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**Sub: Transcript of the Earnings Conference call conducted on July 29, 2021**

Dear Sir/ Madam,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the Earnings Conference call for the quarter ended June 30, 2021, conducted on July 29, 2021.

This is for your information and record.

Thanking You,

Yours faithfully,  
**For Radico Khaitan Limited**

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

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## **Radico Khaitan Limited**

(BSE: 532497; NSE: RADICO)

**First Quarter FY2021**

**Earnings Conference Call**

**July 29, 2021**

### **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 Q1 FY2022 Earnings Conference Call hosted by Emkay Global Financial Services. 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 the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashit Desai of Emkay Global. Thank you and over to you, Mr. Desai!

*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.*

Ashit Desai: Thanks Nirav. Good afternoon everyone. It is a pleasure to host the management of Radico Khaitan for their Q1 FY2022 earnings call. From the management we have with us today Mr. Abhishek Khaitan, Managing Director, Mr. Dilip Banthiya, CFO, Mr. Amar Sinha, COO and Mr. Sanjeev Banga, President (International Business). I will now hand over the call to the management for their opening remarks. Over to you, Sir!

Abhishek Khaitan: Good afternoon ladies and gentlemen. Thank you for joining us on our first quarter FY2022 results conference call. I hope you are all doing well and keeping safe.

Strong demand momentum which was seen during the Q4 of last year continued in April 2021 only to be disrupted by a more severe second wave of the pandemic. May 2021 was severely impacted as the pandemic hit all parts of the country. After peaking in May, COVID cases started receding in June 2021 and situation started to normalize to a large extent by the second half of the month. In July, as restrictions are lifted and normalcy resumed, month-on-month volumes indicate a positive trend and we are confident of an improved industry performance led by Prestige & Above segments in the coming quarter.

Teams across different divisions came together with resilience and strength to ensure seamless operations and continued dispatches. This has enabled us to outperform the industry yet another quarter. Our top priority during this period has been the health, safety and well-being of our employees and partners. We have also arranged for the vaccination of all our staff at the Rampur plant.

With the vaccination drive now well underway, we believe the worst is behind us and we are seeing an improving trend month-on-month led by Prestige & Above segments.

In Q1 FY2022, we registered 59% year-on-year growth in our IMFL volumes. After a strong performance last year, I am proud to report that Radico Khaitan became the largest IMFL exporter out of India during the quarter.

Our brands continue to win accolades internationally. In the Millionaires Club Magazine 2021 Edition, 8PM Whiskey was ranked the ninth largest whiskey globally, Magic Moments vodka was ranked by 11th largest vodka, Contessa rum was ranked the ninth largest rum and our Old Admiral brandy was ranked as the second largest brandy globally.

As discussed on our previous calls, we continue to focus on further strengthening our premium brand portfolio with more premium launches in the brown spirit as well as white spirit space. With situation normalizing now we are looking forward to introducing new brands in the coming quarters.

We are progressing well on our strategic growth agenda and are well prepared to tackle any near-term uncertainty in the industry. Radico Khaitan is confident of delivering industry outperforming growth during FY2022.

Before, I hand over the call to our CFO for a detailed discussion on the operating and financial performance, I want to bring to your notice that as part of the auditor rotation process we have appointed Walker & Chandiook as our statutory auditors for the next five years. Thank you and over to you Dilip.

Dilip Banthiya:

Thank you Abhishek. Thank you everyone for joining us on this call today. We wish you the best of health during this pandemic.

After ending the financial year 2021 on a very strong and optimistic note, we reported a robust operational and financial performance during Q1 of FY2022. During the first quarter, we reported an IMFL sales volume of 5.61 million cases representing an increase of 58.8% on Y-o-Y basis.

Net revenue from operation during Q1 FY2022 was Rs. 603 Crores representing an increase of 47.3% compared to Q1 FY2021. During this period, IMFL sales value increased by 56.3%. As a percentage of total revenue, IMFL sales accounts for 77.7% of the net revenue compared to 73.2% during the same quarter last year.

On a sequential basis, gross margin contracted by 87 basis points due to an unfavourable product mix which was impacted by the COVID-induced lockdown and scattered market timings. Despite the gross margin contraction, EBITDA margin expanded by 54 basis points from 14.7% in Q4 FY2021 to 15.2% in Q1 FY2022.

Raw material prices overall have been benign during Q1 FY2022. Towards the end of last year, we saw some inflationary pressure on dry goods such as packing material, but it has remained stable around those levels in Q1 FY2022. ENA prices have also been stable during the quarter. Given the ethanol blending policy of the central government we may see some headwinds in the ENA prices, but that should not be any significant. The Company is taking all efforts to optimize cost and to mitigate any margin headwinds. With our portfolio premiumization we expect our operating margins to trend upwards.

