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BSE Ltd. Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 Scrip Code: 532497	National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot no. C/1, G Block Bandra-Kurla Complex, Bandra (E) Mumbai – 400 051 Symbol: RADICO
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Sub: Transcript of the Earnings Call conducted on August 04, 2023

Dear Sir/ Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the Earnings Call held on Friday, August 04, 2023, for the Unaudited Financial Results of the Company for the quarter ended June 30, 2023. The same is also uploaded on the website of the Company at www.radicokhaitan.com.

This is for your information and records.

Thanking You,

Yours faithfully,

For Radico Khaitan Limited

(Dinesh Kumar Gupta)
Vice President – Legal &
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Radico Khaitan Limited

(BSE: 532497; NSE: RADICO)

First Quarter FY2024

Earnings Conference call

August 4, 2023

Management Participants:

Mr. Abhishek Khaitan, Managing Director

Mr. Dilip Banthiya, Chief Financial Officer

Mr. Amar Sinha, Chief Operating Officer

Mr. Sanjeev Banga, President – International Business

Presentation:

Moderator: Ladies and gentlemen, good day and welcome to Radico Khaitan's Q1 FY2024 Earnings Conference Call hosted by Dolat Capital. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Himanshu Shah from Dolat Capital. Thank you and over to you Sir!

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

Himanshu Shah: Thank you Carol. Good afternoon, everyone. On behalf of Dolat Capital, we welcome you all to Q1 FY2024 earnings conference call of Radico Khaitan. We would like to thank the management for giving us the opportunity to host the call. On the call we have with us Mr. Abhishek Khaitan - Managing Director, Mr. Amar Sinha - Chief Operating Officer, Mr. Dilip Banthiya - Chief Financial Officer and Mr. Sanjeev Banga - President International Business. Let me hand over the floor to Mr. Abhishek Khaitan for his opening remarks. Thank you and over to you Sir!

Abhishek Khaitan: Good afternoon, ladies and gentlemen. Thank you for joining us on our Q1 FY2024 results conference call.

We have started the fiscal year FY2024 on a strong note with Prestige & Above category brands growing over 27% year-on-year. This was led by all our core brands such as Magic Moments Vodka which crossed 1.5 million cases sale during the quarter. Morpheus Premium Brandy, After Dark Blue Whisky, 1965 Spirit of Victory Premium Rum, etc. Both

consumer and trade response for the new packaging of 8PM Premium Black Whisky has been very encouraging and it has continued its strong growth trajectory.

Over the last couple of years, white spirits category in India has grown faster than any other category. In 2006 when we launched Magic Moments Vodka, the category was nascent and gradually Magic Moments became a category creator. Today, it is the seventh largest vodka globally and we hold 60% market share of the entire vodka industry in India.

Now we are seeing a similar scenario with the craft gin space. Few years ago, this space was non-existent in India. Jaisalmer is the only Indian brand in the luxury gin space and has over 50% market share. Capitalizing on the opportunity in the Indian craft gin space with Jaisalmer's success, we are now tapped into the super-premium gin category where the industry size is much larger given a more affordable price point. The growth in this segment is also very strong.

During the quarter, we announced the launch of our latest addition to the super premium product portfolio, "Happiness in a Bottle: A Happily Crafted Gin." The collection features three exciting variants Joy of Juniper, Joy of Pink, and Joy of Citrus. With the introduction of the "Joy of Pink" variant, we have ventured into the unique pink gin category. While each of these expressions has been curated from a selection of 15 botanicals, standout ingredient across all variants is Ashwagandha, a renowned herb known for its vitality and mood-enhancing properties. Happiness has initially been launched in Rajasthan and will be rolled out in four to five more states in Q2 FY2024. This brand will also go on to create a unique position for itself and become a category creator as many of our previous launches. We also plan to launch one more luxury whisky brand in the second half of FY2024.

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

Our Sitapur project is progressing well and in the last stage of implementation. We expect to start commercial production during Q2 FY2024.

