



Radico Khaitan Limited

(NSE: RADICO; BSE: 532497)

Q3 FY2015 Earnings Presentation

February 10, 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



Q3 FY2015 vs. Q3 FY2014

- Net Sales of Rs. 496.8 Crore
- Prestige & Above brands volume growth of 7.2%
- Prestige & Above brands increased from 19.3% to 21.4% of total IMFL volumes
- Operational EBITDA of Rs. 51.3 Crore at 10.3% margins
- Operational Net Income of Rs. 26.5 Crore, up 17.4% y-o-y

YTD FY2015 vs. YTD FY2014

- Net Sales of Rs. 1,427.0 Crore
- Prestige & Above brands volume growth of 9.0%
- Prestige & Above brands increased from 18.5% to 21.1% of total IMFL volumes
- Operational EBITDA of Rs. 148.9 Crore at 10.4% margins
- Operational Net Income of Rs. 64.5 Crore

Management Perspectives



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

“Despite the ongoing headwinds faced by the Indian spirits industry, Radico Khaitan has been able to sustain its performance. The operating environment remained challenging with persistent input price increases. However, management is confident that the anticipated price hikes coupled with stabilisation of inputs cost will result in improved profitability. Over the years, we have established a strong brand recall and built a diversified product portfolio which will enable us to capitalize on the upturn in the industry.”

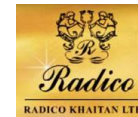
Commenting on the results and performance, Mr. Abhishek Khaitan, Managing Director said:

“During the nine month period of FY2015, Prestige & Above category brands continued to perform well and registered a 9.0% y-o-y growth, although overall volumes declined by 4.3%. This category now accounts for 21.1% of Radico Khaitan’s total IMFL volume sales. However, margins remained under pressure due to the raw material price increases experienced during the year. Overall, management is committed to further strengthening the Prestige & Above segment portfolio, improving product mix, expanding export markets and enhancing operating efficiency.”

Input costs expected to stabilise in the near term; Price increases across states to offset subdued volumes

- As per the India Sugar Mills Association (ISMA), sugar production in the current 2014-15 sugar season until December 2014 was 7.46 MT compared to 5.86 MT during the same period last year. This represents a 27% increase over the previous year
- The sugar mills are expected to produce around 26 MT of sugar during the current sugar season
- ENA prices continued to remain firm, increasing around 7% y-o-y for the nine month period in FY2015. However, the availability of its key raw material, molasses, is expected to improve in the current sugar season thereby easing pricing pressure
- A recent industry research reports shows that the Indian spirits market continues to make the structural shift from a volume-based to a value-based business model. However, the operational environment remains challenging primarily due to regulatory changes and input cost increases impacting margins

Financial Overview



Q3 and Nine Month FY2015 Financial Performance

(Rs. Crore)	Q3		y-o-y	Nine Month		y-o-y
	FY2015	FY2014	Growth (%)	FY2015	FY2014	Growth (%)
Gross Sales	1,165.1	1,164.3	0.1%	3,410.7	3,283.0	3.9%
Net Sales	496.8	494.3	0.5%	1,427.0	1,407.5	1.4%
Operational EBITDA	51.3	55.0	(6.9)%	148.9	168.1	(11.4)%
<i>Operational EBITDA Margin (%)</i>	10.3%	11.1%		10.4%	11.9%	
Net Income	21.3	21.5	(1.2)%	52.7	61.4	(14.1)%
<i>Net Income Margin (%)</i>	4.3%	4.4%		3.7%	4.4%	
Operational Net Income	26.5	22.6	17.4%	64.5	76.8	(16.1)%
Operational Basic EPS (Rs.)	1.99	1.70	17.3%	4.85	5.78	(16.1)%

