



# Radico Khaitan Limited

(NSE: RADICO; BSE: 532497)

Q2 FY2015 Earnings Presentation

November 11, 2014



# Important Notice



This presentation contains statements that contain “forward looking statements” including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Radico Khaitan’s future business developments and economic performance.

While these forward looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance.

Radico Khaitan undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances.

# Financial Highlights



## Q2 FY2015 vs. Q2 FY2014

- Net Sales of Rs. 463.2 Crore, up 3.8%
- Prestige & Above brands volume growth of 10.5%
- Prestige & Above brands increased from 18.4% to 21.1% of total IMFL volumes
- Operational EBITDA of Rs. 47.5 Crore at 10.3% margins
- Operational Net Income of Rs. 19.5 Crore
- Positive free cash flow generation and debt reduction of Rs. 45.0 Crore since March 2014 (5% of the total debt as of March 2014)
- Price increases received in the state of Tamil Nadu (effective from November 1, 2014), one of the largest liquor consuming states; other key states in progress

**Expect recent price increases to improve profitability and free cash flow generation to enhance shareholders returns in the near term**

# Management Perspectives



Commenting on the results and performance, Dr. Lalit Khaitan, Chairman and Managing Director said:

*“This has been a quarter with some exciting developments both on the operational and financial fronts. I am pleased to report that in November 2014 we received price increase in the state of Tamil Nadu which is one of the largest liquor consuming states in India. We expect other key states to follow, resulting in significant improvement in the industry profitability. During the first half of the year, we generated free cash flow which enabled us to start deleveraging our balance sheet inline with our strategy. Ongoing premiumization coupled with gradual price revisions will result in enhanced shareholders return in the near term.”*

Commenting on the results and performance, Mr. Abhishek Khaitan, Managing Director said:

*“Q2 FY2015 net sales growth was 3.8% driven by the Prestige & Above category brand sales. During the quarter, we continued to face operating challenges with increasing input costs and our ENA input cost increased by 7.5% y-o-y. However, the recent price increase is a very encouraging development for the industry and we believe that Radico Khaitan is very well positioned to benefit from this trend.”*

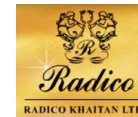
## Gradual price increases across states to help offset the challenges of higher input costs and subdued volumes in the coming quarters

- As per the latest release by the India Sugar Mills Association (ISMA), the overall sugarcane acreage in 2014-15 sugar season is estimated to be 1% lower at 5.29 million hectares compared with the last year
- However, sugar production is estimated to be around 25.5 MT which is a 4% increase over last season
- ENA prices continued to be under pressure and increased 7.5% compared to last year
- New glass bottle prices increased by 6% effective from September 1, 2014
- As per a recent industry research<sup>1</sup>, demand for premium alcoholic beverages is driven by increase in disposable income of consumers, the use of alcohol as a status-symbol, the need for luxury, and the association of the "premium" label with beverage quality and taste

Note:

1 Global Alcoholic Drinks Market 2014-2018

# Financial Overview



## Q2 and Half Year FY2015 Financial Performance

(Rs. Crore)	Q2		y-o-y	Half Year		y-o-y
	FY2015	FY2014	Growth (%)	FY2015	FY2014	Growth (%)
Gross Sales	1,100.6	999.3	10.1%	2,245.6	2,118.6	6.0%
Net Sales	463.2	446.2	3.8%	930.2	913.1	1.9%
Operational EBITDA	47.5	56.4	(15.7)%	97.7	117.5	(16.9)%
<i>Operational EBITDA Margin (%)</i>	10.3%	12.6%		10.5%	12.9%	
Net Income	14.9	17.3	(13.9)%	31.5	39.8	(21.0)%
<i>Net Income Margin (%)</i>	3.2%	3.9%		3.4%	4.4%	
Operational Net Income	19.5	28.0	(30.2)%	37.9	58.6	(35.3)%
Operational Basic EPS (Rs.)	1.47	2.11	(30.3)%	2.85	4.41	(35.3)%

