

# UNITED SPIRITS LIMITED

## PRESS RELEASE

Audited financial results for the quarter and financial year ended 31 March 2020  
(Standalone only)



**EBITDA margin expanded despite a multitude of headwinds during the year**
**Full year performance highlights:**

- Reported Net sales grew 1.2%, primarily due to a broad-based consumption slowdown during the year and further impacted by COVID-19 led disruption in March. Underlying net sales, excluding the one-off sale of bulk Scotch, declined 1.5%.
- Prestige & Above segment net sales was flat with 1.9ppts positive price/mix.
- Popular segment net sales declined 4.1% overall but declined 1.5% in priority states.
- Reported Gross margin was 44.8%, down 408bps, impacted by significant COGS inflation versus last year. Underlying Gross margin, excluding the one-off sale of bulk Scotch was 44.8%, down 404bps.
- Reported EBITDA was Rs. 1,506 Crores, up 17%; reported EBITDA margin was 16.6%, up 223bps, despite a substantial gross margin compression as that was more than offset through significant savings in operating costs and to a lesser extent through lower marketing investment. After adjusting for the one-off impact of bulk Scotch sale and restructuring costs, underlying EBITDA was up 4.6% and underlying EBITDA margin was 15.9%, up 92bps.
- Interest cost was Rs.191 Crores, 13.3% lower than last year.
- Profit after tax was Rs.705 Crores, up 7%, despite a one-time tax charge and exceptional items in the current year.

**Fourth quarter performance highlights:**

- Reported net sales declined 11.4%; primarily due to COVID-19 led disruption in India in March, which exacerbated the impact of the ongoing consumption slowdown. Underlying net sales, excluding the one-off sale of bulk Scotch, declined 14.8%.
- Prestige & Above segment net sales declined 15.6%, disproportionately impacted by drying up of social occasions and closure of on-premise channel in several states even before the national lockdown went into effect.
- Popular segment net sales declined 11.4% overall but declined 5.4% in priority states.
- Reported Gross margin was 42.2%, down 433bps, primarily due to COGS inflation as well as the dilutive impact of the last tranche of bulk Scotch sale. Underlying gross margin excluding the one-off sale of bulk Scotch was 42.9%, down 364bps.
- Reported EBITDA was Rs. 271 Crores, down 4.3% driven by lower sales, partly offset through savings in operating costs and lower marketing investment. Reported EBITDA margin was 13.6%, up 101bps. After adjusting for the one-off impact of bulk Scotch sale and restructuring costs, underlying EBITDA declined 16.2% and underlying EBITDA margin was 13.2%, down 21bps.
- Interest cost was Rs 48 Crores, down 20.7%.
- Profit after tax was Rs. 24 Crores, down 81%, primarily due to exceptional items and a one-time tax charge.

**Anand Kripalu, CEO, commenting on the quarter and full year ended 31 March 2020 said:**

"The business was severely impacted in the fourth quarter due to disruption caused by the outbreak of coronavirus in India. Net sales declined 11%, led by a larger decline in the Prestige and Above segment, further impacting full year growth, which was already subdued due to the ongoing consumption slowdown during the fiscal.

We saw a sharp deceleration in our Prestige and Above portfolio from the previous quarter, as the segment was disproportionately impacted by the closure of on-premise channel in several states much before the nationwide lockdown went into effect. Within the segment, our Bottled in Origin (BIO) Scotch portfolio was the hardest hit. Although the roll-out of the renovated McDowell's No. 1 Whisky brand was interrupted, we are encouraged by the initial consumer response in places where it was completed.

During this fiscal, we experienced substantial inflation in our key raw material costs. While this resulted in significant compression in gross margin, we still delivered an underlying\* EBITDA margin of 15.9%, up 92bps, reflecting our agility and dynamic approach towards managing various lines of the P&L.

Overall, despite an unfavourable environment, impacting both the demand and the cost of raw materials, PAT for the year was up 7%.

Overall, in this fiscal, we faced several external challenges, including the general election, broad based economic slowdown and the outbreak of coronavirus. While the outlook for next year remains uncertain, I am confident in the resilience of our category and our agility and ability to adapt in this difficult environment. We will continue to execute with discipline and invest prudently to meet evolving consumer needs."

