

C O R P O R A T E S T A T E M E N T 2 0 0 0

8 PM Cumulative Sales Growth

No of Cases
(in lakhs)

25

20

15

10

5

0

Aug 1998

1999

2000

Dec 2000



It's a dawn of a new era. The winds have changed.
The market is more crowded. The competition, fiercer.
The question is, what'll set you apart?
What'll carry you to the future? What will take you to Glory?
We at Radico Khaitan believe, it's speed.
For it is only the speed at which we

Evolve

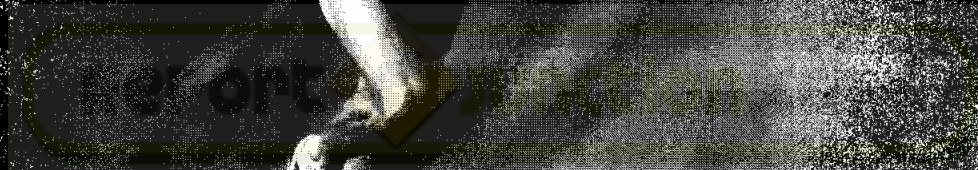
Adopt

Change

Act

React

that'll not only put distance between us and the competition,
but also lessen the distance between us and our dreams.



Radico-Khitan will maximise shareholder value through sustained profitable growth by building brands which are leaders in their categories.

They say, a good start is half the race won. At Radico Khaitan, we couldn't agree more.

Radico Khaitan first set its foot in the liquor industry in 1943 by supplying quality spirits to leading liquor companies. This experience paid off when Radico Khaitan decided to launch its own brands.

Its first brand, Contessa XXX Rum, acquired a Gold Medal at the Monde Selection in Brussels. Thereafter, the company launched 8 PM Whisky. A brand that grew in leaps and bounds in the very first year of its launch in 1999.

On the other hand, Radico Khaitan made new inroads into the international market. It not only began exporting its products to CIS countries, Africa and the Middle East but also joined hands with JBB (Greater Europe) Plc. (previously known as Whyte & Mackay.)



2000

Profits after tax increase by 26%.
8 PM sales exceed 2 million cases mark.



1999

8 PM becomes a million case brand.
Contessa 7th largest selling Rum globally.



1998

8 PM launched.
Contessa sales cross 1 million cases mark in a single year.



1997

Fertilizer and Soya units demerged and Radico emerges as a focussed liquor company. Tie up with Whyte & Mackay.



1992

Selected 'Distillery of the Year' by Investment week.



1965

IMFL production starts.



1943

Rampur Distillery setup.





ACCELERATE

A million case brand in the first year.

The success story continues.

Leader in its category in many areas.

Mentioned in the Limca Book of Records.

Launch of more brands on the anvil.

With the dawn of liberalisation, it became clear that one didn't have the luxury of doing things at one's own pace. The new dynamic environment demanded all players to think on their feet and move fast.

Radico Khaitan was quick to recognise that the need of the hour was not just meeting demand through producing goods and increasing capacities.

The new scenario would require Radico Khaitan to shift its focus to building brands, penetrating the market while constantly innovating and devising effective marketing strategies.

Radico developed a two fold strategy.

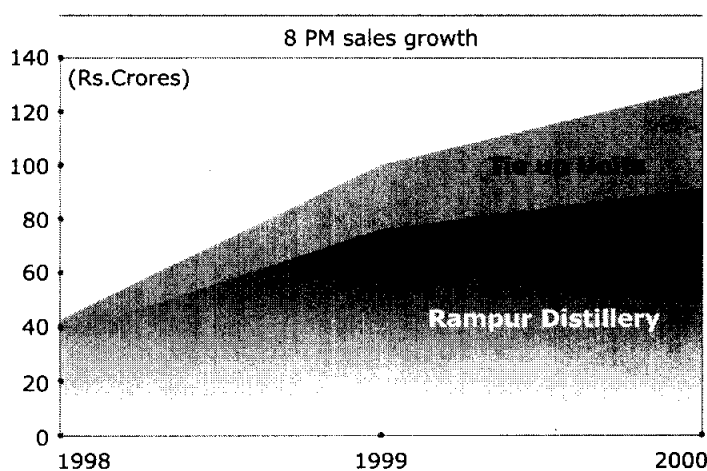
The first was a focus on brands. Radico took its Contessa Rum to the civil market with resounding success. Then 8 PM was launched. It became a 1 million case brand in the first year. A feat which is mentioned in the Limca Book of Records. The success hasn't stopped and has become the leading brand in its category in many states. Now, Radico is set to launch even stronger brands.

