

Management Discussions and Analysis

COMPANY OVERVIEW

Radico Khaitan Limited (“Radico Khaitan” or the “Company”) is among the oldest and one of the largest manufacturers of Indian Made Foreign Liquor (IMFL) in India. Earlier known as Rampur Distillery Company, Radico Khaitan commenced its operations in 1943 and over the years emerged as a major bulk spirits supplier and bottler to other spirit manufacturers.

In 1997, the Company launched 8PM Whisky and set out on a journey to build its own brand portfolio. The first decade (1997-2006) was spent on building a strong manufacturing platform, developing a robust pan India distribution network and achieving sales volume of over 10 Million cases. The next decade (2006 onwards) was the era of premiumisation that started with the launch of Magic Moments vodka, which became the largest selling vodka in India. During this period, Radico Khaitan crossed premium sales volume of 6 Million cases.

The Company continued to expand its premium brand portfolio and launched 12 new brands over the last decade, of which 11 were in the premium category. This testifies the Company’s focus on innovation, R&D strength, inhouse capabilities and customer preferences.

The Company’s brand portfolio across IMFL categories of whisky, brandy, rum and white spirits includes After Dark Whisky, Contessa Rum, Jaisalmer Indian Craft Gin, Magic Moments Vodka, Magic Moments Verve Vodka, Morpheus Brandy, Morpheus Blue Brandy, Old Admiral Brandy, Pluton Bay Rum, Rampur Indian Single Malt Whisky, Regal Talon Whisky, 1965 – The Spirit of Victory Rum, 8PM Whisky and 8PM Premium Black Whisky. Currently, Radico Khaitan has four Millionaire brands which are 8PM Whisky, Contessa Rum, Old Admiral Brandy and Magic Moments Vodka.

Radico Khaitan is also one of the largest providers of branded IMFL to the Canteen Stores Department (CSD) that has significant business barriers to entry. The Company’s unrelenting focus on building its brand equity in international markets has helped it export its products to over 85 countries. After the launch of luxury products such as Rampur Indian Single Malt and Jaisalmer Indian Craft Gin, Radico Khaitan has carved out a niche position for itself in the global spirits market.

The Company owns three distilleries in Rampur (Uttar Pradesh) and two in joint venture with Radico NV Distilleries in Aurangabad (Maharashtra) in which the Company owns 36% equity stake. The Company has a total distillery capacity of over 157 Million litres and operates 28 bottling units spread across the country.

MACROECONOMIC OVERVIEW

Global economy

After an uptick in the global economic activity in 2017, the growth slowed down in 2018. Increasing US-China trade tensions, tighter economic policies in China, challenges of Brexit negotiations, slowdown in Germany’s auto sector, geopolitical uncertainty in certain parts of the world and tightening of monetary policy in the larger advanced economies, cumulatively resulted in the tepid growth in global economy.

While the year 2019 started on a weak note, the second half is expected to improve due to accommodative policy stance by major developed economies and a potential trade agreement between the US and China. Monetary and economic stimulus in China to counter the impact of trade tariffs is expected to spur growth. Emerging markets have experienced a resumption in portfolio flows, a decline in domestic borrowing costs and a strengthening of their currencies relative to the dollar. This is a critical year for the global economy as trade and manufacturing activity currently remains weak. With improvement expected in second half of 2019, growth is expected to return in 2020.

Growth Projections (%)	CY2017	CY2018	CY2019	CY2020
World	3.8	3.6	3.3	3.6
Advanced Economies	2.4	2.2	1.8	1.7
Emerging Market and Developing Economies	4.8	4.5	4.4	4.8
China	6.8	6.6	6.3	6.1
India	7.2	7.1	7.3	7.5

Source: IMF – World Economic Outlook, April 2019

Indian economy

CY2018 was characterised by lower inflation and stable interest rate environment. However, during the second half of the year, domestic growth decelerated sharply due to the global headwinds stemming from subdued global growth and escalating trade tensions which impacted exports. Public sector investment remained robust driven by government’s expenditure on roads and affordable housing. Non-Banking Financial Company (NBFC) crisis had a significant impact on market liquidity and resulted in weak private consumption especially in rural areas.