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

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

Dilip Banthiya:

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

During Q1 of FY2024, we reported a total volume of 7.36 million cases, which is a 8% growth on year-on-year basis. Prestige & Above category volume grew by 27.2%. Including the royalty brand, our P&A volume growth is around 33%. In value terms, the Prestige & Above category registered 40% growth. During FY2023, we had rationalized volume of certain regular category brands as a conscious strategic decision to mitigate input cost pressure. With the recent price increases, we have seen improvement in the regular volumes on quarter-on-quarter basis.

Prestige & Above category now accounts for 36.5% of IMFL volume compared to 29.6% in Q1 FY2023. Improvement in IMFL realization is due to a combination of price increases and continued premiumization. On year-on-year basis, there was a 160 bps impact due to the price increase on our IMFL sales value.

On quarter-on-quarter basis, our gross margin improved significantly due to the price increase received in country liquor business. This has also been supported by price increase and ongoing premiumization in IMFL business.

On Y-O-Y basis, despite significant commodity inflation across ENA and glass bottles we have been able to sustain gross margins. Although prices of certain packaging materials have softened recently, we cautiously monitor the trend of ENA and glass bottles where volatility persists. Glass cost increased by over 15% and ENA price by around 8% on year-on-year basis.

Other expenses increased due to track and trace duty which was earlier recovered from customers and now it is a part of EDP and cost to us. Some of the other expenditure is on account of higher power and fuel costs.

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

With this we now open the lines for questions and answers.

Question & Answer:

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

Abneesh Roy: Firstly, congrats on very good set of numbers. You have seen very strong growth in the P&A volumes, which is stronger than the good numbers posted by the market leader. So want to understand what is driving this? any particular states are you getting a bit more market share? I understand a lot of your premium luxury products are doing well but would you point out any particular states where there has been market share gain?

Amar Sinha: So first of all, I must tell you that the P&A segment growth that we are witnessing is across all states and geographies wherever we are present. First of all, Magic Moments is commanding a 60% market share and is on a healthy growth rate of 38 to 40% across all geographies. Secondly, 8PM Premium Black that we launched three years back is now a 3 million case brand and is very buoyant, well accepted in the prestige category. It is the fastest growing whisky brand in India. It is available in states like Andhra Pradesh, Telangana, Uttar Pradesh, Assam, Jharkhand, so it is growing at a very fast pace in all these markets. So besides as I said 8PM Black and Magic family, which is big, there are other premium brands that we have launched like Royal Ranthambore, which is very well accepted and started growing at a very rapid rate. 1965 Premium Rum is now the largest selling premium rum in the defence sector and in the domestic market, it is now reaching a high market share wherever it is present and in the days ahead it will be a brand to reckon with in the domestic sector. So if you come to think about it all the brands are responding, Jaisalmer is doing extremely well. Last year we maintained a 50% plus market share and in fact in the quarter gone by, you will be surprised we have a 70% plus market share. It is a very encouraging response to all our premium brands and this growth trajectory is there to stay. Thank you very much.

Abneesh Roy: Sure. Thanks. A very quick question now again UK FTA talk seem to be in final stages it has been in final stages for two years, so do not know

when it will come. My very simple question is will any of your brands get impacted by this and will be concerned on this if at all it happens?

Amar Sinha: First of all, let me tell you that the UK FTA is on the cards and like the treaties that has been struck with Australia where the interest of domestic industry has been well protected. We know that the Government of India will protect the domestic industry, however, I must tell you that as far as Radico is concerned it is a unique situation where we are breaching all price points in the premium and luxury categories moving up and up on the price ladder and we do not really see a great impact with the UK FTA impacting our brands.

Abneesh Roy: Sure my last quick question is on the two key raw materials on glass, the number one beer company said that for the balance part of this year at least the next two quarters they do not expect any meaningful correction would you also have the same thought process and on ENA with all this very high inflation in rice and government regulations also saying that ethanol in terms of grain usage, etc., some restriction how do you see inflation in ENA for the balance part of the year?

