DIAGEO
INDIA

United Spirits Limited

Registered Office:
UB Tower
#24 Vittal Mallya Road
Bengaluru 560 001
Tel: +91 80 2221 0705
Fax: +91 80 3985 6862
www.diageoindia.com

July 22, 2019

BSE Limited, (Regular Office & Corporate Relations Dept.)
Dalal Street, Mumbai 400 001
Scrip Code: 532432

National Stock Exchange of India Ltd
Exchange Plaza, C-1 Block G,
Bandra Kurla Complex,
Bandra East, Mumbai – 400051
Scrip Code: MCDOWELL-N

Dear Sir/Madam,

**Sub: Intimation of un-audited standalone and consolidated financial results for the Quarter and Three months ended June 30, 2019.**

The Board of Directors of the Company at the meeting held today, considered and took on record the un-audited standalone and consolidated financial results of the Company for the Quarter and Three months ended June 30, 2019 ("UFR"). The Limited Review Report ("LRR") thereon received from Statutory Auditors of the Company on the standalone and consolidated financial results were placed at the said Meeting.

UFR along with the LRR referred above and a Press Release in respect of this UFR are being uploaded on to your websites along with this letter.

Thanking you,

Yours faithfully,

for **United Spirits Limited**

**V Ramachandran**
**Company Secretary**

Enclosed: As Above

# UNITED SPIRITS LIMITED

## A DIAGEO Group Company

'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001

Tel +91 80 3985 6500, 2221 0705 | CIN: L01551KA1999PLC024991 | www.diageoindia.com

**Statement of Unaudited Standalone Financial Results for the quarter ended June 30, 2019**

(INR in Millions except for earnings per share data)

| | Particulars | 3 months ended June 30, 2019 | 3 months ended March 31, 2019 | 3 months ended June 30, 2018 | Previous year ended March 31, 2019 |
|---|---|---|---|---|---|
| | | Unaudited | Audited Refer Note 9 | Unaudited | Audited |
| 1 | **Income** | | | | |
| | (a) Revenue from operations | 70,778 | 72,156 | 64,121 | 285,123 |
| | (b) Other income | 101 | 119 | 133 | 952 |
| | **Total income** | 70,879 | 72,275 | 64,254 | 286,075 |
| 2 | **Expenses:** | | | | |
| | (a) Cost of materials consumed | 10,072 | 11,134 | 8,680 | 42,250 |
| | (b) Purchase of stock-in-trade | 727 | 705 | 254 | 2,892 |
| | (c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | 888 | 199 | 1,064 | 807 |
| | (d) Excise duty | 48,594 | 49,656 | 44,033 | 195,317 |
| | (e) Employee benefits expense | 1,381 | 1,704 | 2,048 | 6,753 |
| | (f) Finance costs | 520 | 605 | 582 | 2,200 |
| | (g) Depreciation, amortisation and impairment expense | 500 | 401 | 339 | 1,445 |
| | (h) Others: | | | | |
| | (i) Advertisement and sales promotion | 1,708 | 1,799 | 2,112 | 8,587 |
| | (ii) Loss allowance on trade receivables and other financial assets (net) | - | 247 | 122 | 1,077 |
| | (iii) Other expenses | 3,457 | 3,876 | 3,781 | 14,566 |
| | **Total expenses** | 67,847 | 70,326 | 63,015 | 275,894 |
| 3 | **Profit / (loss) before exceptional items and tax (1-2)** | 3,032 | 1,949 | 1,239 | 10,181 |
| 4 | Exceptional items [net credit / (charge)] | - | (65) | - | (267) |
| 5 | **Profit / (loss) before tax (3+4)** | 3,032 | 1,884 | 1,239 | 9,914 |
| 6 | Income tax expense | | | | |
| | (a) Current tax | 1,171 | 1,131 | 514 | 4,350 |
| | (b) Deferred tax charge / (credit) | (113) | (509) | (88) | (1,022) |
| | **Total tax expense** | 1,058 | 622 | 426 | 3,328 |
| 7 | **Profit / (loss) for the period (5-6)** | 1,974 | 1,262 | 813 | 6,586 |
| 8 | Other Comprehensive Income | | | | |
| | A. Items that will be reclassified to profit or loss | - | - | - | - |
| | B. Items that will not be reclassified to profit or loss | | | | |
| | (i) Remeasurements of post-employment benefit obligations | (359) | (45) | 20 | 15 |
| | (ii) Income tax credit / (charge) relating to these items | 125 | 16 | (7) | (5) |
| | **Total other comprehensive income, net of income tax** | (234) | (29) | 13 | 10 |
| 9 | **Total Comprehensive Income (7+8)** | 1,740 | 1,233 | 826 | 6,596 |
| 10 | **Paid up Equity Share Capital (Face value of INR 2/- each)** | 1,453 | 1,453 | 1,453 | 1,453 |
| | **Other Equity** | | | | 29,862 |
| 11 | **Earnings per share (Face value of INR 2/- each)** | | | | |
| | Basic and Diluted (INR) | 2.72 | 1.73 | 1.12 | 9.06 |

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Bengaluru

# UNITED SPIRITS LIMITED

## A DIAGEO Group Company

'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001

Tel +91 80 3985 6500, 2221 0705 | CIN: L01551KA1999PLC024991 | www.diageoindia.com

**Statement of Unaudited Consolidated Financial Results for the quarter ended June 30, 2019**

(INR in Millions except for earnings per share data)

