



the  
**SPIRIT** of dynamism



CORPORATE STATEMENT 2009-2010



We explore,  
we discover,  
we're the first  
to conquer.

We make our own  
uncontested space  
which others follow.  
And create new  
pathways  
where no one  
exists.



# Dear Shareholders,

I write this at a time when the world has begun to heave a sigh of relief as the first sign of the end of recession start appearing on the horizon. With this positive transformation taking place at the macro level, your company too has started gearing itself to reach new heights of business success. It will be our endeavor to take advantage of the emerging optimism in the global as well as Indian economy in the larger interest of our stakeholders.

India today is at the cusp of a major growth era that may last for a very long time. Your company is well poised, after emerging relatively well from the recessionary period, to ride the rising curve of Indian growth story. While we intend to retain the 'old is gold', we are fully conscious to grab the new business opportunities that synthesize well with the growth pattern of the Indian economy.

Year 2009-10 was indeed a fruitful year as we achieved an overall 23% net revenue growth. Our total volume stood at 14.6 mn c/s. Our brands like Magic Moments Vodka, 8 PM Whisky and Old Admiral Brandy were top earners and our new brand last year, Morpheus, struck a chord with our esteemed consumers.

I assure you that your company will continue to gain significant market share in the Brown Spirits and the fastest growing White Spirits segments in the premium and super premium categories. Research backed innovative product launches along with meeting the growing aspirations of the young will remain our main focus for the times to come.

We have launched two brands in whisky segment i.e. "After Dark and Eagles Dare". Though the new initiatives may take time to come into fruition, success once achieved will be abundant for all of us to share together. As always, we shall remain committed to working towards the overall aim of adding value to the stake of every stakeholder, be it shareholders, lenders, creditors, business partners or staff.

While we need your support in our new endeavors, I take this opportunity to wish all our stakeholders and associates the best of luck in the year 2010-11 and ever after. I wish them all the success and their families happiness and long life.

Cheers!!!



New age  
creators



# Radico Khaitan

Limited with an unconventional brand mix is driving a high-spirited movement. As one of the largest IMFL players, it is presently thriving in an industry sizzling with potential. At the core of Radico's success is the ability to identify opportunities by style, price point and distribution channel. A perspective which clearly defines the company's philosophy of innovation and passion.

In other words, Radico has been diligently following the dictum of 'we come, we see, we conquer'. The company's strategy to first get into a price segment that doesn't exist and then move up the value chain seeks to reinforce its leadership position in domestic market. From the popular segment to premium offerings, Radico's finest brands cater to every taste preference in every sector and price category.

Today, the company's portfolio is better positioned, functionally value packed, aesthetically distinct and innovatively distributed. This can be attributed to its tradition of testing new ideas and experimenting with flavours. Be it distinctive blends, superior value, compelling packaging or challenging bottle forms, every time Radico has emerged a 'category creator' and struck the right chord with consumers.

All these elements combined with robust business plans and industry best practices make up the company's success story. Transcending the barriers of competition, Radico continues to apply its inventiveness and focus on growing consumer preferences and higher price segments.

# Premiumization, a way forward.

It is evident that the Indian IMFL market will grow in value and volume, given its strengths and a rapidly expanding consumer base. Radico has committed itself to expedite its efforts through aggressive brand launches and a premium focused growth strategy.

With an unmatched feat of creating four millionaire brands, Radico is one of the largest liquor companies in the country. The company markets a wide range of recognized brands through a nationwide distribution network covering 95% of retail points.

Given the pioneering edge, Radico is committed to delight increasing number of consumers with new innovations and better brand experiences. Starting from Contessa Rum to 8 PM to Magic Moments Vodka to Morpheus and more, all brands are 'firsts' in their respective markets and have become established icons within their segments. Today the company operates across a diverse portfolio of whiskeys, rums, gins, brandies, and vodkas that have carved out a niche for themselves in the market.





All these factors prove favourable for the spirits major focusing on a high end premium identity. Two of its brands in the semi-premium and top-end segments, Magic Moments Vodka and Morpheus brandy together constitute 22% of the sale. This time about, Radico has entered into a new hemisphere, where it has introduced two new whiskeys at the premium end – Eagles Dare and After Dark.

Going forward, it's time to celebrate achievements and hit the market with more such brand favourites.



# The magical mix.

A portfolio of hugely successful brands makes Radico a name to reckon with. One of its winner brands Magic Moments (M2) fits rightly with Radico's strategy and further enhances its strength in the premium category.

Even though Magic Moments was launched in 2006, it was one of those brand icons that seems to be evolving with you everyday. Since its launch, the brand has responded to the growth in popularity and scripted several success stories. This can be attributed to its fine-grained taste and out-of-the-box packaging. Much before 'style-conscious gen next' became a buzz word, Magic Moments Vodka succeeded in creating a new price point in 2006.

The packaging was an instant hit – frosted bottle with a unique guitar shaped glass window, a feature not seen in any other Indian Vodka.

Every time,  
we set the stage and  
lead the show with  
dynamism.

What drives us forward  
is our out-of-the-box  
thinking.

From Magic Moments  
to Morpheus,  
the spirit goes higher.

## Monde Selection 2009–Magic Moments

Premium Grain Vodka – Gold Medal

Flavoured Green Apple Vodka – Bronze Medal

Flavoured Lemongrass & Ginger Vodka – Gold Medal



Magic Moments Vodka has been a consecutive  
**winner of Gold Medal in the  
Monde Selection, International  
Spirits Challenge & International  
Spirits Competition.**



High on fame.



In 2007, the brand again emerged with first-of-its-kind direct printing on the bottle. The brand's growth profile underwent dramatic changes in 2008 with six new flavours at a higher price range stealing the show. Gone was the elite matured audience in favour of 'new urban' Vodka consumers who were willing to pay for the most desirable and deserving. New flavours, new look and new campaigns with an elevated appeal invoked tremendous response. In a short span of three years, Magic Moments Vodka had acquired a unique brand image of 'pure fun, pure luxury' built around the values of urban passion, innovation and camaraderie. Already a mid-market leader, Magic Moments is now all set to top the mass market segment with a 39% growth in sales. At 1.4 million cases and with a prominent market share, the fastest growing semi-premium Vodka seeks to strengthen its growing presence in other countries. Aimed at younger consumers, M2 further promises to 'Zing up life' in different forms and flavours.



Since its launch in 1998, 8 PM backed by fine product quality, superior packaging and high-recall advertising has been a runaway success. In the first year alone, it sold one million cases - a record for any Indian or foreign brand operating in India. This also made it the first brand in the liquor industry to make it to the Limca Book of Records. New 8 PM made of fine quality grains was launched as an extension of the original brand into the semi-premium segment. No wonder, Radico made another journey of discovery to redefine brand experience around its core promise of 'thaath'.



The brand values of 8 PM find expression in 8 PM Bermuda Rum too. As the name suggests, 8 PM Bermuda Rum is a Caribbean rum, warm, full-bodied and dark, blended to perfection and matured in old oak casks. The brand has been a silver medal winner at the prestigious Monde Selection Award.







Contessa Rum, a silver medal winner at Monde Selection 2008 is one of the largest selling Rum brands among Defence forces. Old Admiral Brandy is another winner from the portfolio of Radico to record exponential growth year after year. The third million-case brand continues to receive overwhelming response from trade channel and consumers alike.





Morpheus brandy was launched in 2009 in the super premium segment and marketed widely to accelerate the on-going journey of Radico. It is a confident brandy of the 21st century containing all the richness of tropical weather and texture of warm soils. With its opulent copper tone and lush aroma, Morpheus is a brandy for those who appreciate the finer things in life. Superior quality being a part of Radico's brand, perfection is a part of Morpheus brandy's promise.



# Distilling advantages.

Radico's core competency remains its superior brand portfolio, new offerings, distribution network and manufacturing facilities. The company has 32 strategic bottling units across the country. Radico under a Joint



Venture has commissioned a quality molasses ENA distillery in Maharashtra with an annual capacity of 36 million litres. Under the same Joint Venture, the company has also installed a Grain ENA Distillery in February 2010 with a capacity of 12 million litres to ensure sufficient alcohol availability for its growing IMFL division and its products.

Today, with a production capacity of 139 million litres p.a. and the recent addition of the grain distillery which has taken the capacity up to 151 million litres, it is having one of the largest distilleries in the country.

Radico has plans to consolidate every brand's competitive advantage for sustained growth and performance. The company is also following a forward border policy in order to break boundaries and enter into new territories.

Alliances and collaborations with international giants like Earnest & Julio Gallo, a Joint Venture which Radico has been enjoying since 2001, is part of this strategic initiative. California-based E&J Gallo is the world's second largest winery by the number of cases sold. Considering India's growing wine market, the conglomerate has plans to introduce brands from its global portfolio and sold in India through Radico's extensive distribution channel. Radico is likely to launch and market some of Gallo's major brands like Carlo Rossi, Turning Leaf, Wine Cellars, Andre Brut, Boone's' and Sonoma County. Radico also wants to bring in flavoured and coloured wines to extend its range into another luxury spirits segment.



# Corporate Profile

## BOARD OF DIRECTORS:

Dr. Lalit Khaitan  
*Chairman & Managing Director*

Abhishek Khaitan  
*Managing Director*

K.P. Singh  
*Wholetime Director*

Dr. Raghupati Singhania  
Karna Singh Mehta

Ashutosh Patra  
Mahendra Kumar Doogar

**G.M. - Legal & Company Secretary**  
Amit Manchanda

## REGISTERED OFFICE:

Bareilly Road, Rampur - 244 901 UP.  
Phone No. 0595-2350601, 2350602  
Fax No. 0595-2350009  
E-mail: [rampur@radico.co.in](mailto:rampur@radico.co.in)

## CORPORATE OFFICE:

Plot No. J-1, Block B-1,  
Mohan Co-operative Industrial Area,  
Mathura Road, New Delhi -110 044  
Ph.: +91-11-40975400, 40975500  
Fax: +91-11-41678841/42  
E-mail: [info@radico.co.in](mailto:info@radico.co.in)

## WORKS:

Rampur Distillery  
Bareilly Road, Rampur - 244 901 (U.P).

Plot No. B-24, A-25,  
Shree Khatushyamji,  
Industrial Complex, RIICO, Reengus,  
Dist. Sikar, Rajasthan

B-3, Bazpur Industrial Area,  
Phase-I, P.O.Sultanpur Patti, Bazpur  
Dist. Udham Singh Nagar,  
Uttarakhand - 262 123

S-59, Timmapur Village,  
Palmakul Post - 509 325  
Shadnagar TQ, Dist. Mehboobnagar,  
Hyderabad, Andhra Pradesh

44 KM Stone, Delhi-Rohtak Road,  
Village & Post, Rohad.  
Bahadurgarh, Distt. Jhajjar - 124 501  
Haryana

## AUDITORS:

M/s. V. Sankar Aiyar & Co.  
Chartered Accountants  
Satyam Cinema Building,  
2nd Floor  
Ranjit Nagar Commercial Complex  
New Delhi- 110008

## INTERNAL AUDITORS:

Grant Thornton  
Member of Grant Thornton International  
L 41 Connaught Circus  
New Delhi 110001, India

## BANKERS AND FINANCING INSTITUTIONS:

AXIS Bank Ltd.  
ABN AMRO Bank  
ING Vysya Bank  
Indian Overseas Bank  
Punjab National Bank  
State Bank of India  
State Bank of Travancore  
Standard Chartered Bank  
State Bank of Hyderabad  
State Bank of Mysore  
State Bank of Indore  
YES Bank Ltd.

## OUR WEBSITE:

[www.radicokhaitan.com](http://www.radicokhaitan.com)

We set new  
standards and  
create new records.

Our awards embody  
continued success  
and achievements.

But our greatest  
reward is the people  
we share with.





## NOTICE

### FOR THE 26TH ANNUAL GENERAL MEETING

Notice is hereby given that the 26<sup>th</sup> Annual General Meeting of the Members of Radico Khaitan Limited (RKL), will be held on Thursday, 9<sup>th</sup> September, 2010 at 1.00 p.m. at the registered office of the Company at Rampur Distillery, Bareilly Road, Rampur (U.P.) 244 901 to transact the following businesses:

#### Ordinary Business:

1. To receive, consider and adopt the Audited Accounts of the Company consisting of the Balance Sheet as at 31<sup>st</sup> March 2010 and the Profit and Loss Account for the year ended on that date including Notes thereto together with Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a director in place of Mr. Ashutosh Patra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. K.S. Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**“RESOLVED** that M/s. V. Sankar Aiyar & Co., Chartered Accountants having Registration No. 109208W, be and is hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors.”

#### Special Business:

6. To consider and if thought fit, to pass, with or without modification(s), the following as **Ordinary Resolution**:  
**“RESOLVED** that Mr. Mahendra Kumar Doogar, who holds the office of additional Director up to the date of this Annual General Meeting and in respect of whom a notice has been received from a member u/s 257 of the Companies Act, 1956, signifying his intention to appoint Mr. Mahendra Kumar Doogar, as Director of the Company, be and is hereby appointed a Director of the Company, liable to retire by rotation.”  
**“RESOLVED** further that the Board of Directors or any Committee thereof be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.”
7. To consider and if thought fit, to pass, with or without modification(s), the following as **Special Resolution**:  
**“RESOLVED** that pursuant to provisions of Section 314 (1) of the Companies Act, 1956 read with Directors' Relatives (Office or Place of Profit) Rules, 2003 and other applicable provisions and also subject to such other consents, approval, sanctions, if required, the consent of the Company be and is hereby accorded for the appointment of Mrs. Shailja Saraf, as Associate Vice President for a period of 5 years w.e.f. 15.12.2009 at the remuneration of Rs.48,000/- per month including perquisites and other benefits.”  
**“RESOLVED** further that Mrs. Shailja Saraf shall be in the exclusive employment of the Company and will not hold office or a place of profit in any other Company during the period of her tenure.”  
**“RESOLVED** further that the Board of Directors or any Committee thereof be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.”

**By order of the Board  
for Radico Khaitan Limited**

**Place : New Delhi  
Date : 27.7.2010**

**Sd/-  
Amit Manchanda  
G.M. - Legal & Company Secretary**





## NOTES

- (1) **A MEMBER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID SHOULD BE DULY STAMPED, COMPLETED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- (2) Mr. Ashutosh Patra and Mr. K.S. Mehta, Directors, shall retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief resume of these Directors, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company commends their respective re-appointments.
- (3) Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
- (4) Members who hold shares in dematerialized form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
- (5) In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- (6) Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. upto the date of the Meeting.
- (7)
  - (a) The Company has already notified closure of Register of Members and Transfer Books from 02.09.2010 to 09.09.2010 (both days inclusive) for determining the names of Members eligible for dividend on Equity Shares, if declared at the Meeting.
  - (b) The dividend on Equity Shares, if declared at the Meeting, will be paid on or before 08.10.2010 to those Members whose names shall appear on the Company's Register of Members on 09.09.2010. In respect of the shares held in dematerialized form, the dividend will be paid to members whose names are furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd. as beneficial owners as on that date.
- (8) Pursuant to the provisions of Section 205A (5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends for the financial years 1995-96, 1997, 1998, 1999, 2000 and 2001-2002 to the Investor Education and Protection Fund (the IEPF) established by the Central Government.  
 Dividends for the financial year ended 31.03.2003 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date they became due for payment will be transferred by the Company to IEPF. Members who have not so far encashed dividend warrant(s) for the aforesaid years are requested to seek issue of duplicate warrant (s) by writing to the Company's Registrars and Transfer Agents, M/s. Mas Services Ltd.  
 Members are requested to note that no claims shall lie against the Company or the IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.
- (9) Non-Resident Indian Members are requested to inform the Company's Registrars and Transfer Agents, M/s. Mas Services Ltd., immediately of:
  - (a) Change in their Residential status on return to India for permanent settlement.
  - (b) Particulars of their Bank Account maintained to India with complete name, branch, account type, account number and address of the Bank with Pin Code Number, if not furnished earlier.

**By order of the Board  
for Radico Khaitan Limited**

**Place : New Delhi  
Date : 27.7.2010**

**Sd/-  
Amit Manchanda  
G.M. - Legal & Company Secretary**



## ANNEXURE TO THE NOTICE

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The following Explanatory Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice.

#### Item No.6

Members are informed that Mr. Mahendra Kumar Doogar was appointed as additional Director of the Company at the Board Meeting held on 15.12.2009 and he holds office till the date of the Annual General Meeting of the Company. A Notice u/s 257 of the Companies Act, 1956 has been received from a Member of the company, signifying his intention to appoint Mr. Mahendra Kumar Doogar, as Director of the Company at the forthcoming Annual General Meeting of the Company and has deposited Rs.500/- as security deposit in this regard.

Mr. Mahendra Kumar Doogar has a B. Com degree and he is a Fellow Member of the Institute of Chartered Accountants of India (ICAI). He has wide experience of more than 15 years in the field of Finance, Taxation, Statutory and Internal Audit of Banks, Public Sector Undertakings and large Industrial Undertakings in Private Sectors.

During his illustrious career Mr. Doogar has won several awards in recognition of his services, namely –

- (1) **“Udyog Ratan Award”** by Rotary Mid-Town Economic Studies, New Delhi, for outstanding contribution in Merchant Banking Field.
- (2) **Convener of the Capital Study** of the Northern India Regional Council of the Institute of Chartered Accountants of India which was also awarded the best Study Group of the Institute.
- (3) Award for Outstanding performance in Capital Markets and Financial Markets in North India by **“Bharat Nirman”**.

Mr. Doogar is also an Author of the following books:

- (a) Guide to Capital Issues
- (b) Guide to Sick Industrial Companies
- (c) Practice & Procedure of Public Issues.

Mr. Doogar is on the Board of several large and leading companies in India and is also a Member of PHD Chamber of Commerce and Industry and has consented to act as Director of the Company.

Mr. Mahendra Kumar Doogar has consented to act as Director of the Company and has confirmed that he is not disqualified to act as Director in terms of Section 274 (1) (g) of the Companies Act, 1956 and has submitted Form ‘DD - A’ as prescribed under the provisions of the Companies (Disqualification of Directors under section 274 (1) (g) of the Companies Act, 1956) Rules, 2003, to the Company. He does not hold any share in the Company presently.

He being an independent director, your directors feels that the company would gain tremendously from his advice, inputs and expertise.

Your directors recommend the appointment of Mr. Mahendra Kumar Doogar, as Director of the company liable to retire by rotation and passing of the ordinary resolution as proposed in this regard.

None of the Directors other than Mr. Mahendra Kumar Doogar shall be deemed to be concerned or interested in the proposed resolution.

#### Item No.7

Members are informed that Mrs. Shailaja Saraf was appointed as Associate Vice President of the Company w.e.f. 15.12.2009 by the Board of Directors in their Meeting held on 15.12.2009.

Pursuant to the provisions of Section 314 of the Companies Act 1956, the approval of the Shareholders by way of Special Resolution is required. The resolution is recommended for the approval of the Shareholders.

The terms of remuneration as set out in the resolution are considered to be just, fair and reasonable and are in accordance with the remuneration paid to other similar placed executives in the Company as well as in the Industry.

None of the Directors other than Dr. Lalit Khaitan and Mr. Abhishek Khaitan shall be deemed to be concerned or interested in the resolution.

The Board recommends the Resolution set out at Item no.7 of the notice for your approval.

**By order of the Board  
for Radico Khaitan Limited**

**Place : New Delhi  
Date : 27.7.2010**

**Sd/-  
Amit Manchanda  
G.M. - Legal & Company Secretary**



## DIRECTORS' REPORT

Your Directors are pleased to present their 26th Annual Report together with the audited statement of accounts of the company for the year ended 31<sup>st</sup> March, 2010.

### FINANCIAL RESULTS:

(Rs. in Million)

	2009-2010	2008-2009
Sales (including sales from arrangements with other Distilleries / bottling units)	21163.19	15752.45
Gross Profit (before depreciation and tax)	755.44	354.88
Profit before tax	499.39	123.66
Profit after tax	415.39	65.36
Prior period adjustments	0	0
Surplus brought forward from last year	260.63	236.30
Profit available for appropriation	676.02	301.66
Transfer to General Reserve	250.00	5.00
Proposed Dividend and tax thereon	92.28	36.03
Balance carried forward	333.74	260.63

### OPERATIONS REVIEW:

The Company operates in one core business segment, i.e., manufacturing, sales & distribution of Indian Made Foreign Liquor (IMFL). The year of 2009-10 was a year of 'return on growth' path for the Company after the two consolidation years of 2007-08 and 2008-09 in all the business segments. The Company carries a boutique of Branded portfolio catering all the major segments of market i.e. Whisky, Rum, Brandy & Vodka. The overall strategy has been to focus on growth of its mainline brands and development of New Brands through in-house research & innovation. Your company closed the year with Sales volume of close to 14.6 million cases, where sales of all the key brands grew significantly over the last fiscal.

