



Radico Khaitan Limited
(BSE: 532497; NSE: RADICO)

Earnings Presentation

Q2 and H1 FY2018

Q2 FY2018 Performance Highlights

Quality earnings and robust cash flows

 Volumes growth driven by Prestige & Above category
Total volume +4.3%; Prestige & Above +6.5%

 Ongoing profitability improvement
EBITDA +16.3%; Total Comprehensive Income +28.8%

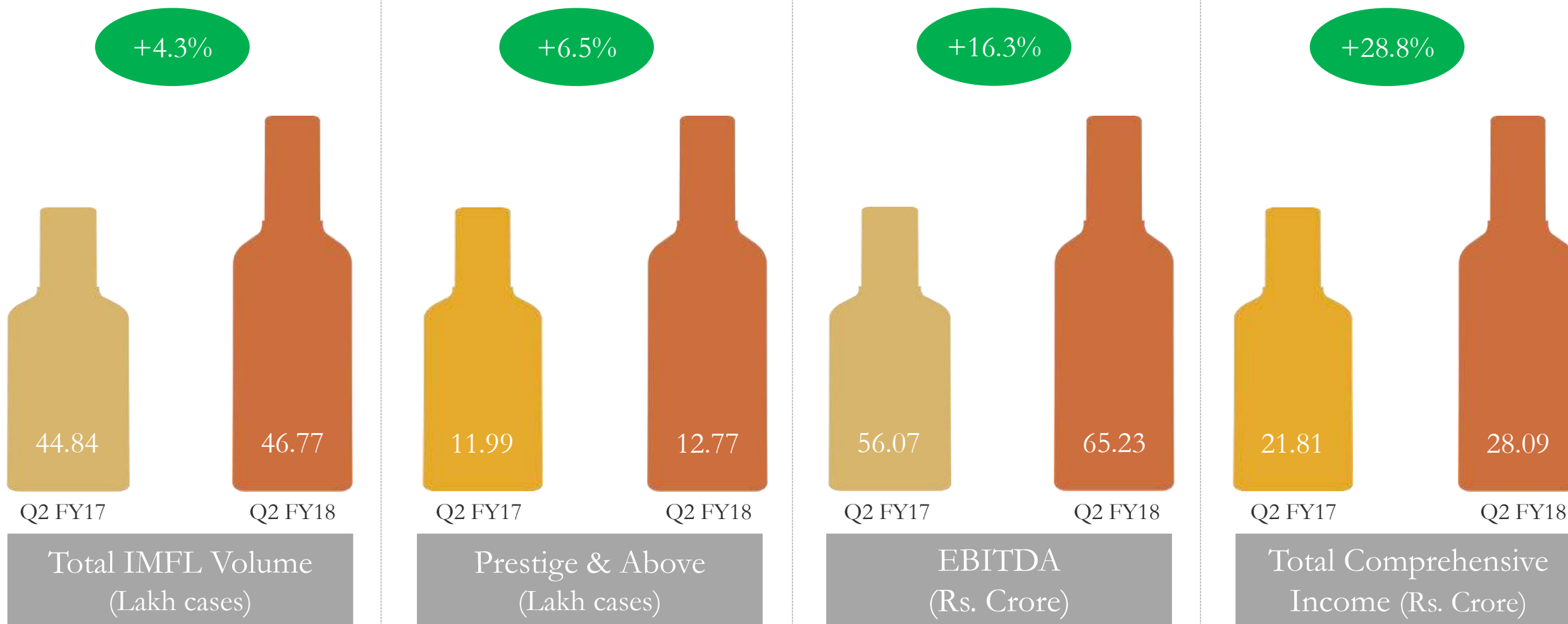
 Strong cash flow generation and ongoing deleveraging
Net Debt reduction of Rs. 72 crore in H1 FY2018 compared to Rs. 162 crore reduction in full year FY2017

 Improving operating environment
Price increases in Andhra Pradesh and Kerala; Impact of highway ban starting to normalize; Implementation of GST

