



**Spirited
Performance...
High on Future!**



**Q1 FY2018
Earnings Presentation
July 26, 2017**

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.



Q1 FY2018 Performance Highlights

Q1 FY2018 vs. Q1 FY2017

- Revenue from Operations (Net) of Rs. 411.29 Crore
- Prestige & Above brands contribution to the total IMFL volumes increased from 26.9% to 28.1%
- Gross Margin improved 130 bps to 45.6%
- EBITDA of Rs. 61.48 Crore, up 8.6%; EBITDA margin improved 173 bps to 14.9%
- Reduction in interest costs of 11.8% to Rs. 18.9 Crore
- Total Comprehensive Income of Rs. 25.18 Crore, up 16.9%

Significantly improved profitability despite a challenging operating environment



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

“After a pleasing performance in FY2017, Radico Khaitan started FY2018 on a very positive note. It is heartening to report that despite a subdued sales in the first quarter of FY2018, we reported a strong improvement in overall profitability. Over the last few years, Radico Khaitan has been primarily focused on portfolio rationalization and efficient working capital management. The Company continues to prioritise the generation of strong free cash flows and the deleveraging of its balance sheet. Management is confident that as the operating environment improves, we are well placed to benefit from the value based growth in the industry.”

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

“During the first quarter of FY2018, our overall sales volume declined by 5.8% which was primarily due to the impact of the national highway liquor ban. Despite this pressure on sales performance, Radico Khaitan was able to deliver strong profitability. Our gross margins improved by 130 bps to 45.6% and EBITDA margin expanded by 173 bps to 14.9%. This is a testament to our strong premium product portfolio, robust sales & marketing channels and cost optimization measures. We believe that the impact of the national highway ban will sustain for another two quarters but the severity will be less in coming quarters. Radico Khaitan is working closely with various state governments and the industry organisations for the implementation of GST. We expect to have more clarity on the impact by the end of Q2 FY2018. Management is cautiously monitoring the recent regulatory changes and remain optimistic of the long term growth dynamics of the spirits industry in India.”



Financial Overview

Q1 FY2018 Financial Performance (Ind AS)

(Rs. Crore)	Q1		y-o-y	Full Year		y-o-y
	FY2018	FY2017	Growth (%)	FY2017	FY2016	Growth (%)
Revenue from Operations (Gross)	1,375.46	1,211.04	13.6%	4,867.95	4,271.09	14.0%
Revenue from Operations (Net)	411.29	428.42	(4.0)%	1,679.90	1,651.82	1.7%
EBITDA	61.48	56.62	8.6%	210.79	186.12	13.3%
<i>EBITDA Margin (%)</i>	<i>14.9%</i>	<i>13.2%</i>		<i>12.5%</i>	<i>11.3%</i>	
Net Comprehensive Income	25.18	21.53	16.9%	79.28	71.84	10.4%
<i>Net Comprehensive Income Margin (%)</i>	<i>6.1%</i>	<i>5.0%</i>		<i>4.7%</i>	<i>4.3%</i>	
Basic EPS (Rs.)	1.93	1.65	16.7%	6.06	5.52	9.8%

