



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

Earnings Presentation

Q3 and Nine Month FY2020

Q3 FY2020 Performance Highlights

Continued strong top line growth

Q3 FY2020 vs. Q3 FY2019

- Total IMFL volume of 6.45 Million Cases (+13.9%)
- Prestige & Above brands volume of 1.90 Million Cases (+21.0%)
- Prestige & Above brands contribution to the total IMFL volumes of 29.4% (vs. 27.7% last year)
- Revenue from Operations (Net) of ₹ 647.93 Cr (+17.2%)
- Gross Margin declined from 50.7% to 49.7% due to input cost pressures
- EBITDA* of ₹ 102.19 Cr (+7.4%)
- EBITDA* margin declined from 17.2% to 15.8%
- However, EBITDA margin increased sequentially from 15.1% to 15.8%
- Interest costs increased from ₹ 7.64 Cr to ₹ 8.10 Cr
- Total Comprehensive Income of ₹ 55.47 Cr (+7.4%)

9M FY2020 vs. 9M FY2019

- Total IMFL volume of 18.48 Million Cases (+12.3%)
- Prestige & Above brands volume of 5.52 Million Cases (+16.3%)
- Prestige & Above brands contribution to the total IMFL volumes of 29.9% (vs. 28.8% last year)
- Revenue from Operations (Net) of ₹ 1,841.68 Cr (+16.1%)
- Gross Margin declined from 50.9% to 48.5% due to input cost pressures
- EBITDA* of ₹ 288.58 Cr (+4.3%)
- EBITDA* margin declined from 17.4% to 15.7%
- Reduction in interest costs from ₹ 27.75 Cr to ₹ 23.16 Cr
- Total Comprehensive Income of ₹ 188.35 Cr (+27.5%)

Above financials are on Standalone basis

* EBITDA for 9M FY2020 adjusted for ₹ 15.61 Crore pertaining to exceptional items: Environmental Compensation of ₹ 7.02 Crore paid during H1 FY2020 and ₹ 8.59 Crore paid under the SV Scheme during Q3 FY2020. SV Scheme is Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 which became effective from September 2019 as per the Finance Act, 2019

** Total Comprehensive Income on Consolidated basis was Rs. 59.51 Crore (+ 13.5%) during Q3 FY2020 and Rs. 195.77 Crore (+ 28.9%) during 9M FY2020