Company's policy of premiumization of branded portfolio is now paying well as is evident from growth in sale volume of our Magic Moments Vodka. Magic Moments saw a volume growth of 39% over last year and closed the year with sale volume of 1.42 mn c/s. Launch of our new "Morpheus" Super Premium Brandy was also a success with brand witnessing sale of 80K case in the launch year itself. We expect good growth in the current year.

Company was able to get the price increase from the trade and thus improved its sale realization per c/s and also the operating margins through a mix of improvement in saliency of premium brand as well as the price increases.

Molasses prices after going through the roof in the first quarter of 2009-10 started falling and are now in comfort Zone. Due to the improvement in the acreage, yield as well as hike in the minimum support prices of Sugarcane by the state Govt, we hope that it should result in higher Molasses Production in the country in the Sugar Year 2010-11, which would further ease off pressure on Molasses Prices and enable us to improve our margins.

### CAPITAL PROJECTS

During the year your Company has incurred Rs.275 Million on the various capital projects for capacity addition to take care of future, it includes putting additional Printing Machines at bottle Printing Unit, capacity expansion at Pet bottle plant and Malt spirit Maturation facility .

Your Joint Venture Company, Radico NV Distilleries Maharashtra Ltd. has successfully commissioned another 12 million litres of quality Grain ENA Distillery in Maharashtra in February 2010 This distillery is meeting our Alcohol requirement of Contract bottling units in the Western & Southern states. Now your Company has two of its own distilleries in major sugar producing belts of Uttar Pradesh and Maharashtra, having total Molasses ENA, Grain ENA & Malt Spirits manufacturing capacity of 151 million litres of Alcohol.

### FUTURE STRATEGY & GROWTH

Indian Made Foreign Liquor (IMFL) industry is growing steadily over the last decade with many enablers working in its favour on the back of improved demography, increasing social acceptance, favorable bias towards Spirits and consistent growth in GDP. The IMFL has grown at a CAGR of over 10% in volumes and over 12% in value term during the period CY03-09 which is expected to be maintained or even -escalate over the next few years.

The Alcoholic Beverage industry in India comprises of five key segments, that is, beer, wine, IMFL, bottled in origin alcoholic products and country liquor. IMFL consists of whisky, rum, brandy and white spirits (gin and vodka). IMFL space is one of the fastest growing and lucrative markets in the world. Another important trend witnessed in this segment is the premiumisation in brandy, whisky and vodka.

In June 10, Company introduced another whisky brand, "After Dark" Whisky, in the Premium segment and initial response is quite encouraging. Product offers a perfect mix of quality blend & packaging and is targeted towards young population. Our Product portfolio now offers brands in each flavour to the consumers in the semi premium / premium segments of the market.

Your Company has been successful in launch of three brands each in Vodka, Brandy and whisky categories in span of last 4 years in the semi premium/premium category and we believe that with growing IMFL market in these categories, the operating performance should improve substantially in coming years. Company is proud to have four millionaire brands in its portfolio, which have been developed inhouse over last 12 years.

With the Launch of "After Dark" and "Eagles Dare" whiskies in the Premium segment, we have completed our product offerings for now. Our full concentration from now is to expand our volumes by focusing on growth of premium brands and consolidating our portfolio in regular segment.

8 PM Whisky volume growth has not been in line with our expectations and we are fully conscious of this fact. We have





conducted detailed market research for the brand and as per the study, we have entered the 8 PM Whisky Brand in Key states with new packaging. We have also widened our distribution reach to the consumers. We are very hopeful that we shall close the year with good growth in brand volumes.

Last year, company entered into bottling contracts with two new bottlers in TamilNadu and gained good volumes in Tamil Nadu. It also allowed entry of our Morpheus brandy into the Tamil Nadu market, which is one of the major market for Brandy consumers.

Management is fully confident that with right strategies in place for the premium brand launches, their placement at right price points and also a fully functional manufacturing & distribution infrastructure in place, the future is certainly bright for the Company.

#### **QUALIFIED INSTITUTIONAL PLACEMENT (QIPs)**

During the year your Company raised long term funds of USD 75 millions equivalent to Rs.341.79 crores from QIBs by way of Qualified Institutional Placements (QIPs) in terms of Chapter VIII of the SEBI (Issue of Capital & Disclosure Requirements) Regulations 2009. Pursuant to that 2,89,19,000 equity shares having face value of Rs.2/- each at a premium of Rs.116.19 per equity share, were issued and allotted to the investors on 22.03.2010. The funds thus raised have been used for repayment of loans as per the terms of the issue and the amount remaining unutilised are held in mutual funds.

#### **FUNDING THROUGH ISSUE OF FCCBs / CCPs / GDRs / ADRs:**

The company has raised USD 50 million through an issue of FCCBs on 26<sup>th</sup> July 2006 (USD 40 million) and 25<sup>th</sup> August 2006 (USD 10 million on exercise of green shoe option). The FCCBs are convertible into equity shares of the company at the option of the bondholder at a conversion price of Rs.159.20 per shares (original conversion price being Rs.172.50 reset on 6<sup>th</sup> August 2008 pursuant to clause 6.4 of the subscription agreement). The FCCBs carry a coupon rate of 3.50% per annum with a maturity of five years and one day from the date of issue and are listed on the Singapore stock exchange. The balance outstanding FCCBs of US\$ 33.91 million unless previously converted, redeemed or cancelled are liable to be redeemed on the maturity date at a premium of 30.3961% of the principal amount.

#### **EMPLOYEE STOCK OPTION SCHEME:**

From time to time Company has been taking steps to reward performance & retention of the employees who are hardworking, dedicated and committed towards the growth of organization. To enable the employees to have a sense of participation in the Company, Radico Employees ESOP Scheme was implemented in the year 2006.

The Compensation Committee, at its meeting held on 18.6.2009 and 21.7.2009, granted 5,30,000 and 2,07,500

equity stock options respectively to the eligible employees, as per the Employees Stock Option Scheme 2006. These options shall be vested with the concerned employees in Four equal tranches.

The particulars of the option as required by SEBI (employee stock option scheme and employee purchase scheme) guidelines, 1999 are appended as Annexure 'A' and forms part of this report.

#### **DIVIDEND:**

Your directors are pleased to recommend a dividend @ 30% on the paid-up capital of the Company i.e. Rs.0.60 per equity share of Rs.2/- each (face value) to be appropriated from the profits of the year 2009-10 subject to the approval of the shareholders at the ensuing Annual General Meeting.

#### **DEMATERIALISATION:**

More than 96.53% of the shares of the Company have now been dematerialized. Your Directors would request all the members who have not yet got their holdings dematerialized to do so to enable easy trading of the shares, as SEBI has made it compulsory for the shares of the Company to be in dematerialized form for trading.

#### **PUBLIC DEPOSITS:**

During the year under review, your Company has neither invited nor accepted any fixed deposits from the public.

#### **SUBSIDIARY COMPANIES:**

During the year under review, the Company has no subsidiary Company.

#### **TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND:**

Pursuant to Section 205A of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 1999, unclaimed dividend for the financial year ended 31<sup>st</sup> December, 1996, 31<sup>st</sup> December 1997, 31<sup>st</sup> December 1998, 31<sup>st</sup> December 1999, 31<sup>st</sup> December 2000 and 31<sup>st</sup> March 2002 have been transferred to the Investors Education and Protection Fund established by Central Government under Sub Section (1) of Section 205 (C) during August, 2004, July 2005, August 2006, July 2007, July 2008 and July 2009 respectively. Further, unclaimed dividend for the financial year ended 31.3.2003 will be transferred to the said fund with in the stipulated time as prescribed in the Companies Act, 1956 read with rules made thereunder.

#### **DIRECTORS:**

Mr. Ashutosh Patra and Mr. K.S. Mehta shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. Both Mr. Ashutosh Patra and Mr. K.S. Mehta do not hold any shares in the company.



During the year Mr. Mahendra Kumar Doogar has joined as Additional Director of the Company. His detailed profile is provided in point no.6 of the explanatory statement to the notice of the Annual General Meeting.

#### AUDITORS:

M/s. V. Sankar Aiyar & Co., Chartered Accountants, the auditors of the company, retire at the conclusion of the ensuing annual general meeting and being eligible, offer themselves for re-appointment.

#### AUDIT REPORT FOR THE YEAR ENDED 2009-10:

The managerial remuneration paid to the Chairman & Managing Director, Managing Director and Whole Time Director in the year 2008-09 is pending for the approval of the Central Government.

Other observations made in the Auditors Report are self explanatory and therefore do not call for any further comments under Section 217 (3) of the Companies Act, 1956.

#### COST AUDITOR:

During the year under review, your directors had with the approval of the central government, appointed Mr. S.N. Balasubramanian, cost auditor, to carry out the cost audit in respect of the distillery units of the Company for the year 2009-2010. The cost audit for the year 2009-2010 shall be completed within stipulated time as prescribed in the Companies Act, 1956 read with Cost Audit (Report) Rules, 2001.

#### AWARDS AND RECOGNITION:

Radico has received a series of awards and recognitions for achievements in the business and operations.

MORPHEUS BRANDY which entered the Monde Selection award competition for the first time post its launch last year has won the prestigious Monde Gold for its unparalleled quality in its segment.

**MAGIC MOMENTS VODKA** has been granted the Gold Medal i.e. **INTERNATIONAL HIGH QUALITY TROPHY 2010** at the **MONDE SELECTION** and is winning accolades for 3 consecutive years.

Remix Chocolate Flavored Vodka has won accolades in the International arena by winning the Silver Medal at the prestigious International Spirits Challenge 2010 held in UK.

Magic Moments Green Apple winning SILVER in the Flavoured category at Vodka Masters awards held at UK.

#### ENVIRONMENTAL PROTECTION MEASURES TAKEN BY THE COMPANY:

In view of the Corporate Responsibility on Environmental Protection company has adopted number of measures to improve in the field of environment, safety and Health.

Measures like Standard operating Procedures, Training programmes for all levels of employees regarding resource conservation, house keeping, Green Belt development, onsite emergency plan etc. have been taken.

#### CORPORATE SOCIAL RESPONSIBILITIES (CSRs):

Events organized by Radico, Rampur, in the year 2009-10 under Corporate Social Responsibilities:

1. Initiatives for blanket distribution for poor populations at Rampur during winter (around 2 thousand in numbers)
2. Fire wood distribution during winter season
3. Two education centers are running for basic education of poor children in Rampur backward areas.
4. Medicine distribution to Leprosy ashram every month.
5. Up to Rs. 100000.00 (Rs. One Lac Only ) as donation to different schools for their buildings & others as required by the school management.
6. Adoption of Ajitpur village near Rampur for providing roads, lights etc.
7. Frequent blood donation camp thrice in a year in the factory premises and donated blood provided to the needy person in the Rampur Distt.
8. Helping local administration in the event of any natural calamities by providing ambulance, food packets and other relative items & services.
9. Providing trophies & cash amount to the topper of Rampur Distt. Students of class X & XII every year (CBSE, ICSE Board & U.P. Board).
10. Providing eye camps for needy persons of Rampur & surroundings for free operation & other related treatment.

#### DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of provisions of Section 217 (2AA) of the Companies Act, 1956 (Act), your Directors confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures, wherever applicable.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company, as at the end of the accounting year and of the profit of the Company for that period.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts on a going concern basis.



### Particulars of Employees:

In accordance with the provisions of Section 217 (2A), read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are to be set out in the Directors' Report, as an addendum thereto. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and accounts, as therein set out, are being sent to all members of the Company excluding the aforesaid information about the employees. Any member, who is interested in obtaining such particulars about employees, may write to the Company Secretary at the Registered Office of the Company.

### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the relevant information and data is given at **ANNEXURE - B.**

### MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2009-2010:

Management Discussion and Analysis Report, as required under the Listing Agreement with the Stock Exchanges is enclosed and forms part of this report.

### CORPORATE GOVERNANCE REPORT FOR THE YEAR 2009-2010:

Report on Corporate Governance along with the certificate of statutory Auditors, M/s. V. Sankar Aiyar & Co., confirming compliance of conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreement, forms part of the Annual Report.

### ACKNOWLEDGEMENTS:

Your Directors would like to express their sincere appreciation to the investors and bankers for their continued support during the year. Your Directors extend their sincere gratitude to all the Regulatory Authorities like SEBI, Stock Exchanges and other Central & State Government authorities / agencies, Registrars for their support.

Your Directors also place on record their appreciation for the dedicated services rendered by the employees at various levels and look forward to their continued support in the future as well. We also take this opportunity to thank all the valued customers who have appreciated our products and have patronized them.

**For & on behalf of the Board**

**Sd/-**

**Dr. Lalit Khaitan**

**Chairman & Managing Director**

**Place : New Delhi**

**Date : 27.07.2010**



## ANNEXURE-A

Disclosure as required under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as on March 31, 2010

A.	Particulars	ESOP Scheme
1	Number of options granted	3,327,500
2.	The Pricing Formula	First Grant – (for current eligible employees) who would have completed at least one year of service as on the date of the grant – Per Option – 30% discount to the lower of -
		(a) latest available closing price, prior to the date of the meeting of the Compensation Committee in which options are granted, on the Stock Exchange on which the shares of the Company are listed and on which there is highest trading volume on the said date.
		(b) average of the weekly high and low prices of the equity shares of the Company during 2 weeks preceding the date of grant of option on the Stock Exchanges of which the shares are listed and on which there is highest trading volume on the said date.
		Subsequent Grants – (for future / new eligible employees) Per option – 15% discount to the latest available closing price, prior to the date of the meeting of the Compensation Committee in which options are granted, on the Stock Exchange on which the shares of the Company are listed and on which there is highest trading volume on the said date.
3.	Number of options vested	1,590,166
4	Number of options exercised	695,309
5	options	695,309
6	Number of options lapsed	1,042,025
7	Variation in the terms of options	N A
8	Money realised by exercise of options (Rs.)	58,362,279
9	Total Number of Options in force	1,590,166

## B. Employee-wise details of options granted to:

(i) Senior managerial personnel

Name	No. of options granted
MR. DILIP KUMAR BANTHIYA	70000
Mr. SANJEEV BANGA	70000

(ii) Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year

Name	No. of options granted
MR. DILIP KUMAR BANTHIYA	70000
Mr. SANJEEV BANGA	70000





- (iii) Identified employees who were granted option, during any one year, equal or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant

NA

Name	No. of options granted

**C. Diluted Earnings Per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20**

3.99

**D. The impact on the profits and EPS of the fair value method is given in the table below -**

	(Rs. '000)
Profit as reported	415,393
Add - Intrinsic Value Cost	8,158
Less - Fair Value Cost	-3,786
Profit as adjusted	427,338
Earning per share (Basic) as reported	4.02
Earning per share (Basic) adjusted	4.13
Earning per share (Diluted) as reported	3.99
Earning per share (Diluted) adjusted	4.11

**E. Weighted average exercise price of Options whose**

(a) Exercise price equals market price	Nil
(b) Exercise price is greater than market price	Nil
(c) Exercise price is less than market price	65.23

Weighted average fair value of options whose

(a) Exercise price equals market price	Nil
(b) Exercise price is greater than market price	Nil
(c) Exercise price is less than market price	34.38

**F. Method and Assumptions used to estimate the fair value of options granted during the year:**

The fair value has been calculated using the Black Scholes Option Pricing model

The Assumptions used in the model are as follows:

Date of grant	18-Jun-09	21-Jul-09
1. Risk Free Interest Rate	5.65%-6.71%	5.49%-5.85%
2. Expected Life	2.5 - 5.5 years	1.5 - 2.5 years
3. Expected Volatility	46.54% - 47.43%	49.38% - 47.17%
4. Dividend Yield	0.37%	0.37%
5. Price of the underlying share in market at the time of the option grant (Rs.)	73.55	90.15





## ANNEXURE-B

### Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo:

The particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are as under:

#### A. Conservation of Energy:

- (a) Energy conservation measures taken
  1. Modification done in TBW Boiler to improve the flue gas path towards the Super Heater Coils to improve heat recovery through flue gases. By this modification we have observe the increased final steam temperature of TBW Boiler & which has improve the specific steam consumption of Turbine in RDL.
  2. Aluminum Cast blades of Old cooling tower were replaced by FRP blades to save the power consumption in operation of cooling tower.
  3. Modification in CBL Boiler done for improvement of Biogas firing system. After modification Biogas combustion improved by which fuel consumption norm of CBL boiler has improved.
  4. In Biogas plant the raw water was being utilized for maintaining the temperature of spent wash. We have installed cooling tower for utilizing re-circulated water for maintaining the spent wash temperature. This modification saved ground water utilisation.
  5. Modification done for utilizing cooling water of Fermentation Plant in Malt plant. After this modification one small cooling tower of Malt Plant is switched off now, this is direct saving of electrical power as well as of water.
  6. In turbine hall Turbo ventilators were installed to exhaust the hot air of the hall without utilisation of electrical power.
  7. In Bahadurgarh Printing Plant modification done to connect two K- 09 machines with one oven. By doing this we have saved power consumption (160 Kw).
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy
  1. There are some cooling towers for which FRP Blade conversion is proposed for further years.
  2. Replacement of Vacuum Pumps of Fermentation Plant of GSP with Root Air Blowers. This modification will provide saving of electrical power & process water.
  3. It is proposed to find out the technology by which the slurry cooking in Liquefaction plant of GSP can be done by using low pressure steam instead of high pressure steam. By this modification 100-120 Kw power can be generated extra from Turbine.
  4. It is proposed to modify the process of Malt Spirit Plant to improve the productivity & energy consumption norms.
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
  1. By improvement of Flue Gas path in TBW Boiler we could achieve Evaporation Ratio of 6.66 which reflects the saving of Rs. 24.93 lacs.
  2. By replacement of FRP Blades we could save Rs.1.56 Lacs.
  3. By improvement of Biogas & Rice Husk Firing System of CBL Boiler we could save Rs. 114.80 Lacs.
  4. By utilizing cooling water of Fermentation Plant in Malt plant. We could save 8 KW/Hr, electrical energy (Rs. 2.5 Lacs).
  5. By connecting two K- 09 machines with one oven we could save electrical power consumption 160 Kw (Rs. 26.88 Lacs).

#### B. Technology absorption:

Process Improvements:

1. Optimised impure cut from 3.5% to 2.5% to increase the productivity of the plant. With this improvement we could save Rs. 44.06 Lacs.
2. After improvement in process of GSP electrical power consumption norm has improved from 0.35 Kw/BL to 0.3 Kw/BL. With this improvement we could save Rs. 77.32 Lacs.
3. After improvement in process steam consumption norm has improved by which we could save Rs. 154.52 Lacs.
4. It is proposed to Introduce latest Anzyme which works on low temperature by which steam consumption in Liquefaction Plant will be reduced.
5. It is proposed to Install CO2 Plant in Molasses Fermentation Plant, by which extra revenue will be generated.
6. It is proposed to modify the yeast vessels for providing extra growth to yeast by which productivity of the Fermentation Process will be improved.
7. It is proposed to install new sachet machine in GSP for launching new products in Over Seas markets.
8. It is proposed to install automatic frosting machines in Bahadurgarh printing plant to improve the productivity of the plant. It will also reduce the cost of frosting per bottle.

#### C. Foreign Exchange earning and outgo:

Particulars of earnings and outgo of foreign exchange are given in Notes on Accounts in Schedule 20 (i) of the accounts.

Place : New Delhi  
Date : 27.07.2010

Sd/-  
Dr. Lalit Khaitan  
Chairman & Managing Director



# MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2009-10

## COMPANY OVERVIEW

Radico Khaitan Limited (RKL) is the one of the major player in India in Indian Made Foreign Liquor (IMFL) segment. The Company caters to all price points at Super premium, Premium, Deluxe and regular liquor segments and has presence across the entire alcohol value chain, right from sale of bulk alcohol to country liquor to sale of its own brands in the IMFL category.