We are aggressively investing behind our brands to gain market share and continue the premiumization journey. During Q1 FY2022, A&SP expenses increased by 70.5% on Y-o-Y basis to Rs. 33.48 Crores. As a percentage of IMFL sales, A&SP expenses were 7.2% of Q1 FY2022 compared to 7.3% for full year of FY2021. This is in line with our guidance of 7% to 8% of IMFL sales as investment in marketing. In the Prestige & Above segment we expect this to be in double digits.

Finance cost decreased by 29.5% on Y-o-Y basis from Rs. 6.57 Crores to Rs. 4.63 Crores. The Company's cost of borrowing is lowest in the industry due to the lower interest rate scenario, stable profitability, strong capital structure and improved liquidity position.

We have an efficient working capital management and a very strong credit control system. We have a strong financial position and comfortable liquidity. During these difficult times we are taking all necessary steps to sustain our financial strength, maintain robust business model and grow consistently, competitively and profitably.

With this, we will now put the line for Q&A. Thank you.

### **Question & Answers Session:**

**Moderator:** The first question is from the line of Madhusudan Kela from MK Ventures. Please go ahead.

**Madhusudan Kela:** Hi, Abhishek and team. Congratulations on a continuous fantastic performance quarter-after-quarter. So my question today in an open forum is a more strategic question. The Company is likely to generate significant cash flow since now your debt is virtually zero and whatever you generate will be virtually a free cash. What is there in your mind on a strategic basis from a five-year perspective, what would you like to do with the money, how much can be absorbed in the business for the capital expenditure and once the company is left with free cash, can we have some kind of a policy for distribution of cash? Have you given thoughts to all those questions?

**Dilip Banthiya:** So I take this question on behalf of MD. The fact is that we have come a long way. First of all, I would like to narrate on what the Radico has done for the last five years and then I will take you through what will be the cash generated in future can be used for. So in the last five years if you recall that in 2016 my debt was around Rs. 950 Crores and as on March 31, 2021 it was sub Rs. 200 Crore. So we have generated in the last five years operating cash flow of around Rs. 1700 Crores, out of that around Rs. 750 Crores have been used to repay the debt. We have paid Rs. 250 Crores of taxes. We have paid interest of Rs. 340 Crores and dividend of Rs. 90 Crores. The Capex which has been done and the working capital have taken Rs. 275 Crores. So all put together the Rs. 1700 Crores have been utilized to the best rational way.

Our resource allocation is very, very judicious. We look at each and every aspect of any Capex and look at the return on capital employed and then only these resources are being deployed.

Coming back to your question regarding the cash flow generated from here onward, because now that we are virtually a debt free company and the debt is sub Rs. 200 Crores with a working capital of more than Rs. 1000 Crores. Going forward we will look at the opportunities which can generate ROCE of more than 20% or 25%. The further cash whichever is available in the balance sheet from the cash generation will be utilized to create value for the shareholders. It can be a bigger dividend payouts, it can be buybacks or whatever at that point of time the board decides what is the best and efficient manner to utilize those cash to be distributed to the shareholders will be taken up by the management.

**Madhusudan Kela:** Dilip as a shareholder, first of all congratulations to the entire team. There is absolutely no doubt that the effort has been humongous and the results are there for everyone to see. What my point is that let us say if we generated Rs. 1700 Crores in the last five years, I can visualize that you could generate maybe double that amount over the next five years. So what I want to put across is that after you do the Capex can we come out with a clear cut policy that 30%, 40%, 50% of the net cash generated will be given as dividend or buyback and it is like a policy whatever you generate the shareholders get it and I am sure shareholders have waited long enough to be deserved for this liberal payout, that is the point which I wanted to just put across.

**Abhishek Khaitan:** You are absolutely right. First our aim was to reduce the debt and as what Dilip said that we look at opportunities in certain areas where our ROCE is more than 20% or 25% and whatever the surplus cash which will be there which also we feel can be double the amount of what we have generated in the last five years, depending on the board's call it can be used only for two things a buyback or higher dividend payout. We will also look at getting our policy on that in the near future.

**Madhusudan Kela:** Fantastic. I have one more question Abhishek. Since you said in your opening remarks that you have been the largest exporter of IMFL from India. What kind of opportunities do you see in the export market over the next three, five years and what is the company doing to actually capture these markets?

**Abhishek Khaitan:** I would like Sanjeev to answer this, but I will just give my view. The biggest thing what the company did when we launched our Rampur Single Malt and the demand for this product is more than what we can supply. About three years back we had invested into tripling our malt capacity and the malt maturation which I think from 2023 should kick in. Also with the Jaisalmer in the travel retail and across the globe, so what we are concentrating on getting our brands with the right distributors and being present in the right places. As far as Rampur goes the demand is so much that whatever we produce it gets sold out.

