



“United Spirits Limited Diageo Invest India Strategy Refresh Q2 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to United Spirits Limited, Diageo Invest India Strategy Refresh Q2 Earnings Conference. Hosting the call from USL Limited, are Ms. Hina Nagarajan – Managing Director & Chief Executive Officer, Mr. Pradeep Jain – Chief Financial Officer and Ms. Abanti Sankanarayanan – Chief Strategy & Corporate Affairs Officer. To access the slides accompanying today’s call, please visit Diageo India’s website at www.diageoindia.com. Now, it is my pleasure to turn the floor over to Ms. Hina Nagarajan. Over to Madam!

Hina Nagarajan: Thank you. Welcome everyone to our Strategy Refresh and Q2 Earnings Call. It is a pleasure to speak with all of you today and I hope you and your families are keeping well and safe. I am joined today by Ms. Abanti, our Chief Strategy and Corporate Affairs Officer and Mr. Pradeep Jain, our Chief Financial Officer. The way we will run the session is that I will first cover our Strategy Refresh. We will take a two-minutes pause after that, then we will cover our Q2 performance and then open out to the forum for questions-and-answers.

We would now like to share the Strategy Refresh deck with you. Welcome to our Strategy Refresh. We are quite excited to share this with you. Just to give you a context of where we are today since the acquisition; since the acquisition in 2013 through a spirited journey of holistic and breakthrough transformation the complex and fragmented, USL business has turned the page to Diageo India and created a solid runway for the future. The journey has been pivoted on three pillars; profitable growth, transformed reputation, big shifts in talent and culture. With respect to financial outcomes, we have delivered in this period a total NSV growth of 2.8% CAGR, a CAGR of 6.4% growth on P&A and our EBITDA has moved from a low 6% to now 16.6% in a normal year, I would say. Our debt has seen good progression coming down from Rs. 5,320 Crores in 2015 with 90% reduction now to Rs.443 Crores. We have recognized this period of transformation has had moderate topline growth but on the strong foundations it has laid, we are well place now to shift gear.

Towards the new mission: “Our mission is to be top performing CPG company in India delivering sustained double digit, profitable topline growth and long-term value to all our stakeholders”. Sustained double digit growth will mean that we will aim to improve our NSV growth by more than 300%, so three times while staying true to our margin guidance of mid to high teens.

In a context where the need for a healthy and sustainable world has been underscored as never before, our Mission takes a broader and more complete view to deliver long-term value to all our stakeholders – consumers, employees, trade partners, suppliers, the communities in which we operate, and of course our shareholders.

For some years now, India has been one of the largest and fastest growing TBA markets in the world. Growth is attributed to India's unique demographics (c50% of population <25y and c65% <35%), rising disposable incomes, urbanization and growing cultural acceptance of alcohol consumption.

What is changing now is that we are at an inflexion point. Where India has been, as a country and a culture, is being redefined. It is a time where a whole new chapter of India is being written, where we pick ourselves again and paint the future - stronger, wiser, better, resilient, ready. Having re-discovered our roots, Indians are ready to fly, fueled by aspirations, enabled by new forms of technology and access, anchored on individual spirit yet rooted to local heritage and moving progressively into the future.

We see certain transformational consumer energies that will define the choices we make for our business & portfolio as we shape the path to our Mission aligning and thriving with these energies.

The first one is RISING AFFLUENCE providing breakout opportunity at the top. By F24, 30% of Indian households (approx. 100 million households) will be in the upper mid and high-income group, contributing to almost the entire increase of household income in the country over F21-F24. This will mark transformation for the first time, of a classic population pyramid structure to a diamond-shaped one - not just in the big cities but also in tier 2/3 towns.

A recent study by McKinsey concludes that India is poised to have the 3rd largest number of High-Income Households globally by 2030.

This rising affluence creates opportunity for breakout growth at the top end of our portfolio. Within this larger macro context, we are seeing some big consumer shifts within our industry:

- Premiumization as a sustained trend over the last 8-10 years with the top-end growing ahead of the middle and lower segments. This has continued through significant macro events (demonetization, GST-induced movement from the informal to formal sector), including COVID.
- Normalisation of alcohol in society, and post COVID, emerging almost a semi-essential.

Both these are reflected in consumer behaviour during and post Covid, when consumers have not down-traded even with constrained pockets (unlike other categories), preferring moderation and 'drinking better'.

The new India is driven by informality and fluidity, open-ness and self-discovery, discernment, experiences, and repertoire.

Even as we see the rise of global connection among consumers, we also see huge pride in India and renewed confidence in its future.

The pandemic has indeed created a new normal - living in both the digital and physical world and the changed world of work and socializing, and with that, drinking moving from outside into homes.

Finally, consumers are demanding that companies go beyond profits and growth to address the challenges we face in society and our communities to create shared prosperity and sustainability for both business and community.

The dominant consumer cohort in our business has been the Adult 30+ Male and SEC BC in Middle India. There are now 4 emerging fast growing consumer Cohorts, which has implications on our portfolio.

Affluent HNIs: I touched upon this earlier. India witnessed a 27% increase in the no. of Ultra High Net Worth Individuals (UHNIs) b/w 2015-2020. A recent study by Knight Frank covered by Fortune India's latest issue estimates a 63% growth in the # of UHNIs from now to 2025.

Legal Drinking Age to 30Y: The youngest large economy in the world adding 100 million potential 'new drinkers' in the next 5 years. With a median age of 28 years, India is the youngest country in the top 10 economies in the world.

Women: Similar to many countries in the western world, India too is seeing women emerging as a key driver of societal change, building a more inclusive consumption narrative. This is not only about women as a target audience, but also a cultural transformation with a traditionally highly stratified society becoming more equal and inclusive.

Boom Towns: Growth has fast-tracked economic development across India leading to higher consumption and purchasing power beyond the mega cities into smaller cities. For e.g., Agra, Nagpur, Vijaywada, Industry reports predict that by 2025, tier II and III towns will account for 45% of India's domestic consumption and 30% of its affluent households.

Within the context of these big shifts in macro and consumer, we will deliver our Mission through 3 Pillars:

- A re-shape of our portfolio while delivering our guidance of mid to high teens Margin.
- Creating an Organization of the Future that will win in the future that is getting radically redefined by big societal and cultural shifts and
- Defining & executing an ambitious role for Diageo in Society.

I will now walk you through a little bit on each pillar.

Our portfolio re-shape & Margin progression will be delivered through:

- Breakout growth on Prestige & Above
- New Growth Engines

Also, you would recall that in February this year, we announced a strategic review of a part of our Popular portfolio that we expect will conclude in December.

- And last but not the least, value chain efficiency extraction to fund growth and mitigate inflation.

Talking a bit about our portfolio Re-shape, while we have a publicly declared focus since the acquisition on P&A, the big shift we want to make now is to go for break-out growth within P&A beyond the historical 9-10%, riding on the rapidly changing consumer and category trends we covered earlier.

We will achieve this in 3 choiceful plays:

- Accelerate in Luxury & premium:
- In Scotch where we have a leadership position in both Imported Scotch and Bottled in India Scotch, we want to further embed our leadership position.
- Activate the fantastic Diageo global Luxury & Reserve portfolio wider to play to the consumer trend of repertoire, experimentation & discovery.

Our iconic brands in Luxury & Premium, customer partnerships, leading presence in the on-trade coupled with organizational capability built through our dedicated Luxury SBU give us a strong 'Right to Win' in this space as we are right now.

Strengthen play in Upper Prestige:

The consumer is seeking redefined codes in this category and we want to provide them with highly differentiated offerings that speak to these new codes.

We have just launched a renovated Signature with a blend that is 100% crafted from Nature, with all-natural ingredients. Louise Martin, our new Master Blender brings together a blend that has Nature & Craft at its core. The overall bundle including the glass and all the packaging material has been meticulously crafted with sustainability in mind. 40% of all glass we use is recycled glass, the cartons are made of Forest Stewardship Council certified material that promotes responsible and nature ethical sourcing. Our closures save 130 tons of plastic a year vs what we used to use before on caps for nips and pint pack on Signature.

We have also brought a new unique offering called Royal Challenge American Pride (RCAP) to the country. This is a unique offering in the country with Bourbon, Scotch and select Indian malts & grain spirits which delivers an absolutely stunning whiskey that challenges the traditional norms of consumption. It is designed to elevate consumers experience with a delightful liquid that is highly versatile so that it can be consumed in multiple occasions - brunches and barbecues, outdoor hangouts, refreshing sundowners and at evening and dinner occasions. It is also the first Indian Whisky blend that is offered in a highly innovative Hipster format that adds to the product's versatility. Have it neat, with a dash of water, on the rocks or a high ball with soda - the choice is really yours to make. I invite you to #JointheAmericanPride.

Last but not the least, the third aspect of our portfolio Re-shape is really re-shaping the value proposition in lower and mid Prestige. Within this, last years' renovation of No.1 Whisky has created a significant momentum for the brand. India's first IMFL whisky with 70 Years of Whisky heritage, a 100% grain whisky with scotch & malts which comes with strong quality checks, we will continue to invest & premiumise it so that we can continue the momentum of the brand.

