

**Q2 FY2014 Earnings
Release**



Radico

Radico Khaitan Ltd.

(NSE: RADICO, BSE: 532497)

November 7, 2013

Key Highlights

New Delhi, India, November 7, 2013 – Radico Khaitan Limited, one of the largest spirits companies in India (referred to as “Radico Khaitan” or the “Company”), announces its Unaudited Second Quarter and Half Year Results for FY2014, in accordance with Indian GAAP.

Performance Highlights: Q2 FY2014 vs. Q2 FY2013

- Net Sales increased by 11.0% to Rs. 446.2 Crore
- Overall IMFL volume growth of 7.2%
- Prestige & Above Brands volume growth of 22.1%
- Prestige & Above Brands as a % of total IMFL volumes increased from 16.1% to 18.4%
- Adjusted EBITDA increased by 14.8% to Rs. 56.4 Crore at 12.6% margin
- Adjusted Net Profit increased by 34.8% to Rs. 28.0 Crore at 6.3% margin

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

“As we have crossed the mid-year mark, we are delighted with the continued momentum especially during this cyclically slow second quarter. Our growth was driven by robust volumes in the Prestige & Above brands where Magic Moments and Morpheus continue to accelerate their market penetration. The brand portfolio shift towards the high end of the IMFL product range is an ongoing and exciting process for the Company. As you are aware, the Board of the Company recently approved the formation of a new subsidiary to encompass the IMFL business. We will keep you updated on further developments as and when they occur.”

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

“Encouragingly, Q2 FY2014 Net Sales increased by 11.0% compared to the same period last year with a strong contribution from the Prestige & Above brands. Over the last 12 months, these brands have undergone a steep change accounting for 18.4% of total IMFL volumes as opposed to only 16.1% in Q2 FY2013. Total IMFL volumes increased by 7.2% and Prestige & Above brands volume growth was 22.1% y-o-y demonstrating the success of our long stated premiumization strategy. Margins continue to expand and management remain focused on consumer trends and brand marketing excellence.”

Financial Overview

(₹ Crore)	Q2		y-o-y	Half Year		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	FY2013	Growth (%)
Net Sales	446.2	401.9	11.0%	913.1	823.4	10.9%
Adjusted EBITDA	56.4	49.1	14.8%	117.5	101.6	15.7%
Adjusted EBITDA Margin (%)	12.6%	12.2%		12.9%	12.3%	
Net Income	17.3	22.1	(21.5)%	39.8	43.2	(7.7)%
Net Income Margin (%)	3.9%	5.5%		4.4%	5.2%	
Adjusted Net Income	28.0	20.8	34.8%	58.6	46.0	27.3%
Adjusted Net Income Margin (%)	6.3%	5.2%		6.4%	5.6%	
Adjusted Basic EPS (₹)	2.11	1.57	34.6%	4.41	3.47	27.1%

Adjusted EBITDA: Q2 FY2014 EBITDA has been adjusted for ₹4.4 Crore, an aggregate charge for a UP Government levy. This is a charge towards export permit fees on despatches of grain-based ENA to areas outside UP.

Adjusted Net Income: Net Income has been adjusted for:

- 1) Foreign exchange fluctuation loss / (gain) of ₹6.3 Crore in Q2 FY2014 compared with ₹(1.3) Crore in Q2 FY2013 and ₹14.4 Crore H1 FY2014 compared with ₹2.9 Crore H1 FY2013. 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.
- 2) Aggregate charge of ₹4.4 Crore for the UP Government levy.

Economic Environment

According to the Indian Sugar Mills Association (ISMA), sugar production in the 2012-13 season was approximately 25.1 million tonnes as compared to 26.3 million for the previous season. This was primarily due to a lower recovery rate as a result of lower than normal rainfall in Maharashtra, Karnataka and Tamil Nadu. Lower sugar production and increased demand from the oil marketing companies continued to put pressure on ENA prices during the quarter. Glass prices have remained stable during the quarter.

Operational Performance

Brands Performance

(lakh cases)	Q2		y-o-y	Half Year		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	FY2013	Growth (%)
Prestige & Above	8.85	7.25	22.1%	18.77	15.60	20.3%
Regular	27.35	26.15	4.6%	58.84	56.07	4.9%
Others	11.94	11.51	3.7%	25.83	24.77	4.3%
Total	48.14	44.91	7.2%	103.44	96.44	7.3%
<i>Prestige & Above as a % of Total</i>	<i>18.4%</i>	<i>16.1%</i>		<i>18.1%</i>	<i>16.2%</i>	

Q2 FY2014 Financial Highlights

Net Sales increased by 11.0% compared to the same period last year driven by the Company's Prestige & Above brands. These brands registered a strong 22.1% y-o-y volume growth. As a percentage of total IMFL sales, Prestige & Above brands increased from 16.1% in Q2 FY2013 to 18.4% in the current quarter. The Company's newly launched brand, Verve vodka continues to perform well and gain market traction. From an international business perspective, Prestige & Above brands continue to gain popularity amongst consumers in select overseas markets.

