



Radico Khaitan Limited

(NSE: RADICO, BSE: 532497)

Unaudited First Quarter Results for FY2014

August 5, 2013

Safe Harbour:

This release 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.

Key Highlights

New Delhi, India, August 5, 2013 – Radico Khaitan Limited, one of the largest spirits companies in India (referred to as “Radico Khaitan” or the “Company”), announces its Unaudited First Quarter Results for FY2014, in accordance with Indian GAAP.

Performance Highlights: Q1 FY2014 vs. Q1 FY2013

- Overall IMFL volume growth of 7.6% and IMFL value growth of 14.6%
- Prestige & Above Brands volume growth of 18.8%
- Prestige & Above Brands as a % of total IMFL volumes increased from 16.2% to 17.9%
- Net Sales increased by 10.8% to Rs. 467.0 Crore
- EBITDA increased by 16.5% to Rs. 61.1 Crore and margin increased by 64 bps to 13.1%
- Adjusted Net Profit increased by 21.2% to Rs. 30.6 Crore
- Received price increases in Bihar, Delhi, Odisha and other key liquor consuming states

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

“Radico Khaitan delivered a solid performance during the quarter to start the year with a new high! Despite the ongoing pressure on ENA costs, we have been able to expand margins due to the recent price revisions and increasing contribution from the premium category brands. Our recently launched premium brand, Veroe vodka, continues to gain traction as we expand its distribution to a pan India level. Overall, we are confident of achieving attractive returns on investments in our brand portfolio. With the evolving industry landscape, Radico Khaitan is extremely well positioned to build upon in its market leadership.”

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

“Q1 FY2014 Net Sales increased by 10.8% compared to the same period last year. This growth has been primarily driven by an 18.8% y-o-y growth in the Prestige & Above brands. Premium brands as a percentage of total IMFL volumes increased from 16.2% in Q1 FY2013 to 17.9% in the current quarter. The Company also received a price hike in Bihar, Delhi, Odisha and other key liquor consuming states.”

Financial Overview

(₹ Crore)	Q1		y-o-y	Q4	
	FY2014	FY2013	Growth (%)	FY2013	Growth (%)
Net Sales	467.0	421.5	10.8%	439.9	6.2%
EBITDA	61.1	52.4	16.5%	40.3	51.4%
EBITDA Margin (%)	13.1%	12.4%		9.2%	
Net Income	22.5	21.1	6.6%	15.7	43.2%
Net Income Margin (%)	4.8%	5.0%		3.6%	
Adjusted Net Income	30.6	25.3	21.2%	16.7	83.1%
Adjusted Net Income Margin (%)	6.6%	6.0%		3.8%	
Adjusted Basic EPS (₹)	2.30	1.90	21.0%	1.26	83.1%

Adjusted Net Income: Net Income has been adjusted for a foreign exchange fluctuation loss of ₹8.1 Crore in Q1 FY2014, ₹4.1 Crore in Q1 FY2013 and ₹1.0 Crore Q4 FY2013, 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.

Economic Environment¹

During the sugar season 2012-13, area under sugarcane acreage declined due to the drought in Maharashtra in the last year. As a result of lower cane acreage and the expected demand of ethanol from the oil marketing companies, ENA prices continued to increase on year over year basis. Glass bottle prices during the quarter moderated.

Recently, IMFL demand in India has been impacted by rising retail prices and unfavourable policies in states such as Tamil Nadu and Punjab. Overall, industry IMFL sales volumes which have grown at an average of 12% between CY2007-11 grew by only 7%¹ in CY2012. However, due to the continued focus on its marketing strategy and premiumization, Radico Khaitan has been able to deliver higher than industry growth.

Operational Performance

Brands Performance

(lakh cases)	Q1		y-o-y	Q4	
	FY2014	FY2013	Growth (%)	FY2013	Growth (%)
Prestige & Above	9.92	8.35	18.8%	6.96	42.5%
Regular	31.48	29.92	5.2%	26.55	18.6%
Others	14.07	13.26	6.1%	11.99	17.3%
Total	55.47	51.53	7.6%	45.50	21.9%
<i>Prestige & Above as a % of Total</i>	<i>17.9%</i>	<i>16.2%</i>		<i>15.3%</i>	

¹ Indian Sugar Mills Association, Euromonitor

Q1 FY2014 Financial Highlights (Year-over-Year)

Net Sales increased by 10.8% compared to the same period last year. This growth was driven by the Company's Prestige & Above brands. Premium brands as a percentage of total IMFL sales increased from 16.2% in Q1 FY2013 to 17.9% in the current quarter. During Q1 FY2013, IMFL sales value increased by 14.6% and IMFL sales volume increased by 7.6% as compared to last year. This is in line with Radico Khaitan's premiumization strategy. During the quarter, the Company continued to expand the distribution of its recently launched Verve vodka to a pan India level. During Q1 FY2014, Radico Khaitan received price increases in Bihar, Delhi, Odisha and other key liquor consuming states, the benefit of which will reflect in coming quarters.