Last year, we invested behind No.1 Jalwa Shops which also ties up with our agenda of 'Retail Transformation'. We will continue to invest behind brand building, retail transformation and dial-up our consumer experience to further strengthen our brand equity and continue to recruit the next generation of TBA consumers with No. 1.

On Royal Challenge Whisky we will Re-stage Royal Challenge to drive recruitment. As you are aware, RCW was renovated last year. The renovated brand is seeing traction in key markets like Haryana, Maharashtra, Goa, Odisha etc. We will continue to build the RC proposition with new liquid experiences, marketing campaigns & variants as well as strengthen the RCW synergy with Royal Challenge Bangalore.

I would now like to show all of you some videos, video plays.

On the back of changes in retail environment that are starting to come through in many states, I am sure many of you have seen these fantastic stores that are coming around the country which are improving the shopper experience so much.

We see a big role for Innovation that is Transformational, not incremental, or cosmetic.

Going forward, our Innovation will be sharply targeted to fast-growing & most profitable cohorts. We have significantly enhanced our Atmanirbhar 'Made in India' liquid & blend capabilities in our state-of-the-art Technical Centre – this is demonstrated through the renovated No1, the new liquid for Signature, Royal Challenge American Pride, and the launch of our first craft brand.

We see Innovation ratchetting up & making a material Contribution to our Growth in the next 3-5 years.

It's all about emerging opportunity Spaces & Fast-growing segments: So far, what you have heard on Portfolio re-shape has been about Today's Core – our brands today and how we will grow them for tomorrow.

A big shift we are making now is to go beyond 'Present Forward' to 'Future Back', to future proof our business by tapping into the next sources of growth presented by emerging opportunity spaces and trends that are largely global and witnessing early traction in India. We have planted our first flag in craft through Epitome Reserve. Launched in Aug 2021 as our first venture into Craft – Epitome Reserve is an artisanal Single Grain Whisky made from 100% rice grains, we made a Limited Edition 2000 bottles, all sold out, with rave reviews on the liquid and overall craft presentation.

We also believe Premium Beer presents a growth opportunity – and we have already seeding Guinness which is Diageo's iconic Beer brand.

This is only the beginning folks- watch this space for more!

Last but not the least, our value chain efficiency extraction,

On net revenue management we have a well-oiled running set up looking to extract value from pricing, trade spends and mix. Our portfolio Re-shape will dial up mix even more as we go forward. We have also built a robust productivity pipeline for a year-on-year delivery that offsets almost about 50% of our annual inflation. We will continue to execute our manufacturing footprint, optimization strategy and continue to build this productivity pipeline.

Over the last year, we have also with agility undertaken office space optimization in response to the new hybrid model in the future of work and we will continue to explore all these opportunities. We also have been investing smartly vis-à-vis our marketing and commercial spends in order to enhance our efficiency and effectiveness of marketing spends, we have a tool called Catalyst which helps us to optimally allocate and maximize the effectiveness of our marketing spends and on our commercial side we have Edge 365 for improved efficiencies in field, whether it is on Must Stock List, efficient inventory management, improving our collage and coverage rates and we will continue to leverage these tools for even more effectiveness in the future.

Coming now to the second pillar of our strategy “creating an organization of the future”, which is built on digital acceleration, talent and culture as growth driver, speed, and simplicity. On the digital side for consumers and customers we have many initiatives. Social board is a millennial lifestyle contents website where we cover all aspects of life from food to events to TV shows to specific Alco-beer Diageo brand related content food pairing recos, latest campaigns, contests etc. Over the past year, we have seen 3 million visits (80% new users, 20% repeat usage) with an average view time of a minute. These are quite amazing statistics and we have achieved this by driving traffic from all our digital activation. So, consumers just do not see the content on social media but are able to interact and access a much broader world of celebration.

We are leveraging this data to input into our marketing and innovation agenda, and we will continue to strengthen the same. I have already mentioned to you Catalyst and Edge 365 which are cutting edge tools to improve our spend efficiency.

On the supply side too, we have brought in technology. We have invested in adoption of technology tools in supply planning and logistics in high-speed full automation of our bottling operations at our Nasik factory and on reduction of maturation losses. We are now going a step further and have initiated supply transformation 2.0 which is routed in driving digital excellence as a culture.

This will cover all areas of the supply chain including factory of the future, predictive demand sensing, advanced inventory optimization and capacity planning, Artificial Intelligence, VR for employee safety, intelligence driven purchase decision and logistics console tower for real time information. We will be investing in this agenda over the next three year to four years. Beyond the consumer, customer, and our supply chain we are also bringing technology into areas of maximum impact. Our Chief Engagement Officer, Amber is the first digital employee of Diageo India. I recently had a chat with her talking about my first six months here in India and it was very engaging I tell you. We are also partnering

with technology start-ups to address counterfeit. We have also recently run a global sustainability challenge to find cutting edge solutions in solar and water.

On talent and culture as growth drivers, the first point I want to talk about is strong leadership bench. We are very confident in the quality of our leadership and are making targeted interventions to build the right talent for today and tomorrow. We have established a robust process for calibration and validation of talent across levels to drive consistently high standards and build robust succession plans for critical roles.

We have customized leadership intervention for high potential mid-level managers and future leaders. We aim for a good balance between internal and external hires and external hires particularly in new age capabilities that we want to build like digital. Last year nearly 50% of our positions were built through internal candidates.

The second one which is real competitive advantage for us is our purpose driving performance. We tried ourselves on our unique culture rooted in a deep sense of purpose, a passion for winning and a personal connection to our brands and each other. We have a big focus on coaching our leaders to find their personal purpose connected with the Diageo purpose of celebrating life everyday everywhere and bringing purpose into their work.

This is reflected in our most recent Employee 'Your Voice' Survey scores:

- 93% of our people say I am proud to work for Diageo.
- Our Net Promoter Score on how likely you would be, to recommend our products to a friend or relative is actually 82%, which is globally best in class.
- 93% of our people say I know what I can do to help Diageo win market share and
- Our overall engagement index is 88%.

We actually exceed benchmark norms quite a bit in all these parameters and like I said this is a real competitive advantage which helps us drive change with agility in our organization.

Last but not the least building capabilities of the future, we are building capabilities for the future in sync with our mission. We are already enhancing luxury selling, retail transformation and digital capabilities within our organizations. We are also helping our people to upskill and learn through LinkedIn Learning. We have also sponsored a customized learning platform called My Learning Hub which helps people derive their own learning curriculum and enhance their skills where they want.

On the third element of Building an organization of the future, I want to talk about two things which is embedding "Sprints" and #RadicalLiberation. Emerging studies show that

organizations of the future operate with a fixation on speed and simplicity. We have been on a journey to be a flat org and now we are putting our flattened structure into greater effect in everyday ways of Working and decision-making with 'Sprints'. Sprints are cross-functional teams THAT COME TOGETHER to work rapidly – hence a Sprint, not a Marathon – for 2-3 months on critical business projects, they deliver specific outcomes and dissolve thereafter. Through sprints, our people gain new skills, collaborate across functions and between H.O & regions to deliver against our biggest business priorities within a short span of time.

A big demonstration of this is Epitome Reserve which was built or created from concept to launch in 85 days. We are going to be running sprints through our organization. In fact, people as we speak, we have got about 10 to 12 sprints already running and people are really engaged behind this and we think this is a great way to build inclusion and diversity.

On the #RadicalLiberation we are running this sprint which is for process and business simplification. In the first stage we have found ways to eliminate or simplify our business processes that will liberate more than 100,000 work hours which is equivalent to 55 full-time employee time which we are repurposing towards our growth supporting activities. So, we will continue to run Radical Liberation through the year and for the years to come so that we will empower and enable our frontline to focus on what they want to deliver which is big time growth.

Coming next to our very critical pillar of Diageo in Society; our stakeholders are increasingly challenging businesses to show how they make a positive impact across all aspects of society. They rightly expect to see that businesses are generating wealth, fostering inclusion and diversity, respecting human rights, supporting their communities, and acting on important societal and environmental issues including climate change and water stress. We are committed to building a more sustainable responsible and inclusive business and society. The issues facing society are complex and connected and we are focused on the impact we can have throughout our value chain across communities, suppliers, our partners, customers, and consumers.

Since the acquisition we have a strong track record in sustainability and citizenship. We want to challenge ourselves to go much further. Last year we launched Society 2030 Spirit of progress which is our new 10-year action plan on the role we will play in society. Society 2030 is fundamental to our mission to create long-term value for all our stakeholders which is why it sits at the heart of our strategy. We have three goals that are built around the most material issues for our business context in India, Driving ESG from grain to glass, Moving India towards drink better not more and leading Inclusion and Diversity. We have the same

rigorous data driven approach to the delivery of our ESG goals as we take for the rest of our business.