**Net Sales:** Includes sale from tie-up units net of royalty income

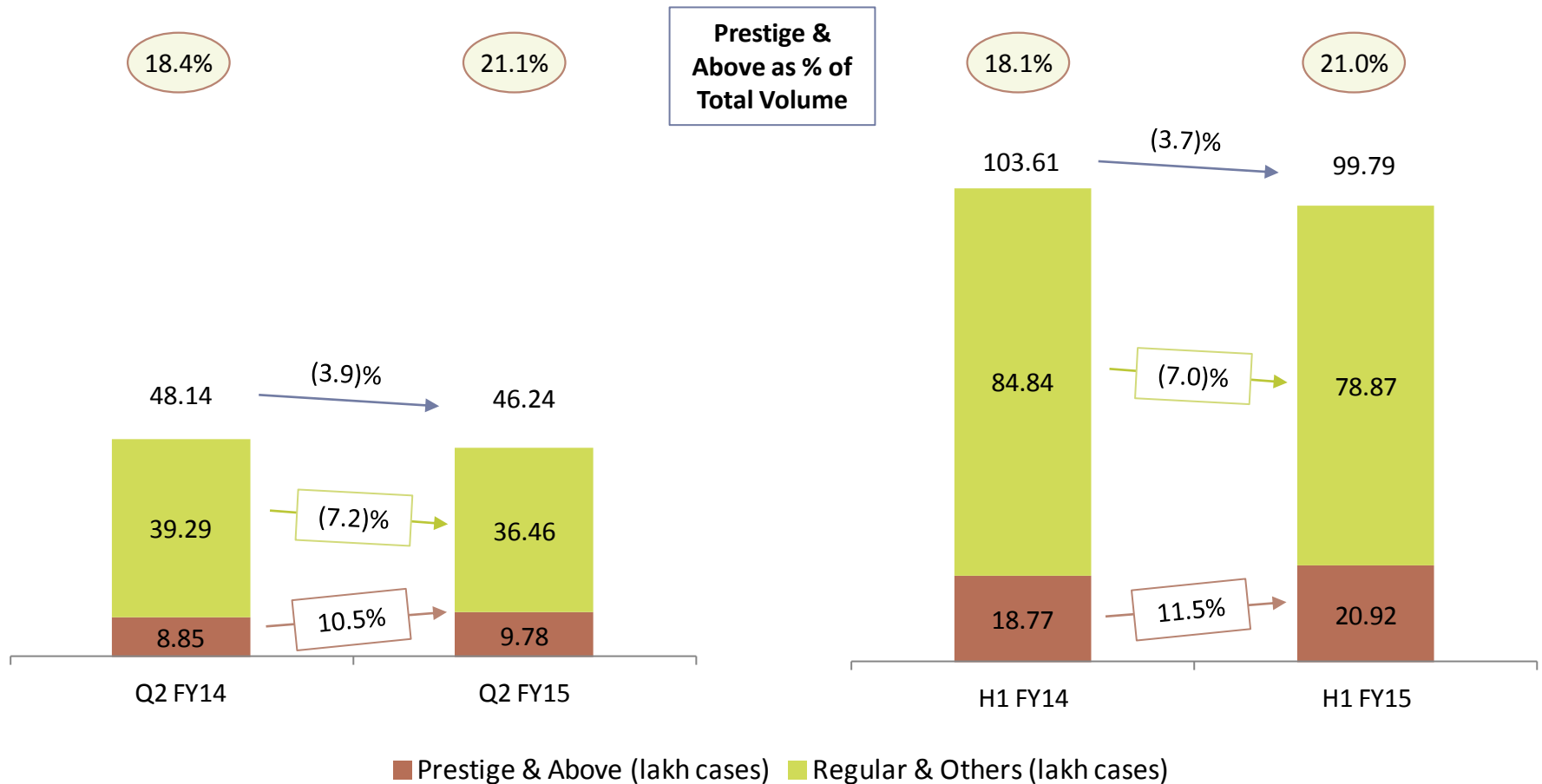
**Operational EBITDA:** Q2 FY2014 EBITDA has been adjusted for Rs. 4.4 Crore, an aggregate charge for a UP Government levy

