UNITED SPIRITS LIMITED

PRESS RELEASE

Audited financial results for the quarter and financial year ended 31 March 2021

(Standalone only)

Continued sequential momentum, good sales mix and steady margin and cash generation

Fourth quarter performance highlights:

- Reported net sales increased 11.6% driven by continued off-trade momentum and weaker comparatives, offset by contraction of owned business in Andhra Pradesh (AP) and softer footfalls in on-trade channel. Underlying net sales, excluding the prior year one-off sale of bulk Scotch, increased 16.1%.
- Prestige & Above segment net sales grew 25.8% benefitting from a strong scotch demand and weak comparatives.
- Popular segment net sales declined 3.1%, led by a decline of 4.3% in priority states. West Bengal sales saw a steep decline due to high taxes imposed.
- Gross margin was 43.9%, up 178bps versus last year, driven by benign commodities, superior mix, and continued management focus on productivity.
- Reported EBITDA was Rs. 412 Crores, up 51.8%. Reported EBITDA margin was 18.5%, up 491bps, driven by gross margin enhancement; lower advertising and promotional spends during the quarter and on-going cost optimisation measures.
- Interest cost was Rs. 28 Crores, down 42.7% driven by continued debt reduction and lower interest rates.
- Exceptional item includes impairment of part inter-company loan provided to Pioneer Distilleries Ltd and investment made in Hip Bar.
- Profit after tax was Rs. 167 Crores and PAT margin was 7.5%. PAT was 601.5% higher than same quarter in the prior year lapping an exceptional tax charge in the prior year

Full year performance highlights:

- Reported net sales were down 13.2%, Prestige & Above segment net sales declined 7.2%. Popular segment net sales declined 17.7% within which the priority states contracted 15.9%. This was driven by organic decline due to a debilitating impact of Covid-19 pandemic led lockdowns in Q-1 of the Financial Year and the high Covid-led taxes impacting consumption in select geographies. Underlying net sales, excluding the prior year one-off sale of bulk Scotch, declined 10.8%. After a tough Q-1, the business has delivered sequential improvement quarter on quarter in net sales performance demonstrating resilience and excluding AP our underlying growth was 6% in this period.
- Reported gross margin was 43.4%, down 140bps, driven primarily by contraction of owned and franchise business in AP, resultant impact on South franchise business and associated cost provisions. Full year gross margin was further impacted due to lower net sales driven by the Covid-19 led lockdowns.
- Reported EBITDA was Rs. 988 Crores, down 34.4%; reported EBITDA margin was 12.5%, down 405bps primarily due to negative impact of fixed cost de-leverage. After adjusting for the one-off impact of bulk Scotch sale and restructuring costs, underlying EBITDA declined 29.7%.
- Interest costs were Rs. 166 Crores, 13.1% lower than last year, mainly due to lower debt and lower interest rates.
- Exceptional item includes Raising the bar initiative, impairment of inter-company loans and HipBar investment.
- Profit after tax was Rs. 310 Crores and PAT margin was 3.9%.

Anand Kripalu, CEO, commenting on the quarter and for year ended 31 March 2021 said:

"Top line growth momentum returned, and our in-quarter performance was strong on both top-line and EBITDA aided by the weak comparatives. While overall net sales grew 11.6%, strong Scotch performance contributed to the double-digit growth of 25.8% in Prestige & Above segment. Taxation led price hikes continued to adversely impact demand in the price conscious Popular segment. Net revenue management, stable commodity prices, efficiencies from our productivity programme enabled us to deliver healthy EBITDA margin of 18.5% in fourth quarter.

Despite a challenging start to FY21 in Q-1, our business withstood the disruption and showed progressive improvement thereafter with every passing quarter. We demonstrated agility and resilience in our performance across the value chain. Our two core brands were renovated and rolled out nationally during the year. While our underlying net sales this fiscal declined 10.8% and EBITDA margin contracted to 12.5% with a PAT of Rs. 310 Crores, we enter the new financial year with sequential momentum.
We continue to deliver consistently solid cash flow with net cash from operating activities at Rs. 1,728 Crores. Debt at the end of this fiscal stood reduced to Rs. 556 Crores, a reduction of Rs. 1517 Crores from last fiscal end.

Our recently announced strategic review of selected Popular brands is progressing well and on track.