Radico Khaitan's export operations performed well during the last quarter. In line with management's strategy, the Company's premium brands continue to gain increasing visibility and traction outside India.

EBITDA increased by 16.5% and EBITDA margins increased by 64 bps to 13.1% as compared to last year. During the quarter ENA prices increased by Rs. 4.74 per litre or 12.9% compared Q1 FY2013. Despite this increase in ENA cost, the Company was able to enhance margins due to the price increases received in the states of Andhra Pradesh and Karnataka during FY2013 and improved product mix towards Prestige & Above brands. The Rampur distillery, which was operating at below optimal utilization levels in the previous quarter due the Kumbh Mela, resumed operations at optimal utilization levels.

Adjusted Net Profit increased by 21.2% and margins increased by 56 bps compared with same period last year. Net Interest expense increased from Rs. 11.0 Crore in Q1 FY2013 to Rs. 12.1 Crore in Q1 FY2014.

Q1 FY2014 Financial Highlights (Quarter-over-Quarter)

Net Sales increased by 6.2% compared to Q4 FY2013. EBITDA increased 51.4% q-o-q and margins by 391 bps to 13.1%. This growth was primarily due to the recent price increases and stabilizing ENA prices. During the quarter ENA prices declined by Rs. 1.45 per litre or (3.3)%. Adjusted Net Profit increased by 83.1% q-o-q.

Performance Outlook

The anticipated demand of ethanol from the oil marketing companies is expected to put pressure on ENA prices in the near term. However, this is expected to get offset to a certain extent by improved molasses supply due to the recent good monsoon season. Radico Khaitan's continuous focus on operating efficiency and cost optimization measures enables the Company to manage the inventory requirement effectively.

Radico Khaitan's focus on its premiumization strategy is demonstrated by the growth which is driven by Prestige & Above brands. Over the recent quarters, the Company has been able to receive price increases in the key liquor consuming states. Most recently, it received price increases in Bihar, Delhi, Odisha and other key liquor consuming states. With increasing contribution from Prestige & Above brands coupled with recent price increases, Radico Khaitan expects to further improve profitability in the coming quarters.



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Accounting Notes:

1. Net Sales: Includes sale from tie-up units net of royalty income
2. EBITDA: Earnings before interest, taxes and depreciation; excludes other income and exceptional items and includes tie-up units
3. All margins have been calculated based on Net Sales
4. Adjusted Basic EPS: Each share face value of ₹2.00; 132.90 million shares as of June 30, 2013; calculated based on adjusted Net Income

Radico Khaitan: At a Glance

Business Overview

- One of the oldest and largest players in the Indian liquor industry
- Established in 1943 as Rampur Distillery, Radico Khaitan entered the IMFL market in 1999 with the introduction of 8PM Whisky
- Other millionaire brands include Contessa Rum, Old Admiral Brandy and Magic Moments Vodka
- Has a strong presence in the CSD market and has registrations with lifetime validity

Operations

- Pan-India manufacturing and distribution network covering over 90% of retail outlets
- Operates three distilleries and one JV with total capacity of 150 million litres
- Sells through over 480 wholesalers covering more than 41,000 retail and 5,000 on-premise outlets
- Currently has 33 bottling units of which 5 are owned and rest are contract bottling units

Strategic Initiatives

- In FY2013, launched super premium brands – Florence brandy; Verve and Verve flavoured vodka
- In May 2012, acquired 2 whisky brands to strengthen position in South India
- Signed an agreement with Suntory (Japan) to market and distribute two of its super premium brands - Yamazaki 12 YO and Hibiki 17 YO, in India
- In Q3 FY2011, the Company announced nationwide launch of After Dark premium whisky
- In 2009, launched Morpheus Brandy, a premium range brandy with the highest maximum retail price and the first and only Indian product in its category
- Acquired Whytehall Whisky from Bacardi Martini India in 2004 and Brihans range of brands from Brihans, Maharashtra in 2005
- Other collaboration with international players include Ernest & Julio Gallo (California) as a distribution partner in India for premium wines

Strong Financials

- Market cap of ~ ₹1,250 Crore with FY2013 revenues of ₹1,716 Crore
- FY2009-13 Revenue and EBITDA CAGR of 16.5% and 43.2%, respectively
- Ongoing volume growth in high margin premium liquor space

Brand	Key Highlights
 8PM Whisky	A “Millionaire” Brand in one year of Launch: Launched in 1998, it achieved sales of 1 mn cases in its very first year in what is the largest segment of the Indian whisky market in terms of sale volume
 Magic Moments	Award Winning Vodka: Launched in 2006, Radico Khaitan’s fastest growing brand with 78% volume CAGR to date. It has a 25% industry market share and 85% semi-premium market share
 Contessa Rum	Market Leading Rum in CSD: A millionaire brand with total sales volume of 2.4 mn cases in FY2012. Radico Khaitan’s flagship rum brand and a leader in the Indian CSD rum market
 Morpheus Brandy	Innovation in Packaging: Launched in May 2009 as a premium brand with the highest price point in the brandy segment. Now approved with After Dark for supply to CSD
 After Dark Whisky	New Brand Launch: Launched in June 2010 in select markets and on a pan India basis in Q3 FY2011. Now approved with Morpheus for supply to CSD
 Verve Vodka	New Brand Launch: Launched in October 2012 in North Indian markets. A premium version of Magic Moments