On driving ESG from Grain to Glass, we are really talking about three things: pioneering grain to glass sustainability, tackling water, accelerating to a low carbon world, and becoming sustainable by design. This also includes market leading practices towards employees, supply chain and local communities, and exemplary governance and disclosures.

On the grain to glass sustainability side, so far since 2007 we have actually reduced our water usage by 55%. By 2030 we will do further reduction of 40% and we will replenish more water than we use by 2026, so we will be water positive by 2026.

On the low carbon world side, so far, we have had a 95% reduction in carbon emission on scope 1 and scope 2 and we have already moved to 100% renewable energy in our own operations. By 2025 we will be zero carbon operations. On the quality sustainable by design, we have already eliminated 2000 metric tons of plastic from our packaging, and we have collected 20000 metric tons of plastic waste. By end of this year, we will be plastic waste positive, which means that we will be collecting more plastics from our communities than we put out into the community.

On the markets leading practices side, our citizenship during COVID was demonstrated right from the start of the pandemic when the country was staring at a huge sanitizer shortage and we lent our shoulder throughout the crisis by making and donating sanitizers, donating medical equipment, supporting our on-trade industry including non-customers through Raise the Bar and donating long term public health assets during the brutal 2nd phase. In all, between USL and Diageo plc, we have contributed over Rs 130cr.

Diageo's commitment to, and respect for, human rights is fundamental to who we are and how we work. In alignment with the UN Guiding Principles for Business and Human Rights, we have completed two phases of Human Right Impact Assessments (HRIA) between 2018 and 2021 and this is quite Industry leading. Our own manufacturing sites and 3rd party manufacturing sites are adhering to high standards on Labour rights, Health & safety and working conditions for Labour. We have put in place strong mechanisms to review and track progress on these standards. We actively impart training on Human rights to increase awareness of various employee groups, we also aim to promote this awareness in our Tie-up Manufacturing units and in our supplier groups. Brand promoters play an important role promoting our brand portfolio to customers and consumers at the point of sale and at events. The Diageo brand promoter standard establishes principles and guidelines for the deployment of brand promoters and is based on our values and our

commitments to respect and protect human rights for all those who work with us and our third-party suppliers, business partners as well as the outlets that we partner with.

On the employee wellness side, the wellness mantra at Diageo India ensures health and well-being of employees beyond work and not just in their role as employees. The “We Care” program focuses on eight dimensions of wellness, occupational, emotional, spiritual, environmental, financial, physical, social, and mental as we move ahead and as most of you will be aware, we have launched a 26-week fraternity leave policy which also has been quite leading not only here, but Diageo globally has done that.

The next element of our Diageo in society is about moving India towards drink better not more. While most people who choose to enjoy alcohol do so responsibly, we recognize that the misuse of alcohol can harm individuals and those around them damage our industry's reputation and make it harder for us to create value. We want to move India towards drinking better not more, an approach that is rooted in our social values and aligns with our business model as a producer of premium drinks, we will do this through shaping drinking attitudes towards moderation, tackling harmful drinking through sustained multi-year programmatic interventions on Drink Driving & Underage Drinking and marketing our brands responsibly through self-regulation.

We champion health literacy and tackle harm through our DRINKiQ platform. Last year, we launched an updated version of DRINKiQ with comprehensive information on alcohol and health and a new screening tool to identify whether users are drinking at higher risk levels. We have reached 1.6 lakh people so far through DRINKiQ and we plan to reach 40 lakh people by 2024. On the anti-drink driving we promote changes in attitudes to drink driving through educating people about the dangers of drink-driving and also capacity building for enforcement officials. We are looking at capacity building for 1.2 lakh enforcement officials in 65 cities across 22 states and we will reach 8 lakh people by 2024 with the anti-drink driving message. We have also been educating young people, parents, and teachers on the dangers of underage drinking. We have trained so far 2.3 lakh people in 300 schools in 15 states, and we plan to reach 15 lakh people by 2024 and what makes me really proud is that 95% of our own people say that where I work people feel confident and able to play a role in promoting positive drinking.

Coming to inclusion and diversity this is deeply embedded in our values. In India we have been a pioneer in this space for our industry with regard to women representation in our business. We have extended our I&D agenda to people with disabilities and the LGBTQI community. Our aim is to be an Employer of Choice for People with Disabilities and build an inclusive workplace for the LGBTQI community.

We want to drive progressive portrayal in every piece of creative work we put out for all our focus brands, moving away from hackneyed, stereotypical representation, and portraying real people, stories and narratives. Particularly our key iconic brands like Johnnie Walker, B&W, Black Dog Scotch, McDowell's no 1 and Signature, all have women at the heart of their comms work, owning the stories we tell. Not just that, women and members of the gender spectrum play a key role in our content and influencer program. Through our community programs on Water, Sanitation and Learning for Life, we empower women in our local communities. 50% of the beneficiaries of our community programs are women. On this chart the one that you see with figures actually depicts our x-com we have moved from zero percent of our executive committee in Diageo India in FY2016 to now 50% of our x-com is women. Overall women representation in our business has moved from 6.6% in FY2015 to 22.2% end of last year, our target is to have 50% women in leadership by 2025.

We focus a lot on inclusion, our "Your Voice Survey" shows inclusion scores of expressing themselves Our people say, In Diageo people from different backgrounds and opinions can be themselves and thrive 87% of our people say that. We focus a lot on inclusion through something called "Inclusion Week". It is an employee-led week that celebrates diversity, embraces inclusion, encourages colleagues around the world to have open conversations about a range of important and challenging topics and then we carry this through the year, and you can see pictures on the slides of our progressive portrayal in some of our communication work.

Bringing this all to a close, bringing it all together, I know it has been a lot for you to absorb. Our mission is to be top performing CPG company in India delivering sustained double-digit, profitable topline growth, and long-term value to all our stakeholders. This will be done through three pillars: Portfolio Re-shape to deliver leverage growth, creating an organization of the future so that we can be a great place to work and create the leaders of tomorrow and Playing a big role of Diageo in society, really focusing on ESG for stakeholder value.

Just to recap it all there are big shifts premix, the first one is really focusing on sustained double-digit broad-based profitable topline growth, broad-based breakout growth on P&A. Moving from a present forward approach to, now a present forward and future back view of the consumer, Transforming our culture, not to look at legacy, but to look at what is best in class and get there, A culture which is built on speed and simplicity and Playing a very bold role in society through our Diageo and Society Goals really using ESG for stakeholder value.

Before I end, I actually wanted to extend an invitation to all of you to visit our DRINKiQ India website, as we approach the two most festive months in the year, we would love to go a step further actually and host you for an online DRINKiQ session in December if you are willing.

About a year ago, we approached the Indian Navy to conduct a DRINKiQ session. Hesitant at first, they agreed to a pilot. Delighted at the positive response, we were invited to do more sessions – and within a few months we covered INS Kadamba, Naval Dockyard Vizg, INS Valsura, Indian Naval Academy, Ezhimala and Southern Naval Command at Cochin. We went onto the Indian Army and finally, the Indian Air Force Station at Pathankot. We feel truly privileged to have covered nearly 1500 officials of the armed forces so I invite you to this session and I would like to say thank you very much. That is the end of our strategy refresh presentation. We will just take a two-minute break and be back with you to talk about our Quarter-2 performance. Thank you very much.

Good afternoon once again to all of you from the USL team. Let me now switch gears and provide a perspective on the Q2 results that we announced last evening. Having now heard the Strategy Refresh over the last 45 minutes or so, I am sure you will start connecting the same to our performance in the quarter as well.

As we anticipated in the July investor call, the quarter gone by witnessed normal operations by and large barring for night curfew in major cities for some period. With the increased vaccination coverage and India crossing the 1Bn mark last week, the bounce back to normalcy has been faster than that experienced post Wave 1, this augurs well on the demand front. The supply side has been resilient even though inflation continued to increase as we exited the quarter.

On the overall operating performance during the quarter; in summary, it's been a strong quarter underpinning improved momentum across the business. Our people have responded with pace, agility, and creativity to seize the marketplace opportunities. As I mentioned in the press release, we have, indeed, emerged stronger from the crisis.

Our commitment to Innovation & Renovation in the portfolio continues; In addition to the renovated bundle of Black Dog Whisky rolled out in Q1, Q2 witnessed the following interventions:

Completely new 100% crafted from nature consumer bundle on Signature Whisky with Master Blender credentials.

First of its kind recruitment offering with Bourbon and select Indian malts, Royal Challenge American Pride.

Success of Hipster, our on the go in the pocket format has now been extended to Smirnoff Vodka; please go and pick it up from your nearest Store

Signature and Royal Challenge American Pride are in service of strengthening our presence in the Upper Prestige segment and premiumising the portfolio. I have already spoken about both these at length in the Strategy session a little while ago.

While all of you have seen the press release and the results, let me again call up the key salient points. Our reported revenue increased 14% this is our highest underlying growth in the last 11 quarters. Our P&A segment grew at 20.8% which is also the highest in the last 20 quarters. We were flat on popular.