**Operational Net Income:** Net Income has been adjusted for foreign exchange fluctuation loss / (gain) of Rs. 4.6 Crore in Q2 FY2015 compared with Rs. 6.3 Crore in Q2 FY2014 and Rs. 6.5 Crore in H1 FY2015 compared with Rs. 14.4 Crore in H1 FY2014. This is as per para 46A of Accounting Standard 11. This foreign exchange fluctuation loss is related to ECBs and is a non cash item in the Other Expenditure of the statutory financial statements

# Operational Performance



Prestige & Above category a key contributor and driver of future growth



# Performance Discussion



## Q2 FY2015 Financial Highlights

**Net Sales:** Net Sales increased by 3.8% y-o-y. IMFL sales contributed 72.0% of total sales. Prestige & Above brands delivered consistent volume growth of 10.5% vs. Q2 FY2014. As a percentage of total IMFL volumes, these brands now contribute 21.1% compared to 18.4% in Q2 FY2014.

In October 2014, the Company received price increase in the state of Tamil Nadu, one the largest liquor consuming states, effective from November 1, 2014. Radico Khaitan derives around 10% of its volumes sales from the state.

**Gross Margin:** Due to the increase in the ENA and glass bottle costs, gross margin during the quarter declined from 41.6% to 40.4%. ENA costs during the quarter increased by 7.5% compared to Q2 FY2014, translating into an impact of Rs. 6.5 Crore.

**EBITDA:** Operational EBITDA declined by 15.7% y-o-y at 10.3% margins. Subdued revenue growth coupled with higher input and other indirect costs led to the decline in EBITDA.

Other expenses during the quarter of Rs. 63.9 Crore include a sum of Rs. 11.5 Crore on account of excise duty on finished good valuation in accordance with AS-2. The corresponding credit has also been considered in the valuation of finished goods inventory.



# Performance Discussion



## Q2 FY2015 Financial Highlights

**Balance Sheet:** As of September 30, 2014, Total Debt was Rs. 865.8 Crore, Cash & Cash Equivalents were Rs. 13.6 Crore resulting in Net Debt of Rs. 852.2 Crore (vs. Rs. 888.5 Crore as of March 31, 2014).

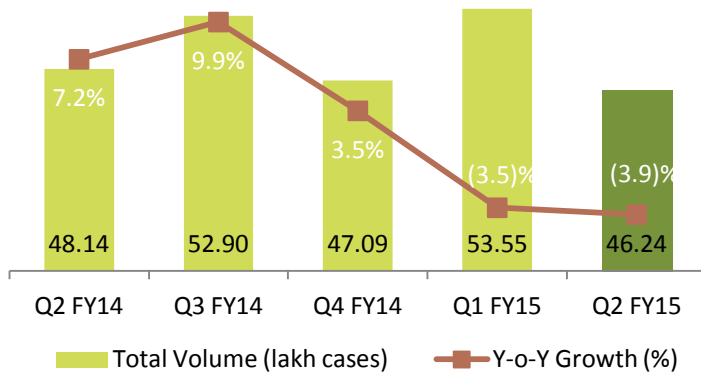
Total Debt consists of Rs. 482.4 Crore of Working Capital loans and Rs. 383.5 Crore of Long Term loans, including Long Term loans maturing within 12 months of the balance sheet date. Total Debt also includes a non-cash impact of Rs. 8.7 Crore on foreign currency loans due to depreciation of the Indian Rupee during the first half of the year.

During the first half of FY2015, the Company became free cash flow positive and reduced debt to the extent of Rs. 45.0 Crore. This includes the above non-cash impact of Rs. 8.7 Crore.