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Plot No. J-I, Block B-I, Mohan Co-operative Industrial Area, Mathura Road, New Delhi-110 044

Unaudited First Quarter Results for FY2014

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Sl. No.	Particulars	(1) Quarter ended 30.06.2013 (Unaudited)	(2) Quarter ended 31.03.2013 (Audited)	(3) Quarter ended 30.06.2012 (Unaudited)	(4) Year ended 31.03.2013 (Audited)
		(Refer Note No.6)			
1	Income from operations				
	Gross Sales	78,397.79	66,315.74	52,107.64	244,779.96
	Less: Excise duty	43,553.50	34,240.54	23,022.75	123,051.69
	(a) Net Sales / Income from Operations	34,844.29	32,075.20	29,084.89	121,728.27
	(b) Other Operating Income	889.39	1,073.64	1,297.89	4,110.66
	Total Income from operations (net)	35,733.68	33,148.84	30,382.78	125,838.93
2	Expenditure				
	(a) Cost of material consumed	15,095.80	15,240.16	10,945.36	51,442.10
	(b) Purchase of stock-in-trade	1,044.36	2,126.50	1,382.22	6,181.26
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	623.61	(1,280.17)	416.26	877.29
	(d) Employee benefits expense	1,978.37	2,007.96	1,863.44	7,872.98
	(e) Depreciation and amortisation expense	950.00	881.11	900.00	3,531.11
	(f) Selling & Distribution	6,855.64	5,745.65	6,851.79	23,464.37
	(g) Other expenditure	4,837.95	5,374.35	4,093.98	17,577.46
	Total expenses	31,385.73	30,095.56	26,453.05	110,946.57
3	Profit / (Loss) from Operations before Other Income, Finance costs and Exceptional Items (1-2)	4,347.95	3,053.28	3,929.73	14,892.36
4	Other Income	847.46	739.42	616.21	3,041.46
5	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	5,195.41	3,792.70	4,545.94	17,933.82
6	Finance Cost	2,044.15	1,820.75	1,684.08	7,005.58
7	Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	3,151.26	1,971.95	2,861.86	10,928.24
8	Exceptional items	0.00	0.00	0.00	0.00
9	Profit (+) / Loss (-) from Ordinary Activities before tax (7+8)	3,151.26	1,971.95	2,861.86	10,928.24
10	Tax Expense	900.00	400.00	750.00	3,200.00
11	Net Profit (+) / Loss (-) from Ordinary Activities after tax (9-10)	2,251.26	1,571.95	2,111.86	7,728.24
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)	2,251.26	1,571.95	2,111.86	7,728.24
14	Paid up equity share capital (of Rs. 2/- each)	2,658.01	2,658.01	2,654.18	2,658.01
15	Reserves excluding revaluation reserve				69,245.66
16 (i)	Earning per share (before extraordinary items) (of Rs.2/- each) not annualized)				
	Basic	1.69	1.18	1.59	5.82
	Diluted	1.68	1.17	1.58	5.81
16(ii)	Earning per share (after extraordinary items) (of Rs.2/- each) not annualized)				
	Basic	1.69	1.18	1.59	5.82
	Diluted	1.68	1.17	1.58	5.81

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Part II

A	Particulars of Shareholding				
	Public shareholding				
	(a) No. of Shares	79070562	79070562	79165897	79070562
	(b) Percentage of Shareholding	59.50	59.50	59.65	59.50
	Promoters and promoter group Shareholding				
	(a) Pledged / Encumbered				
	- Number of shares	14391429	15926819	23316833	15926819
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	26.74	29.59	43.55	29.59
	- Percentage of shares (as a % of the total share capital of the Company)	10.83	11.98	17.57	11.98
	(b) Non-encumbered				
	- Number of shares	39438389	37902999	30226399	37902999
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	73.26	70.41	56.45	70.41
	- Percentage of shares (as a % of the total share capital of the Company)	29.67	28.52	22.78	28.52
B	Investor Complaints	Quarter ended 30.6.2013			
	Pending at the beginning of the quarter	NIL			
	Received during the quarter	1			
	Disposed of during the quarter	1			
	Remaining unresolved at the end of the quarter	NIL			



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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 5th August 2013.
2. The Statutory Auditors have carried out a limited review of the financial results for the quarter ended 30th June 2013.
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) 36,269.98 (2) 33,481.73 (3) 37,602.79 (4) 141,177.02 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. 809.36 lacs on account of foreign exchange translation variations in long term foreign currency borrowings.
6. The figures of the quarter ended 31st March 2013 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.

for **Radico Khaitan Limited**

Place: New Delhi
Date: 5.8.2013

Dr. Lalit Khaitan
Chairman & Managing Director