



**Consistent  
Performance  
Blended  
with  
Spirited  
Endeavours**



**Q3 FY2016 Earnings Presentation**

**February 5, 2016**

# 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.



## Q3 FY2016 vs. Q3 FY2015

- Net Sales of Rs. 460.6 Crore
- Prestige & Above brands volume growth at 10.7%
- Prestige & Above brands contribution to the total IMFL volumes increased from 21.4% to 24.6%
- Operational EBITDA of Rs. 60.3 Crore up 17.7%
- Operational EBITDA margin improved 278 bps to 13.1%
- Net Income of Rs. 25.4 Crore up 19.3%
- Net Income margin improved 123 bps to 5.5%

## 9M FY2016 vs. 9M FY2015

- Net Sales of Rs. 1,352.7 Crore
- Prestige & Above brands volume growth at 9.3%
- Prestige & Above brands contribution to the total IMFL volumes increased from 21.1% to 24.9%
- Operational EBITDA of Rs. 165.2 Crore up 10.9%
- Operational EBITDA margin improved 178 bps to 12.2%
- Net Income of Rs. 62.1 Crore up 17.8%
- Net Income margin improved 90 bps to 4.6%

Significant decline in Interest Cost due to ongoing debt reduction and free cash flow generation



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

“I am pleased to share the results of another successful quarter with robust financial performance. Our premium brand volumes continued to demonstrate strong growth, a reflection of consumer acceptance and loyalty for our core brands. In line with our ongoing strategy of delivering profitable growth, increasing contribution from our Prestige & Above category brands enabled us to report significant improvement in EBITDA margins. We are delighted with the performance of our core brands portfolio including the new launches such as ELECTRA. Our management team is confident that our brand strategy will deliver sustainable growth in the years to come.”

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

“Radico Khaitan continued to deliver consistent and profitable growth with EBITDA margins of 13.1% which is close to 3% higher than the same quarter previous year. Importantly, Prestige & Above category brands reported a robust 10.7% y-o-y growth. These brands now contribute 24.6% of the total IMFL volumes, a significant increase compared to 21.4% a year ago. Prices of raw materials such as ENA and glass bottles remained stable during the quarter. This coupled with the expected price increases will significantly improve the top-line and profitability of the Company in the near to mid term.”



Input costs experienced a stabilising trend;  
Anticipated price increases across states to offset subdued volumes

- As per the India Sugar Mills Association (ISMA), sugar production in the current 2015-16 sugar season (SS) until December 2015 was 7.99 MT compared to 7.50 MT during the same period last year. This represents a 6.5% increase over the previous year
- However, in its recent press release, ISMA revised its estimated sugar production in the 2015-16 SS from 27 MT to 26 MT. The sugar production is expected to decline due to lower water availability in the states of Maharashtra and Karnataka and reduction in high sugar inventory levels
- Overall, raw material prices, in particular ENA and glass bottle, have remained stable during Q3 FY2016 and are expected to remain at these levels in the near term



## Q3 and Nine Months FY2016 Financial Performance

(Rs. Crore)	Q3		y-o-y	Nine Months		y-o-y
	FY2016	FY2015	Growth (%)	FY2016	FY2015	Growth (%)
Gross Sales	1,193.0	1,165.1	2.4%	3,445.7	3,410.7	1.0%
Net Sales	460.6	496.8	(7.3)%	1,352.7	1,427.0	(5.2)%
Operational EBITDA	60.3	51.3	17.7%	165.2	148.9	10.9%
<i>Operational EBITDA Margin (%)</i>	<i>13.1%</i>	<i>10.3%</i>		<i>12.2%</i>	<i>10.4%</i>	
Net Income	25.4	21.3	19.3%	62.1	52.7	17.8%
Basic EPS (Rs.)	1.91	1.60	19.3%	4.67	3.96	17.8%

