



Radico Khaitan Limited

(NSE: RADICO; BSE: 532497)

Q1 FY2015 Earnings Presentation

August 12, 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



Q1 FY2015 vs. Q1 FY2014

- Net Sales of Rs. 467.1 Crore
- Prestige & Above brands volume growth of 12.3%
- Prestige & Above brands increased from 17.9% to 20.8% of total IMFL volumes
- Continued robust exports performance
- Gross margins of 41.3%, an increase of 68 bps
- Operational EBITDA of Rs. 50.1 Crore at 10.7% margins
- Operational Net Income of Rs. 18.4 Crore

Prestige & Above brands continues to deliver robust volume growth

Management Perspectives



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

“We are pleased to report that despite an overall challenging environment in the spirits industry, Radico Khaitan has sustained its operational performance. With increasing contribution from our premium brands such as Magic Moments vodka and Morpheus brandy, we were able to absorb the input cost inflation to a certain extent which is reflected in the gross margin improvement. 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:

“It is encouraging to see that despite overall pressure on volumes, our Prestige & Above category brands continued their growth momentum with 12.3% y-o-y during the quarter. Now, our premium brands account for 20.8% of our total IMFL volumes compared to 17.9% in Q1 FY2014. Our export operations performed well and in line with management’s expectations. Overall, management is focused on further enhancing the Prestige & Above segment growth, investment in new brand variants and marketing excellence.”

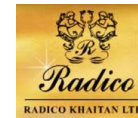
Industry facing challenges of higher input costs and subdued volumes

- 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 2% lower at 5.23 million hectares compared with the last year
- However, sugar production based on preliminary estimates is estimated to be around 25.3 million tonnes which is 4% higher than 24.3 million tonnes produced in 2013-14 season
- Recently, IMFL demand in India has been impacted by rising retail prices in some of the key liquor consuming states. Overall, industry IMFL sales volumes¹ which have grown at an average of 11.2% between CY2008-12 grew by only 3.4% in CY2013
- However, due to the continued focus on its marketing strategy and premiumization, Radico Khaitan has been able to deliver better than industry performance in FY2014
- Given the current challenges, the key industry players have been working towards getting price increases which will help absorb higher operating costs and improve margins

Note:

1 Euromonitor International, May 2014

Financial Overview



Q1 FY2015 Financial Performance

(Rs. Crore)	Q1		y-o-y	Q4	q-o-q
	FY2015	FY2014	Growth (%)	FY2014	Growth (%)
Net Sales	467.1	467.0	0.0%	449.8	3.8%
Operational EBITDA	50.1	61.1	(17.9)%	40.1	25.2%
<i>Operational EBITDA Margin (%)</i>	10.7%	13.1%		8.9%	
Net Income	16.6	22.5	(26.5)%	9.9	67.1%
<i>Net Income Margin (%)</i>	3.5%	4.8%		2.2%	
Operational Net Income	18.4	30.6	(39.9)%	9.1	101.5%
<i>Operational Net Income Margin (%)</i>	3.9%	6.6%		2.0%	
Operational Basic EPS (Rs.)	1.38	2.30	(39.9)%	0.69	101.5%