Despite the slower than expected growth, India retained its position as one of the fastest growing large economies. India also made significant strides in improving its Ease of Doing Business ranking from 100th place in CY2017 to 77th place in CY2018. As a result of continued efforts by the government, India has improved its rank by 23 positions in one year.

With the policy reforms over the recent years coupled with long-term favourable demographic dynamics, Indian economy is expected to be driven by private consumption, public and private sector investments and growth in exports. The recapitalisation

of the public sector banks is expected to improve banking sector balance sheets, enhance credit availability and provide support to the investment activities. Furthermore, government's focus on increasing rural income and job creation through infrastructure spend will support the consumption growth.

INDUSTRY OVERVIEW

Consumer sector

Domestic consumption in India drives 60% of the GDP today and is expected to be a US\$6 trillion opportunity by 2030. Hence the economy is relatively resilient to the external disruptions and downcycles of public investments. One of the key reasons for this growth is also the expansion of the high-middle class income groups and decline in the number of households below the poverty line. Household savings in India has been in the range of 20% which provides sufficient cushion to support domestic consumption through the challenging global economic cycles.

With a median age of 28 years, India has a young workforce which will continue to drive both income and consumption. With the access to internet and mobility, this young population is well informed and aspirational. Internet access is expected to be democratized with over a billion users by 2030 giving a new dimension to the consumer industry. Younger, affluent, more confident and more connected consumers are expected to lead the way for innovation in products, services and business models. However, the preference is likely towards customized offerings suited to Indian context, particularly in the food and beverage space.

While metros and emerging towns continue to drive economic growth, rural per capita consumption is expected to grow faster, emulating urban consumption patterns. Furthermore, in the recent years, lower interest rates coupled with declining inflation have provided an impetus to the consumption growth. The economy is also supported by healthy investment rates and a strong services sector. Going forward, favourable demographics will drive strong consumption growth while a stable and reform-focused policy framework will support an environment conducive to business and investment. This supports the case for a strong consumption growth in India and presents significant opportunities to consumer product companies such as Radico Khaitan.

Spirits Industry in India

After a prolonged stagnation, the Indian spirits industry showed signs of growth in the second half of FY2018. This momentum continued during FY2019 as well. An improved operating environment led by state-wide price increases and favourable policy changes resulted in this growth.

From April 1, 2018, the state of Uttar Pradesh implemented the new excise policy aimed at achieving better operating environment. One of the most populous states of India, Uttar Pradesh is a key driver for this industry growth.

Furthermore, increased stability in distribution channels in other states also drove industry volumes.

Growing disposable incomes, increasing rural consumption, rapid urbanisation and greater acceptance of social drinking among the young population have made India one of the top markets for global spirit companies. These demographics also highlight white spaces of growth for aspirational brands and premium liquor.

Towards the later part of FY2019, spirits industry experienced raw materials cost pressures with increase in Extra Neutral Alcohol (ENA) price by ~15% and glass bottles prices by ~20%. Change in the government's policy to promote ethanol blending program resulted in driving the ENA prices higher.

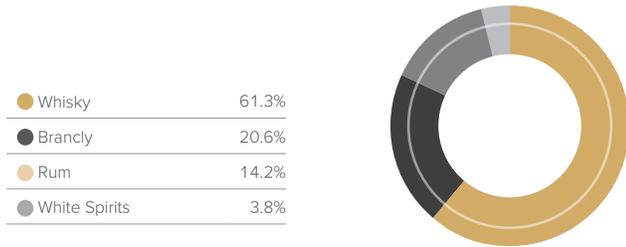
According to Euromonitor International, CY2018 saw overall IMFL volumes increase by 2.4% to 304 Million cases of 9 litres each. Traditionally, brown spirits such as whisky, brandy and dark rum, have been the major contributors (96.2%) towards IMFL sales. During CY2018, whisky was the largest constituent with 61.3% of the sales volumes and 73.5% of the sales value. Volumes grew by 2.5% vis-à-vis CY2017, while sales value grew by 5.5% y-o-y.