*\*After adjusting for one-off bulk Scotch sale and restructuring costs.*

**KEY FINANCIAL INFORMATION**

For the year ended 31 March 2020

**Summary financial information**

		<b>F20 FY</b>	F19 FY	Movement %
<b>Volume</b>	<i>EUm</i>	<b>79.7</b>	<b>81.6</b>	(2)
<b>Net sales</b>	<i>Rs. Crores</i>	<b>9,091</b> <sup>1</sup>	<b>8,981</b>	1
COGS	<i>Rs. Crores</i>	(5,022)	(4,595)	9
<b>Gross profit</b>	<i>Rs. Crores</i>	<b>4,069</b> <sup>2</sup>	<b>4,386</b>	(7)
Staff cost	<i>Rs. Crores</i>	(514) <sup>3A</sup>	(675) <sup>3A</sup>	(24)
Marketing spend	<i>Rs. Crores</i>	(715)	(859)	(17)
Other Overheads	<i>Rs. Crores</i>	(1,333)	(1,564)	(15)
<b>EBITDA</b>	<i>Rs. Crores</i>	<b>1,506</b>	<b>1,287</b>	17
Other Income	<i>Rs. Crores</i>	46	95	(52)
Depreciation	<i>Rs. Crores</i>	(228)	(145)	57
<b>EBIT</b>	<i>Rs. Crores</i>	<b>1,324</b>	<b>1,238</b>	7
Interest	<i>Rs. Crores</i>	(191)	(220)	(13)
<b>PBT before exceptional items</b>	<i>Rs. Crores</i>	<b>1,133</b>	<b>1,018</b>	11
Exceptional items	<i>Rs. Crores</i>	1	(27)	(105)
<b>PBT</b>	<i>Rs. Crores</i>	<b>1,135</b>	<b>991</b>	14
Tax	<i>Rs. Crores</i>	(430) <sup>4</sup>	(333)	29
<b>PAT</b>	<i>Rs. Crores</i>	<b>705</b>	<b>659</b>	7

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

		<b>F20 FY</b>	F19 FY	Movement bps
Gross profit	%	44.8	48.8	(408)
Staff cost	%	5.7 <sup>3B</sup>	7.5 <sup>3B</sup>	186
Marketing spend	%	7.9 <sup>5</sup>	9.6	169
Other Overheads	%	14.7	17.4	275
EBITDA	%	16.6 <sup>6</sup>	14.3 <sup>6</sup>	223
PAT	%	7.8	7.3	42
Basic earnings per share	<i>rupees</i>	9.7	9.1	0.63 rupees

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

<sup>1</sup> Includes a one-time bulk Scotch sale of Rs. 248 Crores.

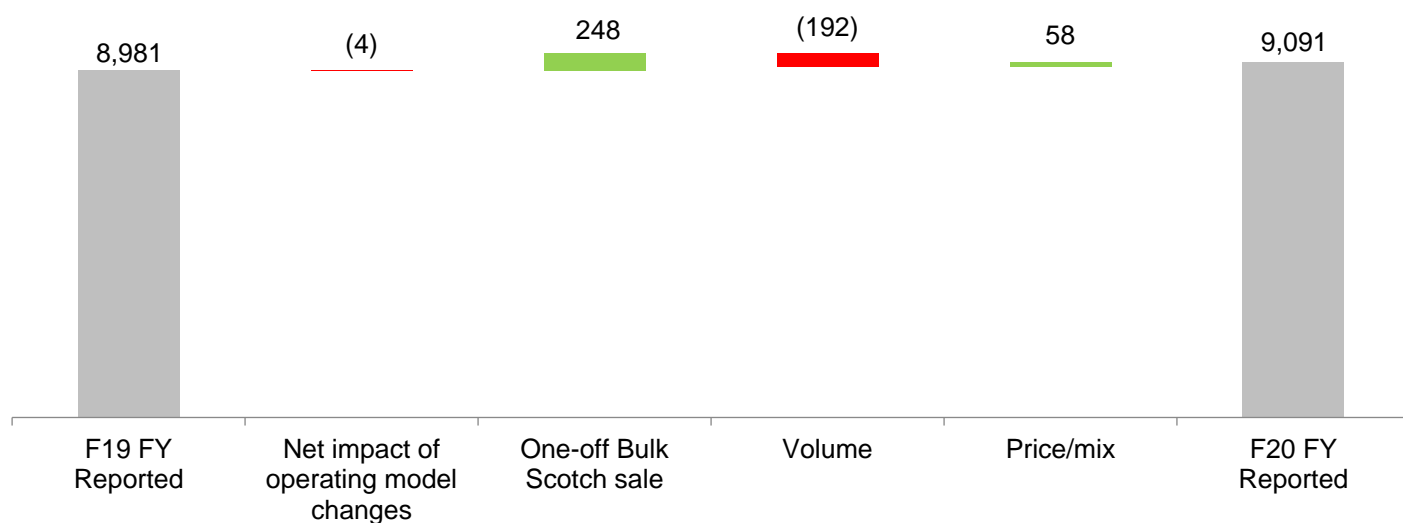
<sup>2</sup> Includes a one-time Gross Profit from bulk Scotch sale of Rs. 106 Crores;

