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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, 5th Floor Plot no. C/1, G Block Bandra-Kurla Complex, Bandra (E) Mumbai – 400 051 **Scrip Code: RADICO**

Sub: Transcript of the Earnings Call conducted on February 15, 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 February 15, 2023, for the Unaudited Financial Results of the Company for the Quarter and Nine Months ended December 31, 2022.

The same has also been uploaded on our website at www.radicokhaitan.com.

This is for your information and records.

Thanking You,

Yours faithfully,
For Radico Khaitan Limited

DINESH KUMAR GUPTA Digitally signed by DINESH KUMAR GUPTA Date: 2023.02.20 17:25:23 +05'30'

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

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Encl.: As Above

Radico Khaitan Limited

(BSE: 532497; NSE: RADICO)

Third Quarter and Nine Month FY2023

Earnings Conference call

February 15, 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 the Radico Khaitan Limited Q3 FY2023 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 the conference call please signal an operator by pressing "*" then "0" on your touchstone telephone. 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 Sir!

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 Inba. Good afternoon, everyone. On behalf of Dolat Capital we welcome you all to Q3 FY2023 earnings conference call of Radico Khaitan. We would like to thank the management to give 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 from the management team. Let me now hand over the floor to Mr. Abhishek Khaitan for his opening remarks. Thank you and over to you Sir!

Abhishek Khaitan: Good afternoon, ladies and gentlemen. Thank you for joining us on our Q3 FY2023 results conference call. I hope you are all doing well and keeping safe.

Radico Khaitan has delivered another quarter of a consistent financial performance driven by a robust brand portfolio and excellent execution capabilities. We are pleased with the performance of our premium brands. During the nine months of FY2023, our Prestige & Above category brands have shown robust growth including the core brands such as Magic Moments Vodka and Morpheus Brandy where YTD volumes have surpassed the full year FY2022 numbers.

In January 2023, Morpheus Brandy achieved sales volume of one million cases and entered the prestigious 'Millionaire' brands club. This becomes our sixth brand to sell a million case annually. I would also like to highlight that 1965, Spirit of Victory Rum which we had launched five years ago is also likely to touch a million-case sales volume in FY2023.

During the year, we launched After Dark Blue in a contemporary packaging and positioned in the deluxe category. It is doing extremely well and is going to be one of the core premium brands going forward.

During the last quarter, we had discussed the launch of a new expression of Rampur Indian Single Malt Jugalbandi, a series of eight Indian single malt cask strength whiskies. We are very excited about the response it has received in the international market. Retailing at $400 per bottle, the first two expressions of the series are sold out.

We recently placed Jaisalmer Gold Gin at the Dubai Duty Free and are receiving very good consumer response. Radico Khaitan will continue to expand the Jaisalmer brand equity in the domestic as well as the international markets.

While the raw material scenario still remains volatile, we have seen early signs of deflation in certain commodities. We have recently received price increases in the state of Kerala, Rajasthan and pursuing in some southern states. With the recent price increases coupled with a favorable product mix, we were able to mitigate margin headwinds in the IMFL business to a large extent.

The impact of the cost push has been much severe in the non-IMFL business where we have received price increases in the state of Uttar Pradesh. This will support the profitability expansion in FY2024.

We are pleased to report that during January 2023, we have commissioned the dual feed plant at Rampur and also started bottling operations at Sitapur within the committed timelines and estimated capex budget. As we continue to drive our premiumization journey, the availability of additional grain-based ENA will strengthen our value proposition. The bottling plant at Sitapur positions us strongly to capitalize on the future growth opportunities in the branded business.

Radico Khaitan is progressing firmly on the path of its exciting premium brand creation journey which will be accentuated by a strong backward integration manufacturing platform. Going forward, we continue to focus on our long-term plans of premium IMFL portfolio expansion with the new brands introduction in both white and brown spirits and leveraging the benefits of our capital investments.

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 the third quarter of FY2023, we reported total IMFL volume of 6.99 million cases, which is flat on Y-o-Y basis. Prestige & Above category volume grew by 14.1%. In value terms, Prestige & Above category registered 19.1% growth. Prestige & Above category accounts for 42.4% of the IMFL volume compared to 33.3% in Q3 of FY2022. Our Prestige & Above category volumes represented a double-digit CAGR compared to the pre-COVID levels. We have rationalized volume of regular category brands. This is a conscious strategic decision to mitigate input cost pressure. Had it not been done; our volume growth would have been higher. Furthermore, we have also seen certain RTM changes impacting the industry volume temporarily.