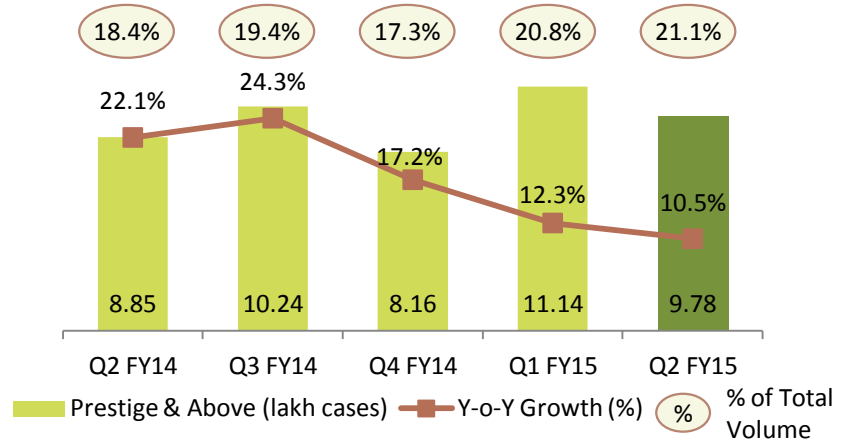
# Quarterly Performance Trends



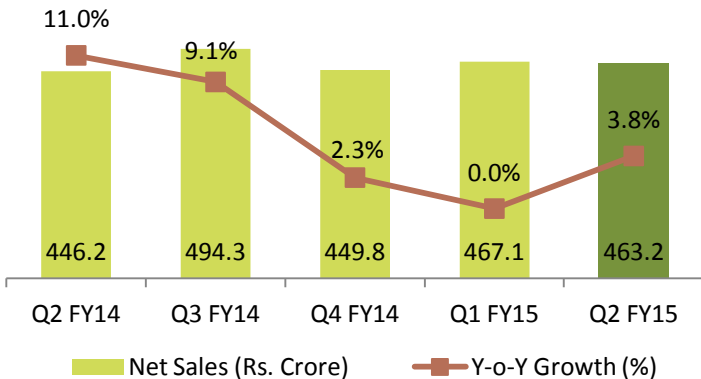
## Total IMFL Volume



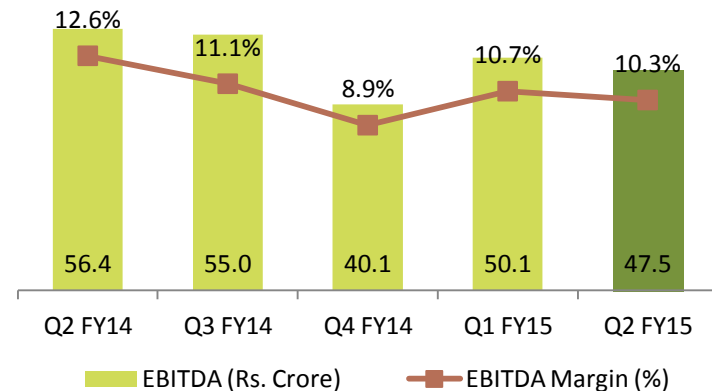
## Prestige & Above Category Volume



## Net Sales



## Operational EBITDA



**Net Sales:** Includes sale from tie-up units net of royalty income

# Company Overview



Radico Khaitan is one of the leading players in the premium spirits segment

## Radico Khaitan Overview

- One of the largest players in the Indian spirits industry
- Operates three distilleries and one JV with total capacity of 150 million litres
- 33 bottling units spread across the country limit interstate taxes and transport costs
- One of the largest providers of branded IMFL to the Canteen Stores Department (CSD), which has significant entry barriers
- Pan-India manufacturing and distribution network covering over 90% of retail outlets
- Sale through over 45,000 retail and 5,000 on-premise outlets
- Alcoholic beverages industry value is expected to grow at 2014-18 CAGR of 7.9%
- Low per capita alcohol consumption in India provides room for significant growth