Consumer demand in off-trade regained momentum rapidly after the Covid Wave 2 impact in the preceding quarter. On trade also demonstrated continuous recovery thru the quarter; both store opening and footfalls.

Price mix was strong @ double digit during the quarter driven by the top-end of the P&A segment growing high double digit.

On the policy front, the Industry is closely working with the Govt. in West Bengal and Delhi. As communicated last time, we are keenly looking forward to the new policy in West Bengal and the operationalisation of the new policy in Delhi at the earliest.

Inflation has been on an increasing trend during the quarter and continued management focus on Portfolio mix and productivity led to 190 bps underlying improvement in our gross margins to 44.2%.

Our A&P reinvestment rate at 7.3% is in line with last year same quarter and reflects a normalization post the muted levels in the preceding covid impacted quarter.

As also mentioned last time, Staff cost increase in the quarter and the half is due lapping the prior year one time decision of the management across the Diageo world to forego the variable performance linked salary component driven by the global uncertainty of the pandemic.

Underlying EBITDA margin stands at 16.4% for the quarter, up 194 basis points versus prior year same quarter primarily driven by the gross margin improvement. With the full impact of the accelerated debt retirement in 2020-21 and the lower interest rates post retirement of the non-convertible debentures now reflecting in our financials, the underlying interest cost in the quarter is 58% lower than prior year.

External debt now stands at less than 500 Crores as of September 30, 2021. Profit after tax was at 273 Crores in the quarter a 113% increase versus prior year.

In conclusion I would like to re-emphasize the following:

We are happy with the current momentum in the business and are focused on sustaining the same. We are conscious of the inflation headwinds and are therefore, working on a continuous pipeline of Revenue management and productivity initiatives across the value chain.

Our portfolio, with the latest round of innovation and renovation, is well-positioned to capitalize on the rapidly growing premiumization in the Category and we remain committed to profitable growth and long-term value to all our stakeholders

Last but not the least, the strategic review of Popular brands that we announced in the Jan-Mar quarter is on track and we will conclude the same by the end of the calendar year. Last but not the least the strategic review of popular brands that we announced in the Jan-March quarter is on track and we will conclude the same by the end of the calendar year.

With that we can now open the lines for Q&A.

Moderator:

Thank you so much. We will now begin the question-and-answer session. We have the first question from Abneesh, Edelweiss. Sir, you may go ahead, please.

Abneesh Roy:

Thanks, and congrats on brilliant presentation and very good numbers. My first question is on your beer foray. So, it is an iconic brand, it is a premium brand and you also said that you are seeding the market. India is a mass consumption market, so want to understand how the LUP strategy can happen here. At some stage do you see once the premium foray is successful do you see a mass offering also in beers in the longer-term?

Hina Nagarajan:

This is a very initial foray, and we are seeding Guinness which is our most premium and popular brand around the world as you know, Abneesh. We will continue to seed Guinness and the initial response is actually very good and so we will continue to seed Guinness and at this point in time we have no plans to go mainstream on beer.

- Abneesh Roy:** My second question is on the P&A when I see the P&A volume growth and sales growth, I see almost a 14-15% gap which was not the case in the previous quarter so is there any one-off here how should we read the 15% gap?
- Hina Nagarajan:** No. There is no one-off in this, it is actually a price mix with the top end growing very fast and giving us that healthy price mix.
- Abneesh Roy:** This could sustain, the premium end growing much faster and the gap between the volume and price the sales growth?
- Pradeep Jain:** Yes, so Abneesh even if you look at our historical results, we always get a price mix of about anything between 2% to 4% and this quarter obviously it is close to almost double digit. We believe with the Strategy Refresh that Hina has just spoken about, our desire will be to up the number from our historical delivery and probably to land somewhere in between the historical range and what we have seen in the current quarter.
- Abneesh Roy:** Sure, and the last question is on your innovation strategy and the advertising spends. So, in the historical when I see UNSP's number ad spend has been around 8% to 10% of the sales this time it is a bit lower 7.3%. I do understand pubs, bars are not open plus we have not seen the full normalcy. Going ahead how do you see advertising as a percentage of sales and if you could also discuss the innovation funnel do you see that accelerating much more, you did discuss a bit but if you could discuss in the next one, two years how is the innovation funnel?
- Hina Nagarajan:** Abneesh, you are right I think our A&P spends are traditionally in the 8% to 10%. We have a very robust A&P plan to support our growth initiatives both on the core and innovation. So clearly, I mean it was muted because of COVID and even in the current quarter it was 7% because for part of the period on trade was subject to night curfews etc. So going forward yes, what we see happening is a virtuous cycle of A&P generation, as we premiumize more we generate more A&P and we spend more and invest to grow and also that gives us operating leverage on A&P and then when we combine this with the spend effectiveness that we are generating through our catalyst tool that I spoke about, we actually feel very confident about a very good level of A&P support to all our growth initiatives. On the innovation side, as I mentioned we are now taking a bigger future back approach and we have actually created a big pipeline of portfolio opportunities as well as fast growth segments that can emerge, even channel growth formats etc., and our first foray in Craft was just one of the beginnings of innovation, innovation will certainly contribute much more to our growth going forward. I mentioned that we have developed very strong capability now in liquid and blend at our state-of-the-art technical center and our

renovations now are very powerful. I would say watch this space Abneesh. We want to be able to give you news quarter after quarter.

Abneesh Roy: Sure. Thanks. That is all for my side. Thanks a lot.

Moderator: Thank you so much. We have the next question from Percy, IIFL Securities. You may go ahead, please.

Percy Panthaki: Congrats on a very good set of numbers. My first question is on the results. So, you mentioned that this is broadly a normal quarter. So, if I look at your sales growth versus the two year ago period the same quarter two years ago your sales growth point to point is about 11% which is about 5.5% CAGR. So, is it this rather a low growth for the kind of initiatives that you are doing, and can you give me some idea on what kind of growth would you be targeting going into the future certainly not 5%, 6% right?

Pradeep Jain: Percy there is noise versus FY19. You are well aware of the Andhra Pradesh market access issue. FY19 had fully Andhra Pradesh incorporated. So, one of that, you will just have to eliminate that noise to arrive at what our genuine growth in the current quarter is. We are very, very happy with what we have delivered. Hina has already spoken about what our sustained topline aspirations are, which is double-digit revenue growth, and we will absolutely be committed to that.

Percy Panthaki: Secondly, with the kind of premiumization that you are seeing would you say that your margin journey is not yet complete and there is decent amount of headroom for the EBITDA margin to go more towards the 20% kind of a number over two, three-year period?

Pradeep Jain: So, Percy again we have already called it out in the Strategy Refresh that Hina had just shared, we remain committed to our mid to high team margin progression, broadly if you see we are there somewhere around mid-teens and like Hina has mentioned earlier also it is an “and” journey for us we do expect that to inch up gradually to the high teens.

Percy Panthaki: Last question if I may be allowed the review of the popular brands, what exactly is the thought behind that I mean I understand that these brands would not be very high margin brands but unless they are loss making or unless they are sort of giving you a return on investment which is below your cost of capital why would you want to exit these brands? It does give us some heft in distribution and there is some other sort of intangible advantages of being in there so your thoughts on that, please?

Pradeep Jain: Again, too early for us to call out anything. As we have mentioned the strategic review is on track and what we had disclosed at that point of time also in the Jan, March quarter when we announced it that this is a logical progression of the strategy that we have been following over the last four to five years. So, again as we get closer to our final outcome of the strategic review, we will be able to share more details on that.

Percy Panthaki: That is all from me. Thanks, and all the best.

Moderator: Thank you so much. We have the next question from Avi Mehta, Macquarie. You may go ahead, please.

Avi Mehta: Thanks a lot for that presentation. I actually had two specific points: one just following up with what Abneesh said could you give us a sense on what levels of ad spend to sales would you target on a steady state basis? Is there a number that you have in mind and two, I mean if I will go through, what you highlighted as we look to break outgrowth in the Prestige segment, I see a lot clear focus on accelerating the Luxury and Upper Prestige as you rightly called out? Does that entail a higher dependence or a higher partnership with Diageo brands is that understanding correct?

Pradeep Jain: Thanks, Avi. Let me just take your first question. Our A&P guidance is broadly we target about 8% to 8.5% that is our full year number if you look at the last set of historical also and then if you kind of look at, at what that translates into only our P&A segment it is close to double digit there. So, and that stays exactly the same we are not changing that. You might see a little bit of noise between quarters etc. but by and large on a full year basis we will be exactly in the same range. I will just hand it over to Hina to answer your second question.