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

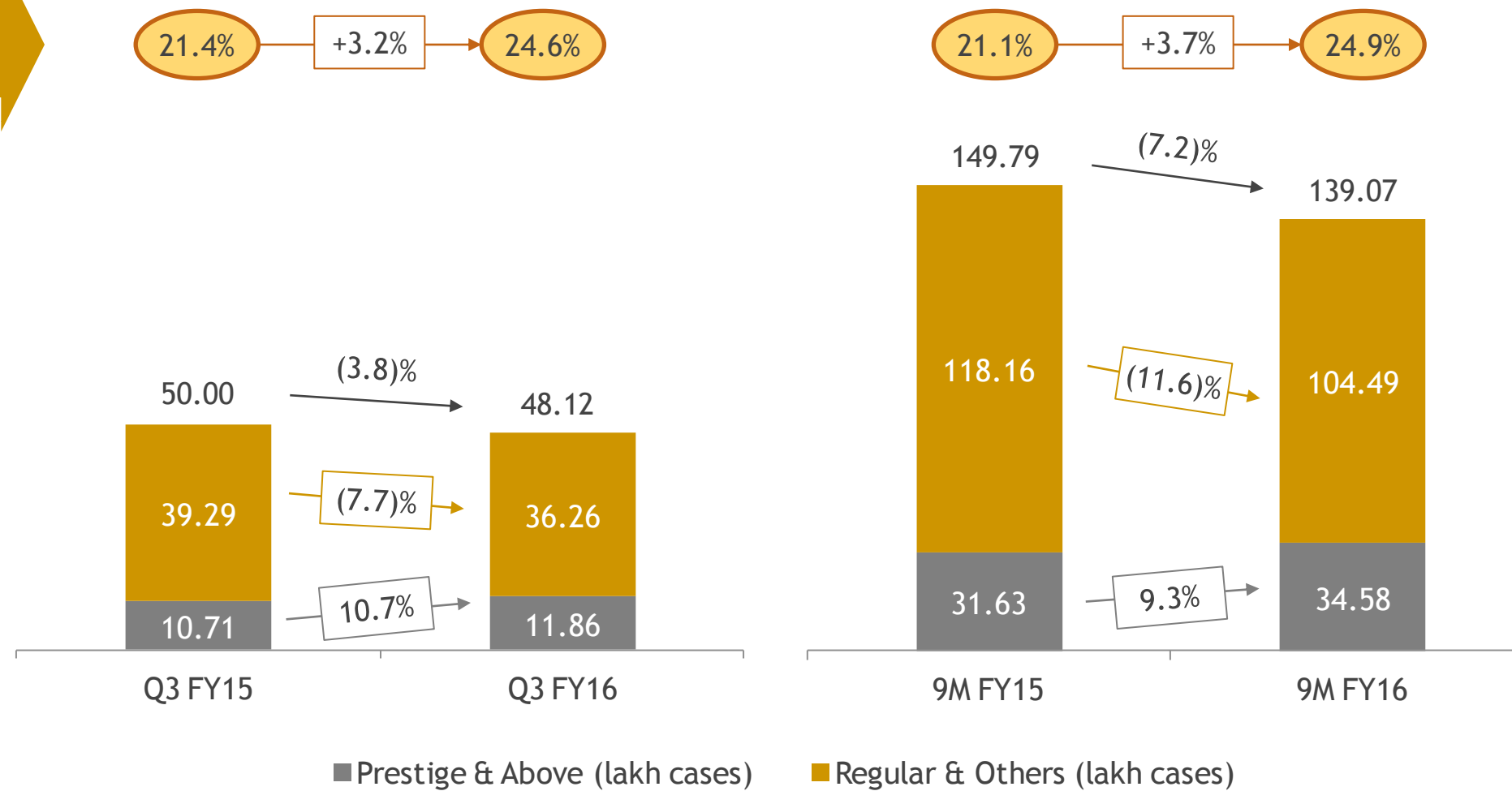
**Operational EBITDA:** EBITDA has been adjusted for foreign exchange fluctuation loss / (gain) of Rs. 1.8 Crore in Q3 FY2016 compared with Rs. 5.3 Crore in Q3 FY2015 and Rs. 9.4 Crore in 9M FY2016 compared with Rs. 11.7 Crore in 9M FY2015. This is as per para 46A of Accounting Standard 11. This foreign exchange fluctuation loss is related to ECBs and is a non cash item in the Other Expenditure of the statutory financial statements