**Sanjeev Banga:** Let me add to what Abhishekji has said, as you are aware our brands are currently in 85 countries and the opportunity exists across the board, across markets, whether it is for our luxury brands like Rampur and Jaisalmer or for our other Prestige & Above brands whether it is the 8PM Premium Black or Magic Moment and all. So we have seen an upswing across markets whether it is US, Europe, UK, Far East. Everywhere we see and we are fairly confident as the markets open up, the lockdown restrictions keep coming down, we will continue with this momentum in the overseas market.

The other thing that I would like to comment on is liquor is a highly taxed product commodity across the world. So we are also exploring possibilities of local bottling in a couple of these markets. As a start-up, we started on a small way of bottling our Morpheus in Malaysian market. The response has been very positive over there as well and we are exploring possibilities of going into local bottling into couple of other markets as well depending upon the taxation structure, the strength of the partner and the local infrastructure. So we are excited about the opportunities that are available to our brands in the international market over the next couple of years. Of course Rampur, Jaisalmer and the newer expressions of our single malt as well as Jaisalmer and couple of other luxury products that we have in the pipeline should give a boost to our export business.

**Madhusudan Kela:** Just to finish, you yourself said that you are present in 85 countries but our absolute number of exports coming from these 85 countries is still very small. The point which I was wanting to ask is do you see a 5 or 10 fold increase in export revenue over the next five, seven-year time frame? While giving a specific number is very difficult but do you see that, that kind of potential does exist and the company working towards it?

- Sanjeev Banga: As I said, the quantum jump in the numbers what essentially come once we start doing local bottling operations in a couple of markets because of the tax and duty advantages. So we are very actively considering various options on that because export from India will always be replaced by the high taxation in the importing market. So the way forward definitely has to be local bottling in a couple of key markets and that should give us a quantum leap.
- Madhusudan Kela: Okay, thank you so much, wishing the entire team all the very best.
- Moderator: Thank you. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.
- Aditya Soman: Good afternoon. So my first questions is on the new launches you talked about, you have developed very interesting brands on the luxury side. Can you give us any timelines on when we would expect the luxury brands to percolate down to the Indian market and secondly, maybe more affordable variants of those whether it is malt whiskey or gin or vodka to again be launched in the Indian market. Can you give us any timelines over the next few quarters?
- Sanjeev Banga: Well in terms of luxury brand it is an ongoing process especially for our Rampur Indian Single Malt, even the latest expression that we launched of Rampur was Rampur Asava which again has been very well received. It is the first single malt which has been finished in an Indian wine cask. So it is an ongoing process. As we earlier also mentioned we have enhanced our malt capacity a couple of years ago and we are experimenting with a lot of newer expressions of our single malt to share with the world what India is all about and the Indian taste and profile. So there are a lot newer expressions that will be coming out in the years to come. The same thing is with our craft gin as well Jaisalmer. Now in terms of the domestic launches I will let Amar address that.
- Amar Sinha: First of all, addressing Rampur Single Malt and Jaisalmer, we are happy to state that the brands are now in the process of getting listed with the defense services canteen stores department as we speak and that offers huge opportunity particularly considering the fact that BIO brands in CSD canteens are facing some reluctance there, in terms of ordering, therefore there is enough excitement and demand for premium Indian products. So that offers huge opportunity for Rampur Single Malt and Jaisalmer. Having said that, our premium brands that we have in the domestic market - Magic Moments with a 60% market share is now considering the launch of a very, very premium variant which would be somewhere parallel to Absolute. That is a very premium version that is being launched. In addition to that, we are launching two super premium whiskeys over the course of this 12 months. So these are also going to be the premium most variants in the whiskey segment.