The Company has been able to consistently set new benchmarks in the market due to its 'brand creation' potential. Radico has an enviable track record of creating four millionaire brands & successful launch of new brands in premium space over the last decade.

In its strategy of moving up the value chain, the Company has successfully sustained its growth at the higher end in the industry. The success of "Magic Moments", 1.4 m+ cases brand, is now being followed up by the launch of a super premium brandy "Morpheus" and two premium whisky brands. With strong 15%+ volume CAGR expected in IMFL brands and premiumization of portfolio, Radico continues to play a pivotal role in the growth of IMFL Industry.

## ECONOMIC REVIEW

The year FY 2009-10 has been a year of robust bounce back after the downturn which the economy witnessed in the year 2008-09 with each sector of the economy getting seriously affected. It was a year of challenge where each industry player tried its level best to come out of the hard days.

There are signs of turnaround in industrial production & exports with emerging economies growing at a faster pace. The world economy reveals that "financial markets are buoyant, business confidence is coming back and global growth seems increasingly robust." It is predictable that the global output rate will grow on a purchasing power basis, compared to what it was foreseen months ago. "With global investment accelerating and consumer spending strong, there is growing optimism that the recovery is becoming self sustaining." (Source: The Economist, April 2010).

## GLOBAL SPIRITS MARKET

### UNCORKING OPPORTUNITIES

The global spirits industry has proved to be recession resistant with slowing economies not having any major impact on the overall growth of the industry. There is a whiff of exuberance expectation with the global spirits market forecasted to show growth from 2010 to 2012 despite constraints such as market consolidation, maturity, private label, stricter regulations and health issues. New opportunities enable the spirits manufacturers to combat these threats and drive expansion into occurrence markets by endorsing discipline and development in healthy and premium spirits. Globally, the spirits industry is growing on the back of several factors.

The emerging supermarkets/hypermarkets are currently witnessing a strong ongoing momentum in consumption of

alcoholic beverages as a result of a rise in the discretionary spending of consumers. The growing strength of these supermarkets is helping mega retailers establish themselves as the major channel of distribution for alcoholic beverages as well as spirits. Also the growing demand for premium and superior premium brands for a more specific, niche consumer have resulted in increased investments over the last few years in product innovation and brand launches.

No doubt, the premium segment of the alcohol market was a major driver of growth in the past, as mass market consumers traded up, and affluent individuals sought premium products. The recession has had an impact on both the segment and the overall market, challenging marketers to maintain and grow their brands. Behaviour has changed, with some consumers trading down, and many drinking more at home than in bars, restaurants and clubs. Consumers continue to desire and purchase premium alcohol drinks and marketers continue to differentiate their premium brands through product, package and branding initiatives.

## IMFL Industry

### INDUSTRY OVERVIEW: KEY GROWTH DRIVERS

#### REVIVAL IN GDP AND INCREASING PER CAPITA INCOME WILL LEAD TO RISE IN CONSUMPTION

Indian GDP has grown at a CAGR of 7.6% over FY01-10 while its per capita income has grown from USD 450 to USD 1030 during the same period. Strong growth in GDP has led to increase in job opportunities and higher salaries. This in turn has resulted in higher personal disposal income. We expect the GDP growth to sustain at over 8% in the next 2-3 years and aid in rising per capita income which will drive higher consumption and up trading by consumers.

Economic expansion and increasing urbanization are driving the emergence of a larger middle class that increasingly appreciates and is willing to pay for premium goods and services, including high end spirits. Higher per capita income and a growing proportion of the 'consuming class' continue to impact demand for alcoholic beverages and spirits in India. During the next decade, increase in middle high income households in the country is expected to be underpinned by rapidly growing disposable income boosting demand for lifestyle products including premium alcoholic beverages.

### DEMOGRAPHIC ACCELERATORS

The average annual population growth of the nation has been at about 2% per year during the period of 1991-2001 and is expected to remain at 1.2% per year during the period of 2011-2021. Keeping this trend in perspective, India shall be adding nearly 15-18 mn people every year in drinking age for the next 10-12 years. With already some 400 mn people in the age group of 15-34, the sheer size and attractiveness of the Indian Alcoholic Beverage market is just getting more lucrative.

The demographic mix of India's population also points to the high potential for growth of the IMFL segment and the demand



for alcoholic beverages is set to grow faster in the country.

### **LOWEST PER CAPITA CONSUMPTION OF ALCOHOL**

The per capita consumption of alcoholic beverages in India is one of the lowest in the world (at 0.86 litre, India was ranked 150th among 184 countries as per a World Health Organisation Report on Alcohol in 2004). This may have increased marginally at present, but even a small further increase in per capita consumption could significantly alter industry growth, given the large population base and the new additions to the drinking age population.

### **LARGEST POOL OF EDUCATED YOUTHS**

Not only is the bulging population more literate but also has the edge of being highly skilled and proficient in English, the global language for business and commerce. Every year, India adds more than 7 mn graduates, over 1 mn engineers, and over 1 mn postgraduates and doctorates. This employable workforce enjoys huge premium and has been driving the salary packages. Recent survey by a major Human Resources Consultancy indicates towards continued buoyancy in Indian economy with expectation of double digit growth in the salary hikes, which is amongst the highest in the region.

### **CHANGING ATTITUDE: INCREASING SOCIAL ACCEPTANCE**

Historically alcohol consumption had been perceived negatively in India owing to its traditional and religious influence. Joint families and closely knit society restricted alcohol consumptions; however, social acceptance has been gaining ground and preferences have changed led by western cultural influence. Today, social drinking by women has also found acceptance.

Several soft factors such as the growing acceptability of consuming alcohol in the Indian society and more exposure of the youth and urban residents to western media and lifestyle will help boost demand for liquor products in the country.

### **PREMIUMISATION**

Premiumisation has been touted as one of the ongoing story for Alcoholic beverages. Consumers around the world are looking higher on up trading more premium brands in pursuit of higher social and emotional quotient attached to it. This is even more relevant for a consumer who drinks only occasionally with friends. At the same time, some spirits companies position their brands at premium segment to garner higher margins. In India, the trend towards premium products has witnessed some acceleration over the years. While today the contribution of the premium segment stands at below 5% which is modest, India has the potential to improve in the coming years when compared to other developing and developed countries. Even South Africa and Brazil have higher share of premium alcohol vis-à-vis India.

### **CANTEEN STORES DEPARTMENT (CSD)**

Increased demand of consumer items for armed forces by Canteen Stores Department (CSD) led to a significant growth in this segment. Liquor, especially Rum, is a major item among provisions consumed largely by the defence personnel. Radico is a prominent player in this segment with 20% of its IMFL sales made to the Canteen Stores Department (CSD).

It may be noted that there are stringent conditions for introduction in the CSD market. Even though CSD offers lifetime registration, brands have to maintain a certain value/volume in the civil market.

### **REGULATIONS EDGE TO THE INCUMBENTS**

In India, Liquor policies governing its production and sale are in entire domain of respective State governments, which are subject to rapid changes with the change in the local government. However, over the years, States have started realizing the importance of growing the organized Liquor industry as a source of healthier alternative to Country Liquor and easing regulation on them by opening more channel of distribution. This has led to ban on sale of unorganized Liquor in all of the southern markets. Also, organized Liquor has led to higher revenue for the States.

Licenses have been made difficult for any new unit or bottling plant over last few years. However, the States have been reasonably flexible in granting expansion of existing capacity to meet demands. This acts in favor of incumbents as new players find it difficult to start. With as many as 29 alcohol consuming States/Union Territories, each acting as a different country, new players including large MNCs find it highly disincentive. Incumbents also have expanded their distribution in most States giving them advantage of larger regional or national presence with better brand recall.

### **THE INDIAN SPIRITS INDUSTRY OUTLOOK**

Indian Made Foreign Liquor (IMFL) is a sweet spot in Alcoholic Beverage industry with many enablers working in its favour on the back of improved demography, increasing social acceptance, favorable bias towards Spirits and consistent growth in GDP. The IMFL has grown at a CAGR of over 10% in volumes and over 12% in value term during the period CY03-09 which is expected to be maintained or even escalate over the next few years.

The Alcoholic Beverage industry in India comprises of five key segments, that is, beer, wine, IMFL, bottled in origin alcoholic products and country liquor. IMFL consists of whisky, rum, brandy and white spirits (gin and vodka). The 180 m cases (annual) IMFL space is one of the fastest growing and lucrative markets in the world. Another important trend witnessed in this segment is the premiumisation in brandy, whisky and vodka.

With the Indian spirits players retaining their momentum in terms of new brand launches, 2009 remained highly dynamic. This is especially true of the IMFL segment, which is set to see a spurt in consumption in the next few years.

It is interesting to note that the spirits industry is set for strong growth across all categories. While whisky, rum and brandy are expected to grow in double digits despite their large base, smaller segments like vodka are likely to rise meteorically at about 25% in volume over the period 2010-2015.

### **VODKA HOLDS PROMISE: PREMIUMISATION TO AID GROWTH**

Vodka sales have grown at a CAGR of 33% over CY03-09. We expect Vodka segment to continue annual growth of over 30% for the next two to three years. Additionally, premiumisation on account of up trading and new consumer





entry at higher price points is expected to add 2-3% to the top line in the next two to three years.

From a marketing perspective, Vodka will continue to witness a meteoric growth - on account of a smaller base as well as the changing tastes of the Indian youth, who is more receptive to different types of alcoholic beverages. With innovative packaging and marketing, coupled with the fact that there are inbuilt product benefits, greatest of them being mix ability, and hence can be used in a variety of cocktails, Vodka is appealing to an ever wider audience across men and women.

## **BUSINESS STRATEGY**

### **DRIVEN BY PREMIUMIZATION**

The Company would remain focused preferred quality products provider in the semi premium and premium categories. The aim is to gain significant market share in Brown Spirit and fastest growing White Spirit segments.

In India, distribution of alcohol is over regulated and suffers from market volatility. In such a scenario, Company once again demonstrated its ability to launch new brands and develop initiatives seeking opportunities in a challenging environment. Innovation in product launch by doing extensive consumer & market research to meet growing aspirations of the young consumers is our special forte.

Our vision is to consolidate our market share and achieve sales volume of more than 20 million cases by 2011-12. The Company shall fully capitalize on its strong pan India distribution network & manufacturing network of five owned & twenty seven Contract manufacturing units across the country. This will ensure wide reach for the Company and enable the company to tackle high inter-state taxes levied on movement of finished and in process liquor.

Premiumization is the way forward for the Company. As the brand portfolio moves towards the higher end, we see the Company's per case realization and contribution trending closer to other eminent players. Also, the Company intends to increase its business mix towards IMFL to 80% by FY12E from 73 % currently.

### **KEY INITIATIVES UNDERTAKEN**

The Company's business remained robust as the year under review witnessed strong demand. Several measures have been taken with focus on cost optimization, value engineering, and overhead control. The Company has put the best management practices to ensure that all the resources are utilized optimally.

### **OPPORTUNITIES AND THREATS**

The liquor industry is a regulated and highly taxed industry. Since, excise duty on liquor is a state subject, multiplicity of laws and regulations legislated by different state governments, have contributed to an environment with different requirements across different states.

Liquor production and sale is a State subject and hence is subjected to State laws and regulations which are prone to rapid changes with the change in the local government.

The liquor market is growing rapidly owing to favorable demographics and rapid economic growth. With over 50% of country's population below 25 years of age, the long term

outlook for liquor consumption in India is positive. Increasing social acceptance of liquor consumption and greater western influence combined with rising disposable incomes in the hands of the population shall drive a substantial pull in demand for IMFL. Exposures to western culture and habits through electronic media have contributed to the changed scenario.

According to industry data, per capita consumption of 'Indian Made Foreign Liquor' (IMFL) is 0.9 litres per annum compared with the global alcohol beverage consumption average of 4.6 litres per annum. Even a small increase in per capita consumption could positively and significantly alter the growth of the Indian industry, given its large population base.

The key drivers for growth of the company in future would be increase in volumes in various markets, acquisitions of brands and major thrust to exports including bottling arrangements abroad, driving operational efficiencies and expanding spirit capacities.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has put in place adequate internal control systems and procedures at all levels. Internal Control Systems are continuously strengthened through an ongoing review through highly qualified and experienced professionals in all fields including technical. The report of Internal audit is regularly discussed with the management and corrective measures, wherever required, are taken and continuously monitored. The management is reasonably satisfied about the adequacy of these internal control systems.

The Audit Committee of the Board meets regularly to review the adequacy of internal controls, internal audit findings with action taken reports and to advise the management with the corrective policies to be adopted by the company, if necessary.

### **HUMAN RESOURCE AND INDUSTRIAL RELATIONS**

The Company is putting unrelenting efforts to employ professionally qualified personnel in different hierarchy of administration. Further, requisite training is given to employees at different levels by identifying the needs.

The Company has an extremely low labor turn over and continues to enjoy a healthy and productive relationship with its employees.

There are no financial or commercial transactions that can have a potential conflict of interest between personnel in the management and the Company.

### **RISK AND CONCERNS**

Liquor business in general is not sensitive to the overall economic environment. India is amongst the lowest per capita consumer of Alcoholic beverages. Favourable demographics, increasing prosperity coupled with disposable income augur well for the future of industry. With Aam Admi focus of the Central Govt. the rural economy is going to see growth in the coming years, which would translate into more spending power of the consumer thus benefiting the industry in the long term. Increasing consumer awareness through electronic media and desire for higher levels of standard of living is also propelling demand for premium products.



Due to WTO commitments, Central Govt. has been consistently reducing the custom duties on Bottled in Origin spirits (BIO). However, the same is somewhat cushioned with State Governments levying countervailing duties on Bottled in Origin products, thus offering some measure of protection for the domestic industry. Since, these BIO products are in the higher MRP range, hence our Company is not likely to face any major risk.

Industry also suffers from high levels of duties and taxes, which is evident from the fact that for every bottle of liquor, which is sold from a retail outlet, almost two third goes to the exchequer in the form of various levies. Despite this, the industry is growing at a steady pace of around 10% every year.

Molasses prices after going through the roof in the first quarter of 2009-10 started falling and are now in comfort Zone. Due to the improvement in the acreage, yield as well as hike in the minimum support prices of Sugarcane by the state Govt, we hope that it should result in higher Molasses Production in the country in the Sugar Year 2010-11, which would further ease off pressure on Molasses Prices and enable us to improve our margins.

#### **GEOGRAPHIC RISK**

Company's business is well diversified and multi locational and as such there is no specific geographic risk, which the Company faces. Company is making all out efforts to improve its export performance in the coming years.

#### **CURRENCY RISK**

Your Company also has a portfolio of foreign currency debt in respect of which it faces exposure to fluctuations in currency as well as interest rate risk. The Company adheres to sound risk management practices for its forex exposure.

#### **CAUTIONARY STATEMENT**

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied important developments that could affect the Company's operations include unavailability of finance at competitive rates global or domestic or both, reduction in number of viable infrastructure projects, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, exchange rate fluctuations, interest and other costs.

**For and on behalf of the Board**

**Place : New Delhi  
Date : 27 July, 2010**

**Sd/-  
Dr. Lalit Khaitan  
Chairman & Managing Director**



## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2009-2010

### A. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE:

Radico philosophy of Corporate Governance is aimed at safeguarding and adding value to the interest of the various stakeholders of the Company including shareholders, lenders, employees and public at large. Emphasis is laid on striking a balance between individual interests & corporate goals while operating within accepted norms of propriety, equity, fair play and sense of justice. Under good Corporate Governance we are committed to ensure that all functions of the Company are discharged in a professionally sound, accountable and competent manner.

Over the years, governance processes and systems have been strengthened at Radico. In addition to complying with the statutory requirements, effective governance systems and practices towards improving transparency, disclosures internal controls and promotion of ethics at work place have been institutionalized.

Keeping in line with the above philosophy, the company has implemented the requirements of the code of corporate governance, as stipulated in clause 49 of the listing agreement. Given below are the requisite information relating to corporate functions of your company for the purpose of due transparency on this aspects.

### B. BOARD OF DIRECTORS:

#### (a) Composition, Meetings and Attendance during the financial year 2009-2010:

During the year 2009-2010, the Board of Directors of Radico Khaitan Ltd. comprised of seven Directors. Dr. Lalit Khaitan, an Executive Promoter Director, who was the Managing Director of the Company, was the Chairman of the Board. During the said period, out of seven Directors, four Directors were Non-executive Independent directors, being more than half of the Board. As on 31.03.2010, the total numbers of Independent directors were four. The composition of the Board of Directors met the stipulated requirements of the Clause 49 of the Listing Agreement.

During the financial year 2009-2010, nine Board Meetings of RKL were held on 29.5.2009, 30.6.2009, 21.7.2009, 29.9.2009, 7.10.2009, 20.10.2009, 30.10.2009, 15.12.2009 and 20.1.2010.

The Board of RKL was presented with all relevant information well in advance before each meeting on various matters affecting the working of the Company, as well as those that require deliberation at the highest level.



The Board's composition and categories were as under: -

Sl. No.	Category	Name	No. of Directorships in other companies	No. of Board Committee Memberships in other companies	No. of Board Meetings attended	Whether attended last AGM	Shares held	
							Number	%
1.	Executive Promoter	Dr. Lalit Khaitan Chairman & Managing Director	Nil	Nil	8	No	234295	0.23
2.	Executive Promoter	Mr. Abhishek Khaitan Managing Director	Nil	Nil	8	No	86065	0.08
3.	Executive Non Independent	Mr. K.P. Singh Whole time Director	1	Nil	5	Yes	9500	0.007
4.	Non-executive Independent	Mr. K.S. Mehta Chartered Accountant	7	Nil	4	No	Nil	-
5.	Non-executive Independent	Dr. Raghupati Singhania Industrialist	8	1	1	No	Nil	-
6.	Non-executive Independent	Mr. Ashutosh Patra Solicitor & Legal Expert	Nil	Nil	9	No	Nil	-
7.	Non-executive Independent	Mr. Sanjay Jalan * Chartered Accountant	N.A.	Nil	6	No	Nil	-
8.	Non-executive Independent	Mr. Amit Burman *** Industrialist	N.A.	Nil	Nil	No	Nil	-
9.	Non-executive Independent	Mr. Mahendra Kumar Doogar*** Chartered Accountant	5	3	2	No	Nil	-

- (1) Private Limited Companies, Foreign Companies and companies under Section 25 of the Companies Act, 1956 are excluded for the above purposes.
- (2) Only Audit Committee and Shareholders' Grievance Committee are considered for the purpose of Committee position as per Listing Agreement.
- (3) None of the Directors was a Member in more than 10 Committees nor a Chairman in more than five Committees across all companies in which he was a Director.
- (4) \* Mr. Sanjay Jalan and \*\* Mr. Amit Burman ceased to be Directors respectively on 29.10.2009 and 27.10.2009, while \*\*\*Mr. Mahendra Kumar Doogar was appointed as additional Director on 15.12.2009.

**(b) Code of Conduct for Board of Directors and Senior Management Personnel:**

The Board had at its meeting held on July 29, 2005, approved the Code of Conduct for Board of Directors and Senior Management Personnel of the Company.

This code has been displayed on the Company's website viz. [www.radicokhaitan.com](http://www.radicokhaitan.com).

All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this Report.



**(c) Pecuniary relationships of transaction with the Company of Non-executive directors:**

The Non-executive directors had no pecuniary relationship or transactions with the Company in their personal capacity during the financial year 2009-2010.

**(d) Details of remuneration to all the directors in the financial year 2009-2010:**

**(1) Executive Directors: -**

**(Rs. in lacs)**

Sl. No.	Name of Director	Salary	Commission	Perquisites and Allowances	Retiral Benefits*	No. of Stock Options**	Tenure
1.	Dr. Lalit Khaitan	125.00	NIL	28.89	32.40	NIL	5 Years
2.	Mr. Abhishek Khaitan	100.00	NIL	23.55	25.92	NIL	5 Years
3.	Mr. K.P. Singh	45.73	NIL	22.91	7.06	70000	5 Years

\* Contributions to Provident Fund and Superannuation Fund.

\*\* Will be granted over the period of 4 years, 33% granted in 1<sup>st</sup> year, 22% granted equally in next 3 years.

