

**United Spirits Limited sells 90 million cases in 2008-2009  
Narrows the gap to the No 1 position in the global spirits market**



**UNITED SPIRITS**, the world's 3<sup>rd</sup> largest distilled spirits manufacturer and by far India's largest company in the alco-bev industry, closed fiscal year 09 (April 2008-March 2009) with sales of over 90 million cases, which translates to a 20% volume growth over the 75 million cases recorded last fiscal. USL and its subsidiaries have 'added on' 15 million cases in sales during fiscal '09.

**Dr. Vijay Mallya, Chairman, UB Group** said "Committed management, strategic acquisitions and flawless planning has catapulted United Spirits into the Big-3 league. We have exceeded our targets and created superior shareholder value. This is by no means a small feat in an economically turbulent environment. I attribute this to the iconic brands we have built which brought new consumers into our fold and further strengthened our base. No target is too tall for me or my team as at United Spirits, we believe in giving it our 110%. The coming years will see USL on a new paradigm."

The general air of economic depression has not affected the drinks major since the demand for its products has not only remained buoyant but also set new records in 2008-09 – at a time when large global brands are showing low single-digit growth, USL's core brands have registered strong double-digit growth. In fact, the additional volume sold in the current year is more than the annual sales of any of the competitors in the Indian alco-bev space.

**Vijay Rekhi, President and Managing Director**, United Spirits said "We are on a dream run and this will continue for the years to come, given our unmatched portfolio and forward strategic planning. The concerted effort to sell premium has paid off. At the same time, the Prestige segment presents a huge opportunity with 100 million new consumers likely to enter the legal drinking age over the next 5 years. Our ambition is to take the company to over 100 million cases in sales and a force to reckon with in the global spirits industry."

USL's premium whisky offering – Signature Rare Whisky – is the latest entrant into the Millionaire Club having sold over a million cases in the fiscal just ended. The Company's other brand in the same price segment – Royal Challenge – is already a 'millionaire'. Blue Riband – for long the touchstone for gin in India - also entered the Millionaire Club this year.

With 19 of its brands members of the Spirits Millionaire Club (Brands that annually sell over a million cases of 9 litres each), USL's portfolio of brands are household names in the Indian drinks industry. Black Dog, Antiquity, Royal Challenge, Signature, Director's Special, John Exshaw, Green Label, White Mischief & Romanov are some of those brands. With a portfolio of 80 active brands, strategically positioned at most category and price points in order to gain the maximum share in a market

growing at around 16%, United Spirits has an enviable portfolio of winners – difficult to replicate in a country where advertising of beverage alcohol is banned.

United Spirits also owns McDowell's No.1 the largest umbrella spirits brand in the world which, across its three categories of Whisky, Brandy & Rum, sold over 31.5 million cases in the fiscal just ended, a 15% growth over the previous year. McDowell's No.1 Celebration Rum at over 10 million cases is now the world's 3<sup>rd</sup> largest rum growing in excess of 24%, at a time when other top rum brands in India and overseas have either de-grown or have registered marginal single-digit growth. Keeping it company at the top is McDowell's No.1 Brandy which at nearly 8 million cases has been ruling the roost as the world's largest-selling brandy.

McDowell's No.1 was adjudged the largest FMCG brand in terms of retail value displacing another household name in India – AMUL. Four of its brands figure in the World Listing of the Top 100 distilled spirits brands by retail value at USD 2340 million, of which McDowell's No1 is at USD 1595 million.

Dr. Mallya added "The growth was supported by aggressive brand refurbishment and innovation where-in the company introduced a new Prestige Vodka under the brand name Romanov Red, a regular scotch Whyte & Mackay Special and Black Dog in smaller packs. We also refurbished the Antiquity range, Royal Challenge, McDowell's No 1 and our entire brandy range".

While the demand for USL brands remains buoyant, the unprecedented rise in the price of alcohol as a result of a reduced output of molasses coupled with the sharp increase in the price of fuel negatively impacted costs. The oligopolic structure of the Indian glass container industry together with the increase in prices of both furnace oil and soda ash – both key ingredients for glass manufacture - pushed up costs on the packaging front as well.

Through a combination of price increases, a focussed plan aimed at improving sales at the premium end of the brand spectrum, strategic buying of inputs, entering into partnerships with key suppliers and a constant review to contain all elements of cost, USL has been able to maintain its profits despite this scenario.

A direct consequence of the unique structure of the alcohol industry in India, USL's products are now sourced from 74 manufacturing units across the country - that doesn't make for traditional economies of scale. However, the fact that around 94% of the products sold in one of India's 28 states are sourced from a unit within the state helps keep customers happy with efficient order servicing and significant savings in inter-state tariff levies. This is also one of the unique strengths of USL which cannot be easily replicated.

After the acquisition in 2007 of the world's 4<sup>th</sup> largest Scotch maker Whyte & Mackay, USL has introduced brands from the W&M portfolio in India – Dalmore, Isle of Jura and Whyte & Mackay are now available in select metros in multiple variants with ages ranging from 13 to 40 years.

Whyte & Mackay, for its part, has re-engineered its strategy and refocused its energies on select growth markets for its branded malt and blended Scotch whiskies – travel retail is an integral part of this strategy. The bulk spirits business continues to be a profitable business for W&M.

USL's foray into wine which started with the acquisition in 2006 of Bouvet Ladubay, a 3.2 million-bottle winery in the Loire valley of France was further cemented with the start-up of India's largest winery under a subsidiary Four Seasons Wines Limited near Pune Maharashtra in Western India. The Bottled In Origin (BIO) range from Bouvet is now complemented by the "Four Seasons" range and the "Zinzi" range of wines to the delight of its consumers. The French winery expanded its 8 million bottles per annum capacity with the commissioning of a new state of the art winery in Saumur. The Bouvet range is now available in the EU and the Americas.

In the fiscal 2008-09, USL launched Pinky Vodka, the world's most beautiful vodka, in India. Pinky Vodka is a niche product from Liquidity Inc., a US-based subsidiary of USL. Pinky managed to garner 5% of the market within the first 10 months of launch through focused marketing activities and hopes to double its market share in the next fiscal. Pinky is now available in Delhi, Gurgaon, Kolkata, Mumbai, Pune , Goa, Bangalore, Hyderabad & Chennai.

“Further strengthening the consumer franchise for its range of leading Indian spirit brands and introducing international brands both in India and in origin will form the core of USL's strategy in the future. Leveraging the unmatched distribution strengths and route to market to create superior stakeholder value will be the most important mission for management,” stated Dr. Mallya, in conclusion.