Dilip Banthiya: So, the glass prices as you know has been given increase two times last year. We do not foresee any more inflation in the glass prices, rather some correction has taken place in the recent past. As far as the ENA is concerned, yes, the grain prices have been on the rise. But we see this is a matter of 2-3 months. When the new crop comes, the prices generally come again on the declining trend. Secondly, as far as the government FCI policy on the ethanol is concerned, there is an interaction going on continuous basis between the industry and the government and I think it should also get resolved. So, we see some inflation till October-November and thereafter it should be again on a normalizing trend. But yes, the commodity is volatile.

Abneesh Roy: Sure Sir. Thanks. That is all from me. Thank you.

Moderator: Thank you. The next question is from the line of Ashwani Kumar from Edelweiss Mutual Fund. Please go ahead.

Ashwani Kumar: Good afternoon. Sir, how many states have allowed a price increase for you people in the last two quarters especially in this quarter?

Dilip Banthiya: There are eight to nine states who have given price increase; the bigger one is Telangana. As we said in earlier call also that the weighted average last year we got a price increase of 300 plus basis points and whatever price increase materialized till Q1 FY2024, the weighted average impact on the topline will be around 170-180 basis points

Amar Sinha: But the positive side of this is that 10 states have given price increase which will impact FY2024 and the government in most states have been very receptive to the pain of the industry so that is a very positive sign for our alcohol sector.

Ashwani Kumar: Even in this quarter itself you made very strong margins of profit 12.5% against 9.8% in the last quarter I want to say for Q4 FY2023 so what is the kind of margin which you make for this entire year?

Dilip Banthiya: As we already spoken and guided that we expect the margin for this year to be in the mid teen kind of things, so we continue to maintain that guidance 14-15%.

Ashwani Kumar: Do we expect to go back to the margins of roughly FY2021 or FY2020 in the range of 16-17% by when if at all?

Dilip Banthiya: So, we agree on that. In two to three years' time, we aspire that with this kind of brand portfolio and premiumization and premium brands growing in strong double digit that late teen margin in 3-4 years we are expecting.

Ashwani Kumar: By when is our ethyl alcohol plant expected the expansion which we were doing?

Dilip Banthiya: So, the Greenfield Sitapur plant will come into operation in the Q2 of FY2024.

- Ashwani Kumar: Q2 and by what capacity will we will reach by end of FY2024?
- Dilip Banthiya: So, it will be around 95 to 100% capacity by the end of FY2024 because plant stabilizes in couple of months and thereafter it will run on 95 to 100%.
- Ashwani Kumar: Any other capacity expansion expected at the end product on the RM side?
- Dilip Banthiya: No, we do not expect any more expansion on the distillation side. We have had this expansion keeping in view 5 to 7 years' requirement for our P&A category and other growth like regular in consumption is growing, so we will have this distillation capex taking care of our requirement for next 6-7 years.
- Ashwani Kumar: What is the current debt on the books Sir?
- Dilip Banthiya: Current net debt is 700 Crores.
- Ashwani Kumar: What is the repayment schedule for the debt?
- Dilip Banthiya: Next four-and-a-half years, the debt will be paid as per schedule. However as per our plans we expect by 2026 we should be negligible to a zero-debt kind of company.
- Ashwani Kumar: On the current profit of roughly Rs. 60 Crores a quarter what is the kind of FCF or the OCF we generate?
- Dilip Banthiya: As we said that after meeting the needs of the capex and working capital requirement, we will be able to generate FCF by which we will be able to repay the debt this year, next year, and by 2026?
- Ashwani Kumar: Got that. Thanks a lot Sir.
- Moderator: Thank you. The next question is from the line of Sonaal Kohli from Bowhead. Please go ahead.
- Sonaal Kohli: Sir thank you for this opportunity. Could you repeat what is the EBITDA margin guidance you gave for this year and does that include the

benefit of backward integration or this is excluding the benefit of backward integration?

Dilip Banthiya: The EBITDA margin still does not have the impact of the backward integration as far as Sitapur Greenfield is concerned. As we said that by the year end when we have operation of Sitapur and everything, we will be in the mid teen kind of EBITDA margin.

Sonaal Kohli: Sir this mid teen margin which you are talking about it is more like Q3, Q4 kind of guidance including the benefit of Sitapur backward integration right?

Dilip Banthiya: Yes.

