



Radico Khaitan Ltd.
(BSE: 532497; NSE: RADICO)

Earnings Presentation

Q3 and Nine Months FY2019

Q3 FY2019 Performance Highlights

Continued strong all round performance



Broad based volume growth across key brands and key states

Total volume +7.2%; Prestige & Above +18.5%



Solid topline growth coupled with significant profitability improvement

Revenue of Rs. 552.93 Cr up 14.6%; Gross Profit of Rs. 274.44 Cr at 49.6% margin (up 125 bps); EBITDA of Rs. 95.12 Cr at 17.2% margin (up 170 bps)



Strong cash flow generation and ongoing deleveraging

Net Debt reduction of Rs. 76.87 Crore during Q3 FY2019 (Rs. 276.82 in 9M FY2019); Total Net Debt reduction of Rs. 654 Crore since March 2016



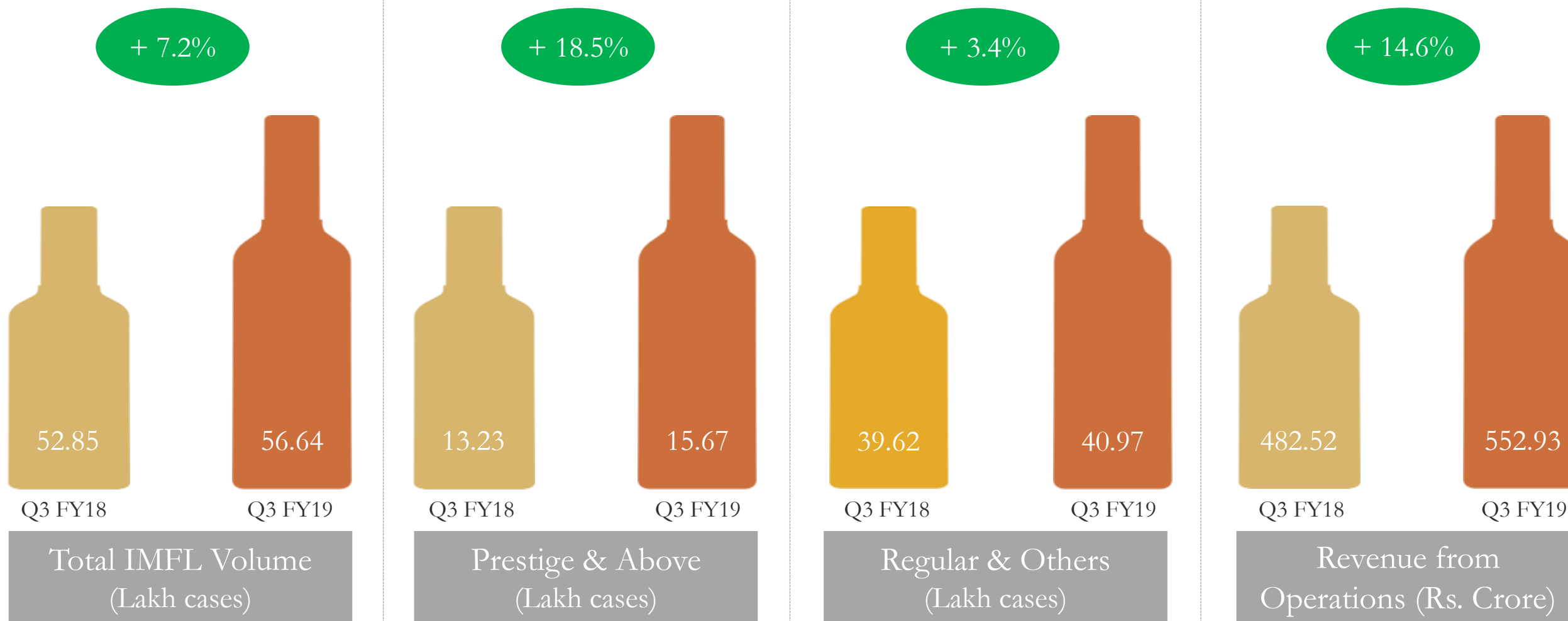
Branding & marketing investment

Endorsement deal with Bollywood star and youth icon Tiger Shroff for 8PM Premium Black whisky