| | Particulars | 3 months ended June 30, 2019 | 3 months ended March 31, 2019 | 3 months ended June 30, 2018 | Previous year ended March 31, 2019 |
|---|---|---|---|---|---|
| | | Unaudited | Unaudited | Unaudited | Audited |
| 1 | **Income** | | | | |
| | (a) Revenue from operations | 72,925 | 72,831 | 66,740 | 288,725 |
| | (b) Other income | 37 | 95 | 40 | 692 |
| | **Total Income** | **72,962** | **72,926** | **66,780** | **289,417** |
| 2 | **Expenses:** | | | | |
| | (a) Cost of materials consumed | 10,106 | 11,237 | 8,786 | 42,545 |
| | (b) Purchase of stock-in-trade | 727 | 705 | 225 | 2,832 |
| | (c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | 918 | 165 | 965 | 657 |
| | (d) Excise duty | 48,594 | 49,656 | 44,033 | 195,317 |
| | (e) Employee benefits expense | 1,419 | 1,734 | 2,086 | 6,898 |
| | (f) Finance costs | 581 | 648 | 621 | 2,372 |
| | (g) Depreciation, amortisation expense and Impairment | 630 | 558 | 582 | 2,147 |
| | (h) Others: | | | | |
| | (i) Advertisement and sales promotion | 1,715 | 1,811 | 2,098 | 8,591 |
| | (ii) Loss allowance on trade receivables and other financial assets (net) | - | 417 | 122 | 1,361 |
| | (iii) Other expenses | 4,541 | 4,258 | 5,202 | 16,588 |
| | **Total expenses** | **69,231** | **71,189** | **64,720** | **279,308** |
| 3 | **Profit / (loss) before share of net profit / (loss) in associate, exceptional items and tax (1-2)** | **3,731** | **1,737** | **2,060** | **10,109** |
| 4 | Share of net profit / (loss) in associate | (6) | (6) | - | (18) |
| 5 | **Profit / (loss) before exceptional items and tax (3+4)** | **3,725** | **1,731** | **2,060** | **10,091** |
| 6 | Exceptional items [net credit / (charge)] | - | 6 | - | 26 |
| 7 | **Profit / (loss) before tax (5 + 6)** | **3,725** | **1,737** | **2,060** | **10,117** |
| 8 | Income tax expense | | | | |
| | (a) Current tax | 1,355 | 1,157 | 604 | 4,467 |
| | (b) Deferred tax charge / (credit) | 737 | (566) | 100 | (1,070) |
| | (c) MAT credit utilised / (availed) | (184) | (24) | (90) | (116) |
| | **Total tax expense** | **1,908** | **567** | **614** | **3,281** |
| 9 | **Profit / (loss) for the period (7-8)** | **1,817** | **1,170** | **1,446** | **6,836** |
| 10 | Other Comprehensive Income | | | | |
| | A. Items that will be reclassified to profit or loss | | | | |
| | (i) Exchange differences on translation of foreign operations | (32) | 63 | (17) | 20 |
| | B. Items that will not be reclassified to profit or loss | | | | |
| | (i) Remeasurements of post-employment benefit obligations | (359) | (47) | 20 | 13 |
| | (ii) Income tax credit / (charge) relating to these items | 125 | 16 | (7) | (5) |
| | **Total other comprehensive income, net of income tax** | **(266)** | **32** | **(4)** | **28** |
| 11 | **Total Comprehensive Income (9+10)** | **1,551** | **1,202** | **1,442** | **6,864** |
| 12 | **Paid up Equity Share Capital (Face value of INR 2/- each)** | **1,453** | **1,453** | **1,453** | **1,453** |
| | **Other Equity** | | | | **29,419** |
| 13(a) | **Profit attributable to:** | | | | |
| | Owners of United Spirits Limited | 2,021 | 1,231 | 1,473 | 7,002 |
| | Non-controlling interest | (204) | (61) | (27) | (166) |
| | | **1,817** | **1,170** | **1,446** | **6,836** |
| 13(b) | **Other comprehensive income attributable to:** | | | | |
| | Owners of United Spirits Limited | (266) | 32 | (4) | 29 |
| | Non-controlling interest | (0) | (0) | (0) | (1) |
| | | **(266)** | **32** | **(4)** | **28** |
| 13(c) | **Total comprehensive income attributable to: [13(a) + 13(b)]** | | | | |
| | Owners of United Spirits Limited | 1,755 | 1,263 | 1,469 | 7,031 |
| | Non controlling Interest | (204) | (61) | (27) | (167) |
| | | **1,551** | **1,202** | **1,442** | **6,864** |
| 14 | **Earnings per share (Face value of INR 2/- each)** | | | | |
| | Basic and Diluted (INR) (Refer note below) | 2.85 | 1.74 | 2.08 | 9.87 |

Note: In calculating the weighted average number of outstanding equity shares during the period under consolidated results, the Company has reduced the wn shares held by USL Benefit Trust (of which the Company is the sole beneficiary)

United Spirits Ltd Bangalore

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Bengaluru

**United Spirits Limited**

**Notes to Unaudited Statement of Standalone and Consolidated Financial Results for the quarter ended June 30, 2019**

1. United Spirits Limited ('the Company' or 'the Holding Company') is engaged in the business of manufacture, purchase and sale of beverage alcohol and other allied spirits, including through tie-up manufacturing units and through strategic franchising of some of its brands. In addition, the Group holds perpetual right to the Bangalore Franchisee of Board of Control of Cricket in India- IPL.

   The Chief Operating Decision Maker of the Company assesses performance and allocates resources for the business of the Group as a whole and hence the management considers Group's business activities as a single operating segment.

2. The Group includes the Company's subsidiaries and a trust controlled by the Company. The subsidiaries/ trust included in the consolidated results are set out below:

   **Indian subsidiaries:**
   - Pioneer Distilleries Limited
   - Royal Challengers Sports Private Limited
   - Sovereign Distilleries Limited
   - Tern Distilleries Private Limited
   - Four Seasons Wines Limited (Up to January 16, 2019)

   **Overseas subsidiaries:**
   - Asian Opportunities and Investments Limited
   - Liquidity Inc.
   - McDowell & Co. (Scotland) Limited
   - Montrose International S.A
   - Palmer Investment Group Limited
   - Shaw Wallace Overseas Limited
   - UB Sports Management Overseas Limited
   - United Spirits (Great Britain) Limited
   - United Spirits (Shanghai) Trading Company Limited
   - United Spirits Singapore Trading Pte Ltd
   - United Spirits (UK) Limited
   - USL Holdings Limited
   - USL Holdings (UK) Limited

   **Trust controlled by the Company:**
   - USL Benefit Trust

The consolidated results also include the Group's share of total comprehensive income (comprising profit for the period and other comprehensive income) of the following associates:
- Hip Bar Private Limited (From June 25, 2018)
- Wine Society of India Private Limited (Up to January 16, 2019)

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3. This Statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (as amended) prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable.

4. **Transition to Ind AS 116 'Leases'**

   Effective April 1, 2019, the Group has adopted Ind AS 116, 'Leases'. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than twelve months, unless the underlying asset is of a low value.

   The Group has used the 'modified retrospective approach' for transition from the previous standard- Ind AS 17, and consequently, comparatives for previous periods have not been retrospectively adjusted. On transition, the Group has recorded the lease liability at the present value of future lease payments discounted using the incremental borrowing rate and has also chosen the practical expedient provided in the standard to measure the right-of-use at the same value as the lease liability.

   The adoption of the new standard resulted in recognition of 'Right-of-use' asset and an equivalent lease liability as on April 1, 2019. The effect of Ind AS 116 on the profit before tax, profit for the period and earnings per share is not material.

5. **Historical Matters**

   **(a) Additional Inquiry**

   As disclosed in the financial statements for the years ended March 31, 2017, March 31, 2018 and March 31, 2019, upon completion of the Initial Inquiry which identified references to certain additional parties and certain additional matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an additional inquiry into past improper transactions ('Additional Inquiry') which was completed in July 2016 and which prima facie identified transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's former non-executive chairman, Dr. Vijay Mallya, and other potentially improper transactions. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of the Company or its subsidiaries in prior periods. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliance with applicable laws in relation to such fund diversions.

   **(b) Subsidiaries Rationalisation**

   (i) As disclosed in the financial statements for the year ended March 31, 2019, the Company had sought approval of regulatory authorities for divesting its stake in Liquidity Inc., for liquidating its wholly owned subsidiary, USL Holdings Limited including its three wholly owned step-down overseas subsidiaries [USL Holdings (UK) Limited, United Spirits (UK) Limited and United Spirits (Great Britain) Limited] as well as for liquidating two of its other wholly owned overseas subsidiaries- United Spirits Trading (Shanghai) Company Limited and Montrose International S.A. The Board has also approved liquidation of McDowell & Co. (Scotland) Limited, Shaw Wallace Overseas Limited and United Spirits Singapore Trading Pte Ltd, for which the Company is in the process of seeking approval for liquidating the said subsidiaries. The Board has also approved merger of UB Sports Management Overseas Limited with Palmer Investment Group Limited and subsequently, merger of Palmer Investment Group Limited with the Company.

