Radico Khaitan

Operator: Ladies and gentlemen, good day and welcome to Radico Khaitan Ltd. Q2 FY27 earnings conference call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in 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 star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashutosh Joytiraditya from ICICI Securities Limited. Thank you, and over to you, sir.

Ashutosh Joytiraditya – ICICI Securities: Thank you, Anam. Hello and good afternoon, everyone present on the call. On behalf of ICICI Securities, I welcome you to Radico Khaitan Ltd.'s Q2 FY27 earnings call. I would like to thank the management for giving us this opportunity to host the call. From the management, we have Mr. Abhishek Khaitan, MD; Mr. Dilip Banthiya, CFO; Mr. Sanjeev Banga, President, International Business; Mr. Subeer Upadhyay, Chief Sales Officer; and Mr. Saket Somani, Deputy CFO. I will now hand the call over to Mr. Abhishek for his opening remarks. Thank you, and over to you, sir.

Abhishek Khaitan – MD: Good afternoon, ladies and gentlemen, and thank you for joining us on Radico Khaitan Ltd.'s Q2 FY27 earnings conference call.

The second quarter of FY27 has been the strongest in our history, with record volumes, revenue, and profitability. During the quarter, IMFL volume stood at over 10 million cases, revenue at 1,746 crores, and EBITDA at 356 crores, with an EBITDA margin of 20.4%. Two quarters into the year, the consistency of this delivery gives us great confidence in the year ahead.

Premiumization remains at the heart of this performance. Our Prestige & Above portfolio grew 36% in volume during the quarter, well ahead of the industry, and continues to enrich our mix with every passing quarter.

In vodka, the structural shift we have spoken about is gathering pace, with the category share of IMFL reaching 6.3% in Q2.

In August, we launched Magic Moments Aam Panna, bringing a nostalgic flavor cherished in every Indian household into a contemporary format, supported by a digital-first campaign. Consumer response has been encouraging, and tertiary off-take across the Magic Moments family remains healthy.

In whisky, After Dark's modern new look is resonating well in the largest segment of the market, and we are extending it to more states. 8PM Premium Black continues to gain momentum and market share, while Royal Ranthambore continues to perform well across civil and CSD channels.

Our luxury portfolio, including Rampur Indian Single Malt, Jaisalmer Indian Craft Gin, and Virasat Indian {? [unclear] ?} exceptional response from connoisseurs in India and abroad, and we are steadily taking Virasat to new states. Brand advocacy remains central to this effort. During the quarter, we continued our partnerships in premium shop-in-shop formats at retail.

Report is AI-generated and may contain inaccuracies.

The policy environment across key states continues to be progressive and supportive, and we see this as a meaningful tailwind for organized, premium-led players like Radico in the years ahead.

Internationally, we also became the first Indian spirits company to be present across four major UK airports, a proud moment for Indian whisky in the home of Scotch. We continue to progress towards our target of 100 travel retail outlets in the times to come.

At the same time, the global environment has turned increasingly volatile. We are seeing continued volatility in raw material and packaging costs. We are managing this through sharper procurement, value engineering, our integrated manufacturing platform, and a richer product mix. These levers give us the resilience to stay the course.

Looking ahead, we have upgraded our Prestige & Above volume growth to 30% in FY27, and we remain confident of sustaining an EBITDA margin of around 20% for the year.

Before I close, an important update on our leadership. Effective today, Dilip Banthiya joins the board as Executive Director and CFO, bringing his deep financial, capital allocation, and alcobev industry experience to the board. Saket Somani has been elevated to Deputy CFO, with an expanded mandate across strategy, financial planning, investor relations, and digital transformation. These elevations reflect our belief in nurturing talent from within.

As we enter the festive season, I would like to wish you all and your families a very happy and prosperous Diwali. With that, I would now like to hand over the call to our Executive Director and CFO, Dilip Banthiya, for a detailed review of our financial and operational performance. Thank you.

Dilip Banthiya – CFO: Thank you, Abhishek. Thank you, everyone, for joining us on this call today. Before I begin, I would like to thank the board for its confidence in me.

The momentum we built in the first quarter was sustained through Q2, with strong volume growth, higher profitability, and improved returns. Our performance reflects the resilience of our business model, driven by premiumization, operating leverage, and a persistent focus on disciplined execution, even as the input cost environment has turned more volatile.