White Spirits such as vodka and gin accounted for 3.8% of the total IMFL volumes and 6.3% of the sales value. Within the White Spirits category, super-premium and premium vodka continued to demonstrate growth with sales for the year at 6.1 Million cases in 2018. Over the past five years, where the overall vodka category has registered a CAGR of 5.9%, super-premium and premium vodka volumes grew by 14.8% and 9.8%, respectively. Vodka's popularity among women and the younger generation, coupled with being the most preferred spirit for cocktail blends, led to its growth curve.

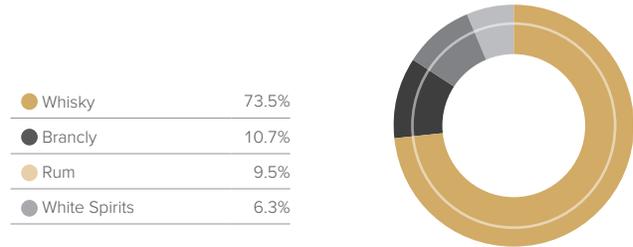
Flavoured vodka continues to gain popularity and market share. It now constitutes about a third of the overall vodka industry and has grown at a rate of 9.1% over CY2013-2018. During CY2018, premium and super premium category vodka accounted for about 68.8% of the total vodka volumes compared with around 55.0% five years ago. This trend is expected to continue, and the share of premium category vodka is anticipated to increase further. Overall vodka industry volume is expected to grow by 4.2% CAGR and value by 8.7% during the CY2019-2023 period. For the first time in FY2019, flavoured vodka volume was more than half of the overall vodka sales for Radico Khaitan. The Company is extremely well positioned with the market leading share in this segment with its Magic Moments brand.

While Rum as a category registered a 0.2% decline in volumes over CY2013-2018, premium and super premium category rum increased by 2.5% and 3.7%, respectively over the same period. To capitalise on this premium growth trend, Radico Khaitan has two brands positioned in the premium rum segment – Pluton Bay and 1965 The Spirit of Victory.

Sales of Spirits by Category (Volume): 2018



Sales of Spirits by Category (Value): 2018



Vodka industry growth indicates a strong premiumization trend



Source: Euromonitor International, May 2019

The Indian Spirits Industry outlook

According to Euromonitor International, IMFL volume is expected to reach 350 Million cases in CY2023. During the CY2019-2023 period, IMFL sales volume is expected to grow at a CAGR of 2.8%. During the same period, IMFL industry value is expected to grow by 5.1% making a case for the ongoing premiumisation trend. The vodka industry is expected to perform much better during the same period with volume growth of 4.2% and value growth of 8.7%.

India has a young demographic profile and over 15 Million people are expected to enter the drinking age every year which represents significant growth opportunities for the industry. This young consumer group is ready to experiment and is focused on the customer experience offered by a product, in particular its brand and design. The youth segment is expected to redefine consumption growth given their access and exposure to mobiles and the internet. They are not only increasing in number but will also become more affluent with time. As a group, they are a high priority target market for the leading spirits manufacturers, who are particularly focused on effective online marketing strategies and lifestyle-oriented communication.

Consumers today are also focused on upgrading to branded or higher priced offerings or adding new products or services to their consumption routine. During the year, Radico Khaitan launched 8PM Premium Black whisky and Morpheus Blue semi luxury brandy, providing its loyal consumers an opportunity to upgrade to superior blends and higher category brands.

ENVIRONMENT FRIENDLY INITIATIVES AT RAMPUR PLANT

Radico Khaitan has adopted the strategy of 'reduce, recycle and reuse' to recycle clean and green energy utilised in the boiler as fuel and used for power generation. The Company has invested in technology upgrade at its Rampur plant to achieve higher efficiency and become more environment friendly.

The Company has installed integrated evaporators in the grain spirits plant, which converts the entire thin slop into wet cakes that can be sold as cattle fodder. This has significantly reduced effluent discharge from grain plant to zero.