## Market Leading Premium Brands



- Launched in 2005, Magic Moments is the market leader in the premium Vodka category in India
- Vodka industry in India has grown at a 5 year volume CAGR of 20%



- Launched in 2009, Morpheus Brandy is the market leader in the super premium brandy category

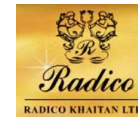


- Capitalizing on the success of Morpheus, the Company launched Florence brandy in 2013



- Launched in 2011, After Dark is well positioned in the fast growing premium whisky segment in India

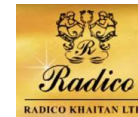
# Statutory Results



## Second Quarter and Half Year Results for FY2015

PART-I		(Figures Rs. In lakhs)					
SI. No.	Particulars	(1)	(2)	(3)	(4)	(5)	(6)
		Quarter ended 30.09.2014 (Unaudited)	Quarter ended 30.06.2014 (Unaudited)	Quarter ended 30.09.2013 (Unaudited)	Half year ended 30.09.2014 (Unaudited)	Half year ended 30.09.2013 (Unaudited)	Year ended 31.03.2014 (Audited)
<b>1</b>	<b>Income from operations</b>						
	(a) Gross Sales	75,794.33	79,092.18	70,854.90	154,886.51	149,252.69	300,559.53
	Less: Excise duty	40,633.41	43,008.98	36,689.55	83,642.39	80,243.05	159,340.56
	Net Sales / Income from Operations	35,160.92	36,083.20	34,165.35	71,244.12	69,009.64	141,218.97
	(b) Other Operating Income	1,095.26	909.18	1,043.28	2,004.44	1,932.67	3,951.26
	<b>Total Income from operations (net)</b>	<b>36,256.18</b>	<b>36,992.38</b>	<b>35,208.63</b>	<b>73,248.56</b>	<b>70,942.31</b>	<b>145,170.23</b>
<b>2</b>	<b>Expenditure</b>						
	(a) Cost of material consumed	16,129.13	16,878.49	16,656.11	33,007.62	31,751.91	66,652.34
	(b) Purchase of stock-in-trade	195.09	407.74	409.28	602.83	1,453.64	2,204.59
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	85.91	413.86	(419.65)	499.77	203.96	(3,546.81)
	(d) Employee benefits expense	2,567.60	2,413.13	2,387.81	4,980.73	4,366.18	9,317.97
	(e) Depreciation and amortisation expense	1,050.00	1,050.00	965.00	2,100.00	1,915.00	3,875.34
	(f) Selling & Distribution	6,599.04	7,382.83	6,921.90	13,981.87	13,777.54	28,618.93
	(g) Other expenditure	6,388.96	4,667.05	4,680.61	11,056.01	9,518.56	22,574.27
	<b>Total expenses</b>	<b>33,015.73</b>	<b>33,213.10</b>	<b>31,601.06</b>	<b>66,228.83</b>	<b>62,986.79</b>	<b>129,696.63</b>
<b>3</b>	Profit / (Loss) from Operations before Other Income, Finance Costs & Exceptional Items (1-2)	3,240.45	3,779.28	3,607.57	7,019.73	7,955.52	15,473.60
<b>4</b>	Other Income	1,044.65	932.60	885.02	1,977.25	1,732.48	3,648.30
<b>5</b>	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	4,285.10	4,711.88	4,492.59	8,996.98	9,688.00	19,121.90
<b>6</b>	Finance Cost	2,268.65	2,256.85	1,981.35	4,525.50	4,025.50	8,480.95
<b>7</b>	Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	2,016.45	2,455.03	2,511.24	4,471.48	5,662.50	10,640.95
<b>8</b>	Exceptional items	-	-	-	-	-	-
<b>9</b>	Profit (+) / Loss (-) from Ordinary Activities before tax ( 7+8 )	2,016.45	2,455.03	2,511.24	4,471.48	5,662.50	10,640.95