Note: All growth numbers above are for Q2 FY2018 and represent Y-o-Y

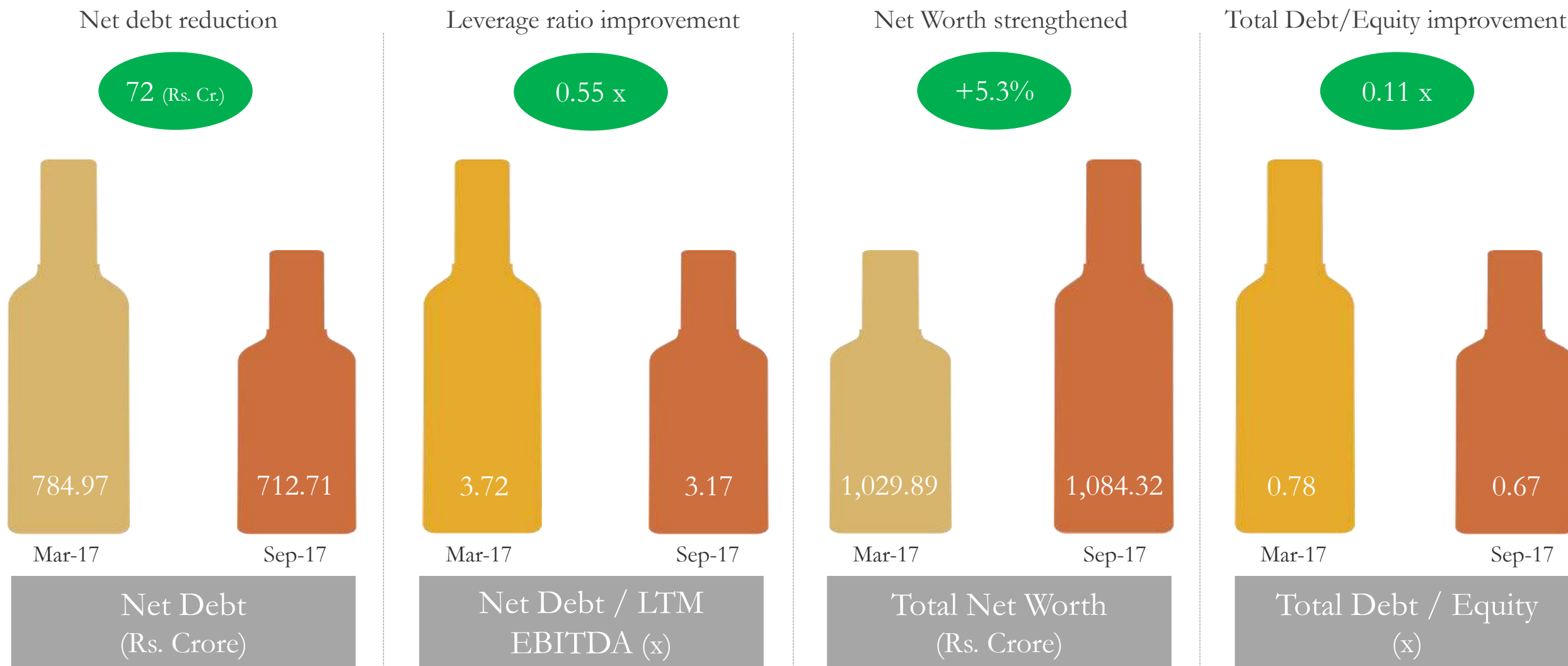
Q2 FY2018 Performance Highlights

Total volume growth led by Prestige & Above category brands and driving all round financial performance



Q2 FY2018 Performance Highlights

Ongoing reduction in leverage and improvement in capital structure ratios



Performance Highlights

Ongoing focus on deleveraging; Total Debt reduced by Rs. 72 Cr during H1 FY2018

Q2 FY2018 vs. Q2 FY2017

- Revenue from Operations (Net) of Rs. 448.19 Cr (+0.6%)
- IMFL Revenue of Rs. 346.34 Cr (+7.3%)
- Prestige & Above brands volumes increased by 6.5%
- Prestige & Above brands contribution to the total IMFL volumes increased from 26.7% to 27.3%
- Gross Margin improved 188 bps to 46.8%
- EBITDA of Rs. 65.23 Cr (+16.3%)
- EBITDA margin improved 196 bps to 14.6%
- Reduction in interest costs of 14.3% to Rs. 17.7 Cr
- Total Comprehensive Income of Rs. 28.09 Crore (+28.8%)