Radico Khaitan has also installed integrated evaporators in the molasses distillation plant to reduce spent wash generation. After the RSW evaporator, effluent is passed through the RO plant and BMSW evaporator plant for further treatment after which only about 25% of the total effluent is left for bio-composting. Radico Khaitan has also increased the area used for bio-composting by seven acres.

Radico Khaitan has installed a condensate polishing unit (CPU) in March 2019. Using this technology, the Company has reduced its freshwater consumption by ~70%. Radico Khaitan consumes 8 litres of water for production of one litre of alcohol compared with the industry average of 10-15 litres of water per litre of alcohol.

As per the Central Pollution Control Board guidelines, distilleries are required to reduce 60% effluent volume with solid concentration of molasses and spent wash upto 30%. Radico Khaitan has achieved 75% reduction in effluent volume.

CUSTOMER OUTREACH AND ENGAGEMENT

Radico Khaitan has made extensive use of various digital and social media platforms to derive valuable analytics and insights into the consumer behaviour and preferences. Since consumers rely mostly on digital content more than the traditional means of communication, the Company has engaged a leading digital media consultant to expand its digital outreach. Leading brands such as Magic Moments vodka, Rampur Indian Single Malt whisky and Jaisalmer Indian Craft gin have their own microsites to increase their digital footprint. Other core brands such as Morpheus and 8PM Premium Black have significant online presence through dedicated social media pages making Radico Khaitan's promotional efforts more targeted and efficient.

The advertisement campaign for the premium version of 8PM whisky, 8PM Premium Black featuring youth icon, Tiger Shroff was launched on the lines of the brand's essence 'Smooth Taste of Friendship'. The Company roped in Bollywood stars Jacqueline Fernandez and Kartik Aryan for the marketing campaign of Magic Moments vodka. The campaign centred around the tagline 'Make Every Moment a Magic Moment', focusing on the brand essence of excitement, zeal, youthfulness and free-spiritedness.

BUSINESS STRATEGY

Over the years, Radico Khaitan has evolved from being just a distiller of spirits for others to a leading IMFL company in India with a highly reputable brand portfolio. With a deep understanding of consumer preferences, the Company is committed to drive innovation across brand categories and operations. Radico Khaitan continues to selectively launch new products, enhance operating procedures and adopt various go-to-market strategies based on complex and rapidly evolving distribution channels. The Company's strategy has been to drive growth that is led by premium products and is profitable, sustainable and responsible. Each strategic initiative is aimed at growing sales profitably and delivering improved financial metrics, such as profit margins and cash flows leading to strengthening of balance sheet.

R&D and Innovation

Radico Khaitan is committed to enhancing R&D capabilities and product innovation to develop and nurture a portfolio of world class products. The Company continues to engage with its consumers through various online and offline platforms to gauge their behaviour insights. This enables Radico Khaitan to track consumption patterns and changing preferences, which drives product innovation. In depth understanding of the ever-evolving consumer preferences and a robust R&D pipeline has enabled the Company to launch new products as well as variants of existing products. The longstanding strategy of continuous innovation and value creation has also helped Radico Khaitan sustain its leadership position across key product categories.

Investment in innovation has enabled the Company to grow its market share for existing products while at the same time capturing new categories (Rampur Indian Single Malt whisky and Jaisalmer Indian Craft gin) and new product segments (Magic Moments Electra ready to drink). Furthermore, it has helped in bridging portfolio gaps (8PM Premium Black whisky) and providing long-lasting customer experiences. It has also enabled the Company to offer choices for its existing loyal

consumers who are looking to upgrade their preferences (Magic Moments Verve vodka and Morpheus Blue brandy). Radico Khaitan's wide portfolio across various categories offers its consumers a choice for all occasions and provides an edge over competing brands.

Deleveraging of Balance Sheet

Radico Khaitan has been focusing on free cash flow generation and consequent debt reduction. Over the last three years, the Company reduced its Net Debt significantly from ₹ 947.01 Crore at the end of FY2016 to ₹ 319.35 Crore at the end of FY2019. During the year alone, Radico Khaitan reduced net debt by ₹ 250.34 Crore. The Company expects to become completely debt free by the end of FY2021.