# Operational Performance

Higher margin Prestige & Above category continues to be a key contributor and driver of future growth

Prestige & Above as % of Total Volume



## Q3 FY2016 Highlights

**Net Sales:** Net Sales decreased by 7.3% compared to the same period last year. Total IMFL volume declined by 3.8% primarily due to reduced focus on the low margin category brands in Tamil Nadu. However, the Prestige & Above brands volume continued its robust performance and increased by 10.7%. As a percentage of total IMFL volumes, these brands now contribute 24.6% compared to 21.4% last year. Net Sales was also impacted to a certain extent by a decline in the non-IMFL segment volumes.

**EBITDA:** Operational EBITDA increased by 17.7% y-o-y and margins expanded by 278 basis points to 13.1% compared to the same period last year. This was primarily due to better product mix and ongoing cost optimization efforts.

Increase in Other Expenses is primarily due to higher duty paid finished good inventory, levy of service tax on bottling charges and foreign exchange fluctuation loss on account of repayment of ECBs.

**Interest Expenses:** Interest Expenses declined from Rs. 23.0 Crore in Q3 FY2015 to 19.7 Crore Q3 FY2016 as a result of ongoing debt reduction and free cash flow generation.





## 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 Launch

## Magic Moment ELECTRA - marketing campaign





## 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.



## 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 2015-19 CAGR of 5.9%
- 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 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

## Third Quarter and Nine Months Ended Results for Fiscal Year 2016

**PART- I** (Figures Rs. In lakhs)

No.	Particulars	(1)	(2)	(3)	(4)	(5)	(6)
		<b>Quarter ended 31.12.2015 (Unaudited)</b>	<b>Quarter ended 30.09.2015 (Unaudited)</b>	<b>Quarter ended 31.12.2014 (Unaudited)</b>	<b>9 Months ended 31.12.2015 (Unaudited)</b>	<b>9 Months ended 31.12.2014 (Unaudited)</b>	<b>Year ended 31.03.2015 (Audited)</b>
<b>1</b>	<b>Income from operations</b>						
	(a) Gross Sales	96,926.47	84,046.57	89,615.65	273,028.75	244,502.16	316,867.14
	Less: Excise duty	57,670.83	47,884.08	49,660.03	159,007.04	133,302.42	172,416.95
	Net Sales / Income from Operations	39,255.64	36,162.49	39,955.62	114,021.71	111,199.74	144,450.19
	(b) Other Operating Income	832.18	820.42	1,296.11	2,523.73	3,300.55	4,389.09
	<b>Total Income from operations</b>	<b>40,087.82</b>	<b>36,982.91</b>	<b>41,251.73</b>	<b>116,545.44</b>	<b>114,500.29</b>	<b>148,839.28</b>
<b>2</b>	<b>Expenditure</b>						
	(a) Cost of material consumed	19,107.57	16,673.29	18,139.70	53,406.47	51,147.32	67,078.19
	(b) Purchase of stock-in-trade	186.97	373.48	2,812.85	982.64	3,415.68	3,921.10
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(1,433.60)	685.77	1,163.49	(925.80)	1,663.26	734.28
	(d) Employee benefits expense	2,905.23	2,891.29	2,972.84	8,480.57	7,953.57	10,725.19
	(e) Depreciation and amortisation expense	1,000.00	1,000.00	900.00	3,000.00	3,000.00	3,831.74
	(f) Selling & Distribution	7,137.12	6,440.24	7,669.73	20,802.83	21,651.60	28,360.95
	(g) Other expenditure	6,336.11	4,901.07	3,893.39	18,221.40	14,949.40	20,979.19
	<b>Total</b>	<b>35,239.40</b>	<b>32,965.14</b>	<b>37,552.00</b>	<b>103,968.11</b>	<b>103,780.83</b>	<b>135,630.64</b>
<b>3</b>	Profit from Operations before Other Income, Finance cost & Exceptional Items (1-2)	4,848.42	4,017.77	3,699.73	12,577.33	10,719.46	13,208.64
<b>4</b>	Other Income	682.32	700.52	1,026.97	2,336.67	3,004.22	4,498.58
<b>5</b>	Profit before finance costs & Exceptional Items (3+4)	5,530.74	4,718.29	4,726.70	14,914.00	13,723.68	17,707.22
<b>6</b>	Finance Cost	1,968.31	2,078.48	2,299.70	6,172.49	6,825.20	8,994.49
<b>7</b>	Profit after finance cost but before Exceptional Items (5-6)	3,562.43	2,639.81	2,427.00	8,741.51	6,898.48	8,712.73