During Q2 FY27, we delivered a strong, all-round performance, with total IMFL volume of over 10 million cases, reflecting 7% year-on-year growth. The Prestige & Above category continued its strong upward trajectory, recording its highest-ever volume of 5.28 million cases at 36% volume growth.

This performance was supported by strong brand momentum and premiumization-led mix improvement. Regular volume degrowth was due to a higher base in Q2 of last year, after the change in route to market in the state of Andhra Pradesh, and the impact of policy changes in Maharashtra and Karnataka.

On the profitability front, gross margin during the quarter was 48%, representing a 440-basis-point expansion year-on-year and a 109-basis-point compression quarter-on-quarter. This year-on-year improvement is due to ongoing premiumization and product mix. Premiumization added 510 basis points to pricing, and the price increases added 85 basis points. This was offset to a certain extent by the recent volatility in packaging material, which resulted in approximately 27 crores of financial

Report is AI-generated and may contain inaccuracies.

impact. Gross margin was impacted sequentially due to some cyclical brand mix changes and inflation in grain prices.

Despite an uncertain macro environment, we are confident of our margin trajectory in financial year 2027. To mitigate the impact of increasing grain prices to a large extent, we have built a higher level of stocks, which has supported us through Q2 FY27. EBITDA margin for the quarter stood at 20.4%, expanding by 462 basis points year-on-year. The strong improvement reflects the success of our premiumization strategy, better operating efficiencies, and continued cost discipline. It also highlights the benefit of our consistent investment in building a strong premium and luxury brand portfolio over the years.

Building on our strong financial performance, both ROE and ROCE improved during the quarter, supported by higher operating profit and better asset utilization. As the premium and luxury portfolio continues to expand, we expect our capital efficiency and return ratios to improve further.

During the quarter, we made a deliberate investment in working capital to support the strong growth in our premium portfolio and new launches, and to secure key raw material and packaging material amid price volatility. This is temporary, and we expect it to normalize during the second half of this year. We remain disciplined in our approach to capital allocation, with capex directed towards maintenance, operational efficiencies, and essential capacity optimization.

Looking ahead, our priorities remain very clear: driving profitable growth, maintaining a strong balance sheet, improving capital efficiency, and creating long-term shareholder value. With this, we will now open the line for questions and answers. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman – CLSA: Hi, good afternoon, and thanks for the opportunity. I have two questions. Firstly, regarding this DRI investigation across the industry, can you explain a little more about what the key issue is here and how the various players could potentially be impacted? Secondly, regarding the raw material impact, we have obviously seen a significant increase in grain prices as well as packaging materials. From a pricing perspective, what proportion of our portfolio would you say has pricing freedom, and typically what would be the lag between pricing and input cost increases? Thanks.

Abhishek: Thank you, Aditya. Actually, as far as the matter relating to industry scrutiny is concerned, we are a very compliant company. We have always complied with these regulatory requirements and issues. The scotches that we had been importing over the last 10-20 years are under the same HSN code, 2208, and after July 15 also, we have been importing the {? BMSs ?} under the same code. We have not changed any of our codes, nor the connotation or the narratives of the material coming here. This is an industry issue that the DRI is studying, and we do not know

Report is AI-generated and may contain inaccuracies.

how far it goes for others, but we are confident that what we are doing is in accordance with the current laws. Thank you.

Regarding your second question on the packaging material and raw material scenario, as we said in our opening remarks, we continue to maintain our EBITDA margin guidance of 20% for the full year. This quarter also, there was a negative impact of 27 crores, which is approximately 156 to 160 basis points on a gross margin basis. However, with the measures we have taken, we have been able to mitigate this impact.

When we see the new crop season, which starts in November, the prices should stabilize. At the same time, FCI allocation under this year's ethanol policy is also very elevated at 72 lakh metric tons, which should also help stabilize the situation. Therefore, from November onwards, we see this playing a very benign role.

At the same time, regarding packaging material, there has been an impact on account of the West Asia war, particularly on bottle prices, pack prices, and some laminate prices. It is very unpredictable, but considering the current uncertain and volatile scenario, we continue to work on our premiumization, improve our product mix, and continue to ensure that we can deliver the 20% guidance we have given. I think we are confident about our business and portfolio.

Aditya Soman – CLSA: That is very clear, and thanks a lot for that. Just to summarize, with this whole DRI issue, there is likely no impact on Radico, and, secondly, on input costs, there is no change to the 20% margin guidance for the current year.

Abhishek: That's correct.

Aditya Soman – CLSA: Thank you.