   The completion of the above sale as well as liquidations and mergers by the Company are subject to regulatory and other approvals (in India and overseas). During this Rationalisation Process, if any historical non-compliances are established, the Company will consult with its legal advisors, and

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address any such issues including, if necessary, considering filing appropriate compounding applications with the relevant authorities. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliances with applicable laws, if established.

(ii) Consequent to the above, the financial results of the following subsidiaries have been prepared and consolidated on a liquidation basis (i.e. "break up" basis) (i) USL Holdings Limited, (ii) USL Holdings (UK) Limited, (iii) United Spirits (UK) Limited, (iv) United Spirits (Great Britain) Limited, (v) McDowell & Co. (Scotland) Limited, (vi) Shaw Wallace Overseas Limited (vii) United Spirits Singapore Pte. Limited, (viii) United Spirits (Shanghai) Trading Company Limited and (ix) Montrose International SA. Accordingly, assets and liabilities of such subsidiaries have been recognised as current at their fair values that approximate to their carrying values as at June 30, 2019. Such re-measurement did not have any material impact on the consolidated financial results.

**(c) Loan to United Breweries (Holdings) Limited ('UBHL')**

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, the Company had pre-existing loans/ deposits/ advances/ accrued interest that were due to the Company and its subsidiaries from UBHL and its subsidiaries aggregating to INR 13,374 million and that were consolidated into, and recorded as, an unsecured loan through an agreement entered into between the Company and UBHL on July 3, 2013 ('Loan Agreement'). The Company has already made provision in prior financial years for the entire principal amount due, of INR 13,374 million, and for the accrued interest of INR 846 million up to March 31, 2014. The Company has not recognised interest income on said loan after March 31, 2014 which cumulatively amounts to INR 6,606 million upto June 30, 2019. The Company has offset payable to UBHL under the trademark agreement amounting to INR 82 million for the quarter ended June 30, 2019 and consequently, the corresponding provision for loan has been reversed to other expenses. The cumulative offset up to June 30, 2019 amounted to INR 1,440 million.

Since UBHL had defaulted on its obligations under the Loan Agreement, the Company sought redressal of disputes and claims through arbitration under the terms of the Loan Agreement. On April 8, 2018, the arbitral tribunal passed a final award against the Company. The reasons for this adverse award are disputed by the Company, and the Company has obtained leave from the High Court of Karnataka to file a challenge against this arbitral award. The Company has on July 6, 2018 filed the petition challenging the said award before the Jurisdictional Court in Bangalore (the "Court"). The Court has issued notice pursuant thereto on the Official Liquidator and the hearing has commenced. Notwithstanding the arbitration award, based on management assessment supported by an external legal opinion, the Company continues to offset payable to UBHL under the trademark agreement against the balance of loan receivable from UBHL.

**(d) Excess managerial remuneration**

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, the managerial remuneration for the financial year ended March 31, 2015 aggregating INR 153 million to the former Executive Director and Chief Financial Officer ('ED & CFO'), was approved by the shareholders at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 by INR 134 million. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration which was not approved and the Company had sought Central Government to reconsider approving the waiver of excess remuneration paid. In light of the findings from the Additional Inquiry, by its letter dated July 12, 2016, the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO and has filed a civil suit before the jurisdictional court to recover the sums from the former ED & CFO.



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**(e) Regulatory notices and communications**

The Company has previously received letters and notices from various regulatory and other government authorities as follows:

(i) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, from the Securities Exchange Board of India ('SEBI'), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya to which the Company has responded. No further communications have been received thereafter;

(ii) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, from the Ministry of Corporate Affairs ('MCA') in relation to its inspection conducted under Section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. The Company had also received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. During the year ended March 31, 2018, the Company filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices, and requested the Registrar to drop one show cause notice based on expert legal advice received. The Company is awaiting a response from the Registrar to the aforesaid applications. The management is of the view that the financial impact arising out of compounding/ adjudication of these matters will not be material to the Company's results;

(iii) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, from the Directorate of Enforcement ('ED') in connection with Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002, to which the Company had responded. No further communications have been received thereafter; and

(iv) as disclosed in the financial statements for the year ended March 31, 2017, March 31, 2018 and March 31, 2019, from the Company's authorised dealer banks in relation to certain queries from the Reserve Bank of India ('RBI') with regard to: (A) remittances made in prior years by the Company to its overseas subsidiaries; (B) past acquisition of the Whyte and Mackay group; (C) clarifications on Annual Performance Reports ('APR') submitted for prior years; and (D) compliances relating to the Company's overseas Branch office, all of which the Company had duly responded to except for the letter dated January 31, 2019 from the Company's authorised dealer bank relating to clarifications on Annual Performance Reports, to which the Company is in the process of responding.

**(f) Dispute with IDBI Bank Limited**

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, during the year ended March 31, 2014, the Company decided to prepay a term loan taken from IDBI Bank Limited (the "bank") in earlier years which was secured by certain property, plant and equipment and brands of the Company as well as by a pledge of certain shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The Company deposited a sum of INR 6,280 million, including prepayment penalty of INR 40 million, with the bank and



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instructed the bank to debit the amount from its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment, following which the Company filed a writ petition in November 2013 before the Hon'ble High Court of Karnataka challenging the actions of the bank.

In February 2016, following the original maturity date of the loan, the Company received a notice from the bank seeking to recall the loan and demanding a sum of INR 459 million on account of outstanding principal, accrued interest and other amounts as also further interest till the date of settlement. This notice was challenged by the Company by way of a separate application filed in the pending writ proceedings. The Hon'ble High Court of Karnataka, by an order passed in the said application, directed that, subject to the Company depositing INR 459 million with the bank in a suspense account, the bank should not deal with any of the secured assets including the shares until disposal of the writ petition. The Company deposited the full amount, and the bank was restrained from dealing with any of the secured assets.

In June 2019, a single judge bench of the Hon'ble High Court of Karnataka issued an order dismissing the writ petition filed by the Company, amongst other reasons, on the basis that the matter involved an issue of breach of contract by the Company and was therefore not maintainable in exercise of the court's writ jurisdiction. This order is disputed by the Company, and the Company has since filed an appeal against this order before a division bench of the Hon'ble High Court of Karnataka. Notwithstanding this order, based on management assessment supported by external legal opinions, the Company continues to believe that it has a strong case on merits and therefore continues to believe that the aforesaid amount of INR 459 million remains recoverable from the bank.

