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BSE Ltd. Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 Scrip Code: 532497	National Stock Exchange of India Ltd. Exchange Plaza, 5 th Floor, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051 Symbol: RADICO
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Sub: Transcript of the Earnings Call conducted on November 07, 2023

Dear Sir/ Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the Earnings Call held on November 07, 2023, for the Unaudited Financial Results of the Company for the quarter and half year ended September 30, 2023.

The same is also uploaded on the website of the Company at www.radickhaitan.com.

This is for your information and records.

Thanking You,

Yours faithfully,
For Radico Khaitan Limited

(Dinesh Kumar Gupta)
Senior Vice President – Legal &
Company Secretary

Email Id: investor@radico.co.in

Encl.: As Above

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Radico Khaitan Limited

(BSE: 532497; NSE: RADICO)

Second Quarter and Half Year FY2024

Earnings Conference call

November 7, 2023

Management Participants:

Mr. Abhishek Khaitan, Managing Director

Mr. Dilip Banthiya, Chief Financial Officer

Mr. Amar Sinha, Chief Operating Officer

Mr. Sanjeev Banga, President – International Business

Presentation:

Moderator: Ladies and gentlemen, good day, and welcome to Radico Khaitan Limited Q2 FY24 Earnings Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on a touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Himanshu Shah from Dolat Capital. Thank you, and over to you, Mr. Shah.

Before we begin our presentation, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to the last slide of our earnings presentation for the detailed disclaimer.

Himanshu Shah: Thank you, Nirav. Good afternoon, everyone. On behalf of Dolat Capital, we welcome you all to Q2 FY24 Earnings Conference Call of Radico Khaitan. We would like to thank the management for giving us the opportunity to host the call. On the call, we have with us Mr. Abhishek Khaitan - Managing Director, Mr. Amar Sinha - Chief Operating Officer, Mr. Dilip Banthiya - Chief Financial Officer and Mr. Sanjeev Banga - President International Business.

We would like to congratulate the management for stellar 36% revenue growth in P&A segment and 49% in Non-IMFL segment. All the best for future endeavors.

Let me now hand over the floor to Mr. Abhishek Khaitan - Managing Director, for his opening remarks. Thanks, and over to you, sir.

Abhishek Khaitan: Good afternoon, ladies and gentlemen. Thank you for joining us on our Q2 FY24 results conference call.

Strong growth momentum seen in quarter one was continued in the second quarter of FY24, with Prestige & Above category brands growing by 22% year-on-year. The growth was driven by all our core brands such as Magic Moments vodka, which crossed 1.5 million cases sales again during the quarter, Morpheus Super Premium brandy, Royal Ranthambore, After Dark Blue whisky, 1965 Spirit of Victory premium rum, etc. This underscores the strength of our brand portfolio, operational excellence and clearly defined strategic road map. Given the increasing premiumization, our margins have shown sustained improvement.

We are making remarkable progress in further expanding our luxury brand portfolio and launched next two whiskies in the Jugalbandi series of eight Indian Single Malt whiskies i.e., Jugalbandi #3 and Jugalbandi #4, at the Whisky Show in London, priced at GBP 400 per bottle. There is a lot of mysticism about India and the global consumers are always intrigued by the Indian culture and heritage. With our Rampur Indian Single Malt portfolio, we have always strived to take India to the world. The recent launch is a testament to our brand creation capabilities and celebrates an ancient Indian artform. We are rolling it out to the UK, USA, EU, Singapore, and Global Travel Retail.

Furthermore, we continue to expand the distribution of Rampur and Jaisalmer in India. Rampur is now available in over 10 states and Jaisalmer is available in 20 states. With Rampur, we have surpassed FY23 volumes in the first half of FY24.

Capitalizing on the growth in the white spirits space and our vodka market leadership, we are planning to launch a unique and premium pink vodka made from 100% natural ingredients under the Magic Moments umbrella. We are quite excited about this product and confident that it will take Magic Moments portfolio to new highs.

