

Directors' Report

Dear Members,

It is our pleasure to present the Thirty Fifth Annual Report on the business and operations together with the Audited Financial Statements of your Company for the year ended March 31, 2019.

SUMMARY OF FINANCIAL PERFORMANCE:

(₹ in Crore)

	FY2019	FY2018	Change (%)
Gross Sales	8,058.00	6,270.36	28.5%
Revenue from Operations	2,096.95	1,822.77	15.0%
Other Income	13.29	26.67	(50.2)%
Income from Operations	2,110.23	1,849.44	14.1%
Raw Materials Consumed	1,035.37	952.21	8.7%
Employee Benefit Expenses	171.38	154.97	10.6%
Selling & Distribution Expenses	284.89	215.87	32.0%
Depreciation	42.44	40.90	3.8%
Finance Cost	35.48	68.24	(48.0)%
Other Operating Expenses	254.97	229.97	10.9%
Total Expenses	1,824.52	1,662.16	9.8%
Profit Before Tax	285.71	187.28	52.6%
Provision for Tax	97.64	63.83	53.0%
Net Profit	188.06	123.45	52.3%
Net Income Margin (%)	9.0%	6.8%	
Other Comprehensive Expenses / (Income)	0.72	1.52	
Total Comprehensive Income	187.35	121.94	53.6%
Total Comprehensive Income Margin (%)	8.9%	6.7%	
Basic EPS (₹)	14.10	9.26	52.2%
Gross Profit	1,061.58	870.56	21.9%
Gross Margin (%)	50.6%	47.8%	
EBITDA	349.23	267.43	30.6%
EBITDA Margin (%)	16.7%	14.7%	
Paid-up Equity Share Capital (Face Value of ₹ 2 each)	26.68	26.66	0.1%
Reserves & Surplus	1,288.26	1,115.46	15.5%
Transfer to General Reserve	-	-	-
Proposed Dividend and tax thereon	19.30	16.07	20.6%

PERFORMANCE REVIEW: Revenue from Operations

Volume (Million Cases)	FY2019	FY2018	Change (%)
Prestige & Above	6.12	5.05	21.3%
Regular & Others	15.48	14.45	7.1%
Total Volume	21.61	19.50	10.8%
Prestige & Above as % of Total	28.3%	25.9%	

Total Revenue from Operations (Net) grew by 15.0%. IMFL volumes increased by 10.8%. This volume growth was led by a strong Prestige & Above category volume increase of 21.3%. Volume growth was broad based across key states and key IMFL brands primarily driven by the recent price increases and favourable policy changes. A significantly improved operating environment in Uttar Pradesh continued to drive a strong volume growth and market share increase in the state. Furthermore, the

recently launched brands such as 8PM Premium Black whisky and 1965 – Spirit of Victory rum also started to make meaningful contribution to the overall volumes. Within a short span after launch, 8PM Premium Black has gained encouraging traction with both consumers as well as the trade channels.

In value terms, Prestige & Above brands contributed to about 49.7% of total IMFL sales value compared to 43.7% in FY2018.

IMFL sales value accounted for 79.6% of the total Revenue from Operations (net) of the Company compared to 75.6% last year.

Gross Profit

Gross Margin increased by 286 bps y-o-y to 50.6%. Despite the recent upward trend in raw material prices (both ENA and packaging materials), gross margins improvement was driven by a combination of price increases and premiumization.

EBITDA

EBITDA increased by 30.6% y-o-y with margins of 16.7% (up 200 bps Y-o-Y). This increase in EBITDA was driven by significantly improved Gross Margins. Selling & Distribution expenses have been higher during the year compared to FY2018 as the Company has been progressively making marketing investments. Advertising & Sales Promotion (A&SP) expenses increased by 58.6% to ₹ 138.47 Crore compared to FY2018. During FY2019, Advertising & Sales Promotion expenses as a % of the Company's IMFL revenues stood at 8.3% compared with 6.3% for the last year. Higher A&SP spend has enabled the Company to sustain the growth momentum.

Finance Cost

Due to the ongoing debt reduction, finance costs have decreased significantly. Finance cost for the year declined by 48.0% y-o-y from ₹ 68.24 Crore to ₹ 35.48 Crore.

Total Comprehensive Income

Total Comprehensive Income increased by 53.6% due to improved EBITDA margins and reduced finance costs.