In a separate proceeding before the Debt Recovery Tribunal (DRT), Bengaluru, initiated by a consortium of banks (including the bank) for recovery of the loans advanced by the Bank to Kingfisher Airlines Limited (KAL), the bank filed an application for attachment of the pledged shares belonging to USL Benefit Trust. DRT dismissed the said application of the bank. Against the DRT order, the bank has filed an appeal before the Debt Recovery Appellate Tribunal, Chennai (DRAT), which is pending disposal.

**(g) Difference in yield of certain non-potable intermediaries and associated process losses**

As disclosed by the Company in its financial statements for the years ended March 31, 2019, during the quarter ended December 31, 2018, the Company came across information suggesting continuing past practices that may have resulted in yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process being higher than what has been reported to the relevant regulatory authorities (the 'Authorities') as per the records being maintained in certain plants (the 'Affected Plants').

With prior information to and engagement with the Authorities, the Company also engaged independent third party experts to undertake a physical verification of the inventory of intermediates on a sample basis in the Affected Plants, and shared these reports with the Authorities. Based on the understanding/ discussion with such Authorities and advice received from external legal counsels, the Company has discharged/ provided the amounts of financial obligation (which were determined to be not material) in the financial statements for the year ended March 31, 2019.

The Company re-evaluated the existing controls and processes in this area and strengthened the same before the year end. Under the direction of the board of directors, the management engaged an independent law firm to conduct a review of these past practices and during the quarter has taken appropriate action, where a violation of the company's code of business conduct had occurred.

Management will continue to monitor developments, if any, on this matter.



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**6. Deferred tax in subsidiary**

During the month of June 2019, management of Pioneer Distilleries Limited (PDL), a subsidiary of the Company undertook a detailed technical review of plant operations and processes. Based on the recommendations of this review, PDL proposed to augment its manufacturing infrastructure and processes which involves capital and overhauling spends resulting in temporary reduction in production volumes. Accordingly, the future business plans and projected profits have been re-evaluated. Further, in light of reduction in production volumes and increase in cost of materials, overheads and interest, PDL's ability to earn sufficient taxable profits is likely to be impeded resulting in probable non utilisation of deferred tax assets (including MAT credit) against unused tax losses and therefore, as a matter of prudence, deferred tax assets amounting to INR 602 million (including MAT credit of INR 117 million) have been written-off in PDL's financial results for the quarter ended June 30, 2019, which have been included in the Statement of Unaudited Consolidated Statement of Financial Results of the Company for the quarter ended June 30, 2019.

**7. Sale of bulk scotch**

Revenue from operations and profit before tax for the quarter includes an amount of INR 971 million and INR 562 million, respectively, from sale of bulk scotch which was held by the Company's branch outside India, to Diageo Scotland Limited, a fellow subsidiary of the Company.

**8. Re-measurement of defined benefit obligations**

During the quarter ended June 30, 2019, the Company has recognized an impairment charge of INR 234 million (net of tax of INR 125 million) in Other Comprehensive Income arising from impairment in the fair value of certain investments held by the Company administered Provident Fund trust.

9. Figures for the quarter ended March 31, 2019, are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures up to the third quarter of that financial year, as adjusted for certain regroupings/ reclassifications.

10. The figures for the previous periods presented have been regrouped/ reclassified where necessary, to conform with the current period's presentation for the purpose of comparability.

11. The figures for the quarter ended March 31, 2019 and the quarter June 30, 2018, included in the Statement of Consolidated Financial Results for the quarter ended June 30, 2019 have been approved by the Holding Company's Board of Directors, but have not been subjected to review as the mandatory requirement for limited review has been made applicable for periods beginning April1, 2019, pursuant to Regulation 33(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended .

12. The Statement of Standalone and Consolidated Financial Results for the quarter ended June 30, 2019 has been reviewed by the Audit and Risk Management Committee of the Board of Directors and approved by the Board of Directors at their respective meetings held on July 22, 2019.

By authority of the Board

Anand Kripalu
Managing Director and Chief Executive Officer

Place: Mumbai
Date: July 22, 2019



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Bengaluru

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# Price Waterhouse & Co Chartered Accountants LLP

## Independent Auditor's Report on the Statement of consolidated financial results

To
The Board of Directors
United Spirits Limited
UB Tower,
#24, Mallya Road,
Bengaluru – 560 001

### Introduction

1. We have reviewed the unaudited consolidated financial results of United Spirits Limited (the "Company"), hereinafter referred to as the "Holding Company"), its subsidiaries and the trust controlled by it, together referred to as "the Group", and its associate company (Refer Note 2 to the unaudited Consolidated financial results) for the quarter ended June 30, 2019 together with the notes thereon which are included in the accompanying "Statement of Unaudited Consolidated Financial Results for the quarter ended June 30, 2019" (the "Consolidated Statement"). The Consolidated Statement has been prepared by the Holding Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations, 2015") which has been initialled by us for identification purposes. Attention is drawn to Note 11 of the Consolidated Statement which states that the consolidated figures for the corresponding quarter ended March 31, 2019 and the quarter ended June 30, 2018, as reported in the Consolidated Statement have been approved by the Holding Company's Board of Directors, but have not been subjected to review for the reason explained in the said note.

2. This Consolidated Statement, which is the responsibility of the Holding Company's Management and approved by the Holding Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Consolidated Statement based on our review.

### Scope of review

3. We conducted our review of the Consolidated Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Consolidated Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

   We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33 (8) of the Listing Regulations, 2015, to the extent applicable.

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Registered office and Head office: Plot No. Y-14, Block EP, Sector V, Salt Lake Electronic Complex, Bidhan Nagar, Kolkata 700 091

## Conclusion

4. Based on our review conducted and procedures performed as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Consolidated Statement has not been prepared in all material respects in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India and has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, 2015, including the manner in which it is to be disclosed, or that it contains any material misstatement.

## Emphasis of Matter

5. We draw your attention to the following matters:
   a) As explained in Note 5(a) to the Consolidated Statement, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO of the Holding Company, pursuant to the direction of the Board of Directors of the Holding Company, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Holding Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Holding Company's erstwhile non-executive Chairman and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Holding Company and/or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Group, if any, arising from potential non-compliances with applicable laws in respect of the above.

   b) As explained in Note 5(b)(i) to the Consolidated Statement, the Group has commenced the rationalisation process for divestment/ liquidation/ merger of certain overseas subsidiaries, including step-down subsidiaries. The completion of the above process is subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Group, if any, arising out of potential historical non-compliances with applicable laws, if established.

   c) As explained in Note 5(d) to the Consolidated Statement, the Managerial remuneration for the year ended March 31, 2015 included amount paid in excess of the limit prescribed under the provisions of Schedule V to the Act by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO) of the Holding Company. The Holding Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration from the former ED & CFO of the Holding Company.

   d) Note 5(e) to the Consolidated Statement:

      i. regarding clarifications sought by Securities and Exchange Board of India on matters covered by the Holding Company's Initial Inquiry and Additional Inquiry and certain aspects of the agreement entered into by the Holding Company with its erstwhile non-executive Chairman to which the Holding Company has responded;

      ii. regarding various issues raised and show cause notices issued pursuant to an inspection under Section 206(5) of the Companies Act, 2013 by Ministry of Corporate Affairs/ Registrar of Companies, Karnataka, alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Holding Company had responded. Following the aforesaid show cause notices, the Holding Company received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the "Registrar") inviting the Holding Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013. The Holding Company thereafter filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and requested the Registrar to drop one show cause notice based on expert legal advice received, for which response is awaited;