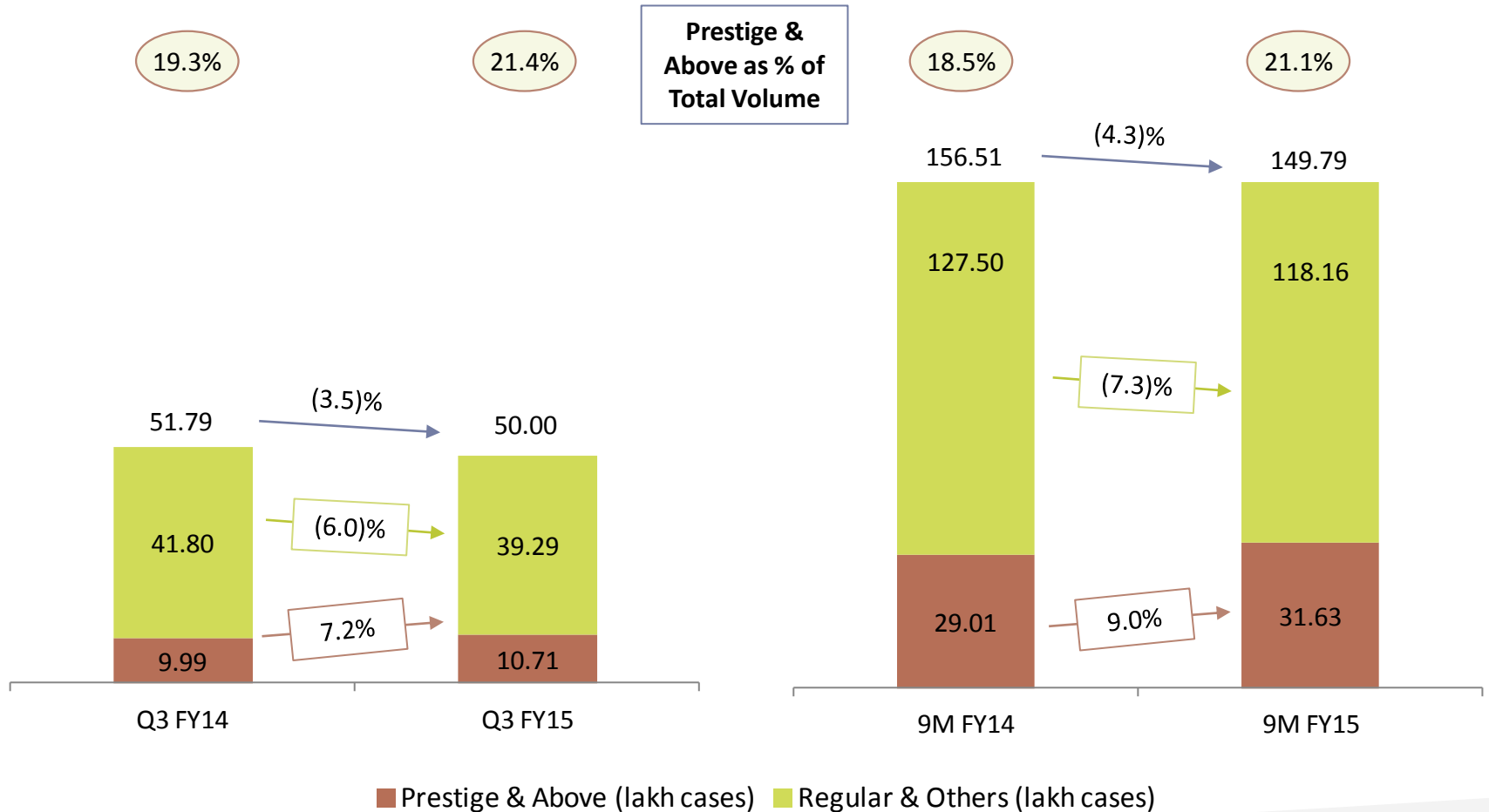
Net Sales: Includes sale from tie-up units net of royalty income

Operational Net Income: Net Income has been adjusted for foreign exchange fluctuation loss / (gain) of Rs. 5.3 Crore in Q3 FY2015 compared with Rs. 1.1 Crore in Q3 FY2014 and Rs. 11.7 Crore in 9M FY2015 compared with Rs. 15.5 Crore in 9M 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



Q3 FY2015 Financial Highlights

Net Sales: Net Sales remained flat y-o-y at Rs. 496.8 Crore. IMFL sales contributed 72% of total sales. Prestige & Above brands delivered a volume growth of 7.2% compared with Q3 FY2014. As a percentage of total IMFL volumes, these brands now contribute 21.4% compared to 19.3% in Q3 FY2014