<sup>3A</sup> Includes restructuring costs of Rs. 2 Crores in F20 and Rs. 53 Crores in F19; <sup>3B</sup> Underlying Staff costs as % of net sales was 5.8% in F20 and 6.9% in F19.

<sup>4</sup> Includes a one-time net tax charge of Rs. 103 Crores in Q4F20.

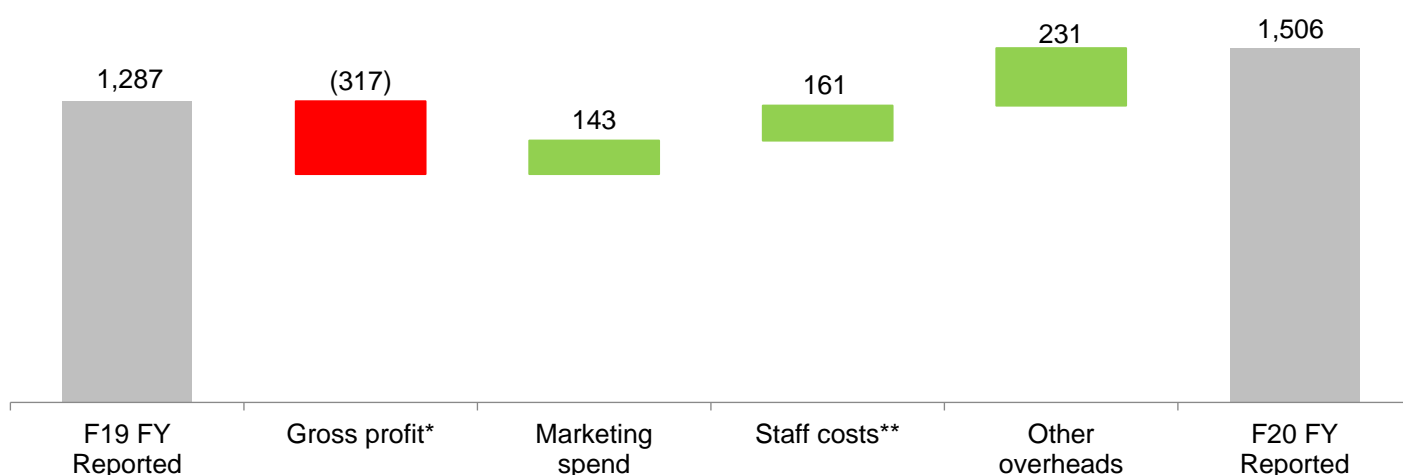
<sup>5</sup> After adjusting for one-time bulk Scotch sale, Marketing reinvestment rate was 8.1%.

<sup>6</sup> Underlying EBITDA margin, net of one-off bulk Scotch sale in F20 was 15.9%, and net of one-off restructuring costs in F19 was 14.9%.

**Net sales (Rs. Crores)**


Reported net sales grew 1.2% in the full year, impacted by general elections in the first quarter and thereafter by broad based consumption slowdown culminating in COVID-19 led disruption in March. Excluding the one-off benefit from sale of bulk Scotch, underlying net sales declined 1.5%. Net Sales of Prestige & Above segment remained almost flat year on year while net sales of Popular segment declined 4%.

During the year, overall volume declined 2.1%; within that the Prestige & Above segment volume declined 1.5% and Popular segment volume declined 2.8%. Underlying price/mix during the year was 0.6%, primarily driven by part-absorption of Excise Duty hike in Maharashtra, and disproportionate impact of COVID-19 on the Prestige & Above segment in the fourth quarter.