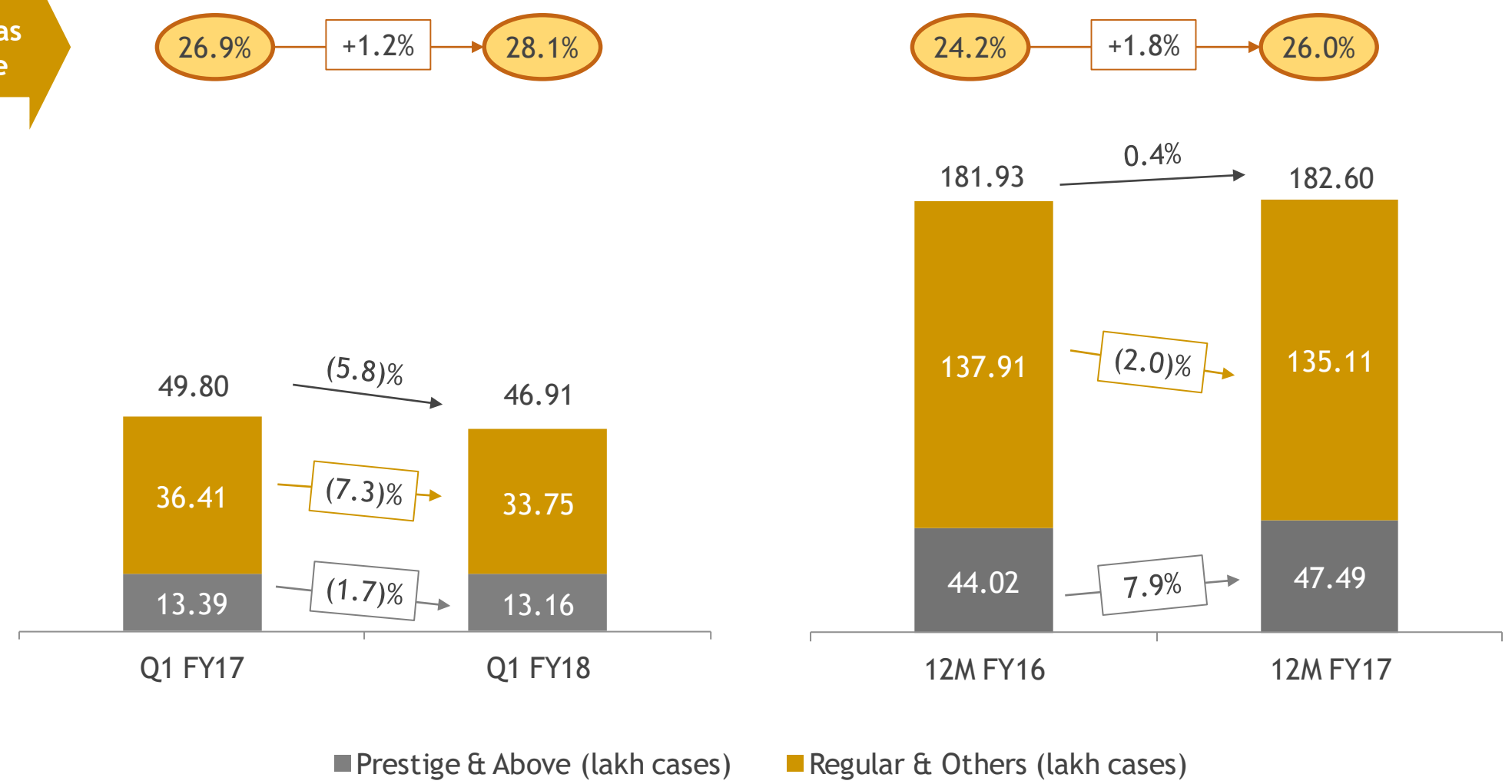
Net Sales includes Other Operating Income



Operational Performance

Volumes impacted due to the recently announced national highway liquor ban
Continued increase in the share of Prestige & Above category volumes

Prestige & Above as % of Total Volume



26.9% → +1.2% → 28.1%

24.2% → +1.8% → 26.0%



Q1 FY2018 Highlights (Y-o-Y)

- **Revenue from Operations (Net):** Revenue from Operations during Q1 FY2018 decreased by 4.0% compared to Q1 FY2017. Total IMFL volumes decreased by 5.8% compared to the same period last year primarily due to the impact of the national highway liquor ban. However, the impact was less severe on the Prestige & Above category brands where volume declined by 1.7% y-o-y. As a percentage of total IMFL volumes, Prestige & Above brands contributed 28.1% compared to 26.9% in Q1 FY2017.
- **Gross Margin:** Despite a challenging operating environment, Gross Margin increased by 130 bps y-o-y to 45.6%. This improvement was driven by a combination of price increases, improved state-wise sales mix, higher export volumes and cost optimization initiatives undertaken by the Company.
- **EBITDA:** EBITDA increased by 8.6% y-o-y with margins of 14.9% (up 173 bps Y-o-Y). This increase in EBITDA was driven by significantly improved Gross Margins. Furthermore, EBITDA during Q1 FY2018 included a non-cash profit on account of foreign exchange fluctuation related to ECBs of Rs. 1.7 Lakh (compared to a non-cash charge of Rs. 3.5 Crore in Q1 FY2017).
- **Finance Cost:** Finance cost during the quarter declined by 11.8% y-o-y to Rs. 18.9 Crore.