CAPITAL STRUCTURE, LIQUIDITY AND RETURN RATIOS:

Share Capital

As of March 31, 2019, Radico Khaitan had an authorized equity share capital of ₹ 34 Crore, divided into 17,00,00,000 equity shares of ₹ 2 each. The Company also had an authorized preference share capital of ₹ 60 Crore, divided into 60,00,000 preference shares of ₹ 100 each. As of March 31, 2019, the Company had issued, subscribed and paid-up equity share capital of ₹ 26.68 Crore divided into 13,34,09,265 equity shares of ₹ 2 each.

During the year under review, the Company has allotted 102,000 equity shares on exercise of stock options under the Employees Stock Option Scheme 2006 to the eligible employees. During the year under review, the Company granted no stock options under the Employees Stock Option Scheme 2006.

General Reserve

Your Directors do not propose to transfer any amount to General Reserve and the entire amount of the profit for the year ended March 31, 2019 forms part of retained earnings.

Borrowings

As on March 31, 2019, Total Debt was ₹ 337.02 Crore, Cash & Bank Balances were ₹ 17.67 Crore resulting in Net Debt of ₹ 319.35 Crore (vs. ₹ 569.70 Crore as on March 31, 2018). Gross Debt consists of ₹ 301.60 Crore of Working Capital loans and ₹ 35.42 Crore of Long-Term loans. Net Debt reduction was ₹ 250.34 Crore during FY2019. As a result of ongoing debt reduction, the Company debt to equity ratio improved from 0.52x at the end of FY2018 to 0.26x at the end of FY2019.

Working Capital

As on March 31, 2019, the Company had trade receivables balance of ₹ 641.75 Crore (up 1.9% y-o-y), inventories of ₹ 359.71 Crore (up 15.7% y-o-y) and trade payables of ₹ 244.84 Crore (up 14.3%), resulting in working capital balance of ₹ 756.63 Crore (up 4.1% y-o-y). On gross sales basis, working capital turnover was 34 days in FY2019 compared to 42 days in FY2018.

Return Ratios

Return on Average Equity (ROE) expanded from 11.2% in FY2018 to 15.2% in FY2019. This expansion in ROE was primarily due to significantly improved net profit. During FY2019, Return on Average Capital Employed (ROCE) increased from 12.7% to 18.1%. ROCE expansion was attributed to significantly improved earnings coupled with debt reduction.

Note:

ROE = Total Comprehensive Income / Average Shareholder Equity

ROCE = Earnings Before Interest & Tax (EBIT) / Average Capital Employed

Capital Employed = Shareholder Equity + Total Debt

CAPITAL MARKET RATINGS :

Radico Khaitan's long-term and short-term credit facilities are rated by CARE Ratings. The Company's long-term credit facilities are rated CARE AA- (Double A Minus) and short-term credit facilities are rated CARE A1+ (A One Plus).

CARE AA rated instruments are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk. CARE A1 rated instruments are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk. Modifiers (+ / -) reflect the comparative standing within the category.

DIRECTORS:

During the year under review, there was no change in Board of Directors.

BOARD MEETINGS:

During FY2018, the Board of Directors met four times on May 3, 2018, July 24, 2018, October 24, 2018 and January 23, 2019. The gap between any two consecutive meetings of the Board of Directors of the Company was not more than 120 days. The details regarding composition, number of Board Meetings held and attendance of the directors during FY2019 are set out in the Corporate Governance Report which forms part of this Annual Report.

MEETING OF INDEPENDENT DIRECTORS:

The Independent Directors of the Company met separately on January 23, 2019 without the presence of the Non-Independent Directors and the members of management. The meeting was conducted informally to enable the Independent Directors to discuss matters pertaining to the Company's affairs and put forth their combined views to the Board of Directors of the Company. In accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), following matters were, inter-alia, discussed in the meeting:

- 1) Review of the performance of Non-Independent Directors and the Board as a whole;

- 2) Review of the performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors;
- 3) Assess the quality, quantity and timelines of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties

DECLARATION BY INDEPENDENT DIRECTORS:

The Company has received declarations under Section 149(6) of the Companies Act, 2013 from all Independent Directors that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and the Listing Regulations. The Company keeps a policy of transparency and arm's length while dealing with its Independent Directors. No transaction was entered with Independent Directors during the year which could have any material pecuniary relationship with them. Apart from sitting fee no other remuneration was paid to any of the Independent Directors.