While we have seen prices of certain commodities stabilizing, the scenario remains volatile for glass and ENA. We continue to cautiously monitor the industry trends. Given the IMFL portfolio premiumization and price increases in both IMFL and country liquor businesses, we have seen our margins improve both on year-on-year and quarter-on-quarter basis. Although, we have faced raw material pressure in the short term but that does not impact the mid to long-term growth and margin trajectory.

During the quarter, we successfully commissioned the new 350 kiloliters per day grain ENA distillery at Sitapur. The plant is now running at optimum capacity and has achieved key operating parameters. The commissioning of the Sitapur plant not only secures long-term ENA supplies but also positions us strongly to capitalize on the future growth opportunities in the branded business with enhanced bottling capacities. Together with the Rampur campus, the ENA production from Sitapur plant will be able to support the branded business growth for the next six to eight years.

We are committed to our long-term strategy of delivering sustainable premium volume growth. With our strong backward integration

platform and dedication to brand excellence, we are confident in our ability to capitalize on the long-term growth prospects within the Indian spirits industry. We are focused on delivering a value-led growth, managing business with agility, harnessing the strength of our extensive distribution network and manufacturing platform while consistently improving our profit margins.

I would now like to hand over the call to our CFO for a detailed operational and financial review. Thank you, and over to you, Dilip.

Dilip Banthiya:

Thank you, Abhishek. Thank you, everyone, for joining us on this call today.

During Q2 FY24, we reported total IMFL volume of 6.96 million cases, which is a degrowth of 3% on year-on-year basis. Prestige & Above category volume grew by 21.8%. In value terms, the Prestige & Above category registered 35.6% growth. During FY23, we had rationalized volume of certain regular category brands as a conscious strategic decision to mitigate input cost pressure. We have recently received price increases in the regular category in defense division. This should support the volume in the coming quarters.

Prestige & Above category now account for 47.1% of IMFL volume as compared to 37.9% in Q2 FY23. The percentage of P&A is slightly higher due to significant degrowth in the regular category. Improvement in IMFL realization is due to the combination of price increases and continued premiumization.

On year-on-year basis, there was a 165 bps impact due to the price increase on our IMFL sales value.

Gross margin improved significantly on year-on-year due to the price increases and ongoing premiumization in IMFL business, coupled with price increases received in the country liquor business. On quarter-on-quarter basis, despite commodity inflation in ENA and grain prices, we have been able to sustain our gross margin. Although prices of certain packaging materials have softened recently, we are cautiously monitoring the trend of ENA and glass bottles, where volatility persists.

Overall, we have a strong financial position and comfortable liquidity. During these times, we are taking all necessary steps to sustain our financial strength, maintain a robust business model and grow consistently, competitively, and profitably.

With this, we will now open the lines for Q&A.

Question & Answer:

- Moderator: The first question is from the line of Harit Kapoor from Investec.
- Harit Kapoor: I just had two or three questions. First was on the new plant. So, if you could give us a sense of what is the kind of capacity utilization that will be for your own brands and what amount of capacity will be utilized for selling outside in terms of bulk alcohol, at least for the first six to 12 months. If you could give some sense on that.
- Dilip Banthiya: So, the Sitapur plant has been commissioned, keeping in in the view the strategic angle in mind. This plant is having a capacity of 350 kiloliters per day. So initially, this is being used for our branded business where we were chock-a-block. And as you see, our brand business, particularly the P&A category growth, is in the strong double digits. Some of the grain ENA will be used for our UPML, which is a new segment introduced in Uttar Pradesh last financial year. Rest of the ENA for the time being, will be either sold to the local manufacturers or exported out of India. But with our business model, we are confident of achieving our captive utilization in next three to four years.
- Harit Kapoor: So, my second question was on popular. So, you've seen an impact there in the last a few quarters. I just wanted to get a sense whether this is in certain states where the pressure is more. Or how are you seeing the outlook for this segment going forward? Do you think volumes stabilize at these levels? Just wanted to get your outlook on that.
- Dilip Banthiya: So, in general, the regular category or the popular category is having a muted growth as far as the industry is concerned. Certain states, which are big states like Karnataka, increased the duty by 20%. There is an impact on the demand at that price point. In UP, where the price difference between UPML and regular category higher, there is some down trending. But as far as defense is concerned, we got recent price increases, and I think that some of the degrowth will be arrested in Q3. Some export markets where the currencies have been depreciating against dollar, there also the regular category brands are having less saliency. And because of that, there is a degrowth in the regular category. But I think as far as Radico's business model is concerned, we will be able to deliver flat to some low-mid-single-digit volume growth in the coming quarter.