Operator: Thank you. The next question comes from the line of Avnish Roy from Nuvama. Please go ahead.

Avnish Roy – Nuvama: Thanks, and congratulations on a very strong set of numbers. My first question is on the UK FTA. Are you seeing any increase in competition so far? Since the cost is affordable for all players, is there greater intensity among existing players? How are you reading that part? Second, this is a question for your international head. In terms of the four airports in the UK and further expansion, what kind of long-term opportunity do you see in that market because of the FTA and now having a better presence on the ground?

Abhishek: To answer your first question, regarding the UK FTA, we are seeing close to an 8-10% reduction in BIO. If you look at our portfolio, whether it is Rampur or {? Virasat ?}, which are single malts and are already priced higher than the existing BIOs, I think it is more a matter of consumer preference. As far as the other portfolio, whether it is After Dark or Magic Moments, et cetera, those are priced well below BIO Scotch. As such, we do not see much of a challenge to our portfolio at all.

Management: Regarding GTR, as you know, we have just been listed in four UK airports: Heathrow, Gatwick, Birmingham, and Manchester. The response has been very positive, and global travel retail remains a very important channel for us, especially for our luxury portfolio, both in terms of showcasing the products to a global audience as well as for consumption, whether for personal

Report is AI-generated and may contain inaccuracies.

consumption or gifting purposes. We are currently in around 70 duty-free locations, and our objective is to reach 100 in a short period. We will continue to focus on this channel and try to expand it quickly.

Avnish Roy – Nuvama: My second question is on the guidance. There have been two upgrades in two quarters. Overall, the macro environment is more challenging than it was 3 months or 6 months ago, across the entire country and the entire world. What are the specific reasons, perhaps two or three, that you can tell us? Is it because the shift towards vodka is higher than your initial expectation, or is it because of states such as Karnataka, or is there any specific state you can highlight? The beer company said, for example, that it is growing 60% in Karnataka. Is there a specific state that is performing much better, or is it simply market share gains?

Operator: Sir, you are not audible.

Avnish Roy – Nuvama: Yes, I wanted to understand—

Abhishek: [line issue] To answer your first question, there is a structural shift towards white spirits, which means vodka. Globally, about 28% of the liquor market is vodka. In India, it was very small. In 2025, it was 3.7%; in 2026, it became 4.5%; and this quarter, it is 6.3%.

We are seeing a lot of this shift, especially among Gen Z, the younger generation, and women, whose preference is for white spirits because they are more easily mixable. They are also lighter and include flavored vodkas. I think that shift is helping us, number one.

Number two, to answer your question, Karnataka has led the way. After the reduction in duties and free pricing, it has performed very well. To give an example, Radico's premium volumes in the current quarter grew by more than 100% there. Karnataka is helping us, and we are also getting overall growth from everywhere. That is why, if you look at it, the P&A growth of Radico is 36% in the current quarter.

Avnish Roy – Nuvama: I had one follow-up question on your P&A volume growth and your vodka growth. If I dissect the numbers, it seems that your non-vodka P&A has grown by around 23%, give or take 1% or 2%. Are you happy with this performance of non-vodka P&A? Karnataka has performed very well, which means non-Karnataka would have grown much more slowly than that. Is Maharashtra dragging it down? Are you happy with this kind of 23% growth performance in non-vodka P&A?

Abhishek: I think we are more than happy because the industry itself has grown only 5.8% to 6% in P&A. To have 20% non-vodka vodka growth, I think—

Management: [off-mic discussion] 23%.

Abhishek: 23% is a commendable achievement. We have grown vodka by about 49%, so I think we are very, very happy with the overall P&A portfolio. As far as Maharashtra is concerned, our P&A there has returned to growth in the current quarter.

Avnish Roy – Nuvama: What is the reason for that?

Report is AI-generated and may contain inaccuracies.

Abhishek: Maharashtra returning to growth?

Avnish Roy – Nuvama: Yes.

Abhishek: Our P&A. From our side, as I said, the flavor shift is happening towards vodka, and now I think vodka is close to—

Management: [off-mic discussion] Maharashtra industry... Maharashtra, 11%.

Abhishek: In Maharashtra, vodka has become 11% of the industry, and we are market leaders there, so our P&A has grown very fast in the current quarter.

Management: And Avnish, regarding your other point about Karnataka, while Karnataka has grown very strongly, our salience from Karnataka is still only 6%. Therefore, while Karnataka has contributed, the other states are growing much faster and are contributing much more meaningfully.

