



**Delivered strong performance while investing for long term**

**Second quarter performance highlights**

- Net sales increased 17.7%, reflecting a strong quarter. Growth reflects resilient consumer demand in off-trade, rebounding in on-trade and continued mix improvement.
  - Prestige & Above segment net sales grew 23.1% benefitting from momentum of innovation and renovation done in prior quarters. The growth was broad-based and reflects the depth of our portfolio and the strength of our brands.
  - Popular segment net sales grew 1.7% within which the priority states grew 3.8%.
- Gross margin was 39.5%, primarily reflecting the adverse impact of double-digit inflation in COGS.
- Our marketing reinvestment rate during the quarter was 5.5% of net sales.
- Reported EBITDA was Rs. 446 crores, up 4.8% and EBITDA margin was 15.5%. Underlying EBITDA excluding one-offs in prior year was up 11%.
- Interest cost of Rs. 14 crore is on account of the customary non-debt related items.
- Exceptional items primarily comprise a one-time profit of Rs. 381 crores arising from the slump sale of the business undertaking associated with 32 brands in the 'Popular' segment.
- Reported PAT, after incorporating the exceptional gain accruing from the slump sale transaction was Rs. 563 crores, up 105.9%.

**First half performance highlights**

- Net sales increased 24.3% lapping weak prior year comparators in Q1.
  - Prestige & Above segment net sales increased 30.8%. The growth was driven by resilient consumer demand in off-trade, mix improvement and continued growth momentum in on-trade.
  - Popular segment net sales increased 6.9% within which the priority states increased 9.6%.
- Gross margin was 40.1%, primarily due to adverse impact of inflation on COGS.
- A&P re-investment rate was 5.9% of sales.
- Reported EBITDA was Rs. 720 crores, up 21%. Reported EBITDA margin was 14.3%, down 34 bps primarily due to reduction in gross margin and one-offs. Excluding the one-off's, underlying EBITDA was at 14.8%, up 76 bps.
- Reported interest cost of Rs.31 crores is on account of non-debt related items. Excluding the one-off reversal in prior year, underlying interest costs were down 25% driven by the zero-debt status in the current financial year.
- Exceptional items primarily include a net one-time profit arising from the slump sale of the business undertaking associated with 32 brands in the 'Popular' segment partially offset by on-going business restructuring expense.
- Profit after tax was Rs. 773 crores and PAT margin was 15.3%.

**Performance highlights of select Popular brands sold and franchised to Inbrew Beverages Pvt. Ltd.**

- Net sales during the quarter included Rs. 351 crores from brands that are part of slump sale and franchise arrangement transaction closed with Inbrew. Net sales for this portfolio increased 2.9% during the quarter and were 697 crores for the first half, up 9.1% vs. prior year

**Ms Hina Nagarajan, CEO, commenting on the quarter ended 30 September 2022 said:**

"We have delivered a quarter of strong top-line growth and resilient bottom-line performance. The performance is underpinned by continued growth momentum and strong mix improvement from recent innovation and brand renovations.

We have successfully completed the sale of the business undertaking associated with 32 brands in the 'Popular' segment to Inbrew Beverages Pvt. Ltd. and have given effect to the franchise of 11 other brands for a period of five years. This is aligned to our mission and key to our "Portfolio Reshape Strategy".

The external environment remained challenging during the quarter with ongoing scotch pricing negotiations in select states, route to market change in Delhi and unprecedented levels of input cost inflation. We maintained cost discipline while investing in long-term priorities.

Looking ahead, in the shorter term, we expect inflation challenges to continue. Scotch price discussions have successfully concluded in a few states. We are focused on maintaining the momentum while driving revenue growth management initiatives and ramping up productivity across the value chain. With the consumer at the heart of our business, the strength of our reshaped portfolio and the investment we are making to accelerate our strategic priorities, we are confident of growing the business in a consistent and sustainable way to create long-term value for all our stakeholders."

