

UNITED SPIRITS LIMITED

PRESS RELEASE

Unaudited financial results for the quarter ended 30 June 2021
(Standalone only)



57% sales growth with three-fold increase in EBITDA, resilient performance in a challenging quarter**First quarter performance highlights:**

- Reported net sales increased 57% lapping weak prior year comparators. The second Covid-19 wave induced localised lockdowns impacted the sequential recovery momentum seen over the prior quarters. Off-trade remained resilient despite restrictions.
- Prestige & Above segment net sales grew 58%.
- Popular segment net sales grew 60% within which the priority states grew 50%.
- Gross margin was 44.6%, up 296bps, driven by stable input costs for the quarter and continued management focus on productivity and cost efficiencies.
- Reported EBITDA was Rs. 168 Crores, up 316% over prior year. EBITDA margin @ 10.4% for the quarter was subdued on account of operating de-leverage.
- Interest cost was Rs. 20 Crores, down 60% driven by debt reduction and lower interest rates.
- Exceptional item includes a one-off provision towards an additional demand in relation to a historical customer dispute.
- Tax includes a one-off reversal of 19.2 Crores
- Profit after tax was Rs. 69 Crores, up 132% and PAT margin was 4.3%.

Ms Hina Nagarajan, CEO, commenting on the quarter ended 30 June 2021 said:

"In the midst of the severe Covid second wave that swept the country during the quarter, our top-most priority was the safety of our employees and associates while supporting the eco-system of customers, partners and communities. The Company and its parent company, Diageo plc, committed Rs. 10 crores and Rs. 35 crores respectively (cumulatively Rs. 45 crores) in this quarter to support India's long term public healthcare infrastructure. The Company provided oxygen concentrators and other medical supplies and is in the process of creating mini hospitals in critical districts.

We have delivered a resilient performance on the back of our operational agility and the intrinsic strength of our portfolio as we managed through the challenges of localized and asynchronized state lockdowns. The Company was back to full operations as we exited the quarter.

Looking forward, with the drop in COVID positivity rates and steady increase in the vaccination coverage, we expect the recovery momentum to accelerate. We remain focused on stimulating demand through our renovation, innovation, and other category growth initiatives. The embedded discipline during the first two waves of the pandemic has enabled the Company to prepare for short-term disruptions and "Emerge Stronger" from the crisis."

KEY FINANCIAL INFORMATION

Key quarterly performance indicators

		F22 Q1	F21 Q1
Net sales	<i>Rs. Crores</i>	1,615	1,030
Reported Turnover growth	%	56.8	(53.6)
Gross profit	<i>Rs. Crores</i>	720	429
Gross profit margin	%	44.6	41.7
EBITDA	<i>Rs. Crores</i>	168	(78)
EBITDA margin	%	10.4	(7.5)
PAT	<i>Rs. Crores</i>	69	(215)
PAT	%	4.3	(21)