Avnish Roy – Nuvama: One last quick question on Tamil Nadu. In your media interview, you gave some insights. The beer company also said that Tamil Nadu seems to be opening up and is on the right track. If you could discuss the medium- to long-term opportunity, assuming some basic developments take place. Regarding Telangana, everyone says that a hike is happening next quarter. What is the current understanding regarding a price hike in Telangana?

Abhishek: To answer your first question about Tamil Nadu, it is the largest market in the country. As far as Radico is concerned, Morpheus is the largest-selling premium brandy there, and Tamil Nadu is the second-largest market for vodka.

What happened in September, which is a very positive and pleasant development for the industry, is that orders have started coming on a {? fresh ?} basis. Even for us, volumes are up 20%. They are also introducing a new measure under which anything above 1,000 rupees would be paid for digitally. I think they are also allowing new brands to enter. Therefore, I think Tamil Nadu can be a very interesting and good opportunity for the industry, and especially for Radico.

As far as Telangana is concerned, we have represented our case to the government, but the price increase ultimately depends on the government.

Avnish Roy – Nuvama: Sure, thanks. That's all from my side. Thank you.

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

Harit Kapoor – Investec: Hi, good evening. My first question is on exports. I know P&A has performed exceptionally well in the first half. I wanted to get your sense of the export growth in the first half of the year, given the geopolitical issues. How do you see this developing over the next 2, 3, or 4 quarters? Do you see an easier situation or a slightly harder situation? I am trying to understand whether this business has not grown at the pace you would have liked, and whether there are opportunities for growth to revive over the next few quarters. That is my first question.

Report is AI-generated and may contain inaccuracies.

Management: In terms of exports, yes, the geopolitical situation in Western Asia did have an impact initially when the whole issue started in February and March. For the first couple of months, there was a problem, but it has bounced back now, and our shipments are going regularly into the Western Asia market as well. The only issue is logistics. Freight rates have gone up tremendously, but otherwise we are seeing growth in all our export markets, so there is no letdown in our exports business.

Harit Kapoor – Investec: So, as of now, the issue is more a margin issue because of freight rates rather than a growth issue, which has already rebounded?

Management: Yes, that's correct. The issue is freight. We are absorbing part of the freight, the customer is absorbing part of it, and in some cases there has also been a small increase in the consumer price.

Harit Kapoor – Investec: Understood. My second question is for Abhishek. This does not look like a one-year or 18-month phenomenon in vodka. These are typically trends. As you mentioned, globally the shares of this category are high, and now you may not see 40% or 50% growth rates, but do you expect this to become a multiyear driver for you over the next 3, 4, or 5 years? You may not see 40% or 50% growth, but the growth rates could be significantly elevated compared to other spirits subcategories. Is that how you see the market? I wanted to understand how you are thinking about this.

Abhishek: Even now, total vodka market share is 6.3% in the current quarter, whereas globally it is 28%. Even a 1% shift adds close to 4 to 4.5 million cases of vodka. In addition to the normal industry growth, we see that over the next 3 to 5 years, vodka should outpace any other category, especially flavored vodka.

Harit Kapoor – Investec: Understood. My last question was, if you could just give an update on [cut off]

Abhishek: Yes, go ahead. Even over the last 5 years, vodka has grown by 20% year-on-year. I think it is a trend that is here to stay.

Harit Kapoor – Investec: Understood. This last question was about the several launches you have made in the last 12 months or so. Could you highlight which of them has seen the strongest response? I know After Dark and Black have done well, and those launches were slightly more than 12 months ago, but what about the more recent launches in the super-premium space?

Harit Kapoor – Investec: If you could mention one or two that you are most satisfied with in terms of traction, that would be helpful. That's my last question.

Management: Among the new launches that we are most excited about, I think Virasat Indian Single Malt is one. We did not have a malt in the affordable luxury segment, which is approximately 3,500 to 4,000 rupees a bottle. It is seeing a tremendous response from every state, so we are very happy about that.

Second, we launched Jamun, and Jamun has become a craze. Aam Panna, which we launched last month, is also seeing a high level of tertiary off-take and interest. After Dark has still not been rolled

Report is AI-generated and may contain inaccuracies.

out in its new avatar in many states; it has only just started rolling out. I think that should also see good traction. 8PM Black is back in growth after we changed its packaging, its entire look, and its communication.