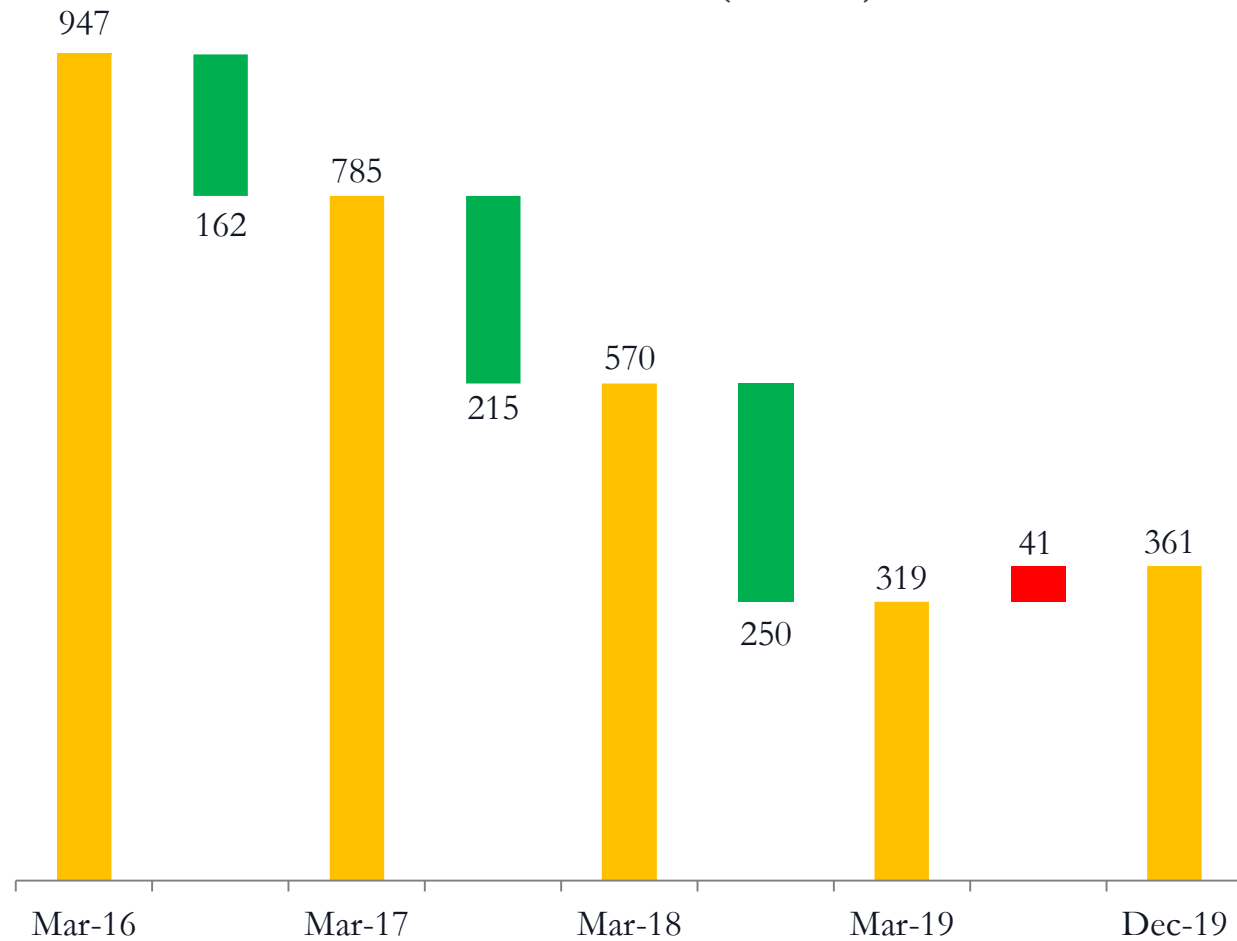
Q3 FY2020 Performance Highlights

Leverage and Finance Cost Trend

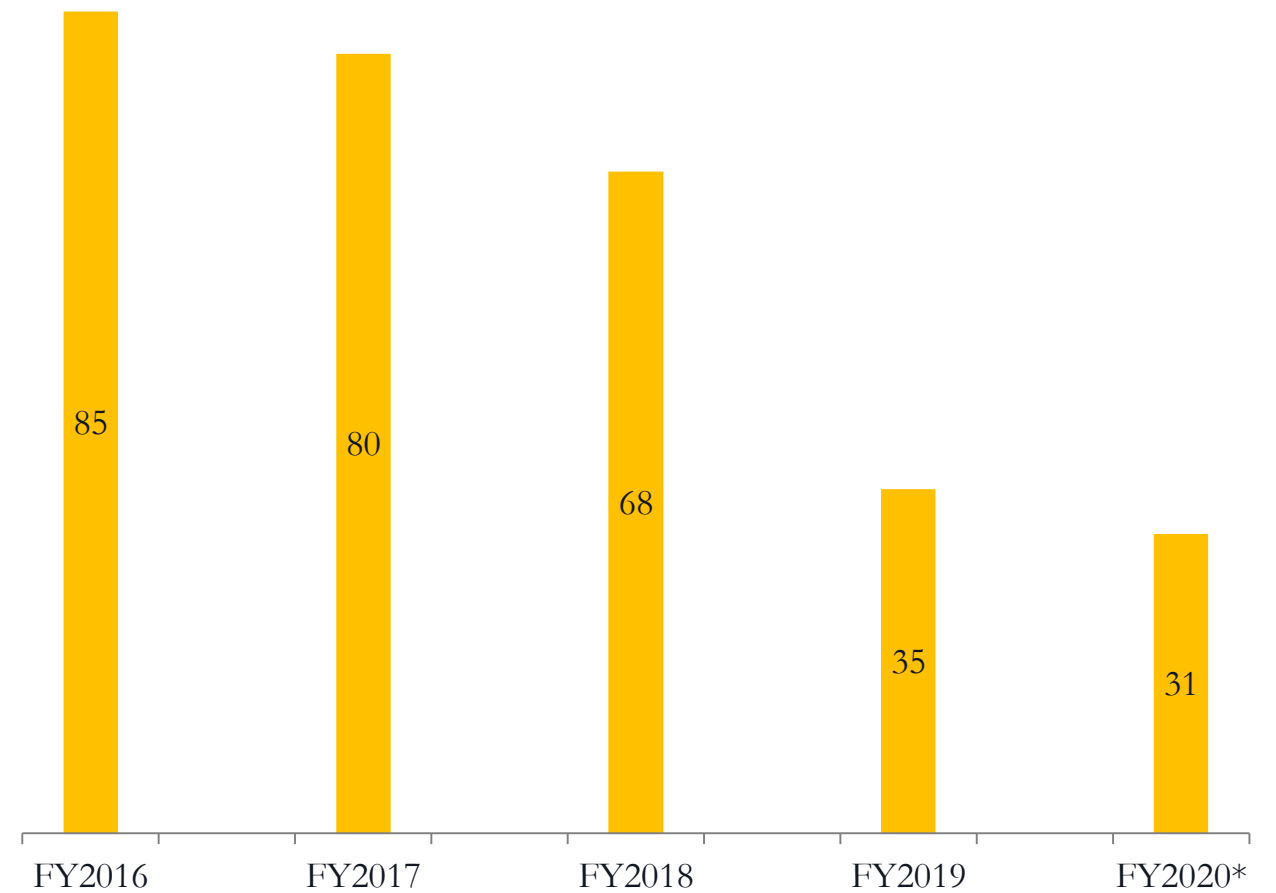
Cumulative Net Debt reduction of ₹ 586 Cr since March 2016...

...Resulted in interest cost saving

Net Debt Position (₹ Crore)



Annual Interest Cost (₹ Crore)



* 9M FY2020 Interest Cost is annualised to represent full year FY2020

Above financials are on Standalone basis

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

“Radico Khaitan has delivered another quarter of a strong operational and financial performance. The Company continued to outperform the industry which is a testament to our robust product portfolio, strong brand equity and consumer loyalty. We expect the calendar year 2020 to be better for the overall economy and Radico Khaitan is strongly positioned to capitalise on the opportunities that the IMFL industry will present. Our unwavering focus on delivering a differentiated consumer brand experience will continue to drive our growth in the years to come.”

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

“I am delighted to report a strong performance during Q3 FY2020 which was led by Prestige & Above volume growth of 21.0%. Our volume growth has been broad based across the portfolio and key regions. The new brands such as 8PM Premium Black and 1965 – Spirit of Victory also continued their growth momentum. We noted that ENA prices had peaked out in October 2019 and thereafter stabilised during the quarter which is quite encouraging. Despite the inflationary pressure, we were able to sustain the gross margins at around 50% due to higher IMFL price realisations and higher contribution from the IMFL business. After the success of Jaisalmer Indian Craft Gin in the international markets, Radico Khaitan has now launched its luxury Gin in select markets in India. We also increased the market penetration of our super premium brandy, Morpheus Blue through its launch in the state of Uttar Pradesh. Our strategy of slowly and steadily expanding a new brand’s market presence has been one of the key reasons behind the success of our brands. In recognition of our performance during the year, we received the Gold award for ‘the Company of the Year’ at the Spiritz Achievers Awards.”