The next was that Radico tied up with 9 regional bottlers all over India. For, excise is a major component of taxation in the liquor industry and is a State subject, and the best way to grow is to have an optimum mix of production units in different States. These tie ups not only helped Radico Khaitan expand its market but also reach the customer fast, while delivering maximum value to the customer at lower prices.

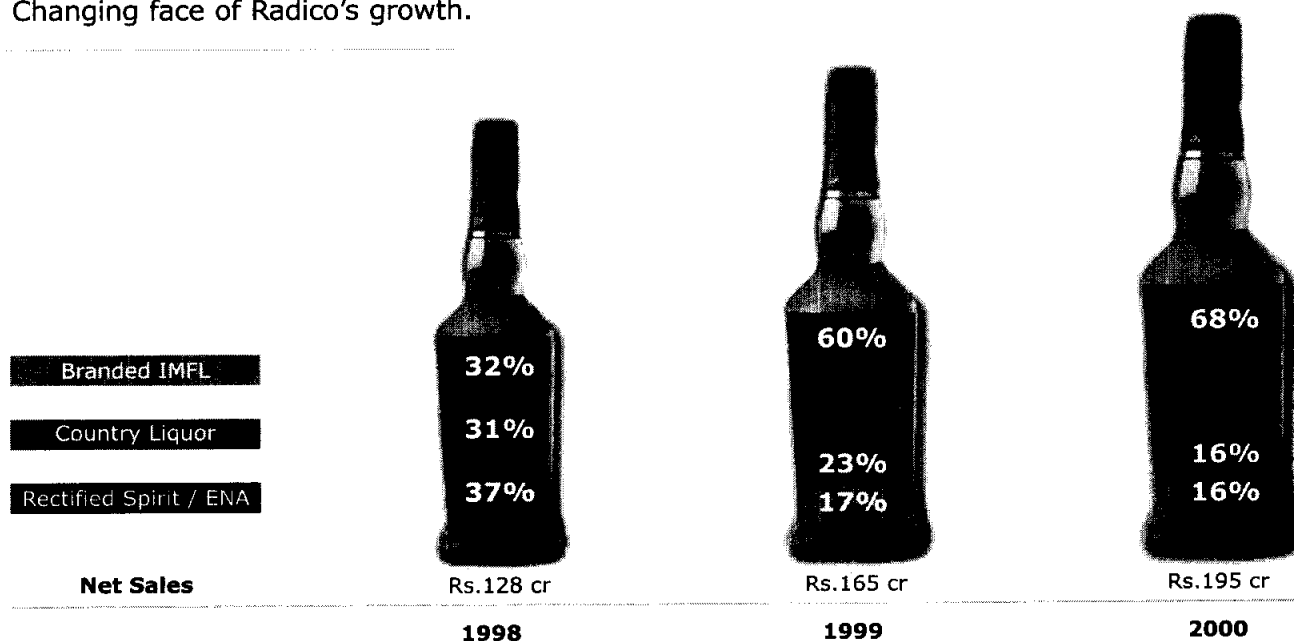
The result:

Tie-up unit sales in 2000 reached the level of 22% of Radico's sales through its own Distillery, capacity addition in bottling of company's IMFL products to the extent of 1 million cases per annum, savings of capital costs to the tune of about Rs. 400 million on the creation of the above said bottling capacity, substantial reduction in transportation cost, breakages on transportation and delivery time, resulting in higher regional sales, savings on central sales tax, local sales tax and inter state duties of excise, which in turn make the products more competitive in their respective regions, scope for faster growth and higher market share due to the increase in reach, makes advertising more cost effective.