# Statutory Results

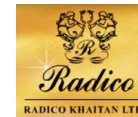


## Second Quarter and Half Year Results for FY2015

**PART-I** (Figures Rs. In lakhs)

Sl. No.	Particulars	(1) Quarter ended 30.09.2014 (Unaudited)	(2) Quarter ended 30.06.2014 (Unaudited)	(3) Quarter ended 30.09.2013 (Unaudited)	(4) Half year ended 30.09.2014 (Unaudited)	(5) Half year ended 30.09.2013 (Unaudited)	(6) Year ended 31.03.2014 (Audited)
10	Tax Expense	525.00	800.00	779.00	1,325.00	1,679.00	3,515.00
11	Net Profit (+) / Loss (-) from Ordinary Activities after tax ( 9-10 )	1,491.45	1,655.03	1,732.24	3,146.48	3,983.50	7,125.95
12	Extra ordinary items (net of tax expense Rs.in lakhs)	-	-	-	-	-	-
13	Net Profit (+) / Loss (-) for the period (11-12)	1,491.45	1,655.03	1,732.24	3,146.48	3,983.50	7,125.95
14	Paid up equity share capital (of Rs. 2/- each)	2,660.78	2,660.78	2,658.91	2,660.78	2,658.91	2,660.78
15	Reserves excluding revaluation reserve						74,536.73
16 (i)	Earning per share (before extra ordinary items) (of Rs.2/- each) not annualized (Rs.)						
	Basic	1.12	1.24	1.30	2.37	3.00	5.36
	Diluted	1.12	1.24	1.30	2.37	2.99	5.35
16 (ii)	Earning per share (after extra ordinary items) (of Rs.2/- each) not annualized (Rs.)						
	Basic	1.12	1.24	1.30	2.37	3.00	5.36
	Diluted	1.12	1.24	1.30	2.37	2.99	5.35

# Statutory Results



## Second Quarter and Half Year Results for FY2015

### PART II

Sl. No.	Particulars	(1) Quarter ended 30.09.2014 (Unaudited)	(2) Quarter ended 30.06.2014 (Unaudited)	(3) Quarter ended 30.09.2013 (Unaudited)	(4) Half year ended 30.09.2014 (Unaudited)	(5) Half year ended 30.09.2013 (Unaudited)	(6) Year ended 31.03.2014 (Audited)
<b>A</b>	<b>Particulars of Shareholding</b>						
	Public shareholding						
	(a) No. of Shares	79208947	79208947	79115862	79208947	79115862	79208947
	(b) Percentage of Shareholding	59.54	59.54	59.51	59.54	59.51	59.54
	Promoters and promoter group Shareholding						
	(a) Pledged / Encumbered						
	- Number of shares	15081429	12081429	16231429	15081429	16231429	11781429
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	28.02	22.44	30.15	28.02	30.15	21.89
	- Percentage of shares (as a % of the total share capital of the Company)	11.34	9.08	12.21	11.34	12.21	8.86
	(b) Non-encumbered						
	- Number of shares	38748389	41748389	37598389	38748389	37598389	42048389
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	71.98	77.56	69.85	71.98	69.85	78.11
	- Percentage of shares (as a % of the total share capital of the Company)	29.12	31.38	28.28	29.12	28.28	31.60
<b>B</b>	<b>Investor Complaints</b>	<b>Quarter ended 30.9.2014</b>					
	Pending at the beginning of the quarter	NIL					
	Received during the quarter	1					
	Disposed of during the quarter	1					
	Remaining unresolved at the end of the quarter	NIL					