Over the past year, India has been in the midst of a severe Covid crisis. Through these challenging times we have acted quickly to protect our people and our business, while supporting our customers, partners, and communities. With the onset of the deadly second wave, there is ongoing uncertainty in the environment. We would not be immune from this volatility. We, however, remain focused on building the long-term health of our brands, supported by data-led insights and a culture of everyday efficiency. The medium and long-term growth drivers and opportunities for our business remain intact. We will continue to drive profitable growth and focus on strengthening the core brands. With the consumer at the heart of business and with greater agility and discipline, I am confident of our strategy, the resilience of our business and our ability to emerge stronger."

KEY FINANCIAL INFORMATION

Key quarterly performance indicators

		F21 Q1	F21 Q2	F21 Q3	**F21 Q4**
Net sales	*Rs. Crores*	1,030	2,146	2,489	**2,224**
Reported Turnover growth	*%*	(53.6)	(6.6)	(3.6)	**11.6**
Gross profit	*Rs. Crores*	429	904	1,110	**978**
Gross profit margin	*%*	41.7	42.1	44.6	**43.9**
EBITDA	*Rs. Crores*	(78)	270	384	**412**
EBITDA margin	*%*	(7.5)	12.6	15.4	**18.5**
PAT	*Rs. Crores*	(215)	128	230	**167**
PAT	*%*	(21)	6.0	9.2	**7.5**

For the year ended 31 March 2021

Summary financial information

		F21 FY	F20 FY	Movement %
Volume	*EUm*	**71**	80	(11)
Net sales	*Rs. Crores*	**7,889**	9,091[1]	(13)
COGS	*Rs. Crores*	**(4468)**	(5022)	(11)
Gross profit	*Rs. Crores*	**3,421**	4,069[2]	(16)
Staff cost	*Rs. Crores*	**(540)**	(514)[3]	5
Marketing spend	*Rs. Crores*	**(572)**	(715)	(20)
Other Overheads	*Rs. Crores*	**(1321)**	(1333)	(1)
EBITDA	*Rs. Crores*	**988**	1,506	(34)
Other Income	*Rs. Crores*	**48**	46	5
Depreciation	*Rs. Crores*	**(249)**	(228)[4]	10
EBIT	*Rs. Crores*	**786**	1,324	(41)
Interest	*Rs. Crores*	**(166)**	(191)	(13)
PBT before exceptional items	*Rs. Crores*	**620**	1,133	(45)
Exceptional items	*Rs. Crores*	**(151)**	1	N.A.
PBT	*Rs. Crores*	**469**	1,135	(59)
Tax	*Rs. Crores*	**(159)**	(430)	(63)
PAT	*Rs. Crores*	**310**	705	(56)

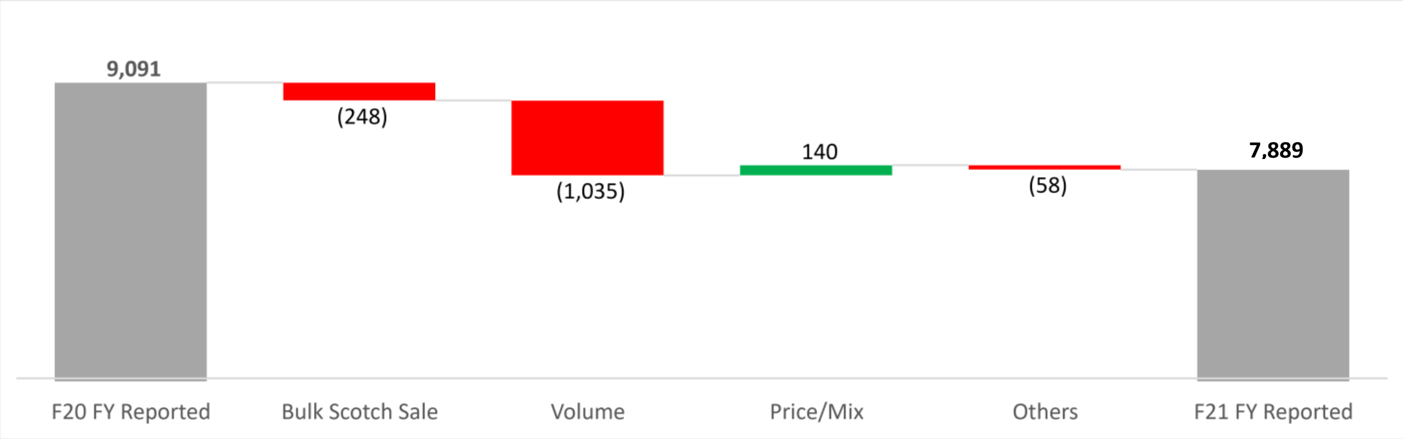
Key performance indicators as a % of net sales (reported):

