"United Spirits Limited

Q4 FY'24 Earnings Conference Call"

May 27, 2024

MANAGEMENT: **MS. HINA NAGARAJAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – UNITED SPIRITS LIMITED**
MR. PRADEEP JAIN – CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR – UNITED SPIRITS LIMITED
MS. SHWETA ARORA – HEAD OF INVESTOR RELATIONS – UNITED SPIRITS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the United Spirits Limited Financial Year 2024 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Shweta Arora, Head of Investor Relations, United Spirits Limited. Thank you, and over to you.

Shweta Arora: Thank you. Good afternoon everyone and welcome to United Spirits Fourth Quarter and Financial Year 2024 Earnings Call. Today on the call, we have with us our; Managing Director and CEO, Ms. Hina Nagarajan, who is joined by our CFO and Executive Director, Mr. Pradeep Jain.

Hina will start today's call by providing an update on business performance during the period, while Pradeep will run you through the financial performance, post which we will open the floor for questions. For the call, I request you all to please refer to the financial releases and press release posted on the stock exchange on Friday evening and additionally, the investor deck posted today.

With this, I hand over the call to Hina for her opening remarks. Over to you, Hina.

Hina Nagarajan: Thank you, Shweta. A warm welcome to all of you to our Q4 and full financial year 23-24 call. We have a presentation for you as Shweta has outlined. So if I can just request you to go to the next slide, please and the next one. Yes, basically, we have three parts to this presentation. The first one is that I will give you a business update for the year. And then I will hand over to Pradeep for the financial highlights, and then I will come back and close the call, a little bit of looking ahead and then we will open the forum for questions.

So let's jump straight away into the business update. Next slide, please. Yes. So just a reminder, our mission as you are all very familiar now is to be top-performing CPG company in India, delivering sustained double-digit profitable topline growth and long-term value to all our stakeholders.

As you are also aware, our strategy to achieve this is built on three pillars: portfolio reshape, building an organization of the future and our ambitious goals within Diageo in society. I will now cover progress during the year on each of these three pillars. If you can go next, please.

So coming to portfolio reshape -- next slide, please. The first thing I'd like to say is that our portfolio actually provides multiple premiumization levers to help consumers drink better, not more. We have premiumization opportunities within segment so that's essentially between Popular and P&A.

The second lever we have is within P&A itself, so we've got Lower Prestige-to-Mid Prestige, then Upper prestige and of course to our Luxury and Premium portfolios. We have premiumization opportunities within our trademarks. So if you look at Royal Challenge and Royal Challenge American Pride, that's a premiumization within the same trademark. I'll cover a bit more on that. And then last but not the least, our premiumization opportunities between categories. We will be highlighting the progress made on each of these levers in the following slides.

Can you go next, please? So coming to the first lever of premiumization, which is within the broader segments, Popular upgrades to P&A. We have continued the journey of premiumization with improving mix of P&A and our share of P&A now stands at 89% in the year gone by and this 89%, just to let you know, this is the NSV, which excludes sales from the non-brand revenue. So 89%, great progress since we launched strategy in F'21, now at 89%.

Next chart, please. On the second premiumization lever, which is within the Prestige subsegments, if you just look at the bar charts on your right, we have seen significant shift in NSV saliency post our new strategy. Growth in the Luxury, Premium portfolio has accelerated significantly from FY'21, with this segment now contributing to more than one-third of our NSV salience. And you can see that we have also gained both in Mid Prestige and Upper Prestige.

Next chart, please. On the third lever of premiumization that is within trademarks, we have intensified our brand innovations over the last few years, aligned with changing consumer choices, entry of new cohorts and premiumization trends. These innovations have been premium variants of existing trademarks and have gained meaningful saliency within the trademarks in a short span of time.

If you look at the first graph on the left -- on the right side, basically Royal Challenge and if you look at the orange portion of the FY'24, that is the innovation of Royal Challenge American Pride, which was launched in FY'22, in Upper Prestige and that has already become 8% of the Royal Challenge trademark.

Similarly, if you look at Black Dog, which is the bar charts in the middle, you can see that our Triple Gold Reserve, which is the more premium variant within Black Dog is now 40% of the overall trademark. And similarly, if you look at the chart on Johnnie Walker, you look at that yellow bar, which says 7%, that is the salience now of Johnnie Walker Blonde, which was the latest addition to the Johnnie Walker family positioned in between Red and Black and now 7% of the trademark.

Keep going next chart, please. And then premiumization lever-4, which is within categories, which is by introducing and creating new categories. Premiumization of the white spirits ladder, starting from vodka, gin to now Tequila, USL now has a portfolio that covers multiple categories with brands across the price spectrum.

Of course, the latest launch has, as you know is Don Julio and you can see that Don Julio is premiumizing on that ladder of white spirits and we have variants that are addressing all the price needs of the consumer in white spirits.

Next chart, please. I'll now spend some time on Prestige and talk a little bit of our initiatives in the Prestige category. Next chart, please. The first thing I want to talk about, which I'm very, very proud of is that we are stretching our anchor trademark McDowell's to new frontiers. A significant milestone in our on-going journey towards premiumization is the launch of McDowell's X Series, the products you see to the left of the chart, a unique range of rum, gin and vodka from the house of McDowell's and also extremely proud of the launch of McDowell's Indian Single Malt Whiskey, which is a pivotal step forward in executing our strategic vision.

The launch event of McDowell's Indian Single Malt was held in Gurgaon, was graced by the presence of numerous prominent opinion leaders and respective journalists from various esteemed publications. And one of them told us actually that it's about time, McDowell's did this, so that's a lot of validation of our strategy. Both the launches are showing early positive signs and stand testament to our steadfast commitment to premiumize our portfolio across all trademarks.

Can we have the video, please?

[Video Presentation]

Thank you. Next chart, please. McDowell's large legacy and loved brand status required an emotional and purposeful media campaign, which we have done with a new celebrity face, Kartik Aaryan, and a new campaign anchored on Yaari, but reinterpreting Yaar in the context of the new generation.

As a result of this campaign, we've seen a 5% increase in brand equity scores, which is quite a large shift. This is driven by the brand being more salient, visible to consumers. There is an 8% increase in awareness on an already large brand and by connecting emotionally, we have seen an increase of 7% in meaningful brand.

McDowell's also collaborated with King and Karan for a new interpretation and version of the Rang Barse song, which had a massive reach of 120 million. Can we have the video, please?

[Video Presentation]

So as you can see, right, one of our strategic vision is to drive more progressive portrayal in media and clearly one of the under-represented sections of society are people with disabilities. So this campaign -- this was the purposeful campaign and this was the idea of more progressive portrayal of such population. And this is one of the biggest reasons why there has been such a huge increase in the meaningfulness score of the brand.

Can we go to the next chart, please? Coming now to Royal Challenge; Royal Challenge has grown ahead of the market throughout the year. Royal Challenge leveraged the IPL season to scale up its media and on-ground presence through social media campaigns, moment marketing, including physical presence with the Royal Challenge hook step in the RCB matches in the stadium, which got great coverage by media.

As a result, Royal Challenge punches above its weight with its equity 1.8x its presence in the market. The stretch of the brand, Royal Challenge American Pride, as I had mentioned, fastest new brand to reach milestone volumes in the first year of launch. It is loved by young people who desire new flavours and experiences in whiskey and 91% of the people who have tried Royal Challenge American Pride have repeated it. And that is industry best standard by any mark. So a good year for Royal Challenge.