Hina Nagarajan: On your question on Bottled in origin, which is the Diageo portfolio, right. So, we are definitely looking to accelerate luxury and premium as I mentioned in the Strategy Refresh. I mean we are leaders in bottled in origin and bottled in India scotches and we are going to look to continue to strengthen this leadership in both the segments both through still penetration of these brands and by bringing newer offerings from the Diageo Global portfolio to India because these brands really have global equity and they are very much in demand as the market is premiumising as Indians travel I mean Indians love to travel so there is huge exposure to our brands and there is definitely given the experimentation, the repertoire drinking that we are seeing in India we are definitely trend towards demand for more so we will bring in more and focus on this segment.

Avi Mehta: If there is a dependence on if they are going to enhance that relationship. Could you share whether the commercials which we have with Diageo does that change or is that what is

because when they had initially done the agreement there was some talk of margins what level of margin they would be, how is that going to be, is there a number that is available or can we kind of have some clarity on how the commercials are? That is all from my side. Thank you.

Hina Nagarajan: So I think we are the national distributors for Diageo in India and this portfolio because of the fact that it is high pricing and at the top end is very gross margin accretive for us, it is really gross margin accretive and even if you look at an EBITDA per case it is almost double that of USL portfolio on a case basis so it gives us huge fixed cost absorption and also operating leverage to bring in this portfolio and the third thing I would say is that this is zero fixed assets investment portfolio, so our return on invested capital I mean pre-tax is more than 35% on this portfolio and even on a post-tax basis very healthy 25%-30% so actually the commercials work very well for our USL business and actually help our mix.

Avi Mehta: Sorry it is the understanding is that gross margin may not be the right way it is the EBITDA margin that kind of flows through because of the high realization that comes through and is that is the way I should look at it correct?

Pradeep Jain: Yes, that's correct, it is rupees per case accretive.

Avi Mehta: Okay, perfect. Thank you very much.

Moderator: Thank you so much. We have the next question from Mr. Manoj Menon, ICICI Securities. You may go ahead, please.

Manoj Menon: Thanks for your very insightful presentation and wishing you good luck you as you execute this over the next few years. The question number one is on the policy front. There are two parts to that thought process which I have Anand used to tell us for the last three-four years that as an organization and as a responsible market leader you have been working with multiple state governments at different levels in terms of working with the government in optimizing the collection and it is good win-win for everyone. If you could just help us understand where are we in this journey because we have seen some improvement, I would say quote, unquote from a policy point of view in the last few years? So that is point number one on the policy side. Some examples and directional comments would be very helpful. The second aspect is also of what the industry has been requesting or lobbying for reduction in customs duty etc., for the premium portfolio that also can be a significant option value from a portfolio point of view that is question number one, there are two aspects to the government. The second one is what my friend Percy asked a little earlier I just want to push the envelope a little more on that. Honestly, I am a little worried when I look at the strategy of let's say I understand that there is a profit pool part in the mass

market or what we call it the popular segment. I completely understand that part but as Percy rightly asked kind of as long as these are EVA positive it may be P&L percentage margin or profitability dilutive I get that and there may be reasons why you are doing, what you are doing, but I am looking at a few case studies in India we can discuss that separately offline kind of I am a little worried about this because some let us say share of shelf which may not be profitable for you today let us say for an XYZ with the right business model quote, unquote in the Indian context may be profitable. So, in the real long-term how is the thought about this aspect I am sure you would have taken your strategy your thought process on that? That is the two questions. Thank you.

Hina Nagarajan: Can I request Abanti to answer the first two questions and then I will come back on the third question.

Abanti Sankaranarayanan: Thank you Manoj for that question. On the policy ones, let me start with the answer to the first one which is a little bit more sort of about things that can unlock growth which has been the center point in Hina's Strategy Refresh. So, two things to this the first one is absolutely as an industry, we are working very closely with relevant stakeholders to put out a place for why from a consumer premiumization, trend perspective, it makes sense to make imported spirits more accessible to consumers in India and the fact that customs duty remains very high. All I will say is it is very promisingly poised at the moment as UK and India look to really sort of re-craft their investment and trade sort of partnership in the FTA that is underway. So that is what I will say that is the effort that is happening. But the second point I would add here is we have not as an industry kind of waited only for the UK India trade review and FTA but have been working with states to look at what opportunities there might be to reduce state level excise duties on BIO and you would know that this has met with success across many states including Delhi, Uttar Pradesh, Rajasthan some years ago Karnataka and we are looking at a few more such opportunities with critical states and the interesting thing is that state duties contribute a large part upwards of 34% of the value chain so actually to the extent that state duties are brought down on BIO that is really has a big impact on moving consumer prices down and making BIO more accessible so that is something that is already happening and that is in fact one of the things that is also underlying the accelerated premiumization that is happening at the top end at the BIO end. On working towards unlocking sort of opportunities for better working capital management I think that has been work which has been done, so for example in the state of Telangana, Andhra Pradesh that is something that we have achieved I will just ask actually PJ to come in here and just add a little bit more color.

Pradeep Jain: Yes, Manoj on working capital like Abanti has mentioned we continue to work with governments we have had a few successes over the last couple of years etc., and that is an ongoing effort I guess at a slightly more elevated level the simple response that I have

provided always is that if you look at the last three to four year progression our working capital as a percentage of NSV has come down broadly from about 35% to roughly about 23% to 24% and we believe that this is right now the steady state we continue to work with the government to ensure that some unlocks happen.

Hina Nagarajan: Coming to your question around the popular portfolio, Manoj. I would say two things, so the first thing is to say that it was called a strategic review for a reason, it is a core to our strategy or portfolio reshape and focusing on premiumization where the biggest growth opportunities are. Now having said that we have not reached any conclusion on the popular portfolio, it can have many it can have multiple directions so one could be extension of the current franchisee model, it could also be about accelerating select brands through more investment, it could be divestment, it could be an organizational review around the operating model etc., so this review is underway and we will try and conclude it by December and then I think we will be in a better position to talk about the implications once we have reached some direction, final direction.

Manoj Menon: That is absolutely clear and good luck once again and season's greetings for the festive season. Thank you.

Moderator: Thank you so much. We have the next question from Vishal Punmiya, Nirmal Bang. You may go ahead, please.

Vishal Punmiya: Thank you for the opportunity. The first question is actually from a medium-term perspective, you covered in your presentation that you are looking for a double-digit growth at a portfolio level in the medium-term but if I just see from a prestige and above portfolio perspective because the popular portfolio is under review so no point discussing that portfolio but where do you see the prestige are now growing in that particular timeline and within that what could be the breakup of sales growth between volume mix as well as pricing how do you see those planning out over the medium-term? The second question is more from a near-term in terms of margins, how do you see RM panning out in the next two, three quarters especially more from a point of view of glass as well as ENA while I know the fact that the government would be coming out with the ENA prices in a month or so but if you can give some sense on the RM scenario going forward and obviously in terms of margin profile going forward?

Hina Nagarajan: I will answer your first question and I will hand over to Pradeep to answer the second one. So, on your growth question I think if you look at premiumization which has been a sustained trend in the industry for the last eight to ten years we have seen that the top end is growing faster than the middle and the lower end and given the consumer trends I talked about of evolving needs of repertoire, experimentation I mean we see growth in the upper

mid prestige and luxury and premium all, going forward. Our strategy calls out that we will accelerate luxury and premium, we will strengthen our play in upper prestige, and we will reshape the value proposition in the lower and the mid prestige to cater to these evolving consumer needs. Now our premiumization journey will only get accelerated and become more broad-based so our growth of double digit comes from the fact that it is broad-based breakout growth based on these transformative innovations and offerings in the segments as well as the new growth engines that I called out which is about the future opportunities and taking lead in that for example the Epitome Reserve craft. So, we do see very healthy growth and premiumization momentum to continue and we feel confident about delivering our double-digit growth with this strategy and coming to the margin question over to Pradeep.

Pradeep Jain:

Yes. So, Vishal, I mean, your question was specifically focused on inflation so as Hina mentioned in her opening comments also we are seeing inflation headwinds as is the rest of the CPG sector in India. In fact, if at all we are slightly lower than the rest of the CPG and we continue to work on our productivity pipeline as we have always said we would want to focus on things we can control and influence, which is our own productivity, which is revenue management as well as our COGS productivity initiative apart from our A&P operating leverage and overhead optimization. Broadly to give you some numbers this quarter, the quarter that has just passed inflation was in the range of about 1.5% to 2% in our overall portfolio and it is inching up as all of you are aware with the fuel costs, the energy costs and let us say the international logistics cost etc., inflation is shooting up, so we do expect this range to go up in the coming quarter and we are trying our best to mitigate through revenue management and productivity.

Moderator:

We have lost the connection for the participant. I will now take the next question. We have the next question from Srivatsan, Investor. You may go ahead, please.

Srivatsan:

I am a retail investor; I have been associated with United Spirits from 2014. So I have a few basic questions to the Board of United Spirits, one what is the percentage of premium products going forward I could see here there is a mix saying that it was less than 50% now it has grown to 72% till date, and what is the question going forward in 2023-2024 that is my first question and second question is any updates or any information about the share buyback from the investor point I am asking other thing is after 2013 United Spirits has not paid any dividend is there any possibility of getting a dividends going forward?