Cost optimization

ENA and packaging material form a major portion of the total cost of goods. Radico Khaitan's significant distillation capacity of 157 Million litres makes the Company self-dependent for its ENA requirements to a large extent and provides a cushion against volatility in the ENA prices. The Company has a capacity to store three months' equivalent of its molasses requirements. This insulates the Company against short-term fluctuations in molasses prices.

Radico Khaitan has taken further steps to optimise cost structure which includes rationalisation of the bottle supplies and diversification of its supplier base thereby limiting the net cost impact. The Company has undertaken a comprehensive exercise to review further areas of cost optimisation which will help in mitigating raw material price pressure. This includes weight optimisation of glass bottles and reuse of market bottles in the regular category products.

Exports and new international partnerships

Over the years, the Company has invested in building brand equity in other international markets and successfully created a large and loyal global consumer base outside India. Radico Khaitan's Rampur Indian Single Malt whisky and Jaisalmer Indian Craft gin were launched for the global audience and have received strong traction from consumers. Today, the Company has truly become a global player with its brands available in 85+ countries.

In FY2019, export accounted for 5% of the total net sales. Whether developed markets such as the US, Canada, Europe and Australia or developing economies in Asia Pacific, Africa and the Middle East, the sale of Company's brands are on a growth trajectory. Travel Retail is the next focus channel and both Rampur Indian Single Malt whisky and Jaisalmer Indian Craft gin have already made their mark at the Dubai Duty Free as well as in other travel retail destinations. Jaisalmer Indian Craft gin is now listed with Heinemann and available at the airport duty free shops across Europe.

Supply chain management

Radico Khaitan's supply chain management strategy is centred around customer service, cost efficiency and operational excellence. Radico Khaitan has 28 bottling units spanning across the country, of which five are owned and 23 are contract bottling units. These widespread manufacturing locations, state level different taxation laws coupled with consumers

spread across the country requires the Company to maintain a comprehensive supply and distribution platform.

The Company has put in place a robust distribution system that enables Radico Khaitan to ensure availability of products across channels and geographies. The Company has also evolved its go-to-market strategies to keep pace with the changing dynamics of the market. In addition to a strong sales and distribution network, the Company leverages information technology and advanced demand forecasting to ensure timely delivery of its products to the customers.

Radico Khaitan remains focused on high productivity levels and product excellence across its manufacturing platform. The Company continues to introduce best practices to become more agile such as Demand-Driven Supply Chain, Total Productivity Management and Six-Sigma.

The Company's products are sold through over 75,000 retail and 8,000 on-premise outlets. Apart from wholesalers, a total of around 300 employees divided into four zones, each headed by a regional profit centre head, ensure an adequate on-ground sales and distribution presence across the country. Radico Khaitan continues to strive to build flexibility across the supply chain to ensure reliable volume deliveries at the right place in a timely and cost-effective manner.

OPPORTUNITIES AND THREATS

Opportunities

Economic growth: The Indian economy has grown at a strong pace in recent years, outperforming most of the emerging markets to become one of the fastest growing major economies in the world. Indian GDP growth rate is estimated at 7.1% in CY2018. As per IMF's World Economic Outlook April 2019, India's GDP is expected to grow at 7.3% in CY2019 and then expand to 7.5% in CY2020.

Favourable demographics: India has a young demographic profile with a median age of 28 years and over 15 Million people are expected enter the drinking age every year which represents significant demand opportunities for the industry. Furthermore, by 2030, India is expected to add about 140 Million middle-income and 21 Million high-income households, overall nearly doubling the total share of these segments to 51%.

Growth of rural consumption and urbanisation: Rural consumption is expected to grow faster than that of urban India with growing incomes and greater internet penetration driving the consumption growth in India further.

Changing consumer preferences: Rising affluence is the biggest driver of increasing consumption. Additionally, consumer behaviour and spending patterns are shifting as disposable incomes rise and Indian society evolves with a preference for lifestyle and aspirational brands.