Harit Kapoor – Investec: Great. Thanks, and I wish you all the best. I also wanted to congratulate—

Management: Thank you.

Harit Kapoor – Investec: —{? Saket ?} and Dilip as well on the elevation.

Management: Thank you. Thank you.

Harit Kapoor – Investec: Thank you.

Operator: Thank you. The next question comes from the line of Dheeraj Mistry from Jefferies. Please go ahead.

Dheeraj Mistry – Jefferies: Hi, good afternoon, sir. Congratulations on a good set of numbers. Historically, we have seen that the second half is much better than the first half. In the first half, you have delivered 36% volume growth, and your guidance has definitely been upgraded, but after the upgrade it becomes 24-25. If I look at the base, it is not particularly high either. What is the reason for this conservative guidance? Are you expecting some moderation in demand momentum, or how should we think about it?

Management: I think guidance is something you give when you are sure of it. As far as momentum is concerned, we are seeing great momentum, especially with the festive season underway. The momentum is as strong as it was in the first half.

Dheeraj Mistry – Jefferies: Going forward beyond FY27, would you like to provide any guidance in terms of volume for FY28, FY29, or on a medium-term basis for the P&A brand?

Management: [pause] As far as FY27, FY28, or FY29 are concerned, we have already revised our guidance twice this year, so we want to consolidate that growth. There is no reason to believe that momentum should come down, but we just do not want to ascribe a number to it at the moment. Strong growth will continue.

Dheeraj Mistry – Jefferies: On the luxury portfolio, how has growth been this quarter, and are we on track to meet our guidance for FY27?

Management: We had a turnover of 475 crores last year, and we are well on course to meet our guidance of 25%, both in terms of value growth.

Dheeraj Mistry – Jefferies: There is no change in that guidance?

Management: No.

Dheeraj Mistry – Jefferies: Lastly, on margins, what would be the margin of the IMFL business and the non-IMFL business during the quarter?

Report is AI-generated and may contain inaccuracies.

Management: The IMFL business margin is approximately 24% plus, because luxury and vodka account for a major share. The non-IMFL business is around 9.5% to 10% for this quarter.

Dheeraj Mistry – Jefferies: For the quarter. Thank you, that's it from my side.

Operator: Thank you. The next question comes from the line of Rahul Agarwal from Ikigai Asset. Please go ahead.

Rahul Agarwal – Ikigai Asset: Hi, sir. Good evening. You commented on non-vodka P&A growth. I wanted some more color on how you view the growth of the whisky and brandy portfolios over the medium term, say over 2 years. If you have to break down the 30% volume growth you have indicated for FY27, what would be the split between vodka, whisky, and brandy? More broadly, what is the medium-term outlook? I am not asking for guidance, but broad ranges would help.

Management: As we have upgraded our guidance to 30% for the overall P&A portfolio, we believe that vodka, as we have already said, will grow much faster than the other categories, as the industry is also growing. For whisky and brandy as well, we expect portfolio growth of upwards of 20%. On the whisky side, 8PM Premium Black and After Dark will drive growth, along with Royal Ranthambore, and on the brandy side, the major brand is Morpheus.

Rahul Agarwal – Ikigai Asset: Understood. Secondly, on the margin side, clearly this year you are looking at maintaining the 20% range. Incrementally, if we look at additional levers, growth is high, which should provide operating leverage benefits, and the entire UK FTA benefit also has to play out. Could you highlight the top 2 or 3 points where margins could expand further in FY28 and FY29? What could be the levers?

Management: As we have said earlier, the faster-growing categories for us are vodka and luxury spirits, which have higher margins. While this year we have talked about a 20% margin guidance, the margin does not plateau at that level. Given the current volatility in the global macro environment, driven by raw material and packaging materials, we are not putting a number to it, but we have always said that margin expansion will continue.

Perhaps later, one quarter or towards the end of the year, we will look at what the guidance for the next year should be, but margins will continue to expand.

Rahul Agarwal – Ikigai Asset: Understood, {? Saket ?}. Lastly, Abhishek, I have one question. We are getting into the Uttar Pradesh elections next year. Typically, when this happens, how does the business behave? Should we be careful or more concerned, or does the business grow normally, as part of its normal routine? Could you comment on that, please? Thank you.

Management: Liquor revenue in Uttar Pradesh is very high, almost 60,000 to 65,000 crores. It is a very large business, and the system is very well established. Therefore, I do not think the elections are a matter of concern at all.

