



Radico Khaitan Limited

(NSE: RADICO; BSE: 532497)

FY2015 Earnings Presentation

May 22, 2015



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



FY2015 vs. FY2014

- Net Sales of Rs. 1,846.5 Crore; flat y-o-y
- Prestige & Above brands volume growth of 8.8%
- Prestige & Above brands increased from 18.3% to 20.7% of total IMFL volumes
- Operational EBITDA of Rs. 180.7 Crore with margins of 9.8%
- Operational Net Income of Rs. 78.0 Crore
- Dividend of 40% or Rs. 0.80 per share
- Net debt of Rs. 838.9 Crore; repayment of Rs. 67.8 Crore during the year
- Monde Selection 2015 Grand Gold award for Magic Moments Remix Lemongrass & Ginger, and Magic Moments Remix Peach Flavoured Vodka; and 10 Gold awards for other brands

Q4 FY2015 vs. Q4 FY2014

- Net Sales of Rs. 419.4 Crore
- Prestige & Above brands volume growth of 7.2%
- Prestige & Above brands increased from 17.3% to 19.5% of total IMFL volumes
- Operational EBITDA of Rs. 31.8 Crore
- Operational Net Income of Rs. 13.5 Crore; up by 47.7%

Strong free cash flow generation; Reduction in Net Debt

Management Perspectives



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

“FY2015 has been a very difficult year for the spirits industry in India. However, we believe that this is a short term challenge and Radico Khaitan is very well positioned for the anticipated upturn in the industry. India has always been a very attractive consumer market and more so now with the changing consumer preference towards quality products. Increasing premium brand awareness has enabled us to capitalise on our Prestige product range, in particular Magic Moments vodka and Morpheus brandy. Management continues to make strategic and highly targeted investments in innovative marketing and products to gain market share.”

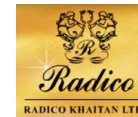
Commenting on the results and performance, Mr. Abhishek Khaitan, Managing Director said:

“During the year, our operating performance was satisfactory especially in context of the current dynamics in the Indian spirits industry. Input costs, which have been on an upward trend over the last couple of years, are believed to have peaked, in particular ENA prices. We expect the ENA price to stabilise at these levels in the near term. Our relentless focus on product quality and customer satisfaction has won us accolades in the Monde Selection again this year. Management is pleased to report the reduction in total debt which is a result of our focus on free cash flow generation. We look forward to a better year ahead with an improved operating environment and enhanced profitability levels.”

Input costs experienced a stabilising trend; Anticipated price increases across states to offset subdued volumes

- As per the India Sugar Mills Association (ISMA), sugar production upto 15th May 2015 in the current sugar season was 27.8 MT representing a growth of 14% compared to the same period last year
- As a result of this surplus production, the closing stock of sugar is expected to be 10.3 MT. This will result in further pressure on already depressed sugar prices
- ENA prices increased by around 6% y-o-y during FY2015. However, it remained stable during the last quarter indicating a positive trend and is expected to ease the input cost pressure to a certain extent in the coming year.
- As per a recent industry research, consumers prefer premium brands and are ready to pay more for higher quality brands. Additionally, innovative branding & marketing campaigns with the use of social media is targeted more towards younger population and focused on branded products

Financial Overview



Q4 and Full Year FY2015 Financial Performance

| (Rs. Crore) | Q4 | | y-o-y | Full Year | | y-o-y |
|--------------------------------------|--------|---------|------------|-----------|---------|------------|
| | FY2015 | FY2014 | Growth (%) | FY2015 | FY2014 | Growth (%) |
| Gross Sales | 986.8 | 1,054.4 | (6.4)% | 4,397.5 | 4,337.4 | 1.4% |
| Net Sales | 419.4 | 449.8 | (6.7)% | 1,846.5 | 1,857.2 | (0.6)% |
| Operational EBITDA | 31.8 | 40.1 | (20.6)% | 180.7 | 208.2 | (13.2)% |
| <i>Operational EBITDA Margin (%)</i> | 7.6% | 8.9% | | 9.8% | 11.2% | |
| Net Income | 14.9 | 9.9 | 50.4% | 67.6 | 71.3 | (5.1)% |
| <i>Net Income Margin (%)</i> | 3.6% | 2.2% | | 3.7% | 3.8% | |
| Operational Net Income | 13.5 | 9.1 | 47.7% | 78.0 | 86.0 | (9.3)% |
| Operational Basic EPS (Rs.) | 1.01 | 0.69 | 47.7% | 5.86 | 6.46 | (9.3)% |