Adjusted EBITDA increased by 14.8% and adjusted EBITDA margins increased by 42 bps to 12.6% as compared to last year. During Q2 FY2014, the Company's ENA input prices increased by Rs. 2.31 per litre or 5.3% y-o-y. The overall increase in EBITDA margin, despite the higher ENA cost, clearly reflects the success of the Company's premiumization strategy. EBITDA during the quarter was also impacted by an aggregate charge of Rs. 4.4 Crore towards a UP Government levy. This was earlier exempt from duty from FY2007 to FY2012. The Government started imposing export permit fees on despatches of grain-based ENA to areas outside of UP with effect from April 1, 2012. The Company represented its case to the UP Government for further extension of the exemption but the same was disallowed.

Adjusted Net Profit increased by 34.8% and adjusted Net Income margins increased by 111 bps to 6.3%, compared with same period last year. Net Interest expense increased from Rs. 9.5 Crore in Q2 FY2013 to Rs. 11.0 Crore in Q2 FY2014.

Corporate Developments

On October 21, 2013, the Board of Directors of Radico Khaitan has considered and approved the transfer, sale, assignment, restructuring or otherwise disposal of the Indian made foreign liquor business undertaking ("IMFL Business") of the Company to a subsidiary of the Company on such terms and conditions as may be decided by the Board, subject to the approvals of shareholders of the Company and such other permissions, consents and approvals as may be required from any third party including without limitation from relevant Government authorities and the Company's lenders. Further, the Board has also approved the incorporation of the abovementioned subsidiary of the Company to carry on the IMFL business.

Performance Outlook

Radico Khaitan's relentless focus on strengthening its premium brand portfolio has resulted in a significant increase in the contribution of the Prestige & Above brands as a total of IMFL sales volume to 18.5%. This compares with 16.1% in Q2 FY2013. Management expects this portfolio shift to continue to increase as core brands such as Magic Moments and Morpheus continue to reach new highs.

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For further information on Radico Khaitan Limited see www.radicokhaitan.com

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; 132.945 million shares as of September 30, 2013; calculated based on adjusted Net Income

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.

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 ~ ₹1,900 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

Radico Khaitan Limited

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

Unaudited Second Quarter and Half Year Results for FY2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

PART -1		(1)	(2)	(3)	(4)	(5)	(6)
Sl. No.	Particulars	Quarter ended 30.09.2013 (Unaudited)	Quarter ended 30.06.2013 (Unaudited)	Quarter ended 30.09.2012 (Unaudited)	Half year ended 30.09.2013 (Unaudited)	Half year ended 30.09.2012 (Unaudited)	Year ended 31.03.2013 (Audited)
1	Income from operations						
	(a) Gross Sales	70,854.90	78,397.79	55,505.87	149,252.69	107,613.51	244,779.96
	Less: Excise duty	36,689.55	43,553.50	26,696.26	80,243.05	49,719.01	123,051.69
	Net Sales / Income from Operations	34,165.35	34,844.29	28,809.61	69,009.64	57,894.50	121,728.27
	(b) Other Operating Income	1,043.28	889.39	893.95	1,932.67	2,191.84	4,110.66
	Total Income from operations (net)	35,208.63	35,733.68	29,703.56	70,942.31	60,086.34	125,838.93
2	Expenditure						
	(a) Cost of material consumed	16,656.11	15,095.80	11,012.38	31,751.91	21,957.74	51,442.10
	(b) Purchase of stock-in-trade	409.28	1,044.36	1,121.90	1,453.64	2,504.12	6,181.26
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	-419.65	623.61	1,323.57	203.96	1,739.83	877.29
	(d) Employee benefits expense	2,387.81	1,978.37	1,963.12	4,366.18	3,826.56	7,872.98
	(e) Depreciation and amortisation expense	965.00	950.00	850.00	1,915.00	1,750.00	3,531.11
	(f) Selling & Distribution	6,921.90	6,855.64	5,273.84	13,777.54	12,125.63	23,464.37
	(g) Other expenditure	4,680.61	4,837.95	3,968.04	9,518.56	8,062.02	17,577.46
	Total expenses	31,601.06	31,385.73	25,512.85	62,986.79	51,965.90	110,946.57
3	Profit / (Loss) from Operations before Other Income, Finance costs and Exceptional Items (1-2)	3,607.57	4,347.95	4,190.71	7,955.52	8,120.44	14,892.36
4	Other Income	885.02	847.46	838.22	1,732.48	1,454.43	3,041.46
5	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	4,492.59	5,195.41	5,028.93	9,688.00	9,574.87	17,933.82
6	Finance Cost	1,981.35	2,044.15	1,722.89	4,025.50	3,406.97	7,005.58
7	Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	2,511.24	3,151.26	3,306.04	5,662.50	6,167.90	10,928.24
8	Exceptional items	-	-	-	-	-	-
9	Profit (+) / Loss (-) from Ordinary Activities before tax (7+8)	2,511.24	3,151.26	3,306.04	5,662.50	6,167.90	10,928.24
10	Tax Expense	779.00	900.00	1,100.00	1,679.00	1,850.00	3,200.00
11	Net Profit (+) / Loss (-) from Ordinary Activities after tax (9-10)	1,732.24	2,251.26	2,206.04	3,983.50	4,317.90	7,728.24
12	Extra ordinary items (net of tax expense Rs.in lakhs)	-	-	-	-	-	-
13	Net Profit (+) / Loss (-) for the period (11-12)	1,732.24	2,251.26	2,206.04	3,983.50	4,317.90	7,728.24
14	Paid up equity share capital (of Rs. 2/- each)	2,658.91	2,658.01	2,654.89	2,658.91	2,654.89	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	1.30	1.69	1.66	3.00	3.25	5.82
	Diluted	1.30	1.68	1.65	2.99	3.24	5.81
16 (ii)	Earning per share (after extraordinary items) (or Rs.2/- each) not annualized						
	Basic	1.30	1.69	1.66	3.00	3.25	5.82
	Diluted	1.30	1.68	1.65	2.99	3.24	5.81