Performance Overview

	Q3		y-o-y	Nine Month		y-o-y
	FY2020	FY2019	Growth (%)	FY2020	FY2019	Growth (%)
Operational Performance (Million Cases)						
Prestige & Above	1.90	1.57	21.0%	5.52	4.74	16.3%
Regular & Others	4.55	4.10	11.1%	12.96	11.72	10.6%
Total Volume	6.45	5.66	13.9%	18.48	16.46	12.3%
<i>Prestige & Above as % of Total</i>	29.4%	27.7%		29.9%	28.8%	
Financial Performance (₹ Crore)						
Revenue from Operations (Gross)	2,011.65	2,058.37	(2.3)%	7,208.78	6,079.74	18.6%
Revenue from Operations (Net)	647.93	552.93	17.2%	1,841.68	1,586.96	16.1%
Gross Profit	322.32	280.06	15.1%	892.89	807.98	10.5%
<i>Gross Margin (%)</i>	49.7%	50.7%		48.5%	50.9%	
EBITDA ¹	102.19	95.12	7.4%	288.58	276.62	4.3%
<i>EBITDA Margin (%)</i>	15.8%	17.2%		15.7%	17.4%	
Total Comprehensive Income ²	55.47	51.65	7.4%	188.35	147.67	27.5%
<i>Total Comprehensive Income Margin (%)</i>	8.6%	9.3%		10.2%	9.3%	
Basic EPS (₹)	4.17	3.91	6.8%	14.16	11.18	26.7%

Above financials are on Standalone basis

- EBITDA for 9M FY2020 adjusted for ₹ 15.61 Crore pertaining to exceptional items: Environmental Compensation of ₹ 7.02 Crore paid during H1 FY2020 and ₹ 8.59 Crore paid under the SV Scheme during Q3 FY2020
- Total Comprehensive Income for 9M FY2020 would have been higher by ₹ 15.61 Crore pertaining to exceptional items: Environmental Compensation of ₹ 7.02 Crore paid during H1 FY2020 and ₹ 8.59 Crore paid under the SV Scheme during Q3 FY2020

Performance Overview*

(Rs. Crore)	Q3		y-o-y	Nine Month		y-o-y
	FY2020	FY2019	Growth (%)	FY2020	FY2019	Growth (%)
Gross Sales	2,011.65	2,058.37	(2.3)%	7,208.78	6,079.74	18.6%
Revenue from Operations	647.93	552.93	17.2%	1,841.68	1,586.96	16.1%
Other Income	1.82	2.75	(34.1)%	7.01	9.69	(27.7)%
Income from Operations	649.74	555.69	16.9%	1,848.69	1,596.66	15.8%
Raw Materials Consumed	325.61	272.87	19.3%	948.79	778.99	21.8%
Employee Benefit	49.56	43.27	14.5%	138.11	126.24	9.4%
Selling & Distribution	78.18	75.54	3.5%	232.46	217.32	7.0%
Depreciation	13.09	10.69	22.5%	39.13	31.57	23.9%
Interest	8.10	7.64	6.1%	23.16	27.75	(16.6)%
Other Operating Expenses	92.07	65.45	40.7%	232.81	185.74	25.3%
Total Expenses	566.61	475.45	19.2%	1,614.46	1,367.60	18.0%
Profit Before Exceptional Item & Tax	83.13	80.24	3.6%	234.24	229.05	2.3%
Exceptional Item	(8.59)	0.00		(15.61)	0.00	
Profit Before Tax	74.54	80.24	(7.1)%	218.63	229.05	(4.5)%
Provision for Tax	18.84	28.14		29.58	80.04	
Net Profit	55.70	52.10	6.9%	189.05	149.01	26.9%
Net Income Margin (%)	8.6%	9.4%		10.3%	9.4%	
Other Comprehensive Expenses / (Income)	0.23	0.45		0.70	1.34	
Total Comprehensive Income	55.47	51.65	7.4%	188.35	147.67	27.5%
Total Comprehensive Income Margin (%)	8.6%	9.3%		10.2%	9.3%	
Basic EPS (Rs.)	4.17	3.91	6.8%	14.16	11.18	26.7%
EBITDA	102.19	95.12	7.4%	288.58	276.62	4.3%
EBITDA Margin (%)	15.8%	17.2%		15.7%	17.4%	