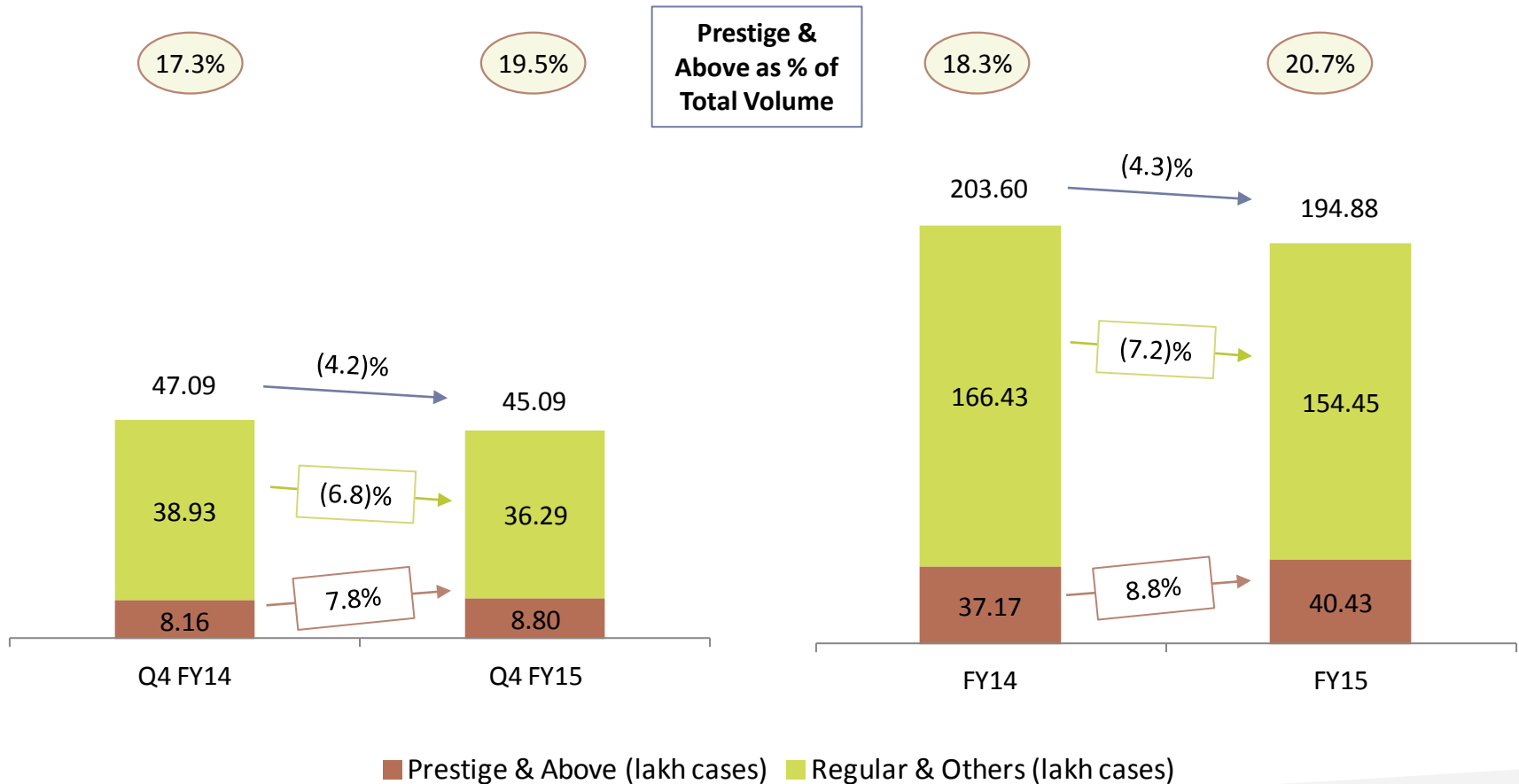
Net Sales: Includes sale from tie-up units net of royalty income