Sonaal Kohli: So, it includes the Sitapur, got it Sir. You said something about the glass prices so are you expecting a correction or it has already happened in Q2 or are you expecting Q3 as far as the glass prices are concerned?

Dilip Banthiya: No, I do expect that. If it comes it will be good. We are working with the glass industry on that but let us not expect that.

Sonaal Kohli: Whatever price hikes we have taken so far in various states some of them may have come mid-month last quarter so any further benefits of historical prices which will flow through in Q2 and what will be the quantum?

Dilip Banthiya: So, the impact in the first quarter has been in the range of around 90 basis points to 100 basis points because Telangana came in the middle of the quarter. As I said that overall, on annualized basis the impact is 170-180 basis points, so the balance impact from Telangana and some of the states is going to materialize in coming quarter and weighted average will be 170 basis points.

Sonaal Kohli: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Good afternoon. I had a question on popular. So, you know you have seen a sequential upswing in volume growth on the popular side so from here on given that your portfolio the impact of high inflation that you would have reduced the salient that would have gone out would you expect popular also start delivering volume growth from Q2 onwards?

Dilip Banthiya: So, Harit as you have seen that some of the states where the price corrections have been done, I think we have again on quarter-on-quarter basis started giving and servicing the market. As we said that our focus is on the P&A category. We expect regular category to grow in mid-single digit and we continue to maintain that.

Harit Kapoor: Got it. Very clear. The other question was on the gross margins if you look at this quarter you have seen a sharp increase driven by the country liquor price increase as well as the mix improvement and obviously you are expecting 12.5% EBITDA as you progress to do 14-15% just wanted to understand that progression would that largely be driven by further mix improvement from here or you think the bulk of this incremental benefits will come from the Sitapur backward integration?

Dilip Banthiya: It will be a combination of both. First of all, the product mix is improving as luxury and other brands which has been there has been growing in 30-40% which is giving us better margins. Sitapur backward integration will also give some margin. So, combination of all the factors will bring us to mid teen kind of margins.

Harit Kapoor: Got it and last book keeping was on the depreciation does this quarter depreciation fully reflect the Sitapur capex?

Dilip Banthiya: As this quarter depreciation is around Rs. 24 Crores and Sitapur will get capitalize in Q4 of FY2024. We expect the annualized run rate on depreciation to around Rs. 125 Crores, so Rs. 30 to 32 Crores quarterly.

Harit Kapoor: Got it. I have some more I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Sandeep Jain for Baroda BNP. Please go ahead.

Sandeep Jain: Thanks for taking my question. Just one clarification, the 15% margin guidance which you are giving it is exit quarter margin or you are saying full year FY2024?

Dilip Banthiya: Exit quarter margin.

Sandeep Jain: It includes the benefit of the plant which is coming maybe probably second half or so that includes the benefit in the EBITDA which will come from the raw material sourcing and all?

Dilip Banthiya: Yes, it is combination of all backward integration as well as the brands.

Sandeep Jain: Thank you.

Moderator: Thank you. The next from the line is from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

Kaustubh Pawaskar: Good afternoon, Sir. Thanks for giving me the opportunity and congrats for good set of numbers. Sir can you let us know what was the industry growth for this quarter and if you can help us with various segment growth for example what was the growth for white spirits, whisky and rum category, how this category grew in which quarter?

Amar Sinha: So, the industry in this quarter has actually grown by about 5% and the coming quarters should see resurgence further.

Kaustubh Pawaskar: If it is possible to give us the segment wise growth like how the white has done for this quarter and the whisky segment how they are doing?

Amar Sinha: If you would want segment wise growth, I can help you with that. Whisky has grown by about 4%, rum has grown by about 5%, gin has grown by about 5%, vodka has grown as an industry by 14% and brandy has grown by about 2%. So, there is an overall growth of 4-5% of the industry.

Kaustubh Pawaskar: So, our growth in P&A is around 26% and overall volume growth of around 8% is ahead of the industry but especially in P&A we have seen that our growth has been better than the earlier guidance of around 15-18% so considering the responses you are getting in various markets and the launches you are planning to do in the quarters ahead should we enhance this guidance close to 20% in the coming years because of the market share gains and the response what we are getting into various market?