BOARD EVALUATION:

The Board of Directors of Radico Khaitan is committed to transparency in assessing the performance of Directors. In accordance with the Companies Act, 2013 and Rules made thereunder, Schedule – IV of the Act and Regulation 4(2)(f) of the Listing Regulations, Radico Khaitan has framed a policy for the formal annual evaluation of the performance of the Board, Committees and individual Directors. The Company has put in place a robust framework for evaluation of the Board, its Committees, the Chairman and Individual Directors and the governance processes that support the Board's functioning. This framework covers specific criteria and the grounds on which all Directors in their individual capacity are evaluated. The key criteria for performance evaluation of the Board and its Committees include aspects such as composition and structure, effectiveness of board processes, information and functioning.

The criteria for performance evaluation of the individual Directors include aspects such as professional conduct, competency, contribution to the Board and Committee meetings and other measures. The criteria for performance evaluation of the committees of the Board includes aspects such as the composition of committees, effectiveness of committee meetings. The performance evaluation of the Independent directors was done by the entire Board excluding the director being evaluated. The performance evaluation of the Chairman and the Non-Independent directors was carried out by the Independent directors. The Board of Directors expressed their satisfaction with the evaluation process.

POLICY ON NOMINATION, REMUNERATION AND BOARD DIVERSITY:

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. This policy also lays down criteria for selection and appointment of Board Members as well as diversity of the Board. Radico Khaitan recognizes the benefits and importance of having a diverse Board of Directors in terms of skill set and experience. The Company has an optimum mix of executive and non-executive, independent directors and woman director. The detail of the policy is explained in the Corporate Governance Report and full policy is also available on the Company's

website at the following link: <http://www.radicokhaitan.com/investor-relations/>

ROLES AND RESPONSIBILITIES OF BOARD MEMBERS:

The Company has a clearly laid out policy defining the structure and role of the Board Members. The Company has an Executive Chairman and Managing Director, presently Dr Lalit Khaitan, a Managing Director, currently Mr. Abhishek Khaitan and an optimum combination of Executive and Non-Executive Promoter/ Independent Directors. The duties of the Board Members including Independent Directors have been elaborated in the Listing Regulations, Section 166 of the Companies Act, 2013 and Schedule IV of the said Act. There is a clear segregation of responsibility and authority amongst the Board Members.

RISK MANAGEMENT POLICY:

Radico Khaitan's business is exposed to a variety of risks which are inherent to a liquor manufacturing company in India. In this volatile, uncertain and complex operating environment, only companies that manage their risk effectively can sustain. Risk management is embedded in Radico Khaitan's corporate strategies and operating framework, and the risk framework helps the Company meet its objectives by aligning operating controls with the corporate mission and vision. The Company has in place comprehensive risk assessment and minimization procedures, integrated across all operations and entails the recording, monitoring and controlling enterprise risks and addressing them timely and comprehensively. The risks are reviewed by the Audit Committee and the Board from time to time and new risks are identified based on new business initiatives and the same are assessed, minimisation framework and controls are designed and appropriately implemented.

CYBER RISK:

The failure of information Technology (IT) systems due to malicious attacks and / or non-compliance with data privacy laws can potentially lead to financial loss, business disruption and / or damage to the Company's reputation. Radico Khaitan has in place a data protection policy. It also maintains a cyber security infrastructure. The Company uses standardised backup tools, service and procedures to ensure that information and data are stored at two or more diverse locations.

INSURANCE OF FIXED ASSETS:

Your Company has adequately insured all its properties including Plant and Machinery, Building and Stocks.

AWARDS AND RECOGNITION:

During the year, Radico Khaitan received a number of awards for its leading brands. These awards are a testament to the Company's innovation and quality of products. In the Monde Selection Quality Awards 2019, following brands of Radico Khaitan received GOLD awards:

- 1965 Spirit of Victory Premium XXX Rum
- 8PM Premium Black Whisky
- Magic Moments Verve Orange Flavoured Premium Vodka
- Magic Moments Verve Green Apple Flavoured Premium Vodka
- Magic Moments Verve Premium Vodka
- Morpheus Blue Premium Brandy
- Whytehall Rare Premium Brandy

EMPLOYEE STOCK OPTION SCHEME:

Radico Khaitan's employee stock option scheme was implemented to provide the employees with an opportunity to share in the growth of the Company and to reinforce long term commitment. As on 31st March, 2019, a total of 264,500 stock options are outstanding.