Increased alcohol accessibility and availability: There has been an increase in the variety of alcoholic beverages and brands with most of them easily available in government licensed outlets, government shops, private licensed retail chains, restaurants, pubs and bars. The social acceptability of alcohol consumption has improved in India. Furthermore, exposure to lifestyle in

advanced economies have changed the consumption patterns among the youth particularly women.

Improved operating environment: The importance of the liquor industry to the state's exchequer cannot be understated. A significantly improved operating environment led by state-wide price increases and favourable policy changes resulted in this robust industry performance. During the last few months, Radico Khaitan received price increases in several key liquor consuming states. The Company continues to focus on achieving price increases in various other regional markets in which it operates. Any further price increases achieved will help improve the revenues as well as profitability.

Threats

State level prohibitions: Any government regulation aimed at partial or full prohibition of liquor consumption can have an adverse impact on the volume demand of IMFL. This prohibition is generally aimed at restricting the abuse of liquor and therefore applies to low category products and country liquor. Historically liquor prohibition in India has not stayed. Furthermore, after GST implementation, the importance of liquor industry for states' revenue has increased.

Change in tax: Taxes on alcohol are levied only by the state governments and account for a large proportion of their tax revenues. Therefore, any significant tax increase can result in higher retail prices, thus impacting overall demand of IMFL. Currently a significant portion of the retail price comprises various taxes.

Change in legal drinking age: Any government regulation aimed to increase the legal drinking age in India can have an adverse impact on the volume demand of IMFL. However, the consumption at the lower end of the legal drinking age is relatively less and may not have any significant impact on industry volumes.

Competition from international players: As the per capita liquor consumption in India is significantly lower than that of other countries, many international manufacturers are trying to penetrate the Indian market. Furthermore, ongoing structural changes with the focus on premiumisation will allow them to introduce their premium brands in India. Such developments may have a potential impact on the market share of existing players. However, given the strong barriers to entry in this industry it is difficult for a foreign player to establish footprints in India. Radico Khaitan has strong brand loyalty among consumers and is committed to provide them with better quality products with value for money proposition. This provides the Company a competitive edge.

RISK AND CONCERNS

Regulatory environment: The spirits industry continues to be one of the most regulated sectors in India. The industry is subject to different laws and regulations which varies from state to state. The complexity of state regulation makes an intricate tax and licensing environment. It restricts economies of scale and diminishes the capability of new manufacturers and products to achieve national distribution and gain competitive advantage. Furthermore, a ban on direct advertising creates major barriers to promote new as well as existing brands. Regulatory changes

such as state level prohibitions and change in route-to-market may have an adverse impact on the liquor industry as well as the Company's operations. Any policy formulated by the central or state government in areas such as production, distribution, marketing or taxation may have an adverse impact on the performance of the Company.

Increase in raw material prices: ENA and glass bottles are the two key components of the raw materials required for the Company's product portfolio and hence commodity price volatility remains one of the key considerations. Lower than anticipated sugarcane production and/or any sharp rise in prices of molasses or ENA will have an impact on the Company's profitability. ENA prices may also increase due its alternative use in ethanol blending and a more attractive price offered by the petrochemical industry. However, the Company's capability to shift to a grain-based distillery insulates it against any significant increase in prices of molasses. Radico Khaitan has a robust procurement team that monitors and forecasts commodity prices and advises on strategy to ensure that the Company is safeguarded against market volatility. Raw material price volatility has marginal impact on the products in the Prestige & Above category brands. Furthermore, increasing proportion of Prestige & Above category brands coupled with price increases accorded by various state governments will mitigate the risks of raw materials price increases.

Regional diversification: The Company has a manufacturing and distribution presence across the country. Its strategically located manufacturing facilities and distribution centres at various locations provide easy access to key markets. Apart from a nationwide presence, strategic location also helps to avoid the high taxes levied on inter-state movement of finished and in-process liquor. This also mitigates any short-term challenges due to any regulatory changes in certain states. Radico Khaitan's focus on expanding exports will help to further mitigate any potential geographical risk.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Companies Act, 2013 emphasises the need for an effective internal financial control system in a company which should be adequate and shall operate effectively. Rule 8(5) (viii) of the Companies (Accounts) Rules, 2014 requires the information regarding adequacy of internal financial controls with reference to the financial statements to be disclosed in the Director's report.