Keep going, please, next slide. Of course, you know the Women's Premier League took center stage in Q4, and we are really proud that RCB women's team clinched its maiden IPL trophy. The Victory resonated very widely, drawing immense attention and engagement on various platforms. Royal Challenge whiskey had a strong presence during this Women's Premier League with the brand prominently showcased across stadium screens and star players sporting our logos, ensuring high visibility and brand recognition.

The RCB men's team also continued to be ranked as the top 5 sports team in the world in terms of social media interactions with high engagement through and even after the end of the IPL season. Again, a proud moment for us in the year gone by.

Next chart, please. Coming now to our Upper Prestige Resurgence with the dual trademark, firstly, Signature. Signature has continued growing ahead of the market, embedding its differentiated positioning of crafted from nature. Signature sponsored India's biggest sustainable music festival Ziro and multiple green music festivals around the country with its Signature Green Vibes Property. It continues to maintain brand equity lead with equity score at 111 index to the market leader.

Antiquity. The year gone by was the first year of renovation. In fact, the renovation came to the latter part of the year and it is anchored on the core inside of the young generation wanting to discover and express their creativity. With the new bundle, Antiquity brand awareness has grown by 41% over last year. Antiquity launched the brand purpose platform of Antiquity Discoveries and we brought alive the proposition through a 6 city tour in collaboration with the Little Black Book, and the brand is now going from strength-to-strength.

Next chart, please. A little more on Signature. I have mentioned that we are trying to build and strengthen the purpose in all our brands. We are really proud of the purposeful work Signature is doing. Signature Packaged Drinking Water is driving a mangrove regeneration project in Orissa. The restoration efforts are spread across 60 acres in 5 villages near Puri, Orissa and the core objectives are to address coastal vulnerabilities through regeneration of native mangrove patches in Astaranga, Puri, Orissa. Decarbonizing the atmosphere through long-term carbon sequestration in coastal mangrove. This initiative is progressing really well.

Next chart, please. Coming now to our Luxury and Premium portfolio and the initiatives and progress made in this portfolio. Can you go to the next chart, please. Firstly, Johnnie Walker.

We have continued to strengthen our leadership in Luxury and Premium segments, of course, our flagship brand, Johnnie Walker. Johnnie Walker Blonde is successfully recruiting young consumers into the Johnnie Walker trademark. We've had successful activation in youth-led events like Lollapalooza and Echoes of the Earth. We collaborated with the Aravani Art Project, a transformative art collective led by trans and cis women, to embrace people from the community and create awareness in society.

With all the work done on the brand Johnnie Walker during the year brand awareness has jumped by 62% on the base of previous year which is already very large and brand equity has jumped by a huge 31% versus last year. Can we have the video on the Aravani Project, please?

As you can see, again, lots of purpose and progressive portrayal built into our work. Coming now to Singleton. We introduced the experiential luxury brand extension with Nicobar, the Singleton Social. We have tapped into consumer communities through multiple channels, taste maker network, key opinion leaders, immersive epicurean experiential, the Jaipur Lit Fest, Condé Nast Restaurant Awards and more such collaborations. More than 10,000-plus organic social media in the first 6 months of launch and the brand continues to build a very strong and unique position in Single Malt. So all told, a good year for Singleton.

Next chart, please. Coming now to the other part of accelerating our luxury and premium portfolio our bottled in India scotches, Black & White and Black Dog. Talking about Black & White first. It was the fastest-growing primary scotch in the market. Our campaigns -- again, our purposeful campaigns made -- are built around made for sharing and table for everyone. They encourage inclusive conversations to get people together and were a huge hit, especially during the World Cup.

Can we have the video of Black & White, please.

So again, very purposeful communication giving a message really helping inclusion and I continue to be very proud, as I say, that we as India remain the largest Black & White market in the world. So we continue that ranking. Coming now to Black Dog. Black Dog continues to maintain its brand momentum and has a very, very loyal set of consumers. During the year, the brand kept driving its positioning of savour the pause through various associations associated with comedy artist, Trevor Noah's first ever tour to India and we had 360-degree amplification across digital, out-of-home, radio, cinema, on trade, off trade for that tour.

We sponsored Vir Das who is an international Emmy Awards winner. We sponsored his India Tour across 20 cities and we did an easy and evening campaign which shows featuring some of India's famous standup artists like Kenny Sebastian, Rohan Joshi, Mallika Dua with Black Dog Triple Gold Reserve led liquid experience. And with all this, Black Dog continues to be the number one brand equity in its segment, 121 index compared to its nearest competitor and 196 index to the number two competitor. So again very strong brand reinforcement during the year for Black Dog.

Go to the next slide, please. Godawan continues to champion Made in India and build a sustainable model luxury promise for the world. A notable milestone for our brand, Godawan

100 was recently crowned Single Malt Whiskey of the Year at the 2024 London Spirits Competition. I can tell you that this is one of the hardest competitions to get this recognition in, and we are super proud of the fact that our Godawan 100 has been declared the winner. Godawan 01 at the same -- Godawan 01 was actually awarded Platinum and Godawan 02 Double Gold at SIP Awards in Los Angeles. Godawan now is one of the most awarded Indian single malts with more than 42 awards in its sort of -- recognized by 42 awards.

Our distillery has received the Alliance for Water Stewardship Certification in Alwar and it is the first spirit distillery in Asia to receive the certification. Alwar distillery was also awarded the Sustainable Distillery of the Year and Craft Producer of the Year at the 2024 Icons of Whisky. So lots of recognition continuing for this fabulous brand of ours. And this hugely awarded brand is not only helping to conserve the Godawan bird but is making a huge impact on the communities of Alwar.

We are replenishing over 64 million liters of water annually in partnership with our NGO partner Gramodaya Samajik Sansthan in Alwar. We are constructing 4 check dams over 12 miles on the Ruparail river. We have constructed over 145 toilets, and provision of clean drinking water has been made in 6 villages across Alwar. We have provided Bhopa community with access to toilets and improving hygiene. And we have planted 200,000 trees along the river and catchment area in partnership with the District Forest Department. You know Rajasthan is a very parched state and all our initiatives are really making a big contribution to both conserving and replenishing water in this state. Can we play the video, please.

Next chart please. Coming now to our newest entry talking about our initiatives to expand Tequila and Agave Spirits in India. Don Julio has finally arrived formally in India. Four products, Blanco, Reposado, Anejo and Don Julio 1942 with high impact launch events in both Mumbai and Gurgaon. As you are aware, Tequila has been one of the fastest-growing white spirits in the world since COVID and we saw traction in India too. We had been seeding Don Julio 1942 already in the country and we felt that it was enough traction in the country now to bring in the full portfolio. Our earlier responses on the portfolio are very positive and we will continue to invest to build Don Julio in India.

We have also, in line with our strategy to promote craft spirits Made in India. We have made an investment of INR5.65 crores to acquire a 15% stake in Pistola which is the first Indian aged 100% Agave spirit. It is aligned to our strategy, firstly, of adding premium craft brands to our portfolio. Pistola has unique Indian ingredients and provenance that complements our global portfolio. It has multiple variants to offer a variety to the consumers at a premium price point which is lower than Don Julio; therefore, completing the price ladder. It has a strong market presence already within India, which is Goa, Maharashtra, Haryana, Karnataka and West Bengal, and already in 3 international markets, US, Singapore and Thailand. Can we have the video for Don Julio, please.

All right. To wrap up this section we'll go to the next chart. And I just want to close by saying that our advantaged portfolio blends both volume and value scale. We have three trademarks which are of net revenue INR1,000 crores plus and three trademarks which have revenue of

INR500 crores plus. McDowell's, Royal Challenge and Johnnie Walker with INR1,000 crores plus and Signature, Black Dog and Black & White with INR500 crores plus.