**(2) Non-Executive Directors:**

Sl. No.	Name	Sitting Fees (in Rs.)
1.	Mr. K.S. Mehta	40,000/-
2.	Mr. Ashutosh Patra	2,25,000/-
3.	Dr. Raghupati Singhanian	20,000/-
4.	Mr. Sanjay Jalan	1,55,000/-
5.	Mr. Amit Burman	Nil
6.	Mr. Mahendra Kumar Doogar	40,000/-

Non executive directors were paid sitting fees of Rs. 10,000/- for attending each meetings of the Board and Committees thereof and reimbursement of local conveyance.

Non executive directors were not paid any amount by way of salary, perquisites and other benefits including stock options except the above mentioned sitting fees.

**(3) Reappointment of Directors retiring by rotation:**

Mr. Ashutosh Patra and Mr. K.S. Mehta retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers themselves for reappointment.

A brief resume of Directors seeking appointment / re-appointment in the forthcoming AGM in terms of Clause 49 VI (A) of Listing Agreement is given below:

Name	Mr. Ashutosh Patra	Mr. K.S. Mehta
Date of Birth	15.03.1946	15.01.1946
Date of Appointment	28.01.2003	10.03.2003
Expertise in special functional areas	Legal expert	Leading Chartered Accountant
Qualifications	MA, LLM	FCA, A.C.I.S. (London)
List of outside directorship as on 31 <sup>st</sup> March, 2010	Nil	(1) Continental Engines Ltd. (2) Medpat Finance Limited (3) Kothari Industrial Management Company Ltd. (4) Blue Coast Hotels & Resorts Ltd. (5) Transport Corporation of India Ltd. (6) Ayurvet Limited (7) Suvidha Parklift Ltd.
Chairman / Member of the other companies as on 31 <sup>st</sup> March, 2010	Nil	Nil
No. of shares held	Nil	Nil





- (1) Private Limited Companies, Foreign Companies and companies under Section 25 of the Companies Act, 1956 are excluded for the above purposes.
- (2) Only Audit Committee and Shareholders' Grievance Committee are considered for the purpose of Committee position as per Listing Agreement.
- (3) None of the Directors was a Member in more than 10 Committees nor a Chairman in more than five Committees across all companies in which he was a Director.

**(4) Appointment of Mr. Mahendra Kumar Doogar as an additional Director of the Company:**

Mr. Mahendra Kumar Doogar was appointed as additional Director of the Company w.e.f. 15.12.2009 to hold office till the next Annual General Meeting of the Company.

Mr. Mahendra Kumar Doogar has a B. Com degree and he is a Fellow Member of the Institute of Chartered Accountants of India (ICAI). He has wide experience of more than 15 years in the field of Finance, Taxation, Statutory and Internal Audit of Banks, Public Sector Undertakings and large Industrial Undertakings in Private Sectors.

During his illustrious career Mr. Doogar has won several awards in recognition of his services.

Mr. Doogar is on the Board of several large and leading companies in India and is also a Member of PHD Chamber of Commerce and Industry.

**C. COMMITTEES OF THE BOARD DURING THE FINANCIAL YEAR 2009-2010:**

**(1) AUDIT COMMITTEE:**

The Audit Committee of the Board of Directors of RKL was constituted in conformity with the requirements of Clause 49 of the Listing Agreement, as well as Section 292 A of the Companies Act, 1956.

The terms of reference of Audit Committee, inter-alia, include:

- (a) To oversee the financial reporting process and disclosure of financial information.
- (b) To review with management, quarterly, half yearly and annual financial statements and ensure their accuracy and correctness before submission to the Board.
- (c) To review with management and internal auditors, the adequacy of internal control systems, approving the internal audit plans and reviewing the efficacy of their function, discussion and review of periodic audit reports including findings of internal investigations.
- (d) To recommend the appointment of the internal and statutory auditors and fixing their remuneration.
- (e) To hold discussion with the statutory and internal auditors.
- (f) To recommend appointment of Chief Financial Officer.
- (g) Reviewing, with the management, the statement of uses / application of funds raised through QIP and making appropriate recommendations to the Board to take up steps in this matter.

**(a) Composition, Name of Members and Chairperson, Meetings and attendance during the year:**

Sl. No.	Name	Chairman/Member/Others	No. of meetings Attended
1.	Mr. Mahendra Kumar Doogar	Chairman of the Committee	1
2.	Mr. Ashutosh Patra	Member	6
3.	Dr. Raghupati Singhania	Member	1
4.	Mr. Sanjay Jalan	Chairman of the Committee	5
5.	M/s. Grant Thornton	<b>Permanent Invitees:</b> Internal Auditors	
6.	Representatives of M/s. V. Sankar Aiyar & Co., Chartered Accountants	Statutory Auditors	
7.	Mr. S.N. Balasubramanian	Cost Auditors	



- (b) All members of the Audit Committee are Independent, Non executive directors. By definition Mr. Sanjay Jalan, Mr. Mahendra Kumar Doogar and Dr. Raghupati Singhania shall be considered to be persons having Accounting or related Financial Management expertise and Mr. Ashutosh Patra being a Legal expert, shall be considered as financially literate.
- (c) Six Audit Committee Meetings were held during the year. i.e. on 29.5.2009, 5.6.2009, 30.6.2009, 21.7.2009, 20.10.2009 and 20.1.2010.
- (d) The meetings were scheduled well in advance. In addition to the Members of the Audit Committee, the meetings of Audit Committee were attended by Heads of Finance and Internal Auditors, Statutory Auditors and Cost Auditors and other Executives, who were considered necessary for providing inputs to the Committee.
- (e) **Quorum:** Two independent Directors.
- (f) **Secretary to the Committee:** The Company Secretary acted as the Secretary to the Committee.

**(2) NOMINATION COMMITTEE:**

**Nomination Committee of the Board of Directors of RKL was constituted in order to lay down the guidelines for appointment / reappointment of Directors on the Board of the Company.**

**(a) Terms of reference:**

- To lay down the criteria/ guidelines for the appointment/ re-appointment of the Directors on the Board of Radico Khaitan Ltd. and deciding about the age limit, professional qualifications and experience, credentials and background etc.
- To recommend the induction of the Board Members to various committees.
- To recommend to the Board, compensation terms of the Executive Directors and sitting fees to be paid to the Directors.
- To scrutinize the candidature of various professionals/ experts and recommend their appointment/ reappointment to the Board from the point of view of inducting new Directors and raising the profile of the Board.
- Ratifying the compensation to Executive Directors etc.

**(b) Composition, Chairman, Meetings and Attendance during the year 2009-2010:**

The Nomination Committee consisted of the following Members: -

Sl. No.	Name	Chairman/Member	No. of Meetings Attended
1.	Dr. Lalit Khaitan	Chairman	1
2.	Mr. Ashutosh Patra	Member	2
3.	Mr. K.S. Mehta	Member	1

- (c) Two meetings of the Committee were held during the year on 30.6.2009 and 15.12.2009.

- (d) **Quorum:** Two Directors.

**(3) SHAREHOLDERS' GRIEVANCES COMMITTEE:**

Shareholders' Grievances Committee of the Board of Directors of RKL was constituted to look into the redressal of shareholders and investors complaints.

**(a) Terms of Reference:**

The Terms of Reference of Shareholders' Grievances Committee included investigation into any matter relating to redressal of shareholders' / investors' complaints pertaining to transfer of shares, non-receipt of Balance Sheet, non receipt of declared dividend, duplicate share certificates, dematerialisation / rematerialisation of shares etc.

**(b) Composition, Chairman, Meetings and Attendance during the year 2009-2010:**

The Shareholders Grievances Committee was composed of the following directors from time to time:

Sl. No.	Name	Chairman/Member	No. of meetings attended
1.	Mr. Ashutosh Patra	Chairman	4
2.	Mr. Sanjay Jalan	Member	3
3.	Mr. Mahendra Kumar Doogar	Member	1
4.	Mr. K.P. Singh	Member	3



(c) Four meetings of the Committee were held during the said year on 29.5.2009, 21.7.2009, 20.10.2009 and 20.1.2010.

(d) **Quorum:** Two Directors.

**(4) EMPLOYEES COMPENSATION COMMITTEE (NON MANDATORY):**

**a) Terms of Reference:**

The Terms of Reference of Committee of Directors included grant of stock options to the eligible employees, allotment of shares to employees on exercise of their stock options.

**(b) Composition as of March 31, 2010:**

Sl. No.	Name	Chairman/Member	No. of Meetings Attended
1.	Mr. Ashutosh Patra	Chairman	4
2.	Mr. Sanjay Jalan	Member	2
3.	Mr. K.S. Mehta	Member	0
4.	Mr. K.P. Singh	Member	3

(c) Four meetings of the Committee were held during the year on 18.6.2009, 30.9.2009, 16.11.2009 and 20.1.2010.

(d) **Quorum:** Two directors.

**(5) QIP ISSUE COMMITTEE (NON MANDATORY):**

**a) Terms of Reference:**

The Terms of Reference of QIP Issue Committee included approval of preliminary placement documents, final placement documents, comfort letters, capitalization certificate, floor price certificate, net worth certificate, circled up data, opening and closing of issue and offer and issue of equity shares of the Company to Qualified Institutional Buyers.

**b) The QIP Issue Committee consisted of the following Members: -**

Sl. No.	Name	Chairman/Member	No. of Meetings Attended
1.	Mr. Abhishek Khaitan	Chairman	4
2.	Mr. Ashutosh Patra	Member	0
3.	Mr. K.P. Singh	Member	4

(c) Four meetings of the Committee were held during the year on 13.3.2010, 15.3.2010, 17.3.2010 and 22.3.2010.

(d) **Quorum:** Two directors.

**(6) NAME AND DESIGNATION OF THE COMPLIANCE OFFICER:**

Mr. Amit Manchanda

GM - Legal & Company Secretary

Radico Khaitan Limited

Plot No. J-1, Block B-1, Mohan Co-operative Industrial Area, Mathura Road,

New Delhi - 110 044.

Tel. Nos.40975400/444/500/555, Fax Nos.41678841-42

Email: manchandaa@radico.co.in

**(7) SHAREHOLDER SERVICES, ENQUIRIES, COMPLAINTS:**

It is the endeavor of the Company to provide prompt, efficient and satisfactory services to its esteemed Shareholders. It takes special care in answering the queries of Shareholders within the shortest possible time frame in collaboration with the registrars M/s. Mas Services Ltd. The Company provided Shareholder services in the following time frame: -

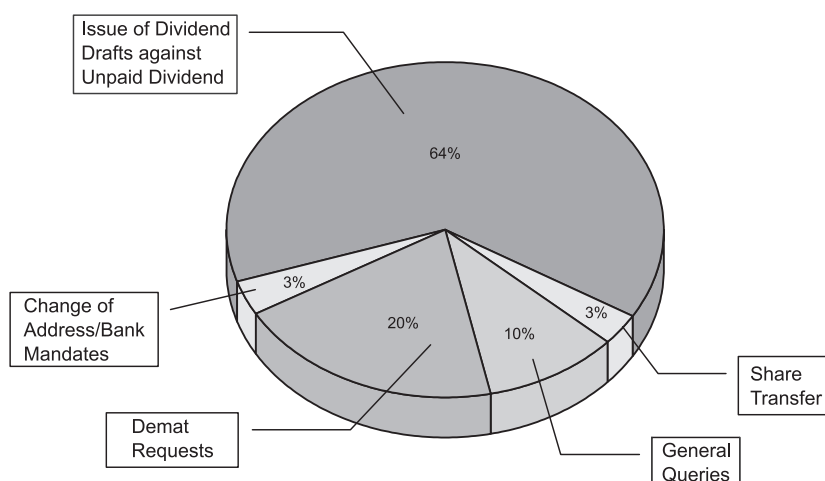
Sl. No.	Nature of Query	No. of days for disposal
1.	Share Transfers	15 days
2.	Demat of Shares	15 days
3.	Dividend revalidation / issue of Dividend Drafts	7 days
4.	Change of Address/ Bank Mandate	2 days
5.	General queries	2 days



- (8) No. of shareholders complaints received during the year 2009-2010: 26
- (9) Total no. of complaints not resolved to the satisfaction of the shareholders: NIL
- (10) No. of pending Shares Transfers as on 31st March 2010: NIL
- (11) **Warning against Insider Trading:**

Comprehensive guidelines advising and cautioning the Management and staff on the procedure to be followed while dealing with the shares of Radico Khaitan Ltd. are in place, in light of SEBI (Insider Trading) Amendment Regulations, 2002. The Code of Conduct and corporate disclosure practices framed by the company helps in ensuring compliances with the said Regulations.

**Distribution of Investors' Communication received by the Company during the Financial year 2009-10**



#### D. GENERAL BODY MEETINGS:

##### GENERAL BODY MEETINGS OF RKL:

###### (a) Annual General Meetings (last three):

Sl. No.	Date of AGM	Location	Time	No. of special resolutions passed
1.	26.9.2007	Rampur Distillery Bareilly Road Rampur - 244 901 (U.P.).	12.30 p.m.	Nil
2.	30.9.2008	-do-	12.30 p.m.	2
3.	15.9.2009	-do-	12.30 p.m.	NIL

- (b) No Postal Ballots were used / invited for voting in above meetings.
- (c) The following Special resolution was passed during the year 2009-10:
- Special resolution seeking members approval for raising of additional long term funds through further issuance of securities of the Company, either through preferential issue and / or Qualified Institutions Placements and / or Private Placement and / or Equity linked structured instruments.
- (d) Special resolution seeking Members approval in the ensuing Annual General Meeting is proposed for appointment of Mrs. Shailaja Saraf, daughter of Dr. Lalit Khaitan, Chairman & Managing Director of the Company, as Associate Vice President for a period of 5 years w.e.f. 15.12.2009 at the remuneration not to exceed the limit prescribed under Section 314 (1) of the Companies Act, 1956.

#### E. DISCLOSURES:

##### (a) Related party transactions:

The Company has not entered into any transaction of material nature with promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.



Disclosure of related party transactions as per Accounting Standard - 18 is given in Note No.13 of Notes forming part of Annual Accounts. All the transactions covered under related party transactions were fair, transparent and at arms length.

**(b) Compliances by the Company:**

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during last 3 years. There were no non-compliance remarks by Stock Exchanges or SEBI or any statutory authority on any matter relating to capital markets during the last three years.

**F. MEANS OF COMMUNICATION:**

**(a) Quarterly Results:**

- Quarterly results of RKL were taken on record by the Board of Directors within one month of the close of the quarter and were submitted to the Stock Exchanges in terms of the requirements of the Clause 41 / 45 of the Listing Agreement.
- Quarterly results of RKL have been displayed on the Company's web site [www.radicokhaitan.com](http://www.radicokhaitan.com)
- Quarterly results taken on record and published in the newspapers during 2009-2010:

Quarter ended	Date of Board Meetings	Date of Publication in Newspapers	
		Business Standard (English) New Delhi edition	Amar Ujala (Hindi) Moradabad edition
30th June, 2009	21.07.2009	22.07.2009	22.07.2009
30th September, 2009	20.10.2009	21.10.2009	22.10.2009
31st December, 2009	20.01.2010	21.01.2010	22.01.2010
31st March, 2010	10.05.2010	11.05.2010	12.05.2010

- (b) Presentations were made to institutional investors / analysts during the year 2009-2010 about the activities of the Company and its financial performance. Corporate presentation is displayed on the Company's website.
- (c) Management Discussion and Analysis Report for the year 2009-10 has been reviewed by the Audit Committee at its meeting held on 27th July 2010 and approved by the Board at its meeting held on 27th July 2010 and forms part of the Annual Report.
- (d) Investor's Relation: The Company's web site contains a separate dedicated section "Investor Relations" where general information to shareholder is available.

**G. GENERAL SHAREHOLDER'S INFORMATION**

**(a) Date, Time and Venue of the Annual General Meeting (AGM):**

The Date, Time and Venue of the AGM has been indicated in the Notice convening the AGM which is annexed to the Annual Report.

**(b) Financial calendar 2010-2011 (tentative):**

**Tentative Schedule:**

Financial reporting for the quarter ending June 30, 2010	By Mid August 2010
Financial reporting for the half year ending September 30, 2010	By Mid November 2010
Financial reporting for the quarter ending December 31, 2010	By Mid February 2011
Financial reporting for the quarter and year ending March 31, 2011	By End May 2011*
Annual General Meeting for the year ending March 31, 2011	By End September 2011

\* Pursuant to Clause 41 of the Listing Agreement, Board may also consider publication of Audited results for FY 2010-2011 by May 30, 2011, instead of publishing unaudited results for the Fourth quarter.

**(c) Date of Book Closure:**

Book Closure dates have been provided in the Notice convening the AGM forming part of this Annual Report.

**(d) Dividend Payment date:**

Dividend payout date has been provided in the Notice convening the AGM forming part of this Annual Report.





**(c) Listing on Stock Exchanges:**

The Company's securities are listed on the following stock exchanges:

Sl. No.	Equity shares	Foreign Currency Convertible Bonds (FCCB)
1.	Bombay Stock Exchange Ltd.(BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.	Singapore Stock Exchange Ltd.
2.	National Stock Exchange of India Ltd. (NSE) Exchange Plaza, 5th Floor, Plot no.C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.	

**(d) Stock Code:**

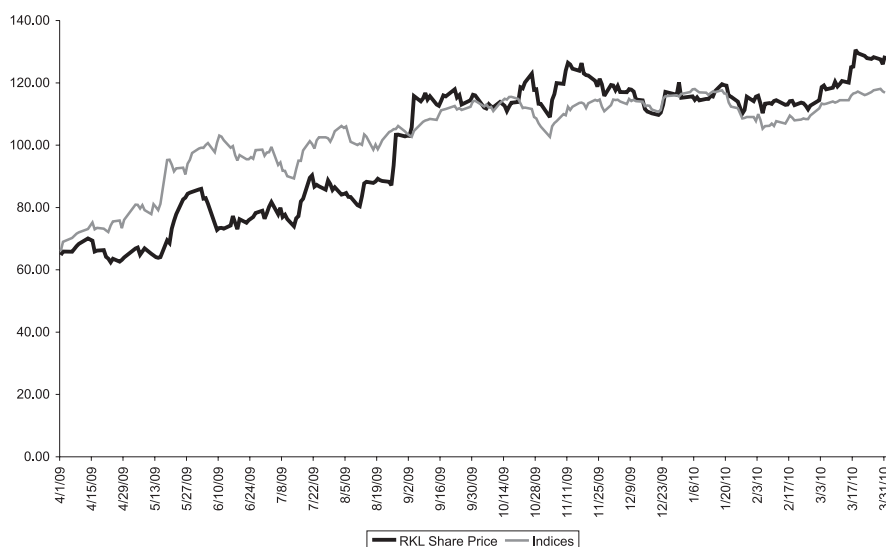
Bombay Stock Exchange Ltd.(BSE)	- 532497
National Stock Exchange of India Ltd. (NSE)	- RADICO
ISIN for dematerialization	- INE944F01028

**(e) Market Price Data:**

**Performance of RKL Shares at Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.:**

Year 2009-2010	Mumbai Stock Exchange Price (Rs.)			National Stock Exchange Price (Rs.)		
	High	Low	Volume	High	Low	Volume
April, 2009	74.80	61.10	3095899	76.85	61.15	3403534
May, 2009	89.45	62.50	2684549	89.60	63.00	3160723
June, 2009	93.00	69.05	3964648	92.90	69.10	5390343
July, 2009	93.85	72.25	4457978	93.90	72.50	4683432
August, 2009	106.80	79.00	3259376	107.40	78.75	7217645
September, 2009	123.40	100.15	6184328	123.20	100.50	10990090
October, 2009	128.50	109.25	4984230	128.50	108.40	6796975
November, 2009	131.65	103.00	4404422	131.65	103.20	5584987
December, 2009	132.00	108.10	2574542	127.90	108.20	3756153
January, 2010	123.60	108.25	2842535	123.50	108.00	5667947
February, 2010	121.00	109.25	1332486	121.00	109.50	1558789
March, 2010	133.95	113.00	5497837	134.40	113.00	7574723

**Performance of RKL Scrip vis-a-vis BSE Index**





The shares of RKL are traded in the B1 category at BSE and are also actively traded on NSE.

**(f) Registrar and Transfer Agents:**

In terms of the SEBI Order no. D&CC/FITTC/CIR-15/2002 dated December 27, 2002 for having a common agency for share transfer work and electronic connectivity and in terms of the directive of the Stock Exchanges, the company had appointed M/s. Mas Services Ltd., T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020, as the Registrar and Share Transfer Agents of the Company since March, 2003. For the sake of the convenience of the investors / shareholders, the Company shall continue to receive requests for share transfers and Demat of shares at its Corporate office at New Delhi.