As required under SEBI (Share Based Employee Benefits) Regulations, 2014, the auditors have issued a certificate that the share based incentives have been implemented in compliance with the resolution passed at the AGM.

DIVIDEND:

The Company has a dividend policy that balances the dual objective of appropriately rewarding its shareholders and retaining capital to support future growth. Your Directors are pleased to recommend a dividend of ₹ 1.20 per equity share or 60% on face value of ₹ 2.00 each for the year ended March 31, 2019. The total dividend payout for the financial year will be ₹ 19.30 Crore including a dividend distribution tax of ₹ 3.29 Crore. This higher dividend payout is to demonstrate our commitment towards our shareholders. The dividend is subject to approval of shareholders at the Annual General Meeting on September 26, 2019 and will be paid to the shareholders whose names appear in the Register of Members as on the date of book closure.

DEMATERIALISATION:

During the year 462,244 shares of the Company constituting 0.35% of the issued and subscribed Share Capital of the

Company, were dematerialised. As on March 31, 2019, 98.81% of the shares of the Company have been dematerialized. Your Directors would request all the members who have not yet converted their holdings into dematerialized form, to do so thereby facilitating trading of their shares. As per SEBI guidelines it is mandatory that the shares of a company are 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 within the meaning of Section 73 of the Companies Act, 2013, read with the Companies (acceptance of Deposits) Rules, 2014.

SUBSIDIARIES AND JOINT VENTURES:

During the year under review, the Company has no subsidiary. Radico Khaitan has one joint venture, namely, Radico NV Distilleries Maharashtra Limited ("RNV"). The Company has 36% stake in the said joint venture. In terms of the Section 129 (3), financial results of RNV are consolidated with the accounts of the Company. In terms of the section 129 (3) of the Companies Act, 2013, the salient features of the financial statement of the joint venture company is set out in the prescribed form AOC – 1 and is attached herewith as a separate Annexure – A.

CONSOLIDATION OF ACCOUNTS:

In compliance with Section 129 (3) of the Companies Act, 2013, the annual accounts of RNV are consolidated with the Company accounts and form part of this report.

TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND:

Section 124 of the Companies Act, 2013 mandates that a company should transfer dividend, that has been unclaimed for a period of seven years, from the unpaid dividend account to the Investor Education and Protection Fund (IEPF). To ensure maximum disbursement of unclaimed dividend, the Company sends reminders to the concerned investors, before transfer of dividend to IEPF. Unclaimed dividend has been transferred to IEPF as per below table:

Financial Year	Date of Declaration of Dividend	Total Dividend	Unclaimed Dividend	Date of Transfer to IEPF account
FY2002	16.07.2002	38,579,176.00	730,556.00	22.08.2009
FY2003	19.07.2003	34,721,258.40	914,312.00	24.08.2010
FY2004	17.07.2004	38,579,176.00	973,284.00	22.08.2011
FY2005	16.11.2005	42,437,093.60	983,341.00	21.12.2012
FY2006	25.09.2006	48,223,970.00	1,135,840.00	30.10.2013
FY2007	26.09.2007	51,231,109.50	922,432.00	05.11.2014
FY2008	30.09.2008	51,231,109.50	1,065,509.00	16.10.2015
FY2009	15.09.2009	30,738,665.70	699,978.00	07.10.2016
FY2010	09.09.2010	79,300,632.60	1,620,668.00	26.10.2017
FY2011	09.09.2011	92,853,567.80	1,630,738.00	24.09.2018

KEY MANAGERIAL PERSONNEL:

There has been no change in Key Managerial Personnel during the year under review.

REMUNERATION OF THE DIRECTORS AND EMPLOYEES:

Your Company's approach is to have performance-based compensation culture to attract and retain high quality talent. The remuneration policy, therefore, is market-led and takes into account the competitive nature of the business so as to attract and retain quality talent and leverage performance significantly. The remuneration payable to each Executive Director is based on the remuneration structure as determined by the Board

and is revised from time to time depending upon individual contribution, the Company's performance and the provisions of the Companies Act, 2013.