**Key performance indicators**

		F23 H1	F23 Q2	F23 Q1
<b>Net sales</b>	<i>Rs. Crores</i>	<b>5049</b>	2,880	2,169
<b>Reported Turnover growth</b>	%	<b>24.3</b>	17.7	34.3
<b>Gross profit</b>	<i>Rs. Crores</i>	<b>2026</b>	1,138	888
<b>Gross profit margin</b>	%	<b>40.1</b>	39.5	40.9
<b>EBITDA</b>	<i>Rs. Crores</i>	<b>720</b>	446	274
<b>EBITDA margin</b>	%	<b>14.3</b>	15.5	12.6
<b>PAT</b>	<i>Rs. Crores</i>	<b>773</b>	563	210
<b>PAT</b>	%	<b>15.3</b>	19.6	9.7

**For the six months ended 30 September 2022**
**Summary financial information**

		F23 H1	F22 H1	Movement %
<b>Volume</b>	<i>000 cases</i>	<b>40,791</b>	<b>36,277</b>	12.4
<b>Net sales<sup>#</sup></b>	<i>Rs. Crores</i>	<b>5,049</b>	<b>4,062</b>	24.3
COGS <sup>@</sup>	<i>Rs. Crores</i>	<b>(3023)</b>	<b>(2260)</b>	33.8
<b>Gross profit</b>	<i>Rs. Crores</i>	<b>2026</b>	<b>1802</b>	12.4
Staff cost	<i>Rs. Crores</i>	<b>(315)</b>	<b>(354)</b>	(11.0)
Marketing spends	<i>Rs. Crores</i>	<b>(299)</b>	<b>(262)</b>	14.1
Other Overheads	<i>Rs. Crores</i>	<b>(692)</b>	<b>(593)</b>	16.6
<b>EBITDA</b>	<i>Rs. Crores</i>	<b>720</b>	<b>593</b>	21.4
Other Income	<i>Rs. Crores</i>	<b>33</b>	<b>14</b>	135.5
Depreciation	<i>Rs. Crores</i>	<b>(121)</b>	<b>(121)</b>	0.2
<b>EBIT</b>	<i>Rs. Crores</i>	<b>632</b>	<b>487</b>	29.9
Interest	<i>Rs. Crores</i>	<b>(31)</b>	<b>(18)</b>	66.8
<b>PBT before exceptional items</b>	<i>Rs. Crores</i>	<b>601</b>	<b>468</b>	28.5
Exceptional items	<i>Rs. Crores</i>	<b>334</b>	<b>(36)</b>	1030.9
<b>PBT</b>	<i>Rs. Crores</i>	<b>935</b>	<b>432</b>	116.3
Tax	<i>Rs. Crores</i>	<b>(162)</b>	<b>(90)</b>	(80.3)
<b>PAT</b>	<i>Rs. Crores</i>	<b>773</b>	<b>343</b>	125.7

<sup>#</sup> Net sales is Revenue from operations less Excise duty

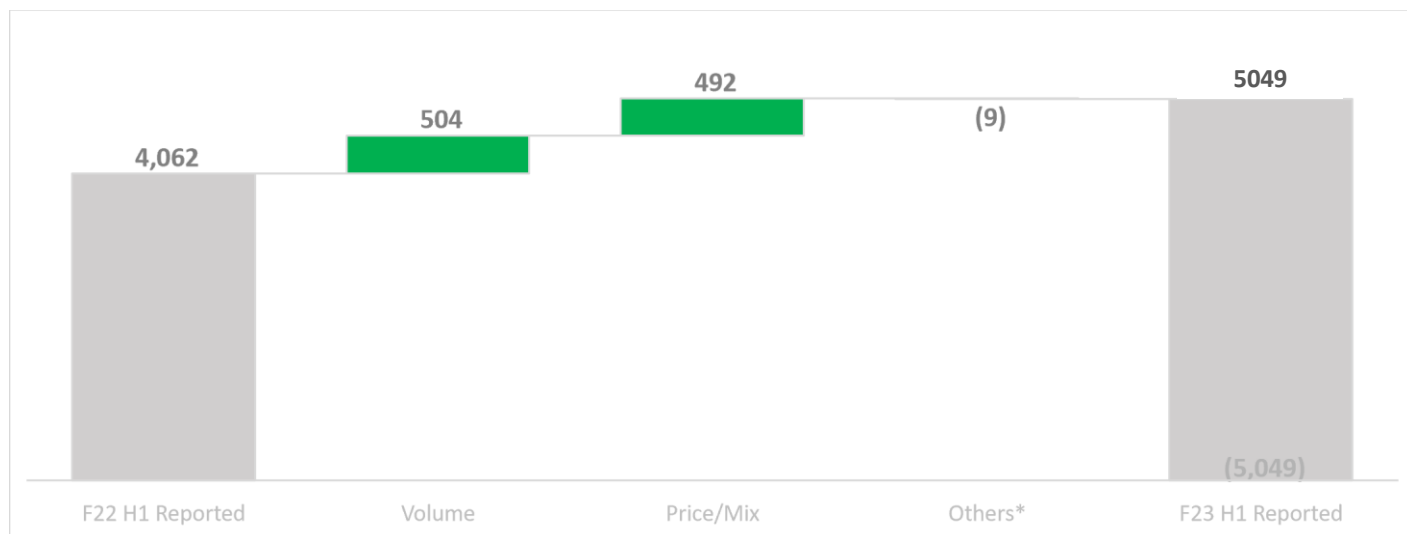
<sup>@</sup> COGS is sum total of Cost of materials consumed, Purchase of stock-in-trade and Change in inventories of finished goods, work-in-progress and stock-in-trade