**(g) Share Transfer System:**

With a view to expedite process of share transfer, the Board of Directors has delegated the power of share transfer to Mr. Amit Manchanda, G.M. - Legal & Company Secretary, who has been authorised by the Board to supervise and approve share transfer / dematerialisation of the shares of the company and to sign endorsement on the reverse of the share certificates documents and other papers in relation thereto in conjunction with Registrar and Share Transfer Agent, M/s. Mas Services Ltd. The Company Secretary being the Compliance Officer, monitors the share transfer process in coordination with the Registrars and Share Transfer Agents and presents the report to the Company's Board in each of its meetings, wherein the Board ratifies the transfers/ dematerialisation of shares as approved by the Company Secretary. The transfers are processed at an interval of every 15 days.

**(h) Distribution of Shareholding of RKL as on 31st March, 2010:**

Share Holding of Nominal Value of		Shareholders		Shares		% Total	
Rs.	Rs.	Number	% to Total	Physical shares	Dematerialised shares	Total shares	% to Total
Upto	2500	28193	92.46	6139292	9975212	16114504	6.11
2501	5000	1436	4.71	1719270	3539458	5258728	1.99
5001	10000	535	1.75	889570	2903772	3793342	1.44
10001	20000	153	0.50	255570	1901748	2157318	0.82
20001	30000	35	0.12	43400	792152	835552	0.32
30001	40000	13	0.04	31000	418880	449880	0.17
40001	50000	13	0.04		593742	593742	0.23
50001	100000	20	0.07	63240	1504780	1568020	0.59
100001	ABOVE	94	0.31		232889964	232889964	88.33
<b>Total</b>		<b>30492</b>	<b>100.00</b>	<b>9141342</b>	<b>254519708</b>	<b>263661050</b>	<b>100.00</b>

**(i) Shareholding Pattern as on 31st March, 2010:**

Sl. No.	Category	No. of Shares	% of Holding
1.	Promoters	49879231	37.84
2.	Mutual Funds & UTI	18834449	14.29
3.	Insurance Companies, Banks, State Financial Corporation	400555	0.30
4.	FII's	36569744	27.74
5.	Private Corporate Bodies	10218296	7.75
6.	Indian Public	14198636	10.77
7.	NRIs/OCBs	1634138	1.24
8.	Others	95476	0.07
	<b>Total</b>	<b>131830525</b>	<b>100.00</b>



**(j) Dematerialisation of Shares:**

The Company's shares are tradable only in demat / electronic form in the depository system of National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

As on 31<sup>st</sup> March, 2010, 127259854 equity shares of the Company, amounting to 96.53% of the equity capital, already existed in the electronic form.

Those shareholders who have still not got their shares dematerialised are advised to do so, as soon as possible, in view of a many advantages that exist therein and mandatory trading in shares of the Company in Demat form only.

**(k) International Security Identification No.:** NSDL and CDSL - INE944F01028

**(l) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity:**

As on 31<sup>st</sup> March 2010, the Company has an outstanding of FCCBs of US\$ 33.91 million.

The FCCBs are convertible into equity shares of the company at the option of the bondholder at a conversion price of Rs.159.20 per shares (original conversion price being Rs.172.50 reset on 6<sup>th</sup> August 2008 pursuant to clause 6.4 of the subscription agreement).

**(m) Qualified Institutional Placements(QIPs):**

The Company raised long term funds of USD 75 million equivalent to Rs.341.79 crores from QIBs by way of Qualified Institutional Placements (QIPs) in terms of Chapter VIII of the SEBI (Issue of Capital & Disclosure Requirements) Regulations 2009.

The funds have been utilized in accordance with the object of the issue i.e. repayment of the existing loans and working capital requirements. A fraction of the funds remain unutilized, is held in mutual funds till its final utilization, as per the utilization of funds projected in the preliminary placement document.

**(n) Employee Stock Options:**

A total of 15,90,166 options are outstanding as on 31<sup>st</sup> March 2010 under the Employees Stock Option Scheme 2006. Each option, upon exercise of the same, would give rise to one equity share of Rs.2/- each, fully paid up. The exercise would be made at the market price prevailing as on the dates of the grant plus applicable taxes as may be levied on the Company in this regard.

(o) Plant Locations	(p) Registered Office	(q) Address for correspondence:
<p>(1) Rampur Distillery Bareilly Road Rampur - 244 901 (U.P.).</p> <p>(2) Plot No.B-24, A-25, Shree Khatushyamji Industrial Complex RIICO, Reengus Dist. Sikar, Rajasthan.</p> <p>(3) B-3, Bazpur Industrial Area Phase - I, P. O. Sultanpur Patti Bajpur, Dist. Udham Singh Nagar, Uttaranchal - 262 123</p> <p>(4) S. No.59 Timmapur Village Palmakul Post - 509 325 Shadnagar Tq. Mahaboobnagar Dist., Hyderabad Andhra Pradesh.</p> <p>(5) 44 KM Stone, Delhi Rohtak Road Village &amp; Post Rohad, Bahadurgarh. Dist. Jhajjar 124501, Haryana.</p>	<p>Bareilly Road Rampur – 244 901 (U.P.).</p>	<p>(1) For Retail Investors Mr. Amit Manchanda G.M.- Legal &amp; Company Secretary Plot No.J-1, Block B-1 Mohan Co-operative Industrial Area, Mathura Road New Delhi - 110 044. Tel No.: 011- 40975420 email: manchandaa@radico.co.in</p> <p>(2) For Institutional Investors Mr. Mukesh Agarwal AVP - Finance &amp; Treasury Plot No.J-1, Block B-1 Mohan Co-operative, Industrial Area Mathura Road, New Delhi - 110 044. Tel. No. 011-40975423 9811340154 email: agrawalm@radico.co.in</p>

**For and on behalf of the Board**

**Place : New Delhi  
Date : 27.07.2010**

**Sd/-  
Dr. Lalit Khaitan  
Chairman & Managing Director**



### **Annual declaration by Managing Director**

As the Managing Director of Radico Khaitan Limited and as required by Clause 49 (I) (D) (ii) of the Listing Agreement, I hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Business Conduct and Ethics, for FY 2009-10..

**Place : New Delhi**  
**Date : 27.07.2010**

**Abhishek Khaitan**  
**Managing Director**



**AUDITORS' REPORT ON CORPORATE GOVERNANCE  
TO THE SHAREHOLDERS OF RADICO KHAITAN LIMITED**

1. We have examined the compliance of conditions of Corporate Governance by Radico Khaitan Limited for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges of India.
2. The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For V. Sankar Aiyar & Co.  
Chartered Accountants  
Firm Regn. No. 109208W

Place : New Delhi  
Date : 27th July, 2010

Sd/-  
M.S. Balachandran  
Partner  
Membership No. 024282





## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF RADICO KHAITAN LIMITED

1. We have audited the attached Balance Sheet of RADICO KHAITAN LIMITED as at 31<sup>st</sup> March, 2010 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted the audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary the purposes of our audit;
  - (b) In our opinion, proper books of account as required by Law have been kept by the Company, so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of Account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956 to the extent applicable;
  - (e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors are prima facie, disqualified as on 31.03.2010 from being appointed as directors of the Company under section 274(1)(g) of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to Note no. 16 of Schedule 18 regarding managerial remuneration of the year 2008-09 exceeding the limit and requiring approval of the Central Government and read with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010;
    - ii in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii in the case of cash flow statement, of the cash flows for the year ended on that date.
4. As required by the Companies (Auditors Report) Order, 2003 issued by the Department of Company Affairs, Govt. of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report on the matters specified in the paragraphs 4 and 5 of the said Order as under :
  - I. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The management has physically verified major part of the fixed assets at the distillery at Rampur and other locations once during the year. The assets physically verified are under reconciliation with the book records and discrepancies, if any, can be ascertained only after the reconciliation is complete.
  - c) Since there is no substantial disposal of fixed assets during the year, the preparation of financial statements on a going concern basis is not affected on this account.
  - ii a) On the basis of information and explanations obtained, stocks of finished goods and raw material of the distillery / bottling units have been under physical check by the excise department in coordination with the Companies supervisory staff at frequent intervals. Other stocks, stores and spares, at various locations have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
  - b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) In our opinion, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
  - iii a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties required to be covered in the register maintained under section 301 of the Companies Act, 1956 except interest free working capital advance given to a joint



venture company under a specific manufacturing and selling arrangement. The maximum amount outstanding during the year was Rs. 2132.21lacs and year-end outstanding balance was Rs. 1222.64 lacs.

- b) Keeping in view similar arrangement with other parties, this working capital arrangement financed by the Company is free of interest under a specific manufacturing and selling arrangement. There are no other terms and conditions that are not prejudicial to the interest of the Company.
  - c) There are no stipulation regarding repayment of principal as the amount has been financed under a specific manufacturing and selling arrangement with the party. As mentioned above, the amount has been financed interest free.
  - d) As mentioned above, there are no stipulation regarding repayment of principal as the amount has been financed under a specific manufacturing and selling arrangement with the party. Accordingly, there is no overdue amount of more than Rs. one lac in respect of amount financed to the Company listed in the register mentioned under register 301 of the Company's Act 1956.
  - e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties required to be covered in the register maintained under section 301 of the Companies Act, 1956 except interest free working capital advance taken from a joint venture company under a specific manufacturing and selling arrangement. The maximum amount outstanding during the year was Rs. 422.33 lacs and year-end outstanding balance was Rs. 558.66 lacs.
  - f) In our opinion and according to the information and explanations given to us, other terms and conditions for such advances are not prima facie prejudicial to the interest of the Company.
  - g) In respect of the advances taken, there is no repayment schedule and is interest free. Thus question of principal amount due for repayment and payment of interest does not arise.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and with regard to the sale of goods. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control system.
- v) a) According to the information given to us, the particulars of contracts or arrangements during the year that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956 have been so entered.

- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of rupees five lacs are of specific requirements of the Company for which alternative sources are not available for comparison of prevailing market prices.

- vi) The Company has not accepted deposits from the public within the meaning of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed thereunder.
- vii) An outside agency has carried out internal audit during the year. In our opinion, the internal audit system of the Company is commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of accounts maintained by the Company, pursuant to rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been maintained and the required statements are in the process of compilation. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix) a) According to the records of the Company, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, there were no arrears of undisputed statutory dues as at 31<sup>st</sup> March, 2010, which were outstanding for a period of more than six months from the date they became payable.
- b) The disputed dues of different years, which have remain unpaid as on 31<sup>st</sup> March, 2010, for which appeals are pending are as under:

Nature of dues	Year	Amount (Rs. in lacs)	Forum where pending
Sales Tax/ Entry Tax	1998-99 & 1999-00	1.27	Revision before Allahabad High Court
	1999-00	4.12	Trade Tax Tribunal, Moradabad
	2008-09	26.31	Writ petition before Allahabad High Court (Bank Guraantee issued for Rs. 75 lakhs)
Excise Duty	1981	17.37	Allahabad High Court – Lucknow Bench
	1995 to 2005	92.38	Allahabad High Court – Lucknow Bench (Bank Guarantee issued)
	2005-06 to 2008-09	48.67	Allahabad High Court – Lucknow Bench
Service Tax	July 2003 to March 2008	3179.84	CESTAT, Delhi
	Penalty on above	3179.84	

- x) The Company has no accumulated losses as at the end of the year and has not incurred cash losses during the



- financial year covered by our audit or in the immediately preceding financial year.
- xi On the basis of the verification of records and information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks. There are no debentures (other than unsecured FCCBs which are not due for repayment during the year) outstanding in the books of accounts at any time during the year.
- xii The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii The Company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors Report) Order are not applicable to the Company.
- xiv As regard dealing or trading in shares, securities, debentures and other investments, proper records have been maintained of the transaction of the contracts and timely entries made therein. The shares, securities, debentures and other investments have been held by the Company in its own name except to the extent of exemption, if any, granted under Section 49 of the Act.
- xv The Company has given a guarantee of Rs. 41.40 crores for loans taken by Radico NV Distilleries Maharashtra, (a joint venture company, in which the Company holds 36% of the paid-up Capital) from a bank. On the basis of information and explanations given to us, the terms and conditions whereof are not, prima facie, prejudicial to the interest of the Company.
- xvi On the basis of verification and information and explanations obtained, on an overall basis, the term loans taken during the year have been applied for the purpose for which they were obtained.
- xvii According to the information and explanations given to us, the cash flow statements examined by us and on an overall examination of the financial statements of the Company, we report that funds raised on short term basis have not been used for long term investments.
- xviii During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- xix As the Company has no outstanding debentures during the year (other than unsecured FCCBs), the question of creating securities or charge does not arise.
- xx The Company has not raised any money through public issue of securities during the year and therefore verification of the end use of money does not arise. However, during the year the Company has allotted 289.19 lac equity shares of Rs. 2 each under Qualified Institutional Placement (Refer Note no. 5 of Schedule 18B).
- xxi Based on the audit procedure performed and the representation obtained from the management, we report that no case of fraud on or by the Company has been noticed or reported during the year under audit.

**For V. Sankar Aiyar & Co.  
Chartered Accountants**

**Sd/-  
(M.S. Balachandran)  
Partner  
M.No. 024282  
ICAI Firm Regn. No. 109208W**

Place: New Delhi  
Date : 10.05.2010



## Balance Sheet as at 31st March, 2010

	SCHEDULE NO.		Rs. in '000 AS AT 31-03-2010	Rs. in '000 AS AT 31-03-2009
<b>SOURCES OF FUNDS</b>				
<b>1. SHAREHOLDERS' FUNDS</b>				
SHARE CAPITAL	1		263,661	204,924
RESERVES AND SURPLUS	2			
REVALUATION RESERVE		93,467		94,103
OTHER RESERVES		<u>5,568,960</u>	<u>5,662,427</u>	<u>2,007,190</u>
EMPLOYEES STOCK OPTIONS OUTSTANDING		37,476		50,580
LESS : DEFERRED EMPLOYEE COMPENSATION		<u>11,282</u>	<u>26,194</u>	<u>19,901</u>
				30,679
<b>2. LOAN FUNDS</b>				
SECURED	3	2,449,233		4,002,532
UNSECURED	4	<u>2,012,194</u>	<u>4,461,427</u>	<u>3,001,106</u>
				7,003,638
<b>3. DEFERRED TAX BALANCE (SEE NOTE 8(D) )</b>			451,000	367,000
<b>TOTAL</b>			<u><u>10,864,709</u></u>	<u><u>9,707,534</u></u>
<b>APPLICATION OF FUNDS</b>				
<b>1. FIXED ASSETS</b>	5			
GROSS BLOCK		5,505,112		5,119,183
LESS: DEPRECIATION TO DATE		<u>1,365,757</u>		<u>1,112,185</u>
NET BLOCK		<u>4,139,355</u>		<u>4,006,998</u>
CAPITAL WORK IN PROGRESS	6	<u>529,641</u>	<u>4,668,996</u>	<u>769,771</u>
				4,776,769
<b>2. INVESTMENTS</b>	7		893,663	525,866
<b>3. FOREIGN CURRENCY MONETARY ITEM</b>			(12,521)	45,341
TRANSLATION DIFFERENCE ACCOUNT (SEE NOTE 7 )				
<b>4. CURRENT ASSETS, LOANS &amp; ADVANCES</b>	8			
A) INVENTORIES		1,230,479		1,084,351
B) SUNDRY DEBTORS		2,355,536		1,700,268
C) CASH & BANK BALANCES		332,445		419,768
D) OTHER CURRENT ASSETS		123,556		156,688
E) LOANS & ADVANCES		<u>2,727,800</u>		<u>2,357,300</u>
		<u>6,769,816</u>		<u>5,718,375</u>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>				
CURRENT LIABILITIES	9	975,851		866,177
PROVISIONS	10	<u>479,394</u>		<u>492,640</u>
		<u>1,455,245</u>		<u>1,358,817</u>
<b>NET CURRENT ASSETS</b>			<u>5,314,571</u>	<u>4,359,558</u>
<b>TOTAL</b>			<u><u>10,864,709</u></u>	<u><u>9,707,534</u></u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>				
<b>AND NOTES ON ACCOUNTS</b>	18			
<b>ANNEXURE TO OUR REPORT OF EVEN DATE</b>				

For V. Sankar Aiyar & Co.  
Chartered Accountants

Amit Manchanda  
G.M. - Legal & Company Secretary

Dr. Lalit Khaitan  
Chairman & Managing Director

Abhishek Khaitan  
Managing Director

M. S. Balachandran  
Partner  
M.No. 024282

Place : New Delhi  
Dated : May 10, 2010

Ajay.K.Agarwal  
Executive Vice President (F&A)

Dilip K Banthiya  
Chief Financial officer

Directors





## Profit and Loss Account for the year ended 31st March, 2010

	SCHEDULE NO.	Rs. in '000 CURRENT YEAR	Rs. in '000 PREVIOUS YEAR
<b>INCOME</b>			
SALES & INCOME FROM OPERATIONS *	11	14,812,547	11,747,266
LESS: EXCISE DUTY		6,457,040	4,786,975
		8,355,507	6,960,291
OTHER INCOME	12	71,047	349,986
ACCRETION / DECRETION TO STOCKS	13	121,328	106,338
		8,547,882	7,416,615
<b>EXPENDITURE</b>			
PURCHASES AND MATERIALS CONSUMED	14	4,048,089	3,426,564
SALARIES, ALLOWANCES AND BENEFITS	15	540,164	552,452
OTHER EXPENSES	16	2,587,002	2,631,247
INTEREST EXPENSES (NET)	17	617,186	451,470
		7,792,441	7,061,733
<b>PROFIT BEFORE DEPRECIATION AND TAXATION</b>		755,441	354,882
DEPRECIATION FOR THE YEAR		256,682	231,855
LESS : TRANSFER FROM REVALUATION RESERVE		636	636
		256,046	231,219
<b>PROFIT BEFORE TAXATION</b>		499,395	123,663
<b>LESS : TAX EXPENSE</b>			
CURRENT TAX (MAT)		78,000	450
DEFERRED TAX -SEE NOTE: 8 (D)		84,000	45,300
FRINGE BENEFIT TAX		0	13,000
LESS : MAT CREDIT AVAILABLE FOR SET OFF		78,000	450
		84,000	58,300
<b>PROFIT AFTER TAXATION</b>		415,395	65,363
ADD : SURPLUS BROUGHT FORWARD FROM LAST YEAR		260,632	236,298
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		676,027	301,661
LESS : APPROPRIATIONS			
TRANSFER TO GENERAL RESERVE		250,000	5,000
PROPOSED DIVIDEND		79,138	30,805
INCOME TAX ON PROPOSED DIVIDEND		13,144	5,224
<b>BALANCE CARRIED TO BALANCE SHEET (SCHEDULE 2)</b>		333,745	260,632
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 18</b>			
<b>EARNING PER SHARE (FACE VALUE OF RS 2/-EACH) (SEE NOTE 15)</b>			
BASIC		4.02	0.64
DILUTED		4.02	0.64

\* SALES THROUGH OTHER DISTILLERIES/BOTTLING UNITS UNDER ARRANGEMENT RS.73,741.58 LACS (PREVIOUS YEAR RS.46,777.48 LACS) NOT INCLUDED IN THE ABOVE. (REFER NOTE 21 OF SCHEDULE 18 ).