Operational Net Income: Net Income has been adjusted for foreign exchange fluctuation loss / (gain) of Rs. (1.4) Crore in Q4 FY2015 compared with Rs. (0.8) Crore in Q4 FY2014 and Rs. 10.3 Crore in full year FY2015 compared with Rs. 14.7 Crore in full year 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

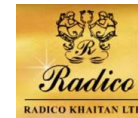
Operational Performance



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



Performance Discussion



FY2015 Financial Highlights

Net Sales: Net Sales remained flat at Rs. 1,846.5 Crore. However, the Prestige & Above brands volume increased by 8.8%. As a percentage of total IMFL volumes, these brands now contribute 20.7% compared to 18.3% last year. IMFL sales contributed 74% of the total sales.

EBITDA: Operational EBITDA decreased by 13.2% and margins declined by 142 basis points to 9.8% compared to the previous year. Margin compression was primarily due to the increase in input costs. ENA cost during the year increased by 6% translating into a total impact of Rs. 21.0 Crore. Glass bottle price increased by 6% from September 2014 resulting in a total impact of Rs. 7.0 Crore during FY2015.

Furthermore, EBITDA was also impacted by a Rs. 9.9 Crore charge on account of depreciation of INR on the payment of US Dollar denominated ECB instalments. This amount has been classified under Other Expenses.

Other Income: During Q4 FY2015, the Company's joint venture in Maharashtra, Radico NV Distilleries Maharashtra Ltd. paid its first dividend on the cumulative preference shares. Radico Khaitan received Rs. 4.6 Crore as preference dividend from the JV. This has been included under other income. Radico Khaitan holds a 36% strategic stake in this JV. The Company expects this JV to be a debt free entity in FY2016.

Net Profit: Operational Net Profit decreased by 9.3% compared with same period last year.

Balance Sheet: As of March 31, 2015, Total Debt was Rs. 849.3 Crore, Cash and Cash Equivalents were Rs. 10.3 Crore resulting in Net Debt of Rs. 838.9 Crore (vs. Rs. 888.5 Crore as on March 31, 2014). Total Debt consists of Rs. 412.4 Crore of Working Capital loans and Rs. 436.9 Crore of Long Term loans, including Long Term loans maturing within 12 months of the balance sheet date. Total Debt also increased by Rs. 13.3 Crore during the year due to the impact of the depreciation of the rupee on foreign currency loans (ECB).

Performance Discussion



Q4 FY2015 Financial Highlights

Net Sales: Net Sales declined by 6.7% to Rs. 419.4 Crore. Prestige & Above brands volume increased by 7.8%. As a percentage of total IMFL volumes, these brands now contribute 19.5% compared to 17.3% last year.

EBITDA: Operational EBITDA decreased by 20.6% and margins declined by 132 basis points to 7.6% compared to the previous year. ENA cost during the quarter increased by 2.2% translating into a total impact of Rs. 1.9 Crore. Glass bottle price had a total impact of Rs. 3.0 Crore during Q4 FY2015.

In Q4 FY2014, Other Expenses included an impact of Rs. 23.5 Crore, being excise duty on account of valuation of finished goods inventory (as per AS-2).

Net Profit: Operational Net Profit increased by 47.7%.

Monde Selection Quality Awards



Grand Gold Award



1. Magic Moments Lemongrass & Ginger Flavoured Vodka
2. Magic Moments Peach Flavoured Vodka Grand Gold

Gold Award



1. Magic Moments Vodka Gold
2. Magic Moments Remix Green Apple Flavoured Vodka Gold
3. Morpheus Brandy Gold
4. Magic Moments Remix Orange Flavoured Vodka Gold
5. Magic Moments Remix Lemon Flavoured Vodka Gold
6. Magic Moments Remix Chocolate Flavoured Vodka Gold
7. Magic Moments Remix Raspberry Flavoured Vodka Gold
8. M2 Verve Super Premium Vodka Gold
9. M2 Verve Green Apple Premium Flavoured Vodka Gold
10. M2 Verve Orange Premium Flavoured Vodka Gold

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 2015-19 CAGR of 5.9%
- 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 15%



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

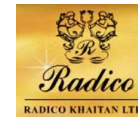


- Launched in 2011, After Dark is well positioned in the fast growing premium whisky segment in India