		F21 FY	F20 FY	Movement bps
Gross profit	*%*	**43.4**	44.8	(140)
Staff cost	*%*	**(6.9)**	(5.7)	(119)
Marketing spends	*%*	**(7.2)**	(7.9)	62
Other Overheads	*%*	**(16.7)**	(14.7)	(208)
EBITDA	*%*	**12.5**	16.6[5]	(405)
PAT	*%*	**3.9**	7.8	(382)
Basic earnings per share	*rupees*	**4.3**	9.7	-5.4rupees
Earnings per share before exceptional items	*rupees*	**8.5**	15.6	-7.1rupees

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

[1] *Includes a one-time bulk Scotch sale of Rs. 248 Crores.*
[2] *Includes a one-time Gross Profit from bulk Scotch sale of Rs. 103 Crores*
[3] *Staff cost include a one-off restructuring cost of Rs 2 cr.*
[4] *Includes a one time depreciation charge of Rs. 2 Crores*
[5] *Underlying EBITDA margin, net of one-off bulk Scotch sale was 15.9%*

Net sales (Rs. Crores)

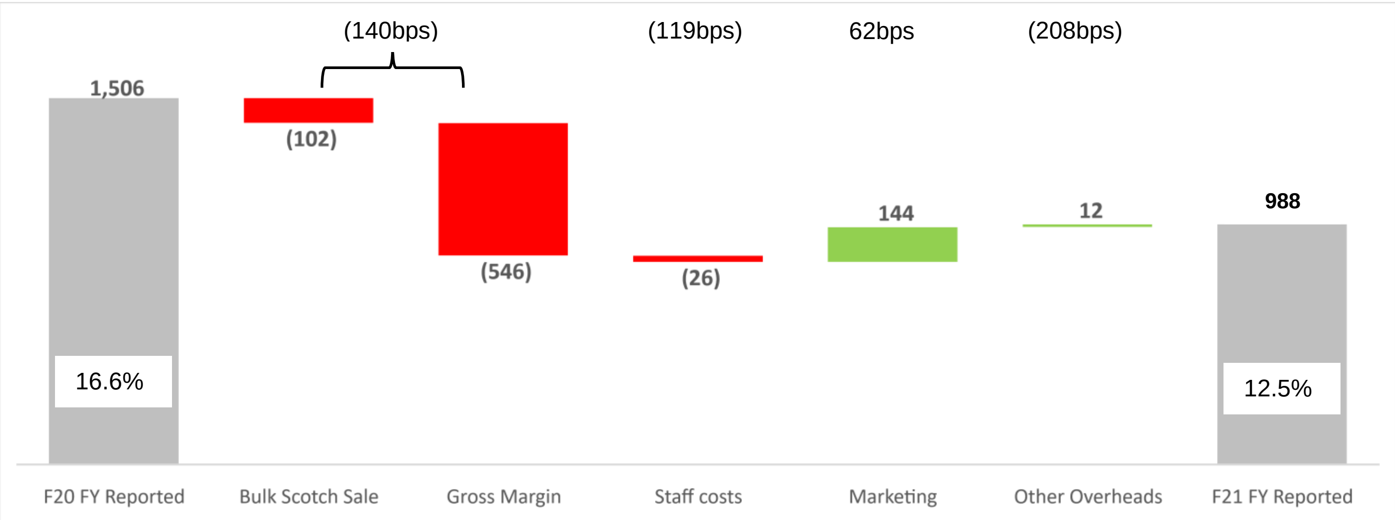


* Others include primarily non IMFL sale

Reported net sales declined 13.2% in the full year. There was business disruption due to initial lockdown, continued restrictions on on-premise establishments and consumer behavioural shifts impacting the balance between the on- and off- premise occasion in most markets. Excluding the one-off benefit from sale of bulk Scotch inventory in the prior year, underlying net sales declined 10.8%. Net Sales of Prestige & Above segment declined 7.2% while net sales of Popular segment declined 17.7%.

Overall volume declined 11.3% with shrinkage of 9% in Prestige & Above marginally outpacing Popular segment volume shrinkage of 13.8%. Underlying price/mix for the year was 0.5%, mainly due to good momentum in Scotch performance offset by reduced franchise royalty and adverse State mix.