We have seven 1 million case trademarks now in our portfolio of which McDowell's is 10 million-plus volume; Royal Challenge is 5 million plus and then Johnnie Walker, Black Dog, Black & White Signature and Director's Special whisky at 1 million-plus cases. So I would say our portfolio is really advantaged and gives both volume and value scale.

Coming now to -- saying that- I have been talking -- next slide, please. Yes. I just want to end the portfolio section by saying we have a virtuous cycle of profitable growth. We have a cycle of sustained A&P investments driving improved top line for our brands, using productivity, price and mix to generate money to fund those A&P investments which in turn then drive top line growth and give us further ability to invest in our brands. So our cycle of profitable growth is virtuous and we will continue to invest in our brands which are our biggest long-term assets.

Next chart, please. Coming now to the second pillar of our organization, organization of the future to just walk you through a few highlights of our progress on this pillar. Next chart, please. We continue to strengthen our employer brand through various high impact interventions. We have launched a new employee value proposition which is built on three key pillars. Diageo India is the best place to grow.

You can shape the future with us and we will support and reward you. Post the launch of this proposition our career section on the website has seen 50% increase in users post this launch. Website page has been revamped. We are seeing nearly a 20% increase in the number of followers on our LinkedIn profile since the last year.

We continue to drive our ambition to be the most inclusive employer through progressive policies and culture-building initiatives. And we have strengthened our capability building programs. We have launched a new learning and development framework, tailored learning curriculum focused on four learning pillars and designed to enhance skill sets. We are building huge innovation capability through our state-of-the-art innovation facility in Bangalore which is the only DSIR Certified facility in Alcobev Research. And then INR45 crores investment in a state-of-the-art craft center in Ponda which is meant to innovate not only on our craft portfolio but support the craft ecosystem of the country. Can we have the video, please?

And all these continued initiatives show up in our overall employee engagement results. I'm going to flash up to you the most recent survey results which are a few weeks old. Can you come to the next chart, please? Our overall engagement score is 89% which is extraordinarily high. It is 1% above last year. It is 7 points higher than Diageo overall and 12 points higher than any external benchmark. 94% of our people say they are proud to work for Diageo, which is 6 points higher than Diageo overall, 15 points higher than external benchmark.

84% of our people feel extremely satisfied to work at Diageo, which is 9 points higher than Diageo, overall 9 points higher than external benchmark. And 88% recommend Diageo as a great place to work, 1% higher than last year, 7 points higher than Diageo overall and 12 points higher than any external benchmark. So this motivates and inspires us to continue to do more, to try and build the most inclusive workplace in India.

Can we go to the next chart, please. The other part of building an organization of the future is really accelerating digital and technology end-to-end across our organization. And we continue to deploy technology across each function on supply, our transport management system, which gives us end-to-end visibility of logistics, cost, and we expect that, that will contribute significantly to our productivity. The O9 planning tool, which is used to forecast sales plan based statistical trends.

On commercial side, several tools that we are using to enhance our commercial excellence, image recognition-based software, which helps us look at our availability, facing, share of shelf at each outlet and then fill in the gaps, sales force automation, which brings us visibility of retail execution standards in our outlets. And as you know, we have very few outlets in the country. So every single outlet is a huge point of purchase and a huge point of connection with consumers. So the better we get at these outlets, the better we do in our business.

On the marketing side, basically scaling up on critical areas, digital marketing, our owned platforms led by the in.thebar.com, using marketing technology with platforms like CDP, Salesforce marketing cloud, and driving marketing effectiveness to make our spend more efficient. Basically, with all this work on marketing, this has resulted in a 10x increase in our visits to the website, 10x increase in our organic traffic, best-in-class bounce rates and website metrics, 3x increase in time spent on our website and engagement rates and all at 50% reduction in costs. So I would say great progress on the digital side, but of course, lots more to do in this area.

Next chart, please. Coming now to the last, but not the least, pillar, Diageo in society, very, very critical and ambitious plan that we have. Go to the next chart, please, on promoting positive drinking -- next chart, please. On promoting positive drinking, the 3 programs that we have Wrong Side of the Road, to address risks of drink driving; Act Smart India, which is curbing underage consumption; and DRINKiQ, which is our campaign on moderation. Significant progress made during the year, educated 300,000 people on underage consumption.

We've created awareness on drink-driving risks among 700,000 people, and we have developed partnership with 32 regional transport offices across India to take our anti-drink drive module before the license is issued, which is true impact creation. And then DRINKiQ, our consumer-facing campaign, really going all the way to promote responsible consumption, both online and offline.

Go to the next chart, please. On inclusion and diversity, again, progressing very well. I'll talk a bit about our external campaigns, Learning for Life, which is the business and hospitality skills training program, especially on people with disability. We have graduated 100 students in the first batch. We have done a tie-up with the Skill Council for Persons with Disability. These 100 students are getting very good placement.

And we have now signed an MOU for training further 300 students. 1,784 students were trained for the hospitality sector through a National Skill Development Council certified program. Over 50% beneficiaries of this program are women. We have also set up a women micro enterprise initiative in Nasik, 200 women who are now generating INR5,000 extra income per month. We have enabled this micro enterprise to process unsold produce, reducing crop loss, food waste and creating livelihoods.

Hina Nagarajan: Okay. Doesn't matter. We can skip the video. Can you go to the next slide, please? Yes. On grain-to-glass sustainability, both water and our GHG emissions, we have replenished more water than we use. We have replenished more than 1 million cubic meters of water across water stress sites. This is 25% more than our target and 3 years ahead of our target of 2026. We have achieved 44% and 30% improvement, respectively, in our distillation and packaging to use efficiency. We have promoted water stewardship hierarchy, an intuitive framework of water circularity in our operations as a standard practice.

We have installed chillers with waterless cooling circuit at 2 sites, similar concept piloted for our distillery cooling processes. We are also on track to achieve our net zero in our direct operations by 2027. We are on track to achieve 100% renewable electricity use, currently at 98.6%, which is basically contributed by in-house steam turbines, biomass engines and solar plants. So again, very strong progress on both water and our reduction of carbon emissions.

Go to the next chart, please. With all these initiatives, I'm very pleased to say that we have made consistent improvement in our ESG ratings through not only sustained action, but also being able to show and share this documentation with the rating agencies. As per the latest report by Sustainalytics in April, we are now rated Low risk on ESG. And we have A rating by MSCI, which is in line with our key CPG peers. So good progress on this front as well.

Go to the next chart. Clearly, I mean, our goal was that we want to build value for all our stakeholders. We are being recognized for value creation from multiple stakeholders. If you look at our workplace practices, we've been ranked Gold Employer for LGBTQ plus inclusion by the Pride's Circle India Workplace Equality Index. We are featured on the list of LinkedIn Top Companies 2024, the 10 Leading Workplaces in Retail and Consumer Goods in India. We are in the top 20 companies in Equileap's Gender Equality Report and Ranking for emerging markets.

We have various recognitions also on the manufacturing and ESG practices side. We have various environment, health and safety and sustainability awards by various prestigious organizations. Our Baramati unit has received the British Safety Council International Safety Award for Safety Culture and Practice Improvements. As I mentioned, we are included in Sustainalytics 2023 top-rated ESG companies list. And I already mentioned our Alwar distillery recognitions, Icons of Whisky India 2024, Craft Distillery and Sustainable Distillery of the Year and of course, Our Alliance for Water Stewardship Certification.

With this, I will now hand over to Pradeep for the financial overview. Pradeep, over to you.