Further, Radico synergised the operations of Whyte & Mackay India Limited and Radico Khaitan Limited, leading to a combination of value for money products, 9 production units in several States for local bottling, adequate manpower in marketing, sales & production, a wide distribution network and sharing of overheads.



Changing face of Radico's growth.



The road to success is long. And one has to constantly push oneself in order to stay in the race. While Radico has been exhilarating towards exponential growth through tie-ups, strategic alliances, aggressive marketing, brand building and capturing market shares, the crusade is on to retain what it has achieved. And to maintain the winning spree Radico Khaitan has spared no effort.

Human Resource Development

Radico understands that people are the key resource for success. And it is sparing no effort to ensure that its people are ready to face the challenges of the global trade environment. To enhance the competency of human resource Radico has taken important initiatives.

Continuous learning, training and development of individuals is a necessary tool for organization survival, growth in the rapidly changing business environment. Therefore all employees are being trained internally and externally by the specialists in the field.

Radico has also introduced Performance Management System. Which means

- 1) A performance based compensation system for all managers.
- 2) Identify competency required for each job and develop through training.
- 3) Reward employees by merit & contribution.

New Bottling Lines

The Company has set up two bottling lines with fully automatic, state of the art bottling and labeling machines imported from Italy and Germany, improving operational efficiency, productivity and quality of packaging.

Installation of Co-generation System

The Company has commissioned a 1.8 MW Co-Generation system that's the first of its kind in the country, operating 100% on bio-gas fuel it produces about 20 tonne/Hr. of steam. Surplus steam produced is used to generate power. This results in power cost savings and tax advantage.

Expansion of Distillery

Plans for a two-phase expansion programme are already underway. The first-phase expansion is already complete. Fully aware of its social obligations towards environment, Radico has constructed an effluent holding lagoon. The treated effluent is being utilised for ferti-irrigation. Plans to construct another lagoon of such nature have already been finalised.

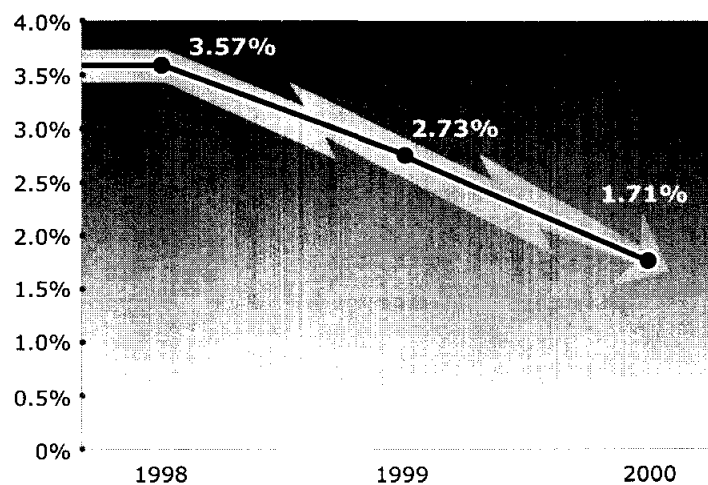
Quality Assurance

Customer satisfaction through quality assurance and services is a mission at Radico. Advance process control systems in the plant processes and use of advance analytical instruments in laboratories are the key tools of quality drive. Total quality management systems have been successfully implemented.

In short, Radico is at par with international quality standards. And its increasing exports and consistent growth in the domestic market, testify that.

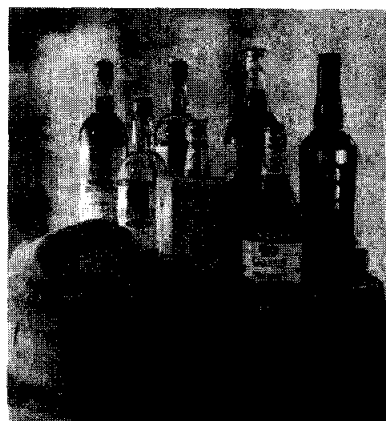


Power Cost
as a %
of Net Sales.