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 a total capacity of 157 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 55,000 retail and 5,000 on-premise outlets
- Alcoholic beverages industry value is expected to grow at 2017-21 CAGR of 8.4%
- 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 India in the premium vodka category
- Premium 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



- Launched ELECTRA in June 2015 to capture the opportunity in the RTD segment and capitalize on the success on Magic Moments

New Product - Rampur Indian Single Malt

A salute to the royal heritage

- Takes forward the rich heritage of Rampur, a princely state of British India and the 75 years of distillation expertise of Radico Khaitan, the pioneers of legendary spirits in India
- Aged in the foothills of the Himalayas, Rampur is the Kohinoor of Single Malts
- The Rampur Indian Single Malt is presented in a distinguished canister packaging. Treasured in a robust stout bottle with a thick base, the overall appearance is of under-stated luxury
- The Rampur Indian Single Malt experience is enhanced with the addition of a cork with sleeve and a hand crafted silk pouch imparting a royal touch
- This product is currently launched in the international markets only



New Product - Rampur Indian Single Malt

A leap into the journey of creating super premium products and brands

Tasting Notes

- Aroma: Rich fruity top note, toffee in the background, floral, honey, dried fruits and hint of spice
- Appearance: Golden amber
- Palate: All round balanced taste with malty & creamy vanilla. Hint of fruits like apricot & apple with sweet & winey taste
- Finish: Rich & long finish



New Product - Pluton Bay Premium Rum

Rare Exotic Rum. The Spirit of Adventure

- **Product:** A unique experience, with a perfect blend of international design and world-class packaging. Rare and smooth taste, offering a premium blend
- **Packaging:** A key differentiator from the existing competition having a unique sleeve (one of its kind), a compass depicting the brand journey, an experience to remember. International packaging with the design depicting a lighthouse and deep seas capturing the spirit of exploration in a unique bottle
- **Positioning:** The Spirit of Adventure
- **Taste:** A rich, full and spicy dark rum. Caramel and spice on the nose. Palate: Smooth and medium-bodied rum. A suitable and fine mixing rum if ever there was one
- Launched in April 2016

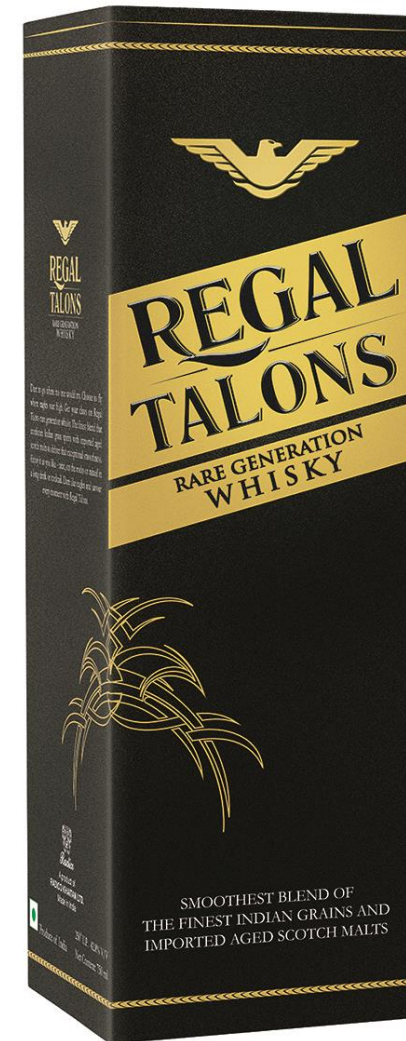


New Product - Regal Talons Semi Premium Whisky

Rare generation whisky

Brand Positioning

- The finest blend that combines Indian grain spirits with imported aged scotch malts to deliver an exceptional smoothness
- Regal Talons has been especially made for those who believe in conquering and always emerge as champions at every step with their unbeatable spirit
- The fine taste of Regal Talons sets free the spirit of passion & perfection and takes one to a new level of supremacy
- The smoothness of this whisky rolls on the tongue like silk and lets one savour it effortlessly, enjoying the finest things in life



New Product - Magic Moment ELECTRA

A premium ready-to-drink (RTD) product

- ELECTRA has been positioned to capture the significant market opportunity in the RTD segment
- Launched in three unique flavours after extensive research:
 - *Cosmopolitan*: Cranberry Base with the hint of lime
 - *Appletini*: Apple Flavour
 - *Agent Orange*: Orange base with carrot as a combination
- ELECTRA is triple distilled and triple filtered with carbon/ silver/ platinum
- Available in a premium packaging and a ring pull cap (first time ever introduced in a RTD product in India)
- Within a few months of the June 2015 launch in the North and North Eastern states of India, ELECTRA has gained significant traction; received positive feedback from the consumers and trade channels



Cosmopolitan



Appletini



Agent Orange



New Product - Magic Moment ELECTRA

Premium Chocolate & Coffee Flavour - marketing campaign

Starry Night Martini

Premium Chocolate & Coffee Flavour

If you are ready to play, then the blend is energy and sin. That's what coffee and chocolate brings to the new flavour of ELECTRA which is set to provoke your best move. Give in to an unstoppable urge for a smooth and refreshing experience of Starry Night Martini, ELECTRA.