For the quarter ended 30 June 2021

Summary financial information

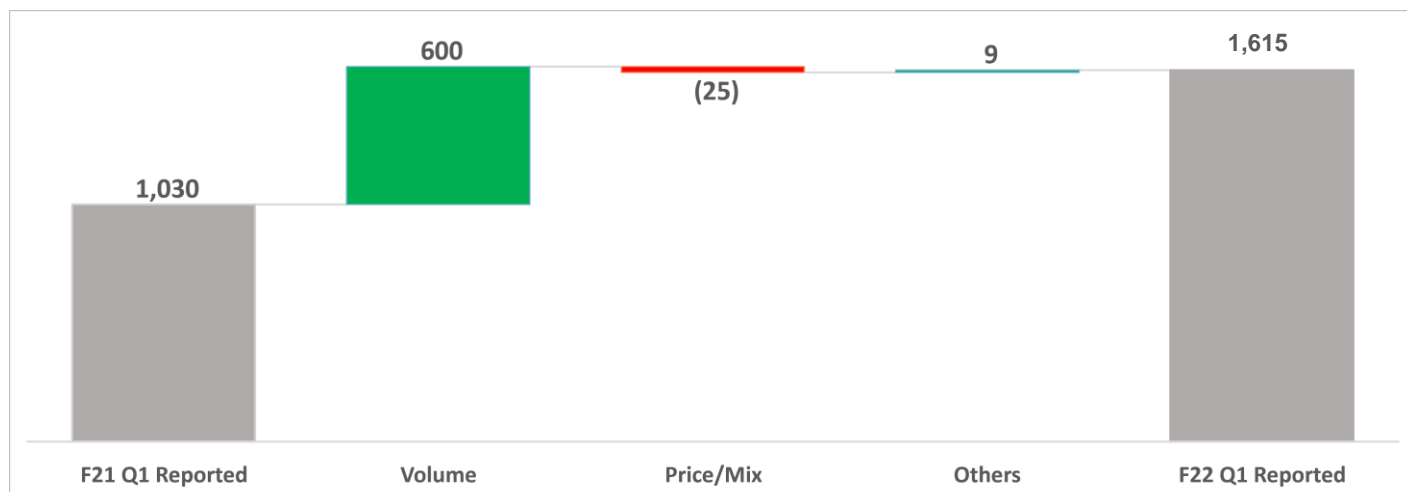
		F22 Q1	F21 Q1	Movement %
Volume	<i>EUm</i>	16	10	61
Net sales	<i>Rs. Crores</i>	1,615	1,030	57
COGS	<i>Rs. Crores</i>	(895)	(601)	49
Gross profit	<i>Rs. Crores</i>	720	429	68
Staff cost	<i>Rs. Crores</i>	(187)	(120)	56
Marketing spend	<i>Rs. Crores</i>	(84)	(52)	62
Other Overheads	<i>Rs. Crores</i>	(282)	(335)	(16)
EBITDA	<i>Rs. Crores</i>	168	(78)	316
Other Income	<i>Rs. Crores</i>	11	10	12
Depreciation	<i>Rs. Crores</i>	(55)	(64)	(13)
EBIT	<i>Rs. Crores</i>	123	(132)	193
Interest	<i>Rs. Crores</i>	(20)	(50)	(60)
PBT before exceptional items	<i>Rs. Crores</i>	103	(182)	157
Exceptional items	<i>Rs. Crores</i>	(36)	(75)	(52)
PBT	<i>Rs. Crores</i>	67	(257)	126
Tax	<i>Rs. Crores</i>	2	42	(94)
PAT	<i>Rs. Crores</i>	69	(215)	132

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

		F22 Q1	F21 Q1	Movement bps
Gross profit	%	44.6	41.7	296
Staff cost	%	(11.6)	(11.7)	7
Marketing spend	%	(5.2)	(5.0)	(16)
Other Overheads	%	(17.4)	(32.5)	1504
EBITDA	%	10.4	(7.5)	1791
PAT	%	4.3	(20.9)	2518
Basic earnings per share	<i>rupees</i>	1.0	(3.0)	3.9rupees
Earnings per share before exceptional items	<i>rupees</i>	1.4	(2.5)	3.9rupees

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

Net sales (Rs. Crores)