EBITDA: Operational EBITDA declined by 6.9% y-o-y at 10.3% margins. Subdued revenue growth coupled with higher input (ENA and glass bottle costs) and other indirect costs led to the decline in EBITDA. ENA costs during the quarter increased by 6.3% compared to Q3 FY2014, translating into an impact of Rs. 6.1 Crore

Net Income: Operational Net Income increased by 17.4% y-o-y

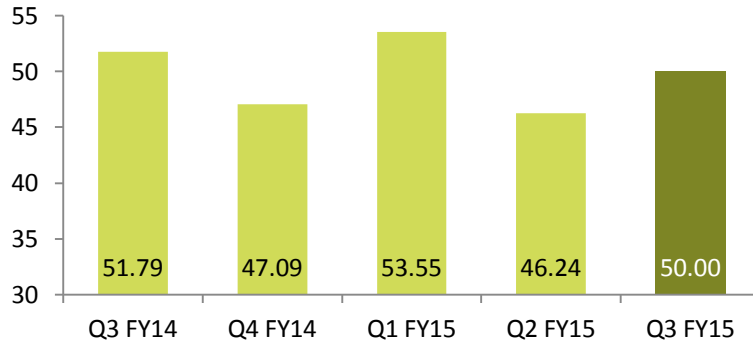
YTD FY2015 Financial Highlights

Net Sales increased by 1.4% compared to YTD FY2014. Prestige & Above brands volume increased by 9.0% y-o-y. Operational EBITDA declined by 11.4% y-o-y during YTD FY2015 at 10.4% margin. This was primarily due to increase in raw material costs. ENA cost during the nine month period FY2015 increased by 7.0% resulting in an impact of Rs. 19.6 Crore

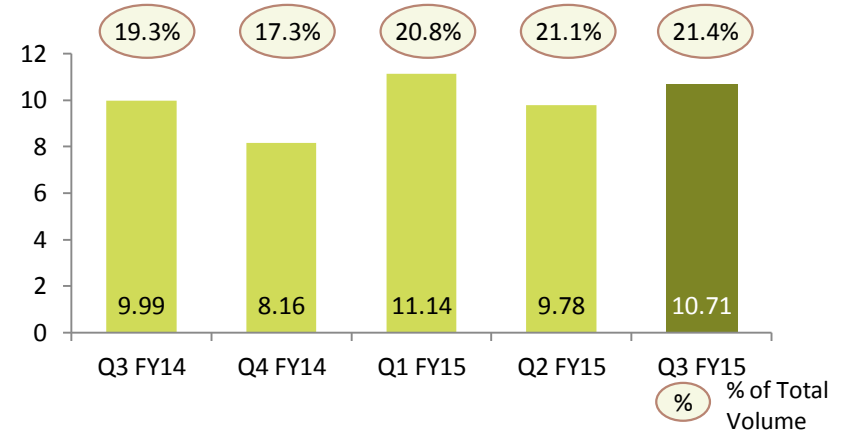
Quarterly Performance Trends



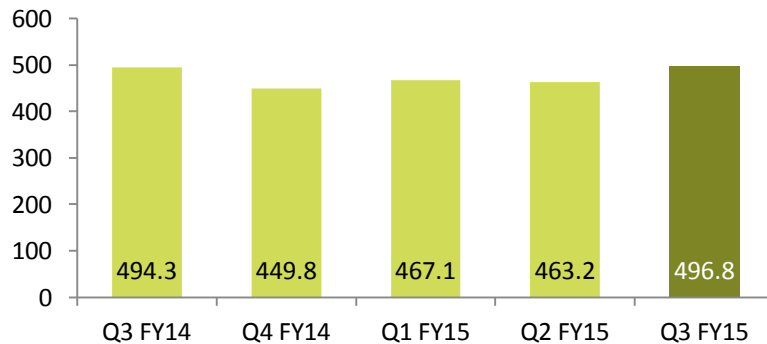
Total IMFL Volume (lakh cases)