Note: All growth numbers above are for Q3 FY2019 and represent Y-o-Y

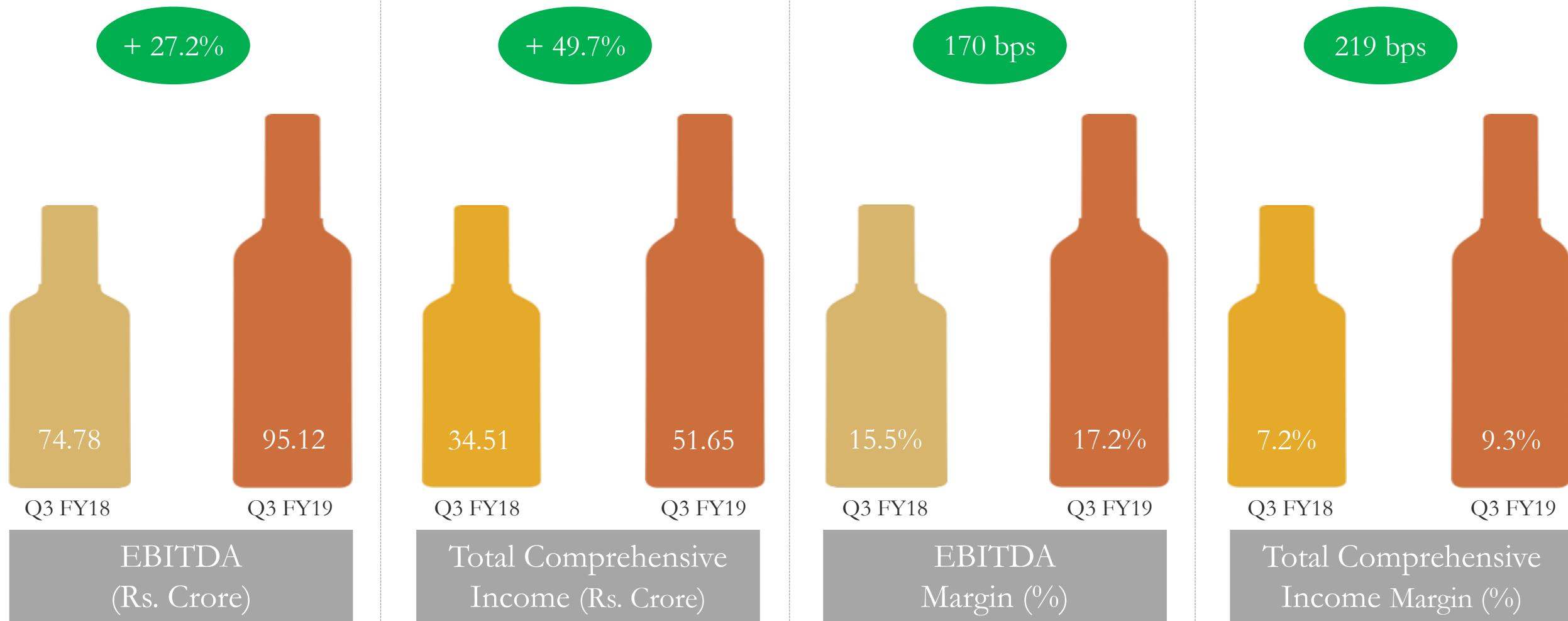
Q3 FY2019 Performance Highlights

Robust volume growth led by Prestige & Above brands driving topline performance



Q3 FY2019 Performance Highlights

Continued strong profitability



Q3 FY2019 Performance Highlights

