







Radico Khaitan Limited
(BSE: 532497; NSE: RADICO)
Earnings Presentation
Q3 and Nine Month FY2018

Q3 FY2018 Performance Highlights

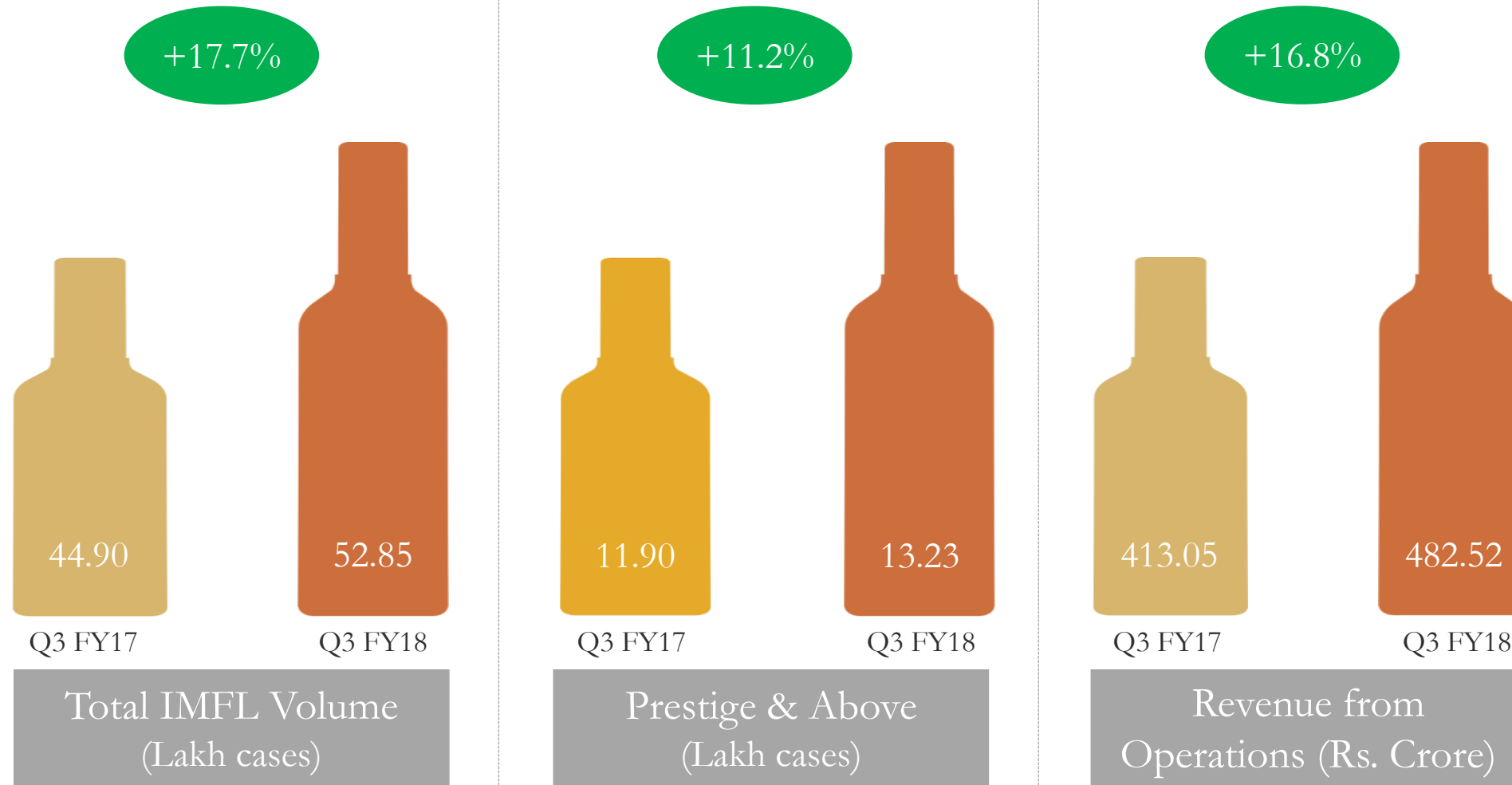
High quality earnings and robust cash flows

-  Volumes growth driven by an all round performance
Total volume +17.7%; Prestige & Above +11.2%
-  Significant profitability improvement
EBITDA +47.3%; Total Comprehensive Income +79.1%
-  Strong cash flow generation and ongoing deleveraging
Net Debt reduction of Rs. 57 Crore in Q3 FY2018 and Rs. 130 crore in 9M FY2018
-  Improving operating environment
Price increases in Telangana; Andhra Pradesh, Jharkhand, Uttaranchal and Kerala received earlier during the year