**Key performance indicators as a % of net sales (reported):**

		F23 H1	F22 H1	Movement bps
Gross profit	%	<b>40.1</b>	44.4	(424)
Staff cost	%	<b>(6.2)</b>	(8.7)	247
Marketing spends	%	<b>(5.9)</b>	(6.4)	53
Other Overheads	%	<b>(13.7)</b>	(14.6)	90
EBITDA	%	<b>14.3</b>	14.6	(34)
PAT	%	<b>15.3</b>	8.4	688
Basic earnings per share	<i>rupees</i>	<b>10.6</b>	4.7	5.9
Earnings per share before exceptional items	<i>rupees</i>	<b>6.1</b>	5.2	0.8

The company in compliance with Schedule III of the Companies Act, 2013 has reported revenue from operations inclusive of excise duty.

**Net sales (Rs. Crores)**



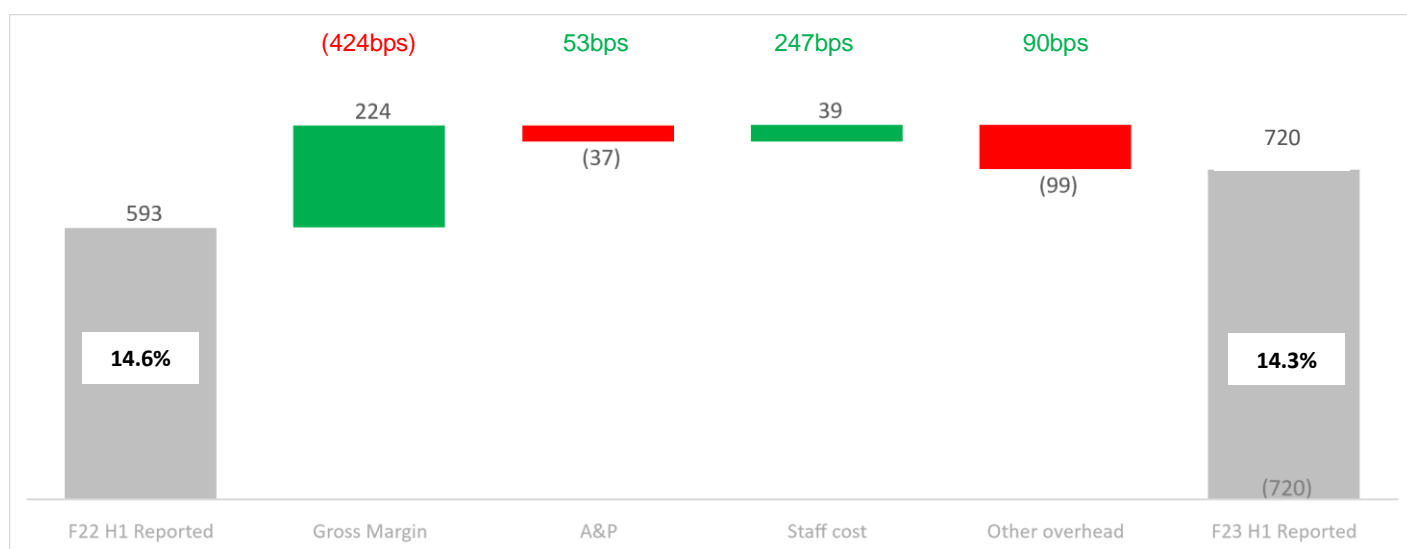
\* Others include non IMFL sale and cut off adjustments