Reduction in borrowings and improvement in capital structure ratios

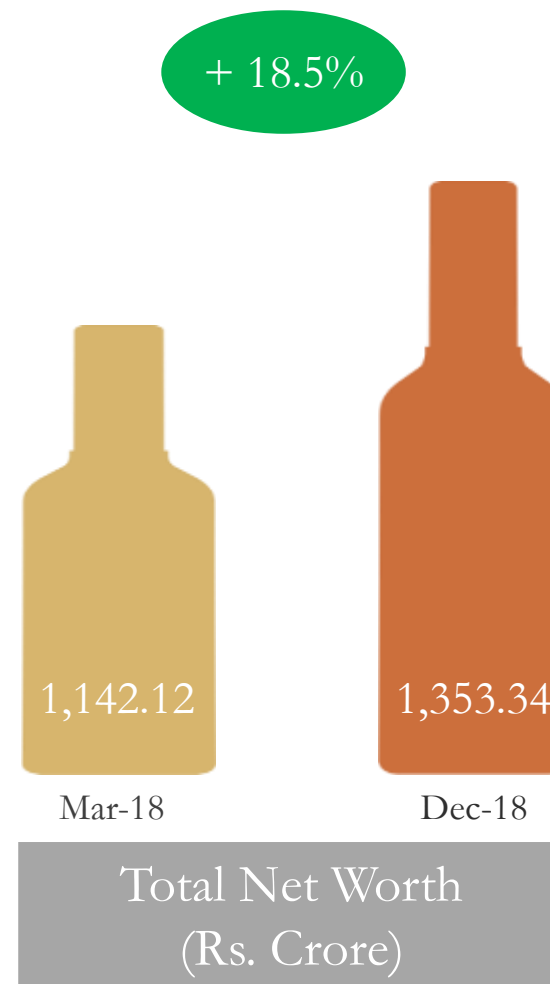
Net debt reduction



Leverage ratio improvement



Net worth strengthened



Leverage ratio improvement



Q3 FY2019 Performance Highlights

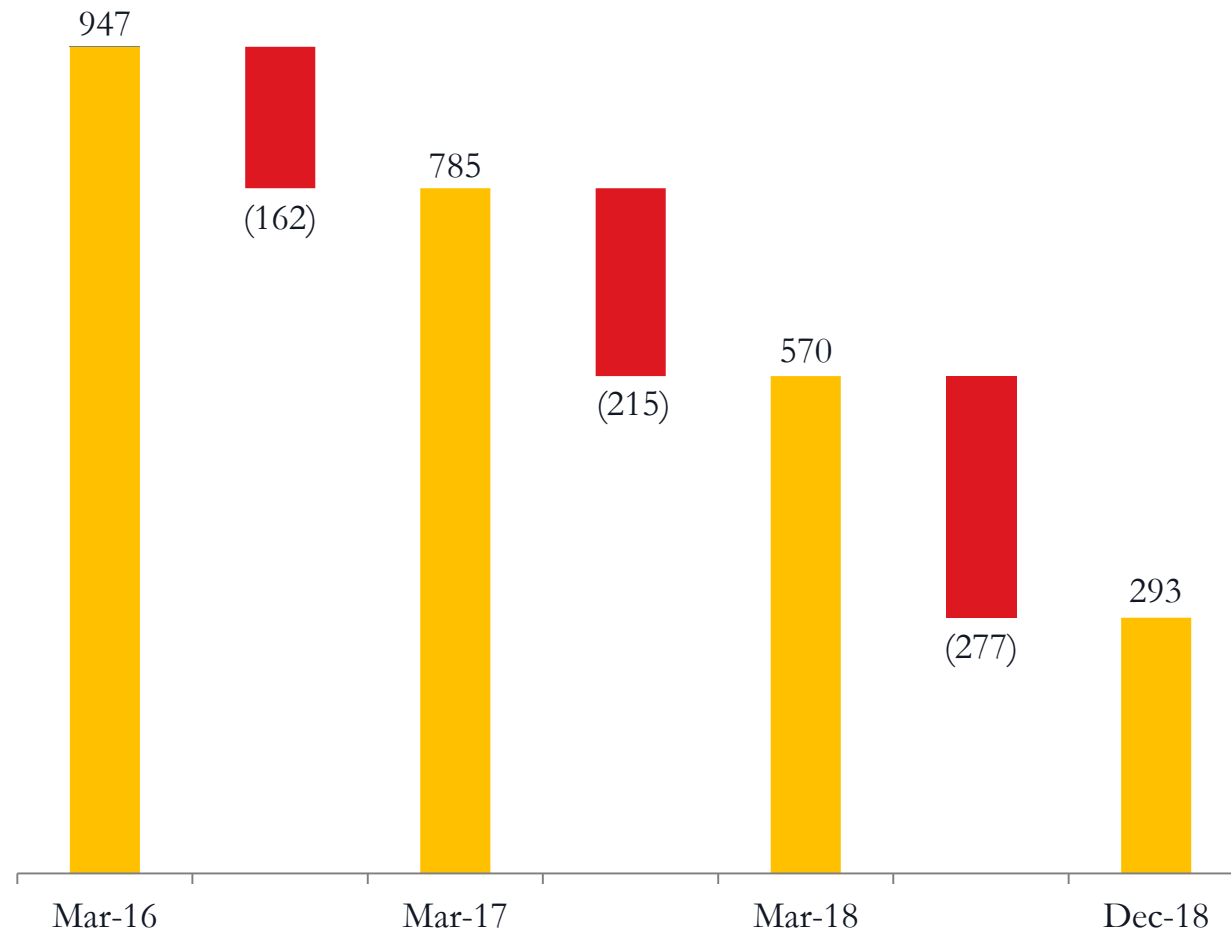
Improved profitability and cash flows resulted in deleveraging and interest cost reduction