Rahul Agarwal – Ikigai Asset: Typically, does the business grow during elections? Doesn't it slow down?

Management: It does not slow down during elections.

Report is AI-generated and may contain inaccuracies.

Rahul Agarwal – Ikigai Asset: Good. Understood, sir. Thank you, and all the best for answering the questions.

Operator: Thank you. The next question comes from the line of Nitin from HDFC Securities. Please go ahead.

Nitin – HDFC Securities: Hi, thanks for taking my question. My first question pertains to vodka. We believe growth has been healthy, and competitive intensity will increase. I wanted to check the salience of flavored vodka for us and whether you can highlight any future strategy around vodka.

Management: Our flavored vodka accounts for approximately 70% to 75%. As we have said, we have been innovators in growing this category. We launched Flavors of India, beginning with Mango and Jamun, and now Aam Panna. One or two more exciting flavors will be added. The more people enter the category, the more noise there will be around vodka, which will help the vodka category itself expand. I think that is very good for the vodka category because that is how the white spirits category grows.

Nitin – HDFC Securities: Thank you. I also wanted to check whether there are any examples from international markets where further premiumization can happen in vodka. Is there anything beyond flavor that we can do in vodka?

Management: In the international markets, we already have our flavored vodkas there as well, but internationally flavored vodka accounts for only about 25%; 75% is plain. Therefore, it is very different from the Indian scenario. However, we are seeing a lot of traction for Flavors of India in international markets as well. It is early days, but wherever there is an opportunity, we will push it.

Nitin – HDFC Securities: My question was about any leads from the international market. Internationally, 28% of the volume comes from vodka. Is there any innovation or idea that we can adopt from the international market that could work in India, or is flavored vodka the strategy for the near term?

Management: There is a reason why the international vodka share is 28%. India is also moving in that direction, which is essentially a change in consumption occasions. Indians are now consuming spirits in different forms and settings, whether in cocktails, through casual drinking, or during the daytime. India is also moving towards that.

When that sort of trend occurs, it moves towards a lighter and more versatile form of spirit. It is just that the Indian palate is more suited to flavors, whereas internationally that has not been the case. I think we are reading the market. Currently, it looks like flavors are the way forward.

Nitin – HDFC Securities: This is really helpful. My last question pertains to After Dark, with the new packaging and the association with the master blender. I want to know how the brand is doing and in how many states the relaunched After Dark is currently active. Thank you.

Management: After Dark grew by around 60% last year. Last year's number has closed at that level. Since then, it has also been very progressive wherever it has been launched. After the new packaging change, we had entered 10 states as of now, and we are getting positive traction for the brand.

Report is AI-generated and may contain inaccuracies.

The fact is that this is a huge segment altogether, and there is significant headroom. Therefore, we are hopeful that it will grow further. We have a positive response from consumers and customers.

Nitin – HDFC Securities: This is helpful. Thanks a lot, and all the very best.

Operator: Thank you. The next question comes from the line of Karan Kamdar from Choice Institutional Equities. Please go ahead.

Karan Kamdar – Choice Institutional Equities: Thank you for the opportunity, and congratulations on another great set of numbers for the quarter. What I wanted to understand is that we have been growing from strength to strength. What challenges do we see in the current environment, specifically regarding competition? Apart from innovation, how do we see our strategy evolving going forward, particularly in terms of marketing and advertising expenditure?

Management: As far as we are concerned, we are well placed in almost all segments. When we talk about malts, we are talking about Rampur and Virasat Indian Single Malt, as well as Royal Ranthambore and Jaisalmer. We are effectively present in all the segments. We will continue to grow in those areas because each segment is delivering results for us, and there is significant headroom.

Vodka, as the MD has mentioned in earlier statements, will continue to grow because of the innovation we are undertaking with these flavors.

Karan Kamdar – Choice Institutional Equities: What is our salience across vodka, gin, and whisky? If you can provide some color, even if not the exact numbers, especially for vodka.

Management: Vodka accounts for 30% of our volume. Whisky accounts for approximately 40% to 45%. The rest is brandy and rum, while gin is still very small because it is only at the extreme top end.

Karan Kamdar – Choice Institutional Equities: What states do we see as tailwinds, and what states do we see as headwinds for the next 6 months to 1 year?

Management: Regarding tailwinds, it is essentially the progressive policies of different states and any opening up in states such as Tamil Nadu. There is also the overall consumer shift towards greater premiumization, with alcohol being considered a lifestyle category. Vodka, of course, is a major growth trajectory going forward.