H1 FY2018 vs. H1 FY2017

- Revenue from Operations (Net) of Rs. 859.48 Cr (-1.6%)
- IMFL Revenue of Rs. 648.89 Cr (+0.4%)
- Prestige & Above brands volumes increased by 2.2%
- Prestige & Above brands contribution to the total IMFL volumes increased from 26.8% to 27.7%
- Gross Margin improved 161 bps to 46.2%
- EBITDA of Rs. 126.70 Cr (+12.7%)
- EBITDA margin improved 188 bps to 14.7%
- Reduction in interest costs of 13.1% to Rs. 36.5 Cr
- Total Comprehensive Income of Rs. 53.27 Crore (+22.9%)

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

“Building on a strong start to the current financial year, Radico Khaitan reported stellar performance during Q2 FY2018. This quarter’s performance is a testament to the strong fundamentals of our business. Over the last 4 quarters, industry performance was subdued due to the various regulatory changes. We continued to adapt to the changing operating environment with our unwavering focus on the core premium brands portfolio, expanding management bandwidth, optimization of cost structure and cash flow generation. This focused approach has resulted in ongoing margin improvement and deleveraging in line with our expectations.”

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

“During Q2 FY2018, the impact of the recent national highway liquor ban started to normalize resulting in a turnaround in volume uptake. Our overall sales volume during the quarter increased by 4.3% y-o-y and Prestige & Above brand volumes grew by 6.5% y-o-y. This resulted in an encouraging overall financial performance. Our gross margins improved by 188 bps compared to Q2 FY2017 to 46.8% and EBITDA margin expanded by 196 bps y-o-y to 14.6%. This margin improvement is after absorbing the impact of GST during Q2 FY2018. I am pleased to report that recently Radico Khaitan also received price increases in the states of Andhra Pradesh and Kerala. We expect other key states to follow in this direction. In addition to the attractive long term dynamics of the Indian spirits industry, we also expect sustained improvement in the near to mid term, particularly in light of the improving pricing scenario, clarity on GST implementation and full recovery from the impact of the highway ban in the coming quarters.”

Performance Overview

	Q2		y-o-y	Half Year		y-o-y	Full Year
	FY2018	FY2017	Growth (%)	FY2018	FY2017	Growth (%)	FY2017
Operational Performance (Lakh Cases)							
Prestige & Above	12.77	11.99	6.5%	25.93	25.38	2.2%	47.49
Regular & Others	34.00	32.85	3.5%	67.75	69.26	(2.2)%	135.11
Total Volume	46.77	44.84	4.3%	93.68	94.64	(1.0)%	182.60
<i>Prestige & Above as % of Total</i>	<i>27.3%</i>	<i>26.7%</i>	<i>0.6%</i>	<i>27.7%</i>	<i>26.8%</i>	<i>0.9%</i>	<i>26.0%</i>
Revenue Performance (Rs. Crore)							
Revenue from Operations (Gross)	1,490.89	1,209.51	23.3%	2,866.35	2,420.55	18.4%	4,867.95
Revenue from Operations (Net)	448.19	445.42	0.6%	859.48	873.83	(1.6)%	1,679.90
<i>IMFL</i>	346.34	322.64	7.3%	648.89	646.57	0.4%	1,230.83
<i>Non-IMFL</i>	101.85	122.77	(17.0)%	210.59	227.26	(7.3)%	449.07
<i>IMFL as % of Revenue from Operations (Net)</i>	<i>77.3%</i>	<i>72.4%</i>		<i>75.5%</i>	<i>74.0%</i>		<i>73.3%</i>

Revenue from Operations includes Other Operating Income

Performance Overview

	Q2		y-o-y	Half Year		y-o-y	Full Year
	FY2018	FY2017	Growth (%)	FY2018	FY2017	Growth (%)	FY2017
Financial Performance (Rs. Crore)							
Revenue from Operations (Gross)	1,490.89	1,209.51	23.3%	2,866.35	2,420.55	18.4%	4,867.95
Revenue from Operations (Net)	448.19	445.42	0.6%	859.48	873.83	(1.6)%	1,679.90
EBITDA	65.23	56.07	16.3%	126.70	112.43	12.7%	210.79
<i>EBITDA Margin (%)</i>	<i>14.6%</i>	<i>12.6%</i>		<i>14.7%</i>	<i>12.9%</i>		<i>12.5%</i>
Total Comprehensive Income	28.09	21.81	28.8%	53.27	43.34	22.9%	79.28
<i>Total Comprehensive Income Margin (%)</i>	<i>6.3%</i>	<i>4.9%</i>		<i>6.2%</i>	<i>5.0%</i>		<i>4.7%</i>
Basic EPS (Rs.)	2.15	1.69	27.0%	4.08	3.37	21.1%	6.06