Net revenue from operations during Q3 FY2023 was Rs. 792 Crores representing an increase of 4.7% compared to Q3 of FY2022. During this period, IMFL sales value increased by 2.4%.

Gross margin during the quarter was 41.3% compared to 41.6% in Q2 FY2023 and 45.5% in Q3 FY2022. On Y-o-Y basis, continued commodity inflation resulted in gross margin compression, particularly in non-IMFL business. Given a favorable product mix change, impact on cost push on gross margin of the IMFL business was mitigated to a large extent.

On Q-o-Q basis, margins have remained relatively flat. The compression is due to the full impact of glass price increase given in Q1 and ongoing inflation in ENA cost.

We have experienced inflation in ENA and glass. On Q-o-Q basis, ENA prices have increased by 5%. We have also seen a 12% increase in glass cost from the middle of Q3 FY2023. However, certain commodities such as PET, resin, paper, etc., have seen early signs of softening. In the near term, we expect raw material pricing situation to remain volatile.

In the near term, EBITDA margin is expected to be range bound. In the long term, we are confident of continuing our margin expansion trajectory given our portfolio of premiumization and backward integration.

During the year, the company has spent Rs.472 Crores on Rampur Dual Feed and Sitapur Green Field projects, therefore, the total capex of Rs.541 Crores incurred since inception.

We have a strong financial position, comfortable liquidity and during these 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 open the lines for Q&A. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Thank you for the opportunity. I have one question. If you could give us the gross margin bridge or the loss in gross margin of about 400 basis points in the quarter and let us say 400 odd basis points in nine months considering the fact that the Prestige & Above is now almost 60% of our business and has moved about 8-9% in nine months and has moved up 10% swing in as a percentage of sales in the Q3, if you could give the bridge as to where this 400 bps gross margin loss is coming and if you would portion it out to IMFL, non-IMFL, within IMFL, regular and others, if you could just give that bridge?

Dilip Banthiya: First of all, as we said that the main reason for the gross margin compression is the inflation in the input cost. The compression in the three months and nine months is almost 400 basis points. We have received the price increase with the various states, 8 to 9 states put together roughly to the tune of around 300 basis points. So as an overall macro, the gross margin has impacted by 700 to 900 basis points looking at the premiumization and other things. However, in non-IMFL, which was the main reason of the drag, we have received recently the price increase in the UP-excise policy, which will make the non-IMFL business from a negative EBITDA to a positive EBITDA and that will support us in the future to retain our margin back to mid-teens.

As far as the regular portfolio is concerned, this quarter has been a little exception from the point that there has been various reasons for a de-growth in the regular category, some of them can be attributed to the RTM change, some of them rationalization of the portfolio in view of the cost pressure and this is temporary. I think when the cost pressures come back to a normal level, we will again regain our volume in the regular category as well.

So, I say that with this price increase in non-IMFL, which was negative to positive, we will be able to get back to mid-teens margin levels and then as we have already guided that with this kind of premiumization luxury portfolio and a lot of other levers for 2023-2024, we will be back in 2 to 3 years' time in the late teens kind of EBITDA margins.

Pritesh Chheda: So, within that when you said, you got 3% price hike, what was the corresponding cost inflation that you saw?

Dilip Banthiya: As I said that when gross margin has compressed 400 basis points this is an impact, which has been compensated by 300 basis points from the IMFL business. I cannot quantify exactly, but it should be around 900 basis points or so on the gross margin side. It is complex with so many things because ENA price has increased continuously, year-on-year, the impact of ENA prices is 25% plus. The glass prices have increased by 25% to 30% plus, where first price increase came in the first quarter of the current financial year and the second price increase came in the middle of this quarter. Hence, it is difficult to quantify, but this is reflected very much in the gross margins.

Pritesh Chheda: So, for a 3% price increase that you got, the corresponding cost increase was 9% that is what you mentioned?

Dilip Banthiya: I say that in IMFL business to a large extent, able to mitigate the cost push by product premiumization and the price increase which has been done. But in non-IMFL, it will be reflected in 2023-2024.