- Aditya Soman: Just in terms of these launches we have seen for example 8PM Black now would be more widely available but even in some of our key states like Karnataka at this point it is yet to be launch. So when do we expect you would launch these two super premium brands over the next 12 months, by when do you expect a sort of nationwide coverage or at least in the key states?
- Amar Sinha: We are right now available in 16 states and we plan to expand the presence and distribution of this brand over the next six months in the balance of the states which will be another five to six.
- Abhishek Khaitan: Just to add on what Amar has said, our policy in Radico has always been that whenever we launch a new brand we do it very selectively. For the first four or five months we concentrate only in a few towns or cities and then take it national, so even if you see 8PM Black, the last year was the second year and the second year itself we did a million case and the brand has responded very well and now we are expanding it across. Hopefully it should be close to two million case in the current fiscal.
- Aditya Soman: I understand, that is very clear. Just one last one from me in terms of the working capital, would that increase as your volumes pick up as the situation normalizes or do you think in terms of days we should not see any meaningful change?
- Dilip Banthiya: Aditya, for this question actually what we have learnt in this last five years, we have kept the working capital very controlled and you have seen that number of days which used to be at 61 number of days from gross basis point of view has come down to 33 days. This is the optimum utilization of our resources. With these launches etc. I think there could be some increase but it is not significant. At this point of time we do not see that there will be a huge working capital deployment on account of these launches, it will be within limits. The number of days will be also within 33, 34 days only.
- Aditya Soman: That is all for my end. Thank you very much.
- Moderator: Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy: Thanks and congrats on growing again faster than the industry even in Q1, on a quarter-on-quarter basis clearly you have done better. My question is on home delivery. In the wave two of pandemic did you again see some signs that the home delivery is picking up? Why I am asking this is one, wave two should have ideally helped but we saw the market leader divesting its stake completely in its home delivery e-commerce business, which was very surprising, so what would be your take in your market, how is home delivery panning out?

- Amar Sinha: First of all, let me tell you that home delivery is there to stay in the long term. Right now these are very initial stages and as every business has teething problems, home delivery is also facing one and that too with the most complex of consumer product category that we are in. If you look at just Maharashtra, there home delivery has always existed, now they have made it official, and Maharashtra has now been thriving on home delivery because most of the bars and permit rooms that are operating there are basically working on the home delivery model. There are different states which are still struggling with it, but in the times ahead we see that this is a model that will settle in and it will open up great challenges and opportunities both for this business.
- Abneesh Roy: And second is the glass prices have been moving up, so if you could tell us how much of inflation you see in glass prices either in Q2 or the balance part of the year, and similarly on ENA what would be your outlook?
- Amar Sinha: As far as glass prices are concerned see first of all you have to understand that new capacities are coming up by the day and there are huge unutilized capacities already lying with the leader in the glass market. In the last two years, glass prices have already seen an increase by almost 15% so we see that it is going to remain stable in the times ahead with the increasing capacities that are being created.
- Dilip Banthiya: As far as ENA is concerned actually at this point of time with good monsoon, the agri income increasing, the crop increasing, the all-time high production of the crops of the grains, etc., I think these are at stable levels. But the point is in due course of time as the government ethanol blending program is shifting from 8.5% currently to 20% we might see some headwinds, but those are not challenging ones and should not be significant ones. There is a 360-degree program of the government on how the grains which get wasted can be utilized and all that. The Company's strategy of premiumizing the portfolio and gaining strength in the premium segment of the portfolio, this has a very marginal impact on my gross margin and operating margin. So we are geared for that.
- Abneesh Roy: And sir last question so your P&A in Q1 has grown slower than your economy, are you concerned? On sentiments are you thinking because wave two was far deeper and far higher number of vaccines are picking up which was not the case in wave one what would be your take on sentiment?
- Dilip Banthiya: First of all, I tell you that this quarter has been an abnormal quarter and this cannot be treated as the trend. Trend is the premiumization and the growth in premium products is higher than the regular category. So I will say this cannot be treated as a trend. From July onwards we are seeing again the Prestige & Above category is growing in double digits.

**Amar Sinha:** I would like to add. First of all the P&A segment has grown slower in this first quarter for the entire industry. But the most pertinent point to be made here is that during the second wave, at the retail outlet the consumer of a premium brand has been not visiting himself. Therefore by default the regular and others have gained market shares and sales. The important point that I wanted to state about Radico brands is while the industry lost 1% market share in P&A from 19 to 18 Radico in fact has increased its market share points in the P&A segment. So the brands of Radico basically are in the premium end of the market and they are buoyant and that is the trend we see in the times ahead.

**Abneesh Roy:** That is all from my side. It is very helpful. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

**Bharat Shah:** I had a question which is retrospective of what has happened in the past and to some extent therefore I want to know your views about the future. When we look at the picture here is the Radico Khaitan in a country where whiskey is the most important liquor segment and Radico does not have many whiskey products to offer at that point of time. Yet Radico has done remarkably well over this time frame. While many answers we know is to have you gone about, that you have never discounted your products, you have not tried to sell on cheap offerings, you have tried to build quality brands and that entrepreneurial energy compared to complacent kind of multinationals but many of them have major brands global, easy recognition and yet Radico has done remarkably well for itself. So it is both a compliment and kind of seeking to know what has made this journey so much more possible and where you see it over the next five years and more?