- Harit Kapoor: You mentioned the price increase in canteen. So how much has that happened?
- Dilip Banthiya: So overall, in that price category, is 6%.
- Harit Kapoor: Okay. I have some more questions, but I will come back.
- Moderator: Next question is from the line of Abneesh Roy from Nuvama Institutional Equities.
- Abneesh Roy: So, we are seeing a very strong mix change which is happening in your business. Ex of Karnataka, there is the consumer going because such a sharp dip in the regular category in the lower end, obviously, consumption will not happen so drastically in terms of change. So obviously, that consumer is going to other brands. For a lot of the multinational companies, this is a very conscious strategy. So, in your case, how much of this mix change is conscious strategy? And how much is a risky proposition for medium long term, given the consumer will shift to other and possibly the local brands?
- Dilip Banthiya: So, in general, as I said, in this category, the industry is also muted to flat. Secondly, these are the two states, which I talked about, which are the larger ones. Secondly, as I said that our focus is P&A and above. So strategically, where there is an input cost pressure, there has been a cutdown as a strategic call. So, I don't think that regular is our focus. And I think we will come back where we got the price increase.
- Abneesh Roy: Okay. Understood. And in terms of the advertising and more so surrogate advertising, could you take us through -- because you are doing so many new products at the P&A level, especially in whisky, where traditionally, there are other players who are having the higher market share. Could you take us through how those trends will pan out in the coming quarters? Because now Q3 clearly is a festival quarter, but more from a one to two years' perspective, how do see your ad spends panning out?
- Amar Sinha: So, see, as far as our A&SP spends are concerned, we feel that despite all the new brand launches, we will continue to be within 6% to 8%. However, when we are right now -- launching new products, what we are right now focusing on is a lot of on-ground visibility and consumer trials, which will continue for at least the next one year. On a selective basis, for brands like Magic Moments, we are continuing with our initiatives on in-film brand integration for premium brands like for Royal Ranthambore, we are concentrating on sports like Golf.

So, we are picking events as a prime source for above-line advertising rather than working too much on to the surrogate route. Event is something that's currently being allowed. And if you see the World Cup matches also, practically every liquor company is there, and we're following the event route right now. So, I don't see this as a big problem. We have to be a little creative and the strength of Radico has always been in innovation and creativity for our brands, which we will continue.

Moderator: Next question is from the line of Pankaj Kumar from Kotak Securities.

Pankaj Kumar: Congratulations on a very good set of numbers. Sir, question is on gross margin that you have seen even the sequential basis, it has improved though there is a pressure you said and the volatile scenario on the raw material prices. So, I want to understand what benefit we have got from the backward integration in terms of gross margin contribution for this quarter and going ahead.

Dilip Banthiya: So, we have improved on our gross margin on a year-on-year basis by around 260 basis points and on a quarter-on-quarter basis by 60 basis points. It is on account of the premiumization and price increases. The higher-end product like, Royal Ranthambore, Jaisalmer, Rampur Indian Single Malt, are having a big traction and with percentage growth in these segments are much higher. We have been able to mitigate this cost pressure. There has been an increase on broken rice Y-o-Y basis around 15% and on quarter-on-quarter basis also by 4%. Last year, two price increase in the glass bottle has taken away, on a gross basis, a margin around 225 to 250 basis points.

So, despite that, the margin improvements are there consistently. I think on the commodity side, the rice/paddy season has started. We expect from November or December, the commodity should also have some softening and which will have a tailwind to our margin. I think we will continue to improve.

Pankaj Kumar: Okay sir, because now this backward integration, the benefit will also be coming in. So, you'll see that will be adding your gross margin? And any outlook, any commentary on that, if you can comment?