When you play to win, being fast is not good enough. To stay ahead, you have to be faster than your competition.

The size of the organised liquor industry is estimated at 70 million cases. Whisky is one of the biggest segments of the market. Indian liquor industry is a highly regulated market with wide variations in rules and regulations. Companies have urged state governments to seek a uniform excise duty structure and address other issues like impediments in manufacturing, complexities in state excise laws and documentation procedures, relating to the alcohol and beverage industry. Though deregulation may occur but may take a longer process.



India is one of the fastest growing markets with a growth rate of 12%, while worldwide the brown spirits industry is stagnating or going down. India accounts for nearly 6% of the world's spirit consumption. The regular segment of whisky is the largest in both value and volume terms. It is estimated that the regular segment accounts for nearly 37% of the total whisky market. 8PM has emerged as a leading brand in this segment.

In order to emerge a winner, Radico's strategy is to introduce value added products. 8 PM is already recognized as the fastest growing Indian whisky in the regular segment. Special Appointment, a premium Whisky, will soon be launched.

The Future Challenges.

Post WTO, the quantitative restrictions on WTO will be lifted and the Customs Duty will be lowered. Thus while IMFL will continue to be heavily regulated and taxed, foreign liquor will be freely available at lower duties. This will hit the premium Indian brands.

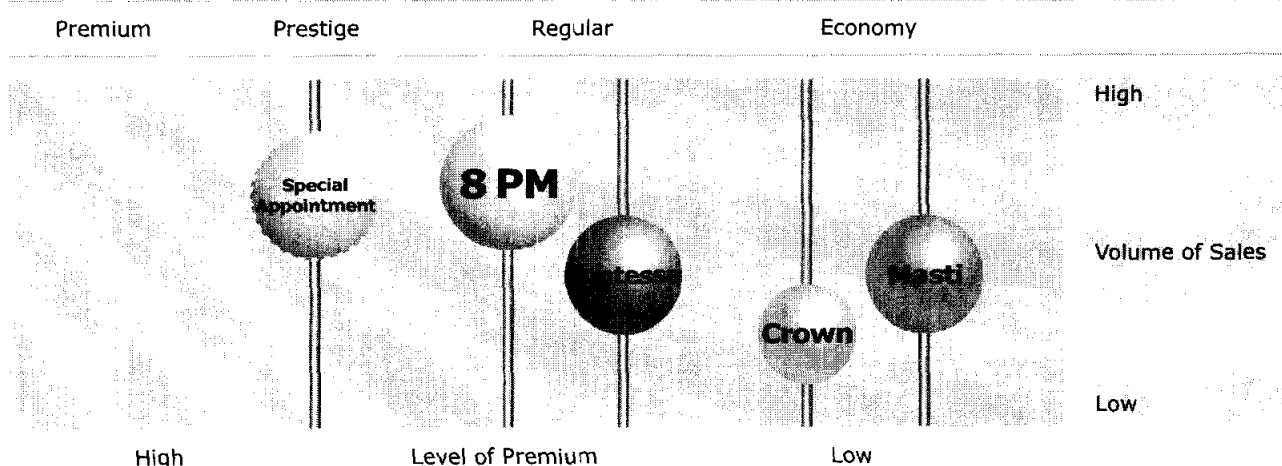
The future presents a challenge that Radico will take head on. Building strong brands is the key to long term profitability and growth. The strategy will be to introduce new brands, both in the upper and lower segments of the market, strengthen its core brands by building customer loyalty, build brands around the core 'value for money' proposition. It plans to do so by being one of the most cost competitive players in the industry, so that the additional benefits are passed on to the customer.

Competition & Co-opetition

A lot of liquor companies will come into India looking for collaborations with companies with strong distribution network, strong marketing teams & good financial stability to tie-up for distribution/ manufacturing of their brands. Radico having already geared up itself in all these areas will stand a very bright chance of capturing this opportunity.