**Abhishek Khaitan:** Thank you for your compliments first of all. As a company Radico Khaitan, we started young in 1998 and at that time even if you look at my balance sheet we had a loss in the company and the debt was Rs. 35 Cr. So I had no money to build the brand. Gradually now being an Indian and a proud Indian company we knew where the gaps are and that is how we started with our 8PM whiskey which today is now more than 10 million cases. We identified the gaps and we would be the only company to be present in all the spheres that is vodka, whiskey, brandy, rum and gin.

In brandy then we achieved a market leadership with Morpheus and what we have done is we have always priced our product higher than the competition because we believe that in liquor the higher you pay the more image you get. So we have always gone against the competition of not discounting the brand and for us it has worked and the latest is with our Rampur and the 8PM Black. Till now the journey has been very interesting, but going forward what I feel

that Radico is now absolutely liberated because our balance sheet is very strong, we are virtually a debt-free company, the company is generating a lot of cash and this is the right time to go after segments of really high premium where your margins are high. It might take a little time but eventually it is going to pay us a lot, like what happened when I had launched Magic Moments vodka.

So we feel that now is the time for our new launches in the whiskey space which we are going to attempt in the current year. In the meantime, our old brands have started now gaining momentum whether it is the Magic, whether it is the Morpheus, all other brands like Rampur also, it has taken four years but now with the production coming in and Rampur and Jaisalmer getting into the armed forces can be a big thing. So we are quite confident of the future that our premiumization journey has just started.

**Bharat Shah:** You didn't choose to comment but very clearly though the multinationals which compete have globally recognized decade-old brands which have been going around and yet here is a young Indian company which has remarkably built a premium whiskey brand which is quite an achievement in itself. What do you put more to, I mean, entrepreneurial zeal of the firm and the team or the complacency of the multinationals that compete or both?

**Abhishek Khaitan:** To answer your question on this I think our team is very motivated our decision-making process is fast and being an Indian company we know the Indian market very well and we are hands down and everyone's role is very well defined in Radico and the enthusiasm is very high. So, I think it is a combination and most importantly we come from a blending background because when I started the branded business it was my father who had created the distillery so our blending which is the heart of any whiskey is the main thing. So I think that is one of our core strength of production coupled with the marketing and innovation which our team has brought in. So, I think it is a combination of everything.

**Bharat Shah:** And would you say that while we have created a superior growth rate compared to the industry, going forward in terms of the differential will the lead get bigger or the gap will get wider?

**Abhishek Khaitan:** If you see four or five years back my growth rate had slowed down because we had killed a lot of brands where the profitability was not there, so our aim in Radico is to grow our premium portfolio. Growth will depend on how the market behaves but our aim is to now kind of take into every sphere of the premium side. So more than the volume growth I will be more concerned with my premium growth.

**Bharat Shah:** Measured in terms of the Rupee share will our growth rate differential widen compared to the past as compared to competition?

- Abhishek Khaitan: Next two to three years actually we will outsmart the industry.
- Bharat Shah: Thank you Abhishek and all the very best.
- Moderator: Thank you. The next question is online of Aaron Armstrong from Ashmore Group. Please go ahead.
- Aaron Armstrong: If we can go into some more detail please on the Prestige & Above share and so looking at the Q1 numbers the sales value contribution of Prestige & Above was 46.8% and then that is down from the Q4 level of 51.8% and can you talk about some of the factors behind that? I think you mentioned briefly in terms of the impact of lockdowns, if you could go into some detail there please, and then on a forward-looking basis in terms of recovering to that 51% level or even higher than that do you think that takes one or two quarters or do you think it could be a little bit more quickly than that, how do you think the contribution will trend in the short to medium-term please?
- Amar Sinha: The slowing down of the P&A sale is a very temporary phenomenon. It has happened primarily because of restriction of time and the number of outlets that have operated in the market. It is very natural that when you look at the premium consumer he does not visit the outlets because of the pandemic or because it is too crowded by the people at the lower segment. So that is the reason why the P&A has slowed down compared to the past. Having said this now we have already started seeing growth as the markets are opening up and the shops are coming back to business, the growth in the premium segments has started. As we speak all our brands which are in the premium segments in the IMFL space have started growing in the month of July. So this is a temporary phenomenon, I think we should be back to our 50% or 51% in the short term.
- Aaron Armstrong: Thank you. In terms of the market share and I think you made a comment about expecting to grow faster than the industry over the next couple of years, can you talk about how those market share gains will materialize? Is that because premium grows faster than the industry? Is it taking share from smaller players? Is it white spirits growing faster than brown spirits? What kind of the key factors behind your market share gain outlook, please?
- Amar Sinha: Radico's market share is primarily going to come from the increasing presence and strengthening of the whiskey portfolio. Right now if you look at it we have an 8% of the total market share of the alcohol industry. Now let me explain this a little more. In the vodka we have market dominance with the 60% plus market share. In the super premium brandy category, we have a 60% plus market. In the rum category, we have almost a 30% plus market share. Now what is left is the whiskey space, where we have a 6% market share of the industry. As Abhishek explained to you the 8PM brand which is there in the portfolio hit the 10 million cases mark last year. 8PM Premium Black hit 1.2