Pradeep Jain: Thank you, Hina. A very good afternoon to all. All will be delight to interact with you. Okay. So can we move to the next slide, please? And the next. Okay. So healthy performance across all financial metrics. Let me start with the top line growth, 10.5% NSV growth and a P&A growth of 11.9%. We have delivered our double-digit growth guidance amidst a slightly challenging -- relatively challenging environment, I would say. Gross margin is 43.4%. It's up 129 basis points on a reported basis, while up 189 basis points on an underlying basis. And our EBITDA margin is about 250 basis points better than last year, and we are back to our mid-teen EBITDA margins. Return on capital employed stands close to 25% versus the 20% last year.

Can we move to the next slide? Okay. So like-for-like, the growth over the last 3 years, ever since we refreshed our strategy and shared it with you sometime in October '21, it's around 2x of the historical run rate, right? And I'm focusing only on the right-hand side, which is the absolute like-for-like and eliminates the noise on account of COVID for 2x. And the construct of the 3-year double-digit growth is in line with what we have always shared with all of you. P&A in the range of about 13% to 14% and Popular roughly minus 3%, minus 2% to flat, right? That's broadly the range to deliver our sustained double-digit growth guidance.

Let's move to the next slide, please. Okay. Now this is something that we had started sharing from last year onwards. So I do want to share, we have added about INR1,000 crores in net sales growth. And if you look at the left-hand side of the chart, right, when we say that premiumization ladder is absolutely intact. If you look at Mid Prestige, Upper Prestige and the Luxury and Premium segments, all these segments are growing in the mid- to high-teens range on an annualized basis.

And if you look at the right-hand side, again, the 2 bars on either side is the salience of our portfolio last year versus current year. And in the middle is the contribution to the growth, right? And what we can share is that the top half of the portfolio, again, has gained about 3 percentage points of salience versus last year, which is effectively the premiumization. And if you look at the contribution to growth, almost 75% of our growth, 3/4 of our growth come from the top half of the portfolio, which is Luxury, Premium, Upper Prestige and Mid Prestige.

Let's move to the next chart, please. And again, part of our virtual cycle that Hina mentioned, let me take it one by one. Productivity huge bump up, but I do want to say that, obviously, the INR514 crores of productivity that has been delivered in FY23-24, there is a onetime effect on account of the mono-carton removal project. That's close to INR160 crores to INR170 crores. So you back that off, you are back to about INR340 crores, which also is a significant increase versus the last year of INR268 crores, right? So we believe that, that muscle is well incorporated into our organization and will continue to chug along.

Top right-hand side, if you see the pricing and revenue growth management around the end of last financial year, some of our pricing had started, but it had not fully come into the P&L. And you can see the numbers, INR337 crores, which is a combination of the headline pricing that we have received in the prior financial year and the flow-through in the current year and the fresh pricing that we have received.

And on top of that, our revenue growth management, productivity interventions on account of trade spend productivity. So that takes the number to a healthy INR337 crores, which is roughly about 3.4% of our net sales, right? On the bottom right-hand side, our working capital intensity as in the year end has gone up a little. I'm sure all of you are already aware since these are industry-wide issues.

We can move to the next chart, please. Okay. So building on from the previous chart, driven by the healthy headline pricing and a very good year in productivity for the last couple of years, I would say, we have been able to up the A&P reinvestment rates on our brands. And as you're already aware, as Hina and I keep talking, sustained A&P investments is a very, very critical component of our virtuous growth cycle, right, and which in turn have allowed us to premiumize the portfolio and drive up the NSV realization per case.

We can move to the next slide, please. Okay. So 1, 1.5 years into the multiyear supply agility program, I thought it's important to give all of you all of you a status update. So broadly if you see our ENA co-location interventions are 100% complete. Our footprint optimization is about 60% complete. Our cash spends of the program are about 1/4 of what the full program costs were, and our noncash costs are about 60% of the original program budget. And our cost optimization that is already into the P&L on an annualized basis is roughly about 40% of our full program expected benefits. And it's only fair that the cost optimization trails the noncash costs and the costs are little because it takes a little while for the benefits to be realized into the P&L.

We can move to the next slide. Okay. So the last one from my side. So good to be back to mid-teens margins and what that does allow us is to head to our highest ever earnings per share. We are at roughly at about INR18 a share. And hopefully, we can build on the same from here onwards. I've already spoken about the return on capital employed. We moved to about 25%, obviously, driven by the kicker in the EBITDA margins and the surplus cash driving the treasury income and obviously, a little bit of bump up in the other income driven by our 100% subsidiary, Royal Challenge Sports coming into dividend distribution.

So with that, I will just hand over back to Hina. Hina, back to you.

Hina Nagarajan: Thanks, Pradeep. So just a little bit looking forward if you can go to the next chart. And the next one, please? Yes. So I think I would like to close by saying we are confident in our growth strategy, and it is working. I mean short term, we continue to see some inflation headwinds. I mean there's clearly continued pressure on the lower SEC consumers at the lower end of our industry as well. We are seeing pressure. And the premiumization though, is intact and though it's lower than what we saw immediately after COVID.

Headline pricing, we've had two good years in a row, and we do expect that with inflation cooling off in general versus the previous 2 years, our price increases will also moderate. The regulatory environment challenges continue as they have for several years. But we have a future backed innovation and renovation strategy focused on changing demographics, consumer insights, which is working. Pradeep just walked you through our productivity. We have proven productivity muscle, which is helping us to invest in our brands.

We are strengthening our license to operate with all the work we are doing in Diageo in society, which is working as a triple win for us. It is not only our license to operate, but it is definitely something that is both helping us reduce costs. For example, the mono-carton removal. And also building more sustainability, which is a good thing for the new consumer. And I continue to say that our people and culture are our strongest competitive advantage. And with this, we move into the future with optimism and confidence.

With this, we'd like to open up for Q&A, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participant are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment, while the question queue assembles. We'll take a first question from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Hi, team. Thanks for this opportunity. It was a very useful presentation highlighting the key legs of growth, thanks for that. Could you give us a sense of the demand conditions? And whether there has been a pickup versus the comments that you had shared last time?

Hina Nagarajan: Hi, Avi. -- Yes. So let me talk about that. So look, on the demand front, clearly, I think the growth have moderated from 2 years ago, right? And at the lower end, we continue to see some pressure, right, on the wallet of the consumer. It was pretty strong during -- the moderation was there, as we said, during the wedding season and stuff. So growths are continuing to be slower than 2 years ago.

The last couple of quarters look slightly better, right, but not back on track. But the good news that we have is that premiumization is intact across the industry portfolio. And even on the segments where we are seeing pressure, right, of consumption slowdown due to pressure on the wallet, actually, consumers are not downtrading.

They are managing their wallets by rationalizing the number of socializing occasions, which actually validates for us the need to continue to build brand equity because consumers are continuing to be loyal to strong quality brands. So I would say that, yes, there is moderation. We expect it to continue for a few quarters, just like CPG is witnessing. But the fundamentals of the industry, the premiumization is intact, and that is really good news for our brands.

Avi Mehta: Hina if I can just extend -- just a follow-up. Basically, is it fair to read in your comments that the trajectory of double-digit growth in the Prestige segment versus the 6.5% that we saw in fourth quarter is likely to take a couple of quarters? Or no, that's not the right way to read the comment?

Hina Nagarajan: Yes. So let me elaborate that in a bit, right? So thanks for the question. Look, on a rolling 4-quarter basis, right, we are confident of double-digit growth on our P&A portfolio, right? Now there will be quarterly variances. I mean, you follow our business very closely. We are cycling over quarters last year, which were 20%-plus quarters, right? So that has a base effect on our business. And the next couple of quarters, that is going to continue. And then by the time we reach October, December, right? This base effect will start normalizing.