- Capitalizing on the success of Magic Moments, the Company launched Verve super premium vodka in 2012

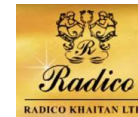
Statutory Results



Fourth Quarter and Full Year Results for FY2015

| PART - 1 | | (Figures Rs. In lakhs) | | | | |
|----------|--|--|--|--|---------------------------------------|---------------------------------------|
| Sl. No. | Particulars | (1) | (2) | (3) | (4) | (5) |
| | | Quarter ended 31.03.2015 (Audited) | Quarter ended 31.12.2014 (Unaudited) | Quarter ended 31.03.2014 (Audited) | Year ended 31.03.2015 (Audited) | Year ended 31.03.2014 (Audited) |
| 1 | Income from operations | | | | | |
| | (a) Gross Sales | 72,364.98 | 89,615.65 | 70,342.94 | 316,867.14 | 300,559.53 |
| | Less: Excise duty | 39,114.53 | 49,660.03 | 36,076.64 | 172,416.95 | 159,340.56 |
| | Net Sales / Income from Operations | 33,250.45 | 39,955.62 | 34,266.30 | 144,450.19 | 141,218.97 |
| | (b) Other Operating Income | 1,088.54 | 1,296.11 | 874.17 | 4,389.09 | 3,951.26 |
| | Total Income from operations (net) | 34,338.99 | 41,251.73 | 35,140.47 | 148,839.28 | 145,170.23 |
| 2 | Expenditure | | | | | |
| | (a) Cost of material consumed | 15,930.87 | 18,139.70 | 17,505.48 | 67,078.19 | 66,652.34 |
| | (b) Purchase of stock-in-trade | 505.42 | 2,812.85 | 228.18 | 3,921.10 | 2,204.59 |
| | (c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | (928.98) | 1,163.49 | (4,155.91) | 734.28 | (3,546.81) |
| | (d) Employee benefits expense | 2,771.62 | 2,972.84 | 2,367.43 | 10,725.19 | 9,317.97 |
| | (e) Depreciation and amortisation expense | 831.74 | 900.00 | 975.34 | 3,831.74 | 3,875.34 |
| | (f) Selling & Distribution | 6,709.35 | 7,669.73 | 7,063.51 | 28,360.95 | 28,618.93 |
| | (g) Other expenditure | 6,029.79 | 3,893.39 | 8,049.50 | 20,979.19 | 22,574.27 |
| | Total expenses | 31,849.81 | 37,552.00 | 32,033.53 | 135,630.64 | 129,696.63 |
| 3 | Profit / (Loss) from Operations before Other Income, Finance costs & Exceptional items (1-2) | 2,489.18 | 3,699.73 | 3,106.94 | 13,208.64 | 15,473.60 |
| 4 | Other Income | 1,494.36 | 1,026.97 | 1,011.49 | 4,498.58 | 3,648.30 |
| 5 | Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4) | 3,983.54 | 4,726.70 | 4,118.43 | 17,707.22 | 19,121.90 |
| 6 | Finance Cost | 2,169.29 | 2,299.70 | 2,235.05 | 8,994.49 | 8,480.95 |
| 7 | Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6) | 1,814.25 | 2,427.00 | 1,883.38 | 8,712.73 | 10,640.95 |
| 8 | Exceptional items | - | - | - | - | - |
| 9 | Profit (+) / Loss (-) from Ordinary Activities before tax (7+8) | 1,814.25 | 2,427.00 | 1,883.38 | 8,712.73 | 10,640.95 |