Dilip Banthiya: Yes. So, backward integration will definitely add on to the gross margin. But at the same time, we'll add to my branded portfolio more, which will be a value-added product.

Pankaj Kumar: And sir, second question is on your overall capacity. So, on the bottling side as well as the ENA side. So now with this expansion, so how much

we are utilising in-house in terms of ENA supply? And in the bottling also, how much is the in-house versus contracted and output?

Dilip Banthiya: As far as the ENA is concerned, now we are self-sufficient for our 100% of the branded product and UPML or CL. But the point is on logistic reasons, some of the states in Southern India, which are distance away, we buy the alcohol for our popular products. As far as the bottling capacity is concerned, we have a very large bottling capacity now at Sitapur. So, we will be sufficient for our own bottling. I think our own bottling at this point of time is between 55% to 60%, and the third-party bottling is around 45% to 40%.

Pankaj Kumar: Sir, my last question is on the volume growth outlook for the P&A side. We have seen more than 20% volume growth in the first half. So how do you see for the second half and for FY25, any comment, sir, there?

Dilip Banthiya: So, we have always been talking about P&A, our focus area, and we continue to focus and have a strong double-digit growth on our P&A category for next two to three years.

Moderator: Next question is from the line of Jayesh Shah from Ohm Portfolio Equi Research.

Jayesh Shah: Yes. Congratulations on a good set of numbers. I just wanted to understand that gross margins of 44%, EBITDA of 13%, is this the new normal now, given the past volatility where we had a couple of issues hitting us?

Dilip Banthiya: So as far as our business model is concerned, we are confident about improving the margin year after year. At the same time, as I said, that these commodity like the soft commodity of grain, ENA and glass prices, I can't have more visibility. So, if it remains at steady state at these levels then we will improve on our gross margin as well as EBITDA margin, given our premiumization and product portfolio.

Jayesh Shah: Yes. And you also have the backward integration benefits kicking in so...

Dilip Banthiya: Yes. That's part of the whole business model.

Jayesh Shah: Right. And secondly, Prestige & Above sales, which is already 54% of IMFL, so effectively, 50% of company revenue. When can this peak out? I know you're focused on strong double-digit growth, but does it peak out at, say, 60%, 70% of the company revenue? How should we look at it, sir?

- Dilip Banthiya: This quarter, there has been a double impact. One is the regular has degrown by 15% or so, and P&A has grown by 22%. That's why the mix is around 47% in volume terms. However, as our business model further going forward, we expect that in a normal state where the regular grows mid, low digits and P&A in double digit. We will be in the range of 55% to 60% on volume terms in the P&A category next in two to three years.
- Moderator: Next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas.
- Kaustubh Pawaskar: Congrats on a good set of numbers. Sir, my question is on the debt front. So now our major capex has been done. Actually all the factories are now operational. So, any timeline when we can see substantial reduction in debt since you are expecting cash flows to improve over the next one to two years, sir? So, any thought process on that?
- Dilip Banthiya: So yes, the major capex has already been done and commissioned. I have already guided that the debt will be peaked in the Q3 of this year. And thereafter, there will be continuous decline in the debt and by FY2026, it will be a very negligible kind of debt with the business model.
- Kaustubh Pawaskar: Sir, talking about the EBITDA margins, we have seen sequential improvement in the EBITDA margin this quarter. The margins are still at around 13%. And you have guided that by end of FY24, margins should be close to around 14% to 15%. So, considering the strong performance of P&A segment, should we expect EBITDA margins coming close to around 15% by end of FY24?
- Dilip Banthiya: As I said that margin from here onwards will continue to improve. We already said that every year, the margin improvement trajectory will be seen. By three years' time, it should be late teens kind of margins. That is what we are expecting.
- Kaustubh Pawaskar: And the full benefit of the Sitapur facility should start flowing in from FY25. Is it the right understanding?
- Dilip Banthiya: So, full capacity utilization of Sitapur will be there as far as the distillation is concerned, so in Q3 also and next year, it will be a full year.
- Moderator: Next follow-up question is from the line of Harit Kapoor from Investec.
- Harit Kapoor: Yes, I just had one follow-up. The operating costs for the quarter, do they have an element of the Sitapur plant having commissioned and actually revenue hasn't come in to that extent, but costs would have

come in. I just want to understand will the revenue and cost kind of match in from Q3 onwards there is little upfront in Q2.