million cases last year and we are going to expand further. So, that will strengthen the presence in the whiskey space but that is not enough. You see if you look at the way the Indian IMFL market is made, roughly 10% of the industry is in the extreme premium end where the contributions run at the rate of more than \$20 a case. That is the segment where we as Radico are planning to peg in our new brands and that is going to help us not only in terms of volume but multiply our profit levels. So that is where we are focusing and obviously when we become stronger in the whiskey space in the next three years our overall market share will improve significantly.

Aaron Armstrong: Thank you, and the last question, in terms of the export markets and considering local bottling partnerships, can you talk about export contribution to revenues today and what the key countries are and the emphasis on local bottling, is that something that you would like to investigate more in the next year or so and then would that be capital intensive or capital like investment?

Dilip Banthiya: I will just give you a background that export for the last one-and-a-half years has been doing very well. Now around 7% of our net revenue coming from exports. It is in the contribution and EBITDA side is better and since we are exporting to 85 countries and brand portfolio over the years has matured I think Sanjeev will speak about the local bottling or some possibilities and arrangement which can be looked at in future looking at the growth in these markets.

Sanjeev Banga: In terms of local bottling operations, the luxury portfolio remains in our mother distillery, so we are not even talking about that. It will be primarily into the more mass-market products on that and that we are exploring with our partners in each of these markets because in some of these markets our brands are the market leaders, and the local import duty and taxations are pretty high. So we are exploring all those possibilities where it will be of significant interest and beneficial to the company to go in for local bottling operations. As we said we have already started in a pilot way in Malaysia, but we are looking at a number of other markets whether it is the African market or the South American markets as well. So, all these are on the drawing board. We are in constant touch with our local partners over there as well. Wherever we feel there is more value addition we will definitely look at local bottling operations.

Aaron Armstrong: You mentioned you can be market leaders in some of these markets already, can you talk about what kind of market position you already have in Malaysia please and market share?

Sanjeev Banga: Malaysia is very big for us in terms of our super premium brandy Morpheus and we are the largest selling super premium brand of the Indian products over there and that is the reason we decided to go ahead with the local

bottling operation. In a couple of other markets, our whiskeys whether it is 8PM or our vodka, Magic Moment there are the market leaders, so each market is very different, each brand is different, depending upon the market and our focus is primarily at the mainstream consumers. So we want to address and provide them with the products that they like and they are looking for aspiration.

Aaron Armstrong: Thank you very much.

Moderator: Thank you. The next question is from the line of Nikhil Upadhyay from SIMPL. Please go ahead.

Nikhil Upadhyay: Congrats on a great set of numbers. Just two questions, Sir. One is you mentioned on the canteen stores, the BIOs are finding difficult, just to understand what is the size of the market where Rampur and Jaisalmer would be competing. Just to get a perspective and who would be the other key brands which we would be competing on the Indian side or if you can just share some thoughts there?

Amar Sinha: This absolute super premium segment in the CSD canteens belongs to brand equivalents of 100 Pipers and Teachers and then brands like Blenders Pride, Johnny Walker. Now, these brands are constrained today and we are looking at these premium brands like Rampur and Jaisalmer operating in this segment, so we are looking at brands in this space which is less than today half a million case but the fact is it is a huge market and it will take away market from the premium end of IMFL as well as the top end of the foreign brands.

Nikhil Upadhyay: Second question was I think in the starting of the call we had a discussion that there is a strong cash generation which the company will see and you mentioned that we would be probably looking at Capex and also we mentioned we are launching a premium whiskey brand. Just to pick your brain on this, we have also seen a lot of key deals which are happening in the premium brands, the local companies tying up with PE, would you be open for any inorganic acquisition of these premium brands which can be scaled up because of our strong distribution or would you say we would only focus on organic growth, how do you see between these two aspects?

Abhishek Khaitan: First of all, what we feel in Radico is like when we have done a landscape study we do not find any premium brand up for acquisition and Radico's core strength has been creating brands, so we will focus on organically growing. We have been working last three years on certain very luxury and very super premium brands which we are all set to launch in the current year, so we will go organic.

Nikhil Upadhyay: Okay fine. Thanks a lot Sir.