Revenue from Operations includes Other Operating Income

Q2 FY2018 Highlights (Y-o-Y)

- **Revenue from Operations (Net):** Revenue from Operations during Q2 FY2018 grew by 0.6%. IMFL Revenue increased by 7.3% driven by an overall improvement in IMFL sales volumes. Total IMFL volumes increased by 4.3% as the impact of the highway liquor ban started to recede. Prestige & Above category brands volume increased by 6.5%. As a percentage of total IMFL volumes, Prestige & Above brands contributed 27.3% compared to 26.7% in Q2 FY2017. Radico Khaitan also received price increases in the states of Andhra Pradesh (effective from 20th September, 2017) and Kerala (effective from Q3 FY2018).
- **Gross Margin:** Despite a challenging operating environment, Gross Margin increased by 188 bps y-o-y to 46.8%. This improvement was driven by a combination of price increases, improved product mix, higher export volumes and ongoing cost optimization initiatives undertaken by the Company. ENA prices have remained stable during the first half of FY2018 and are expected to soften in the near term due to a better monsoon season and early sugar cane crushing by UP sugar mills.
- **EBITDA:** EBITDA increased by 16.3% y-o-y with margins of 14.6% (up 196 bps Y-o-Y). This increase in EBITDA was driven by significantly improved Gross Margins. This margin improvement is after absorbing the impact of GST during Q2 FY2018. Furthermore, EBITDA during Q2 FY2018 included a non-cash charge on account of foreign exchange fluctuation related to ECBs of Rs. 65 Lakh (compared to a non-cash gain of Rs. 3.84 crore in Q2 FY2017).
- **Finance Cost:** Finance cost during the quarter declined by 14.3% y-o-y to Rs. 17.7 Crore.

Performance Discussion

Q2 FY2018 Highlights (Y-o-Y)

- **Balance Sheet:** As of September 30, 2017, Total Debt was Rs. 731.84 Crore, Cash & Cash Equivalents were Rs. 19.13 Crore resulting in Net Debt of Rs. 712.71 Crore (vs. Rs. 784.97 Crore as of March 31, 2017). Total Debt consists of Rs. 555.02 Crore of Working Capital loans and Rs. 176.82 Crore of Long Term loans. During H1 FY2018, the Company reduced the Long Term ECBs from \$25.2 million to \$16.9 million. The entire Long Term ECB is expected to be repaid by July 2018.

Company overview

One of the largest spirits manufacturers in India



1943

Year of
Incorporation

75 years of experience in spirits making. One of the most recognized IMFL brands in India

157

Million litres

One of the largest spirits manufacturers. Operates three distilleries and one joint venture

28

Bottling
units

Strategically limiting interstate taxes and transport costs. Five own and 23 contract bottling units spread across the country

55,000

Retailers

Strong distribution network. Sale through over 55,000 retail and 5,000 on premise outlets

26%

FY2017
Premium
volume share

Consistently increasing Prestige & Above brand contribution to total IMFL volumes; 48% in value terms

16.8

FY2017
Net Revenue
(Rs. billion)

With EBITDA margin of 12.5%

Clearly defined strategic roadmap

Focus on building brands and driving a profitable growth

Innovation and brand building

- **Established track record:** Magic Moments vodka, Morpheus brandy
- **Recent launches:** Rampur Indian Single Malt, 1965 rum, Electra ready to drink, Pluton Bay rum, Regal Talon whisky

Premium growth

- Growth driven by Prestige & Above category brands
- Strong premiumization focus with over 11% volume growth in last 5 years
- Prestige & Above category contribute to 26% of IMFL volumes and 44% of the IMFL value sales