Dilip Banthiya: So, Harit, Sitapur came into operation in the last 10 days of the current quarter and next quarter onward, there will be top line also from that, and the full expenditure will also come into the P&L. So yes, it will be seen in both.

Harit Kapoor: No sir just, I just wanted to check if the employee cost or some of the other costs come in a little bit before. So that impact would have come in Q2 to some extent and revenue would have lagged a little bit in Q2. I just wanted to see if there is any extra cost coming in on Sitapur, which will obviously get matched by revenue in Q3.

Dilip Banthiya: Actually from here onward, the interest, depreciation, etc. will be charged out. I think you will see that with this business model and integrated business model with the Sitapur coming into full operation, we will continue to improve on our margin because there will be backward integration benefit also and the premiumization, which is going on, we'll continue to further strengthen.

Moderator: Next question is from the line of Anurag Jain, individual investor.

Anurag Jain: Congratulations on the excellent quarter for the premium and above segment. It's a record quarter for the segment and with sales touching almost INR 500 crores and the P&A sales have almost doubled in last three years, which is significantly ahead of the industry.

Now comparing the regular segment has seen the lowest sales in last five years on a quarterly basis, barring the COVID lockdown quarter. Now from the previous questions, I gather that there are two reasons. One is at the industry level and second is management's own evaluation that the sales in regular segment will not be margin accretive, so you have probably given up those sales. So now based on these two factors, what would explain the decline like 50-50 or which is the larger reason for the decline in volumes in the regular segment between these two factors?

Dilip Banthiya: As I said, I can't have the division or the separation between that what is on account of the industry and what is on account of cost push. But yes, of course, we are doing the regular segment in certain states where we make reasonably okay margin. A certain state where it is miniscule or negative, we are doing away with those volumes.

So, I feel that because there is cost push across and the defense has given the price increase at the end of the last quarter, Q2. Certain more

markets will give price increases in regular category. As far as the industry is concerned, industry is growing in mid-single digits. So, we will continue to come on growth in regular in next year. This year, H2 also will be flat to some growth.

Anurag Jain: All right, sir. And I have one more question on the export segment. How has been the performance of the export segment and for Radico is now the export segment bigger than its largest state or not?

Sanjeev Banga: Well, in terms of exports, we've been doing well. We are, in fact, one of the largest exporters of IMFL from India. And we are seeing increasing acceptance of our brands, especially the luxury portfolio across the world. There have been a few issues in certain markets because of the local currency situation. But I think overall, we continue to keep growing.

Moderator: Next question is from line of Sneha Jain from SKS Capital.

Sneha Jain: I just wanted to know the impact of the RM prices, I mean, what are the trajectory you're seeing them to go to? And what are the major RM prices that we are seeing being impacted? And anything like any sort of recovery or something like that from that?

Dilip Banthiya: See, in the raw materials, one of the major raw materials is grain. And as I said that grain prices on a year-on-year basis are up around 15%, and on quarter-on-quarter also 4% to 5%. But the crop in the northern part is good, the export has been banned. So, we see some softening as we start paddy processing and it comes on full swing, from November and onwards, when there is a season. Within three to four months, we should see those prices to decline.

The major impact on account of the ENA and as we have seen 7% to 8% inflation on a year-on-year basis and around 2% inflation on a quarter-on-quarter basis. This is also a major raw material. Rest all are the hard material is under softening side. The glass prices have already risen by 30%, 35% last year, and that is also an impact of around 225 basis points to 250 basis points on my gross margin.

Sneha Jain: But glass price continues to be like?

Dilip Banthiya: No, now it's stable.

Moderator: Next question is from the line of Nirav Seksaria from Living Root Analytics.