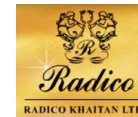
Statutory Results



Fourth Quarter and Full Year Results for FY2015

| PART - 1 | | (Figures Rs. In lakhs) | | | | |
|----------|---|---|---|---|--|--|
| Sl. No. | Particulars | (1) | (2) | (3) | (4) | (5) |
| | | Quarter ended <u>31.03.2015</u> (Audited) | Quarter ended <u>31.12.2014</u> (Unaudited) | Quarter ended <u>31.03.2014</u> (Audited) | Year ended <u>31.03.2015</u> (Audited) | Year ended <u>31.03.2014</u> (Audited) |
| 10 | Tax Expense | 324.21 | 300.00 | 893.00 | 1,949.21 | 3,515.00 |
| 11 | Net Profit (+) / Loss (-) from Ordinary Activities after tax (9-10) | 1,490.04 | 2,127.00 | 990.38 | 6,763.52 | 7,125.95 |
| 12 | Extra ordinary items (net of tax expense Rs. In lakhs) | - | - | - | - | - |
| 13 | Net Profit (+) / Loss (-) for the period (11-12) | 1,490.04 | 2,127.00 | 990.38 | 6,763.52 | 7,125.95 |
| 14 | Paid up equity share capital (of Rs. 2/- each) | 2,660.78 | 2,660.78 | 2,660.78 | 2,660.78 | 2,660.78 |
| 15 | Reserves excluding revaluation reserve | | | | 79,396.87 | 74,536.73 |
| 16 (i) | Earning per share (before extra ordinary items) (of Rs.2/- each) not annualized (Rs.) | | | | | |
| | Basic | 1.12 | 1.60 | 0.74 | 5.08 | 5.36 |
| | Diluted | 1.12 | 1.60 | 0.75 | 5.08 | 5.35 |
| 16 (ii) | Earning per share (after extra ordinary items) (of Rs.2/- each) not annualized (Rs.) | | | | | |
| | Basic | 1.12 | 1.60 | 0.74 | 5.08 | 5.36 |
| | Diluted | 1.12 | 1.60 | 0.75 | 5.08 | 5.35 |

Statutory Results

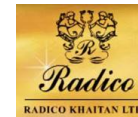


Fourth Quarter and Full Year Results for FY2015

PART II

| SI. No. | Particulars | (1) Quarter ended 31.03.2015 (Audited) | (2) Quarter ended 31.12.2014 (Unaudited) | (3) Quarter ended 31.03.2014 (Audited) | (4) Year ended 31.03.2015 (Audited) | (5) Year ended 31.03.2014 (Audited) |
|----------|--|---|---|---|--|--|
| A | Particulars of Shareholding | | | | | |
| | Public shareholding | | | | | |
| | (a) No. of Shares | 79208947 | 79208947 | 79208947 | 79208947 | 79208947 |
| | (b) Percentage of Shareholding | 59.54 | 59.54 | 59.54 | 59.54 | 59.54 |
| | Promoters and promoter group Shareholding | | | | | |
| | (a) Pledged / Encumbered | | | | | |
| | - Number of shares | 10566429 | 11916429 | 11781429 | 10566429 | 11781429 |
| | - Percentage of shares (as a % of the total shareholding of promoter and promoter group) | 19.63 | 22.14 | 21.89 | 19.63 | 21.89 |
| | - Percentage of shares (as a % of the total share capital of the Company) | 7.94 | 8.96 | 8.86 | 7.94 | 8.86 |
| | (b) Non-encumbered | | | | | |
| | - Number of shares | 43263389 | 41913389 | 42048389 | 43263389 | 42048389 |
| | - Percentage of shares (as a % of the total shareholding of promoter and promoter group) | 80.37 | 77.86 | 78.11 | 80.37 | 78.11 |
| | - Percentage of shares (as a % of the total share capital of the Company) | 32.52 | 31.50 | 31.60 | 32.52 | 31.60 |
| B | Investor Complaints | Quarter ended 31.03.2015 | | | | |
| | Pending at the beginning of the quarter | NIL | | | | |
| | Received during the quarter | 1 | | | | |
| | Disposed off during the quarter | 1 | | | | |
| | Remaining unresolved at the end of the quarter | NIL | | | | |

Statutory Results

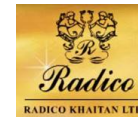


Fourth Quarter and Full Year Results for FY2015

(in Rs Lakhs)