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iii. regarding the ongoing investigation by the Directorate of Enforcement in connection with the agreement entered into by the Holding Company with its erstwhile non-executive Chairman and investigations under the provisions of Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act. 2002 to which the Holding Company had responded; and

iv. regarding clarifications sought by Authorised Dealer banks in relation to certain queries from the Reserve Bank of India with regard to remittances made in prior years by the Holding Company to its overseas subsidiaries, past acquisition of the Whyte and Mackay group, clarifications on Annual Performance Reports submitted for prior years and clarifications on compliances relating to the Holding Company's overseas Branch office, to which the Holding Company has responded/ is in process of responding.

e) As explained in Note 5(f) to the Statement, the Holding Company is in litigation with a bank ("the Bank") that continues to retain the pledge of certain assets of the Holding Company and of the Holding Company's shares held by USL Benefit Trust (of which the Holding Company is the sole beneficiary) despite the Holding Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the Bank and as directed by the Hon'ble High Court of Karnataka (the "Court"). In June 2019, a single judge bench of the Court has issued an order dismissing the writ petition filed by the Holding Company. This adverse order is disputed by the Holding Company, and the Holding Company has since filed an appeal against this order before a division bench of the Court. In a separate proceeding before the Debt Recovery Appellate Tribunal, the Bank's appeal against the judgement awarded by the Debt Recovery Tribunal in favour of the Holding Company in respect of attachment of the aforesaid pledged shares for recovery of the loans advanced by the Bank to Kingfisher Airlines Limited is pending disposal.

f) As explained in Note 5(g) to the Consolidated Statement, the Company came across information suggesting continuing past practices resulting in differences in reporting to the relevant Regulatory Authorities of yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process. Related actions taken and monitoring of future development by the Company in this respect have been described in the said note.

g) As explained in Note 5(b)(ii) to the Consolidated Statement, consequent to the rationalisation process initiated by the Holding Company in respect of certain overseas subsidiaries including step down subsidiaries, the financial results of such subsidiaries included in the accompanying Consolidated Statement have been prepared on a liquidation basis. Accordingly, the assets and liabilities of such subsidiaries have been recognized as current at their fair values that approximate to their carrying values as at June 30, 2019.

Our conclusion is not modified in respect of the matters described under paragraph 5 above.

**Other Matter**

6. The Consolidated Statement includes the financial results of 13 overseas subsidiaries and a trust controlled by the Group which have not been reviewed by their auditors, whose financial results reflect total revenue of INR nil, total net profit after tax of INR 85 million and total comprehensive income of INR 79 million for the quarter ended June 30, 2019. The Consolidated Statement also includes the Group's share of net loss after tax of INR 6 million and total comprehensive loss of INR 6 million for the quarter ended June 30, 2019 in respect of an associate company, based on their financial results which have not been reviewed by their auditors. According to the information and explanations given to us by the Management, the financial results of the aforesaid subsidiaries, trust and associate are not material to the consolidated results.

Our conclusion on the Consolidated Statement is not modified in respect of the above matter.

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7. We were neither engaged to review, nor have we reviewed the comparative figures for the quarter ended on June 30, 2018 and quarter ended March 31, 2019 and accordingly we do not express any conclusion on these results in the Consolidated Statement. As set out in note 11 to the Consolidated Statement, these figures have been furnished by the Management.

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number: 304026E/ E-300009

Pradip Kanakia
Partner
Membership Number: 039985
UDIN: 19039985AAAAAD7081

Place: Bengaluru
Date: July 22, 2019

# Price Waterhouse & Co Chartered Accountants LLP

### Independent Auditor's Report on the Statement of standalone financial results

To
The Board of Directors
United Spirits Limited
UB Tower,
#24, Mallya Road,
Bengaluru 560 001

### Introduction

1. We have reviewed the unaudited Standalone financial results of United Spirits Limited (the "Company") for the quarter ended June 30, 2019 together with the notes thereon which are included in the accompanying 'Statement of Unaudited Standalone Financial Results for the quarter ended June 30, 2019' (the "Standalone Statement"). The Standalone Statement has been prepared by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations, 2015"), which has been initialled by us for identification purposes.

2. This Standalone Statement, which is the responsibility of the Company's management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Standalone Statement based on our review.

### Scope of Review

3. We conducted our review of the Standalone Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Standalone Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

4. Based on our review conducted and procedures performed as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Standalone Statement has not been prepared in all material respects in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India and has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

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Registered office and Head office: Plot No. Y-14, Block EP, Sector V, Salt Lake Electronic Complex, Bidhan Nagar, Kolkata 700 091

### Emphasis of Matter

5. We draw your attention to the following matters:

   a) As explained in Note 5(a) to the Standalone Statement, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's erstwhile non-executive Chairman and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Company and/or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Company, if any, arising from potential non-compliances with applicable laws in respect of the above.

   b) As explained in Note 5(b)(i) to the Standalone Statement, the Company has commenced the rationalisation process for divestment/ liquidation/ merger of certain overseas subsidiaries including step down subsidiaries. The completion of the above process is subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential historical non-compliances with applicable laws, if established.

   c) As explained in Note 5(d) to the Standalone Statement, the Managerial remuneration for the year ended March 31, 2015 included amount paid in excess of the limit prescribed under the provisions of Schedule V to the Act by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO). The Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration from the former ED & CFO.

   d) Note 5(e) to the Standalone Statement:

      i. regarding clarifications sought by Securities and Exchange Board of India on matters covered by the Company's Initial Inquiry and Additional Inquiry and certain aspects of the agreement entered into by the Company with its erstwhile non-executive Chairman to which the Company has responded;

      ii. regarding various issues raised and show cause notices issued pursuant to an inspection under Section 206(5) of the Companies Act, 2013 by Ministry of Corporate Affairs/ Registrar of Companies, Karnataka, alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. Following the aforesaid show cause notices, the Company received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the "Registrar") inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013. The Company thereafter filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and requested the Registrar to drop one show cause notice based on expert legal advice received, for which response is awaited;

      iii. regarding the ongoing investigation by the Directorate of Enforcement in connection with the agreement entered into by the Company with its erstwhile non-executive Chairman and investigations under the provisions of Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Company had responded; and

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iv. regarding clarifications sought by Authorised Dealer banks in relation to certain queries from the Reserve Bank of India with regard to remittances made in prior years by the Company to its overseas subsidiaries, past acquisition of the Whyte and Mackay group, clarifications on Annual Performance Reports submitted for prior years and clarifications on compliances relating to the Company's overseas Branch office, to which the Company has responded/ is in process of responding.

e) As explained in Note 5(f) to the Standalone Statement, the Company is in litigation with a bank ("the Bank") that continues to retain the pledge of certain assets of the Company and of the Company's shares held by USL Benefit Trust (of which the Company is the sole beneficiary) despite the Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the Bank and as directed by the Hon'ble High Court of Karnataka (the "Court"). In June 2019, a single judge bench of the Court has issued an order dismissing the writ petition filed by the Company. This adverse order is disputed by the Company, and the Company has since filed an appeal against this order before a division bench of the Court. In a separate proceeding before the Debt Recovery Appellate Tribunal, the Bank's appeal against the judgement awarded by Debt Recovery Tribunal in favour of the Company in respect of attachment of the aforesaid pledged shares for recovery of the loans advanced by the Bank to Kingfisher Airlines Limited is pending disposal.

f) As explained in Note 5(g) to the Standalone Statement, the Company came across information suggesting continuing past practices resulting in differences in reporting to the relevant Regulatory Authorities of yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process. Related actions taken and monitoring of future development by the Company in this respect have been described in the said note.