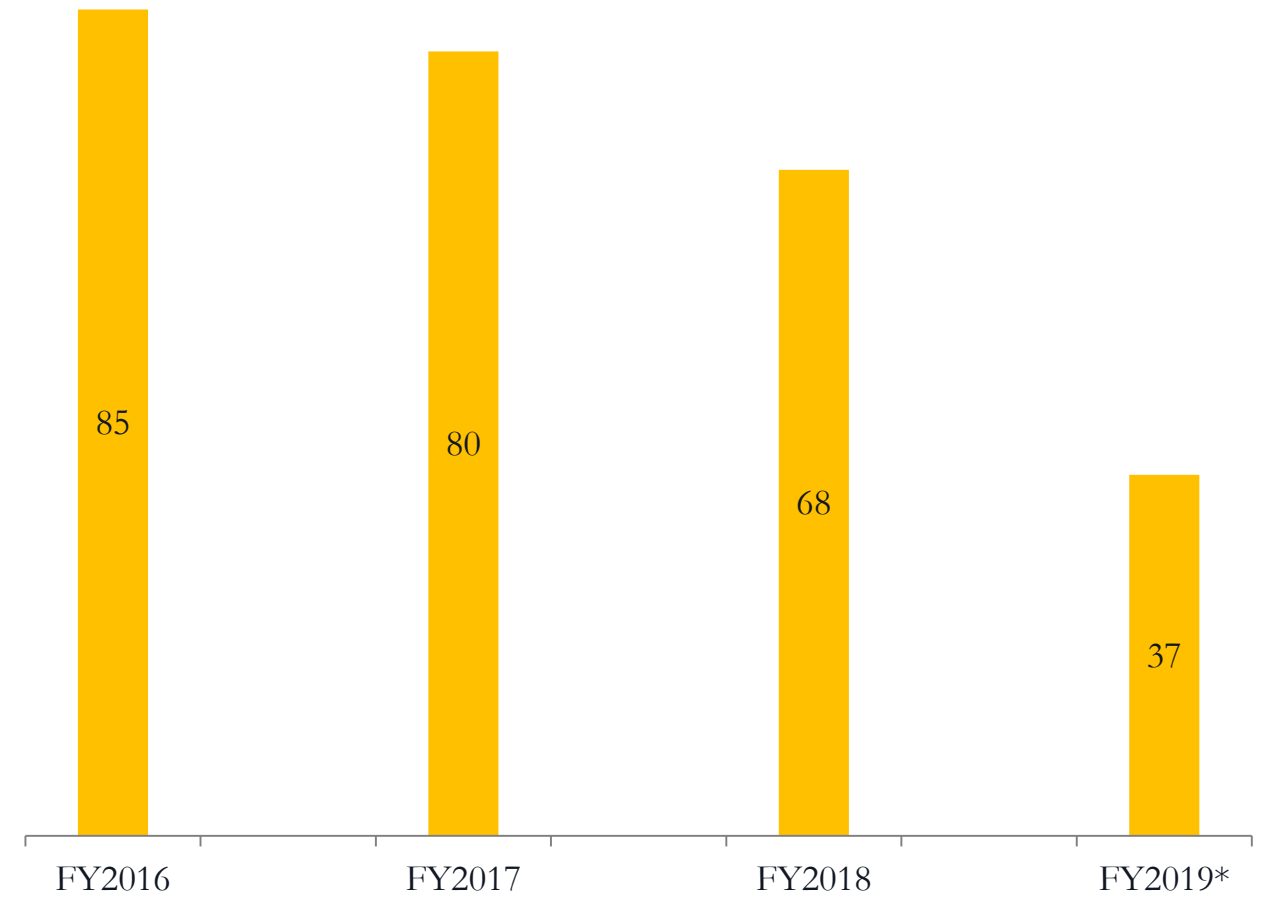
Cumulative Net Debt reduction of Rs. 654 Cr since March 2016...