Pradeep Jain:

Srivatsan thanks for your questions. Your first question is around the P&A failings so you are right if you have seen the progression over the years the P&A progression has moved probably from 50% to 55% percent to roughly about 72% to 73% and as Hina has mentioned in a strategy we do see this part of the portfolio growing at a much higher pace

compared to the rest of the portfolio so therefore it is a mathematical derivation that the salience will only continue to increase as the years come right, what exactly will be the numbers it is very difficult to call out but the salience will increase without doubt, that is the first question. To your second question very, very consciously at the top of our minds and as I have said earlier because of some of the multiple legacy one-off issues that we had to absorb in our P&L post acquisition, we are pretty much on the verge of wiping out our accumulated losses which is a mandatory requirement for distribution of dividend so that should happen very, very soon over the next four to six quarters in our assessment and we should be back to distribution of dividend from that point of time.

Srivatsan: Thank you. Any updates on the buyback because from 2019 and 2020 there were news coming up when Anand was there as a CEO probably a lot of things happening around the share buyback?

Pradeep Jain: There is nothing that we have discussed specifically so far, I think first we want to get back to distribution of dividend and then like multiple options that would also be an option at some subsequent point of time.

Srivatsan: Thanks, and all the best team for a good performance.

Moderator: Thank you so much. We have the next question from Mr. Jaykumar Doshi, Kotak. You may go ahead, please.

Jaykumar Doshi: Good afternoon. Thank you for a very nice presentation. I have two questions. The first one is bulk of the profit pool actually resides in the prestige segment and if we look for the past five years or maybe even beyond five years United Spirits has lost market share to Pernod in both mid prestige and upper prestige there was an interesting comment in the presentation that 93% of your employees know what is needed to gain market share so I would like to sort of understand what is your early assessment, what are the steps necessary to gain market sharing both these segments I am aware that you are doing quite well at the luxury end and but mid prestige and upper prestige please?

Hina Nagarajan: Thanks for your question. The first thing I would say is that in our assessment we have found very competitively over the last few quarters especially after the COVID first wave lockdown opened when we launched the renovation of No.1 and also Royal Challenge Whiskey in the market. So, the No.1 renovation has done extremely well and basically it has got significant momentum, we are very proud of the brand it has 70 years of whiskey heritage and we are continuing to invest in No.1 and basically continue to build the brand, premiumise it, invest in Jalwa stores and leverage this momentum. On Royal Challenge Whiskey it has had a mixed response. In some states it is done quite well and in some states

we have more to do and actually as we speak, we are reviewing the whole mix and like I mentioned in my strategy we will be looking to restage Royal Challenge at some point in time to do even better. On the upper prestige I just spoke about two big renovation and innovation launches, so the Signature Renovation, which is really all about nature and craft very, very differentiated in upper prestige playing to the new codes that the consumer wants and also a very sustainable bundle and we spoke about the glass being recycled and we spoke about being responsibly sourced removing plastic and the young consumers in upper prestige actually are really wanting to buy more of such products. Royal Challenge American Pride is a brand-new Bourbon-based IMFL offering from us and the first of its kind again so definitely our team knows what they will have to do to gain market share and they have been working furiously on these innovations and more to perform even more competitively going forward.

Jaykumar Doshi: Thank you that is helpful. Second question is practices, our best practices or learning that you have from your experience in Africa that you think is applicable and can be replicated in India?

Hina Nagarajan: I would say that Africa has a lot of similarities and a lot of differences, so I would say in terms of managing the volatility, managing the regulatory, sustainability challenges India and Africa are quite similar. I would say that it is not about comparison with Africa. We want to be best in class in India on all the aspects, whether it is consumer insight and innovation which is transformational, whether it is our supply chain and as we have called out very ambitiously the ESG part so driving a lot of sustainability and contributing to our community. I think we have a competitive advantage in terms of our people being completely connected with the company purpose and our company purpose is about celebrating life every day everywhere and that is built on creating a win-win for all the stakeholders whether it is employees, whether it is customers, consumers, etc. So, this change of best-in-class actually will come very fast in our company because everyone is so connected to the purpose. So, it is about being best in class in every aspect of the business.

Jaykumar Doshi: Thank you. If I may ask one quick one, sorry inflation, what are your views from the short to medium-term perspective and are you engaged with the state governments proactively for some price increases in anticipation of any inflationary pressures?

Hina Nagarajan: Look, I think the answer is absolutely yes, we are engaged with the state governments for price increases, and I think we will continue to do that as inflation headwinds continue to emerge. Overall, I would say that our equation really is about productivity and net revenue management to mitigate inflation and we try and mitigate at least half the inflation every year through these initiatives, some years commodities go up and it is difficult to do that, and, in some years, it is much better and actually we do better on this equation and therefore

it evens out over a period of mid to long-term. So, we are continuing to do that. Pradeep just spoke about the fact that we are trying to mitigate at least half the inflation through productivity across the value chain through revenue management levers of mix and trade spend efficiencies, through overhead optimization, so our view is that we will continue to focus on the area that we control and influence which is doing all these initiatives and over a period of time I think this strategy works well for us internally.

Jaykumar Doshi: Thank you so much and wish you the very best in this journey.

Moderator: We have the next question from Mr. Prakash Kapadia. Sir, you may go ahead, please.

Prakash Kapadia: Thank you for the presentation. Couple of questions from my end. In our endeavor to grow a double-digit is it fair to look at over the next four, five years 6-7% kind of a mix and a price growth and 4-5% volume growth is that more sustainable in our view over the mid to longer-term that is my first question. Secondly you know on Mumbai and Maharashtra and Karnataka which are the so-called free pricing markets what trends are we seeing in terms of premiumization and also if you could give us some color on geographies where we have lower market share versus competition which could be a focus area to grow faster across India.

Pradeep Jain: Let me take that Prakash, broadly we have never got into a split of the guidance we will restrict ourselves to our aspirations which Hina has clearly articulated in the Strategy Refresh session which is that of growing double digit on a sustained basis. Now the breakup of that double digit could be different over a 4-to-5-year period that could be different, some quarters our volume could be a little higher etc., mix could be a little lower but broadly through a combination of these three levers of volume, pricing and mix, our endeavor would be to try and hit double digit on a sustained basis which as Hina has acknowledged also very candidly we have not been able to deliver historically. So that is the pitch we want to make on our topline growth. Can you just remind me on your second question Prakash?

Prakash Kapadia: Yes, on free pricing markets Maharashtra and Karnataka what trends are we seeing in terms of premiumization and across India some color on geographies where we have lower market share which can be a focus area which can help us grow faster in key markets or big markets what are we seeing?

Pradeep Jain: Yes, so Prakash again I will have to keep it a little general. We have normally not kind of got into this disclosure of statewide positions etc.

Prakash Kapadia: Since our geographies east, west, north, south is also fine I am not looking.

Pradeep Jain: Yes, so but the premiumization trend suffice to say that is largely consistent throughout the country, very clearly P&A is growing above popular and within P&A the top end of the P&A portfolio is growing significantly ahead of total P&A. So those are two underlying trends that are fairly consistent across the country. There are no pockets etc. So that is one between Maharashtra and Karnataka I just have the privilege of having Abanti so maybe I will just pass on the question to her on pricing, Karnataka is definitely not a free pricing state, but I will let Abanti answer.

Abanti Sankaranarayanan: So just on pricing firstly Prakash Maharashtra is a free pricing state, Karnataka is in some ways in theory a free pricing state because manufacturers are free to decide which particular excise duty slab they want to operate on, but the issue in Karnataka is manufacturers hesitate to do that for commercial reasons because of the way the exercise duty slabs are moving from one slab to the other, results in a very big x times impact on the consumer price and obviously as commercial operators we are all very sensitive to that. So that sort of what holds back sometimes individual players who decide on their own obviously, but the bigger opportunity as you may have rightly called out is really to premiumize the structure of the market. Right now, and this is industry domain information publicly available about 92% of the Karnataka market is really popular and there is only 8% which is prestige and above and that obviously is very hugely under indexed to the GDP per capita as well as other sort of consumer macro factors. So that is a real opportunity for the industry, and it is something that many industry players together with within their associations are working on. On Maharashtra, I mentioned that it is a free pricing state. You still have to get kind of approval like in most states from the excise departments but that is more a procedural thing rather than an ideological thing. Again, in Maharashtra there is an opportunity for premiumization, accelerated premiumization particularly at the BIO end whereas you might be aware because of very high excise duties BIO pricing is much higher in Maharashtra than other states. So that is another opportunity that industry is working on.

Prakash Kapadia: That is that is helpful and is it fair to assume Maharashtra would be the largest contributor to premium brands for us?

Pradeep Jain: Well, it is in the top five, Prakash

Prakash Kapadia: Thank you. All the best.

Moderator: Thank you. We take the next question from Mr. Alok Shah from Ambit Capital. You may please go ahead.