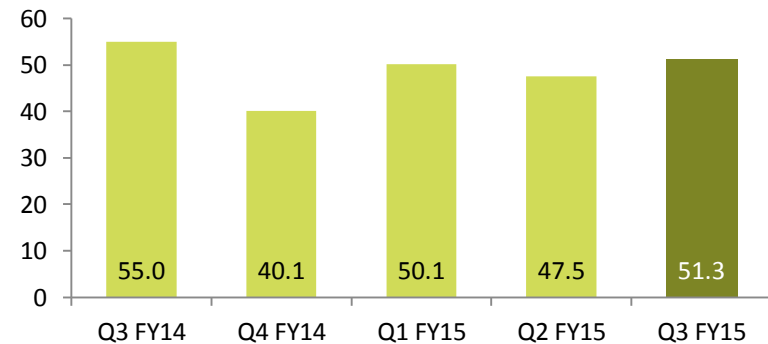
Prestige & Above Category Volume



Net Sales (Rs. Crore)



Operational EBITDA (Rs. Crore)



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

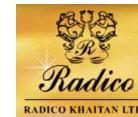


- Launched in 2011, After Dark is well positioned in the fast growing premium whisky segment in India



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

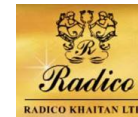
Statutory Results



Third Quarter and Nine Months Results for FY2015

Sl. No.	Particulars	(1)	(2)	(3)	(4)	(5)	(6)
		Quarter ended <u>31.12.2014</u> (Unaudited)	Quarter ended <u>30.09.2014</u> (Unaudited)	Quarter ended <u>31.12.2013</u> (Unaudited)	9 Months ended <u>31.12.2014</u> (Unaudited)	9 Months ended <u>31.12.2013</u> (Unaudited)	Year ended <u>31.03.2014</u> (Audited)
1	Income from operations						
	(a) Gross Sales	89,615.65	75,794.33	80,963.90	244,502.16	230,216.59	300,559.53
	Less: Excise duty	49,660.03	40,633.41	43,020.87	133,302.42	123,263.92	159,340.56
	Net Sales / Income from Operations	39,955.62	35,160.92	37,943.03	111,199.74	106,952.67	141,218.97
	(b) Other Operating Income	1,296.11	1,095.26	1,144.42	3,300.55	3,077.09	3,951.26
	Total Income from operations (net)	41,251.73	36,256.18	39,087.45	114,500.29	110,029.76	145,170.23
2	Expenditure						
	(a) Cost of material consumed	18,139.70	16,129.13	17,394.95	51,147.32	49,146.86	66,652.34
	(b) Purchase of stock-in-trade	2,812.85	195.09	522.77	3,415.68	1,976.41	2,204.59
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	1,163.49	85.91	405.14	1,663.26	609.10	(3,546.81)
	(d) Employee benefits expense	2,972.84	2,567.60	2,584.36	7,953.57	6,950.54	9,317.97
	(e) Depreciation and amortisation expense	900.00	1,050.00	985.00	3,000.00	2,900.00	3,875.34
	(f) Selling & Distribution	7,669.73	6,599.04	7,777.88	21,651.60	21,555.42	28,618.93
	(g) Other expenditure	3,893.39	6,388.96	5,006.21	14,949.40	14,524.77	22,574.27
	Total expenses	37,552.00	33,015.73	34,676.31	103,780.83	97,663.10	129,696.63
3	Profit / (Loss) from Operations before Other Income, Finance costs & Exceptional Items (1-2)	3,699.73	3,240.45	4,411.14	10,719.46	12,366.66	15,473.60
4	Other Income	1,026.97	1,044.65	904.33	3,004.22	2,636.81	3,648.30
5	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	4,726.70	4,285.10	5,315.47	13,723.68	15,003.47	19,121.90
6	Finance Cost	2,299.70	2,268.65	2,220.40	6,825.20	6,245.90	8,480.95
7	Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	2,427.00	2,016.45	3,095.07	6,898.48	8,757.57	10,640.95