Strong cash flow generation and deleveraging

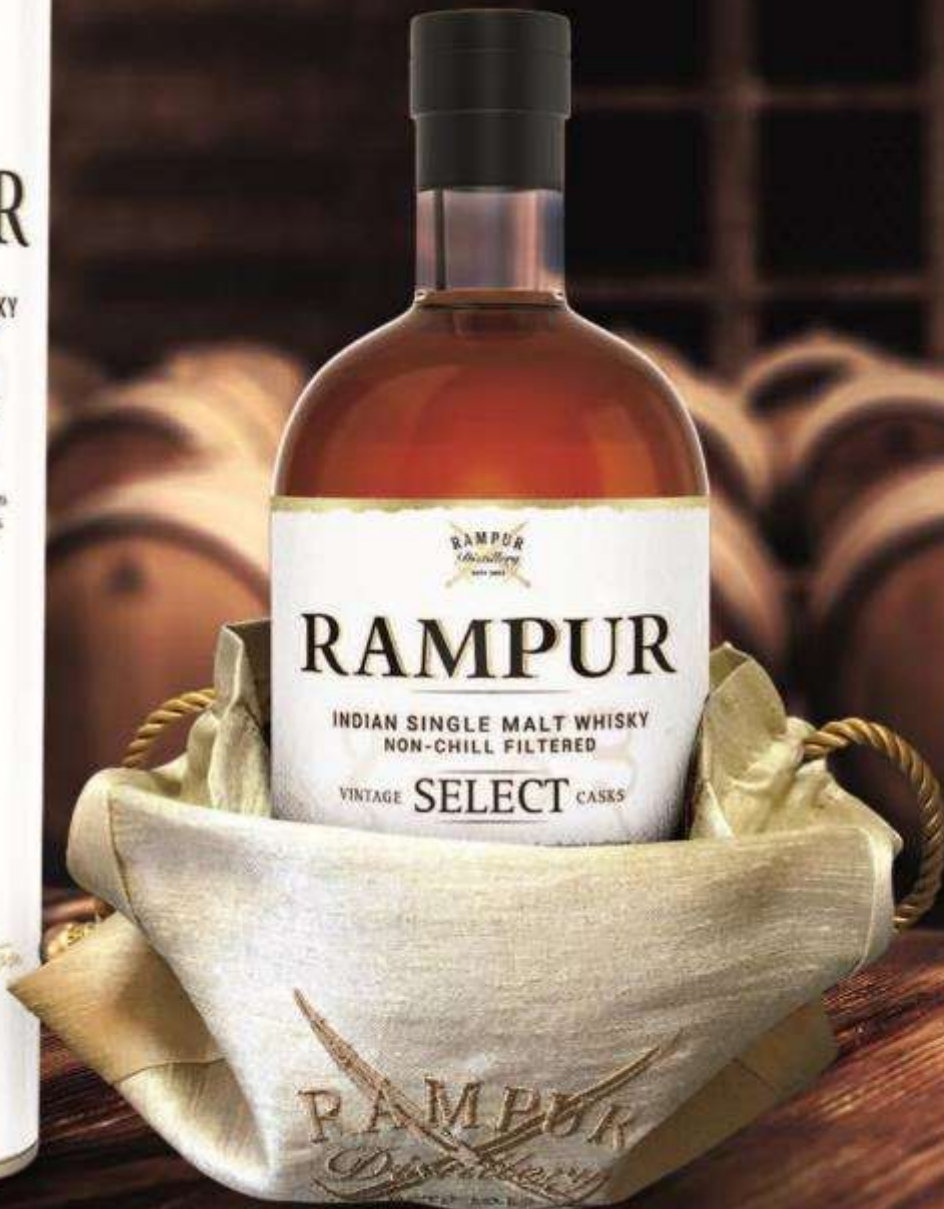
- Focused on a profitable growth driven by Prestige & Above category brands
- Ongoing debt reduction
- Target to have no long term borrowings by end of FY2019
- Improved profitability margins and return ratios

Consumer centric go-to-market strategy

Human resource development

New Product

Rampur Indian single malt



Rampur Indian Single Malt Whisky: Decades of Perfection

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.

New Product
Electra ready-to-drink



Exploring the wilderness within, the quest to conquer the usual and zest to go beyond limits, is what drives non conformists. To kick the boring out of their lives we have introduced a gush of raw adrenalin for them – Electra.