In terms of headwinds, I think the macro environment is making the cost scenario somewhat volatile. However, when you grow your premium products at 30–35%, the cost environment becomes relatively less meaningful on the margin side. That said, it is certainly one thing to watch out for at the moment.

Karan Kamdar – Choice Institutional Equities: Understood, sir. Thank you and all the best. Congratulations on the new appointments.

Operator: Thank you. The next question is from the line of Harsh Sheth from ICICI Securities. Please go ahead.

Report is AI-generated and may contain inaccuracies.

Harsh Sheth – ICICI Securities: Hi. Thanks for the opportunity, and congratulations on a good set of results. I have a couple of questions. Firstly, on pricing, P&A realization was up approximately 2% this quarter, and you had mentioned 75 basis points of price benefit in Q1. For this quarter, how much of the realization growth is actual price increase versus mix? Going forward, are there any state price revisions already approved for H2 that we should factor in?

Mr. Bhatia: As we said in our opening remarks, pricing improved by 85 basis points overall in this quarter. We received price increases in 7–8 states. On a quarter-on-quarter basis, realization improved by 2.2%. On a year-on-year basis, the improvement is much higher, at around 12%, mainly because we grew 36% in our P&A category and there was a degrowth of around 15% in our regular category.

Under normal circumstances, the difference arising from product mix and related factors would remain between 5% and 6%, and we expect an annual price increase of 100 to 125 basis points as the net impact.

Harsh Sheth – ICICI Securities: Understood. Secondly, on cost management, you had called out roughly 30 crores of packaging material impact in Q1. What is the number in Q2? Can you talk about the value engineering we have undertaken in terms of shifting to hipster packs, lightweighting of glass, PET, and so on? I want to understand how much of the gross margin resilience this quarter is from those interventions versus mix. Also, what is the hipster share of volumes today versus a year ago?

Mr. Bhatia: As I said, the impact in the first quarter was 30 crores on account of various packaging materials. In Q2, the impact, including raw material and packaging material, is around 27 crores, which is roughly 1.6% on a net sales basis.

As far as value engineering is concerned, it is an ongoing exercise in the company. Wherever we find an opportunity to improve our packaging or other aspects, with better parameters and so on, we evaluate it. I cannot give a specific figure at this point, but as R&D work continues in this area, whatever is developed and tested is then implemented.

Harsh Sheth – ICICI Securities: Just one last question. On the regular segment, 8PM is down 12.5%, and Q3 last year also had the Andhra base effect. Is the decline mainly a base issue that fades from Q4, or is it a deliberate pullback from low-margin states that continues into next year? What should we assume for regular segment volumes going forward?

Mr. Bhatia: At this point, the base impact from Maharashtra and other factors will be almost nullified from H2. However, keeping in view raw material prices and other factors, we also continue to assess the situation. You can consider it a plateau or benign growth from here onward, or approximately 1–2% growth in the regular category.

Harsh Sheth – ICICI Securities: Understood, sir. Thanks for that, and all the best.

Mr. Bhatia: Thank you.

Operator: Thank you. The next question comes from the line of Aditya from Invesco. Please go ahead.

Report is AI-generated and may contain inaccuracies.

Aditya – Invesco: Hi, thanks a lot for taking my question, and congratulations on a good set of results. My question is along the lines of the previous participant. I wanted to understand that, if we keep product mix aside, and consider the inflation we have seen in input prices across the board over the last 6 months, would regulators and individual states take some time to analyze and approve price hikes across the portfolio? Should those price hikes come in the coming months or quarters? I just want to understand how this works.

Mr. Bhatia: As an industry body, this is an ongoing exercise, and it gains momentum before the new excise policy comes into effect. Most policies come in February and so on. As an industry body, we consider all raw material and packaging material inflation, submit it to the government excise department, and then see how much of a price increase is approved. It is a normal practice. At this point, the process starts from November onwards in various excise matters through industry representatives.

Aditya – Invesco: Is it fair to say that, as of now, this inflation has been absorbed by the industry and that some relief is expected when the next revision takes place in most states?

Mr. Bhatia: That's right.

Aditya – Invesco: Thank you. The rest of my questions have been answered. Thank you very much, and all the best.

Mr. Bhatia: Thank you.

Operator: Thank you. The next question comes from the line of Pankaj Kumar from Kotak Neo. Please go ahead.