Statutory Results

First Quarter Results for Fiscal Year 2018

Rs. In lakhs

Sl. No.	Particulars	(1) Quarter ended <u>30.06.2017</u> (Unaudited)	(2) Quarter ended <u>31.03.2017</u> (Refer Note 4)	(3) Quarter ended <u>30.06.2016</u> (Unaudited)	(4) Year ended <u>31.03.2017</u> (Audited)
1	Income from operations				
	(a) Revenue from Operations	137,545.97	120,983.39	121,103.66	486,795.45
	(b) Other Income	526.90	540.91	385.28	1,964.65
	Total Income from operations	138,072.87	121,524.30	121,488.94	488,760.10
2	Expenditure				
	(a) Cost of material consumed	22,531.88	21,266.12	23,127.21	90,245.65
	(b) Purchase of stock-in-trade	234.69	194.39	236.84	1,452.68
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(381.90)	33.41	510.54	442.07
	(d) Excise duty on sales	96,416.68	81,681.52	78,261.88	318,805.32
	(e) Employee benefits expense	3,395.67	3,489.29	3,638.75	14,034.27
	(g) Finance Costs	1,886.35	1,883.67	2,138.96	8,038.40
	(f) Depreciation and amortisation expense	1,015.47	1,020.63	1,049.16	4,170.32
	(h) Selling & Distribution	4,098.52	4,883.26	4,206.96	19,787.08
	(i) Other Expenses	5,051.92	4,749.41	5,411.09	20,816.24
	Total expense	134,249.28	119,201.70	118,581.39	477,792.03
3	Profit / (Loss) before Exceptional Items & tax (1-2) from continuing operations	3,823.59	2,322.60	2,907.55	10,968.07
4	Exceptional items	-	-	-	-
5	Profit (+) / Loss (-) before tax (3-4) from continuing operations	3,823.59	2,322.60	2,907.55	10,968.07
6	Tax Expense	1,255.00	659.52	705.81	2,906.82
7	Net Profit (+) / Loss (-) after tax (5-6) from continuing operations	2,568.59	1,663.08	2,201.74	8,061.25

Rs. In lakhs

Sl. No.	Particulars	(1) Quarter ended <u>30.06.2017</u> (Unaudited)	(2) Quarter ended <u>31.03.2017</u> (Refer Note 4)	(3) Quarter ended <u>30.06.2016</u> (Unaudited)	(4) Year ended <u>31.03.2017</u> (Audited)
8	Other Comprehensive (Income)/ Expenses				
	A (i) Items that will not be reclassified to profit or (ii) Income tax relating to items that will not be reclassified to profit or loss	76.00 (25.08)	(6.94) 2.29	72.78 (24.02)	198.81 (65.61)
	B (i) Items that will be reclassified to profit or loss (ii) Income tax relating to items that will be reclassified to profit or loss	- -	- -	- -	- -
9	Total Comprehensive Income (7-8)	2,517.67	1,667.73	2,152.98	7,928.05
10	Paid up equity share capital (of Rs. 2/- each)	2,660.78	2,660.78	2,660.78	2,660.78
11	Earning per share (of Rs.2/- each) not annualized				
	Basic	1.93	1.25	1.65	6.06
	Diluted	1.93	1.24	1.65	6.05

First Quarter Results for Fiscal Year 2018

Notes:

1. The above results were reviewed by the Audit Committee and were approved and taken on record by the Board of Directors in their meeting held on 26th July 2017
2. This statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules 2015 (Ind AS) prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable
3. As the Company's business activity falls within a single primary business segment, namely Alcohol and Alcoholic Beverages, the disclosure requirements as per Ind-AS 108 "operating segments" are not applicable
4. The figures for the quarter ended 31st March 2017 are the balancing figure between the audited figures in respect of the full financial year and the published year to date figures upto the IIIrd quarter of the relevant financial years
5. Tax expenses includes current tax and deferred tax
6. The previous period figures have been regrouped / reclassified, wherever considered necessary

For Radico Khaitan Ltd.

New Delhi
26th July 2017

Dr. Lalit Khaitan
Chairman & Managing Director
DIN No. 00238222





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