Reported net sales increased 24.3% in the first half. This double-digit top line growth reflects strong consumer demand in off trade, recovery in the on-trade channel, active portfolio management with renovation & innovation offering and benefitting from soft comparator. Net sales of Prestige & Above segment increased 30.8% while net sales of Popular segment increased 6.9%.

Overall volume increased 12.4% with growth of 18.2% in the Prestige & Above segment, outpacing the Popular volume expansion of 5.8%.

Underlying price/mix for the year was favourable 11.9%, mainly due to favourable product and state mix.

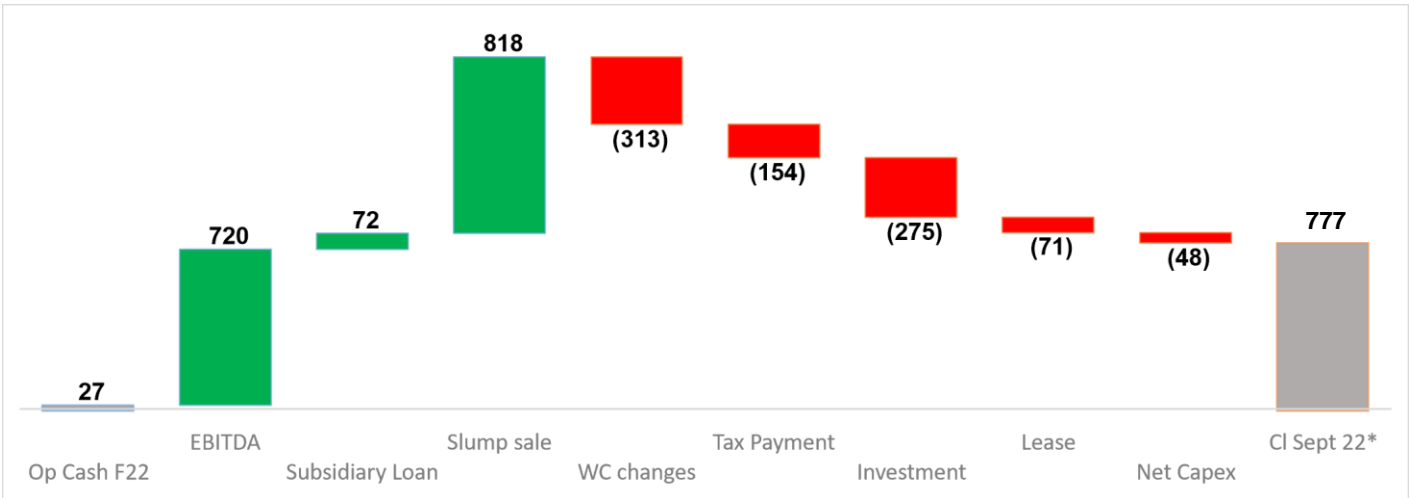
**EBITDA (Rs. Crores, %, bps)**



Reported EBITDA (Rs. 720 Crores) increased 21% for the first half of year and reported margin decreased by 34 bps due to cost inflation, one-off reversal in prior year partly offset by better operating leverage. Underlying EBITDA was up 76 bps.

Gross profit increase of Rs. 224 Crores was predominantly volume and mix led and lapping soft comparator. Supply productivity savings could only partially offset the impact of cost inflation. On a reported basis, staff costs were 6.2% of sales, down 247bps. Other overheads were 13.7% of sales, down 90bps due to improved operating leverage on fixed costs. We invested efficiently behind marketing and growth initiatives to accelerate premiumisation and our marketing investment for first half was at 5.9% of sales.

**Movement in cash (Rs. Crores)**



\* The closing cash balance of 777 Cr includes short term fixed deposit of 740 Cr.