Radico Khaitan has an elaborate internal control system commensurate with the size of the Company, nature of its business and complexity of its operations. Business risk assessment procedures have been set in place for self-assessment of business risks, operating controls and compliance with corporate policies. There is an ongoing process to track the evolution of risks and delivery of mitigating action plans. This system continuously monitors compliance to internal processes across the operations to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, that transactions are authorised, recorded and reported correctly and that operations are conducted in an efficient and cost-effective manner. Standard operating procedure manuals

have been established in all functional areas which are updated regularly. The system includes internal controls over financial reporting, which ensures the integrity of financial statements of the Company and eliminates the possibility of frauds.

The internal control system aims to make sure that the business operations function efficiently and applicable laws, rules, regulations and policies of the Company are followed. The internal audit function periodically performs audit of various processes and activities. The Audit Committee reviews the effectiveness of the internal control system, and invites Directors and senior management personnel to provide periodic updates on operational effectiveness and controls. A CEO and CFO Certificate, forming part of the Corporate Governance Report, confirms the existence and effectiveness of internal controls and reiterates their responsibilities to report deficiencies to the Audit Committee and rectify the same. The Company has appointed Grant Thornton as their internal auditors, which in turn submits quarterly reports to the Audit Committee.

INFORMATION TECHNOLOGY (IT)

Radico Khaitan focuses on leveraging technology and data it captures for the efficient management of its business operations, better customer experience, enhancement of the supply chain, and accurate sourcing and supply forecasts. Its efficient systems, stable infrastructure, secure landscape and support mechanism add to the Company's economic value and competitive positioning.

The Company regularly monitors the IT system and infrastructure which is useful and relevant to its business and which supports shareholder value through growth, innovation, simplification and efficiency. During the year, the Company upgraded its corporate office network and communication systems to make it virtually paper-free and wireless.

For a consumer products company such as Radico Khaitan, IT plays the role of a key enabler to create enriching consumer experience through the provision of insights to consumer preferences. At Radico Khaitan, IT is managed through a robust governance process that covers value delivery, cost optimisation, technology management, support and education. The IT systems in the Company forms the backbone for carrying out all the business operations, communication and collaboration. It also provides information for effective decision-making, monitoring and management control. IT risk management is addressed by covering all aspects of IT security and business continuity planning.

HUMAN RESOURCE (HR) MANAGEMENT

Radico Khaitan believes that the growth of a company is largely dependent on its ability to stay ahead of the curve through constant innovation, consumer preferences know-how and delivery of superior consumer experience. Across all this, human capital remains at the core. Therefore, Radico Khaitan has developed a culture of continuous learning, innovation and collaboration across the organisation.

Radico Khaitan considers people and products as its biggest assets. The Company's HR agenda is focused on progressive

human resource management policies, creating an inclusive work culture, building a robust and diverse talent pipeline and driving greater employee engagement. The human resource department is focused on developing, nurturing and professionally growing its employees to achieve their true potential. The Company strongly believes that great brands are built by motivated and inspired employees. Building a customer-focused, competitively superior, performance-driven and future-ready culture enables Radico Khaitan to meet its customer aspirations.

The Company follows an open-door policy with its approachable senior management. Radico Khaitan focuses on building leadership capability and recognising line managers who provide a flexible and respectful work environment to their teams. All employees have well defined Key Performance Indicators (KPIs) that are aligned to the organisational goals and form the basis of performance evaluation. With clearly defined goals, outcomes-based assessment and even sharper alignment of performance and rewards, Radico Khaitan has further strengthened its performance management system and its culture of accountability.

There are no financial or commercial transactions that have resulted in a potential conflict of interest between senior

management and the Company. During the fiscal year there has been no loss of production at any of the Company's manufacturing facilities due to industrial unrest.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis contains "forward looking statements" including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Radico Khaitan's future business developments and economic performance. While these forward-looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance. Radico Khaitan undertakes no obligation to publicly revise any forward-looking statements to reflect future / likely events or circumstances.