PARTICULAR OF EMPLOYEES AND REMUNERATION:

In terms of the first proviso to Section 136 of the Act, the Reports and Accounts are being sent to the shareholders excluding the information required under Rule 5 (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Any shareholder interested in obtaining the same may write to the Company Secretary at the Registered Office of the Company on any working day of the Company up to the date of the 35th Annual General Meeting.

The statement containing information as required under the provisions of Section 197(12) of the Act read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in Annexure – B and forms part of this Report.

AUDIT REPORT:

The observations made in the Auditors Report as enclosed with this Report are self-explanatory and therefore do not call for any further comments under Section 134 of the Companies Act, 2013.

STATUTORY AUDITOR:

M/s. BGJC & Associates LLP, Chartered Accountants are the Statutory Auditors of the Company for a period of five years with effect from July 11, 2016. M/s. BGJC & Associates LLP have confirmed to the Company that they are not disqualified under Section 141 of the Companies Act, 2013, or any other applicable provisions for the time being in force and are eligible for being appointed as statutory auditors of the Company. M/s. BGJC & Associates LLP have also confirmed to the Company that, their appointment is within the limits prescribed under the Companies Act, 2013.

The report of the Statutory Auditors along with notes to Schedules is enclosed to this annual report. The observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments. The Auditor's Report does not contain any qualification, reservation or adverse remark.

COST AUDITOR:

As per the requirement of the Central Government and pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014 as amended from time to time, your Company has been carrying out audit of cost records relating to Industrial Alcohol every year.

The Board of Directors, on the recommendation of audit committee, has appointed Mr. R. Krishnan, Cost Accountants, as the cost auditor to audit the cost accounts of the Company for the financial year 2020 at a remuneration of ₹ 1.10 Lakhs plus applicable government taxes (e.g. GST) and reimbursement of out of pocket expenses. As required under the Companies Act, 2013, a resolution seeking member's approval for the remuneration payable to the Cost Auditor forms part of the Notice convening the Annual General Meeting.

SECRETARIAL AUDIT:

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made thereunder, the Company has appointed Mr. Tanuj Vohra, Partner at M/s. TVA & Co. LLP, Company Secretaries, a firm of Company Secretaries in Practice (C.P. No. 5253) to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is included as Annexure - C and forms an integral part of this Report. There is no secretarial audit qualification for the year under review.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENT BY THE COMPANY UNDER SECTION 186 OF THE COMPANIES ACT, 2013:

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to Financial Statements.

VIGIL MECHANISM:

Pursuant to the requirement of Section 177 (9) & (10) of the Companies Act, 2013, Radico Khaitan has in place a robust vigil mechanism and has adopted a whistle blower policy which allows employees of the Company to raise their concerns relating to fraud, malpractice or any other activity or event which is against the interest of the Company or society as a whole. All cases reported as part of whistle-blower mechanism are taken to their logical conclusion within a reasonable timeframe. Details of complaints received and the action taken are reviewed by the Audit Committee. The functioning of the Vigil Mechanism is reviewed by the Audit Committee from time to time. The Vigil Mechanism Policy has been uploaded on the website of the Company at <http://www.radicokhaitan.com/investor-relations/>.

REPORTING OF FRAUDS:

There was no instance of a fraud during the year under review which required the statutory auditor to report to the Audit Committee or the Board under section 18(12) of the Companies Act, 2013 and rules made thereunder.

ARCHIVAL POLICY:

Pursuant to the Listing Regulations and in line with Radico Khaitan's Policy on Determination of Materiality of Events, the Company shall disclose all such events to the Stock Exchanges and such disclosures shall be hosted on the website of the Company for a period of 5 years and thereafter the same shall be archived so as to be available for retrieval for a further period of three years by storing the same on suitable media. Thereafter the said information, documents, records may be destroyed as per the Company's policy on preservation of documents.

RELATED PARTY TRANSACTIONS:

All transactions entered with Related Parties for the year under review were on arm's length basis and in the ordinary course of business and that the provisions of Section 188 of the Companies Act, 2013 are not attracted. Thus, disclosure in form AOC-2 is not required. Further, there are no material related party transactions during the year under review with the promoters, directors or key managerial personnel. The Company has developed a Related Party Transactions framework through Standard Operating Procedures for the purpose of identification and monitoring of such transactions.