Cash including short term fixed deposit closed at Rs. 777 crores for the first half of the year. The half year witnessed healthy cash flow generation driven by EBITDA and proceeds from the slump sale. Cash was invested in working capital to support business delivery and some investments were made in secured funds. Capex spends was primarily focused to support core growth, renovation, asset care, productivity and health and safety.

## SEGMENT AND BRAND REVIEW

For the quarter and six months ended 30 September 2022

### Key segments:

#### For the six months ended 30 September 2022

	Volume				Net Sales			
	F23 H1 Reported '000 cs	F22 H1 Reported '000 cs	Reported movement %	Underlying movement %	F23 H1 Reported Rs. Cr.	F22 H1 Reported Rs. Cr.	Reported movement %	Underlying movement %
P&A	22,924	19,387	18.2	18.2	3,805	2,910	30.8	30.8
Popular	5,696	5,356	6.3	6.3	496	478	3.8	3.8
Popular- Inbrew	12,171	11,534	5.5	5.5	697	639	9.1	9.1
Other	-	-	-	-	50	35	-	-
<b>TOTAL</b>	<b>40,791</b>	<b>36,277</b>	<b>12.4</b>	<b>12.4</b>	<b>5,049</b>	<b>4,062</b>	<b>24.3</b>	<b>24.3</b>

#### For the quarter ended 30 September 2022

	Volume				Net Sales			
	F23 Q2 Reported '000 cs	F22 Q2 Reported '000 cs	Reported movement %	Underlying movement %	F23 Q2 Reported Rs. Cr.	F22 Q2 Reported Rs. Cr.	Reported movement %	Underlying movement %
P&A	12,973	11,418	13.6	13.6	2,257	1,833	23.1	23.1
Popular	3,127	3,064	2.1	2.1	273	272	0.3	0.3
Popular- Inbrew	6,145	6,065	1.3	1.3	351	342	2.9	2.9
Other	-	-	-	-	(2)	(0)	-	-
<b>TOTAL</b>	<b>22,246</b>	<b>20,548</b>	<b>8.3</b>	<b>8.3</b>	<b>2,880</b>	<b>2,447</b>	<b>17.7</b>	<b>17.7</b>

- The **Prestige & Above segment** accounted for 75% of net sales during the first half of the year, up 372ppts compared to same period last year. Prestige & Above segment net sales increased 18.2% by volume during the first half of the year due to weak prior period comparators. During the first half of the year, our Premium & Luxury portfolio grew faster than the Prestige portfolio led by our premiumisation drive. Within the Scotch portfolio, Black Dog, Black & White, Signature and Johnnie Walker delivered strong growth. We saw sequential gains driven by the recent innovation and brands renovation in Mid Prestige and Upper Prestige.
- The **Popular segment** accounted for 24% of net sales during the first half of the year, down 386ppt compared to same period last year. Net sales of Popular segment in Priority states grew 6.9% during the first half of this year. The Popular segment net sales grew 5.8% by volume during the first half within which the sold and franchised portfolio grew 5.5%.

**Cautionary statement concerning forward-looking statements**

This document contains ‘forward-looking’ statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to United Spirits Limited (“USL”), anticipated cost savings or synergies, expected investments, the completion of USL’s strategic transactions and restructuring programmes, anticipated tax rates, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside USL’s control. USL neither intends, nor assumes any obligation, to update or revise these forward-looking statements in the light of any developments which may differ from those anticipated.

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**Q2 EARNINGS & Q&A CONFERENCE CALL**

Hina Nagarajan, Managing Director and Chief Executive Officer and Pradeep Jain, Chief Financial Officer will be hosting a Q&A conference call on **Tuesday, 25 October 2022 at 17:30 hrs** (IST time). If you would like to listen to the call or ask a question, please use the dial in detail below. A transcript of the conference call will be available for download at [www.diageoindia.com](http://www.diageoindia.com).

**Conference Joining Information**

Option 1

**Express Join with DiamondPass™ No Wait Time**

<https://services.choruscall.in/DiamondPassRegistration/register?confirmationNumber=4735770&linkSecurityString=16240f4760>

Option 2

When using dial-in numbers mentioned below please do so 10 minutes prior to the conference schedule to ensure that you are connected to your call in time.

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