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PART - II

A	Particulars of Shareholding						
	Public shareholding						
	(a) No. of Shares	79115862	79070562	78914561	79115862	78914561	79070562
	(b) Percentage of Shareholding	59.51	59.50	59.45	59.51	59.45	59.50
	Promoters and promoter group Shareholding						
	(a) Pledged / Encumbered						
	- Number of shares	16231429	14391429	27576755	16231429	27576755	15926819
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	30.15	26.74	51.23	30.15	51.23	29.59
	- Percentage of shares (as a % of the total share capital of the Company)	12.21	10.83	20.77	12.21	20.77	11.98
	(b) Non-encumbered						
	- Number of shares	37598389	39438389	26253063	37598389	26253063	37902999
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	69.85	73.26	48.77	69.85	48.77	70.41
	- Percentage of shares (as a % of the total share capital of the Company)	28.28	29.67	19.78	28.28	19.78	28.52
B	Investor Complaints	Quarter ended 30.9.2013					
	Pending at the beginning of the quarter	NIL					
	Received during the quarter	2					
	Disposed of during the quarter	2					
	Remaining unresolved at the end of the quarter	NIL					

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Statement of Assets and Liabilities

	Particulars	As at 30.09.2013	As at 31.03.2013
A	<u>EQUITY AND LIABILITIES</u>		
1	Shareholders' funds		
	(a) Share capital	2,658.91	2,658.01
	(b) Reserves and surplus	72,034.47	70,161.24
	Sub-total - Shareholder's funds	74,693.38	72,819.25
2	Non-current liabilities		
	(a) Long-term borrowings	48,343.67	41,397.62
	(b) Deferred tax liabilities (Net)	6,172.00	5,883.00
	(c) Other long term liabilities	137.69	4.17
	(d) Long-term provisions	433.58	433.58
	Sub-total - Non-current liabilities	55,086.94	47,718.37
3	Current liabilities		
	(a) Short-term borrowings	34,681.92	30,542.97
	(b) Trade payables	12,742.17	11,724.85
	(c) Other current liabilities	21,478.21	15,400.33
	(d) Short-term provisions	1,168.86	2,099.00
	Sub-total - Current liabilities	70,071.16	59,767.15
	TOTAL - EQUITY AND LIABILITIES	199,851.48	180,304.77
B	<u>ASSETS</u>		
1	Non-current assets		
	(a) Fixed assets		
	- Tangible assets	52,688.36	48,659.56
	- Intangible assets	4,055.22	4,283.52
	- Capital work-in-progress (at cost)	648.05	532.74
	(b) Non-current investments	5,836.79	5,836.79
	(c) Long-term loans and advances	8,366.43	8,898.24
	(d) Other non current assets - deposits with banks	142.85	149.07
	Sub-total - Non-current assets	71,737.70	68,359.92
2	Current assets		
	(a) Current investments	5,020.00	5,022.05
	(b) Inventories	16,204.84	18,494.97
	(c) Trade receivables	50,880.24	43,538.09
	(d) Cash and cash equivalents	2,144.45	1,599.68
	(e) Short-term loans and advances	51,083.99	39,926.12
	(f) Other current assets	2,780.26	3,363.94
	Sub-total - Current assets	128,113.78	111,944.85
	TOTAL ASSETS	199,851.48	180,304.77

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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 7th November 2013.
2. The Statutory Auditors have carried out a limited review of the financial results for the quarter ended 30th September 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) 31,134.39 (2) 36,269.98 (3) 32,922.08 (4) 67,404.37 (5) 70,524.87 (6) 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 for the quarter a sum of Rs.628.11 lacs on account of foreign exchange translation variations in long term foreign currency borrowings.
6. During the quarter, the Company has allotted 45,300 equity shares on 5.8.2013 on exercise of Employees Stock Option by the eligible employees, as per the ESOP Scheme 2006.
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: 7.11.2013

Dr. Lalit Khaitan
Chairman & Managing Director