ANNEXURE TO OUR REPORT OF EVEN DATE

For V. Sankar Aiyar & Co.  
Chartered Accountants

Amit Manchanda  
G.M. - Legal & Company Secretary

Dr. Lalit Khaitan  
Chairman & Managing Director

Abhishek Khaitan  
Managing Director

M. S. Balachandran  
Partner  
M.No. 024282

Place : New Delhi  
Dated : May 10, 2010

Ajay.K.Agarwal  
Executive Vice President (F&A)

Dilip K Banthiya  
Chief Financial officer

Directors





## Schedules to Statement of Accounts

	Rs. in '000 AS AT 31-03-2010	Rs. in '000 AS AT 31-03-2009
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
170,000,000 EQUITY SHARES OF RS 2 EACH	340,000	340,000
6,000,000 PREFERENCE SHARES OF RS 100 EACH	600,000	600,000
	<u>940,000</u>	<u>940,000</u>
<b>ISSUED AND SUBSCRIBED</b>		
131,830,525 EQUITY SHARES OF RS 2 EACH, FULLY PAID UP (PREVIOUS YEAR 102,462,219)	263,661	204,924
	<u>263,661</u>	<u>204,924</u>

Note :

- In terms of a scheme of rehabilitation of Abhishek Cement Ltd.(ACL) approved by BIFR vide order dated 30.12.2002, the then Radico Khaitan Ltd. was merged with ACL and on merger, the latter was renamed as Radico Khaitan Ltd. Post merger, the then existing share holders of Radico Khaitan Ltd. were issued shares of the amalgamated company aggregating to Rs 191,716 thousands.
- During the year, 449,306 shares have been allotted under ESOP scheme and 28,919,000 shares allotted under Qualified Institutional Placement. (QIP)

	AS AT 01.04.2009	ADDITIONS	DEDUCTIONS	AS AT 31-03-2010
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>				
REVALUATION RESERVE	94,103	0	636	93,467
CAPITAL RESERVE	121,368	0	0	121,368
SHARE PREMIUM ACCOUNT #	556,896	3,407,619	168,962	3,795,553
GENERAL RESERVE	1,066,292	250,000	0	1,316,292
PREFERENCE SHARES REDEMPTION RESERVE	2,002	0	0	2,002
	<u>1,840,661</u>	<u>3,657,619</u>	<u>169,598</u>	<u>5,328,682</u>
SURPLUS	260,632			333,745
	<u>2,101,293</u>			<u>5,662,427</u>

\*NOTE: \* Addition on account of issue of shares under QIP and ESOP

# Deduction on account of premium on FCCBs - Rs 451.95 lacs and QIP Issue expenses - Rs 1237.67 lacs

### SCHEDULE 3: SECURED LOANS

<b>TERM LOANS - FROM BANKS</b> (SEE NOTE 1 BELOW)		
AXIS BANK LTD.	25,143	125,000
BANK OF INDIA, LONDON (FOREIGN CURRENCY LOAN)	0	49,797
STANDARD CHARTERED BANK LTD.(FOREIGN CURRENCY LOAN)	0	60,865
STATE BANK OF INDIA	151,529	504,505
STATE BANK OF HYDERABAD	398,936	399,997
STATE BANK OF PATIALA	0	149,999
STATE BANK OF TRAVANCORE	505,207	151,336
<b>OTHER THAN TERM LOANS - FROM BANKS</b> (SECURED BY HYPOTHECATION OF INVENTORIES AND BOOK DEBTS) (NOTE 3 BELOW)	1,368,418	2,561,033
	<u>2,449,233</u>	<u>4,002,532</u>
AMOUNT DUE WITHIN ONE YEAR	329,400	269,668

NOTES:

- SECURED BY A PARI-PASSU FIRST CHARGE ON GROSS BLOCK OF THE FIXED ASSETS OF THE COMPANY, BOTH PRESENT AND FUTURE.
- SECURED IN ADDITION BY SECOND CHARGE ON CURRENT ASSETS OF THE COMPANY.
- SECURED IN ADDITION BY SECOND CHARGE ON FIXED ASSETS OF THE COMPANY.
- NON FUND BASED FACILITIES PROVIDED BY BANKS ARE ALSO SECURED BY A SECOND CHARGE ON THE FIXED ASSETS OF THE COMPANY.



	Rs. in '000 AS AT 31-03-2010	Rs. in '000 AS AT 31-03-2009
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
<b>SHORT TERM</b>		
FROM BANKS		
- BANK OF RAJASTHAN LTD.	0	199,929
- COMMERCIAL PAPER	300,000	0
- TAMILNAD MERCANTILE BANK LTD.	0	97,482
- STATE BANK OF MYSORE	892	252,485
- AXIS BANK LTD	0	404,756
FROM OTHERS		
- SBI FACTORS & COMMERCIAL SERVICES PVT. LTD.	80,958	120,538
<b>OTHER LOANS</b>		
FROM BANK - STATE BANK OF HYDERABAD *	99,647	99,996
FROM OTHERS - FOREIGN CURRENCY CONVERTIBLE BONDS (SEE NOTE 7)	1,530,697	1,825,920
	<b>2,012,194</b>	<b>3,001,106</b>
* AMOUNT DUE WITHIN ONE YEAR	99,647	0

**SCHEDULE 5 : FIXED ASSETS**

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.04.2009	ADDITIONS	DEDUCTIONS	AS AT 31.03.2010	UPTO 31.03.2009	FOR THE YEAR	WRITTEN BACK	UPTO 31.03.2010	AS AT 31.03.2010	AS AT 31.03.2009
<b>INTANGIBLE ASSETS</b>										
BRANDS & TRADE MARKS	500,470	0	0	500,470	108,672	24,297	0	132,969	367,501	391,798
GOODWILL	95,500	0	0	95,500	23,875	4,775	0	28,650	66,850	71,625
SOFTWARES	0	20,800	0	20,800	0	1,487	0	1,487	19,313	0
<b>TANGIBLE ASSETS</b>										
FREEHOLD LAND	193,749	0	0	193,749	0	0	0	0	193,749	193,749
LEASEHOLD LAND	194,654	0	0	194,654	126,862	878	0	127,740	66,914	67,792
BUILDINGS	476,240	37,501	14,129	499,612	58,987	15,076	0	74,063	425,549	417,253
PLANT & MACHINERY	3,465,165	461,034	120,000	3,806,199	714,842	191,480	1,849	904,473	2,901,726	2,750,323
FURNITURE & FITTINGS	41,147	1,430	0	42,577	16,909	2,345	0	19,254	23,323	24,238
VEHICLES	80,943	691	2,996	78,638	25,213	7,164	1,261	31,116	47,522	55,730
LEASEHOLD IMPROVEMENTS	71,315	1,598	0	72,913	36,825	9,180	0	46,005	26,908	34,490
TOTAL	5,119,183	523,054	137,125	5,505,112	1,112,185	256,682	3,110	1,365,757	4,139,355	4,006,998
PREVIOUS YEAR	4,417,998	812,825	111,640	5,119,183	945,774	231,855	65,444	1,112,185	4,006,998	3,472,224

**NOTES:**

- VALUES WRITTEN UP ON REVALUATION:  
(BASED ON APPROVED VALUERS' REPORT)
- |                   |                             |                                |
|-------------------|-----------------------------|--------------------------------|
|                   | AS ON 31.12.1994/31.12.1998 | AS ON 31.12.1985               |
| FREEHOLD LAND     | 85,422                      | -                              |
| LEASEHOLD LAND    | 122,828                     | -                              |
| BUILDING          | -                           | 15,292 (WDV Rs. 9915 Thousand) |
| PLANT & MACHINERY | -                           | 8,709 (WDV Rs. Nil)            |
| TOTAL             | <b>208,250</b>              | <b>24,001</b>                  |
- VALUATION WAS MADE AT THEN FAIR MARKET VALUE - NO INDICES ATTACHED TO THE REPORT.
  - DEDUCTIONS INCLUDE RS 129,241 THOUSANDS ON ACCOUNT OF ADJUSTMENT OF FOREIGN EXCHANGE FLUCTUATION GAIN (PREVIOUS YEAR LOSS RS 194,091 THOUSANDS). (REFER NOTE NO 7)

	Rs. in '000 AS AT 31-03-2010	Rs. in '000 AS AT 31-03-2009
<b>SCHEDULE 6 : CAPITAL WORK IN PROGRESS (AT COST)</b>		
PLANT & MACHINERY	3,348	73,926
ADVANCES (UNSECURED - CONSIDERED GOOD) :		
TO VENDORS / CONTRACTORS, INCLUDING FOR ACQUISITION OF PROPERTY	526,293	695,846
	<b>529,641</b>	<b>769,772</b>

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	FACE VALUE		Rs. in '000 AS AT 31-03-2010		Rs. in '000 AS AT 31-03-2009	
(B) UNITS OF MUTUAL FUNDS (UNQUOTED)						
		<u>No. of Units</u>		<u>No. of Units</u>		
1. HDFC PREMIER MULTICAP FUND		0	0	448,935		8,328
2. FRANKLIN INDIA BLUE CHIP FUND		0	0	50,264		8,339
3. UTI TREASURY ADVANTAGE FUND - GROWTH PLAN (SEE NOTE 5)	94,108		220,000	0		0
4. RELIANCE VISION FUND RETAIL PLAN		0	0	36,788		8,328
5. RELIANCE LIQUID FUND GROWTH		0	0	1,117		15
6. RELIANCE GROWTH FUND		0	0	567		1,600
7. RELIANCE LIQUID FUND WEEKLY DIVIDEND-RELIANCE PMS		0	0	58,230		892
8. SBI MAGNUM EQUITY FUND DIVIDEND		0	0	34,781		8,335
(C) NON-CONVERTIBLE REDEEMABLE DEBENTURES (UNQUOTED)						
-CITICORP FINANCIAL INDIA LTD.	100	40,000	4,000	40,000		4,000
- SAI ROYALASEEMA PAPER MILLS LTD.	10	16,901	205	16,901		205
3. NON-TRADE - LONG TERM						
FULLY PAID UP EQUITY SHARES OF NEW URBAN COOPERATIVE BANK LTD.	25	2,388	60	2,388		60
NATIONAL SAVINGS CERTIFICATES (FACE VALUE RS. 153,000) (LODGED WITH GOVERNMENT DEPARTMENTS AS SECURITY)			153			153
				<u>224,418</u>		<u>40,255</u>
				<u>893,663</u>		<u>525,866</u>
AGGREGATE VALUE OF INVESTMENTS:						
QUOTED		BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
		0	0	26,566		8,047
UNQUOTED		673,663	0	463,463		0
UNITS OF MUTUAL FUND (NAV Rs220,000 THOUSANDS, PREVIOUS YEAR Rs 24630 THOUSANDS)		220,000	0	35,837		0
		<u>893,663</u>	<u>0</u>	<u>525,866</u>		<u>8,047</u>

NOTE: (1) NO INVESTMENT IS HELD IN BODIES CORPORATE UNDER THE SAME MANAGEMENT

(2) NO PROVISION HAS BEEN MADE FOR DIMINUTION IN THE VALUE OF INVESTMENTS IN DIAGEO RADICO DISTILLERIES PVT. LTD., RADICO GLOBAL LTD. AND RADICO NV DISTILLERIES MAHARASHTRA LTD., AS IN THE OPINION OF THE MANAGEMENT, THE INVESTMENTS HAVE BEEN MADE ON A LONG TERM BASIS AND THE DIMINUTION IS CONSIDERED TEMPORARY IN NATURE.

(3) 338513 SHARES OF RADICO NV DISTILLERIES MAHARASHTRA LTD.HAVE BEEN PLEDGED WITH BANK AS SECURITY FOR LOANS GRANTED TO THEM.



		Rs. in '000 AS AT 31-03-2010		Rs. in '000 AS AT 31-03-2009
<b>SCHEDULE 8 : CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>A) INVENTORIES</b>				
(AT LOWER OF COST OR NET REALISABLE VALUE)				
<b>(I) MATERIALS</b>				
RAW MATERIALS		405,920		416,302
PACKING MATERIALS	126,297		129,946	
STORES & SPARE PARTS	89,416	215,713	50,585	180,531
<b>(II) STOCK IN TRADE</b>				
FINISHED GOODS	520,140		408,606	
STOCK IN PROCESS	88,706	608,846	78,912	487,518
		<u>1,230,479</u>		<u>1,084,351</u>
<b>B) SUNDRY DEBTORS (UNSECURED)</b>				
DEBTS OUTSTANDING FOR A PERIOD EXCEEDING SIX MONTHS				
- CONSIDERED GOOD		693,822		416,923
- CONSIDERED DOUBTFUL	61,057		53,596	
LESS : ADJUSTED AGAINST PROVISIONS	50,185	10,872	48,085	5,511
OTHER DEBTS - CONSIDERED GOOD		1,650,842		1,277,834
		<u>2,355,536</u>		<u>1,700,268</u>
<b>C) CASH AND BANK BALANCES</b>				
CASH IN HAND		2,516		4,800
CHEQUES IN HAND		0		686
DEPOSIT WITH POST OFFICE		500		0
BALANCE WITH SCHEDULED BANKS IN :				
- CURRENT ACCOUNTS (SEE NOTE 5)		282,858		147,739
- DEPOSIT ACCOUNTS *		46,538		266,503
- SAVINGS BANK ACCOUNTS				
(EMPLOYEES' SECURITY DEPOSIT)		33		40
		<u>332,445</u>		<u>419,768</u>
* UNDER LIEN WITH GOVERNMENT DEPARTMENT AND BANKS AS SECURITY.		22,334		11,862
<b>D) OTHER CURRENT ASSETS</b>				
INTEREST ACCRUED ON INVESTMENTS, LOANS AND FIXED DEPOSITS		3,255		12,090
ACCRUED EXCISE SUBSIDY		120,301		144,598
		<u>123,556</u>		<u>156,688</u>
<b>E) LOANS AND ADVANCES</b>				
(UNSECURED - CONSIDERED GOOD, UNLESS OTHERWISE STATED).				
INTER CORPORATE LOANS		300,000		0
SHARE APPLICATION MONEY - RADICO NV DISTILLERIES MAHARASHTRA LTD.		0		99,000
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED:				
CONSIDERED GOOD		1,986,746		1,912,915
CONSIDERED DOUBTFUL	2,535		2,535	
LESS : ADJUSTED AGAINST PROVISIONS	2,535	0	2,535	0
CLAIMS AND DUTIES RECOVERABLE FROM EXCISE DEPARTMENT		132		132
EXCISE AND OTHER DEPOSITS		186,015		152,399
INCOME TAX PAYMENTS (NET OF PROVISIONS)		253,269		191,217
SALES TAX PAID UNDER PROTEST		1,638		1,637
		<u>2,727,800</u>		<u>2,357,300</u>





	Rs. in '000 AS AT 31-03-2010	Rs. in '000 AS AT 31-03-2009
<b>SCHEDULE 9 : CURRENT LIABILITIES</b>		
CREDITORS		
- DUE TO MICRO & SMALL ENTERPRISES ( SEE NOTE NO. 9 )	0	0
- OTHERS	862,568	774,289
SECURITY DEPOSITS FROM DEALERS	24,710	21,888
SECURITY DEPOSITS FROM OTHERS	0	2,504
UNCLAIMED DIVIDEND *	6,832	7,030
OTHER LIABILITIES	69,298	44,914
INTEREST ACCRUED BUT NOT DUE	12,443	15,552
	<u>975,851</u>	<u>866,177</u>

\* THE ACTUAL AMOUNT TO BE TRANSFERRED TO INVESTER EDUCATION AND PROTECTION FUND WILL BE DETERMINED ON THE DUE DATES.

<b>SCHEDULE 10 : PROVISIONS</b>		
EQUITY DIVIDEND (INCLUDING TAX THEREON )	92,282	35,963
GRATUITY	1,427	11,919
LEAVE ENCASHMENT	43,001	40,469
PREMIUM ON REDEMPTION OF FCCB (SEE NOTE 6 (ii) )	340,389	295,194
CONTINGENCIES FOR :		
- DIMINUTION IN VALUE OF INVESTMENT	0	30,414
- LOSS ON PENDING FOREIGN EXCHANGE CONTRACTS	63,745	
LESS : LOSS ADJUSTED	<u>38,807</u>	
BALANCE	24,938	
TRANSFER TO EXCESS PROVISION WRITTEN BACK	<u>23,729</u>	
- FOR OBSOLETE & NON MOVING INVENTORY	1,209	63,745
- OTHERS	350	14,200
	736	736
	<u>479,394</u>	<u>492,640</u>



	Rs. in '000		Rs. in '000	
	CURRENT YEAR		PREVIOUS YEAR	
SCHEDULE 11 : SALES & INCOME FROM OPERATIONS				
RECTIFIED SPIRIT AND OTHER ALCOHOLIC PRODUCTS		12,872,594		10,412,325
PET BOTTLES		421,253		250,031
JAIVIK KHAD		1,600		5,599
INCOME FROM OPERATIONS THROUGH OTHER DISTILLERIES / BOTTLING UNITS		1,023,510		672,557
EXPORT INCENTIVES		66,295		48,302
CENVAT CREDIT UTILISED		21,157		58,311
SERVICE CHARGES ( TDS - RS NIL PREVIOUS YEAR RS 490 THOUSANDS)		0		9,847
EXCISE REVENUE SUBSIDY INCOME		58,213		56,312
OTHERS ( INCL. SALE OF PRINTED BOTTLES, BLENDS, SCRAP & OTHERS)		347,925		233,982
		<u>14,812,547</u>		<u>11,747,266</u>
SCHEDULE 12 : OTHER INCOME				
DIVIDEND (TDS RS NIL) (NON TRADE - CURRENT)		6		1,295
EXCESS PROVISIONS WRITTEN BACK		26,985		2,011
MISCELLANEOUS INCOME		839		569
GAIN ON BUY BACK OF FCCBS ( SEE NOTE 6 (iii) )		34,508		219,750
INTEREST ON DEBENTURES (NON TRADE - CURRENT) (TDS NIL)		120		199
INTEREST ON INCOME TAX REFUNDS		1,854		5,645
PROVISION NO LONGER REQUIRED WRITTEN BACK		0		119,668
PROVISION FOR DIMINUTION IN VALUE OF INVESTMENT WRITTEN BACK		5,478		0
PROFIT ON SALE OF INVESTMENTS (NON TRADE - CURRENT)		1,257		317
PROFIT ON SALE OF FIXED ASSETS		0		532
		<u>71,047</u>		<u>349,986</u>
SCHEDULE 13 : ACCRETION / (DECRETION ) TO STOCKS				
OPENING STOCK				
FINISHED	408,606		330,872	
STOCK IN PROCESS	<u>78,912</u>	487,518	<u>50,308</u>	381,180
CLOSING STOCK				
FINISHED	520,140		408,606	
STOCK IN PROCESS	<u>88,706</u>	608,846	<u>78,912</u>	487,518
		<u>121,328</u>		<u>106,338</u>
SCHEDULE 14 : PURCHASES AND MATERIALS CONSUMED				
PURCHASES		319,499		56,687
RAW MATERIALS CONSUMED				
OPENING STOCK	416,302		222,672	
ADD: PURCHASES	<u>2,406,905</u>		<u>2,318,204</u>	
	2,823,207		2,540,876	
LESS: CLOSING STOCK	<u>405,920</u>	2,417,287	<u>416,302</u>	2,124,574
PACKING MATERIALS		1,179,478		1,134,189
STORES AND SPARES		131,825		111,114
		<u>4,048,089</u>		<u>3,426,564</u>
SCHEDULE 15 : SALARIES, ALLOWANCES AND BENEFITS				
SALARIES, WAGES & BONUS		473,830		455,817
GRATUITY		5,799		37,298
CONTRIBUTION TO PROVIDENT AND OTHER FUNDS		32,036		33,201
CONTRIBUTION UNDER EMPLOYEES STATE INSURANCE SCHEME		1,483		1,802
EMPLOYEES COMPENSATION (ESOP) - ( SEE NOTE 10 )		8,138		5,625
STAFF WELFARE EXPENSES		18,878		18,709
		<u>540,164</u>		<u>552,452</u>



	Rs. in '000		Rs. in '000	
	CURRENT YEAR		PREVIOUS YEAR	
SCHEDULE 16 : OTHER EXPENSES				
POWER AND FUEL		217,801		174,413
REPAIRS AND MAINTENANCE (INCLUDING STORES & SPARES CONSUMED)				
BUILDING	7,082		7,355	
MACHINERY	47,659		50,494	
OTHERS	10,679	65,420	7,463	65,312
MACHINERY AND OTHER HIRE CHARGES		8,232		7,187
INSURANCE		21,865		21,696
OTHER MANUFACTURING EXPENSES		23,027		22,264
RENT		22,492		21,544
RATES AND TAXES		177,039		159,493
SALES TAX / VALUE ADDED TAX		367,521		192,452
TRAVELLING EXPENSES - DIRECTORS		4,689		4,022
- OTHERS		72,865		66,666
DIRECTORS' FEE		480		370
PROVISION FOR DOUBTFUL DEBTS / ADVANCES		2,100		28,094
LOSS / (GAIN) ON FOREIGN EXCHANGE FLUCTUATION		36,785		326,269
PACKING MATERIAL WRITTEN OFF	15,906		0	
LESS : ADJUSTED AGAINST PROVISION	14,200	1,706	0	0
PROVISION FOR OBSOLETE & NON MOVING INVENTORY		350		14,200
CHARITY AND DONATION		2,213		2,047
BAD DEBTS / ADVANCES WRITTEN OFF	0		7,758	
LESS : ADJUSTED AGAINST PROVISION	0	-	7,758	0
SUNDRY BALANCES WRITTEN OFF		1,442		3,074
WEALTH TAX		500		600
LOSS ON SALE OF INVESTMENTS ( NON TRADE - SHORT TERM)	24,938			18,413
LESS : ADJUSTED AGAINST PROVISION	24,938	-		
PROVISION FOR DIMINUTION IN VALUE OF INVESTMENT		-		30,415
LOSS ON SALE OF ASSETS		1,683		27,790
BANK CHARGES AND INCIDENTAL EXPENSES		32,634		32,499
OTHER OVERHEADS		173,190		157,736
SELLING AND DISTRIBUTION EXPENSES:				
- FREIGHT OUTWARDS	221,782		260,066	
- SUPERVISION CHARGES - AFTER SALES	83,652		64,069	
- SUPERVISION CHARGES TO SUPERVISORS	99,198		152,513	
- DISTRIBUTABLE SURPLUS PAID	853		30,511	
- REBATE DISCOUNT AND ALLOWANCE	150,001		190,177	
- ADVERTISEMENT & SALES PROMOTION	797,482	1,352,968	557,355	1,254,691
		2,587,002		2,631,247
SCHEDULE 17 : INTEREST EXPENSES (NET)				
INTEREST ON:				
-TERM LOANS		375,211		148,551
- OTHERS		337,498		376,751
		712,709		525,302
LESS : INTEREST INCOME ON LOANS @ #		75,737		33,796
LESS : INTEREST INCOME ON BANK DEPOSITS @ #		19,786		40,036
		617,186		451,470
@ INCLUDES TAX DEDUCTED AT SOURCE		14,624		8,069
# HAVING NEXUS TO BORROWINGS				



## Schedules to the Balance Sheet & Profit and Loss Account

### 18. Significant Accounting Policies and Notes on Accounts-2009-10

#### (A) Significant Accounting Policies

##### 1. Basis of Accounting

The financial statements are prepared under historical cost convention, on a going concern basis in accordance with the applicable accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government.