Pankaj Kumar – Kotak Neo: Thanks for taking my question, and congratulations on a very good set of numbers. Most of the questions have been answered. I have one question on the luxury side. We are targeting approximately 25% growth in the current financial year, while the overall P&A category is registering more than 30% growth, which we expect to continue in the second half as well. What is your view on long-term growth in the luxury category? Will it outpace P&A, and what is our strategy to grow it? Also, can you provide an update on your brand Spirit of Kashmir and how it is performing in the luxury category?

Management: As far as luxury is concerned, the base for the industry is currently very small. We believe that the kind of discretionary consumption taking place in India, particularly in higher-end lifestyle and experiential products, is doing extremely well. We have seen how Indian single malt, gin, and other categories have performed over the last few years. Therefore, we believe the strong momentum at the top end will continue.

As far as Spirit of Kashmir is concerned, I would request Mr. Bhatia to comment.

Mr. Bhatia: The matter is currently before the court, and I do not want to comment on it at this point. We will disclose it at the appropriate time.

Pankaj Kumar – Kotak Neo: Okay, sir. Thank you. That's all from my side.

Report is AI-generated and may contain inaccuracies.

Mr. Bhatia: Thank you.

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

Anurag Jain – Individual Investor: Good afternoon, sir. My question is about the benefits from savings on scotch imports due to the duty reduction from 150% to 75%. Is there some new nuance that was missed earlier? I ask this because news reports related to the statutory investigation seem to imply that the duty reduction is not applicable to bulk scotch imports and is applicable only to the bottled-in-origin segment.

Mr. Bhatia: I think the point is that this is being studied. The Ministry of Commerce conducted the FTA, and the matter is being studied by the government department. The DRI is taking input from all stakeholders, including all the companies importing bulk scotches, and inputs are also coming from Scotland. I think the government will clarify the matter at the appropriate time. At this point, we cannot speculate about what will happen and what will not happen.

Anurag Jain – Individual Investor: All right, sir. Thank you. My next question is about an interesting data point that was recently discussed on social media. May I go ahead?

Mr. Bhatia: Yes, please.

Anurag Jain – Individual Investor: Recently, there was a data point on social media about the Indian liquor industry stating that the five southern states consume much more liquor in value terms than the rest of the country. Does this apply to Radico's target market as well, and how is Radico positioned in these five southern states?

Management: No, that is not correct. In the IMFL industry, South India accounts for approximately 60% of the industry because country liquor as a category, or local spirits, are not present there to the same extent. In North India and the rest of the country, country liquor, IMIL, or whatever you call it, is a large segment. However, the industry as a whole is not so heavily skewed towards South India.

Anurag Jain – Individual Investor: What would be the correct picture if we look at the spirits industry altogether?

Management: The spirits industry altogether would be split roughly equally between 400 million cases of IMFL, approximately 350 to 400 million cases of country liquor or local regional spirits, and a similar size in the beer segment.

Anurag Jain – Individual Investor: The market would not really be so heavily skewed towards South India if we look at it in totality?

Management: It would not be correct to look at it from an absolute number perspective. You have to look at each segment separately. Our focus is on the premium end, and that is what we look at mostly. In South India, especially, there are many categories at the lower end, below the regular category that we discuss, where we are not even present. If we exclude those categories, the distribution would be fairly even across India.

Report is AI-generated and may contain inaccuracies.

Anurag Jain – Individual Investor: Could you give a high-level split for our target segment across the north, south, east, and west? How would the four regions be split for Radico's target market?

Management: We would probably have to take that offline because the split is between whisky, vodka, brandy, and different categories. For vodka, other than the South, the rest of India is very strong. In the case of whisky, it is fairly diversified, although it is not as strong in certain South Indian states. It is fairly complex in that way.

Anurag Jain – Individual Investor: All right. Thank you.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, we will take this as the last question for today. I now hand over to the management for closing comments. Over to you, sir.

Management: To conclude, our performance this quarter reflects the continued success of our premiumization strategy, backed by disciplined financial management and consistent execution. Looking ahead, expanding margins, improving return ratios, and healthy operating cash generation reinforce the resilience of our business and give us confidence in sustaining profitable growth. With a robust balance sheet and a growing premium portfolio, we are well positioned to capitalize on industry opportunities and create long-term value for all our stakeholders. Thank you for joining us today and for your continued support. We wish you all a very happy festive season ahead.

Operator: Thank you so much. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.