industry has not yet caught because of lot of consolidation has happened in the industry in last 2 years, even after that also we are not having any kind of pricing power or our overall realization cannot go up?

Raju Vaziraney

No, to answer question in the last 2 years the thrust of raw materials had really gone up in the industry and with the consolidation we were able to sustain the input cost by taking our prices up year on year, so the pricing power and realization has in fact played a huge role in protecting the liquor companies because of consolidation, so the pricing power has played a role, plus second also if you see the turn over growth the grain plant got commissioned in June which we have produced about 20 million liters of alcohol, the selling of that also has added into the top line growth, so it has been a combination of grain plant, it has a

combination of taking the prices up, and it is also the combination of entering into the premium space, because as a conscious strategy in Radico now since we have created a huge distribution base in the last 7 years, now what we think is our turn to attempt premium space, which can be either through the organic route or inorganic. So we have taken the organic route and luckily both our new brands have been very well accepted by the the consumer so far.

Rohan Gupta

Okay, so just I wanted to know one more thing that how do you expect that the overall realization going up in next couple of year sir?

Abhishek Khaitan

Right now it will be very difficult to predict **as the way**, but it will be better because even if you are able to maintain our realization at the current level our margins well improve because of the declining raw material price, so anything further than that would be adding a bonus to a the kitty, so right know it would be too soon to make a comment on that.

Rohan Gupta

Okay, so overall realization will improve because of the reduction of cost, I mean going downward molasses prices?

Raju Vaziraney

Yes, and also not only that, also the brand power.

Rohan Gupta

Okay sir, thanks a lot.

Moderator

Thank you very much sir. Next in line we have Mr. Aditya Sood from Religare securities Over to you sir.

Aditya Sood

Sir, just wanted know what kind of saving do we envisage from molasses purely for the next year?

Raju Vaziraney

As I said that we expect the trend to be 15-20% of the last year's price, that is what we can say.

Aditya Sood

So what was your quantity in terms of molasses in terms of consumption for 07, for the year as a whole?

Raju Vaziraney

We will provide the details later on, right now offhand the details wont be there.

Aditya Sood

Sir can you share the number of 8 PM in terms of million cases sold in '07, what is that?

Raju Vaziraney

It is 4.5 million, in excess of 4.5 million.

Aditya Sood

And what was it in '06?

Raju Vaziraney

It was 4.2 million

Aditya Sood

Okay, thanks a lot sir.

Raju Vaziraney

Thank you

Moderator

Thank you very much sir. Participants who wish to ask questions kindly press \*1 on your telephone keypad. Next in line we have Mr. Desai from BNK securities. Over to you sir.

Desai

Good evening sir. Sir I just wanted to have some clarity on the wholly owned subsidiary Radico Global, could you give us the, as per my understanding all the exports are routed through Radico Global, right sir?

Raju Vaziraney

Can you repeat the question please?

Desai

Just wanted some clarity on your subsidiary Radico Global.

Raju Vaziraney

Yeah, what is your question please?

Desai

Sir if we look at, I believe all your exports are routed through Radico Global.

Raju Vaziraney

See a part of the export is routed through Radico Global and part it is routed through Radico also.

Desai

Okay, because I was just thinking about there was some disparity between the export revenue and the revenue from Radico Global. So the total export revenue stands at Rs. 70 crores out of which Rs. 30 crores come from Radico Global, right?

Raju Vaziraney

Yeah.

Desai

Okay, that's it sir, thank you

Moderator

Thank you very much sir. Participants who wish to ask questions kindly press \*1 on your telephone keypad. Next in line we have Mr. Ajay Thakur from Edelweiss Securities. Over to you sir

Ajay Thakur

Good evening sir, just I wanted to know about your export growth expected for your FY08. Hello.

Raju Vaziraney

This year our volume has grown by almost 100%, and for next year we expect it in the range of 20 to 25%

Ajay Thakur

Okay sir, and sir you had some plans to acquire bottling units, and also to venture into packaging materials for your bottling units, can you specify those plans?