Pritesh Chheda: Yes, that I understood Sir. So, if your first observation is that to a large extent the price increase plus product mix has mitigated the impact then which means the gross margin correction is largely then relevant to the non-IMFL portfolio right?

Dilip Banthiya: I say that it has been partly compensated this year by price increase and product premiumization.

Pritesh Chheda: How much price increase have you got in non-IMFL and when will it start flowing, it will start flowing from Q4 or it will start flowing from next year?

Dilip Banthiya: The delta of that is around 15% and from a negative EBITDA, it will come in single digit positive.

Pritesh Chheda: So, there is a 15% price hike which is right and when will this price increase flow into your numbers Q4 or next year?

Amar Sinha: So, it will be effective the first month of the new fiscal, which is 1st April.

Pritesh Chheda: I understood. Thank you. I am done with my questions.

Moderator: Thank you very much Sir. We will take our next question from the line of Vaibhav Gupta from Bowhead Investment Advisors. Please go ahead.

Vaibhav Gupta: Sir, I just wanted to understand if we take into account the royalty volumes and then calculate the growth rate, it seems the adjusted volume growth in P&A segment is 30% plus Y-o-Y, so just wanted to understand, what led to this type of growth and which brands are the major contributor?

Dilip Banthiya: So, you are absolutely right. If you add back the royalty brands, which is in the base, so it will come to 30% plus, you are absolutely right and the flagship brands Magic Moments, Morpheus, 8PM, 1965, Ranthambore, everything is growing and it is well spread out across regions.

Vaibhav Gupta: Okay.

Amar Sinha: But in terms of royalty that you are talking about, it is largely Morpheus Brandy, 8PM Premium Black and Magic Moments.

Vaibhav Gupta: Okay, Sir. Got it and which brands can we expect to be in the millionaire club in 2023 and 2024 like apart from Morpheus and 1965, is there any other brand which is in the running?

Dilip Banthiya: 2023-2024, we will actually assess again the situation, but definitely as said earlier in the first opening remarks, one brand which is close to this will cross in this year 2023.

Vaibhav Gupta: Okay Sir. Thank you so much.

Moderator: Thank you. We take the next question from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas. Please go ahead.

Kaustubh Pawaskar: Good afternoon, Sir. Thanks for taking the opportunity. Sir, my first question is on your earlier comment about the changes in trade margins affecting the volumes of the regular brands, so can you just elaborate that point that what kind of changes have been happened in the trade margins, which led to this volume moderation in Q3?

Dilip Banthiya: We said two things, one is the changes in RTM of certain states where the supplies were affected in this quarter and there are 3-4 states, Delhi, Punjab, etc. Second is consciously as a strategic decision because of the input pressure, there are certain brands which are not making money and that has been curtailed/reduced, so this is another factor. So, once we see that either price increases happen in those price segments and the RTM change is just a temporary phenomenon, I think in a month or 2 months, it will come back to the normal. So, we will in next year be back on some growth in the regular segment though our focus is Prestige & Above category, but this is an exceptional de-growth in this quarter.

Kaustubh Pawaskar: My second question is on margins. You mentioned that once this price increase in non-IMFL segment gets through, you see margins coming back to mid-teens maybe in first half of FY2024, but when can we see also the benefit of this new facilities serving in because that was also supposed to add to your benefit from Q4 so can you just give us some kind of guidance in terms of when can we see those benefits coming in and how it will help your margins to shape up in the quarters ahead?

Dilip Banthiya: As we said that there are various factors, one is the backward integrated facilities will come into stream and that will support the branded business. Rampur Indian Single Malt and Jaisalmer volumes are rising and at this point of time, it is on allocation in global as well as in Indian market. We have already rolled out Rampur Indian Single Malt in defense also, that will get momentum because we are not able to supply at this point of time. The natural growth in our premium portfolio will happen. UPML and CL will also reflect single digit EBITDA margin. So, all put together will play a combined role in making the margin next year in mid-teens to better, as we were earlier in 16% kind of category before 2021. We will be back on those streams and in due course of time, our target to achieve in high teens should definitely be on course.

Kaustubh Pawaskar: Right Sir and one last on the Prestige & Above brand volume growth. So, if we look into this quarter, we have achieved a volume growth of 14% and last quarter it was around 22%, so there is a bit of moderation in the volume growth so any particular reason for this or this is like a phase out effect from, you still maintain the guidance of volume growth of around 18% to 20% in this space?