Note: All growth numbers above are for Q3 FY2018 and represent Y-o-Y

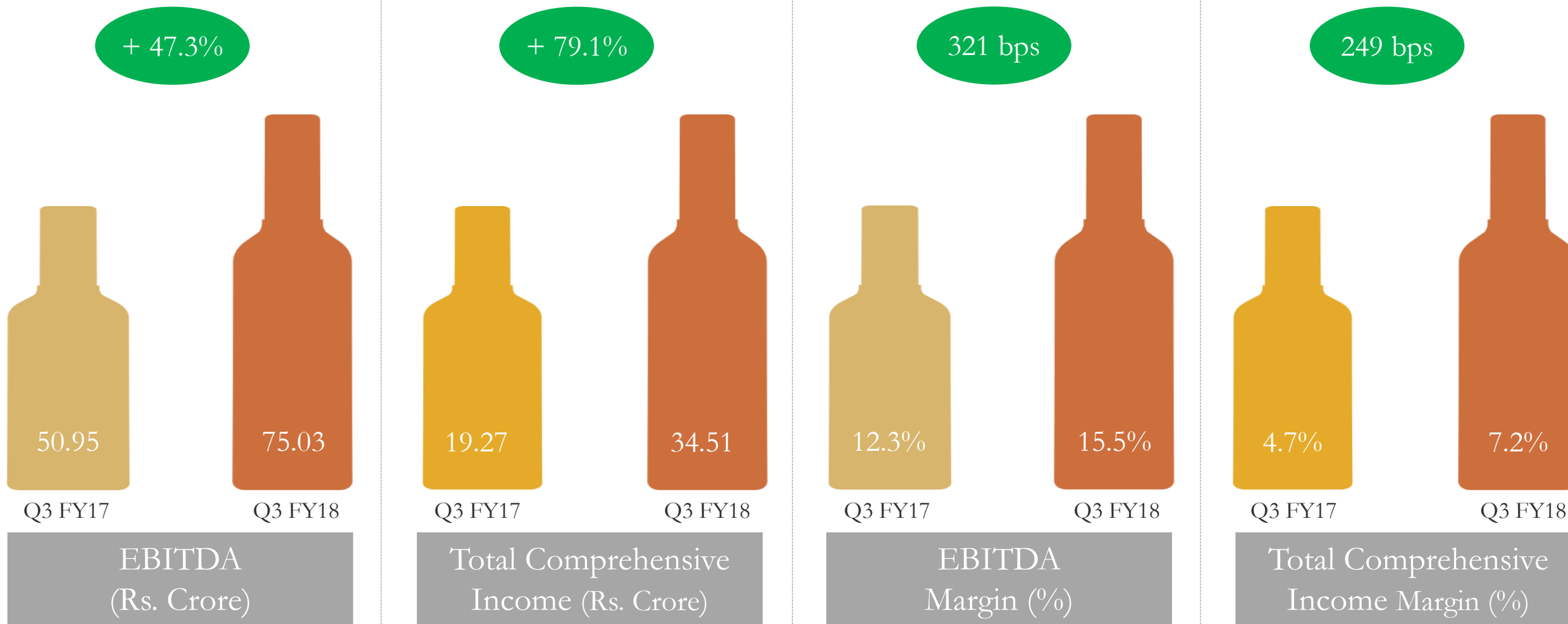
Q3 FY2018 Performance Highlights

Continued volume growth driving strong topline performance



Q3 FY2018 Performance Highlights

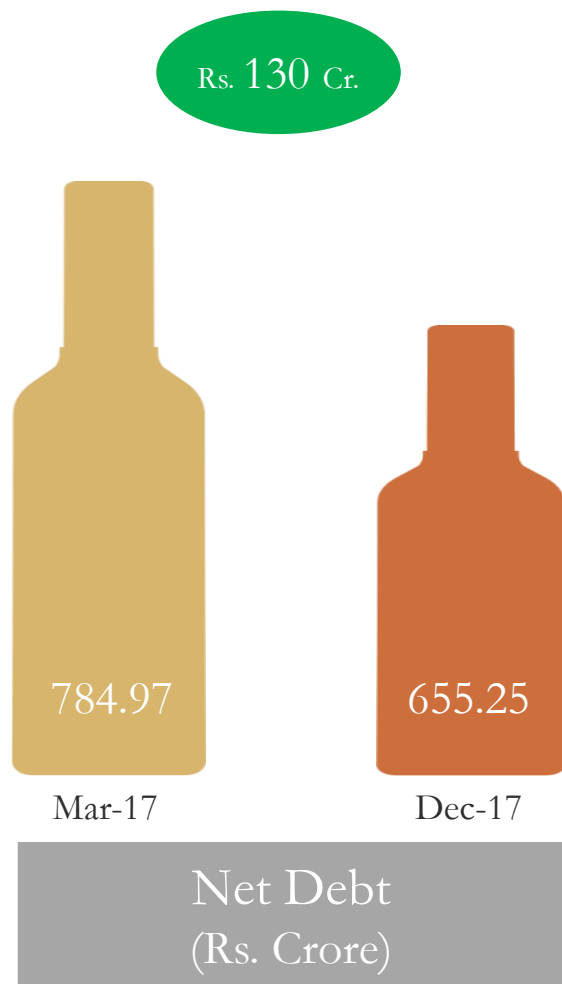
A strong profitability improvement



Q3 FY2018 Performance Highlights

Ongoing reduction in long term borrowings and improvement in capital structure ratios

Net debt reduction



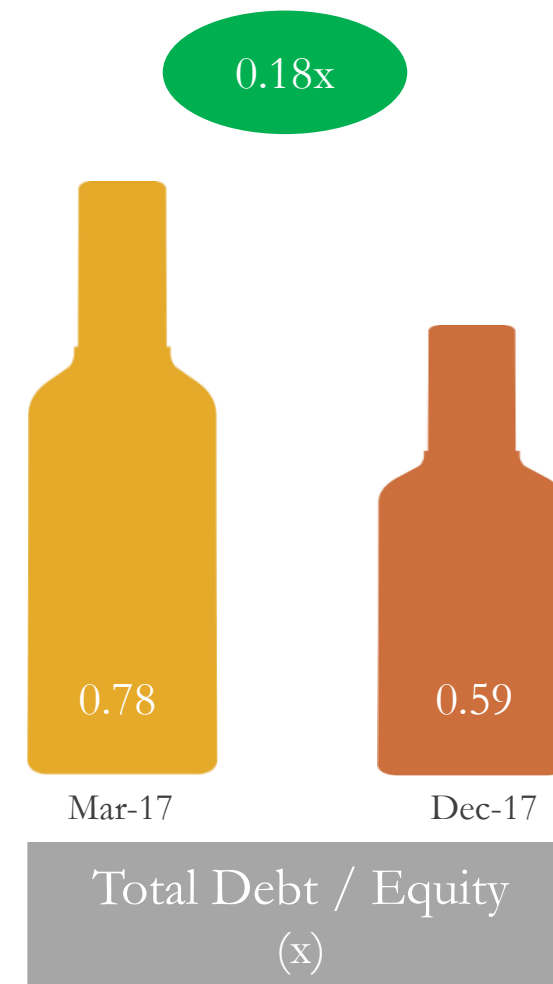
Leverage ratio improvement



Net Worth strengthened



Total Debt/Equity improvement



Performance Highlights

Ongoing focus on deleveraging; Total Debt reduced by Rs. 130 Cr during 9M FY2018

Q3 FY2018 vs. Q3 FY2017

- Revenue from Operations (Net) of Rs. 482.52 Cr (+16.8%)
- Prestige & Above brands volumes increased by 11.2%
- Prestige & Above brands contribution to the total IMFL volumes of 25.0%
- Gross Margin improved from 46.2% to 48.4%
- EBITDA of Rs. 75.03 Cr (+47.3%)
- EBITDA margin improved from 12.3% to 15.5%
- Reduction in interest costs of 13.5% to Rs. 16.90 Cr
- Total Comprehensive Income of Rs. 34.51 Cr (+79.1%)

9M FY2018 vs. 9M FY2017

- Revenue from Operations (Net) of Rs. 1,342.01 Cr (+4.3%)
- Prestige & Above brands volumes increased by 5.0%
- Prestige & Above brands contribution to the total IMFL volumes of 26.7%
- Gross Margin improved from 45.1% to 47.0%
- EBITDA of Rs. 201.73 Cr (+23.1%)
- EBITDA margin improved from 12.7% to 15.0%
- Reduction in interest costs of 13.2% to Rs. 53.43 Cr
- Total Comprehensive Income of Rs. 87.78 Cr (+40.2%)

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

“We are pleased to start the calendar year 2018 on a new high. Despite the challenges faced by the industry during the first half of FY2018, Radico Khaitan reported a stellar performance during the nine month period of FY2018. We registered a strong all round growth and solid cash flow generation resulting in a net debt reduction of Rs. 130 Crore during FY2018. I strongly believe that the industry challenges are now behind us as we see the operating environment continues to improve. Management remains focused on strengthening our premium brand portfolio and is committed to delivering long term sustainable value for all the stakeholders.”