Alok Shah: Thank you very much for a very well articulated presentation and Strategy Refresh. My first question is when we think of the new launches be it the American Pride or be it the

Signature and in the past also you know your team has done multiple renovations innovations but the current confidence in terms of winning back market share, getting double digit growth etc., so does it come because now you believe your pricing is right or you believe the blend was somewhere not appropriate previously, from where do you think you know you are getting this strong confidence? That is my first question.

Hina Nagarajan:

I think our confidence comes from you know sharp consumer insight and the liquid and blend capabilities that we built, which are really best in class in India you know at our state-of-the-art technical center. So, we have been investing and are investing much more deliberately on getting very sharp consumer insights, using the data and analytics through our I described through social goat etc., right to come to a very good picture of what consumers want, what are they seeking and then developing our innovation and renovations in line with that. I mean if you look at the Signature it is quite different right, it plays to the codes of 100% natural, it plays to the codes of sustainability, it is crafted by our master blender Louise Martin right and you know the new consumer really wants this, they want craft, they want you know sustainability, they want natural codes, it is for people who are you know celebrating their authentic selves right and seeking those personalized codes of success. So, we are very confident in our insights. We are very confident in our technical capability to give out fantastic liquids. This is evident in Signature, Royal Challenge American Pride, No.1 Renovation and so and we are also very confident because of the future back view we are taking on new growth engines which is giving us a lot of insight on where the market is going.

Alok Shah:

On pricing do you think that the pricing of the product is not going to be really a challenge considering the slab in which you operate?

Hina Nagarajan:

We are going to be competitive on pricing in the segments we are playing in, right, so we are going to give the right offerings at the right price within each category and segment and you know I think that is a normal course of business so I mean we are able to charge value to the concepts we bring and the differentiation we bring and wherever we have a chance to be will.

Alok Shah:

My second question is on your medium-term EBITDA margin guidance which remains mid to higher teens you know while giving this guidance do you factor in your outcome of strategy review or once the strategy review outcome comes by you know that would be a reset? See essentially the reason that I am asking is that once you strip out your popular segment your technically your EBITDA margin should go up unless you are saying that there are some inefficiencies because of the base, change, volume deleveraging etc., so that is from myself?

- Pradeep Jain:** Right now, we are talking of the portfolio as is and everything is to do what is the outcome of the strategic review Hina has already mentioned, look we have not reached the final outcome right so as and when that happens, yes, we will engage with the with this audience very, very quickly right. So as of now whatever we have shared it is in line with the portfolio as it stands right now.
- Alok Shah:** My only last suggestion is that you know while we have called out multiple strategies and initiatives would you be disclosing more details quarter after quarter for us and the investors to analyze and as you know essentially how to be fair on some of the plans?
- Hina Nagarajan:** We will definitely endeavor to do that. I mean the first step was to take you through the strategy and as we unfold our milestones every quarter, we will definitely share them.
- Alok Shah:** Great. Thank you very much for this.
- Moderator:** Thank you so much. We take the next question from Mr. Vipul Shah from ICICI Prudential. Sir, you may go ahead.
- Vipul Shah:** First of all, congratulations to Hina and team for a very good presentation and very good set of operational numbers. I have two questions, first one is relating to the target that we have said double-digit topline growth so when you talk about this I just want to understand the finer print as to the segment when we talk about the IMFL you talked about whiskey being a space, but how do you see the other segments in the IMFL space particularly white spirits, rum and brandy is that a part of focus area for us and we have seen past data so we have kind of lost some bit of market share in vodka as well. So, can you provide what segments particularly do you see growing faster versus whiskey and how do we plan to achieve this double-digit growth? Second question particularly pertains to our capital allocation policy. Now since we have reduced our debt to minimum and we would be in a position to be a net debt cash positive company, incrementally our capex expense has been range bound so can you just please provide us some guidance on our capital allocation policy, how do we plan to use the cash?
- Hina Nagarajan:** On your question on the white spirits etc., so I mentioned that there is a big consumer trend of experimentation and repertoire drinking and so we are looking at the white's portfolio as a whole in context of this repertoire drinking. We have already seen some traction on our gin portfolio, right both with Gordon's and Tanqueray so we have dialed up activation of this and even on vodka I did mention I think during my commentary that we have put Smirnoff in this very innovative hipster pack which is giving it momentum so we are going to look at the white portfolio definitely and activate it because of this repertoire drinking

phenomenon that we see in the market and while the big focus of course will be as I have described in the strategy, our whites will also be activated.

Pradeep Jain: Let me take your second question which is on capital allocation. Historically, our capex spending has been in the range of about 2% to 2.5%, very broad ballpark numbers that are in my head and I do not think that has got anything to do with the per se what our debt levels on our balance sheet are. We know that our business generates a healthy free cash and therefore that has resulted in the debt retirement of more than 5000 Crores over the last three to five years. Our capital decisions capital spending decisions are more based on the principles of a need, capacity, and growth rather than any allocation principles. That is what I would want to say. We do not expect any dramatic shifts in our range of capital spending versus the historical levels.

Vipul Shah: If I may just follow up on that the question more pertain to the forward-looking capital allocation policy. Do you look to imbibe any kind of dividend payout or some kind of guidance on that and firstly on the double digit growth what I wanted to understand is that we have a very strong brand portfolio so when we talk about in our presentation that India being a population of more than 65% in the age group of less than 35 and newer population being the female who are more open to experimentation and white space also so if I take just a consumer behavior trend from the west where kind of gin and vodkas have outpaced the whisky growth so do you plan to actively use this segment or our focus here would still be more on the whiskey side and probably the activations and innovations in gin and vodka would be more lower pace?

Pradeep Jain: Very consistent with what we have said, which is that he has already mentioned that the entire white space is especially gin we have already demonstrated actions and we would really want to kind of you know expand our play on that. In terms of you know exploring opportunities we continue to remain on the lookout of opportunities and any exciting opportunities that comes, we will definitely want to go after it. I do not think we were waiting for us to become debt free from that perspective as and when an opportunity comes, we will be happy to explore that independently. To your last question to your other reference of about the distribution of dividend, I thought we answered that again about four to five questions ago, yes that is very much on our minds right and we are about probably based on run rates we are probably four to six quarters away from that and that is very, very actively on our mind. We would want to come back to distributing dividends for our shareholders and increase our total shareholder return.

Vipul Shah: Thank you. That is it from my side. Congrats.

Moderator: Thank you. We take the next question from Susmit Patodia. You may go ahead please.

Susmit Patodia: Thank you for the opportunity. Welcome back to India Hina and all the best to you. My first question is if you can tell us has there been any incentive restructuring because clearly the organization seems to be moving from cleansing, cleaning up to now growth so are there any changes at the employee level for incentive programs, is there any outlook change?

Pradeep Jain: Nothing I mean not really, very much, very much the same the key metrics of you know topline growth, share, profit, and cash those are broadly the three four metrics. So, nothing significant that needs to be called out.

Susmit Patodia: My next question is what is your thought as Hina, what is your thought on RCB, how do you see that as an asset you know we obviously knew the interest, Anand has for cricket as well, just wanted to understand how you think of RCB?

Hina Nagarajan: Look RCB is very core to our business, so we remain very committed to RCB as an asset and we are very delighted with what has happened in the recent bids on the asset value, so no change in our strategy. We are very delighted I had spent a few weeks in Dubai with the last IPL session, so we remain extremely committed.

Susmit Patodia: Thank you and all the best.

Moderator: Thank you. We have the next question from Ms. Latika. You may go ahead please.

Latika: Thanks for the presentation. I have two questions; the first one is on the scotch portfolio clearly this is going to be a larger piece going ahead. If you could elaborate what is the current volume contribution and value contribution in your existing sales mix for this portfolio and also if you could tell us about how you are thinking about reach of this portfolio. What is the current outlet reach for this watch portfolio and how do you see that branding going forward? So that is the first piece on the spot side. The second question I had was for Pradeep you know one of the things I think we were trying to do was getting more efficiencies on the ENA in-house distillation, so what is the current update there? Are you looking at some bit of backward integration, out there to ensure the volatility in raw material inflation is relatively lower?

Pradeep Jain: Let me take the first question which is on our scotch, broadly about our scotch so I have some kind of headline numbers parked in my mind. Scotch would roughly be about low double digit right now in our overall portfolio and clearly you have seen Hina call out we really want to accelerate on that growth so again like the P&A versus popular, fair to suffice to say that it will jack up in salience right and we do expect it to reach sizable salience over the next three to five years right so that is on scotch piece. Your second question was on the ENA co-location? Absolutely, we continue to work with our business partners to expand

our co-location footprint. I think three to four years ago our co-location footprint would have been in the range of 15% to 20%, currently we stand at about 50% right and we would want to you know over the next three to four years we would want to continue to increase that that co-location footprint. What that gets us is supply security during volatile times and it also gives us a little bit of you know productivity, rupee productivity efficiency.

Lathika: One part of the question was the outlet reach today for the scotch portfolio. Is that something that you're ramping up strategically a lot more?