Amar Sinha: So, P&A growth continues to be strong this quarter it has been 14%, but you see as we said that there were certain markets in Q3 where we deliberately tempered, moderated our volumes because there was a route to market change that was happening. So, it is purely because of that, but the quarter-to-quarter the variation is a little, it is something that we do not look at, we maintain our mid and long-term guideline of maintaining more than 15% growth on P&A.

Kaustubh Pawaskar: Got it Sir. Thanks for the opportunity.

Moderator: Thank you. The next question is from the line of Ajay Thakur from Anand Rathi. Please go ahead.

Ajay Thakur: Thanks for taking my question. Sir just wanted to understand a bit more on the volume growth. If I have to adjust for the RTM changes what would be the volume growth we would have, in the overall portfolio?

Dilip Banthiya: The impact of that is roughly 600 basis points.

Ajay Thakur: Secondly just wanted to check on our employee cost, which has actually risen by almost 20% plus during the quarter so wanted to check what would be the run rate going forward?

Dilip Banthiya: So, the normal increase will be between 11% to 13%, but this quarter there has been an incentive also, which cannot be worked out in advance so this has been charged in this quarter.

Ajay Thakur: Thank you Sir. That is all from my side.

Moderator: Thank you. We will take a next question from the line of Sonaal from Bowhead. Please go ahead.

Sonaal Kohli: So firstly, hearty congratulations on volume growth, which seems to have been exception similar to the consumer companies. I had two queries Sir. Firstly, the volume which you have lost in the regular category, how easy would it be for you to get these back as and when you choose to as and when the inflation is under control or you get price hikes? Secondly, I also wanted to understand your long-term guidance is 15%, but you are growing 30% this quarter so 30% equivalent to two years of growth so I wanted to understand like is this 30% growth an exception or just 15% a more conservative kind of guidance or how do I read when I see your numbers and lastly you mentioned something about the incentive so while incentive may be a yearly phenomenon, but is there any seasonality in this, like this is a Q3 number, it may not come in Q4 or Q1 of next year how do I read this increase in employee cost?

Dilip Banthiya: So Sonaal, first thing first, as far as the regular category is concerned, as we have already explained and I again reiterate that there has been a couple of factors, RTM change, cost pressures and all that, but in normal course it should be in the range of 3% to 5% when normalcy returns and we will regain this thing because our brands in the regular category are also robust. At this point, the new launches are being done in P&A category, but the existing regular brands will be able to take that much of growth. As far as your second question is concerned, as we guided that we will be having a 15% CAGR growth next year when the base impact of the royalty will also stabilize on a Y-o-Y basis, so the 15% is what we guide for, if the industry and other things also grows which is a structural phase then we will see that it can be even higher. You are absolutely right that this quarter it has been better because all brands and if you see the vodka, which was growing in single digits. In the premium vodka there has been a good growth and mainly driven by Magic family. So, we have seen a fantastic growth in vodka, Morpheus has been growing very well, 1965 is the brand which is growing very well in civil market as well as in defense. 8PM Premium Black in 3-4 years we have crossed 2 million and again growing by a very good margin expect close to 3 million cases by 2023. So, I think it is a robust brand portfolio.

Sonaal Kohli: Just one comment if you allow me. This vodka growth you mentioned about vodka growth much higher than this 30% and is it because of the base impact because vodka is used more in pubs or if you remove the vodka also the growth remains healthy in Q3, secondly what would have been your growth in exports in the first 9 months and in Q3? Thank you.

Abhishek Khaitan: As far as the vodka segment if you see like post-COVID vodka is more of day drinking and going out and drinking and everything. Now with the economy opening up vodka has grown a lot because the outdoor drinking and going out has increased.

Sanjeev Banga: As far as export growth in terms of volume, we have been kind of stable like last year but in terms of value we have grown. In terms of volume growth despite all the headwinds that were happening in Africa, which is a large market for us especially in the regular brands that we have there have been 'n' number of problems, be it in terms of the devaluation of the currencies, availability of forex. Also, the ocean freight rates increased tremendously so because of that we had to hold back a lot of shipments especially into the African market or the Central American markets, but now the freight rates have more stabilized, the currency still remains a bit of an issue in Africa, but we do expect growth to come back.