##### 2. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences between actual results and estimates are recognized in the period in which they materialise.

##### 3. Valuation of Fixed Assets

Fixed Assets are stated at cost except to the extent revalued. Borrowing costs attributable to the qualifying assets and all significant costs incidental to the acquisition of assets are capitalised.

Freehold and Leasehold land at Rampur have been revalued by an approved valuer as on 1st January, 1999. Building, Plant & Machinery relating to Distillery Unit acquired/installed upto Dec, 1984 have been revalued as on 31st Dec 1985.

##### 4. Depreciation

- Cost of Leasehold land and leasehold improvements are amortised over the period of lease.
- Depreciation is charged for the year on straight line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
- On additions costing less than Rs. 5000, depreciation is provided on pro rata basis.
- Depreciation on amount added on revaluation of assets is transferred from Revaluation Reserve.
- The life of Brands of the value of Rs 21.00 crores and Goodwill of Rs. 9.59 crores arising out of merger during the year 2004-05 are taken to be 20 years and amortised accordingly.
- Softwares are amortised over a period of six years.

##### 5. Investments

Long term investments are carried at Cost. Provision for diminution in value of long term investment is considered, if in the opinion of management, such a decline in value is considered as other than temporary in nature. Current investments are valued at lower of cost or fair value.

##### 6. Inventories

Finished Goods and Stock in process are valued at lower of cost or net realisable value. Cost includes cost of conversion and other expenses incurred in bringing the goods to their location and condition. Raw materials, Packing Materials, Stores and spares are valued at lower of cost or net realisable value. Cost is ascertained on "moving average" basis for all inventories.

##### 7. Revenue recognition

Sales are recognised on delivery or on passage of title of the goods to the customers when the risk and reward stand transferred to customers. They are accounted net of trade discounts and rebates but inclusive of excise duty and sales / trade tax. Excise revenue subsidy is accounted for based on the policy of the State Government of Uttar Pradesh. Duty draw back is accounted for on the basis of export sales effected during the year. Interest income is accounted on time proportion basis. Dividend income is accounted, when the right to receive is established.

##### 8. Excise Duty

In respect of stocks covered by central excise, excise duty is provided on closing stocks and also considered for valuation. In respect of other stocks, keeping in view that State excise duty payable on finished products is not determinable, as it varies depending on the places to which they are despatched. The excise duty on such stocks lying in factory is accounted for on clearances of such goods. The method of accounting has no impact on the results of the year.

##### 9. Transfer pricing of Bio-Gas / Power

Since it is not possible to compute the actual cost, inter unit transfer of bio-gas & power have been valued on the basis of savings in direct fuel cost / prevailing purchase price of power. The same has been considered for valuation of inventories.

##### 10. Treatment of Employee benefits

The Company makes regular contributions to duly constituted funds set up for Provident Fund, Family Pension Fund, Employees state insurance, Superannuation and Gratuity, which are charged to revenue. The employees are allowed the benefit of leave encashment as per the rules of the Company, for which provision for accruing liability is made on actuarial valuation carried out at the end of the year. Contribution to gratuity is also determined on actuarial basis.

##### 11. Impairment :

At each Balance Sheet date, the Company reviews the carrying amount of its fixed assets to determine whether there are any indication that those assets have suffered an impairment loss. If any such indication exists, recoverable amount of the assets is estimated in order to determine the extent of impairment loss.

##### 12. Foreign Currency Transactions

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the day of the transaction. The outstanding liabilities / receivables are translated at the year end rates. The resultant gain or loss are adjusted to the Profit & Loss Account. Non-monetary items denominated in foreign currency, (such as fixed assets) are valued at the exchange rate prevailing on the date of transaction. Any gain or losses arising due to exchange differences arising on translation or settlement are accounted for in the Profit and Loss Account. In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortised as income or expense over the period of contract and exchange difference on such contracts, i.e. difference between the exchange rate at the reporting / settlement date and the exchange rate on the date of inception / the last reporting date, is recognized as income / expenses for the period.

##### 13. Derivative Transactions

These transactions have been undertaken to hedge the cost of borrowing and comprise of principal / interest rate swaps. The income / expenses are recognised when earned / incurred. In case of outstanding derivative contract at the year end date, loss is determined on marked to market (MTM) basis and provision made.

##### 14. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

##### 15. Research and Development

Fixed assets used for Research and Development are depreciated in the same manner as in the case of similar assets; the revenue expenses are charged off in the year of incurrence.

##### 16. Taxation

Deferred tax is recognised, subject to consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.



	Rs. in '000 CURRENT YEAR	Rs. in '000 PREVIOUS YEAR
(B) Notes on Accounts		
1. Estimated amount of Capital commitments (Net of advances)	44,506	129,653
2. Contingent Liabilities not provided for:		
i) Claims against the Company, not acknowledged as debts		
(a) Disputed liability relating to ESI Contribution	89	89
(b) Disputed liability relating to PF contribution of contractor labour	3,244	3,244
(c) Disputed liability relating to payment of late re-calibration fees on verification and stamping of manufacturing vats/tanks installed at distillery.	8,800	8,480
(d) Disputed claim relating to molasses purchased on credit ( include interest of Rs.437,868)	561	561
(e) Disputed claim by APO for non - supply of rum	1,292	1,292
(f) Disputed claim relating to refund of export duty on rectified spirit	1,062	1,040
(g) Disputed Entry Tax demand-matter under appeal	3,370	2,298
(h) Disputed Penalty U/S 10 for purchase of HSD ( Diesel) -matter under appeal	302	127
(i) Disputed Excise matters	23,665	16,305
(j) Disputed Stamp duty claim arising out of amalgamation, being contested	8,000	8,000
(k) A recovery suit and winding up petition filed by a UK company for enforcing an alleged guarantee given on behalf of Radico SPS UK Ltd. ( Since liquidated ) disputed and being contested at London and Allahabad (Higher of the claim being taken)	99,513	82,705
(l) Disputed demand on account of service tax including an equal penalty thereon for the period July 2003 to March 2008, being contested and under appeal	635,966	-
(m) Loan prepayment charges levied by Banks, not accepted	9,477	-
	<u>795,341</u>	<u>124,141</u>
In respect of the items above, future cash outflows are determinable only on receipt of judgements / decisions pending at various forums / authorities.		
ii) Guarantee given to a Bank on behalf of :		
(a) Radico International DMCC for loan facilities ( USD NIL million - Previous year USD 2.08 million).	0	105,285
(b) Radico NV Distilleries Maharashtra Ltd.	414,000	414,000
iii) The Company has entered into an agreement dated 23rd February' 2007 with Fortune Brand Promotion And Management Trust (the Trust), (of which the Company is the Settler) for carrying out brand management services. In consideration of the same, the Company is required to pay brand management fee to the Trust. Sales promotion expenses for the year include Rs 1804.96 lacs (Previous year Rs 1070.38 lacs) paid to the Trust on the basis of their invoices. The agreement is to continue for a period of seven years, unless terminated earlier. As per the Trust Deed and agreement, the Trust fund is held for the benefit of the lenders in respect of their outstanding dues and the brand owners (the Company) in respect of residual interest. On termination of the agreement at any time, the Company will be liable to pay to the Trust of its outstanding borrowing, as reduced by the funds available to the Trust and also the other costs and expenses towards closing of the Trust.		
As security, charge by way of hypothecation has been created on the trade marks and copy rights of two self generated brands of the Company in favour of Bank and registered in the office of Registrar of Companies as per section 125 of the Companies Act 1956. On the basis of information from the Trust, the outstanding loan as on the Balance Sheet date is :	371,580	471,600
iv) Madhya Pradesh State Industrial Development Corporation Ltd. has demanded a sum of Rs. 168.09 lacs besides unspecified expenses arising out of the alleged non compliance of conditions relating to its holding of shares in Abhishek Cement Ltd. prior to the merger of Radico Khaitan Ltd. in the year 2002-03. Its action has resulted in a sum of Rs 72.84 lacs held in State Bank of India being attached. The recovery proceedings initiated by local Collector Office are stayed under the Orders of the Madhya Pradesh High Court. The Company is taking suitable steps to contest the recovery proceedings.		
v) The Addl. Director General DGCEI (Hqrs), R.K. Puram, New Delhi had issued further show cause notice on 21.10.2009 on the Company demanding Service Tax of Rs. 729.86 Lacs plus interest and penalty under business auxiliary service for the period April 2008 to March 2009. The Company is in the process of submitting the reply.		
3. As per Share Purchase agreement with Anab -e-Shahi (the company) management i.e. JM Group, at the time of merger of company with Radico Khaitan Ltd vide High Court order dated 23rd August 2005, it was agreed that "Company may be liable to pay sales tax dues arising out of Sales tax matters and that the		





likely liability on this account is estimated at Rs.180 Lacs". The share purchase agreement dated 1.4.2004 entered with shareholders (JM group) of Anab-e-Shahi Wines & Distilleries Ltd. provides that in the event of the actual liability for sales tax dues is less than Rs.180 Lacs provided in the books of accounts, the difference shall be refundable to the erstwhile shareholders with interest @ 10% p.a. w.e.f.1st July '2004, besides payment of interest on the amount payable to the sales tax authorities till the date of actual discharge of the liability. In the event the actual liability is in excess of Rs.180 Lacs, the excess shall be met by the erstwhile shareholders and documentary evidence provided to the company.

The purchase consideration was therefore held back to the extent of Rs. 180 Lacs pending settlement of these demands. The Company has been contesting the demand of sales tax authorities for Rs. 326.98 Lacs for the assessment year 1993-94. Subsequently, the Sales tax authorities, pending companies appeal before The Sales Tax Appellate Tribunal (STAT), Hyderabad, started recovery proceedings to the extent of 50% of demand against the company through Andhra Pradesh Beverages Corporation Ltd., who deducted an amount of Rs. 174.39 Lacs receivable to the company out of its sales proceeds. However, the Appellate Tribunal vide its order dated 31st March, 2009 disposed the appeal in favor of the Company. The Department has challenged the STAT order before the High Court of Hyderabad and the same is sub-judice. Pursuant to the order company filed a refund application with sales tax authorities on 21st April 2009, subsequently CTO, Hyderabad passed revised order and allowed refund of Rs. 147.28 Lacs subject to the final order of High Court. The Company has received the refund of Rs. 147.28 Lacs on 11th January 2010.

4. In the opinion of the Management and to the best of their knowledge and belief, the value on realisation of current assets, loans and advances in the ordinary course of business would not be less than the amount at which they are stated in the Balance Sheet.
5. The shareholders in the Extra Ordinary General Meeting held on 23.10.2009 approved the raising of long term funds by way of Qualified Institutional Placements (QIPs) in terms of Chapter VIII of the SEBI (Issue of Capital & Disclosure Requirements) Regulations 2009. In pursuant thereof, the Company has raised USD 75 millions equivalent to Rs.341.79 crores from QIBs and 2,89,19,000 equity shares having face value of Rs.2/- each at a premium of Rs.116.90 per equity share, were issued and allotted to the investors on 22.03.2010. The funds thus raised have been used for repayment of loans as per the terms of the issue and the amount remaining unutilised are held in mutual funds - Rs. 22.00 crores and in an escrow bank a/c - Rs. 12.79 crore.
6. (i) The Company has raised USD 50 million through an issue of FCCBs on 26th July 2006 (USD 40 million) and 25th August 2006 ( USD 10 million on exercise of green shoe option by the manager to the issue). The FCCBs will be convertible into equity shares of the Company at any time during the currency of the bonds at the option of the bondholders at a conversion price of Rs. 159.20 per share (original conversion price being Rs 172.50 per share reset on 6th August 2008 pursuant clause 6.4 of the subscription agreement). These are listed on the Singapore Stock Exchange. They carry a coupon rate of 3.50% per annum and have a maturity of five years and one day from the date of issue.
- (ii) The FCCBs unless previously converted, redeemed, or cancelled, are liable to be redeemed on the maturity date at a premium of 30.3961% of the principal amount. The premium payable on redemption has been provided proportionately (over the life of bonds) and accordingly, Rs 451.95 lacs for the year (out of the total redemption premium of Rs 4652.72 lacs) on this account has been debited to Share Premium account.
- (iii) Pursuant to RBI circular dated 8th December 2008, the Company has repurchased / bought back the FCCBs to the extent of face value of USD 16.09 million till 31st March 2010 and cancelled in the record of the Trustee to the issue, leaving a balance outstanding of USD 33.91 million. The gain on re-purchase of bond has been credited to profit & loss account. The Company has been advised that this gain is not exigible to income tax liability under normal computation.
7. Pursuant to the amendment by way of addition of para 46 to AS-11 on effect of changes in foreign exchange rates, the Company has exercised the option of deferring the foreign exchange fluctuation gain / loss in respect of the accounting periods commencing from 01.04.2007. Further, such foreign exchange differences relating to acquisition of depreciable capital assets have been adjusted to the cost of such assets and to be depreciated over the balance life of the assets.

As a result, Rs 1292.41 lacs foreign exchange gain on long term foreign currency



items pertaining to capital assets (previous year: loss Rs 1940.91 lacs) has been adjusted to fixed assets. Out of the foreign currency monetary items translation difference account of Rs 250.43 lacs(credit), as on 31.03.2010 (previous year: debit Rs 724.17 lacs) a sum of Rs 125.22 lacs - credit (previous year: debit Rs 270.76 lacs) has been credited during the year leaving a balance of Rs 125.21 lacs(credit) to be adjusted in the next financial year.

#### 8. Income Tax -

- a) Provision for Income Tax for the year has been made on book profits (MAT) under section 115 JB of the Income Tax Act, 1961. Income tax payments (net of provision) shown under Loans and Advances include Rs 1447.50 lacs on account of MAT credit available for set off, which the Company can avail within the period provided in law.
- b) In respect of assessment years 1993-94 and 1996-97 - the demands aggregate to Rs 96.90 lacs. In view of the expected relief in appeals, no provision is considered necessary for the demand. However, these have been adjusted in full by the department against TDS / Advance tax refunds due to the Company.
- c) The Deputy Commissioner of Income Tax, while giving effect to the order of Income Tax Settlement Commission for the assesment years 2000-01 to 2006-07 has vide order dated 29th April, 2008 charged penal interest under relevant provisions of the Income Tax Act 1961 aggregating to Rs 335.23 lacs. This has been recovered out of the refunds due to the company. The Company has not accepted the levy of interest and no provision has been made therefore. The Company has filed a special leave petition before the Hon'ble Supreme Court of India, which is pending.
- d) **Deferred tax liability (Net)**

#### **Deferred Tax Liability**

Difference between Book and Tax Depreciation

#### **Total**

#### **Deferred Tax Assets**

- I) FCCB adjustment
- II) Provision for gratuity and leave encashment
- III) Disallowance under section 40(a) (ia)
- IV) Provision for doubtful debts and others
- v) Carry Forward IT Loss
- vi) Bonus on payment basis

#### **Total**

#### **Net**

Rounded off (Rs. lakhs)

Deferred Tax Liability/(Asset) as at 01.04.2009	Current year Charge/(Credit)	Deferred Tax Liability/(Asset) as at 31.03.2010
469,427	65,128	534,555
469,427	65,128	534,555
(65,971)	44,430	(21,541)
(17,840)	2,727	(15,113)
(1,462)	1,462	0
(17,105)	(407)	(17,512)
0	(28,235)	(28,235)
0	(1,152)	(1,152)
(102,378)	18,825	(83,553)
367,048	83,954	451,002
3,670	840	4,510

In line with the Accounting Standard AS-22, deferred tax in respect of timing differences, which originate and likely to be reversed during the tax holiday period under chapter VI A of the Act have not been recognised.

9. The Company has not received information from suppliers or service providers, whether they are covered under Micro, Small and Medium Enterprises (Development) Act, 2006 and hence it has not been possible to ascertain the required information relating to amounts unpaid, if any, as at year end together with interest paid or payable to them.
10. The Company established Employee Stock Options Plan, duly approved by the shareholders in the meeting held on 25th May, 2006, which has become effective from 25th July, 2006. Accordingly, the Company has granted 2,590,000 equity options upto 31st March 2009 and also 737,500 equity options during 2009-10, to the eligible employees as per the recommendations of the Compensation Committee, which will get vested over a period of 4 years from the date of the grant. The employees have the options to exercise the right within a period of 3 years from the date of vesting.

The compensation cost of stock options granted to employees are accounted by the Company using the intrinsic value method.

#### **Summary of Stock Option**

#### **No. of stock option**

Option granted upto 31.03.2010	3,327,500
Options forfeited upto Mar.'10	1,042,025
Options exercised upto Mar.'10	695,309
Option outstanding on 31.03.2010	1,590,166
Exercise price (weighted average)	Rs 81.03

In respect of Options granted under the Employee Stock Options plan, in accordance with the guidelines issued by SEBI, the accounting value of the options is accounted as deferred employee compensation, which is amortized on a straight line basis over the period between the date of grant of options and eligible dates for conversion into equity shares. Consequently the schedule of salaries & benefits includes Rs. 81.38 lakhs (Previous year Rs 56.25 lakhs) being the amortisation of deferred employee compensation.

#### 11. **Employees Benefits : AS-15**

- (i) The Company has taken a policy with Life Insurance Corporation of India (LIC) for meeting the accruing liability on account of gratuity. The premium, actuarially ascertained by LIC, is charged to the Profit and Loss account. The amount debited to profit & loss account is Rs.58.00 lacs (includes Rs.3.51 lakhs excess charged during previous year).



- (ii) In respect of leave encashment, provision is made based on the actuarial valuation by an independent Actuary. The following information as required under AS-15 are based on the report of the Actuary / L.I.C.