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

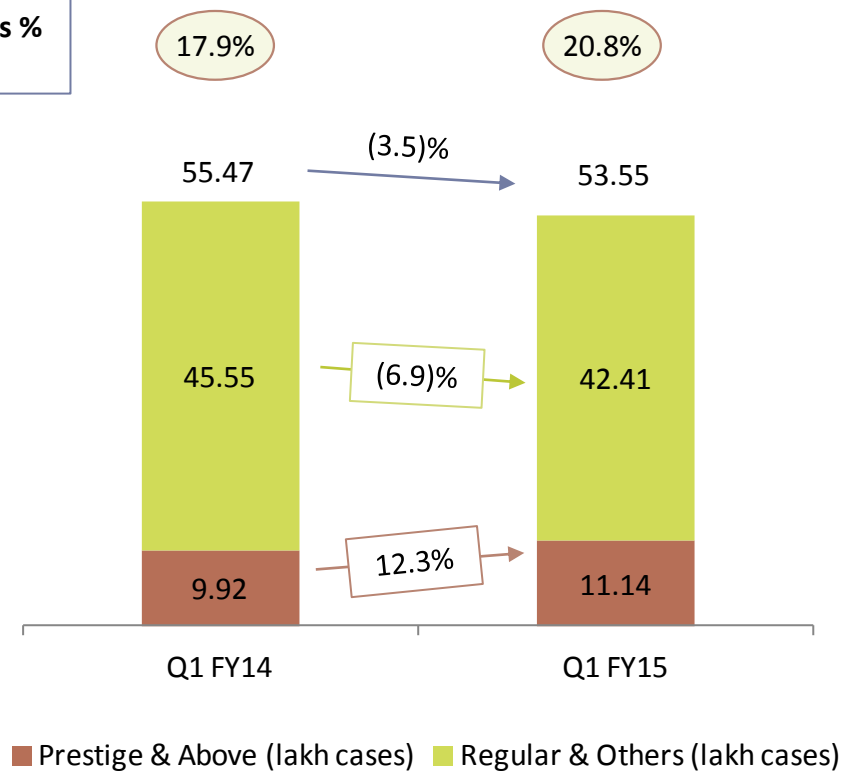
Operational Net Income: Net Income has been adjusted for foreign exchange fluctuation loss / (gain) of Rs. 1.9 Crore in Q1 FY2015 compared with Rs. 8.1 Crore in Q1 FY2014. This is as per para 46A of Accounting Standard 11. This foreign exchange fluctuation loss is related to ECBs and is a non cash item in the Other Expenditure of the statutory financial statements

Operational Performance

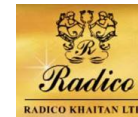


Prestige & Above category a key contributor and driver of future growth

Prestige & Above as %
of Total Volume



Performance Discussion



Q1 FY2015 Financial Highlights

Net Sales: Net Sales remained relatively flat compared to the same period last year. IMFL sales contributed 76.4% of total sales. Although, total IMFL volume declined by (3.5)%, sales value increased by 2.0% during the quarter. Prestige & Above brands delivered strong volume growth of 12.3% compared to Q1 FY2014. As a percentage of total IMFL volumes, these brands now contribute 20.8% compared to 17.9% in Q1 FY2014.

Radico Khaitan's export operations experienced encouraging performance compared to Q1 FY2014. The Company's investments in building brands over the past couple of years have resulted in a large consumer base outside India.

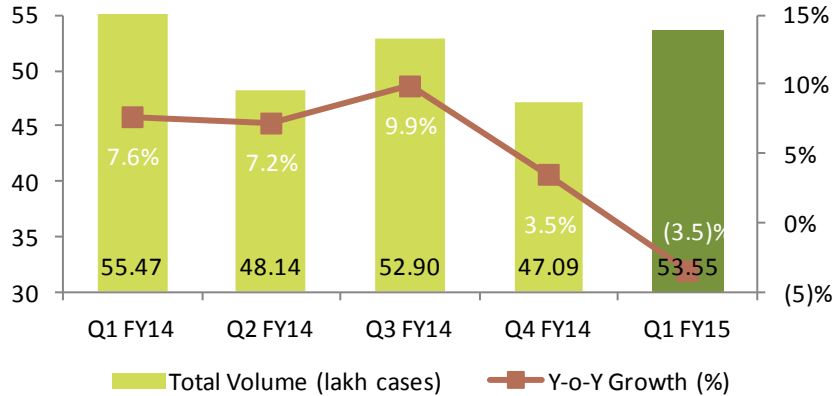
Gross Margin: Despite significant increase in the ENA costs, gross margin during the quarter improved from 40.6% to 41.3%, representing an expansion of 68 bps. ENA costs during the quarter increased by 8.5% compared to Q1 FY2014, translating into an impact of Rs. 7.8 Crore.

EBITDA: Operational EBITDA declined by 17.9% y-o-y at 10.7% margins. Relatively flat revenue coupled with significantly higher input and other indirect costs led to the decline in EBITDA during the quarter.