Meanwhile what has happened is that the European and the US markets where the on-trade opened up, our luxury portfolio is doing exceedingly well in all those markets. So, value term, profitability wise we are much healthier than last year, but volume yes, we have taken an impact on the lower range of our export offerings.

Sonaal Kohli: Minus the vodka would you still be growing at a healthy growth rate or the entire growth rate of 30% was driven by vodka or if I remove the vodka can I still say that you would have grown 25%, 30% for Q3 specifically and secondly my question regarding the employee cost and your outlook for exports do we expect exports to grow now considering the freight rates have fallen by almost 90% on some routes?

Amar Sinha: On your question if you leave aside Magic Moments Vodka whether we would still continue to maintain the growth rate the answer is absolutely yes because all our Prestige & Above brands are growing at a very, very healthy rate and the response from the consumer in the marketplace is unprecedented. So, this clubbed with the launch like Royal Ranthambore, Dazzle, Morpheus Brandy, 8PM Premium Black, After Dark the newly launched brand all taken together, we see these brands responding extremely well in the growth rate to be maintained.

Sanjeev Banga: In terms of export, we see the growth coming back very soon because the freight rates you are absolutely right have stabilized, the only issue is a bit on the currency, but that is also getting more and more stable now, so we do expect our volumes to come in very soon back to the growth trajectory.

Dilip Banthiya: As far as your question about employee cost is concerned, again the growth will be in the range of 10% to 12%.

Sonaal Kohli: When you take a base you mean this quarter employee cost does it have one-off incentive, what this number, whatever incentive was in this quarter that should come also in Q4, Q1, Q2, Q3, Q4 of next year?

Dilip Banthiya: So, this is actually cumulatively being given in this quarter.

Sonaal Kohli: Okay. Understood. So, there is an element of one-off.

Saket Somani: This pertains to the last year, which has been paid out in Q3 so you should look at YTD number for the base.

Sonaal Kohli: Thank you so much Sir.

Moderator: Thank you. We will take a next question from the line of Nikhil Chaudhary from Kriss Portfolio Management Service. Please go ahead.

Nikhil Chaudhary: Thank you for the opportunity. Most of my questions have been answered. Sir just probably confirming like you alluded that the regular and other category growth will be coming back in the coming quarters right as soon as you said the RTM will be resolved in a month or two so probably, we will start seeing growth from the coming quarters, right?

Dilip Banthiya: As we said this also depends on the inflation and the contribution that we can make and this has been consciously and strategically done that we have degrown in certain markets. But we feel that with the cost impact, when we are able to have the positive contributions in certain percentage, we will be able to cater with these brands. The brands are robust it is not because of the brand saliency it is because of the contribution being made and as far as RTM is concerned, it is a temporary phase.

Nikhil Chaudhary: Got it Sir. Thank you so much. That is, it from my side.

Moderator: Thank you. Our next question is from the line of Vikas Tulsyan from Vision Ahead. Please go ahead.

Vikas Tulsyan: Thank you for the opportunity. Sir when is your ready-to-mix vodka will be launched or it has already been launched, if it has already been launched, what is the response and what does the management expect from this product?

Amar Sinha: So, what we are talking about is what vodka cocktail. So first of all, it has been launched in Karnataka and that too in premium outlets of Bengaluru. The response has been extremely encouraging and seeing the response we are now planning to extend it to Maharashtra, Daman and Goa and the brand is in fact responding more than what we had expected.

Vikas Tulsyan: It will take some market share from beer also that you are expecting little bit?

Amar Sinha: Let me explain one thing. The purpose of launching vodka cocktail is very simple one because cocktails have traditionally been made out of vodka in our country and nobody had taken the first move so far we have taken the first-mover advantage. We are the only vodka cocktail available right now. Secondly the purpose of launching this product category is to build an aura around the Magic brand. This brand in the hands of youngsters, the new generation will have widespread distribution and it will only strengthen the brand equity of Magic. So here we are not looking at big huge volumes, but we are looking at value and that is what we are finding from the response that we have received in Karnataka.

Vikas Tulsyan: I think it will be a big product and since FTA has been signed with the Australian government you will also target the Australian market?

Sanjeev Banga: We are already in Australia. Our brands are already there in both Australia as well as New Zealand.

Vikas Tulsyan: Okay, thanks

Moderator: Thank you. Our next question is from the line of Krishna from Niveshaay. Please go ahead.