Raju Vaziraney

Right now what we are planning is we have seen the facility of bottling plants because it's the new generation that is the BPO crowd or the Santro man as we call it in marketing language, we see a huge opportunity in the premium space and especially with our JV of Diageo Radico, plus the Radico launches, now we are focusing more on creating brands in the premium space, because that is where we see the long-term opportunities and that is where the focus of the company is at this moment.

Ajay Thakur

Okay, so no plans of acquiring any bottling units or venturing into packaging materials?

Raju Vaziraney

No, bottling units is there, we would be acquiring bottling units, but that is the kind of a how I think because that is a bottling unit is a commodity thing and that will only supplement my

production lines, so bottling units we are always on the look out and we would be acquiring about 3 to 4 units in the next one and half years time, so that we are always looking at acquisition but at the right price, we always think of pay back period, and that we are always on a look out.

Ajay Thakur

Okay sir, thank you sir.

Moderator

Thank you very much sir. Next in line we have Mr. Prashant Khemaka from Goldman Sachs. Over to you sir. Mr. Khemaka. I think we lost his line sir. Next in line we have Mr. Surendra from Anand Rathi. Over to you sir.

Surendra

Sir if you look at the molasses prices in last one year, in last year and this year, we have substantially declined, however in our Q4 results we see as a percentage of sales they are almost stagnant, so could you please clarify on that?

Raju Vaziraney

These are molasses supplying only starting from July onwards, that is this year the molasses from this current like May-June of this year the prices have started coming down, because the production which was anticipated at around 360 has ended up at 460 lakh quintals, so the affect now will from the 2nd quarters onwards, and also our plant is going to get converted into a dual feed of both molasses as well as grain\_ which will be operational from November onwards, so the main impact on all the companies would start coming from 2<sup>nd</sup> quarter onwards, because earlier in the month of November-December molasses was at a very high cost, and this kind of production was not anticipated, so now the effect which will start showing, starting from the second quarter onwards.

Surendra

Okay, sir another thing about the JV that we have with Diageo, I mean if you could elaborate in terms of how do the expenses with respect to the brand with the particular JV is going to launch, Master Stroke and forthcoming brands on that front, how do the expenses get classified, because it is in the main Radico entity or exclusively entirely in the JV?

Jitendra Jain

See this is all booked in the JV.

Surendra

Okay. Thank you sir.

Moderator

Thank you very much sir. Next in line we have Mr. Suchit Sehgal from SSKI Securities. Over to you sir.

Nikhil Vora

Hi, Nikhil here. Sir just one more thing, we have grown volumes by 13% or 12-12.5 or 13%, and that is very much in line with the industry growth, that is despite spending 50% more on selling and distribution. Can you just elaborate whether is it a case where our older brands are starting to have some fatigue as far as volume growth is concerned.

Raju Vaziraney

See, your one figure is right, your other figure is not right. We have grown by close to 13%, the industry has not grown by 13%. I think according to estimates it has grown between 8-10%, it is very difficult to exactly estimate, because some of the states don't provide this, but I must presume it will be between 8-10% while we are at 13.

Nikhil Vora

Okay. And would you have anticipated your brands to grow slightly more faster than that given that you know we have increased our marketing and distribution spend by 50%, we have had a new launch which has done reasonably well. Which to me means that the older brands are not doing as well as one would have expected?

Raju Vaziraney

See, it is a very intricate thing, you know because as our MD told you the premium space is growing very fast while the other segments are not growing as fast as the premium space, with a result that the regular segment as we call it or lower than regular segment is growing less than what the industry growth is, in other words the premium growth is driving the industry growth and that is where we are launching our brands consciously, because this is not only securing our profits in the future it will make our market share strong and the company will become stronger in that times to come. This is a conscious step not to chase volume and not get money instead to get into premium space where we will not only get volume but we will also get money.

Nikhil Vora

Okay, thanks for this.