Our conclusion is not modified in respect of the matters described under paragraph 5 above.

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number: 304026E/ E-300009

Pradip Kanakia
Partner
Membership Number: 039985
UDIN: 19039985AAAAAC2064

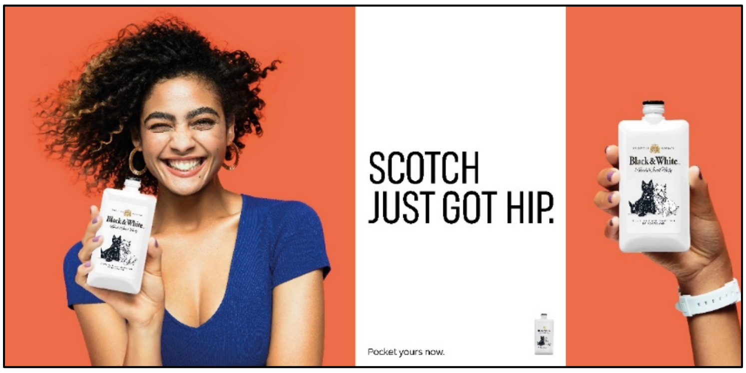
Place: Bengaluru
Date: July 22, 2019

# UNITED SPIRITS LIMITED

# PRESS RELEASE

Unaudited financial results for the quarter ended 30 June 2019

(Standalone only)

## Underlying* EBITDA margin of 16% in the first quarter despite significant COGS inflation

**First quarter performance highlights:**

- Reported net sales increased 10%, partially benefiting from a one-time sale of bulk Scotch. Net sales excluding this one-time benefit grew 6%, impacted by general elections.
- Prestige & Above segment net sales grew 9%.
- Popular segment reported net sales grew 2%. Net sales, after adjusting for the impact of operating model changes, grew 3%, benefitting from a softer preceding quarter in one of the key states. Net sales of Popular segment in priority states grew 4%.
- Gross margin was 47.3%, down 291bps versus last year, primarily due to the adverse impact of COGS inflation as well as due to part-absorption of excise duty hike in Maharashtra. Underlying* gross margin decline was 359bps.
- Reported EBITDA was Rs. 395 Crores, up 95%. Despite gross margin erosion versus last year, EBITDA margin was 17.8%, up 772bps, primarily driven by savings in operating costs and phasing effect of marketing investment. Underlying* EBITDA increased 42% and underlying* EBITDA margin was 16%; 407bps higher than last year.
- Interest costs were Rs. 52 Crores, 11% lower, driven by our continued focus on debt reduction.
- Profit after tax was Rs. 197 Crores, up 143%.

## Anand Kripalu, CEO, commenting on the quarter ended 30 June 2019 said:

"During the quarter, our core business was affected by general elections in line with our earlier guidance. However, benefitted by a one-time sale of bulk Scotch, net sales grew 10%; excluding which, net sales grew 6%.

The Prestige and Above segment net sales grew 9%, on a base of 19% growth in the same quarter last year. Within that, our Scotch portfolio continued to do well, particularly Black Dog and Black & White, with both showing strong momentum.

On profitability, COGS inflation as well as adverse price/mix significantly impacted gross margin for the quarter. However, I am pleased that despite considerable gross margin erosion, we delivered 407bps of underlying* EBITDA margin improvement, primarily through savings in our operating costs, notwithstanding the phasing benefit of marketing investment.

We trimmed down the reinvestment rate for the quarter in light of the ongoing general elections; however, it should normalize over the course of the year as investing behind our brands continues to be an area of strategic priority for us.

Improved operating performance combined with lower interest costs have helped us deliver an overall PAT increase of 143% versus last year.

Looking ahead, while we remain watchful of the broader economic slowdown and its impact on the overall consumption in the near term, we remain committed to our medium-term ambition to grow top line by double digits and to improve EBITDA margin to mid-high teens."

*Note: *Underlying movement in Gross marging excludes the one-time benefit from bulk Scotch sale in Q1F20. Underlying EBITDA and EBITDA margin excludes the one-time benefit from bulk Scotch sale in Q1F20 as well as restructuring costs in Q1F19.*

# KEY FINANCIAL INFORMATION

For the quarter ended 30 June 2019

## Summary financial information

| | | **F20** **Q1** | F19 Q1 | Reported Movement % |
|---|---|---|---|---|
| **Volume** | *EUm* | **19.3** | **18.2** | **6** |
| **Net sales** | *Rs. Crores* | **2,218** | **2,009**[1] | **10** |
| COGS | *Rs. Crores* | (1,169) | (1,000)[1] | 17 |
| **Gross profit** | *Rs. Crores* | **1,050** | **1,009**[1] | **4** |
| Staff cost | *Rs. Crores* | (138)[2] | (205)[2] | (33) |
| Marketing spend | *Rs. Crores* | (171) | (211) | (19) |
| Other Overheads | *Rs. Crores* | (346) | (390)[1] | (11) |
| **EBITDA** | *Rs. Crores* | **395** | **203**[1] | **95** |
| Other Income | *Rs. Crores* | 10 | 13[1] | (24) |
| Depreciation | *Rs. Crores* | (50) | (34) | 47 |
| **EBIT** | *Rs. Crores* | **355** | **182** | **95** |
| Interest | *Rs. Crores* | (52) | (58)[1] | (11) |
| **PBT before exceptional items** | *Rs. Crores* | **303** | **124** | **145** |
| Exceptional items | *Rs. Crores* | - | - | - |
| **PBT** | *Rs. Crores* | **303** | **124** | **145** |
| Tax | *Rs. Crores* | (106) | (43) | 148 |
| **PAT** | *Rs. Crores* | **197** | **81** | **143** |