- Moderator: Thank you. The next question is from the line of Anish Jobalia from Banyan Capital Advisors. Please go ahead.
- Anish Jobalia: Good afternoon and thank you for the opportunity. I just wanted to understand in terms of our gaining market share, if you could comment a bit on the changes in the competitive intensity which is helping us to gain the market share and is there incrementally expected to be any change over there which could also become a challenge for us especially on the white spirit side because one of our competitors has mentioned about gaining stronger foothold on the white spirit side? Thank you.
- Abhishek Khaitan: First of all, if you see the last four years we have been outperforming the market. We are not focused on volumes but we are focused on premiumization. So we will continue to drive our premiumization drive and as far as competition goes upon focusing on white spirit it only will enlarge the market size so we have been always there for competition, we have delivered brisk competition, so I think the best product will always pay out.
- Anish Jobalia: Okay and secondly just wanted to take the conversation from the last call in terms of Delhi market, there we are seeing excise policy changes as well as the route to market so I just wanted to understand how has been the progress over there, any comments around that?
- Abhishek Khaitan: See right now the bids have been offered and everything, I think September, October once it starts it should enlarge the market.
- Amar Sinha: The Delhi market is there now to open up and new players are going to come in which obviously means that organized companies will have a fairer and better play. So companies like Radico definitely stand to gain from this market policy.
- Anish Jobalia: You are saying that this result will be showing from say in the H2 onwards?
- Abhishek Khaitan: Delhi is a minuscule market, like it is not that which can be mover or shaker but yes definitely it will help Radico.
- Anish Jobalia: In terms of the volumes, the outlook for FY2022. How are we looking at, let us say in the remaining nine months what kind of outlook because we did quite well in the last nine months, so are we looking at our double-digit growth on volumes in this year as well?
- Abhishek Khaitan: God willing everything remains what it is and it does not happen anything bad then what we expect in Radico that for the current fiscal we should have a strong double-digit growth.
- Anish Jobalia: Okay Sir. Thank you very much for the opportunity.



Moderator: Thank you. The next question is from the line of Sonal Kohli from Bowhead Investment Advisors. Please go ahead.

Sonal Kohli: Thank you for the opportunity. Firstly, many congratulations on the appointment of new auditors. I think it is a great step. I had one key question; can you please highlight how do you see prospects of Uttar Pradesh from a next two to five-year perspective? There were some policy changes recently and how do you think they would help you to grow? Is my understanding correct that there are large number of shops which are going to open in Uttar Pradesh in small towns and cities, and UP market was starved of these kinds of shops and that should lead to increasing the socializing and drinking culture. The state has the money but not keen to spend the money, so I just wanted to know whether my understanding is correct or not?

Amar Sinha: As far as Uttar Pradesh is concerned, with a population of more than 250 million people, I think the per capita consumption is still unexploited. It is still in the process of growing. Secondly, Uttar Pradesh has come out in the last three years with the most progressive policy of the country in the excise which is now being emulated by other states. Third, the most important thing is that in the last two years Uttar Pradesh has been actively working on introducing model shops, premium shops which is coming up month-after-month. So they are opening up the market completely making sure that all organized brands are adequately available and distributed to the consumer of Uttar Pradesh.

In the vision statement of the Uttar Pradesh Excise Department, they have a target of taking their revenue from Rs. 32,000 Crores to Rs. 50,000 Crores which means they are just at the 50% level and therefore that is the potential. The growth and the possibilities that exist in the increase of per capita consumption and the growth of the market coupled with new brands selling there I think this is a huge opportunity for companies like Radico to encash where we have more than 30% market share. We are the largest selling company in Uttar Pradesh and we hope to maintain our market supremacy.

Sonal Kohli: Thank you and this is helpful. Another question and one follow-up on this one as far as Uttar Pradesh is concerned, you said you have the largest market share in Uttar Pradesh which is the second largest and what is our market share? Secondly as far as the other states are concerned outside Delhi, are there any other states also which you are seeing or you are expecting to follow the Uttar Pradesh model. Any news on Bihar, any likely change in policy or at least discussions which have started happening around that? Thank you.

Amar Sinha: Delhi has taken to following the Uttar Pradesh model in a restricted way, but they plan to emulate this policy. Similarly, Punjab and Haryana are states which are also considering transferring their model to the UP model. Having said this, first of all we would like to say that Radico as a company is

widespread. You see every liquor company has one key state so does Radico, Radico has UP but the fact is that Radico's brand portfolio being at the premium end of the market, we are widespread. Across the country our market shares are strong in most states like Karnataka, in Maharashtra, in the Northeast, in Delhi and Uttarakhand. So we are well spread as a company and when we say that in the relevant segment of Magic, we hold a 90% market share and across all vodkas when we hold 60% market share that is a clear indication of the fact that it has to come from various states that operate in the liquor market of India. Similarly, if you look at brandy, South India is a brandy market where we have a 60% plus market share. So this is basically stemming from the fact that wherever there is a market for a specific category we are strong there and that is why we are all spread out. UP could be a strong factor but we are going from strength-to-strength in other states as well.