Electra is triple distilled and triple filtered with carbon and platinum filter. Keeping the spirit of innovation alive, this 8% vodka infused drink comes with a premium ring pull cap.

New Product
1965 premium rum



Radico
RADICO KHAITAN LTD.

IN AN INITIATIVE UNDERTAKEN BY RADICO KHAITAN,
1965 - THE SPIRIT OF VICTORY,
PREMIUM XXX RUM, WAS LAUNCHED THIS YEAR.

WITH THIS ENDEAVOUR, WE WISH TO SALUTE THE GALLANT TASK
UNDERTAKEN BY OUR BRAVE SOLDIERS IN THE 1965 INDO-PAK WAR.

MARKETED EXCLUSIVELY TO THE INDIAN DEFENCE FORCE PERSONNEL,
IT IS AVAILABLE AT CANTEEN STORES DEPARTMENT.

THE PRODUCT WAS CREATED TO CATER TO PREMIUM RUM DRINKERS, WITH
RICH FLAVOURS LIKE DRIED FRUITS, CHOCOLATE, OAK AND HONEY.
THE PRODUCT IS NOMINALLY PRICED AND IS A SHINY
NEW FEATHER IN RADICO KHAITAN'S CAP.



New Product
Regal Talons whisky

**Regal Talons Rare Generation Whisky:
Unbeatable Spirit**

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



Statutory Results

Statement of Unaudited Standalone Financial Results for the quarter and half year ended September 30, 2017

Rs. In lakhs

No.	Particulars	(1)	(2)	(3)	(4)	(5)	(6)
		Quarter ended 30.09.2017 (Unaudited)	Quarter ended 30.06.2017 (Unaudited)	Quarter ended 30.09.2016 (Unaudited)	Half year ended 30.09.2017 (Unaudited)	Half year ended 30.09.2016 (Unaudited)	Year ended 31.03.2017 (Audited)
1	(a) Revenue from Operations	149,089.17	137,545.97	120,950.93	286,635.14	242,054.59	486,795.45
	(b) Other Income	511.79	526.90	442.69	1,038.69	827.97	1,964.65
	Total Income	149,600.96	138,072.87	121,393.62	287,673.83	242,882.56	488,760.10
2	Expenditure						
	(a) Cost of material consumed	23,368.47	22,531.88	23,009.68	45,900.35	46,136.89	90,245.65
	(b) Purchase of stock-in-trade	299.50	234.69	512.53	534.19	749.37	1,452.68
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	185.49	(381.90)	1,019.34	(196.41)	1,529.88	442.07
	(d) Excise duty on sales	104,270.15	96,416.68	76,409.36	200,686.83	154,671.24	318,805.32
	(e) Employee benefits expense	3,915.24	3,395.67	3,417.80	7,310.91	7,056.55	14,034.27
	(f) Finance Costs	1,766.27	1,886.35	2,062.18	3,652.62	4,201.14	8,038.40
	(g) Depreciation and amortisation expense	1,019.80	1,015.47	1,052.10	2,035.27	2,101.26	4,170.32
	(h) Selling & Distribution	5,404.79	4,098.52	5,831.19	9,503.31	10,038.15	19,787.08
	(i) Other Expenses	5,072.01	5,051.92	5,073.78	10,123.93	10,484.87	20,816.24
	Total Expenses	145,301.72	134,249.28	118,387.96	279,551.00	236,969.35	477,792.03
3	Profit / (Loss) before Exceptional Items & tax (1-	4,299.24	3,823.59	3,005.66	8,122.83	5,913.21	10,968.07
4	Exceptional items	-	-	-	-	-	-
5	Profit (+) / Loss (-) before tax (3-4)	4,299.24	3,823.59	3,005.66	8,122.83	5,913.21	10,968.07