In fact, talks to leverage this distribution network to market burgundy and vermouth wines in India, after the quantitative restrictions (QRs) on imports are lifted, are already in progress with different wineries of the USA, Argentina, France, Australia and South Africa.

Straddling the Market.

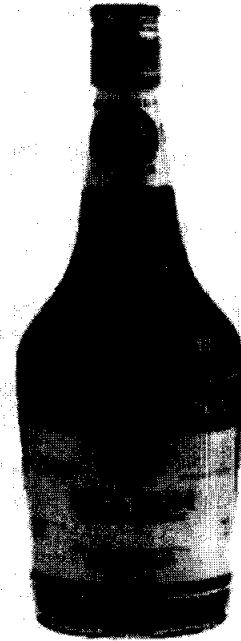


Radico has come a long way. It has crossed many milestones and achieved many successes.

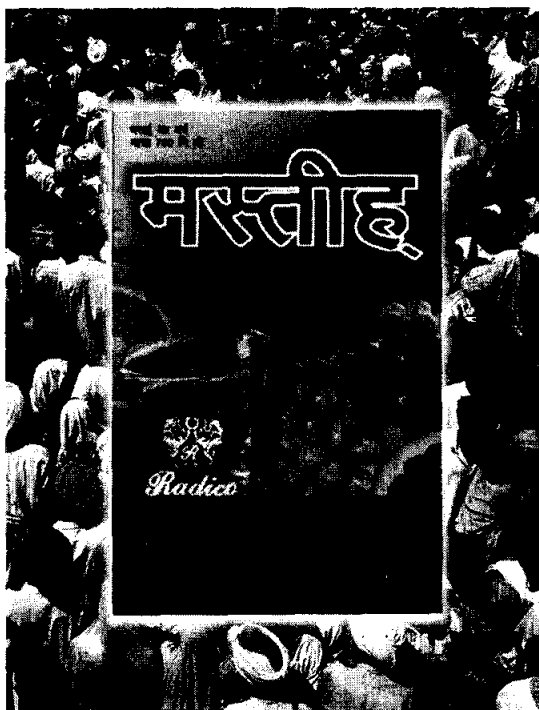
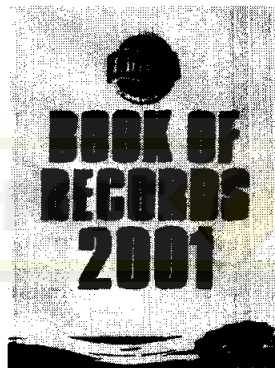
Today, it is one of the leading manufacturers of high quality liquor. With production close to 45 million litres per annum, it is also one of the largest distilleries in India. In addition, Radico has an enviable distribution network, state of the art manufacturing facilities and a tempting brand portfolio that spans every socio-economic group.

8 PM, a whisky in the regular and semi-premium category which is blended with scotch, became a major brand to contend with in the very first year of its launch. So successful were the sales figures that they found a place in the Limca book of records 2001.

Contessa Rum, one of the largest player in the category, commands a 25% share of the defence market and overall sales are nearly 2 million cases.



8 PM whisky is mentioned in the Limca Book of Records for its incredible sales.



The company also markets Masti, the only branded country liquor that sells an astounding 3.5 million cases. Recent Excise Reforms in U.P. have led to the removal of restrictions on country liquor. This has put Radico in a strong position, as Masti has become the largest selling brand in the country liquor segment. Radico has aggressive plans for Masti. The total market size of country liquor in U.P. is 22 million cases and Radico is all set to dominate this market.

While Radico's brands are positioned in the regular and medium end of the market, Whyte & Mackay India Ltd's brands are positioned in the higher segment consisting of Scotches and grain based whiskies, thereby offering to the consumer a wide product portfolio which includes Scotch Whisky (Findlater's and Special Reserve), Premium Whisky (Genesis), Regular Whisky (8 PM, Whytehall, Contessa), Rum (Contessa), Brandy (Contessa) and Cheap Whisky (Goldfinger, Crown).