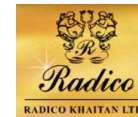
Statutory Results



Third Quarter and Nine Months Results for FY2015

Sl. No.	Particulars	(1)	(2)	(3)	(4)	(5)	(6)
		Quarter ended <u>31.12.2014</u> (Unaudited)	Quarter ended <u>30.09.2014</u> (Unaudited)	Quarter ended <u>31.12.2013</u> (Unaudited)	9 Months ended <u>31.12.2014</u> (Unaudited)	9 Months ended <u>31.12.2013</u> (Unaudited)	Year ended 31.03.2014 (Audited)
8	Exceptional items	-	-	-	-	-	-
9	Profit (+) / Loss (-) from Ordinary Activities before tax (7+8)	2,427.00	2,016.45	3,095.07	6,898.48	8,757.57	10,640.95
10	Tax Expense	300.00	525.00	943.00	1,625.00	2,622.00	3,515.00
11	Net Profit (+) / Loss (-) from Ordinary Activities after tax (9-10)	2,127.00	1,491.45	2,152.07	5,273.48	6,135.57	7,125.95
12	Extra ordinary items (net of tax expense Rs.in lakhs)	-	-	-	-	-	-
13	Net Profit (+) / Loss (-) for the period (11-12)	2,127.00	1,491.45	2,152.07	5,273.48	6,135.57	7,125.95
14	Paid up equity share capital (of Rs. 2/- each)	2,660.78	2,660.78	2,659.96	2,660.78	2,659.96	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 (Rs.)						
	Basic	1.60	1.12	1.62	3.96	4.61	5.36
	Diluted	1.60	1.12	1.61	3.96	4.60	5.35
16(ii)	Earning per share (after extra ordinary items) (of Rs.2/- each) not annualized (Rs.)						
	Basic	1.60	1.12	1.62	3.96	4.61	5.36
	Diluted	1.60	1.12	1.61	3.96	4.60	5.35

Statutory Results



Third Quarter and Nine Months Results for FY2015

PART II

Sl. No.	Particulars	(1)	(2)	(3)	(4)	(5)	(6)
		Quarter ended <u>31.12.2014</u> (Unaudited)	Quarter ended <u>30.09.2014</u> (Unaudited)	Quarter ended <u>31.12.2013</u> (Unaudited)	9 Months ended <u>31.12.2014</u> (Unaudited)	9 Months ended <u>31.12.2013</u> (Unaudited)	Year ended <u>31.03.2014</u> (Audited)
A	Particulars of Shareholding						
	Public shareholding						
	(a) No. of Shares	79208947	79208947	79168322	79208947	79168322	79208947
	(b) Percentage of Shareholding	59.54	59.54	59.52	59.54	59.52	59.54
	Promoters and promoter group Shareholding						
	(a) Pledged / Encumbered						
	- Number of shares	11916429	15081429	13081429	11916429	13081429	11781429
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	22.14	28.02	24.30	22.14	24.30	21.89
	- Percentage of shares (as a % of the total share capital of the Company)	8.96	11.34	9.84	8.96	9.84	8.86
	(b) Non-encumbered						
	- Number of shares	41913389	38748389	40748389	41913389	40748389	42048389
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	77.86	71.98	75.70	77.86	75.70	78.11
	- Percentage of shares (as a % of the total share capital of the Company)	31.50	29.12	30.64	31.50	30.64	31.60
B	Investor Complaints	Quarter ended 31.12.2014					
	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



Third Quarter and Nine Months 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 10th February 2015.
2. The Statutory Auditors have carried out a limited review of the financial results for the quarter ended 31st December 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) 28,041.95 (2) 36,151.29 (3) 37,460.00 (4) 101,873.00 (5) 104,864.37 (6) 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. 526.24 lacs on account of foreign exchange translation variations in long term foreign currency borrowings.
6. Pursuant to the enactment of the Companies Act 2013 (the Act), the Company has, effective 1st April 2014, reviewed and revised the estimated useful lives of its fixed assets, generally in accordance with the provisions of Schedule II to the Act. The consequential impact (after considering the transition provision specified in Schedule II) on depreciation has been given effect in the above results. The additional charge of Rs. 1,494 lacs relating to period upto 31st March 2014 has been adjusted from the carried forward surplus.
7. 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
10.02.2015**

**Dr. Lalit Khaitan
Chairman & Managing Director**



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