**EBITDA (Rs. Crores)**


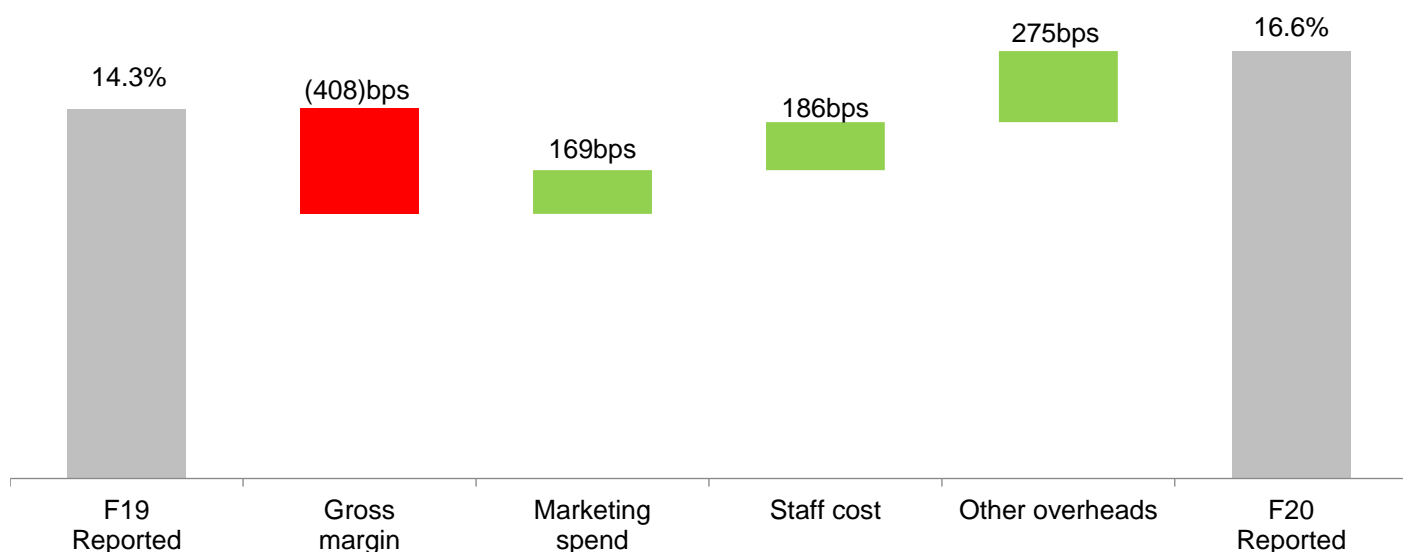
Reported EBITDA for the year was Rs. 1,506 Crores, up 17%. Excluding the one-off bulk Scotch sale in F20 and one-off restructuring costs in F19, underlying EBITDA increased 4.6%. This was despite a Gross profit decline of Rs. 317 Crores driven by significant COGS inflation and to a lesser extent by loss of business due to COVID-19 led disruption in March.

Aggressive cost management efforts, both in staff costs and other overheads, resulted in savings that more than offset the gross profit decline. Additionally, lower marketing investment also contributed towards higher EBITDA; even as the reinvestment rate was within the guided range for the full year.

\* For F20 Gross profit includes Rs. 106 crores resulting from one-time bulk Scotch sale.

\*\* Staff costs include a restructuring cost of Rs. 53 crores in F19 and Rs. 2 crores in F20. Adjusted for these, underlying saving in staff cost was Rs. 110 crores.