Krishna: My question is on the raw material side so can you give us a clarity on like what is the trend you are looking ahead on the raw materials especially ENA?

Dilip Banthiya: We actually at this point of time cannot comment on the future trend. Basically, this has been an inflationary condition on account of the grain prices, the fuel prices, etc., but there is definitely a check on that because simultaneously the ethanol price is being fixed by the government looking into these grains, etc. So otherwise if you say that we do not foresee big inflation from here onwards, but I cannot predict because the situation at this point of time is also volatile.

Krishna: So, from the capex that we were doing the backward integration, so do we see additional benefit because of the situation?

Dilip Banthiya: Capex backward integration benefit will definitely arise and accrue. As you see the current producer whosoever sells ENA, inflationary things is being reflected in ENA prices so that differential margin should continue to be there.

Krishna: What kind of margin improvement we expect from the backward integration?

Dilip Banthiya: This has been ranging between Rs.12 a liter to around Rs.16 to Rs.17 a liter.

Krishna: Okay. So Rs.4 gap, so we would benefit by Rs.4?

Dilip Banthiya: No. I am talking about in general a producer versus buying from outside.

Krishna: So that gives me a bit clarity. Thank you.

Moderator: Thank you. Our next question is from the line of Anurag Jain, an Individual Investor. Please go ahead.

Anurag Jain: Good afternoon. Basically, my question relates to the macro side. The imported scotch whiskeys have become cheaper significantly in the last few years for example as an illustration if I take the state of Haryana, Royal Ranthambore sells for Rs. 1600 a bottle at some premium to Red Label or an Irish Whiskey like Jameson so my question is how much is the tax incidence on these whiskeys, how does the total taxation combined for at the central level and state level compare for these three as an illustration, basically my question is to understand what is the value generation in local manufacturing for a higher value alcoholic drink? Thank you.

Amar Sinha: One of the points that need to be understood is that for companies like Radico particularly where the mix is skewed towards Prestige & Above premiumization, the reduction of price by BIO brand really does not affect us so much because now brands from Radico are being positioned at prices higher than market leader, even higher than scotch whiskeys and your example is absolutely correct. Royal Ranthambore is a burning example. It is India's finest whiskey now positioned much above 100 Pipers. So what I am trying to say is that these small aberrations in some states where they reduce prices, it does not really affect us so much and we are constantly upscaling our selling prices and consumer prices.

Sanjeev Banga: Just to add on to what Amar said our brands today the quality is comparable to the finest in the world. Just to give you an example Royal Ranthambore were here you comparing to say a Red Label or Jameson in US market it is cross lined with Johnnie Walker Black Label that is the strength of the liquid that goes into Royal Ranthambore.

Anurag Jain: Basically, what you are saying is that the taxation as such does not impact you, reduction in taxation does not impact you for the higher value alcoholic drinks?

Sanjeev Banga: The luxury and super premium brands where we are competing in all the international markets also. Just to give you an example, the minimum price of say a Rampur is about $100 a bottle, which is way ahead of all these normal single malts, a 12-year-old or a 15 or 18-year-old single malt and we are competing in all those markets and still cannot meet the requirement of the market. There is so much demand for our brands so we would not be too worried about the price positioning or the competition over there. All that we need to focus is the brand building and that is happening with Royal Ranthambore.

Anurag Jain: Alright Sir and if I take the same question to the popular drinks category, which are priced lower and one reason for my question is it appears that the competition they are giving up the popular category so is there a disadvantage now in manufacturing the popular drinks, which have a lower price?

Amar Sinha: I will tell you that basically the drinks that we have in our portfolio in the popular or the regular category are robust brands, which have withstood the test of time. For example, 8PM is a 10 million cases plus family brand so it has a consumer pull and when there is a consumer pull, we need to continue to serve our consumers that we have done over the decades so we will continue to do that. It is just that for the time being the economic pressures, the cost pressures are significant and therefore we are moderating our volumes, but yes in the times ahead depending upon economic situation we will get back.

Anurag Jain: Alright. So basically, what I wanted to clarify is that amongst all these cost pressures, is taxation also a factor that the taxation for an imported drink versus what is locally manufactured has reduced so much that taxation provides no barrier as such for local manufacturing in the lower price drinks category?