Dilip Banthiya: So, we continue to maintain the guidance of 15-18% growth in P&A category consistently every quarter over last year and as far as the regular is concerned, we still maintain mid-single digit growth. Overall growth, we expect around 9-10% and on topline, it is 15-16%. So, the growth can be higher but as far as we maintain this because we believe in it. First quarter, we have grown 33% if we include royalty brand but that is a market demand and we are catering to that.

Kaustubh Pawaskar: For the overall realization growth in this quarter what would be the growth because of the improvement in the mix?

Dilip Banthiya: So, the realization improvement is 400 basis points in this quarter over last quarter.

Kaustubh Pawaskar: What could be because of the mix and the price increase, price increase impact would be around 80 to 90 BPS?

Dilip Banthiya: Rest is product premiumization.

Kaustubh Pawaskar: Got your point Sir. Thank you.

Moderator: Thank you. The next question is from the line of Shivang Joshi from Centrum PMS. Please go ahead.

Shivang Joshi: Hello thank you for the opportunity. Sir wanted to understand can you give indicative range of gross margins that you would be making on the IMFL and non-IMFL and just a clarification since you got the price

hike in non-IMFL segment you would be back to about high single digit EBITDA margin in next phase or is it higher during the quarter?

Dilip Banthiya: EBITDA margin on our non-IMFL is in the range of around 6% and on IMFL side, it is 15% for this quarter. Gross margin on non-IMFL is around 9.5% and it is more than 50% in IMFL category.

Shivang Joshi: I remember in one of our earlier conversation's, luxury or crafted products the super-premium category, super premium luxury products can you give an indication of what they would be in terms of overall revenue any indicative number, how much they would be contributing in further revenues in the quarter or how much do you expect them to contribute in FY2024 versus FY2023 you will have higher availability of ENA for your luxury products this year?

Abhishek Khaitan: In the luxury portfolio, we do not give any guidance on revenue or anything but what we can say surely that now especially with the increased capacity of Rampur and the way Jaisalmer is responding both internationally as well as in the domestic market, in the next 1-2 years it will significantly contribute to our bottom-line.

Shivang Joshi: The intention is just to understand in FY20-21 when we used to do 50% plus gross margins we have substantially taken up our portfolio in terms of premiumization yet when we see the gross margin levels the gross margin still appear to be roughly around 43-44% on a blended basis this is first quarter after receiving the price hike in non-IMFL, now I understand your entire raw material basket has been taking major inflation, but as things smoothen when do we expect your gross margins to touch the earlier levels of close to 50% on a blended basis?

Dilip Banthiya: You are right that in 2021-22, we had a gross margin between 49 to 50%. Last year FY2022-23, the inflation on grain and glass prices has taken away almost 900 basis points from the gross margin which has been compensated by price increase and product premiumization. Now nobody can predict about the commodity prices. However, with

the current state of the commodity pricing, I think the current margin is around 43.5%, we expect again go back to this 48% kind of margin in 2-3 years' time with the product premiumization. The point is this is all being made good from the product mix so had this cost push not been there then margin would have been upward of 50%%.

Shivang Joshi: Sir your benefits of backward integration would also kick in higher gross margin right when you are saying 40-50% should we assume even higher number when we are factoring the benefits coming from the backward integration and currently what is the spread?

Dilip Banthiya: The backward integration is part of the total business model because we are going to use whole of the ENA captively in 3-4 years' time. The margins which we are expecting is a combination of the backward integrated facility and the premiumization both put together.

Shivang Joshi: At the current ENA pricing the raw material cost, what would be roughly the cap between make versus buying per liter if you can give an indicative number?

Dilip Banthiya: Currently the ENA is in the range of Rs. 69 to 70 per liter on landed basis.

Dilip Banthiya: Rs.10 sometime, 8 sometime. It will be in the range of Rs 10-12 per litre, so it depends on the grain prices.

Shivang Joshi: Thank you.

Moderator: Thank you. The next question is from the line of Karan Taurani from Elara Capital. Please go ahead.