# Statutory Results



## Second Quarter and Half Year Results for FY2015

### Notes:

1. The above financial results were reviewed by the Audit Committee and taken on record by the Board of Directors in their meeting held on 11<sup>th</sup> November 2014.
2. The Statutory Auditors have carried out a limited review of the financial results for the quarter ended 30<sup>th</sup> September 2014.
3. The Company also gets its products manufactured under various arrangements with other distilleries / bottling units spread all over the country. The Gross Sales for the company's products through these operations not included in the above sales figures, are - (Rs. in lacs) (1) 36,151.29 (2) 37,686.89 (3) 31,134.39 (4) 73,838.18 (5) 67,404.37 (6) 142,292.37 column-wise respectively. The resultant income to Radico Khaitan Ltd. (RKL) from these operations is included hereinabove.
4. The Company has one major operational business segment viz. liquor and related products, which accounts for more than 90% of the total turnover of the Company.
5. Consequent to the application of para 46A in AS -11 vide notification dated 29<sup>th</sup> December 2011, the Company has written off a sum of Rs.462.22 lacs on account of foreign exchange translation variations in long term foreign currency borrowings.
6. Previous year / period figures have been regrouped / rearranged, wherever necessary to make them comparable with the current period figures.

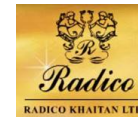
New Delhi

11.11.2014

for Radico Khaitan Limited

Dr. Lalit Khaitan  
Chairman & Managing Director

# Statutory Results



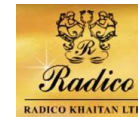
## Second Quarter and Half Year Results for FY2015

(In Rs. Lacs)

	Particulars	<u>As at</u> <u>30.09.2014</u> <b>(Unaudited)</b>	<u>As at</u> <u>31.03.2014</u> <b>(Audited)</b>
<b>A</b>	<b><u>EQUITY AND LIABILITIES</u></b>		
<b>1</b>	<b>Shareholders' funds</b>		
	(a) Share capital	2,660.78	2,660.78
	(b) Reserves and surplus	77,360.87	75,445.95
	<b>Sub-total - Shareholder's funds</b>	<b>80,021.65</b>	<b>78,106.73</b>
<b>2</b>	<b>Non-current liabilities</b>		
	(a) Long-term borrowings	38,346.30	42,358.35
	(b) Deferred tax liabilities (Net)	7,323.00	6,953.00
	(c) Other long term liabilities	108.88	122.24
	(d) Long-term provisions	521.84	521.84
	<b>Sub-total - Non-current liabilities</b>	<b>46,300.02</b>	<b>49,955.43</b>
<b>3</b>	<b>Current liabilities</b>		
	(a) Short-term borrowings	38,907.12	40,555.02
	(b) Trade payables	12,616.64	12,755.55
	(c) Other current liabilities	15,695.13	16,334.42
	(d) Short-term provisions	3,809.24	3,864.07
	<b>Sub-total - Current liabilities</b>	<b>71,028.13</b>	<b>73,509.06</b>
	<b>TOTAL - EQUITY AND LIABILITIES</b>	<b>197,349.80</b>	<b>201,571.22</b>



# Statutory Results



## Second Quarter and Half Year Results for FY2015

(In Rs. Lacs)

	Particulars	As at 30.09.2014	As at 31.03.2014
<b>B</b>	<b><u>ASSETS</u></b>		
<b>1</b>	<b>Non-current assets</b>		
	(a) Fixed assets		
	- Tangible assets	49,798.03	53,067.82
	- Intangible assets	3,982.21	3,982.20
	- Capital work-in-progress (at cost)	1,755.60	812.06
	(b) Non-current investments	5,836.80	5,836.79
	(c) Long-term loans and advances	14,662.79	13,652.31
	(d) Other non current assets - deposits with banks	201.90	201.90
	<b>Sub-total - Non-current assets</b>	<b>76,237.33</b>	<b>77,553.08</b>
<b>2</b>	<b>Current assets</b>		
	(a) Current investments	5,000.00	5,000.00
	(b) Inventories	18,537.00	21,031.25
	(c) Trade receivables	45,152.31	52,331.67
	(d) Cash and cash equivalents	1,361.56	1,528.51
	(e) Short-term loans and advances	46,290.39	40,347.54
	(f) Other current assets	4,771.21	3,779.17
	<b>Sub-total - Current assets</b>	<b>121,112.47</b>	<b>124,018.14</b>
	<b>TOTAL ASSETS</b>	<b>197,349.80</b>	<b>201,571.22</b>



### Contact Details:

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