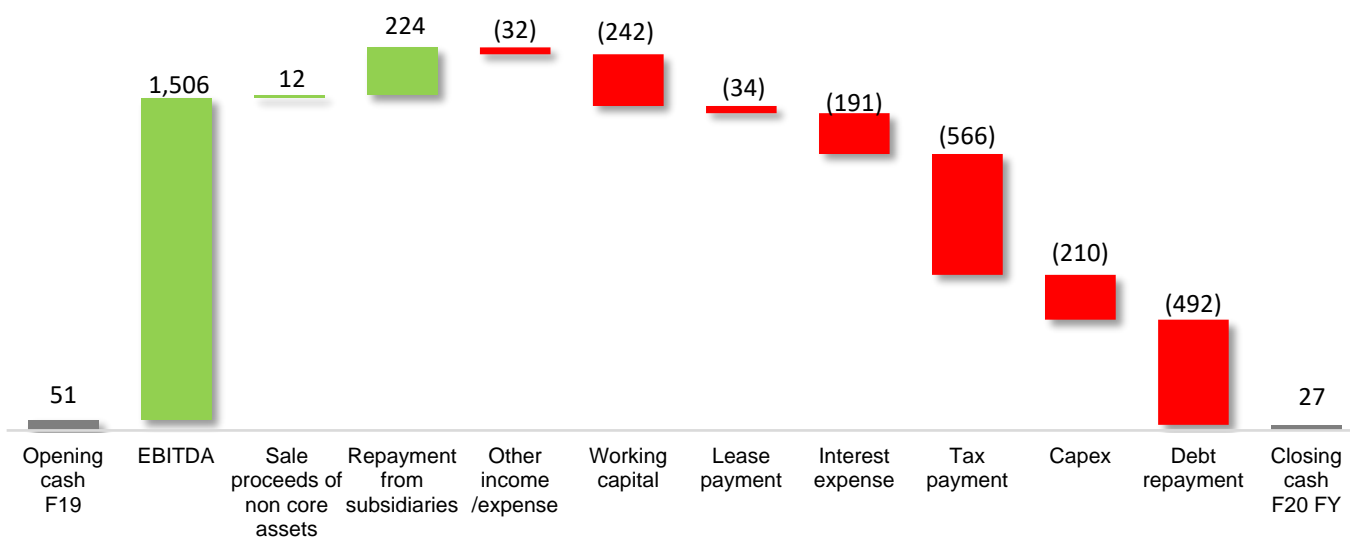
**EBITDA margin (% , bps)**



Reported EBITDA margin for the year was 16.6%, up 223bps. Underlying EBITDA margin, excluding the one-off benefit from bulk Scotch sale was 15.9%; up 92bps versus underlying EBITDA margin of 14.9% last year, net of restructuring costs.

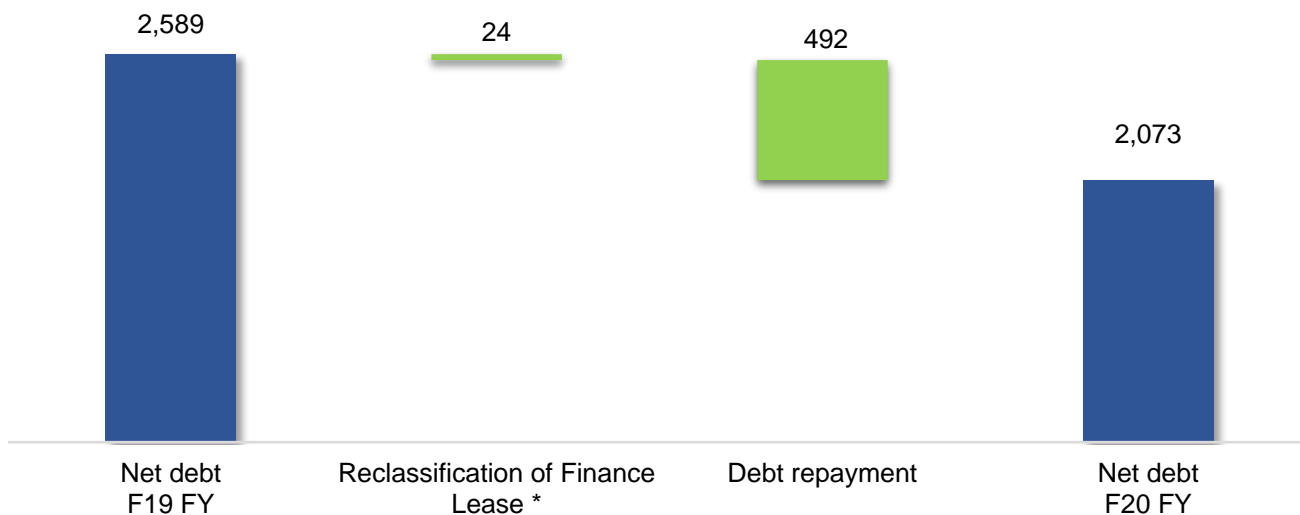
Reported gross margin contracted by 408bps primarily impacted by significant COGS inflation. Persistent efforts towards cost saving and driving operating efficiencies resulted in savings in staff costs, which contributed 186bps to EBITDA margin improvement and other overheads, which contributed an additional 275bps. Finally, lower marketing reinvestment rate contributed another 169bps, even though the reinvestment rate for the year was 8.1%, net of bulk Scotch sale, in line with our earlier guidance.