Karan Taurani: Hi thanks for taking my question. My question was on the regular segment. You mentioned that growth in volume could be mid to high single digit over there with a decline in Q1 could we expect that true recovery will be sharper in terms of the regular volume and what would drive that?

Dilip Banthiya: So, the point is we have started after four to five quarters sequentially the improvement in our regular category and the 5% which we talk about will be for the whole year based on the business plan. Some of the price increase in the regular category has come in. If some more comes in we continue but our focus is on the Prestige & Above category where we with the current buoyant product mix and premiumization happening in the company as well we are expecting a strong growth there.

Karan Taurani: Right the second question was on backward integration. So, I think we mentioned earlier that the positive impact of this backward integration is somewhere close to 150 to 180 BPS on the EBITDA or the gross margin now with this rice prices going higher and the grain being under pressure do we maintain that guidance of positive impact?

Dilip Banthiya: So first of all, this is again a temporary phase because the rise in the grain prices is abnormal in the last 3-4 months but we do not expect that the commodity prices continue to be the upward so when we guided about 150-180 basis points it was in a normal circumstance. It is like the earlier the own versus the bought-out ENA was around Rs.12, today it is Rs 8 to 9 so it varies. It is a matter of 2-3 months thereafter again when it normalizes it will come back.

Karan Taurani: Alright thanks and just the third and the last question would be around the potential market share within the Prestige & Above segment in the whisky category so as you said 8PM Black you are seeing traction in other brands like Royal Ranthambore as well but any update to kind of innovate within the middle and above prestige segment or maybe in the luxury segment to compete with peers over there as well like Pernod?

Amar Sinha: If you look at the industry how it has behaved in the P&A category, the P&A category has actually moved up 1% from 21% to 22% of the total IMFL sales. So Radico is growing in the P&A category much faster than

the industry that is purely because we are focusing on premiumization and this trend shall continue.

Karan Taurani: Alright so let me put it this way, apart from 8PM Black which are the whisky brands that you are betting upon for getting this strong P&A growth within whisky category.

Amar Sinha: We were not a dominant player earlier in the whisky category. We have a leadership position in the gin, in the vodka, in the brandy segments, all premium segments and now it is a year of transformation where whisky is becoming a mainstay. 8PM Premium Black was 1 million in the first year, 2 million in the second year, 3 million in the third year and we are betting strong for the 4th million in this year. Having said this Royal Ranthambore is the big future brand of this country. We are looking at doubling our volumes in the current year and it has been very well accepted, doing very well across all markets that we have gone and launched and it is the first Indian whisky, we claim it is the finest blend ever made in India. It is the first Indian whisky which is competing with international brands priced higher than them so that is a big one that we are betting on. Then there are some other whisky brands like After Dark Blue which has been launched in some states and it has been very well received but I would say 8PM Premium Black and Royal Ranthambore just now and in the second half of the year we come up with another luxury whisky to enhance our portfolio.

Karan Taurani: Got it Sir. There is a plan in place to expand the whisky portfolio as well apart from the gin and vodka where you have a significant recall.

Amar Sinha: Absolutely.

Karan Taurani: Got it. Thank you so much.

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

Vikas Tulsyan: Sir my question is that how your brands are doing internationally and which of the luxury brands you expect they will do better than the overseas market like Rampur, Royal Ranthambore and my second question is after your successful launch of ready to mix vodka in Karnataka so how big you see this as a product category and how was the July month third question?

Sanjeev Banga: Let us talk about first the luxury portfolio and more so in the international market. Rampur as you know has been an all-time favorite with the people outside of India as well and we are at the moment about eight expressions of Rampur in the international market. Key markets include US, Europe, Middle East, Australia, Singapore and the travel retail is also very significant channel for us. The brands are doing exceedingly well as we always being saying we are unable to meet the demand because of the malt availability but we addressed that couple of years ago when we tripled our malt distillation capacity. A lot of malt is going to be available as we go forward in this year. This year we hope to triple the volumes of our Rampur Indian single malt this year compared to last year. Same is the situation with Jaisalmer. We had the Jaisalmer Classic and mid-last year we launched the Gold edition. Both the expressions of Jaisalmer are also doing very well in the international market and even in the Indian domestic market where we have more than 50% of the luxury gin space. Sangam the new World Malt that we have just introduced, the first shipments have reached couple of markets now and hopefully we should get the feedback and response and we will be expanding that also in the very near future. So, in terms of our luxury portfolio even Royal Ranthambore is doing very well in the international markets as well as travel retail, so we are very positive of the performance of our luxury portfolio in the international market.