Our innovations, renovations, I just spoke about quite a few new introductions, right, which have happened recently. These will start having bigger distribution and scale. So I would say, yes, we are double-digit trajectory on a full year basis, we are very confident of. And as you said, it will take a couple of quarters. But we are sticking with our guidance of double-digit top line growth.

Avi Mehta: Perfect. Very clear. Thanks a lot for that. And just the second question is on the margin if I may. See, despite input cost pressures, it has been very encouraging to see this sharp margin expansion in FY '24. And congratulations to the team for that. Now with the supply chain program in place and you've given us a very good indication of the additional benefits that could accrue, should we see FY '24 performance as a guide for '25, that is maybe 100 basis points plus expansion? Or is FY '25 likely to be a -- how should we see the margin performance, if you could kind of help us understand, especially given this input inflation scenario that we are finding it difficult to get a sense of? Thank you. That's all.

Hina Nagarajan: Sure. Pradeep, over to you.

Pradeep Jain: Yes. Yes. So Avi, two things. Look, one, I would say is that we have covered almost 2 years of margin expansion in 1 year, right? And I hope our numbers are pretty much conveying that, right? That's one, right? And not to say I'm not kind of ducking away from your question. As we have always said that like a forward-looking organization, we always target some margin expansion every year. Right?

So that will very much be our intent. It will certainly not be in the range that we have achieved in FY23-'24, but there will be some moderate margin expansion that we will absolutely go for. I think within that, our first task, as Hina has already articulated is, is to get back P&A to that 13%, 14% growth, so that we can get back to an overall portfolio double-digit growth. I think that's the way we will put it. But yes, we do target a little bit of moderate margin expansion, I think.

Avi Mehta: Any guidance there, Pradeep? Sorry, I'm just trying to push it...

Pradeep Jain: Avi, no. No, we will not give any guidance, right? I think the good thing is we are back into our mid-teens, right, and we will continue to build from here.

Avi Mehta: Perfect, Pradeep. Thanks a lot, thanks a lot, and wish you luck for the future. Thank you very much.

Hina Nagarajan: Thanks Avi.

Moderator: Thank you. We have a next question from the line of Jay Doshi from Kotak. Please go ahead.

Pradeep Jain: Hi, Jay.

Jay Doshi: Yes, hi, thanks for the opportunity. And thanks for fairly detailed insight with presentation. I have a few questions. First of all, I'll just clarify on the previous response. So you're confident of double-digit revenue growth at a full year level in the P&A. But an aspiration is double-digit revenue growth at the overall level. But at this point of time, you were just guiding for P&A. Is that right understanding?

Hina Nagarajan: No. We are guiding for double-digit growth overall. And we are saying that we are looking to -- we are cycling over significant growth last year in P&A.

Jay Doshi: Understood.

Hina Nagarajan: And as those normalize, we will, on a year basis, continue to remain with our guidance of double digit.

Pradeep Jain: It's a full portfolio. It's a full portfolio of double digit...

Jay Doshi: Perfect, perfect. So first half will be soft, but you expect that base will be favourable in the second half.

Pradeep Jain: Yes.

Jay Doshi: Second is, at this point of time, do you have any sales direct or indirect in Andhra Pradesh. And if in event of change in government, what we've -- there is a possibility of that market opening up. So could you give us some colour whether your product indirectly through bordering states is already available in Andhra Pradesh? That's a big opportunity if it plays out.

Hina Nagarajan: Pradeep, do you want to address that?

Pradeep Jain: So Jay, right now in our numbers, we do not have any sales in Andhra Pradesh, right? Now it will not be -- so we do not have direct and whatever goes through the indirect and the grey channel route, etcetera, we don't keep a track of that, right? Now it's only fair to say that in some manner some part of the product would be reaching that state, right? But yes, in our monitored numbers, we don't have anything right now. And when it opens up, we will obviously -- that hopefully, those numbers should come and sit on top of our guidance.

Jay Doshi: Understood. Thank you. One last thing, if I may. When we look at those charts, it seems like Royal Challenge American Pride has moved, the salience has increased from 7% to 8% in FY '24. But in FY '23, there was a sharp up move. So has the sort of growth slowed down a bit over there? Or it's just the rounding off of numbers that doesn't sort of highlight because when I look at Upper Prestige, you seem to have -- is the fastest-growing segment for you.

Hina Nagarajan: So Jay, Royal Challenge American Pride was the brand that with the pipelining and scale up nationally, right? The first year, 1.5 years, we saw the impact of just pipelining and growing it and scaling it up in different markets. And as I mentioned, it was one of our fastest brands. I would say that after that, the growth is normalizing a bit on that large base already because the first year was huge, right?

And we are continuing to invest in the brand. We are continuing to sort of innovate. We've just launched the 375 ml small pack on Royal Challenge American Pride, which will give further boost. So it's only to be expected on that very high base that was achieved on the first year. The brand is healthy and continues to grow.

Jay Doshi: Sure. Thank you so much. I'll get back in the queue.

Pradeep Jain: Thank you.

Moderator: We have a next question from the line of Percy from IIFL. Please go ahead.

Pradeep Jain: Hi, Percy.

Percy: Yes. I was saying there is this big other income of about some INR229 crores in Q4. Normal run rate is about INR35 crores. What is that?

Pradeep Jain: Yes. So Percy, I think I mentioned in my presentation. So Royal Challenge Sports Private Limited has wiped out all their accumulated losses, and they have positive reserves now. So this is -- INR125 crores is the dividend that RC SPL has paid to USL. So that's been received in this quarter. And then we had some income tax refunds. So obviously, the good thing is that the government of India does give an interest on income tax refunds also. So there is a sizable income tax on -- sorry, interest on income tax refunds that comes and fits in this quarter.

Percy: And this dividend, is it a onetime thing? Or will it continue next year as well?

Pradeep Jain: Well, if RCSPL remains profitable, which we believe they will, right, hopefully, it should continue to our minds.

Percy: Okay. Okay. But like is it that this year, it's all bunched up and it's a big amount. And next year, even if it does continue, it will be a much smaller amount or it's nothing like that.

Pradeep Jain: I mean, as of now, the P&L is predictable, right? I mean, a large part of the P&L is dependent on the BCCI sharing of revenues, right? So I would -- I mean, I'm just giving a very prima facie response. It should remain in this range, right? Subject to, obviously, we making interventions on RCSPL. If that happens, anyway, we'll come back and share with you.

Percy: Understood. Understood. Secondly, I just wanted to understand on the input costs. So like what -- you have made gross margin this year. And towards the second half of the year, we have seen more inflation in ENA. So at a gross margin level, do we have enough levers to at least maintain the gross margin next year on a full year Y-o-Y basis through premiumization, etcetera? Or you believe that since we've already got a lot of price increases and there is an ENA inflation, we might sort of see some slippage in the gross margin on a full year Y-o-Y basis?

Pradeep Jain: So we do not budget to that level of granularity, Percy, right? I mean the only intent I'll convey is our intent will be to expand gross margin, right? And through the combination of the three levers of headline pricing, revenue growth management and sustained productivity offsetting inflation and hopefully, the premiumization. The premiumization kicker will come and give us a gross margin enhancement. That is the intent, right? That is absolutely the intent and that stays very much as we move into the next year also.

Percy: Right. And lastly, in the presentation, there was a lot of data on brand scores, top of the mind recall, etcetera, which is very helpful. But can you also give us some idea as to how that has translated into market shares for different segments? Market share changes or gains?