- Nirav Seksaria: Yes, so I just wanted to know going forward how much the revenue mix, are we expecting from regular since we are focusing on premiumization?
- Dilip Banthiya: Revenue mix right now, it is around 45% versus 55%. Our growth strategy is on the P&A category where we will have a strong double digit. In 3 years' time, if we are able to do 60% of volume from P&A and 40% volume from the regular category, I think that business model will be a stable business model.
- Nirav Seksaria: Okay sir, there was an introduction of several gin brands at various price points. So how the sales in Jaisalmer are growing?
- Abhishek Khaitan: See, if you compare to all the Indian brands like Jaisalmer is pitched against the highest selling global gin brands and Jaisalmer is priced at about INR 4,000 a bottle. And in that segment, today, we have the leading market share and our market share will be close to about 55%. And Jaisalmer, everywhere, wherever it's gone, it's doing exceptionally well.
- Nirav Seksaria: Okay.
- Abhishek Khaitan: And in fact, we have recently launched Happiness gin at about, INR 2,000 to INR 2,200 a bottle. So that would be the gin which would be competing with the Indian local gins.
- Nirav Seksaria: Okay. And what is the outreach for the Happiness brand?
- Abhishek Khaitan: So, this quarter, we are going to roll it out in about five states. And gradually next year, we'll take it pan India. So, this quarter, we are rolling it out.
- Nirav Seksaria: So, which five states is it going to hit?
- Amar Sinha: So, we are looking at states like Haryana, Delhi, Goa, Rajasthan and UP.
- Moderator: Next question is from the line of Himanshu Shah from Dolat capital.
- Himanshu Shah: Sir, just a couple of questions. First, is our capex on the greenfield expansion of Sitapur complete? Or there will be some additional spend that will come up in H2 FY24 for Sitapur plant?
- Dilip Banthiya: So, Sitapur plant capex is all complete but some of the payments, which comes later on because these are after the performance and all that will come in H2 also. There are certain capexes, which has been done by the company. This has been to do for the Happiness Gin we had a new gin facility commission for that. We have tripled our capacity on the Jaisalmer also. We are improving on our printing bottle capacity

[for Magic Moments] by around 33% to 35%. That will also come into play in coming years. So, all these capex's are now being done on the branded business side and in particular, the P&A and luxury brand.

Himanshu Shah: Okay. So, in this front, can you guide for our capex number for H2 FY24 and FY25?

Dilip Banthiya: So, H2 the remaining capex payment side will be around INR 125 crores. Next year, the capex will be in the range of around INR 75 crores to INR 100 crores.

Himanshu Shah: Okay. Henceforth, the capex run rate should be in that vicinity INR 75 crores to INR 100 crores?

Dilip Banthiya: Yes.

Himanshu Shah: Okay. INR 125 crores for H2 is only the payment pending, but we would have capitalized that particular amount.

Dilip Banthiya: No, payment pending is one part and another, as I said, that these capex's, which has been done for our premium, super premium and luxury side. We are increasing our maturation facility. There will be more cash required. So, all this will continue to happen on the malt side also.

Himanshu Shah: Brand related.

Dilip Banthiya: Yes.

Himanshu Shah: Okay. This is very helpful. Sir, secondly, if you can just help, what would be the market size of vodka and gin. Is the growth run rate that we have seen in first half of the financial year? Or what would have been the overall market size of vodka and gin for this particular financial year? Industry size, some color if possible.

Dilip Banthiya: See, overall vodka market is in 3.5% like it is 400 million cases industry, so something 10 million cases, 10.5 million.

Amar Sinha: So, the vodka market is about 3.5% of the total IMFL business in India. We are actually growing at a very healthy rate and expanding the vodka segment with our new offerings, which will continue.

Himanshu Shah: Okay. And what about gin, sir?

Abhishek Khaitan: So, gin right now is quite negligible, but it is growing at a rapid pace and especially like the premium gin. Gin is more at the premium side. So, their volumes are quite small, but the profitability and the contribution is very high.

Himanshu Shah: Okay. And sir, just a last question. Can you help me with the distribution of Royal Ranthambore like it's available in how many states Jaisalmer gin and these two products?