Amar Sinha: You just asked about the RTD so let me just give you some information on that. Magic Moments Vodka cocktail has been launched in 330 ml

cans we have deliberately avoided bottles because it appeals to the younger target audience and it has been emerging trend. It is in three flavors cola, mojito, and cosmopolitan. It has been launched largely to capitalize on the growing cocktail trend and the RTD increase after the pandemic. The culture of drinking at home with friends has gone up and that is what we want to capitalize on. The market actually you will be surprised in the two years between 2021 and 2022 has grown by 39-40%. Between 2022 and 2027 the projection is a growth of CAGR of 10%. Now traditionally cocktails in the country have always been made from vodka so we have seen this as a big opportunity to use the biggest vodka brand Magic Moments to create the biggest RTD brand which is Magic Moments vodka cocktail. It is a great product well received in Karnataka and now seeing the response we are going ahead and launching in four states as we speak which is J&K, Rajasthan, Goa and soon to be launched in more states in south, north and east India but over the next 12 months it should be a national product.

Vikas Tulsyan: Sir can we also expect similar product in other liquor ready to mix like in whisky and other gin variants?

Amar Sinha: We do not have any such plans right now.

Vikas Tulsyan: How was the July month?

Dilip Banthiya: I think quarter-on-quarter at this point of time as we have guided that we will complete our targets on annualized basis.

Vikas Tulsyan: Thank you Sir.

Moderator: Thank you. The next question is from the line of Abhijeet Kundu from Antique Stock Broking. Please go ahead.

Abhijeet Kundu: Great results congratulations on that. My question was on the luxury portfolio post the capex that you are doing of backward integration and better quality in ENA and malt to what extent does this suffice your volume expectations if 8PM has to grow at a strong rate or Royal

Ranthambore which is more of an Indian whisky and we are really seeing very strong growth, what kind of volumes is your current capacity or post capex capacity good enough to support that you do not have to re-invest further?

Dilip Banthiya: In fact, the backward integration has been taken as a strategic call to grow our branded business and first of all at this point of time also we procure around 7 Crores liters of alcohol annually in various part of the country. So, in future also our own ENA which will cater to our production and the growth we will continue to buy some of the alcohol outside also and I cannot put at this point of time the number that it will be able to cater we are doing 32 million right now. The growth what is happening in India continues to be there. As we said that it will be sufficient for next 7 years that we have our internal distillation capacity and some of that will be outsourced from outside producer as well so we do not see the constraint of the capacity of distillation in future.

Abhijeet Kundu: I asked that because even in brand like Black Dog has become 3 million cases I do not see why Royal Ranthambore cannot achieve that in the next few years because it is growing at a very rapid pace?

Amar Sinha: Royal Ranthambore is a star product of the country today not only Radico the response is extremely encouraging and I can assure you that in the times ahead it is going to be a brand to reckon with.

Abhijeet Kundu: Great thanks.

Moderator: Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar: Thanks for taking my question Sir. The question pertains to the impact of Karnataka where we are seeing the duty increase so how do you see on that and what volumes that Karnataka is contributing?

Dilip Banthiya: So, the Karnataka duty increase definitely is steep increase and with this increase there is bound to be some impact on the volume side but

as we have seen in the past also that duty increase and the new MRP and all that adjusted in due course of time. I think in the next one to two quarters again the volume which might get impacted because of the steep increase in duty will get adjusted.

Saket Somani: Just to add one thing Karnataka is predominantly a regular category market, so from overall Radico strategy focus perspective certainly it does not impact much.

Pankaj Kumar: What percentage of volume is coming from it?

Dilip Banthiya: It is around 9 to 10% of overall volume.