Hina Nagarajan: Percy -- so I mentioned in several cases that the brand is performing competitively, growing ahead of category. So our brands remain very competitive in performance. And clearly, these equity measures are helping the growth levels, right? So if you look at the growth, which Pradeep showed by segment, I think that should tell you that our brands are performing extremely competitively.

Percy Panthaki: Right. Are there any segments or any brands in which we still have to sort of do some work in terms of plugging the market share losses or now at least all the brands are maintaining and growing market share?

Hina Nagarajan: For the last few quarters, we've been saying that our brands are performing competitively. I mean is there more to do? For sure, right? So I mean, to get more our fair share, we have to. But the brands at this point are performing competitively.

Percy Panthaki: Okay, okay. Yes. That's all from me. Thanks and all the best.

Hina Nagarajan: Thank you, Percy.

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Yes. Hi, good evening. I just had 2 questions. One was on -- if I just kind of do some math on your -- the P&A mix that you shared, it seems like the lower Prestige growth rates are actually not very different from F '23 if you're probably in a similar ballpark. At a time where the consumer at the bottom end has seen pressure, you did call out also on mass-Prestige. I was just wondering whether this signals some market share gain in that part of the portfolio? Or how you've been able to kind of deliver in line, maybe slightly better growth than what you did last year? That's my first question.

Hina Nagarajan: So I think, Harit, lower Prestige segment is performing again competitively, right? And the brand is doing very well now 3 years in a row. So McDowell's is continuing to perform competitively. The overall segment growths are lower, right, than the last couple of years. So we are not seeing the level of upgrade we were seeing from Popular, and I've been calling this out in the last few quarters. So the segment growth itself is slower. And within that, McDowell's performs very competitively and continues to sort of do very well. This is now the third year in a row, yes.

Harit Kapoor: Got it. And the second question is on this McDowell's and Co. brand extension. I just wanted to understand some of the products in the X series.

Hina Nagarajan: Yes

Harit Kapoor: If you could help us understand the price point positioning here because this seems like a fairly large kind of launch across spirit categories. And at an attractive price point, this could be material in my view from a volume perspective. So just wanted to get your sense about price points, rollout plans, etcetera, on the X series?

Hina Nagarajan: Pradeep, do you want to take the price point question?

Pradeep Jain: Yes. So I mean, we don't want to get into the exact details. We have just launched it in Goa market, right? And obviously, over the next 9 to 12 months, this will be extended across the country, Harit, right? But I think we've hinted in our press release as well as what Hina has shared. We clearly want to preimmunize the trademark, right? So for the entire range of X series, right and the entry into vodka, gin and rum, etcetera, it will be in the Mid Prestige and the Upper Prestige price point, right? It certainly will not be at the Lower Prestige price point, right? So that's broadly what we can share at this point of time. And the product is in the market. You will be able to very much be able to see once the product is in the market. Does that help, Harit?

Harit Kapoor: Yes. That’s perfect. Those are my questions. Thank you.

Pradeep Jain: Thank you, Harit.

Moderator: Thank you. We'll take our next question from the line of Karan Taurani from Elara Capital.

Karan Taurani: Hi, thanks for taking my question. So the first question would be on the ENA side. How big a spoil Sport could this be for your profitable margins? Obviously, you mentioned that you cannot point out the exact impact. But what is the kind of traction you are seeing right now in terms of ENA prices today and where this could be trending over the next 6 months?

Pradeep Jain: So ENA -- look, ENA remains under close track always, Karan. I mean if I look at '23, '24, right, the year that we have just kind of shared performance on, ENA is inflated by roughly about 11% to 12% range, right? Now the good thing is, at least in the current quarter, it seems stable. It seems stable. But medium to longer term, because of the fuel blending targets and the policy, etcetera, we -- as we've always said, it will remain inflationary, right?

Now the flip side of that is the other commodities are fairly stable, right? So glass was actually a deflation in this quarter. And hopefully, we believe it will continue to remain deflationary in the next couple of quarters as well until we start cycle -- until we start cycling the lower prices, right? So overall, we believe that the inflation definitely -- portfolio commodity inflation has definitely moderated, right? And therefore, that should hold us in reasonably good stead in terms of what we are trying to aspire for from an overall delivery perspective for FY24-25.

Karan Taurani: Right. And secondly, if you look at the portfolio mix, I think the Low Prestige segment contribution is seeing a sharp dip over the last 3 to 4 years. Of course, as Hina mentioned, that growth rates in this segment are also kind of subdued. But where do you see this going ahead? Are we heading towards situation wherein the next 2 to 3 years, you could see luxury portfolio moving towards 40% and this portfolio moving more towards low 30s? And what is the potential margin impact of this is? Because Low Prestige could be higher in terms of EBITDA margins as compared to luxury. Is that correcting understanding?

Pradeep Jain: Hina, should I take?

Hina Nagarajan: Yes, please go ahead.

Pradeep Jain: Okay. So maybe I'll start, and then Hina can build on, right?

Hina Nagarajan: Yes.

Pradeep Jain: So look, again, we have always said that leave the portfolio with us, right? There is an overall portfolio margin guidance that we have provided to, we want to stick to that, right? Yes, there will be these pluses and minuses. And I've shared always that the fact that the top end of the portfolio, which is margin capped for us, does put a reverse pressure on our margin.

But the challenge is back on the management and all of us to be able to improve the profitability of the IMFL portfolio to that extent, so that we are overall able to deliver to our stated guidance levels, right? So that's where I'll want to hold my response right now, Karan. Hina, in case, you want to build on that?

Hina Nagarajan: No, I just wanted to say it's an and strategy. So I mean, I don't think we are going to have a situation where it's only becoming Luxury and Premium, and there is huge shifts. I mean, we see a role for each part of the portfolio and the pricing ladder and Lower Prestige to capture the upgrades from Popular and then Mid Prestige and Upper Prestige, which have been growing quite strong and will continue to do so. So just to add to that, yes, I think one is that we manage the portfolio for delivering our margin guidance, and I see this as an AND situation, right?

Pradeep Jain: Yes, yes. And maybe the last thing...

Karan Taurani: So I just wanted to...

Pradeep Jain: Sorry, I was just saying that, look, it's also while Lower Prestige as a segment might shrink, etcetera, but this doesn't mean that McDowells' will shrink, right? And the X series launch is a classic example of what we are trying to do, pressing all our premiumization levers of the portfolio.

Karan Taurani: Pradeep just one small one. So in terms of the growth, you pointed out that double-digit growth rate for P&A revenue, what would be the ballpark mix in terms of pricing and volume? Would it be still more skewed towards volumes?

Hina Nagarajan: Pradeep, do you want to take that?

Pradeep Jain: Yes. I mean we have always maintained that, right? I mean volume would probably be in the range of, I would say, 4% to 5% and price mix on a full year basis would be in that range of 6% to 8%. Now this is on P&A. That takes us somewhere to about 12% to 13% range that I've always said, and it will be a desire to kind of hold Popular flat or maybe at best 1 to 2 points of shrinkage, right? So that's the broad construct of our double-digit growth algorithm, right? And we would want to try and maintain that, right. Thank you.

Karan Taurani: Yes. Thanks.

Moderator: Thank you. We'll take our next question from the line of Abhijeet Kundu from Antique Stockbroking. Please go ahead.