Amar Sinha: Imported duty is 150% that has not changed. There are some states where the local excise duties have changed on BIO products and it does not matter. It does not bother us because we are on a premiumization journey. Just to reiterate the point, in Maharashtra Royal Ranthambore sells at a price of Rs. 2700 a bottle whereas Red Label and Ballantine sell at for Rs. 2100 a bottle so it does not bother Radico because our journey is different and we are continuing to upscale our premium offering to the consumer with the best in India.

Anurag Jain: Thank you Sir. This is some good insight into the branding for Radico Khaitan. Thank you.

Moderator: Thank you. We will take a next question from the line of Dhiraj Mistry from Antique Stock Broking. Please go ahead.

Dhiraj Mistry: Thank you for the opportunity. So, my first question is related to raw material prices given that if raw material prices remains at current levels when do you expect your EBITDA margin will reach to 15% plus or 15.5% margin and what kind of price hike it would be required?

Dilip Banthiya: So first of all, actually the product premiumization and price increase, which has happened in the non-IMFL business should take us back to our historical margin level. So, 2023-2024, I think we will be at the historical margin level of 15% plus and if the raw material prices stay where it is some price increase will definitely happen in the popular category as well because the representation is a continuous process by the industry forum with the various state governments. It is a pain for everybody.

Dhiraj Mistry: Yes, and my understanding is correct that in Q4 also the margin will remain subdued given that the effective price hike for non-IMFL business is from April?

Dilip Banthiya: You are right, it will remain range-bound.

Dhiraj Mistry: What would be your effective tax rate for this year and next year?

Dilip Banthiya: 25%.

Dhiraj Mistry: Any capex guidance for FY2024?

Dilip Banthiya: As we have already taken these capex projects, and there are projects taken on tripling the Gin capacity and those capexes will be matched and basically as we have guided that this capex will be funded out from the internal accrual as well as taking the loan. So, in next three years the company should be back on the negligible debt or zero debt kind of level.

Dhiraj Mistry: Thank you. If any other further question I will come back in queue.

Moderator: Thank you. Our next question is from the line of Sumit Agarwal, an Individual Investor. Please go ahead.

Sumit Agarwal: Congratulations for good set of results. My question is regarding the volume share of different liquids like rum, brandy, whiskey in the total capacity and which segment is getting more traction?

Amar Sinha: So, you will be amazed. Let me tell you we are in times that after having crossed this pandemic era first of all the volumes in India on alcoholic drinks have come back to the pre-COVID and they are growing at a CAGR of approximately.

Dilip Banthiya: We have grown at 11%.

Amar Sinha: Let me tell you what is more amazing is that every category and every segment in India is growing. The consumer is looking forward to drink eagerly and every segment is growing at a very healthy rate. Whiskey for example is growing at a 17% growth rate and that is on a very heavy base as well. So, I think what we need to see is that there are good times ahead for the drink and industry, we only need to overcome the cost pressures and there is no looking back.

Sumit Agarwal: Perfect Sir and my question is that in the Delhi NCR region because that is a premium market and a lot of influence on other markets as well so are these new launches which are very, very promising like Royal Ranthambore, are these also being extensively marketed and advertised and distributed in Delhi NCR region because I have not seen so much of that?

Amar Sinha: We are extending all these brands into the Delhi market. The Delhi route to market is fairly new and it is still settling down and we have great hopes from this market in the next 6 months. So yes, the width of distribution is being expanded and the brand will be present.

Sumit Agarwal: Perfect. Thank you, Sir.

Moderator: Thank you. Our next question is from the line of Gaurav Lohiya from Bowhead India. Please go ahead.

Gaurav Lohiya: Thank you for this opportunity. Firstly, I wanted to understand Royal Ranthambore is now present in how many states and in next one year by end FY2024? How much further can we increase our distribution in that? Secondly, you had plans to launch some whiskeys, gin and some more products do we see any of those launches in FY2024 or in Q4 FY2023 and lastly, you mentioned that certain price hikes could happen either regular category or in some other states. Is it fair to assume that by end of Q1 or Q2 whatever price hikes we are supposed to happen would have happened by then this is my third and fourth when would you get for Rampur you are supposed to get aged alcohol by when do you think you should be able to get that in FY2024 would it be second half, first half?