EBITDA (Rs. Crores, %, bps)

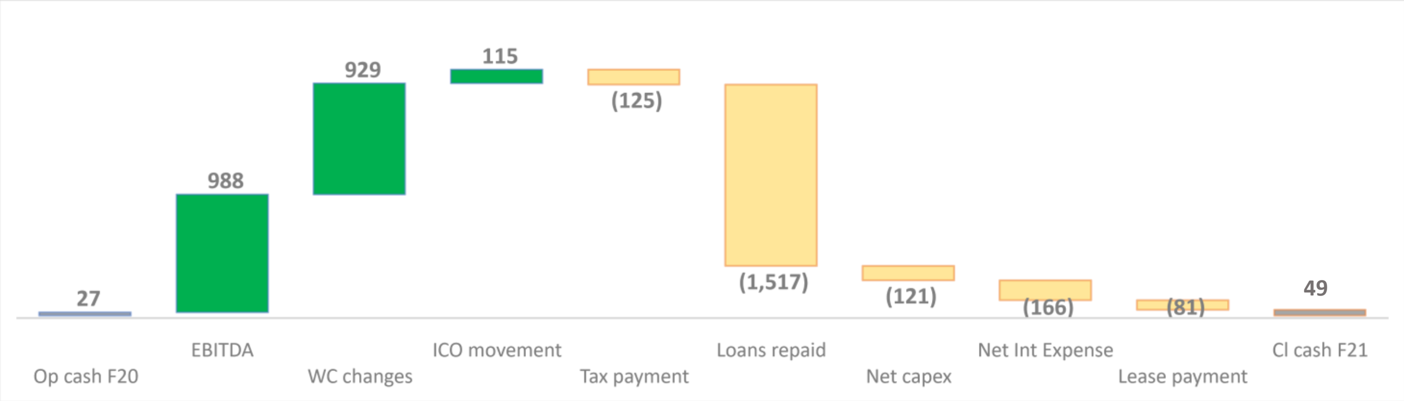


Reported EBITDA was Rs. 988 Crores for the year, down 34.4%. Excluding the one-off bulk Scotch sale and one-off restructuring costs in F20, underlying EBITDA declined 29.7%. EBITDA margin for the year was 12.5% and underlying EBITDA margin last year net of one time bulk Scotch sale and adjusted for one-off restructuring costs was 15.9%.

Gross profit decline of Rs. 648 Crores, was primarily driven by Q1 volume decline, contraction of Andhra Pradesh business due to route to market change, related inventory provision and decline in the South franchise business.

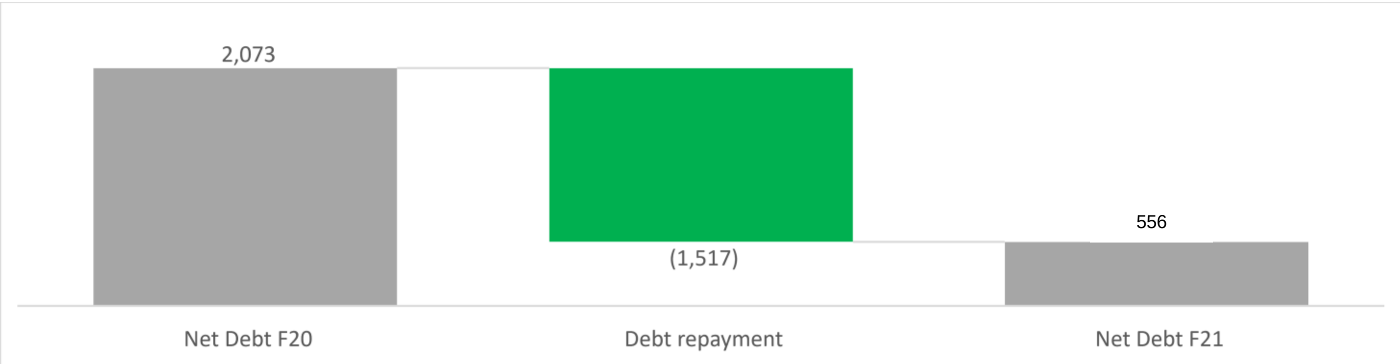
Reported staff cost increased 5.1% while overheads marginally improved by 0.9%. Advertising & Sales Promotion spend for the year was 7.2% of sales as the Company remained invested behind renovation roll-out of its two core brands, McDowell's No.1 Whisky and Royal Challenge Whisky and on-premise channel activation stayed impacted due to weak on-trade environment. Lower fixed cost absorption of administrative cost and overheads also impacted margin.