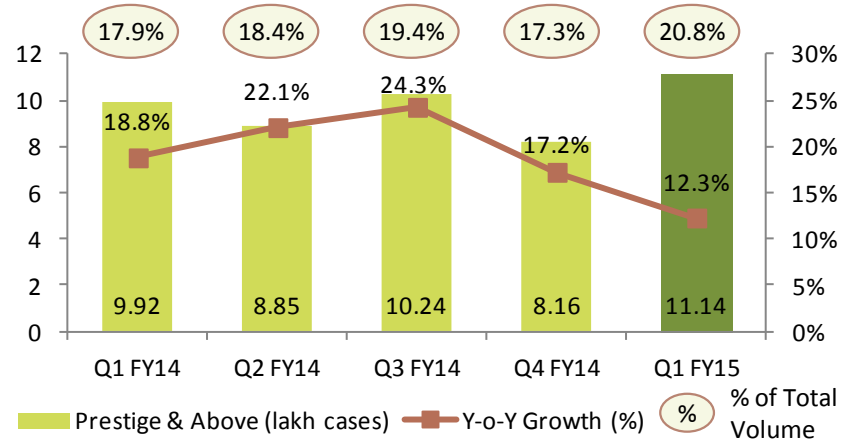
Quarterly Performance Trends



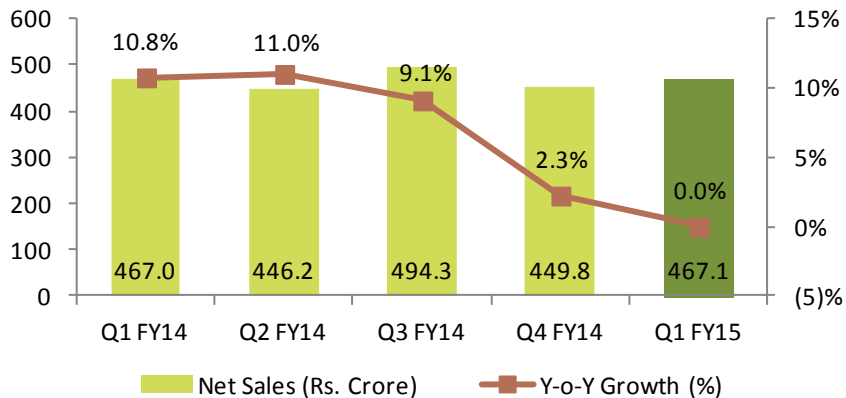
Total IMFL Volume



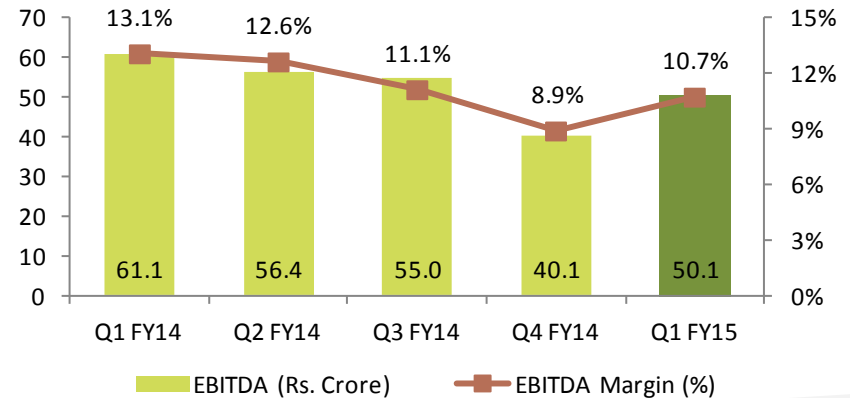
Prestige & Above Category Volume



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

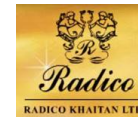


- Capitalizing on the success of Morpheus, the Company launched Florence brandy in 2013



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

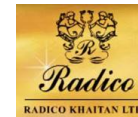
Statutory Results



First Quarter Results for FY2015

Sl. No.	Particulars	(1)	(2)	(3)	(4)
		Quarter ended <u>30.06.2014</u> (Unaudited)	Quarter ended <u>31.03.2014</u> (Audited)	Quarter ended <u>30.06.2013</u> (Unaudited)	Year ended <u>31.03.2014</u> (Audited)
1	Income from operations		(Note No. 6)		
	(a) Gross Sales	79,092.18	70,342.94	78,397.79	300,559.53
	Less: Excise duty	43,008.98	36,076.64	43,553.50	159,340.56
	Net Sales / Income from Operations	36,083.20	34,266.30	34,844.29	141,218.97
	(b) Other Operating Income	909.18	874.17	889.39	3,951.26
	Total Income from operations (net)	36,992.38	35,140.47	35,733.68	145,170.23
2	Expenditure				
	(a) Cost of material consumed	16,878.49	17,505.48	15,095.80	66,652.34
	(b) Purchase of stock-in-trade	407.74	228.18	1,044.36	2,204.59
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	413.86	-4,155.91	623.61	-3,546.81
	(d) Employee benefits expense	2,413.13	2,367.43	1,978.37	9,317.97
	(e) Depreciation and amortisation expense	1,050.00	975.34	950.00	3,875.34
	(f) Selling & Distribution	7,382.83	7,063.51	6,855.64	28,618.93
	(g) Other expenditure	4,667.05	8,049.50	4,837.95	22,574.27
	Total expenses	33,213.10	32,033.53	31,385.73	129,696.63
3	Profit / (Loss) from Operations before Other income, Finance Costs & Exceptional Items (1-2)	3,779.28	3,106.94	4,347.95	15,473.60
4	Other Income	932.60	1,011.49	847.46	3,648.30
5	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	4,711.88	4,118.43	5,195.41	19,121.90
6	Finance Cost	2,256.85	2,235.05	2,044.15	8,480.95
7	Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	2,455.03	1,883.38	3,151.26	10,640.95
8	Exceptional items	0.00	0.00	0.00	0.00
9	Profit (+) / Loss (-) from Ordinary Activities before tax (7+8)	2,455.03	1,883.38	3,151.26	10,640.95