Abhijeet Kundu: Yes. Thanks. Thanks for the opportunity. My first question was on Upper Prestige segment. We have seen the salience has gone up from 10% to 11% in terms of NSV. And their contribution to the growth an also gone up by -- future. But in terms of market share, if you see overall market share, I'm saying in that segment. how has been -- how has -- what has been the situation? Has it increased in the Upper Prestige segment? Because your liquor you know Antiquity grew at a very strong rate, I believe, 42%.

And on a very low basis Antiquity has lost market share, I mean, volumes over the years. Has it been that Antiquity has grown and Signature has not grown? I mean, has there been any cannibalization or anything because American Pride has also done very well. And we understand from our challenges that American Pride is seriously holding up and doing very well. So yes, so your thoughts on that.

Hina Nagarajan: Yes. So thanks for that question. We have 3 brands, as you rightly said, we've got Signature, Royal Challenge and Antiquity. All 3 of them are growing quite well, right? So, each has a different proposition for the consumer, plays in a different occasion. So Signature continues to perform very well and very competitively. Royal Challenge American Pride, you yourself have mentioned. And Antiquity is now after the renovation also improving its awareness and growth. So all 3 are performing competitively, and that is helping us overall in the Upper Prestige, clocking strong growths and competitiveness.

Abhijeet Kundu: Okay. And in the Mid Prestige, you said that there were some demand issues and hence, there were some amount of moderation that was seen during the year. So where are we right now? Have you seen any form of recovery there in mid prestige which is essentially in the Royal Challenge?

Hina Nagarajan: See, Royal Challenge after the renovation last year has been on a very good momentum. And we have actually done a lot of activation on Royal Challenge in terms of new campaigns, in terms of investment on media, in terms of our proposition of Naya Sher. And now we've also launched RC Play, which is a limited edition, which is a beer-flavoured whisky, which is designed to capture the unique consumer on occasion of cricket. The brand continues to perform very well actually. So it has performed very competitively in the segment and continues with the momentum.

Abhijeet Kundu: And Royal Challenge is the new variant that is launched only in 750 ml, right? I mean any plans of bringing it in lower SKU

Hina Nagarajan: Not at the moment. It is designed to be a limited edition for the cricketing season. It's early days yet. I mean the initial response is positive, but it's only in a couple of markets. So we'll wait to see what the response is and then decide what is the strategy for this.

Abhijeet Kundu: Okay. And the last question is on the interest on income tax refund. How much would be that? Because this is like INR229 crores, out of that INR125 crores is from the dividend itself, which sort of would be recurring. But the nonrecurring part, which is the interest on tax refund. How much would be that? That would help us to...

Pradeep Jain: It is about INR75 crores. Yes, I think on a full year basis, it's about INR75 crores.

Abhijeet Kundu: Understood. That's it. That's it for me. Thank you.

Moderator: Thank you. The next question is from the line of Prakash Kapadia from Spark PMS. Please go ahead.

Prakash Kapadia: Thanks for the opportunity. I have two questions. Typically, is there any impact on demand due to elections? Does it increase, decrease? And any updates on Delhi market in terms of demand scenario, are we settling down? Is it now stable or not? Those are my 2 questions.

Hina Nagarajan: So I would say that during election, we don't see any demand changes, right? I mean it doesn't spur either increase or decrease in demand. I mean we do see some slowdown in terms of regulatory approvals and availability of people to just give our registrations, et cetera. So it's more an operational sort of impact of slowdown a little bit, rather than a demand change.

And on Delhi, I mean, nothing changes. Delhi remains the same route to market, which -- where we sort of saw our volumes come down. So the lower base of volumes remain stable, but no fundamental change in either route to market or anything else.

Prakash Kapadia: Okay, fine. Thank you.

Hina Nagarajan: Thank you.

Moderator: Thank you. The next question is from the line of Chetan Shah from Jeet Capital. Please go ahead.

Chetan Shah: Yes, thanks for an opportunity, ma'am. Just 1 quick question. We are doing kind of a portfolio realignment and portfolio restructuring and a product realignment for last few quarters. As per you -- where are we in that -- I know it's more of an ongoing process, but in a broader sense, if you can give us some colour on that where are we right now? And how do you see these things evolving next 3, 4 year times horizon? That's the broader question from my side, please.

Hina Nagarajan: Right. So I mean the first thing I want to say, Chetan, is that basically, what we are following is a very future back consumer insight based strategy, right? So when we launched our new strategy in 2021, that time we took this one step of divesting 32 of our Popular brands and franchising 11 of them because we looked at trends and we wanted to unequivocally focus on the segments of growth, which was largely P&A. And that strategy has played out well. As you know, P&A now is 87% of our portfolio overall. And if you discount non-brand sales, then 89% of our portfolio as we showed you in the deck, right?

So that onetime sort of Popular divestment franchising being over. The portfolio now will continue to shape and reshape itself based on consumer trends, right? So we have several launches that we've made, which is with this consumer insight. So Tequila, which was literally a non-existent category, maybe a few years ago, 3, 4 years ago, has now gained a lot of traction. And therefore, our launch of Don Julio in the category and our investment in Pistola. Now that's a new segment, new category and to a sense -- in a way, right, that reshapes or resets our portfolio with the new category, right?

Similarly, Baileys, we've just brought in new variants of Baileys, salted caramel and strawberries and cream, because there are moments of indulgence and you know the dessert market is very vibrant in India. So the category -- this will be an ongoing thing as we see opportunities, Indian single malts. I mean, we've just launched the McDowell's, Distiller's Batch Single Malt. We launched Godawan, a 1.5 years, 2 years ago. Now these are coming out of consumer insights, and we think the consumer will continue to evolve. And therefore, our innovations, renovations, bringing other global categories will continue to shape the portfolio to meet these evolving needs. I hope that answers your question.

Chetan Shah: Yes. Understood. Just a small extension of that. You spoke about the category which were not present in the past. Tequila is a classic example. And you also launched the variance of Baileys. We see globally Diageo as a portfolio of outside of liquid liqueur in the form of chocolates and other stuff. So do you see a market is ready for such experiment? Or we are a little away from that?

Hina Nagarajan: Sorry, I dropped out for a second. So Pradeep, if you heard the question and want to answer it because I lost the question.

Chetan Shah: So my question was that -- sorry, Pradeep. Sorry to interrupt you.

Pradeep Jain: No. So I was just saying that, look, we continue to remain in very active engagement with our global brand teams and assess what part of the global Diageo innovation funnel can be introduced to the Indian consumer. That is an ongoing exercise. And as Hina mentioned, Don Julio, Baileys, Johnnie Walker Blonde, et cetera, are all products emerging from that ongoing extensive exercise, right? And we continue to monitor that. And as and when we feel the products are ready for an introduction in India and would do well in the -- with the Indian consumer, we do introduce that.

Chetan Shah: Thank you so much. Thank you. Wish you all the best.

Pradeep Jain: Thank you.

Moderator: Thank you. We'll take our next question from the line of Vishal Punmiya from Yes Securities. Please go ahead.

Vishal Punmiya: Yes, thank you, Team and thanks for the detailed presentation. Firstly, I just wanted to check on a quarterly basis, when I look at the Popular portfolio volumes, there is a minor uptick from the 3Q levels compared to the decline that we have seen historically from 3Q to 4Q. Any read into this?

Hina Nagarajan: Pradeep, go ahead.

Moderator: The line for Mr. Pradeep Jain has dropped. Please take the...

Hina Nagarajan: Okay. So I'll sort -- yes, I think basically, we have made some interventions in the quarter. Basically, we have taken very steep price increases in our key markets, Karnataka. We have reset that value equation. We have also invested a little bit of media and A&P in the portfolio to sort of stem the decline and attempt to hold and reverse this momentum. So yes, the current quarter has a couple of intervention, and there was also low base, very low base last year, right?