Pankaj Kumar: My second question is related to the other expense which you have said earlier that due to some change in track and trace can you elaborate more on that?

Dilip Banthiya: The excise policy which was announced in Uttar Pradesh earlier we were getting reimbursement from the customer now it's becoming part of the other expenditure.

Saket Somani: So, comes under revenue as well as the cost side.

Pankaj Kumar: Lastly on the Royal Ranthambore you said you are looking to double the volume from this particular brand so by when do you intend to achieve a million cases any internal target that you have on Royal Ranthambore?

Amar Sinha: It is operating basically in a very, very premium segment which is the scotch segment and there we are seeing a very good traction for it. I think we need some more time this year we should double our volume. I think by next year we should be able to actually project our volumes for the next three to four years.

Pankaj Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Mayur Gathani from Ohm Portfolio. Please go ahead.

Mayur Gathani: Thank you for the opportunity. I just wanted to have an update on Delhi what is happening there, is there any improvement?

Amar Sinha: So, Delhi right now is a stressed market. The policy is yet to settle down. It is still going through its own highs and lows. We are actually getting a reasonably good volume and we are happy with it. Industry needs to work out a solution with the government on the policy, maybe in the coming policy for sure. Right now, the market is struggling.

Mayur Gathani: So how much Delhi contributes to your revenue is it a significant market?

Dilip Banthiya: It is in the range of 2 to 2.5%.

Mayur Gathani: Thank you very much.

Moderator: Thank you. The next question is from the line of Darshika Khemka from AV Fincorp. Please go ahead.

Darshika Khemka: Thank you for the opportunity and congrats on good set of numbers. Most of my questions have been answered. I had just one last bookkeeping question. You had answered one of the participants regarding EBITDA margin by segment could you please repeat that? The EBITDA margins as per non-IMFL, IMFL and P&A category?

Dilip Banthiya: So, IMFL blended EBITDA margin is 15% and non-IMFL is 6%.

Darshika Khemka: For the regular and P&A?

Dilip Banthiya: So, we do not actually give that, but definitely premiums are much, much higher than regular.

Darshika Khemka: Thank you.

Moderator: Thank you. The next question is from the line of Anurag Jain, an individual investor. Please go ahead.

Anurag Jain: Good afternoon. My question is on the non-IMFL business, the non-IMFL business revenue was 248.6 Crores in the quarter gone by could

you please throw more light on this business what is the current position and medium-term outlook for this business?

Dilip Banthiya: For the non-IMFL business because we have put up a facility at Sitapur so there is a bottling capacity put up for UPML and CL as well so the growth in non-IMFL has been on account of that. We have seen a volume growth of around 31% on Y-o-Y basis and around 11% on Q-o-Q basis. There has been a price increase in the range of 15-16%, which has also been reflected in the revenue numbers and UPML prices are higher than the CL prices so there is some impact of the product mix as well.

Anurag Jain: Alright.

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

Vikas Tulsyan: Sir can you also give up your export breakup in terms of total percentage of sales what is export and what is the domestic sales?

Sanjeev Banga: In terms of volume, it is about 4 to 5%, in terms of value it is about 6-8%.

Vikas Tulsyan: What do you expect in next five years this export market?

Sanjeev Banga: Well, it is all dependent upon the mix that we do in the domestic and the international so it is always healthy competition that we will keep having internally, but we expect both domestic and international to keep growing at a rapid pace.

Vikas Tulsyan: Sir which one will grow faster export or domestic?

Sanjeev Banga: Too difficult to predict because domestic would like to grow faster than export and export would like to grow faster, but eventually Radico that is keep growing.

Vikas Tulsyan: Thanks.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference back to the management for their closing comments.

Dilip Banthiya: Thank you everyone for joining us today. We are confident of maintaining our long-term margin expansion given the premiumization of portfolio and recently received price increases both in IMFL and non-IMFL segments.

We look forward to interacting with you on our next earning call. In the meanwhile, if you have any queries, please feel free to write to us. Thank you and over to you.

Moderator: Thank you. On behalf of Dolat Capital we conclude today's conference. Thank you all for joining. You may now disconnect your lines.

Note: This transcript has been edited to improve readability.

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