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

“During Q3 FY2018, we reported a strong IMFL sales volume growth of 17.7% compared to Q3 FY2017. Further, we continued to report profitability improvement. This performance was driven by a combination of recent price increases and premiumization. Our gross margins increased from 46.2% in Q3 2017 to 48.4% in Q3 FY2018 and EBITDA margin during the same period expanded by 321 bps to 15.5%. As the industry recovers from the impact of recent policy changes, we also received price increase in the state of Telangana. Earlier during the year, we had received price increases in the states of Andhra Pradesh, Jharkhand, Uttaranchal and Kerala. Attractive long term industry dynamics and a favourable operating environment coupled with a strong capital structure will enable us to take Radico Khaitan to new heights in the near future.”

Performance Overview

	Q3		y-o-y	Nine Month		y-o-y	Full Year
	FY2018	FY2017	Growth (%)	FY2018	FY2017	Growth (%)	FY2017
Operational Performance (Lakh Cases)							
Prestige & Above	13.23	11.90	11.2%	39.16	37.28	5.0%	47.49
Regular & Others	39.62	33.00	20.1%	107.37	102.26	5.0%	135.11
Total Volume	52.85	44.90	17.7%	146.53	139.54	5.0%	182.60
<i>Prestige & Above as % of Total</i>	25.0%	26.5%		26.7%	26.7%		26.0%
Financial Performance (Rs. Crore)							
Revenue from Operations (Gross)	1,741.78	1,237.57	40.7%	4,608.14	3,658.12	26.0%	4,867.95
Revenue from Operations (Net)	482.52	413.05	16.8%	1,342.01	1,286.88	4.3%	1,679.90
Gross Profit	233.5	190.7	22.4%	630.6	580.4	8.6%	758.40
<i>Gross Margin (%)</i>	48.4%	46.2%		47.0%	45.1%		45.2%
EBITDA	75.03	50.95	47.3%	201.73	163.88	23.1%	210.79
<i>EBITDA Margin (%)</i>	15.5%	12.3%		15.0%	12.7%		12.5%
Total Comprehensive Income	34.51	19.27	79.1%	87.78	62.60	40.2%	79.28
<i>Total Comprehensive Income Margin (%)</i>	7.2%	4.7%		6.5%	4.9%		4.7%
Basic EPS (Rs.)	2.63	1.48	77.4%	6.70	4.81	39.3%	6.06

Revenue from Operations includes Other Operating Income

Q3 FY2018 Highlights (Y-o-Y)

- **Revenue from Operations (Net):** Revenue from Operations during Q3 FY2018 grew by 16.8%. Total IMFL volumes increased by 17.7% as the impact of the highway liquor ban was normalised. Given the recent price increases, the Company also focused on the growth in Regular category brands. Prestige & Above category brands volume increased by 11.2%. After Andhra Pradesh, Jharkhand, Uttaranchal and Kerala, Radico Khaitan received price increases in the state of Telangana (effective from 27 December, 2017).
- **Gross Margin:** Gross Margin increased by 220 bps y-o-y to 48.4%. This improvement was driven by a combination of price increases, higher export volumes, softening of input raw material cost and ongoing cost optimization initiatives undertaken by the Company. Though ENA prices have remained stable during the quarter, the Company was marginally benefited from decline in molasses prices (since the start of the new sugar season in November 2017).
- **EBITDA:** EBITDA increased by 47.3% y-o-y with margins of 15.5% (up 321 bps Y-o-Y). This increase in EBITDA was driven by significantly improved Gross Margins.
- **Finance Cost:** Finance cost during the quarter declined by 13.5% y-o-y to Rs. 16.9 Crore.
- **Balance Sheet:** As of December 31, 2017, Total Debt was Rs. 682.62 Crore, Cash & Cash Equivalents were Rs. 27.37 Crore resulting in Net Debt of Rs. 655.25 Crore (vs. Rs. 784.97 Crore as of March 31, 2017). Total Debt consists of Rs. 537.16 Crore of Working Capital loans and Rs. 145.46 Crore of Long Term loans. During 9M FY2018, the Company reduced the Long Term ECBs from \$25.2 million to \$13.3 million. Net Debt reduction was RS. 129.7 Crore. The entire Long Term ECB is expected to be repaid by July 2018 through internal accruals.