Sonal Kohli: This 60% increase, is it over next two years, three years or what is that period you are referring to and secondly what would be the market share of the second biggest player in UP? Thank you.

Amar Sinha: We are very strong in Telangana, we are strong in Karnataka, we are strong in Andhra Pradesh, we are strong in Maharashtra, and we are strong in Uttarakhand.

Sonal Kohli: Sir actually my question was what is the market share of the second biggest player in UP? I was not pressing to where you are strong because I was asking about who is the number two player and so what is the market share there?

Abhishek Khaitan: That is Pernod Ricard which has a 23% to 25% market share.

Sonal Kohli: Sir you had mentioned that in UP the government plans to increase its revenues by 50% as per their vision statement in policy.

Amar Sinha: Yes, this is for the next three years they plan to take the revenue from Rs. 32,000 Crore to Rs. 50,000 Crore.

Moderator: Thank you. The next question is from the land of Shashank from Tata AIA Life Insurance. Please go ahead.

Shashank: Yes, so this other Indian single malts, Amrut and Paul John are they also listed in defense currently?

Sanjeev Banga: I believe Amrut is already listed over there and I am sure this is an opportunity for the Indian single malt category as a whole to make a contribution as part of the Atmanirbhar and Make in India. So we are very excited about opening up of this category for the Indian single malts.

Shashank: And what would be the pricing of Rampur there in defense?

- Abhishek Khaitan: Right now the pricing has not been finalized. In fact, we need a couple of days so once we get the PRC done we will speak and inform you accordingly but it will be highly priced.
- Shashank: And just to clarify, this local bottling plants in the international markets would it be your own plants or through contract bottlers?
- Sanjeev Banga: It will all depend upon the market that we aim to enter in, so obviously we will have local partners as well because in the foreign land it is equally important to have a strong local partner and we will look at all the possibilities of whether having our own or in partnership or a JV with the local partners over there. So a lot of thoughts will have to go in and then we finalize the way forward.
- Shashank: Thanks, that is it from my side.
- Moderator: Thank you. The next question is from the line of Shantanu Mantri from Think Investments. Please go ahead.
- Shantanu Mantri: Sir I just wanted to know in UP we have 30% market share can you just let me know that which are the next four or five states like you mentioned Andhra, Telangana, Maharashtra, so after UP and what would be our market share in these four, five states which are big for us? Thank you.
- Dilip Banthiya: As we said that we are widely spread, UP we have 30% market share. However they are out of top ten states we are available everywhere and impact our market share are quite good in Karnataka, Telangana, Maharashtra, Uttarakhand, the other states like Kerala after the price increase we are ramping up the market share. So I think we are widely spread and as we mentioned earlier also that 37%, 38% of our saliency come from north, 37% come from south and then the east and west, and 11% from CSD so the company is very geographically very widespread in saliency.
- Shantanu Mantri: Sir actually where I was coming from is see this UP has this strong target of increasing revenues to Rs. 50,000 Crore and we having 30% share definitely it will be a good benefit for us, so what I was trying to map was that other than UP are there a few states that you all have envisioned where similar big gains could come?
- Amar Sinha: Yes, first of all I would like to say that there are five states which contribute to 65% of the industry. They are UP, Karnataka, Telangana, Andhra, Tamil Nadu. Leave aside Tamil Nadu because that is a restricted market, so we are looking actively at strengthening our market shares in the states of Karnataka, Telangana and Andhra. They will be our next phase of growth while we are already strong there currently.
- Shantanu Mantri: That helps. Thank you.

Moderator: Thank you very much. Ladies and gentlemen due to time constraint that will be the last question for today. I will now hand the conference over to the management for closing comments.

Dilip Banthiya: Thanks everybody for joining on this call today. As you are aware that Radico has a robust brand portfolio and we have continued to invest behind our brands. We are looking to expand our premium offerings with further new brands launches in coming quarters. The Company has a strong balance sheet and cash generation which provide us ability to invest behind our strategic growth plan.

Overall we believe that there may be some short-term challenges in the industry due to the pandemic which shall not last too long. As vaccinations increase and things are starting to normalize and we will return to the growth path as we had seen in Q4 of 2021 and Radico will outperform the industry.

We look forward to interacting with you on next earning call and further engagement platforms. In the meantime, if you have any queries do let us know and feel free to email to us. Thank you.

Moderator: Thank you very much. On behalf of Emkay Global Financial Services Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.

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*Note: This transcript has been edited to improve readability.*

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