Hina Nagarajan: Basically, there are many factors, I mean definitely we are ramping up reach right. I think it is more about where the demand is picking up and where states are launching progressive policies for development of the category, I think that is where you see the demand and that is where we are activating and in fact transforming the retail where we are able to, to improve the shopper experience right not only for scotches but all for all our brands. So, we have a limited set of outlets to play with and if 80000 outlets, so I mean for us every outlet is important as a contact point with the consumer.

Pradeep Jain: Lathika, just to add to what Hina has said I was my mind was working on the same thing look I do not think outlet distribution reach is really, really a differentiator in this category. I mean 80000 outlets total but actual active outlets might be closer to 55,000-60,000. So definitely that is increasing but I think it is the consumer penetration that is relevant and without doubt that is that is kind of going up and that is what is allowing us to capture the kind of growths that we are capturing.

Lathika: Where I was coming from was clearly yes you are right maybe these 50000 outlets are maybe active outlets for you but considering couple of states have eased taxes on scotch BIO and BII you know what is the existing presence you know how many outlets do carry these products so I was just kind of thinking you know that number will only increase right?

Hina Nagarajan: I would say Latika everyone carries them right. I think the traction level is dependent on you know the price affordability in different states and that is what Avanti is working on in terms of the premiumization agenda in different states where the prices are not viable for the consumer, but I would say the attraction of our brands is so high that everyone carries something.

Lathika: Good to know that Hina. Thank you.

Moderator: Thank you. We take the next question from Mr. Harit Kapoor from Investec Capital. You may go ahead please.

Harit Kapoor: Good afternoon team. Just had two questions; the first one was on your P&A strategy. So obviously this space is exploding as you said, and you are looking at extremely strong growth here, I think it will probably be as attractive for you as it would be for even your competitors in the space and there would be increased activity there probably led by you but also by the other players in the space. I just wanted to understand whether you do believe over the next three to five years structurally the investment space or the ad spend that you kind of spend in this portfolio would have to go up to meet your growth targets as well as to kind of compete with all the new players or even the existing players who are launching products to you know to capture space in this segment? So that is my first question.

Hina Nagarajan: Harit we are actually very delighted that everyone is looking at this space and investing in it because that helps category growth right and it actually accelerates the premiumization trend even more, so we are quite delighted, and we are going to focus on what we take as a consumer in view right and give the differentiated offerings to cater to these evolving consumer needs. On A&P, I did say that as we premiumize right we generate the ability to invest more so it is a very virtuous cycle and you know it gives us operating leverage on A&P and then combined with the efficacy that we drive, the effectiveness that we drive through our catalyst tool we have a very robust sort of investment plan in our growth. So, it is actually a good phenomenon for the industry to invest.

Harit Kapoor: You are saying even on a net basis taking all factors you still believe this to be materially margin or at least a per case accretive for the business over the next three to five years?

Pradeep Jain: Absolutely, emphatically yes, emphatically yes. It is gross margin percentage accretive and hugely rupees per case accretive on EBITDA.

Harit Kapoor: The second one was on the franchising part in the popular business you know you have seen some changes there over the last 18 to 24 months probably accentuated by COVID as well. Just if you could give us a status check on you know where you are, what are those terms now probably without obviously I know you would not go into some of them because you are doing a strategic review as well but just from a franchise perspective where we are, what are those terms now and you know what gets booked now in the P&L versus what it was maybe 18-24 months back?

Pradeep Jain: So very similar, nothing has changed but again I do want to re-emphasize Harit on some of the operating model changes that we had done in terms of ways of doing business with the franchisees. So about 12 to 15 months ago we had created a separate dedicated strategic business unit for our popular business and we had a very, very senior team leader who kind of runs that business, someone who understands category management as well as operating models right, so we had transitioned into a joint-up business planning process with our

franchisees that has really dialed up the engagement and the speed and agility with which we respond in the marketplace of our franchised territories also right so overall we are happy with how that is done, the model remains exactly the same the franchise royalty gets booked in our NSV and that flows directly into our EBITDA. Obviously as you are aware Andhra Pradesh market access issue created a bit of a headwind there because that was a large business, and it was also the anchor business, the cash cow of our master franchisee right but we are pretty much through that and we have started lapping the impact of that.

Harit Kapoor: So, ex Andhra you feel uh the business on the franchise side is fairly stable and the royalty is stable and doing well?

Pradeep Jain: Stable and doing well.

Harit Kapoor: That is, it from me. Wish you all the best. Thank you.

Moderator: Thank you. Thank you so much. We will take the next question from Dheeraj Shah from Spark Capital. You may go ahead please.

Dheeraj Shah: Thanks for the opportunity. In the past, we have seen that the growth momentum in the industry gets disrupted with this regulatory interventions and Andhra being the latest case so the guidance that we have shared of double-digit growth is accommodating for such regulated disruptions which are quite periodic or regular and in this sector?

Hina Nagarajan: The answer is yes. I mean basically we have seen this volatility and I described this best by saying that I used to handle 37 countries in Africa and when some had issues the others did very well so net-net we were quite okay and I think India is combination of 36 countries right so the answer is the same right where you know some shutdown, others open up and we have seen that even when markets close down they do come back. We have seen that models become, we are able to work with the governments, get more acceptable models like we did in Uttarakhand and Chattisgarh so basically it does factor this, and it does factor the outlook, that look over a period of time this all balances out.

Dheeraj Shah: Second question is Hina, you made a very passionate case on renovation and innovation in the portfolio. If you can share some thoughts on potential intervention if at all required and go to market strategy as well?

Hina Nagarajan: So, look the route to market and go to market for us is quite defined, right. There is not a very different way to go. But there are newer avenues opening up like home delivery for instance right, so it is an unlock that happened during COVID and basically while it is still quite small and we know that these types of models take a long time to reach a tipping

point, we see it as a growth, a game changer in the future so we are going to continue to work on these models with regulators, retailers, and the platforms right as they evolve. The other go to market which I think is very important is this whole phenomenon of retail transformation right. We are very happy that states are gradually giving very progressive policies on changing the shape of retail in the state and look at what's happening in Delhi for instance. It is a real you know game changer so we will continue to strategically invest in retail transformation, some of the pictures I showed on my slide really improve the shopper experience, come closer to the consumer through this and of course digital, so I mean online whether online itself as a delivery mechanism is not big or not but digital engagement is quite high and we have been engaging, we have you know got programs like social goat etc., which take us closer to the consumer and actually activate around in-home consumption which has gone up quite a bit. So, I mean there is opportunity for us on the retail side on home delivery as it evolves on the digital side.

Dheeraj Shah: The last one apart from Pernod whom do you consider your key competition in the market and are you concerned about players like Radico gaining significant market share in IMFL segment?

Hina Nagarajan: Look I would say we are not pompous right. I think we look at all competition as competition to us and I think each company is doing well in what they are doing right. So, our view is to focus on the consumer and provide competitive and differentiated offerings in each segment for us to perform competitively. Definitely, we are cognizance of all competition and what they do.

Dheeraj Shah: That is all from my side and Happy Diwali to the team in advance.

Moderator: Thank you so much. We will take the next question from Mr Anand Tyagi. You may go ahead please.

Anand Tyagi: Can we expect the company to be debt-free by the end of this financial year and I know and with regards to the dividend distribution policy if you could share the dividend payout range in percentage terms and any plans to separately list RCB?

Pradeep Jain: Three questions. I will have to go very cautiously on each of them. Obviously, we cannot provide any forward-looking guidance right but all I will say is you can see the run rates what kind of cash flows we generate etc., and therefore what is the timeline by which you expect us to be debt free. It will be hopefully very soon one. Again, like I have said we definitely coming back into distribution of dividends is a topmost priority. We are just kind of restricted by the wipeout of the accumulated losses. You are as close to the numbers as I am right and again based on run rates you will broadly get a sense of when we will tip over

that. So that is the second thing and I definitely cannot disclose you know what are the kind of dividend distribution ratios that people get in but as and when you know we reach that point of time we will be happy to disclose. That's it and RCB Hina has already mentioned very, very core to our business, very, very dear to us. We are absolutely you know excited by the kind of returns it generates and we are happy to see its valuation going up by the recent bids also, nothing beyond that that we want to share.

Anand: Thank you. Thanks a lot.

Hina Nagarajan: I think time to wrap up. I just wanted to use the last few minutes to thank you all for your questions. To wrap up I would just like to say that I can best describe this time as a celebration of our culture and a great example of how diverse experiences and perspectives drives growth and creates value. We continue to be focused on meeting the moment and deliver in financial year 2022 and build on our current topline momentum. We will continue to invest in and accelerate what is already working and explore future growth opportunities and further unlock value from our ecosystem. I would really like to express my gratitude to all for their continued resilience, passion, and ownership. I really want to thank you for your time today, your ongoing partnership and support for our business. Please do stay safe and well and I wish all of you and your families a very Happy Diwali. Thank you so much.