Moderator

Thank you very much sir. Next in line we have Mr. Prashant Khemka from Goldman Sachs. Over to you sir.

Mamta Varma

Yeah, this is Mamta Varma from Goldman Sachs. Sir I had a question on your subsidiary Radico Global, if I was right I think during the call you mentioned that Rs. 30 crores of revenues came from Radico Global and if I just back calculate in terms of profit after tax from your subsidiary would be in the range about 8 crores, are my figures right sir?

Jitendra Jain

We need to look at the calculation.

Mamta Varma

Because if you look at your 9 months numbers, you did a profit after tax of roughly 40 crores, for the full year you are reporting consolidated, yeah 39.9 crores, for the full year you have

reported profit after tax of 45 crores, which would mean that given the loss or you know the stagnant results in your standalone Q4 this would mean roughly 8 crores odd come from Radico Global. So are the net profit margins that high from your subsidiary or am I missing out on something?

Jitendra Jain

First of all the profit from the subsidiary in the last quarter is around Rs. 5.7 crores.

Mamta Varma

Rs. 5.7 crores, okay.

Jitendra Jain

As far as the profit margin is concerned it depends absolutely I think Mr. Lamba will say something.

Sanjay Lamba

Yes, the profits have come from basically trading opportunities as well as marketing of Radico's products in various African and Middle East countries, and the special position has come from many trading opportunities which we seen during the last year, primary export of alcohol to many African and Middle East countries.

Mamta Varma

So sir for this full year for your subsidiary the profit after tax was Rs. 5.7 crores?

Sanjay Lamba

No, that was for the last quarter.

Mamta Varma

Yeah, that is what I thought it would be for the last quarter, so for full year it would be roughly Rs. 8 odd crores.

Sanjay Lamba

Yeah.

Mamta Varma

Okay, thank you sir.

Moderator

Thank you very much mam. Participants who wish to ask questions, kindly press \*1 on your telephone keypad. I repeat, participants who wish to ask questions, kindly press \*1 on your telephone keypad. Next is a followup question from Mr. Surendra from Anand Rathi. Over to you sir.

Surendra

Sir, what was the debt on the books as on March and how do you see them moving forward given that we intend to do few more acquisitions and two brand launches in next 2 years?

Jitendra Jain

As on 31<sup>st</sup> March , for Radico Khaitan Limited total debt on the books was Rs 416 crores, and apart from this we also have FCCB which the company raised last year, and depending on the capex requirement of the company this money will be brought into the country. We expect gradually the debt level to come down for obvious reasons that company is doing very well, the company is making profits, and some of this money will be used for the working capital and the company will not be incrementally raising more debt. On the contrary depending on the operations company will be repaying high cost debts at the right time. So we don't expect that debt level to go substantially up from here going forward.

Surendra

Sorry sir, I missed the debt numbers, could you please repeat again?

Jitendra Jain

Yes, as on 31<sup>st</sup> March '07 total debt on the balance sheet is Rs. 416 crores.

Surednra

Okay, thank you sir.

Jitendra Jain

Yeah.

Moderator

Thank you very much sir. Participants who wish to ask questions, kindly press \*1 on your telephone keypad. At this moment there are no further questions from participants. I would like to hand over the floor back to Mr. Jitendra Jain for the final remarks. Over to you sir.

Jitendra Jain

On behalf of Radico Khaitan Limited I extend my sincere thanks to each one of you for joining us on 06-07 earnings conference call. In case you have any further queries and further questions we will be happy to answer those questions on a one to one basis, please feel free to contact us, and we once again thank you for extending all support and cooperation to us on our operation. Thank you very much once again.

Moderator

Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice evening.

---

NOTE:

1. Please verify the proper nouns and their spellings, and the acronyms.

2. Please verify the names of the speakers and their order of appearance.
3. Bolded words need to be confirmed for their accuracy.
4. Blanks in the transcripts represent inaudible or incomprehensible words.