All Related Party Transactions are placed before the Audit Committee as also to the Board for approval. Omnibus approval was obtained on a quarterly basis for transactions which are of repetitive nature. Transactions entered into pursuant to omnibus approval are audited by the Legal & Compliance Department and a statement giving details of all Related Party Transactions are placed before the Audit Committee and the Board for review and approval on a quarterly basis.

The Policy on Related Party Transactions as amended and approved by the Board of Directors has been uploaded on the website of the Company. The web-link of the same has been provided in the Corporate Governance Report. None of the directors has any pecuniary relationship of transactions vis-à-vis the Company.

ENVIRONMENTAL PROTECTION MEASURES TAKEN BY THE COMPANY:

In view of the corporate responsibility on environmental protection, the Company has adopted a number of measures for improvement in the field of environment, safety and health. Measures such as standard operating procedures, training programmes for all levels of employees regarding resource conservation, housekeeping, Green Belt development and onsite emergency plan have been taken. Sustainable living is a part of long-term business strategy and your Company continuously strives to reduce our environmental footprint, while enhancing the livelihood of people across our product value chain.

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

As per Section 134 (3) (m) read with the Companies (Accounts Rules) 2014, the relevant information and data is given in Annexure – D and forms part of this Report.

CORPORATE SOCIAL RESPONSIBILITIES (CSR):

CSR at Radico Khaitan is creating sustainable programs that actively contribute to and support the social and economic development of the society. The Company is committed to community development, enhancing livelihood, promoting education and health care including preventive health care and ensuring environmental sustainability. As part of its CSR programmes, the Company partners with the community and addresses issues of water and sanitation, education, health and skill-development. Radico Khaitan also promotes and encourages responsible drinking through engaging with employees, taking preventative action, education and raising awareness and bringing communities on board to address local challenges at their root. The CSR policy of the company is available on the Company's website.

Composition of the CSR Committee as on August 8, 2019

1.	Dr. Lalit Khaitan	Chairman
2.	Mr. Abhishek Khaitan	Member
3.	Mr. K.P. Singh	Member
4.	Ms. Sushmita Singha*	Member

* Appointed with effect from April 1, 2019

The Company's projects are in accordance with Schedule VII of the Companies Act, 2013 and the Company's CSR Policy. The Report on CSR activities as required under Companies (Corporate Social Responsibility Policy) Rules, 2014 is set out as Annexure - E forming part of this Report.

Radico Khaitan is in the process of identifying larger projects in healthcare and education so the unspent amount of ₹ 104.57 Lakhs will be spent together with the current year's eligible spend.

Kiran Devi Khaitan Memorial Charitable Trust:

Kiran Devi Khaitan Memorial Charitable Trust was established for social welfare activities in the year 2011. Since its inception, the trust has fostered a sustainable culture of development in the areas of healthcare, promotion of education, eradication of hunger, rural development, art and culture across the state of

Uttar Pradesh. The CSR committee has proposed to incur CSR expenditure through the said trust from April 1, 2019 and also directly wherever needed.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS:

There has been no significant and material order passed by the Regulators or Courts that would impact the going concern status of the Company and its future operations.

On December 24, 2018, the Central Pollution Control Board (CPCB) issued a letter directing the closure of the Rampur plant of the Company which was later kept on abeyance till January 2, 2019, and reconfirmed on February 18, 2019. After considering representations made by the Company, CPCB vide its letter dated May 17, 2019 revoked its closure directions but restricted the capacity of molasses part of the Company from 200 KLD to 77 KLD and levied Environment Compensation of ₹ 1.46 Crore. Later fresh inspections were made and CPCB vide its letter dated August 6, 2019, pursuant to the Company's representation/request dated June 14, 2019, allowed the Company to restore the capacity of its molasses plant from 77 KLD to 200 KLD and found the Company compliant with the additional requirements for its Zero Liquid Discharge (ZLD) system. However, in their letter dated August 6, 2019, the CPCB has levied an additional Environmental Compensation of ₹ 5.83 Crore apart from ₹ 1.46 Crore already paid by the Company. Radico Khaitan is taking suitable steps in this regard.

SAFETY & WELLBEING OF WOMEN:

Gender equality and women safety is a very important part of Radico Khaitan's human resource policies. The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder for prevention and redressal of complaints of sexual harassment at workplace.

The Company has endeavoured to encourage women professionals by creating proper policies to tackle issues relating to safe and proper working conditions and create and maintain a healthy and conducive work environment that is free from discrimination. All complaints received were attended on time with no pending complaint at the end of the year.