...Resulted in annualized interest cost saving of 56%

Net Debt Position (Rs. Crore)



Annual Interest Cost (Rs. Crore)



* Nine Month FY2019 Interest Cost is annualised to represent full year FY2019

Performance Highlights

Solid all round performance and ongoing deleveraging

Q3 FY2019 vs. Q3 FY2018

- Revenue from Operations (Net) of Rs. 552.93 Cr (+14.6%)
- Prestige & Above brands volumes increased by 18.5%
- Prestige & Above brands contribution to the total IMFL volumes of 27.7% (vs. 25.0% last year)
- Gross Margin improved from 48.4% to 49.6%
- EBITDA of Rs. 95.12 Cr (+27.2%)
- EBITDA margin improved from 15.5% to 17.2%
- Reduction in interest costs from Rs. 16.90 Cr to Rs. 7.64 Cr
- Total Comprehensive Income of Rs. 51.65 Cr (+49.7%)
- Net debt reduced by Rs. 76.87 Cr during Q3 FY2019

9M FY2019 vs. 9M FY2018

- Revenue from Operations (Net) of Rs. 1,586.96 Cr (+18.3%)
- Prestige & Above brands volumes increased by 21.2%
- Prestige & Above brands contribution to the total IMFL volumes of 28.8% (vs. 26.7% last year)
- Gross Margin improved from 47.0% to 50.2%
- EBITDA of Rs. 276.62 Cr (+37.6%)
- EBITDA margin improved from 15.0% to 17.4%
- Reduction in interest costs from Rs. 53.43 Cr to Rs. 27.75 Cr
- Total Comprehensive Income of Rs. 147.67 Cr (+68.2%)
- Net debt reduced by Rs. 276.82 Cr during 9M FY2019

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

“Radico Khaitan delivered strong operational and financial results in the third quarter of FY2019. This performance is a testament to the solid underlying premium brand portfolio coupled with a significantly improved operating environment during the year. We remain focused on generating strong free cash flows, reduce leverage, select brand launches and make marketing investments in the premium brand portfolio. This proven strategy of focus on premium brands has enabled the Company to deliver desired results over the years.”

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

“I am happy to report another quarter of strong performance led by Prestige & Above category volume growth of 18.5% y-o-y during Q3 FY2019. A higher contribution from the Prestige & Above category brands coupled with price increases during the last year resulted in significant profitability improvement during FY2019. EBITDA margin during the quarter improved by 170 bps to 17.2% compared to the same period last year. While our volume growth has been broad based across key brands and regions, I am pleased to note that our Magic Moments flavoured vodka has now become larger than the Magic Moments plain vodka. With the changing consumer preferences and demand dynamics, flavoured vodka has grown at a faster pace and is further expected to grow faster than the overall vodka industry where Radico Khaitan is strongly positioned to capitalise on the industry opportunity. In line with our marketing strategy, we have signed an endorsement deal with Bollywood star and India’s youth icon Tiger Shroff for our 8PM Premium Black whisky brand. Our investments in select brands will drive growth going forward.”

Performance Overview

	Q3		y-o-y	Nine Month		y-o-y
	FY2019	FY2018	Growth (%)	FY2019	FY2018	Growth (%)
Operational Performance (Lakh Cases)						
Prestige & Above	15.67	13.23	18.5%	47.45	39.16	21.2%
Regular & Others	40.97	39.62	3.4%	117.18	107.37	9.1%
Total Volume	56.64	52.85	7.2%	164.62	146.53	12.4%
<i>Prestige & Above as % of Total</i>	27.7%	25.0%		28.8%	26.7%	
Financial Performance (Rs. Crore)						
Revenue from Operations (Gross)	2,058.37	1,741.78	18.2%	6,079.74	4,608.14	31.9%
Revenue from Operations (Net)	552.93	482.52	14.6%	1,586.96	1,342.01	18.3%
Gross Profit	274.44	233.46	17.5%	796.41	630.57	26.3%
<i>Gross Margin (%)</i>	49.6%	48.4%		50.2%	47.0%	
EBITDA	95.12	74.78	27.2%	276.62	200.98	37.6%
<i>EBITDA Margin (%)</i>	17.2%	15.5%		17.4%	15.0%	
Total Comprehensive Income	51.65	34.51	49.7%	147.67	87.78	68.2%
<i>Total Comprehensive Income Margin (%)</i>	9.3%	7.2%		9.3%	6.5%	
Basic EPS (Rs.)	3.91	2.63	48.8%	11.18	6.70	66.8%