| | Particulars | As at 31.03.2015 | As at 31.03.2014 |
|----------|--|---------------------|---------------------|
| A | <u>EQUITY AND LIABILITIES</u> | | |
| 1 | Shareholders' funds | | |
| | (a) Share capital | 2,660.78 | 2,660.78 |
| | (b) Reserves and surplus | 80,267.62 | 75,445.95 |
| | Sub-total - Shareholder's funds | 82,928.40 | 78,106.73 |
| 2 | Non-current liabilities | | |
| | (a) Long-term borrowings | 32,601.53 | 42,358.35 |
| | (b) Deferred tax liabilities (Net) | 7,152.21 | 6,953.00 |
| | (c) Other long term liabilities | 70.61 | 122.24 |
| | (d) Long-term provisions | 588.70 | 521.84 |
| | Sub-total - Non-current liabilities | 40,413.05 | 49,955.43 |
| 3 | Current liabilities | | |
| | (a) Short-term borrowings | 41,241.30 | 40,555.02 |
| | (b) Trade payables | 12,553.90 | 12,755.55 |
| | (c) Other current liabilities | 27,439.78 | 16,334.42 |
| | (d) Short-term provisions | 4,192.50 | 3,864.07 |
| | Sub-total - Current liabilities | 85,427.48 | 73,509.06 |
| | | | |
| | TOTAL - EQUITY AND LIABILITIES | 208,768.93 | 201,571.22 |

Statutory Results

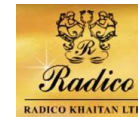


Fourth Quarter and Full Year Results for FY2015

(in Rs Lakhs)

| | Particulars | As at 31.03.2015 | As at 31.03.2014 |
|----------|--|---------------------|---------------------|
| B | <u>ASSETS</u> | | |
| 1 | Non-current assets | | |
| | (a) Fixed assets | | |
| | - Tangible assets | 54,196.55 | 53,067.82 |
| | - Intangible assets | 3,077.92 | 3,982.20 |
| | - Capital work-in-progress (at cost) | 80.30 | 812.06 |
| | (b) Non-current investments | 4,806.34 | 5,836.79 |
| | (d) Long-term loans and advances | 14,386.00 | 13,652.31 |
| | (e) Other non current assets - deposits with banks | 223.30 | 201.90 |
| | Sub-total - Non-current assets | 76,770.41 | 77,553.08 |
| 2 | Current assets | | |
| | (a) Current investments | 5,000.00 | 5,000.00 |
| | (b) Inventories | 21,302.70 | 21,031.25 |
| | (c) Trade receivables | 47,780.87 | 52,331.67 |
| | (d) Cash and cash equivalents | 1,032.76 | 1,528.51 |
| | (e) Short-term loans and advances | 51,408.79 | 40,347.54 |
| | (f) Other current assets | 5,473.40 | 3,779.17 |
| | Sub-total - Current assets | 131,998.52 | 124,018.14 |
| | TOTAL ASSETS | 208,768.93 | 201,571.22 |

Statutory Results



Fourth Quarter and Full 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 22nd May 2015.
2. The figures for the quarter ended 31st March 2015 and 31st March 2014 are the balancing figure between the audited figures in respect of the full financial year and the published year to date figures upto the 3rd quarter of the relevant financial year.
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:

| 1 | 2 | 3 | 4 | 5 |
|--|--|--|---------------------------------------|---------------------------------------|
| Quarter ended 31.03.2015 (Audited) | Quarter ended 31.12.2014 (Unaudited) | Quarter ended 31.03.2014 (Audited) | Year ended 31.03.2015 (Audited) | Year ended 31.03.2014 (Audited) |
| 28,442.22 | 28,041.95 | 37,428.00 | 130,315.22 | 142,292.37 |

The resultant income to Radico Khaitan Ltd. (RKL) from these operations is included hereinabove

4. The Board of Directors have recommended for declaration, a dividend of Re.0.80 per share (40%) of the face value of Rs.2/- each for the financial year ended 31st March 2015 subject to the approval of the shareholders at the ensuing Annual General Meeting.
5. 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.
6. Consequent to the application of para 46A in AS-11 vide notification dated 29th December 2011, the Company has adjusted for the quarter a sum of Rs. 140.67 lacs (credit) on account of foreign exchange translation variations in long term foreign currency borrowings.
7. During the quarter, the Company has sold its entire shareholding (49%) in its associated Company i.e. Radico Global Ltd. A loss of Rs. 260.87 lacs arising out of the sale has been charged in Profit & Loss Account of the Company.
8. Previous year / period figures have been regrouped / rearranged, wherever necessary to make them comparable with the current period figures.

for Radico Khaitan Limited

New Delhi
22.05.2015

Dr. Lalit Khaitan
Chairman & Managing Director



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