BUSINESS RESPONSIBILITY REPORT:

The Business Responsibility Report for FY2019, as stipulated under Regulation 34(2)(f) of the Listing Regulations is annexed as a separate report and forms part of this Annual Report.

EXTRACT OF ANNUAL RETURN:

Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12 (1) of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return is provided in Annexure - F.

MANAGEMENT DISCUSSION AND ANALYSIS:

Management Discussion and Analysis Report, as required under the Listing Regulations is provided as a separate report and forms part of this Annual Report.

CORPORATE GOVERNANCE REPORT:

Report on Corporate Governance along with the certificate from Mr. Tanuj Vohra, Partner at M/s. TVA & Co. LLP, Company Secretaries, confirming compliance with conditions of corporate governance, as stipulated under the Listing Regulations, forms part of the Annual Report.

INTERNAL FINANCIAL CONTROLS:

The Board of Directors of the Company has devised systems, policies, procedures and frameworks, which are currently operational within the Company for ensuring the orderly and efficient conduct of its business, which includes adherence to policies, safeguarding its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information.

The internal financial controls have been documented, digitised and embedded in the business process. Assurance on the effectiveness of internal financial controls is obtained through management reviews, controls self-assessment, continuous monitoring by functional experts as well as testing of the internal financial control systems by the internal auditors during the course of their audits. We believe that these systems provide reasonable assurance that our internal financial controls are designed effectively and are operating as intended.

COMMITTEES OF THE BOARD:

As on March 31, 2019, the Board has the following eight committees. A detailed note on the composition of the Board and its committees is provided in the Corporate Governance Report.

- 1) Audit Committee
- 2) Stakeholders Relationship Committee
- 3) Nomination and Remuneration Committee
- 4) Corporate Social Responsibility (CSR) Committee
- 5) ESOP Compensation Committee
- 6) Risk Management Committee
- 7) Committee of Directors
- 8) Committee of Independent Directors

AUDIT COMMITTEE:

As on date, the Audit Committee comprises of three (3) Independent, Non-executive Directors. The members of the Audit Committee are Mr. Sarvesh Srivastava (Chairman of the Committee), Dr. Raghupati Singhania and Mr. Ashutosh Patra. All Members of the Audit Committee are qualified in finance and bring in expertise in the fields of finance, taxation, economics, industry and risk.

The Audit Committee invites the Chairman & Managing Director, Managing Director, Chief Financial Officer, Company Secretary, Statutory Auditor(s) and Internal Auditor and Cost Auditors to attend the meetings of the Audit Committee. The Company Secretary acts as Secretary to the Committee. The minutes of each Audit Committee meeting are placed and discussed at the next meeting of the Board.

STATEMENT ON COMPLIANCE OF SECRETARIAL STANDARDS:

Radico Khaitan has complied with all the applicable Secretarial Standards during FY2019 and have a team of different auditors to assist and audit all the Secretarial Compliances applicable to the Company.

DIRECTORS' RESPONSIBILITY STATEMENT:

To the best of knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 134 (3) (c) of the Companies Act, 2013.

- i) In the preparation of the Annual Accounts for the year ended March 31, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) The Board has 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 March 31, 2019 and of the profit of the Company for the year ended on that date;
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The annual accounts have been prepared on a going concern basis;
- v) The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- vi) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

ACKNOWLEDGEMENTS:

Your Directors take this opportunity to express their sincere appreciation to all the employees for their commitment and contribution to the success of the Company. Their enthusiasm and hard work has enabled the Company to be at the forefront of the industry. We also take this opportunity to thank all our valued customers who have appreciated and cherished our products.

The Board would like to convey their sincere gratitude to the investors and bankers for their continued support during the year. Your Directors further take this opportunity to acknowledge the support and assistance extended by the Regulatory Authorities such as SEBI, Stock Exchanges and other Central & State Government authorities and agencies, and Registrars. The Board also appreciates the support and co-operation your Company has been receiving from its supply chain partners and others associated with the Company as its trading partners. Your Company looks upon them as partners in its progress and has shared with them the rewards of growth.

For & on behalf of the Board

Sd/-

Dr. Lalit Khaitan

Chairman & Managing Director
DIN - 00238222

Place: New Delhi
Date: August 8, 2019