Revenue from Operations includes Other Operating Income

Performance Overview

(Rs. Crore)	Q3		y-o-y	Nine Month		y-o-y
	FY2019	FY2018	Growth (%)	FY2019	FY2018	Growth (%)
Gross Sales	2,058.37	1,741.78	18.2%	6,079.74	4,608.14	31.9%
Revenue from Operations	552.93	482.52	14.6%	1,586.96	1,342.01	18.3%
Other Income	2.75	6.20	(55.6)%	9.69	16.59	(41.6)%
Income from Operations	555.69	488.73	13.7%	1,596.66	1,358.60	17.5%
Raw Materials Consumed	278.50	249.06	11.8%	790.55	711.44	11.1%
Employee Benefit	43.27	40.47	6.9%	126.24	113.58	11.1%
Selling & Distribution	72.32	59.11	22.3%	208.25	154.15	35.1%
Depreciation	10.69	10.31	3.6%	31.57	30.67	3.0%
Interest	7.64	16.90	(54.8)%	27.75	53.43	(48.1)%
Other Operating Expenses	63.05	58.34	8.1%	183.24	159.58	14.8%
Total Expenses	475.45	434.20	9.5%	1,367.60	1,222.85	11.8%
Profit Before Tax	80.24	54.52	47.2%	229.05	135.75	68.7%
Provision for Tax	28.14	19.51		80.04	46.45	
Net Profit	52.10	35.01	48.8%	149.01	89.30	66.9%
Net Income Margin (%)	9.4%	7.3%		9.4%	6.7%	
Other Comprehensive Expenses / (Income)	0.45	0.51		1.34	1.53	
Total Comprehensive Income	51.65	34.51	49.7%	147.67	87.78	68.2%
Total Comprehensive Income Margin (%)	9.3%	7.2%		9.3%	6.5%	
Basic EPS (Rs.)	3.91	2.63	48.8%	11.18	6.70	66.8%
EBITDA	95.12	74.78	27.2%	276.62	200.98	37.6%
EBITDA Margin (%)	17.2%	15.5%		17.4%	15.0%	

Q3 FY2019 Highlights (Y-o-Y)

- **Revenue from Operations (Net):** Revenue from Operations grew by 14.6%. Total IMFL volumes increased by 7.2%. This volume growth was led by a strong Prestige & Above category volume increase of 18.5%. Volume growth was broad based across key states and key IMFL brands primarily driven by the recent price increases and favourable policy changes. A significantly improved operating environment in Uttar Pradesh continued to drive a strong volume growth and market share increase in the state. Our recently launched brands such as 8PM Premium Black whisky and 1965 – Spirit of Victory rum also started to make meaningful contribution to the overall volumes. Within a short span after launch, 8PM Premium Black has gained encouraging traction with both consumers as well as the trade channels and aims at further strengthening our premium product portfolio.
- **Gross Margin:** Gross Margin increased by 125 bps y-o-y to 49.6%. This improvement was driven by a combination of price increases, favorable product mix and a benign raw material pricing scenario.
- **EBITDA:** EBITDA increased by 27.2% y-o-y with margins of 17.2% (up 170 bps Y-o-Y). This increase in EBITDA was driven by significantly improved Gross Margins. Selling & Distribution expenses have been higher during the quarter compared to Q3 FY2018 as the Company has been progressively making marketing investments. Higher marketing spend has enabled the Company to sustain the growth momentum.
- **Finance Cost:** Finance cost for Q3 FY2019 declined by 54.8% y-o-y from Rs. 16.90 Crore to Rs. 7.64 Crore.
- **Balance Sheet:** As of December 31, 2018, Total Debt was Rs. 326.01 Crore, Cash & Cash Equivalents were Rs. 33.13 Crore resulting in Net Debt of Rs. 292.88 Crore (vs. Rs. 569.70 Crore as of March 31, 2018). Gross Debt consists of Rs. 287.16 Crore of Working Capital loans and Rs. 38.85 Crore of Long Term loans. Net Debt reduction was Rs. 276.82 Crore during first half of FY2019. Long Terms ECBs were all repaid in July 2018 and there are no current ECBs outstanding.