Amar Sinha: On the question relating to Royal Ranthambore's availability we have currently launched it in 12 states. The distribution is taking place in primarily A-class outlets but seeing the response we are going to expand the width of distribution in new fiscal FY2024 and we will expand all India during FY2024 as well. On the issue relating to price increase let me tell you the Indian market and different state governments have been quite receptive on the issue relating to cost pressures and in the last one year more than 15 states have given price increases. So, this is a continuous process of representation and I think in FY2024 as well some states where we are continuing to represent will respond favorably.

Gaurav Lohiya: Sir, lastly, these two questions regarding new launches of whiskeys and maybe gin? Are they likely to happen in Q4 FY2023 or in FY2024 or some broad, how many kinds of products are you looking at, what is the size of pie these products could cater to and on the Rampur the alcohol when do you expect that to happen on an incremental basis would it happen in the second half of FY2024 or first half of FY2024?

Amar Sinha: So first of all, I want to tell you that we have always maintained that new product development is a forte of Radico. All our brands have been developed organically. So, it is a continuous process. New products are being worked upon. There is one white spirit and one brown spirit on which we are working very actively and hopefully in FY2024 they should see the light of the day.

Sanjeev Banga: In terms of Rampur, we expect the additional volumes to start trickling in from second half of FY2024 and then it is an ongoing process. We need to understand we matured our malt for a very, very long time and it has been aging. So, we will see the impact coming in from second half of 2024 onwards through the next few years and we already tripled our malt capacity a few years ago, so all that malt will also start flowing in a few years.

Gaurav Lohiya: So, sir, as far the whiskeys are concerned this plan to launch only one whiskey in the financial 2024 did, I hear you correctly?

Dilip Banthiya: As Amar said that the pipeline of product development continues to be there. So, what he said is one white spirit in the high range and one brown spirit, but the point is how much can the sales team will have to work with the launch and so this one plus one is in the card and the planning stage.

Gaurav Lohiya: Understood Sir. Thank you.

Moderator: Thank you. Our next question is from the line of Pankaj from Affluent Assets. Please go ahead.

Pankaj: Thanks for taking my question. As I understand our products are available by allocation either both domestically and overseas just wanted to understand by when we would have it available freely off the shelf?

Sanjeev Banga: I do not think we will have that freely available off the shelf in any time soon because the demand is outstripping what we can supply. Just to give you an example our brands are currently available in about 88 countries, but Rampur is only available in 30 odd countries. So, we have not even expanded to all our existing markets. Similarly in the domestic market we are only available in NCR, in the defense and one or two other states so we have not even pan-India available over here, so it will remain on allocation for the next couple of years, but the volumes will substantially grow year-on-year. So, the demand the way it is and the feedback that we keep getting from our consumers as we would never be in an oversupply sort of the situation in times to come.

Pankaj: So, would that be your strategy to maintain the brand pull or otherwise?

Sanjeev Banga: Not as much as we would like to supply and meet the entire demand it is also a question of the aging and the time that is required for a malt to be ready to be bottled so we would not look at a short term. This is a brand which will be there for generations and we have to maintain consistency of the quality.

Pankaj: So, as I understand it takes around 2 to 3 years for aging of the liquid?

Sanjeev Banga: No, my friend it is much, much longer than that, but unfortunately, we do not make any age statement. So, Rampur is matured for a fairly, fairly long time.

Pankaj: So, there will always be a cap on we would be able to supply right?

Sanjeev Banga: Yes.

Moderator: Thank you. Ladies and gentlemen, we take that as a last question for today. I would now hand the conference over to Mr. Dilip Banthiya for closing comments. Over to you Sir!

Dilip Banthiya: Thank you for joining us today. We have continued to deliver upon our premiumization strategy, which is reflected in strong P&A volume growth during the quarter. All our core premium brands are registering strong growth. The traction of our luxury brands, Rampur Indian single malt, which we have said that on allocation basis and Jaisalmer Indian Craft Gin is above expectation. Next year onwards Rampur Single Malt allocation will increase and we have already expanded Gin distillation capacity to cater to the growing demand. There has been near-term margin pressure due to the commodity inflation, but we are confident of maintaining our long-term margin expansion given the premiumization of our portfolio and backward integration.

We look forward to interacting with you on next earnings call. In the meanwhile, if you have any queries or follow-ups, please feel free to write to us. Stay safe and healthy. Thank you.

Moderator: Thank you members of the management. Ladies and gentlemen on behalf of Dolat Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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Note: This transcript has been edited to improve readability.

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