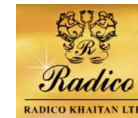
Statutory Results



First Quarter Results for FY2015

Sl. No.	Particulars	(1)	(2)	(3)	(4)
		Quarter ended <u>30.06.2014</u> (Unaudited)	Quarter ended <u>31.03.2014</u> (Audited)	Quarter ended <u>30.06.2013</u> (Unaudited)	Year ended <u>31.03.2014</u> (Audited)
10	Tax Expense	800.00	893.00	900.00	3,515.00
11	Net Profit (+) / Loss (-) from Ordinary Activities after tax (9-10)	1,655.03	990.38	2,251.26	7,125.95
12	Extra ordinary items (net of tax expense Rs.in lakhs)	0.00	0.00	0.00	0.00
13	Net Profit (+) / Loss (-) for the period (11-12)	1,655.03	990.38	2,251.26	7,125.95
14	Paid up equity share capital (of Rs. 2/- each)	2,660.78	2,660.78	2,658.01	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				
	Basic	1.24	0.74	1.69	5.36
	Diluted	1.24	0.74	1.68	5.35
16(ii)	Earning per share (after extra ordinary items) (of Rs.2/- each) not annualized				
	Basic	1.24	0.74	1.69	5.36
	Diluted	1.24	0.74	1.68	5.35

Statutory Results



First Quarter Results for FY2015

		Quarter ended <u>30.06.2014</u> (Unaudited)	Quarter ended <u>31.03.2014</u> (Audited)	Quarter ended <u>30.06.2013</u> (Unaudited)	Year ended <u>31.03.2014</u> (Audited)
PART - II					
A	Particulars of Shareholding				
	Public shareholding				
	(a) No. of Shares	79208947	79208947	79070562	79208947
	(b) Percentage of Shareholding	59.54	59.54	59.50	59.54
	Promoters and promoter group Shareholding				
	(a) Pledged / Encumbered				
	- Number of shares	12081429	11781429	14391429	11781429
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	22.44	21.89	26.74	21.89
	- Percentage of shares (as a % of the total share capital of the Company)	9.08	8.86	10.83	8.86
	(b) Non-encumbered				
	- Number of shares	41748389	42048389	39438389	42048389
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	77.56	78.11	73.26	78.11
	- Percentage of shares (as a % of the total share capital of the Company)	31.38	31.60	29.67	31.60
B	Investor Complaints	Quarter ended 30.06.2014			
	Pending at the beginning of the quarter	NIL			
	Received during the quarter	4			
	Disposed of during the quarter	4			
	Remaining unresolved at the end of the quarter	NIL			

Statutory Results



First Quarter 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 12th August 2014.
2. The Statutory Auditors have carried out a limited review of the financial results for the quarter ended 30th June 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) 376,86.89 (2) 37,428.00 (3) 36,269.98 (4) 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 29th December 2011, the Company has written off a sum of Rs.185.30 lacs on account of foreign exchange translation variations in long term foreign currency borrowings.
6. The figures of the quarter ended 31st March 2014 are the balancing figures between the audited figures in respect of the full financial year and published year to date figures upto nine months of the relevant financial year.
7. Previous year / period figures have been regrouped / rearranged, wherever necessary to make them comparable with the current period figures.

Place: New Delhi
Date: 12.08.2014

For Radico Khaitan

Dr. Lalit Khaitan
Chairman & Managing Director



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