* Refer to notes on the previous slide

Q3 FY2020 Highlights (Y-o-Y)

- **Revenue from Operations (Net)** grew by 17.2%. Total IMFL volumes increased by 13.9%. This volume growth was led by a strong Prestige & Above category volume increase of 21.0%. Volume growth was broad based across key states and key IMFL brands. Our new brands such as 8PM Premium Black whisky and 1965 – Spirit of Victory rum continued their strong growth trajectory and made meaningful contributions to the overall volumes. IMFL sales value during the same period increased by 20.8%. IMFL sales accounted for 82.3% (vs. 79.8% in Q3 FY2019) of the Revenue from Operations (Net). Non-IMFL sales growth was 2.7%.
- **Gross Margin** declined by 90 bps to 49.7%. On Y-o-Y basis, increase in raw material prices are partly offset by higher IMFL price realization and higher contribution from IMFL business. The Company also experienced a consolidation trend in ENA prices in the later part of the quarter.
- **EBITDA**, adjusted for a one-off charge of ₹ 8.59 Crore paid under the SV Scheme, increased by 7.4% y-o-y with margins of 15.8% (down 143 bps y-o-y). Radico Khaitan uses essences for the manufacture of various IMFL products. These essences are purchased from various suppliers and mixed in a certain proportion resulting in a blended essence. This blended essence is then used to flavor its IMFL products. The Central Excise Department stated that such mixing of essence amounts to manufacture and therefore liable to the Central Excise Duty. The Company has decided to proactively settle the dispute by paying approximately half of the duty amount thereby limiting future liabilities and penalty/interest thereon. Since the implementation of GST (i.e. from Jul 2017), the Company has been paying GST on the manufacturing of essences.

During Q3 FY2020, Advertising & Sales Promotion expenses were ₹ 32.45 Crore (up 14.6%). The Company continues to make judicious marketing investment which has enabled us to sustain the growth profile. Other Expenses have been higher due to Cow Cess in the state of Uttar Pradesh (effective April 2019) and general increase in other operating expenses.

- **Finance Cost** for Q3 FY2020 increased by 6.1% y-o-y from ₹ 7.64 Crore to ₹ 8.10 Crore given higher working capital requirement.
- **Balance Sheet:** As of December 31, 2019, Total Debt was ₹ 411.36 Crore, Cash & Bank Balances were ₹ 50.71 Crore resulting in Net Debt of ₹ 360.66 Crore (vs. ₹ 319.35 Crore as of March 31, 2019). Gross Debt consists of ₹ 409.48 Crore of Working Capital loans and ₹ 1.89 Crore of Long-Term loans. During this period, we saw short term timing delays in receivables collection leading to temporary working capital build up in certain corporation markets. However, we do not see any credit risk with these receivables.

Brand Performance



Rampur Indian Single Malt

- Launched select variants:
 - Rampur PX Sherry: Limited 48 cask batch where American Oak were handpicked and transferred to PX Sherry Butts from Jerez, Spain
 - Rampur Double Cask: Matured in hand-picked American Bourbon barrels and European Oak Sherry casks
- Now also available in select stores in New Delhi
- Malt capacity expansion completed



Jaisalmer Indian Craft Gin

- A triple-distilled neutral grain spirit, re-distilled in a traditional copper pot still; the recipe is handcrafted in a time-honoured way
- Derived from the ancient Indian knowledge on herbs, the botanicals beautifully release pine notes from Juniper
- Launched in key European markets at the duty-free stores
- Now available in select markets in India (e.g. Delhi and Goa)
- Rated as the Best Gin produced out of Asia in 2019 at The Gin Guide Awards, the most respected Awards for Gin in the world