Amar Sinha: So, Royal Ranthambore has expanded to about 18 states and the response to the brand is unprecedented, though we have priced at higher than the most popular selling scotch. The brand is well accepted, and we are now gearing up our capacities to cater to the market demand that is emerging for this brand. I think this is a future brand for Radico with unprecedented response.

Himanshu Shah: Okay, that's very nice and very heartening, sir. And about Jaisalmer gin sir? And if you can also help me with 1965 rum number of states that its available.

Amar Sinha: So, Jaisalmer gin is in about 19 states. We are a national brand, both for Jaisalmer and Royal Ranthambore. As far as Jaisalmer is concerned, Mr. Abhishek Khaitan has already told you, we are today in the region of about 60% market share across the gin category. And this brand is showing unprecedented results despite being higher price premium to most international brands. We are very hopeful. We have tripled our capacity as well. So, I think Jaisalmer has a future in India.

1965 is in about 10 states. It is one of the most premium priced rums in India today. You see, rum has traditionally been seen as a cheap and medium-priced product in India. But with the launch of 1965, starting with defense, it was pegged at a premium price. Now it has been expanded to the civil domestic market as well. We are in 10 markets in domestic. We hold good more than 10% market share in defense. The brand is consistently growing. And I think 1965 will become synonymous with the category in the years ahead. It's showing tremendous response.

Moderator: Next question is from the line of Jayesh Shah from Ohm Portfolio.

Jayesh Shah: I have two industry-level questions. Firstly, do we expect any volatility in the liquor policy because of the state elections and the central elections, whether things are settling down? And secondly, can you comment on the impact of UK FTA, if it goes through, on Radico.

Sanjeev Banga: Let me first talk about the UK FTA. I think as an industry and especially as Radico, we welcome this FTA when it happens also because we import a lot of bulk scotch. So, any duty reduction will make a good impact on our costing as well. In terms of overall industry, the more scotch malt is available at competitive prices will definitely improve the

quality of Indian blend as well. And with India premiumizing the portfolio in the beverage alcohol space, even the international brands when they come in, there will be a big boost to the industry and the P&A category. However, our want has always been that it should be a level playing field. So, the British side would also have to do away with some of the non-tariff barriers. Once that happens, the export of IMFL and Indian whisky and rum will also increase substantially to the UK market.

Abhishek Khaitan: And as far as the first question goes about the state elections and everything, I think one of the major decision, which took place was removal of ENA under GST, which the GST committee took, which I think is a very welcome move for the liquor industry. This ambiguity was there for two years, which has been done away with. And we don't see much of any policy change because of the state elections.

Amar Sinha: In fact, the state governments are very responsive to the liquor business because it's a state subject matter. So, state elections will not disturb the policy, and there would be stability like always.

Jayesh Shah: Just a follow-up on the UK FTA. I thought since you are more in the prestige and above category, product pricing benchmark to be foreign brands like Glenlivet and whatever and hence some kind of a pricing impact that may happen?

Sanjeev Banga: In terms of our luxury portfolio, say, Rampur way above the global brands or some of the other 12, 15-year-old scotches. So, Rampur is far above that. And even in the global international market, we're competing with all these brands at a much higher price level. So, we don't see a problem with that.

Jayesh Shah: But with the vodka gin and other ones, I mean, Rampur, Jaisalmer may not be, but the other brands.

Amar Sinha: No, I think it's a very important to understand that Radico has already breached the international brands price positioning, whether in India or abroad, we are selling at higher price points. And we don't see any competition coming to our brands in the immediate future, even despite FTA.

Dilip Banthiya: Secondly, as far as gin and vodka is concerned, there will not be any impact of the duty reduction because in India everything is locally made for these gin and vodka.

Moderator: As there are no further questions, I will now hand the conference over to the management for closing comments.

Dilip Banthiya: We are confident of maintaining our long-term margin expansion given the premiumization of our portfolio, recently received price increases both in IMFL and non-IMFL and backward integration.

We look forward to interacting with you all on our next earnings call. In the meanwhile, if you have any queries, please follow up with us and feel free to write to us. Thank you very much.

Moderator: Thank you very much. On behalf of Dolat Capital Markets Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

Note: This transcript has been edited to improve readability.

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