So the current quarter has interventions made. And going forward, as Pradeep had mentioned, I mean, typically, we would like to hold this portfolio as close to flat as possible. So yes, there is a little bit of a onetime in this quarter. But going forward, we don't want to sort of go to that really bad performance a quarter ago and try and hold the portfolio close to flat.

Vishal Punmiya: Yes. And this -- yes, if Pradeep has joined, just a question on the balance sheet. There is a sharp increase in receivables. Is it -- what could that be from?

Hina Nagarajan: Pradeep, are you back?

Pradeep Jain: Yes. I'm back. So it's -- I'm sure that all of you are already aware, right? But we have a buildup of receivables in one particular state, right? And we are working along with the industry associations, with the bureaucracy of the state. As of now, we are being reassured by the state bureaucracy that this should normalize over the next few months, right? So yes, there is a buildup of receivables in one particular state, which is leading to the high receivables as on the balance sheet.

Vishal Punmiya: Okay. So you expect that to normalize in FY '25?

Pradeep Jain: That's right.

Vishal Punmiya: Understood. Got it. Thank you and best of luck for the coming quarters.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Yes, hi, Hina and Pradeep. Good evening. Thanks for the opportunity. You mentioned that Indian Single Malt is seeing a lot of promise. Just wanted to understand the qualitative aspect, what is suddenly changing? Is the aspiration towards Indian Single Malt is changing? Or the blends are -- or the malts and the seasoning is really getting the good taste? Maybe some qualitative comments, why suddenly pickup? And the second part is that how big is this market in say maybe from here, next three years?

Hina Nagarajan: So I would say, look, during COVID itself from COVID times, right, we've been seeing a consumer trend of increasing pride in local craft propositions and provenance and increasing pride in Made in India, right? And that was the main reason why we launched our own Godawan because we saw this trend increasing.

So there is a lot of appreciation of local flavours, local provenance and a growing pride in Made in India. And also, I mean, I think if you look at overall the environment in the country, there is a lot of push on Made in India. And consumers are embedding that really liking the provenance story.

So that is leading to, you know, a number of manufacturers getting into the category, and you've seen a spate of launches in this segment, which itself as more and more players enter a segment, this segment starts growing faster. I mean any principal of marketing will tell you that. So it's a few hundred thousand cases, small volumes but it's growing quite fast.

And we expect that this will be a continued momentum category as different people bring different propositions into the market. And our consumers who are quite discerning start appreciating the taste of these Single Malts. I mean that is also the reason why we have launched the McDowell's Distillers Batch Single Malt, which is a different provenance. It's from Nashik, Godawan was from Alwar, and we find that consumers are really appreciating these different tastes.

Shirish Pardeshi: That's helpful. Just one follow-up. Do you think this market can become about 4 million, 5 million in the next three years' time?

Hina Nagarajan: Unlikely in three years' time, right? But it will grow. We expect it to continue to grow strong. But from where it is today, I mean, 4 million, 5 million seems a bit out. I mean -- the other thing is that these Single Malts by nature, right, and provenance by nature, they are not mass proposition. So you don't have liquids, which are so vastly available to expand the market so rapidly. These are, by nature, craft liquids, smaller quantities, high-quality, bespoke liquid. So I don't expect it to be such a huge market, but I do expect it to grow robustly.

Shirish Pardeshi: Okay. My second and last question, do you think there is a lot of heat in Mid and Upper Prestige segment from the competition angle? Or maybe you can provide some comments on the competition?

Hina Nagarajan: Yes. I mean there has always been a lot of competition in Mid and Upper Prestige, and it continues with more than one player sort of wanting to participate in the categories. And, you know, for us, our focus is firstly, we think competition is good to expand the categories. I mean, given that spirits penetration relatively is still quite low in the country, and there is headroom both on penetration and per caps for everyone to be able to get a good share of the market and then grow the market.

And our focus remains on our consumer insights, the power of our consumer insights and the power of our very strong capability to, you know, on liquids, on creating beautiful liquids for the consumer. And, you know, being sort of the first to tap into these evolving consumer needs with very strong innovations and renovation, something that we've done very successfully for the last three years, and we will continue to do as we look at our insights and see evolving trends.

Shirish Pardeshi: Wonderful, and all the best.

Pradeep Jain: Monitor, I think -- thank you. Monitor, I think we can close the call. Both Hina and I have to move on now.

Moderator: Should we take one last question, sir?

Pradeep Jain: Okay. Last question.

Moderator: We'll take a last question from the line of Nirav Seksaria from Living Root Analytics. Please go ahead.

Nirav Seksaria: Hi, team. Thank you for the opportunity. So could you mention the contribution of White Spirits to the same? And how do you see the -- are the White Spirits increasing as specifically Gin and Vodka as a market?

Hina Nagarajan: So Nirav, I would say that White Spirits is still a very small part of the overall market, right? I mean if you look at the construct of the market White Spirits are about 5% of the market, right? It's largely a Whiskey and Brown spirit market. But it is growing quite fast. And the reason for that is that consumers are really experimenting and they are drinking, you know, they're doing repertoire drinking, which is different drinks for different occasions.

And if you look at, you know, the newer consumers, if you look at women, there is definitely a thrust of White Spirits coming from there. So white spirits are growing quite well. I would say Gin, Vodka and even Tequila now, though it's a very small category in India, is growing very well across states.

So we are making huge initiatives in White Spirits, right, with our Smirnoff brand, with our Gin brands, Tanqueray, with our investment in Now Spirits, with Greater Than and Hapusa with now the launch of McDowell's X Series, Gin, right? And Smirnoff is the original Vodka brand in this country, and we are investing behind the brand.

We launched a Hipster recently. So with this and the powerful launches we've made in these categories from McDowell's X Series with the launch of Don Julio and our investment in Pistola, we are making sort of big initiatives to tap into the strong growth that we see in the white’s category. So we continue to expect the white’s category to grow very. Cocktail culture, they are very good for making cocktails, the new generation being driven by that. So we see it being a robust and good momentum category in future.

Nirav Seksaria: Okay. And just a follow-up on that, when will we consolidate brand -- the financials for the brand, which we are taking over in Gin?

Hina Nagarajan: Sorry, when will we consolidate what, sorry?

Nirav Seksaria: We have acquired Greater Than, right. So are we planning to consolidate the financials?

Hina Nagarajan: Pradeep, you want to answer that?

Pradeep Jain: No. We are still a minority stake, right? So law doesn't require consolidation of financials, right. I mean, whenever the change of control happens, which is a part of the agreement in subsequent years, at that point of time, we will get into consolidation.

Nirav Seksaria: Okay. And just assume -- if I may, please another question. What is the marketing spend, as per say, excluding the sales promotion that we get?

Pradeep Jain: No, I didn't give your question.

Hina Nagarajan: I don't think we give the split ever. Yes.

Pradeep Jain: Our overall A&P is in that 9.5% to 10% range. 9.7% is what we have closed this FY23-24. We don't provide any splits.

Nirav Seksaria: OK, sure. Thank you.

Hina Nagarajan: I think we'll have to close the call. So if I can just say thank you for joining us on the call and thank you for your commitment and investment in our company and belief in our company. It's really good to speak to you every quarter. Thank you.

Shweta Arora: Thanks, everyone. If there any follow-up questions, please feel free to reach out to me. Yes. Thank you, have a good evening.

Pradeep Jain: Thank you. Thank you all.

Hina Nagarajan: Bye.

Moderator: Thank you, members of the management team. On behalf of United Spirits Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.