Morpheus Super Premium Brandy

- Launched a semi luxury variant – Morpheus Blue
- Market leading share of 56% in the super premium brandy category in India
- Launched in the state of Uttar Pradesh

Brand Performance



Magic Moments Vodka

- Sales volumes crossed 4 million case mark in FY2019
- Launched Magic Moments Verve in a new premium canister packaging
- Marketing campaign with Bollywood stars Kartik Aryan and Jacqueline Fernandez
- Continues to gain market share with Magic Moments now accounting for 58% of the overall vodka market share and Verve accounting for 20% market share of the premium vodka category



8PM Premium Black Whisky

- Launched a premium variant of 8PM whisky
- Strong initial traction and consumer response
- Currently available in 14 states
- Signed endorsement deal with Bollywood youth icon, Tiger Shroff

Endorsement deals with Bollywood stars for Magic Moments vodka and 8PM Premium Black whisky

A&SP accounts for 6.1% of IMFL Revenues in Q3 FY2020 (8.3% in FY2019)

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

28%

FY2019
Premium
volume share

Consistently increasing Prestige & Above brand contribution to total IMFL volumes; 49% in value terms

FY2019
Net Revenue

21.0

(₹ billion)

With EBITDA margin of 16.7%

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
- **New launches:** 8PM Premium Black whisky, 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 13% volume growth since FY2014
- Prestige & Above category contribute to 28.3% of IMFL volumes and 49.5% of the IMFL value sales during FY2019

Strong cash flow generation and deleveraging

- Focused on a profitable growth driven by Prestige & Above category brands
- Ongoing debt reduction
- Target to have no borrowings by end of FY2021
- Improved profitability margins and return ratios

Consumer centric go-to-market strategy

Human resource development

Statutory Results

Statement of Unaudited Standalone IND AS Financial Results for the quarter ended December 31, 2019

Sl. No.	Particulars	(1)	(2)	(3)	(4)	(5)	(6)
		Quarter ended 31.12.2019 (Unaudited)	Quarter ended 30.09.2019 (Unaudited)	Quarter ended 31.12.2018 (Unaudited)	Nine Months ended 31.12.2019 (Unaudited)	Nine Months ended 31.12.2018 (Unaudited)	Year ended 31.03.2019 (Audited)
1	Income						
	(a) Revenue from Operations	201,164.88	252,005.22	205,836.93	720,877.80	607,974.13	805,800.25
	(b) Other Income	181.59	187.34	275.45	700.88	969.47	1,328.77
	Total Income	201,346.47	252,192.56	206,112.38	721,578.68	608,943.60	807,129.02
2	Expenditure						
	(a) Cost of material consumed	34,280.41	30,707.65	27,410.17	96,008.50	77,767.10	104,486.34
	(b) Purchase of stock-in-trade	155.90	(9.49)	29.39	292.05	691.80	1,116.53
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(1,875.44)	(1,278.94)	(152.58)	(1,421.40)	(560.26)	(4,169.89)
	(d) Excise duty on sales	136,372.17	194,987.87	150,543.71	536,709.38	449,277.97	596,105.71
	(e) Employee benefits expense	4,956.30	4,643.17	4,326.85	13,810.79	12,624.09	17,138.07
	(f) Finance Costs	810.00	767.98	763.50	2,315.94	2,775.36	3,547.98
	(g) Depreciation and amortisation expense	1,309.00	1,322.34	1,068.54	3,913.15	3,157.28	4,243.58
	(h) Selling & Distribution expenses	7,818.17	7,451.46	7,554.44	23,245.61	21,731.57	29,722.75
	(i) Other Expenses	9,206.93	6,845.66	6,544.65	23,280.89	18,573.55	26,367.02
	Total Expenditure	193,033.44	245,437.70	198,088.67	698,154.91	586,038.46	778,558.09
3	Profit before exceptional items & tax	8,313.03	6,754.86	8,023.71	23,423.77	22,905.14	28,570.93
4	Exceptional items (Refer Note 5)	858.59	583.20	-	1,560.59	-	-
5	Profit before tax	7,454.44	6,171.66	8,023.71	21,863.18	22,905.14	28,570.93
6	Tax Expense (Refer Note 6)						
	Current Tax	1,642.62	975.28	2,789.90	5,705.41	7,931.90	8,573.32
	Deferred Tax	241.76	(2,662.24)	24.02	(2,747.61)	72.07	1,191.15
7	Net Profit for the period	5,570.06	7,858.62	5,209.79	18,905.38	14,901.17	18,806.46
8	Other Comprehensive (Income)/ Expenses						
	(i) Items that will not be reclassified to profit or loss	31.25	31.25	68.75	93.75	206.25	110.53
	(ii) Income tax relating to items that will not be reclassified to profit or loss	(7.87)	(4.81)	(24.02)	(23.60)	(72.07)	(38.62)
9	Total Comprehensive Income	5,546.68	7,832.18	5,165.06	18,835.23	14,766.99	18,734.55
10	Paid up equity share capital (Face value of Rs. 2/- each)	2,669.95	2,668.19	2,666.15	2,669.95	2,666.15	2,668.19
11	Other Equity (Excluding Revaluation Reserve)						128,826.10
12	Earning per share (Face value of Rs.2/- each) not annualized						
	Basic	4.17	5.89	3.91	14.16	11.18	14.10
	Diluted	4.15	5.87	3.91	14.14	11.18	14.08