	31/03/2010	31.03.2009
<b>Leave Encashment</b>		
<b>A Economic assumptions</b>		
i) Discounting rate	7.50%	8.00%
ii) Future salary increase	5.00%	5.50%
iii) Expected rate of return on plan assets	0.00%	0.00%
<b>B Break up of expenses</b>		
a) Current service cost	5,391	5,391
b) Interest cost	3,035	3,453
c) Net actuarial (gain)/ loss recognized in the period	1,235	(1,203)
d) Expenses recognized in the statement of profit & loss	9,661	7,641
<b>C Change in present value of obligation</b>		
a) Present value of obligation as at the beginning of the period 01/04/2009	40,469	43,158
b) Interest cost	3,035	3,453
c) Current service cost	5,391	5,391
d) Benefits paid	(7,128)	(10,330)
e) Actuarial (gain)/loss on obligation	1,235	(1,203)
f) Present value of obligation as at the end of period 31./03/2010	43,001	40,469
<b>Gratuity</b>		
<b>A Economic assumptions</b>		
i) Discounting rate	8.00%	8.00%
ii) Future salary increase	5.00%	7.00%
iii) Expected rate of return on plan assets	9.40%	9.10%
<b>B Break up of expenses</b>		
a) Current service cost	5,277	4,760
b) Interest cost	4,345	3,623
c) Expected return on plan assets	(3,784)	(1,827)
d) Net actuarial (gain)/ loss recognized in the period	(390)	5,718
e) Expenses recognized in the statement of profit & loss	5,448	12,275
<b>C Change in present value of obligation</b>		
a) Present value of obligation as at the beginning of the period 01/04/2009	54,314	45,294
b) Interest cost	4,345	3,623
c) Current service cost	5,277	4,760
d) Benefits paid	(4,837)	(5,082)
e) Actuarial (gain)/loss on obligation	(390)	5,718
f) Present value of obligation as at the end of period 31./03/2010	58,710	54,314
<b>D Change in fair value of plan assets</b>		
a) Fair value of plan assets at the beginning of the year	42,395	20,088
b) Expected return on plan assets	3,784	1,827
c) Contributions	15,941	25,561
d) Benefits paid	(4,837)	(5,082)
e) Fair value of plan assets at the end of the year	57,282	42,395
f) Liability recognised in the balance sheet	1,427	11,919
(iii) The Company in addition has recognised as expense the following:-		
1 Contribution to recognised Provident Fund Trust.	21,153	21,972
2 Contribution to LIC towards Superannuation.	10,883	11,229
3 Farewell gifts to retired employees.	26	21
4 Medical insurance premium.	7,487	7,619

**12. Segment reporting :**

Based on the guideline in Accounting Standard on segment reporting ( AS- 17), the Company's primary business segment is manufacture and trading in liquor. The liquor business incorporates the product groups , namely , rectified spirit , country liquor and IMFL which mainly have similar risks and returns. Therefore, segment reporting is not applicable.

**13. Related party disclosure as per Accounting Standard -18 :**

**A Related parties and their relationship :**

**I** Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise:

**II** Associates and joint ventures

**III** Key Manangement personnel :

Relatives :

- (1) Sapphire Intrex Ltd.  
 (1) Diageo Radico Distilleries Private Limited  
 (2) Radico NV Distilleries Maharashtra Limited  
 (3) Radico Global Limited (an associate)  
 (1) Dr. Lalit Khaitan, Chairman & Managing Director  
 (2) Mr. Abhishek Khaitan, Managing Director  
 (3) Mr. K.P.Singh, Whole Time Director  
 (1) Mrs. Deepshikha Khaitan (wife of Mr Abhishek Khaitan)  
 (2) Mrs. Shailja Saraf (Daughter of Dr. Lalit Khaitan)  
 (3) Mrs. Sheela Singh (wife of Mr. K.P. Singh)



	31.03.2010	31.03.2009
<b>B Transaction with above in the ordinary course of business :</b>		
<b>Key Manangement Personnel :</b>		
Dr. Lalit Khaitan, Chairman & Managing Director		
Remuneration	18,629	20,474
Mr. Abhishek Khaitan, Managing Director		
Remuneration	14,947	16,592
Mr. K.P. Singh, Whole Time Director		
Remuneration	7,570	7,104
Mrs. Deepshikha Khaitan (wife of Mr Abhishek Khaitan)		
Remuneration	511	514
Mrs. Shailja Saraf (Daughter of Dr Lalit Khaitan)		
Remuneration	173	-
Mrs. Kiran Devi Khaitan (wife of Dr. Lalit Khaitan)		
Remuneration	-	292
Mrs. Sheela Singh (wife of Mr. K.P. Singh)		
Rent Paid	-	381
<b>Enterprises that directly, or indirectly through one or more intermediaries,control, or are controlled by, or are under common control with, the reporting enterprise :</b>		
Saphire Intrex Ltd.		
Rent Paid	6,000	6,000
<b>Associates and Joint Ventures</b>		
Diageo Radico Distilleries Private Limited		
Royalty paid	853	30,511
Investment in share capital	50,000	57,500
Receivable	908	2,764
Payable	42,233	55,866
Sale of Goods	-	2,699
Service Charges received	-	9,847
Radico NV Distilleries Maharashtra Limited		
Sale of Goods	65,607	48,618
Investment in share capital	160,200	236,000
Share application money paid	-	99,000
Receivable	124,123	88,866
Guarantee given by Radico Khaitan Limited	414,000	414,000
<b>14. The details of the Company's interest in its Joint Ventures, having Joint Control, as per the requirements of AS-27 on Financial Reporting of Interest in Joint Ventures are as under : (un-audited)</b>		
<b>Particulars</b>	<b>Diageo Radico Distilleries Pvt. Ltd.</b>	<b>Radico NV Distilleries Maharashtra Ltd.</b>
	<u>31.03.2010</u>	<u>31.03.2009</u>
% Ownership Interest	50.00%	50.00%
a Assets	45,520	60,050
b Liabilities	149,931	265,714
c Income	1,857	21,517
d Expenses	37,665	77,128
e Contingent Liabilities	-	-
f Capital Commitments	-	-
	12,020	3,243
	6,455	1,833
<b>15. Earnings per share (EPS) as per Accounting Standard - 20 :</b>	<b>31.03.2010</b>	<b>31.03.2009</b>
Profit after tax attributable to equity share holders (after deucting prior period and extra ordinary items, preference dividend and tax thereon)	415,393	65,363
Weighted average no. of equity shares of Rs. 2/- each	103,420,594	102,462,219
Basic earning per share (Rs.)	4.02	0.64
Since the potential equity on account of ESOP and FCCB are anti dilutive, the diluted earning remains the same (Rs.)	4.02	0.64
<b>16. (i) Managerial Remuneration *</b>		
Remuneration to Mr. L. K. Khaitan, Chairman & Managing Director		
Salary and Allowances	12,500	14,250
Contribution to Provident and other Funds.	3,240	3,240
Value of benefits, calculated as per Income Tax Rules.	2,889	2,984





	31.03.2010	31.03.2009
ii) Remuneration to Mr. Abhishek Khaitan, Managing Director		
Salary and Allowances	10,000	11,400
Contribution to Provident and other Funds	2,592	2,592
Value of benefits, calculated as per Income Tax Rules.	2,355	2,600
iii) Remuneration to Mr. K.P. Singh, Wholetime Director		
Salary and Allowances	4,573	4,690
Contribution to Provident and other Funds.	706	706
Value of benefits, calculated as per Income Tax Rules.	2,291	1,707
	<u>41,146</u>	<u>44,169</u>
<p>*(1) Excluding contribution to gratuity and provision for leave encashment, which are provided on actuarial basis for the Company as a whole. Hence, no separate figures are available.</p> <p>*(2) Since the remuneration for the year 2008-09 exceeded the limit of 10% for all the working directors put together, the Company has made necessary application to the central government for approval and waiver of the excess amount paid.</p> <p>(3) Computation of net profit under the Companies Act, 1956 for Managerial Remuneration. In the absence of commission based on net profit, the computation is not given.</p>		
<b>17. Remuneration to Auditors</b>		
Audit Fee	1,530	1,530
Certification of Statements (includes Rs. 1200 thousands for QIP issue)	1,473	288
Service tax	309	193
Expenses for audit and other work	216	202

18. In the opinion of the management, there is no impairment of assets requiring provision in accordance with AS-28.

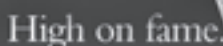
**19. Quantitative and other information**

a) Particulars of Capacity and Production		Licensed	Installed*	
	Unit		Capacity per annum	Production
1.	Rectified spirit	75,000 (75,000)	75,000 (75,000)	39,691 (55,362)
2.	Bio gas	000 'M3	No licence required	27,987 (38,203)
3.	Pet bottles	NOS./1000	No licence required	546,684 (153,212)
4.	Malt Spirit	KL	460 (460)	608 (544)
5.	Grain Spirit	KL	27,000 (27000)	31,529 (24,380)

\* As certified by the Management and not verified by the Auditors.

b) Opening Stock, Closing Stock & Turnover	Unit	OPENING STOCK		CLOSING STOCK		TURNOVER	
		QUANTITY	VALUE (RS.)	QUANTITY	VALUE (RS.)	QUANTITY	VALUE (RS.)
1. Alcohol products							
(a) Rectified spirit	KL/AL	949	22,906	1,185	33,189	8,569	248,520
		(842)	(15,670)	(949)	(22,906)	(7,095)	(184,627)
(b) Silent spirit	KL/AL	2,088	57,872	2,245	74,281	13,579	505,027
		(2,649)	(60,332)	(2,088)	(57,872)	(22,751)	(771,790)
(c) Cane juice spirit	KL/AL					174	8,048
						(106)	(5,039)
(d) Malt spirit	KL/AL	931	109,698	1,735	241,341	94	18,563
		(747)	(60,950)	(931)	(109,698)	(188)	(38,960)
(e) Grain spirit	KL/AL	2,578	86,248	996	45,349	23,135	835,507
		(1,541)	(45,063)	(2,578)	(86,248)	(13,466)	(474,201)
(f) Ethanol	KL/AL	598	14,783	1	24	637	14,173
		(818)	(16,568)	(598)	(14,783)	(10,210)	(225,403)
2. Other alcohol products							
(a) Denatured spirit	KL/AL	10	224	2	59	2	72
		(1)	(29)	(10)	(224)	(1)	(36)
(b) Indian made foreign liquor	AL	831,800	90,150	922,802	109,994	20,328,690	6,726,277
		(837,788)	(82,684)	(831,800)	(90,150)	(19,197,111)	(5,358,600)
(c) Country liquor	AL	30,815	1,976	14,424	1,013	10,789,369	4,132,512
		(156,262)	(38,585)	(30,815)	(1,976)	(8,018,821)	(3,152,552)
(d) Imported Alcoholic products (Beer & Wine)	BOTTLES	20,740	6,424	17,180	4,159	51,262	16,374
		(16,743)	(5,784)	(20,740)	(6,424)	(30,509)	(11,928)





Note: Figures in brackets are those of previous year.

31.03.2010 31.03.2009



## 20 Foreign currency exposure

		31-3-2010	31-3-2009
	Currency	Amount (Million)	Amount (Million)
a Hedged by way of forward exchange contracts:			
Borrowings -	US\$	10.54	-
b Not hedged:			
Borrowings - FCCB	US\$	33.91	36.00
Interest payable on FCCB	US\$	0.27	0.31
Borrowings - Others	US\$	11.04	15.42
Export Receivables	US\$	9.88	5.89
Balance with banks	US\$	0.95	0.23

c There are no derivative contracts outstanding as on the balance sheet date.

21. The Company has entered into arrangements with certain distilleries and bottling units in other states for manufacture and marketing of its own IMFL brands. The manufacture under the said arrangement, wherein each party's obligations are stipulated, is carried out under its close supervision. The marketing is entirely the responsibility of the Company and consequently the Company is required to bear bad debts arising on sales. The Company is also required to ensure adequate finance to the distilleries, where required. Accordingly, it is considered appropriate to disclose the following information, as applicable to such activities.

i) Income from operations through other distilleries / bottling units (Schedule-11) reflects the net contribution from the sales made by these Units and is detailed as under :

	31.03.2010	31.03.2009
Gross Sales	7,374,158	4,677,748
Net Sales	4,138,827	3,038,850
Cost of Sales	2,828,805	2,105,247
Gross Profit	1,310,022	933,604
Expenses	286,512	261,046
Income	1,023,510	672,558

ii) The balance due from distilleries under the arrangement, Rs 1577715 thousands (Previous year Rs 1335047 thousands) is included under advances recoverable. This is on account of the financing by the company of inventories, debtors and other current assets net of current liabilities on behalf of the Units. Out of this balances aggregating to Rs. 606623 thousands are pending confirmation / reconciliation.

22. Previous year figures have been re-grouped, wherever necessary, to correspond to current year figures.

### Annexure to our report of even date

For V. Sankar Aiyar & Co.  
Chartered Accountants

Amit Manchanda  
G.M. - Legal & Company Secretary

Dr. Lalit Khaitan  
Chairman & Managing Director

Abhishek Khaitan  
Managing Director

M. S. Balachandran  
Partner  
M.No. 024282

Place : New Delhi  
Dated : 10.05.2010

Ajay.K.Agarwal  
Executive Vice President (F&A)

Dilip K Banthiya  
Chief Financial officer

Directors



CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2010		2009-10	2008-09
		(Rs.'000)	(Rs.'000)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
NET PROFIT BEFORE PROVISION FOR TAX		499,395	123,663
ADD:			
DEPRECIATION	256,046	231,219	
INTEREST ON BORROWINGS	712,709	525,302	
EMPLOYEES COMPENSATION ( ESOP )	8,138	5,625	
LOSS ON SALE OF ASSETS	1,683	27,790	
LOSS ON SALE OF SHARES	0	48,828	
PROVISION FOR NON MOVING STOCK	350	14,200	
ADJUSTMENT RELATING TO FCMTD A/C.	57,862	(129,169)	
		<u>1,036,788</u>	<u>723,795</u>
		1,536,183	847,458
LESS:			
INTEREST INCOME	97,497	79,676	
DIVIDEND ON INVESTMENTS	6	1,295	
PROFIT ON SALE OF ASSETS	0	532	
WRITE BACK OF PROVISION FOR GAIN ON FOREIGN EXCHANGE FLUCTUATION	0	119,668	
PROFIT ON SALE OF INVESTMENT	1,257	(98,760)	317
		<u>(98,760)</u>	<u>(201,488)</u>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>1,437,423</b>	<b>645,970</b>
<b>ADJUSTMENT FOR WORKING CAPITAL CHANGES:</b>			
(INCREASE)/DECREASE IN INVENTORIES	(146,128)	(316,501)	
(INCREASE)/DECREASE IN TRADE RECEIVABLES	(655,268)	(310,520)	
(INCREASE)/DECREASE IN OTHER RECEIVABLES	33,132	(35,641)	
(INCREASE)/DECREASE IN LOANS AND ADVANCES	(107,448)	(128,369)	
(DECREASE)/INCREASE IN TRADE AND OTHER PAYABLES	(5,436)	101,513	
		<u>(881,148)</u>	<u>(689,518)</u>
		556,275	(43,548)
LESS: DIRECT TAX & FBT PAYMENTS DURING THE YEAR		62,053	11,120
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>494,222</b>	<b>(54,668)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
ADDITION TO:			
-FIXED ASSETS (INCLUDING WORK IN PROGRESS)		(282,924)	(1,034,221)
PURCHASE OF INVESTMENTS		(331,200)	(735,029)
APPLICATION MONEY FOR INVESTMENTS		0	(99,000)
(INCREASE)/ DECREASE IN LOANS GIVEN	(300,000)	33,500	
SALE OF FIXED ASSETS	3,091	18,938	
SALE OF INVESTMENTS	63,660	553,865	
INTEREST INCOME	97,497	79,676	
DIVIDEND INCOME	6	1,295	
		<u>(135,746)</u>	<u>687,274</u>
<b>NET CASH GENERATED (USED) IN INVESTING ACTIVITIES</b>		<b>(749,870)</b>	<b>(1,180,976)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
INCREASE / (DECREASE) IN			
SHARE CAPITAL (INCLUDING SHARE PREMIUM)	3,329,967	0	
SECURED LOANS	(1,553,299)	1,892,693	
UNSECURED LOANS	(988,912)	(289,345)	
EFFECT OF FOREIGN EXCHANGE RATE CHANGE ADJUSTMENT TO FIXED ASSETS (REFER NOTE NO.3 OF SCH-5)	129,241	(194,091)	
		<u>916,997</u>	<u>1,409,257</u>
INTEREST ON BORROWINGS		(712,709)	(525,302)
DIVIDEND ON EQUITY SHARES(INCLUDING TAX)		(35,963)	(60,004)
<b>NET CASH GENERATED (USED) IN FINANCING ACTIVITIES</b>		<b>168,325</b>	<b>823,951</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(87,323)</b>	<b>(411,693)</b>
<b>BALANCE AT THE BEGINNING OF THE YEAR</b>		<b>419,768</b>	<b>831,461</b>
<b>BALANCE AT THE END OF THE YEAR:</b>		<b>332,445</b>	<b>419,768</b>

Annexure to our report of even date

For V. Sankar Aiyar & Co.  
Chartered Accountants

Amit Manchanda  
G.M. - Legal & Company Secretary

Dr. Lalit Khaitan  
Chairman & Managing Director

Abhishek Khaitan  
Managing Director

Place : New Delhi  
Dated : 10.05.2010

M. S. Balachandran  
Partner  
M.No. 024282

Ajay.K. Agarwal  
Executive Vice President (F&A)

Dilip K Banthiya  
Chief Financial officer

Directors



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS  
REQUIRED IN PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.**

I.	Registration Details	Registration No. : 27278 Balance Sheet Date : 31.03.2010	State Code : 20
II.	Capital raised during the year	Public Issue : Nil Bonus Issue : Nil Pvt. Placement : 57838	Rights Issue : Nil
III.	Position of Mobilization and Deployment of Funds (Rs. in thousand)	Total Liabilities : 12332475	Total Assets : 12332475
		<b>Source of Funds:</b> Paid-up Capital : 263661 Paid up Preference Share Capital : Nil Secured Loans : 2449233 <b>Application of Funds:</b> Net Fixed Assets : 4668996 Net Current Assets : 5314571 Accumulated Losses: Nil	Reserves & Surplus: 5662427  Unsecured Loans : 2012194  Investments : 893663 Misc. expenditure : Nil
IV.	Performance of Company (Amount in Rs. thousand)	Turnover and : 8426554 other Income Profit before tax : 499395 Earning per share : 4.02 (in Rs).	Total Expenditure : 7792441  Profit after tax : 415395 Dividend Rate % : 30
V.	Generic Names of four Principal Products / Services of Company (as per monetary terms)	1. Alcohol 2. Indian Made Foreign Liquor 3. Country Liquor 4. Grain Based Vodka	

Annexure to our report of even date

**For V. Sankar Aiyar & Co.**  
Chartered Accountants

**Amit Manchanda**  
G.M. - Legal & Company Secretary

**Dr. Lalit Khaitan**  
Chairman & Managing Director

**Abhishek Khaitan**  
Managing Director

Place : New Delhi  
Dated : 10.05.2010

**M. S. Balachandran**  
Partner  
M.No. 024282

**Ajay.K. Agarwal**  
Executive Vice President (F&A)

**Dilip K Banthiya**  
Chief Financial officer

Directors



## RADICO KHAITAN LIMITED

Regd. Office : Bareilly Road, Rampur - 244 901 (U.P.)

### PROXY FORM

Regd. Folio No(s)/DP& Client ID No.....

No. of Shares.....

I/We .....

of ..... being a member/

members of the above named company hereby appoint Mr. .... of .....

.....OR failing him, Mr. ....

of .....

as my/our proxy to vote for me/us on my/our behalf at the 26th Annual General Meeting of the Company to be held on Thursday, September 9th, 2010 at 1.00 p.m. and at any adjournment thereof.

Signed this ..... day of.....2010

Signature.....

Affix  
15 Paise  
Revenue  
Stamp

- Note :
1. This instrument of proxy shall be deposited at the registered office of the Company not less than 48 (fourty eight) hours before the holding of the meeting.
  2. The proxy holder need not be a Member of the Company.



## RADICO KHAITAN LIMITED

Regd. Office : Bareilly Road, Rampur - 244 901 (U.P.)

### ATTENDANCE SLIP

(for attending the 26th Annual General Meeting to be held on Thursday, September 9th, 2010 at 1.00 p.m.)

Regd. Folio No(s)/DP & Client ID No. ....

No. of Shares .....

Name of Shareholder/ Proxy holder/Representative.....

Address .....

.....

Date ..... Signature .....



## BOOK POST



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