Leading market positioning

The Millionaires' Club 2018 global rankings

4th Fastest growing
whisky in the
world

11th Largest whisky
in the world by
volume

11th Largest vodka
in the world by
volume

7th Largest rum in
the world by
volume

5th Largest brandy
in the world by
volume



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

75,000

Retailers

Strong distribution network. Sale through over 75,000 retail and 8,000 on premise outlets

26%

FY2018
Premium
volume share

Consistently increasing Prestige & Above brand contribution to total IMFL volumes; 43% in value terms

FY2018
Net Revenue

18.2

(Rs. billion)

With EBITDA margin of 14.7%

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:** Jaisalmer Indian Craft gin, 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 10% volume growth since FY2013
- Prestige & Above category contribute to 26% of IMFL volumes and 43% of the IMFL value sales during 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

Product portfolio

Jaisalmer Indian craft gin



AN ODE TO

Magnificence

*"The air swells up with paeans of valour
Of heroic feats, and protecting honour"*

Dedicated to this spectacular way of life, the new Jaisalmer Indian Craft Gin harks back to imperial age of Maharajas and their leisure moments. Befitting a state with many fascinating stories, Jaisalmer Indian Craft Gin is a worthy experience with a chequered past that lives on in a new incarnation today.



Product portfolio

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.

Product portfolio

Magic Moments vodka and Magic Moments Verve



Magic Moments Vodka: Zing up Life

A rage overnight, the enthralling taste of Magic Moments not only set towns buzzing but also unleashing the thirst of making every moment grand.

Produced from finest grains, its triple distilled process is a mark of absolute purity that simply zings up life. The spirit of Magic Moments can be celebrated with various tantalizing flavors that take excellence a notch up!



Verve Super Premium Vodka: High on Verve

Using a 5 stage filtration process with silver and platinum filters, this vodka possesses the ability to send you in trance. The tantalizing aroma of its flavor and its crisp taste enabled the success of Verve

Product portfolio

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.

Product portfolio

Morpheus Blue super premium brandy



HOW DO
YOU SAY SPELL-BINDING
IN FRENCH?

“

”



Product portfolio

Morpheus super premium brandy

The
spirit of France,
captured in a goblet.



Product portfolio

1965 premium rum



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.



Product portfolio

Regal Talon 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

Product portfolio

Pluton Bay rum



Pluton Bay Rare Exotic Rum: Spirit of Adventure

A unique experience, with a perfect blend of international design and world-class packaging. Rare and smooth taste, offering a premium blend. A rich, full and spicy dark rum with caramel and spice on the nose. Smooth and medium-bodied rum. A suitable and fine mixing rum if ever there was one.

Product portfolio

After Dark premium whisky



After Dark Fine grain whisky: One life, many passions. Why wait?

Night has different connotations for different people, it unfolds differently and brings a unique world of desire, adventure and excitement.

It's where fun and action begins and party never stop.

Product portfolio

8PM whisky



Product portfolio

Contessa rum

Contessa XXX rum: For the Man of Courage

Another millionaire brand from Radico Khaitan's straddle. This brand has surpassed expectations and has garnered strong foothold in the Indian market. This rum truly reflects the real meaning of courage and the taste simply touches the right cords and reflects true essence of bravery.



Product portfolio

Old Admiral brandy



Old Admiral Brandy: For Real Men Only

Made specially for the men with pride, honour and courage. The splendid taste of this spectacular brandy celebrates the greatness achieved and passion for all good things in life. The classic taste perfectly blended with rich sensation & enthralling aroma ensures that it is savoured the way it is desired and truly deserved.