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



Cash closed at Rs. 27 Crores. The largest contributor to cashflows was profit from operations. There was an increase in working capital of Rs. 242 Crores primarily driven by COVID-19 led disruption in March. Capex during the year was Rs. 210 Crores, and it was focused on enhancing IT infrastructure and on asset care projects. Cash was also utilised towards debt repayment of Rs 492 Crores.

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



Closing net debt was Rs. 2,073 Crores, a reduction of 20% versus last year. The company repaid debt amounting to Rs. 492 crores, comprising a reduction in Commercial Papers of Rs. 900 Crores and an increase in bank loans of Rs 408 Crores.

This reduction in debt together with lower interest rate helped in reducing interest costs by Rs. 29 Crores during the year, despite the adverse impact of IndAS 116.

\* As per IndAS 116

## SEGMENT AND BRAND REVIEW

For the quarter and financial year ended 31 March 2020

### Key segments:

#### For the Year ended 31 March 2020

	Volume				Net Sales			
	F20 FY Reported EUm	F19 FY Reported EUm	Reported movement %	Underlying movement %	F20 FY Reported Rs. Cr.	F19 FY Reported Rs. Cr.	Reported movement %	Underlying movement %
P&A	40.9	41.6	(1.5)	(1.5)	5,931	5,910	0.4	0.4
Popular	38.8	40.0	(3.0)	(2.8)	2,760	2,881	(4.2)	(4.1) <sup>1</sup>
Other	-	-	-	-	400 <sup>2</sup>	190	111	(20)
TOTAL	79.7	81.6	(2.3)	(2.1)	9,091	8,981	1.2	(1.5)

<sup>1</sup> Underlying movement adjusts for the impact of operating model changes in the Popular segment

<sup>2</sup> Includes one-time bulk Scotch sale of Rs. 248 cr.

#### For the Quarter ended 31 March 2020

	Volume				Net Sales			
	F20 Q4 Reported EUm	F19 Q4 Reported EUm	Reported movement %	Underlying* movement %	F20 Q4 Reported Rs. Cr.	F19 Q4 Reported Rs. Cr.	Reported movement %	Underlying* movement %
P&A	8.4	10.5	(19.6)	(19.6)	1,218	1,443	(15.6)	(15.6)
Popular	9.9	10.6	(7.5)	(7.5)	678	765	(11.4)	(11.4)
Other	-	-	-	-	98 <sup>3</sup>	42	136.4	(50.0)
TOTAL	18.3	21.1	(13.5)	(13.5)	1,994	2,250	(11.4)	(14.8)

<sup>3</sup> Includes one-time bulk Scotch sale of Rs. 77 cr.

- The **Prestige & Above segment** accounted for 65% of net sales during the year, down 1ppt compared to same period last year, primarily due to one-time sale of bulk Scotch affecting the relative salience of the segments; net of that, the segment accounted for 67% of net sales, up 1ppt versus last year.

During the fourth quarter, Prestige & Above segment was disproportionately impacted by the drying up of social occasions and closure of on-premise channel in several states even before the nationwide lockdown went into effect. This also impacted the premiumisation trend, within the segment as well as across segments.

Within Scotch, our Bottled in Origin (BIO) portfolio was significantly more impacted than the Bottle in India (BII) brands.

- The **Popular segment** accounted for 30% of net sales during the year, down 2ppts compared to same period last year, in part due to one-time sale of bulk Scotch affecting the relative salience of the segments; net of that, the segment accounted for 31% of net sales, down 1 ppts versus last year.

During the quarter, Popular segment net sales declined less than the Prestige & Above segment.

**Cautionary statement concerning forward-looking statements**

This document may contain '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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## FY20 Results Presentation Webcast

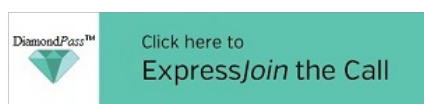
The Company will host its F20 FY results presentation & annual investor meeting by way of a **webcast** on **Monday, 1st June 2020** at **11:00 am (IST time)**. The event will begin at 11:00 am IST with a presentation by Mr. Anand Kripalu, Managing Director and Chief Executive Officer and Mr. Sanjeev Churiwala, Executive Director and 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 Access 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.



**Or Copy this URL in your browser:**

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#### 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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