Movement in cash (Rs. Crores)



Cash closed at Rs. 49 Crores. The largest contributor to cashflows was profit from operations. There was a decrease in working capital primarily driven by better management of advance excise duty, organic growth in creditors since overlapping on softer comparitives and increase in accruals. Capex during the year was Rs. 121 Crores, and it was focused on enhancing IT infrastructure and on asset care projects. Cash was predominantly utilised towards debt repayment of Rs 1,517 Crores.

Movement in debt (Rs. Crores)



Closing net debt was Rs. 556 Crores, a reduction of 73% versus last year. Debt Reduction of Rs. 1,517 Cr. is primarily due to free cash flow generated from business and improvement in working capital.

Interest cost savings of Rs. 25 Cr. is primarily due to debt reduction together with lower interest rate.

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SEGMENT AND BRAND REVIEW

For the quarter and financial year ended 31 March 2021

Key segments:

For the Year ended 31 March 2021

	Volume				Net Sales			
	F21 FY Reported *EUm*	F20 FY Reported *EUm*	Reported movement %	**Underlying movement %**	**F21 FY Reported *Rs. Cr.***	F20 FY Reported *Rs. Cr.*	Reported movement %	**Underlying movement %**
P&A	**37.2**	40.9	(9.0)	**(9.0)**	**5504**	5931	(7.2)	**(7.2)**
Popular	**33.5**	38.8	(13.8)	**(13.8)**	**2272**	2760	(17.7)	**(17.7)**
Other					**113**	400[1]	(71.6)	**(25.1)**
TOTAL	**70.7**	79.7	(11.3)	**(11.3)**	**7889**	9091[1]	(13.2)	**(10.8)**

[1] Includes bulk Scotch sale of Rs. 248 cr.

For the quarter ended 31 March 2021

	Volume				Net Sales			
	F21 Q4 Reported *EUm*	F20 Q4 Reported *EUm*	Reported movement %	**Underlying movement %**	**F21 Q4 Reported *Rs. Cr.***	F20 Q4 Reported *Rs. Cr.*	Reported movement %	**Underlying movement %**
P&A	**10.0**	8.4	19.4	**19.4**	**1532**	1218	25.8	**25.8**
Popular	**9.7**	9.9	(1.5)	**(1.5)**	**657**	678	(3.1)	**(3.1)**
Other					**36**	98	(63.3)	**73.4**
TOTAL	**19.7**	18.3	8.1	**8.1**	**2224**	1994	11.6	**16.1**

- The **Prestige & Above segment** accounted for 69.8% of net sales during the year, up 4.5ppts. The underlying movement net of previous period bulk scotch sale was 2.7ppts.
  Prestige & Above segment net sales declined 7.2% during the year, led by a laggard first quarter, which was impacted by nationwide lockdown, continued closure of on-premise outlets throughout the majority of period in 2QFY21 and gradual recovery of on-premise consumption since 3QFY21 as easing of restrictions lifted sentiments.

- The **Popular segment** accounted for 28.8% of net sales during the year, down 1.6ppt. Adjusting the one-time sale of bulk Scotch affecting the relative salience of the segments; Popular segment was down 2.4ppts.

  The Popular segment net sales declined 17.7% primarily due to lower franchise income, fall in consumption owing to high consumer prices and change in mix. Net sales of Popular segment in Priority states declined 15.9% during the year.

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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FY21 Results Presentation Webcast

The Company will host its F21 FY results presentation & annual investor meeting by way of a **webcast** on **Monday**, **24th May 2021** at **11:00 am (IST time).** The event will begin at 11:00 am IST with a presentation by Mr. Anand Kripalu, Managing Director and Chief Executive Officer and Mr. Pradeep Jain , Chief Financial Officer. The presentation will be followed by a live Q&A session and the event will finish no later than 12:30 pm IST

You could use the link below to view the presentation and listen to the webcast **or alternatively** use the dial-in details for a listen-only option. **You can submit your questions via chat option on the webcast or ask them over the phone.** Please refrain from joining simultaneously over both the mediums to avoid any quality issues.

Conference Joining Information

Option 1

Connect to the webcast to view the presentation and listen to the audio without having to wait for an operator. It's easy, It's convenient, It's effective. Please do so 15 minutes prior to the conference schedule to ensure that you are connected in time.

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Netherlands	08000229808

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Singapore	8001012045
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