Statutory Results

Statement of Unaudited Standalone Financial Results for the quarter ended December 31, 2018

Rs. In lakhs

Sl. No.	Particulars	(1)	(2)	(3)	(4)	(5)	(6)
		Quarter ended 31.12.2018 (Unaudited)	Quarter ended 30.09.2018 (Unaudited)	Quarter ended 31.12.2017 (Unaudited)	Nine Months ended 31.12.2018 (Unaudited)	Nine Months ended 31.12.2017 (Unaudited)	Year ended 31.03.2018 (Audited)
1	Income						
	(a) Revenue from Operations	205,836.93	190,609.59	174,178.37	607,974.13	460,813.51	627,036.43
	(b) Other Income	275.45	420.60	620.36	969.47	1,659.05	2,667.02
	Total Income	206,112.38	191,030.19	174,798.73	608,943.60	462,472.56	629,703.45
2	Expenditure						
	(a) Cost of material consumed	27,972.80	26,050.25	22,854.72	78,923.48	68,755.07	93,920.10
	(b) Purchase of stock-in-trade	29.39	494.22	1,438.33	691.80	1,972.52	2,554.12
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(152.58)	(701.99)	613.00	(560.26)	416.59	(1,253.25)
	(d) Excise duty on sales	150,543.71	138,844.73	125,925.90	449,277.97	326,612.73	444,759.84
	(e) Employee benefits expense	4,326.85	4,645.99	4,046.98	12,624.09	11,357.89	15,496.84
	(f) Finance Costs	763.50	916.32	1,690.35	2,775.36	5,342.97	6,824.42
	(g) Depreciation and amortisation expense	1,068.54	1,074.36	1,031.27	3,157.28	3,066.54	4,090.02
	(h) Selling & Distribution expenses	7,231.85	6,729.88	5,911.28	20,824.60	15,414.59	21,586.58
	(i) Other Expenses	6,304.61	5,376.80	5,834.45	18,324.14	15,958.38	22,996.82
	Total Expense	198,088.67	183,430.56	169,346.28	586,038.46	448,897.28	610,975.49
3	Profit / (Loss) before Exceptional Items & tax (1-2)	8,023.71	7,599.63	5,452.45	22,905.14	13,575.28	18,727.96
4	Exceptional items	-	-	-	-	-	-
5	Profit (+) / Loss (-) before tax (3-4)	8,023.71	7,599.63	5,452.45	22,905.14	13,575.28	18,727.96
6	Tax Expense	2,813.92	2,645.51	1,951.00	8,003.97	4,645.00	6,382.63
7	Net Profit (+) / Loss (-) after tax (5-6) from continuing operations	5,209.79	4,954.12	3,501.45	14,901.17	8,930.28	12,345.33
8	Other Comprehensive (Income)/ Expenses						
	(i) Items that will not be reclassified to profit or loss	68.75	75.00	76.00	206.25	228.01	232.01
	(ii) Income tax relating to items that will not be reclassified to profit or loss	(24.02)	(26.21)	(25.08)	(72.07)	(75.24)	(80.29)
9	Total Comprehensive Income (7-8)	5,165.06	4,905.33	3,450.53	14,766.99	8,777.51	12,193.61
10	Paid up equity share capital (Face value of Rs. 2/- each)	2,666.15	2,666.15	2,665.50	2,666.15	2,665.50	2,666.15
11	Earning per share (Face value of Rs.2/- each) not annualized						
	Basic (in Rs.)	3.91	3.72	2.63	11.18	6.70	9.26
	Diluted (in Rs.)	3.91	3.72	2.63	11.18	6.70	9.25

Statement of Unaudited Standalone Financial Results for the quarter ended December 31, 2018

Notes:

1. The unaudited standalone financial results of the Company for the quarter and nine months ended December 31, 2018 have been reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on January 23, 2019. The statutory auditors have expressed an unmodified audit opinion on these results.
2. This statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules 2015 (Ind AS) prescribed under Section 133 of the 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. Ind AS 115 Revenue from Contracts with Customers, mandatory for reporting periods beginning on or after April 1, 2018, replaces existing revenue recognition requirements. Under the modified retrospective approach there were no significant adjustments required to the retained earnings at April 1, 2018. Also, the application of Ind AS 115 did not have any significant impact on recognition and measurement of revenue and related items in the financial results.
5. Revenue from operations for the nine months ended on December 31, 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 115, Revenue' GST is not included in revenue from operations. In view of the aforesaid restructuring of indirect taxes, revenue from operations for the nine months ended on December 31, 2018 is not comparable to that extent.
6. Tax expenses includes current tax and deferred tax.
7. The previous period figures have been regrouped / reclassified, wherever considered necessary.

For Radico Khaitan Ltd.

New Delhi
23 January, 2019

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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