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

27%

9M FY2018
Premium
volume share

Consistently increasing Prestige & Above brand contribution to total IMFL volumes; 46% in value terms

9M FY2018
Net Revenue

13.4

(Rs. billion)

With EBITDA margin of 15.5%

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 27% of IMFL volumes and 46% of the IMFL value sales during 9M FY2018

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 nine months ended December 31, 2017

Rs. In lakhs

No.	Particulars	(1) Quarter ended 31.12.2017 (Unaudited)	(2) Quarter ended 30.09.2017 (Unaudited)	(3) Quarter ended 31.12.2016 (Unaudited)	(4) Nine months ended 31.12.2017 (Unaudited)	(5) Nine months ended 31.12.2016 (Unaudited)	(6) Year ended 31.03.2017 (Audited)
1	(a) Revenue from Operations (b) Other Income	174,178.37 620.36	149,089.17 511.79	123,757.47 595.77	460,813.51 1,659.05	365,812.06 1,423.74	486,795.45 1,964.65
	Total Income	174,798.73	149,600.96	124,353.24	462,472.56	367,235.80	488,760.10
2	Expenditure						
	(a) Cost of material consumed	22,854.72	23,368.47	22,842.64	68,755.07	68,979.53	90,245.65
	(b) Purchase of stock-in-trade	1,438.33	299.50	508.92	1,972.52	1,258.29	1,452.68
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	613.00	185.49	-1,121.22	416.59	408.66	442.07
	(d) Excise duty on sales	125,925.90	104,270.15	82,452.56	326,612.73	237,123.80	318,805.32
	(e) Employee benefits expense	4,046.98	3,915.24	3,488.43	11,357.89	10,544.98	14,034.27
	(g) Finance Costs	1,690.35	1,766.27	1,953.59	5,342.97	6,154.73	8,038.40
	(f) Depreciation and amortisation expense	1,031.27	1,019.80	1,048.43	3,066.54	3,149.69	4,170.32
	(h) Selling & Distribution	5,911.28	5,404.79	4,865.67	15,414.59	14,903.82	19,787.08
	(i) Other Expenses	5,834.45	5,072.01	5,581.96	15,958.38	16,066.83	20,816.24
	Total expense	169,346.28	145,301.72	121,620.98	448,897.28	358,590.33	477,792.03
3	Profit / (Loss) before Exceptional Items & tax (1-2)	5,452.45	4,299.24	2,732.26	13,575.28	8,645.47	10,968.07
4	Exceptional items	-	-	-	-	-	-
5	Profit (+) / Loss (-) before tax (3-4)	5,452.45	4,299.24	2,732.26	13,575.28	8,645.47	10,968.07

Rs. In lakhs

No.	Particulars	(1) Quarter ended 31.12.2017 (Unaudited)	(2) Quarter ended 30.09.2017 (Unaudited)	(3) Quarter ended 31.12.2016 (Unaudited)	(4) Nine months ended 31.12.2017 (Unaudited)	(5) Nine months ended 31.12.2016 (Unaudited)	(6) Year ended 31.03.2017 (Audited)
6	Tax Expense	1,951.00	1,439.00	762.25	4,645.00	2,247.30	2,906.82
7	Net Profit (+) / Loss (-) after tax (5-6) from continuing operations	3,501.45	2,860.24	1,970.01	8,930.28	6,398.17	8,061.25
8	Other Comprehensive (Income)/ Expenses						
	A (i) Items that will not be reclassified to profit or loss	76.00	76.01	66.20	228.01	210.81	203.69
	(ii) Income tax relating to items that will not be reclassified to profit or loss	(25.08)	(25.08)	(22.91)	(75.24)	(72.96)	(70.49)
	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)	3,450.53	2,809.31	1,926.72	8,777.51	6,260.32	7,928.05
10	Paid up equity share capital (of Rs. 2/- each)	2,665.50	2,662.88	2,660.78	2,665.50	2,660.78	2,660.78
11	Earning per share (of Rs.2/- each) not annualized						
	Basic	2.63	2.15	1.48	6.70	4.81	6.06
	Diluted	2.63	2.15	1.48	6.70	4.81	6.05

Third 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 January 2018.
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 few 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/ nine months ended on December 31, 2017 are not comparable with the previous periods.
6. During the quarter, the Company has allotted 1,31,000 equity shares 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 January, 2018

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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