Rs. In lakhs

No.	Particulars	(1)	(2)	(3)	(4)	(5)	(6)
		Quarter ended 30.09.2017 (Unaudited)	Quarter ended 30.06.2017 (Unaudited)	Quarter ended 30.09.2016 (Unaudited)	Half year ended 30.09.2017 (Unaudited)	Half year ended 30.09.2016 (Unaudited)	Year ended 31.03.2017 (Audited)
6	Tax Expense	1,439.00	1,255.00	755.00	2,694.00	1,435.00	2,906.82
7	Profit (+) / Loss (-) after tax (5-6) from Continuing Operations	2,860.24	2,568.59	2,250.66	5,428.83	4,478.21	8,061.25
8	Other Comprehensive (Income)/ Expenses						
	A (i) Items that will not be reclassified to profit or loss	76.01	76.00	107.11	152.01	194.66	203.69
	(ii) Income tax relating to items that will not be reclassified to profit or loss	(25.08)	(25.08)	(37.07)	(50.16)	(50.05)	(70.49)
	B Items that will be reclassified to profit or loss	-	-	-	-	-	-
9	Total Comprehensive Income (7-8)	2,809.31	2,517.67	2,180.62	5,326.98	4,333.60	7,928.05
10	Paid up equity share capital (of Rs. 2/- each)	2,662.88	2,660.78	2,660.78	2,662.88	2,660.78	2,660.78
11	Earning per share (of Rs.2/- each) not annualized						
	Basic	2.15	1.93	1.69	4.08	3.37	6.06
	Diluted	2.15	1.93	1.69	4.08	3.37	6.05

Statutory Results

Statement of Standalone Assets & Liabilities under regulation 33 of the Listing Regulations

Rs. In lakhs

Particulars	As at September 30, 2017	As at March 31, 2017
ASSETS		
Non-current assets		
Property, plant and equipment	66,765.05	68,287.20
Capital work-in-progress	752.96	220.13
Intangible assets	1,936.37	2,094.81
Financial assets		
Investment in a joint venture	15,538.53	15,538.53
Investment in others	0.60	0.60
Loans	6,722.05	6,330.19
Others	91.81	91.81
Other non-current assets	4,840.20	4,739.24
Total Non current assets	96,647.57	97,302.51
Current assets		
Inventories	25,656.30	29,303.32
Financial assets		
Investments	5,000.00	5,000.00
Trade receivables	63,159.37	62,401.07
Cash and cash equivalents	1,913.39	1,406.78
Loans	15,557.73	15,365.92
Others	1,100.10	810.31
Current Tax assets (Net)	-	413.51
Other current assets	13,279.90	10,014.67
Total current assets	125,666.79	124,715.58
Total Assets	222,314.36	222,018.09

Rs. In lakhs

Particulars	As at September 30, 2017	As at March 31, 2017
EQUITY AND LIABILITIES		
Equity		
Equity share capital	2,662.88	2,660.78
Other Equity	105,768.88	100,327.89
Total Equity	108,431.76	102,988.67
Non-current liabilities		
Financial liabilities		
Borrowings	4,133.77	10,330.77
Others	60.00	60.00
Provisions	947.51	837.13
Deferred tax liabilities (Net)	6,801.16	6,928.16
Other non current liabilities	18.97	19.05
Total non current liabilities	11,961.41	18,175.11
Current liabilities		
Financial liabilities		
Borrowings	55,502.21	55,090.67
Trade payables		
Total outstanding dues of micro enterprises and small enterprise's	-	-
Other Enterprises	18,508.42	18,532.34
Others	14,563.26	15,538.51
Provisions	3,983.22	4,022.03
Other current liabilities	8,166.61	7,670.76
Current tax liabilities(Net)	1,197.47	-
Total current liabilities	101,921.19	100,854.31
Total liabilities	222,314.36	222,018.09

Second 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 24th October 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. Tax expenses includes current tax and deferred tax.
5. Revenue from operations for periods up to June 30, 2017 includes excise duty, which is discontinued on some products (pet bottles, Jaivik Khad, Ethanol, Co2, Scrap and other miscellaneous items) effective July 01, 2017 upon implementation of Goods and Service Tax (GST) in India. In accordance with 'Ind-AS 18, Revenue' GST is not included in revenue from operations. In view of the aforesaid restructuring of indirect taxes, revenue from operations for the quarter/ six months ended on September 30, 2017 are not comparable with the previous periods.
6. During the quarter, the Company has allotted 1,05,000 equity shares on 18.8.2017 on exercise of Employees Stock Option by the eligible employees, as per the ESOP Scheme 2006.
7. The previous period figures have been regrouped / reclassified, wherever considered necessary.

For Radico Khaitan Ltd.

New Delhi
24th October, 2017

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

Contact information



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.

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