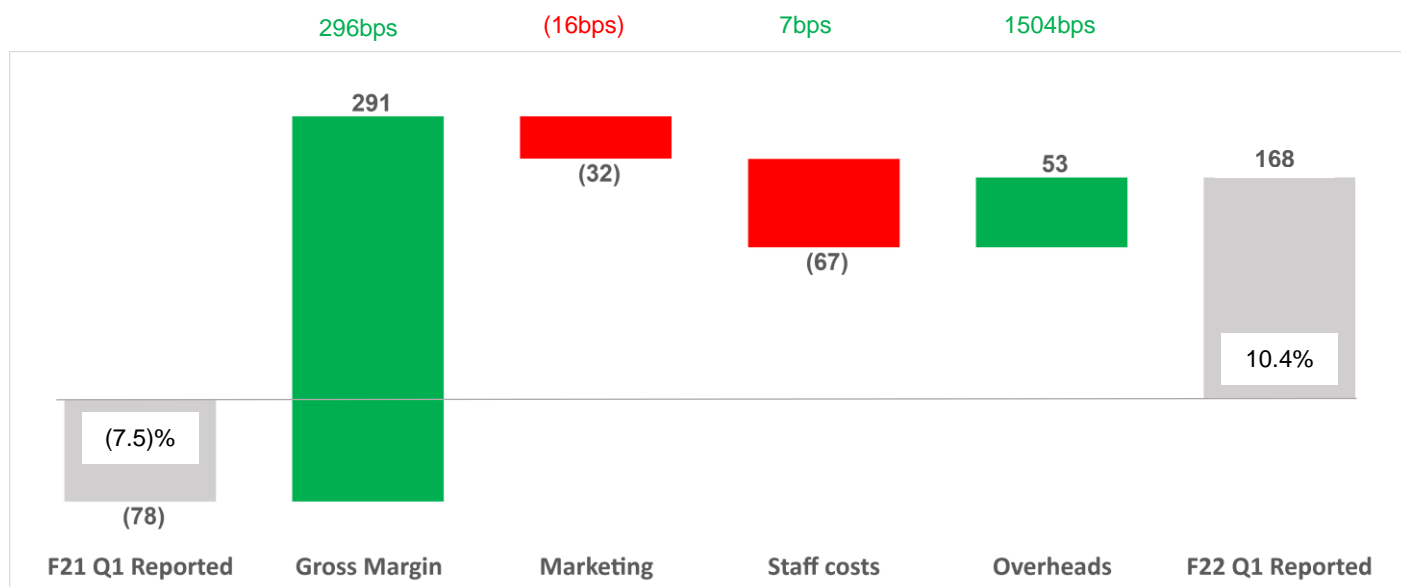


* Others include primarily non IMFL sale

Reported net sales increased 57% in the first quarter. We witnessed a healthy momentum in demand for the first three weeks of April until the second COVID surge in India hit alarming levels and led to resumption of lockdown in various states. The restrictions on on-premise establishments and consumer behavioural shifts impacted the balance between the on- and off-premise occasion in most markets. Net Sales of Prestige & Above segment increased 58% while net sales of Popular segment increased 60%.

Overall volume increased 61% with expansion of 62% in Popular segment, marginally outpacing Prestige & Above segment volume expansion of 60%. Underlying price/mix for the quarter was adverse 4.19%, mainly due to impacted momentum in Scotch performance and adverse Brand / State mix.

EBITDA (Rs. Crores, %, bps)



Reported EBITDA was Rs. 168 Crores for the quarter, up 316%. EBITDA margin for the year was 10.4% an improvement by 1791 bps.

Gross profit increase of Rs. 291 Crores was predominantly volume led, aided by benign commodity environment, productivity initiatives and a deflated base of 1QFY21 due to the covid-19 slump. Reported staff cost was at 11.6% of sales, down 7bps while other overheads were at 17.4% down 1504 bps due to cost consciousness drive and relatively better operating leverage. Controlled and effective marketing investments were limited to activities which could give tangible results amidst state wide lockdowns. On-premise channel activation stood impacted due to weak and regulated on-trade environment.

SEGMENT AND BRAND REVIEW

For the quarter ended 30 June 2021

Key segments:
For the quarter ended 30 June 2021

	Volume				Net Sales			
	F22 Q1 Reported	F21 Q1 Reported	Reported movement	Underlying movement	F22 Q1 Reported	F21 Q1 Reported	Reported movement	Underlying movement
	<i>EUm</i>	<i>EUm</i>	%	%	<i>Rs. Cr.</i>	<i>Rs. Cr.</i>	%	%
P&A	8.0	5.0	60	60	1077	680	58	58
Popular	7.8	4.8	62	62	503	314	60	60
Other					35	37	(5)	(5)
TOTAL	15.7	9.8	61	61	1615	1030	57	57

- The **Prestige & Above segment** accounted for 66.7% of net sales during the quarter, up 0.71 ppts. Prestige & Above segment net sales increased 58% during the quarter, led by a low comparative. Our people and business have shown incredible resilience and agility in this challenging operating environment created by second wave despite timing restrictions on trade including shut down of on-trade outlets for the majority of period in this quarter.
- The **Popular segment** accounted for 31.2% of net sales during the quarter, up 0.70ppts. The Popular segment net sales increased 60% primarily due to weaker comparatives. Net sales of Popular segment in Priority states increased 50% during the quarter.

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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Q&A CONFERENCE CALL

Hina Nagarajan, Managing Director and Chief Executive Officer and Pradeep Jain, Chief Financial Officer will be hosting a Q&A conference call on **Monday, 26 July 2021 at 12:00 pm** (IST time). If you would like to listen to the call or ask a question, please use the dial in detail below.

A transcript of the conference call will be available for download on 29th July 2021 at www.diageoindia.com.

Option 1

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<https://services.choruscall.in/DiamondPassRegistration/register?confirmationNumber=4055551&linkSecurityString=e9b131b94>

Option 2

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

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