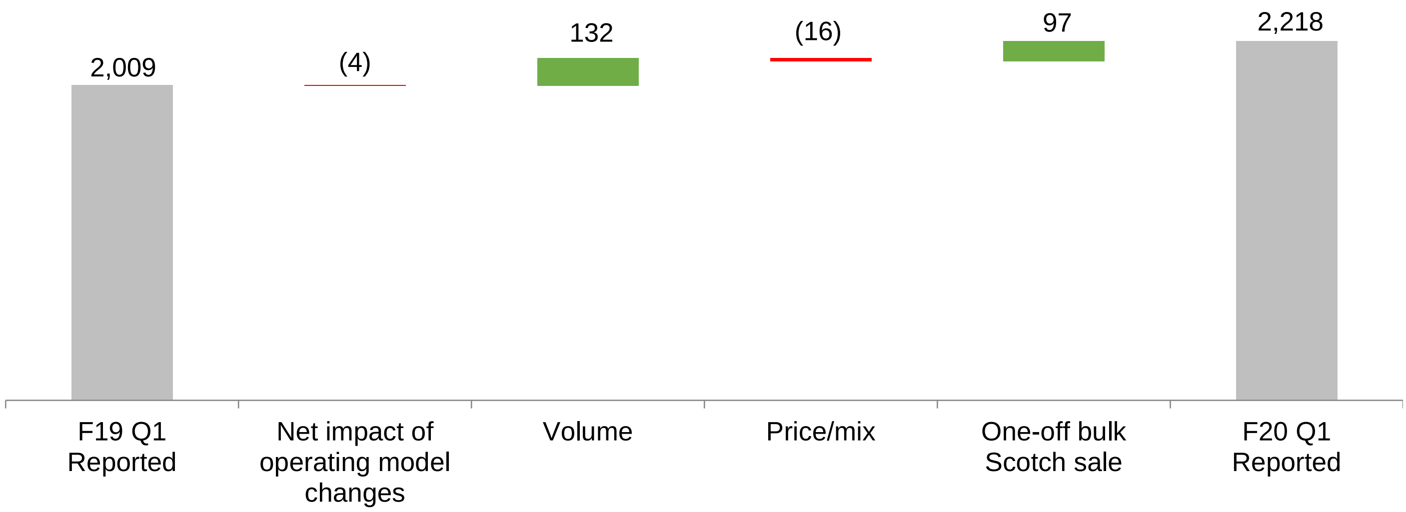
**Key performance indicators as a % of net sales:**

| | | **F20** **Q1** | F19 Q1 | Movement bps |
|---|---|---|---|---|
| Gross profit | % | 47.3 | 50.2[1] | (291) |
| Staff cost | % | 6.2[2] | 10.2[2] | 397 |
| Marketing spend | % | 7.7 | 10.5 | 281 |
| Other Overheads | % | 15.6 | 19.4 | 385 |
| EBITDA | % | 17.8 | 10.1[1] | 772 |
| PAT | % | 8.9 | 4.0 | 485 |
| Basic earnings per share* | *rupees* | 2.72 | 1.12 | 1.60 |
| Earnings per share before exceptional items* | *rupees* | 2.72 | 1.12 | 1.60 |

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

*[1] These numbers have undergone a regrouping adjustment – please refer to the Annexure 1 in F19FY Press Release for further details.*
*[2] Staff cost include a one-off restructuring cost of Rs 36 Crores in F19Q1 and Rs 2 Crores in F20Q1.*

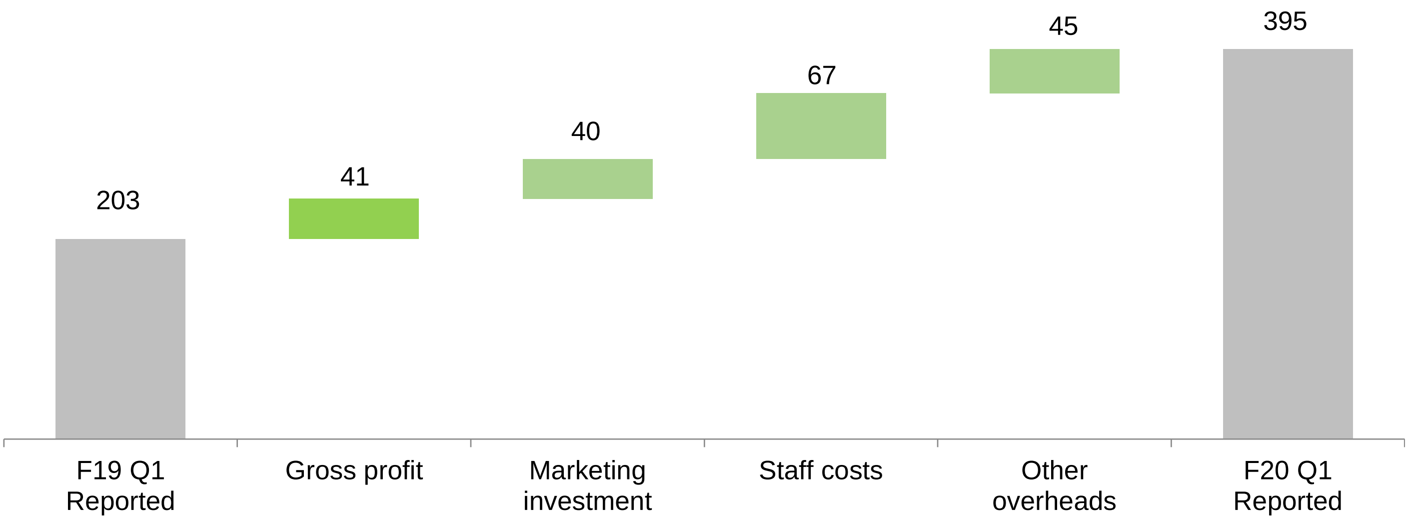
## Net sales (Rs. Crores)




Reported net sales increased 10% in the first quarter partly due to a one-time benefit from sale of bulk Scotch. After adjusting for this one-time benefit, underlying net sales increased 6%, in-part impacted by general elections. Net Sales of Prestige & Above segment grew 9%; reported net sales of Popular segment grew 2% and after adjusting for the operating model changes, popular segment net sales grew 3%.

Volume growth was 7%, with the Prestige & Above volume growing at 8% and Popular segment volume growing at 5% after adjusting for the operating model changes. Underlying price/mix for the quarter was (1)%, driven by part-absorption of a steep Excise Duty hike in Maharashtra in the preceding quarter as well as adverse state-mix in Popular segment.

## EBITDA (Rs. Crores)




EBITDA at Rs. 395 Crores, increased 95% versus same period last year, with underlying* EBITDA increasing by 42%. Reported staff cost decreased 33%, but after removing one-off restructuring costs of Rs. 36 Crores in Q1F19 and Rs. 2 Crores in Q1F20, underlying staff costs decreased by 19%. Other overheads decreased by 11%, contributing an additional Rs. 45 crores to EBITDA. Additionally, marketing investment for the quarter was timmed in light of the onging general elections, with a reinvesment rate of 7.7% (underlying reinvestment rate of 8.1%, net of bulk Scotch sale).