## Third Quarter and Nine Months Ended Results for Fiscal Year 2016

**PART- I** (Figures Rs. In lakhs)

No.	Particulars	(1)	(2)	(3)	(4)	(5)	(6)
		<b>Quarter ended 31.12.2015 (Unaudited)</b>	<b>Quarter ended 30.09.2015 (Unaudited)</b>	<b>Quarter ended 31.12.2014 (Unaudited)</b>	<b>9 Months ended 31.12.2015 (Unaudited)</b>	<b>9 Months ended 31.12.2014 (Unaudited)</b>	<b>Year ended 31.03.2015 (Audited)</b>
8	Exceptional items	-	-	-	-	-	-
9	Profit (+) / Loss (-) from Ordinary Activities before tax ( 7+8 )	3,562.43	2,639.81	2,427.00	8,741.51	6,898.48	8,712.73
10	Tax Expense	1,025.00	775.00	300.00	2,530.00	1,625.00	1,949.21
11	Net Profit (+) / Loss (-) from Ordinary Activities after tax ( 9-10 )	2,537.43	1,864.81	2,127.00	6,211.51	5,273.48	6,763.52
12	Extra ordinary items	-	-	-	-	-	-
13	Net Profit (+) / Loss (-) for the period (11-12)	2,537.43	1,864.81	2,127.00	6,211.51	5,273.48	6,763.52
14	Paid up equity share capital (of Rs. 2/- each)	2,660.78	2,660.78	2,660.78	2,660.78	2,660.78	2,660.78
15	Reserves excluding revaluation reserve						79,396.87
16	Earning per share :						
	Basic & diluted EPS for the period,for the year, todate and for the previous year						
	Basic	1.91	1.40	1.60	4.67	3.96	5.08
	Diluted	1.91	1.40	1.60	4.67	3.96	5.08



## Third Quarter and Nine Months Ended Results for Fiscal Year 2016

### 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 5<sup>th</sup> February 2016.
2. The Statutory Auditors have carried out a limited review of the financial results for the quarter ended 31<sup>st</sup> December 2015.
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	2	3	4	5	6
Quarter ended 31.12.2015 (Unaudited)	Quarter ended 30.09.2015 (Unaudited)	Quarter ended 31.12.2014 (Unaudited)	9 Months ended 31.12.2015 (Unaudited)	9 Months ended 31.12.2014 (Unaudited)	Year ended 31.03.2015 (Audited)
23804.27	25219.07	28041.95	76872.40	101873.00	130315.22

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 29<sup>th</sup> December 2011, the Company has written off a sum of Rs.182.62 lacs on account of foreign exchange translation variations in long term foreign currency borrowings.
6. Previous year / period figures have been regrouped / rearranged, wherever necessary to make them comparable with the current period figures.

Place: New Delhi  
Date: 05.02.2016

For Radico Khaitan  
Dr. Lalit Khaitan  
Chairman & Managing Director





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