(Rs. In lakhs, except EPS)

Statement of Unaudited Standalone IND AS Financial Results for the quarter ended December 31, 2019

Notes:

1. The unaudited standalone financial results of the Company for the quarter and nine month ended December 31, 2019 have been reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on January 23, 2020. 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. The Company adopted Ind AS 116 - Leases on April 1, 2019 by using modified retrospective approach and accordingly comparatives for the year ended March 31, 2019 have not been retrospectively adjusted. Consequently, the Company has not restated the comparative figures and the cumulative effect of initially applying this Standard has been recognized as an adjustment to opening balance of retained earnings as on April 1, 2019.

In the reporting quarter and nine month ended, the expense in respect of "Operating Leases" has changed from lease rent in previous periods to depreciation cost for the right-of-use asset and finance cost on lease liability.

Accordingly, the Company has recognized:

- Interest expense (Finance Cost) on lease liabilities Rs. 35.45 lakhs (reporting quarter) / Rs. 104.89 lakhs (reporting nine month);
- Depreciation on right-of-use assets Rs. 134.10 lakhs (reporting quarter) / Rs. 415.25 lakhs (reporting nine month);

Against lease rent of Rs. 189.96 lakhs (reporting quarter) / Rs. 583.60 lakhs (reporting nine month) which would have been recognised under the erstwhile Standard.

Owing to adoption of Ind AS 116, profit after tax has increased by Rs. 20.40 lakhs / Rs. 63.45 lakhs for quarter and nine months ended respectively.

5. (a) Environmental Compensation of Rs. 702.00 lakhs as levied by CPCB, has been paid and accounted for during the reporting nine month.
(b) In accordance with Sabka Vishwas Scheme 2019, Rs. 858.59 Lakhs was paid towards Central excise duty as one-time settlement, for the period April 2007 to June 2017 in line with legal advice and accounted for in the current quarter.
6. The Company has elected to exercise the option of lower tax rate as per section 115BAA of the Income Tax Act, 1961, as introduced by the taxation laws (Amendment) Ordinance, 2019 dated September 20, 2019. Accordingly, the Company has recognised provision for income tax for the nine month ended December 31, 2019 and re-measured its deferred tax assets accordingly. The Company has recognised full impact of above change in the results for the quarter and nine month ended December 31, 2019 under tax expense..
7. The Company has regrouped / reclassified previous period figures, wherever considered necessary.

For Radico Khaitan Limited

Place: New Delhi

Date: January 23, 2020

Dr. Lalit Khaitan
Chairman & Managing Director
DIN: 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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