*Note: * Underlying EBITDA excludes the one-time benefit from bulk Scotch sale in Q1F20 as well as restructuring costs in Q1F19.*

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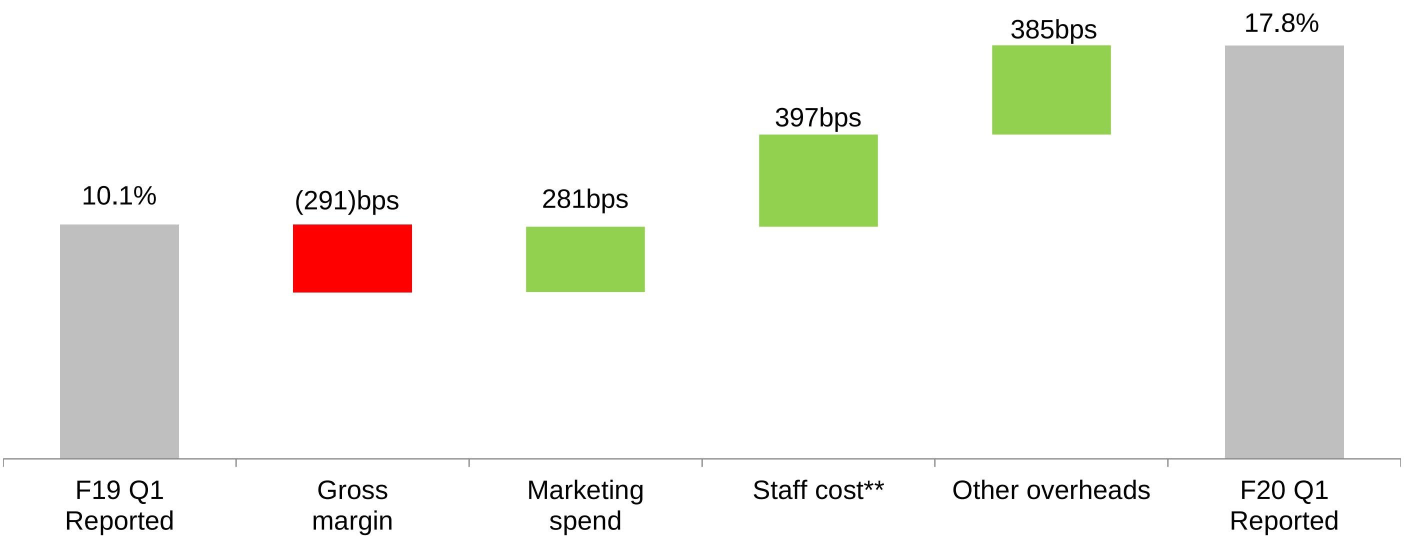
**EBITDA margin (%, bps)**




Reported EBITDA margin of 17.8% improved by 772bps. Underlying* EBITDA margin was 16.0%, up 407bps, despite significant erosion in gross margin.

Reported gross margin decreased by 291bps, primarily impacted by significant COGS inflation. Savings in staff costs contributed 397bps to the EBITDA margin improvement, followed by savings in other overheads which contributed an additional 385bps. Finally, lower A&P reinvestment contributed another 281bps, which was more of a phasing effect and should normalise over the course of the year.

*Note: *Underlying EBITDA margin excludes the one-time benefit from bulk Scotch sale in Q1F20 as well as restructuring costs in Q1F19.*

***Staff cost in F20Q1 include a one-off restructuring cost of Rs 2 Crores and staff cost in F19Q1 include a one-off restructuring cost of Rs 36 Crores. Adjusted for the one-offs, staff cost savings added 198bps to the underlying EBITDA margin improvement year on year.*

# SEGMENT AND BRAND REVIEW

For the quarter ended 30 June 2019

## Key segments:

### For the quarter ended 30 June 2019

| | Volume | | | | Net Sales | | | |
|---|---|---|---|---|---|---|---|---|
| | **F20 Q1 Reported *EUm*** | F19 Q1 Reported *EUm* | Reported movement % | **Underlying* movement %** | **F20 Q1 Reported *Rs. Cr.*** | F19 Q1 Reported *Rs. Cr.* | Reported movement % | **Underlying* movement %** |
| P&A | **10.3** | 9.5 | 8 | **8** | **1,423** | 1,309 | 9 | **9** |
| Popular | **9.0** | 8.7 | 4 | **5** | **643** | 629 | 2 | **3** |
| TOTAL | **19.3** | 18.2 | 6 | **7** | **2,218** | 2,009 | 10 | **6** |

- The **Prestige & Above segment** accounted for 64% of net sales during the first quarter, down 1ppts compared to same period last year, primarily due to the one-time sale of bulk Scotch affecting the relative salience of the segments; net of that, the segment accounted for 67% of net sales, up 2ppts versus last year.

  Prestige & Above segment net sales grew 9% in first quarter. In line with last year's trend, the Luxury portfolio continued to grow faster than the Premium portfolio, which in turn grew faster than the Prestige portfolio, further reinforcing the ongoing premiumisation.

  Furthermore, the Scotch portfolio, including both Bottled in Origin (BIO) as well as Bottled in India (BII) brands, grew much faster than the overall Prestige & Above portfolio.

- The **Popular segment** accounted for 29% of net sales during the first quarter, down 2ppts compared to same quarter last year, in part due to the one-time sale of bulk Scotch affecting the relative salience of the segments, net of that, the segment accounted for 30% of net sales, down 1 ppt versus last year.

  The Popular segment net sales grew 3% after adjusting for the one-off impact of operating model changes. Net sales of Popular segment in Priority states grew 4% during the quarter.

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**Cautionary statement concerning forward-looking statements**

This document contains 'forward-looking' statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to United Spirits Limited („USL"), anticipated cost savings or synergies, expected investments, the completion of USL's strategic transactions and restructuring programmes, anticipated tax rates, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside USL's control. USL neither intends, nor assumes any obligation, to update or revise these forward-looking statements in the light of any developments which may differ from those anticipated.


| | | | |
|---|---|---|---|
| **Investor enquiries to:** | Nidhi Verma | +91 97 6940 1515 | Nidhi.Verma@diageo.com |
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DIAGEO
INDIA

# Q&A CONFERENCE CALL

Anand Kripalu, Managing Director and Chief Executive Officer and Sanjeev Churiwala, Executive Director and Chief Financial Officer will be hosting a Q&A conference call on **Tuesday, 23 July 2019** at **12:00 pm** (IST time). If you would like to listen to the call or ask a question, please use the dial in details below.

A transcript of the conference call will be available for download on 26 July 2019 at www.diageoindia.com..

## Conference Access Information

### Option 1

Connect to your call without having to wait for an operator. It's easy, It's convenient, It's effective.

DiamondPass™ Click here to Express*Join* the Call

Or Copy this URL in your browser:
https://services.choruscall.in/DiamondPassRegistration/register?confirmationNumber=90904&linkSecurityString=261cc170

*The above button has been hyperlinked for this specific conference only and should not be reused for other calls..*

### Option 2

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

| | |
|---|---|
| **Universal Access** | +91 22 7115 8151 |
| | +91 22 6280 1250 |
| **Local Access**<br>Available all over India | +91-7045671221 |

**International Toll Free**

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|---|---|
| Hong Kong | 800964448 |
| Singapore | 8001012045 |
| UK | 08081011573 |
| USA | 18667462133 |

**International Toll**

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|---|---|
| Hong Kong | 85230186877 |
| Singapore | 6531575746 |
| UK - London | 442034785524 |
| USA – Los Angeles | 13233868721 |