DIAGEO
INDIA

United Spirits Limited

Registered Office:
'UB Tower'
#24, Vittal Mallya Road,
Bengaluru – 560 001
Tel: +91 80 4544 8000
Fax: +91 80 3985 6862
www.diageoindia.com

27th January 2021

BSE Limited
Listing Department
Dalal Street,
Mumbai 400 001
Scrip Code: 532432

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

Dear Sirs,

Sub: Intimation of unaudited financial results for the quarter ended 31st December 2020

The Board of Directors of the Company at their meeting held today, *inter-alia* approved the unaudited standalone and consolidated financial results of the Company for the quarter ended 31st December 2020 ("UFR"). The Limited Review Report ("LRR") thereon, received from the statutory auditors of the Company on the standalone and consolidated financial results were placed at the said meeting. UFR along with the LRR and a Press Release in respect of this UFR are enclosed and are being uploaded on to your websites along with this letter.

The Board meeting commenced at 5:05 pm IST and concluded at 6.44 pm IST.

This is for your information & records.

Thank you,

For United Spirits Limited

MITAL ARVIND SANGHVI

Digitally signed by MITAL ARVIND SANGHVI
Date: 2021.01.27 18:46:52 +05'30'

Mital Sanghvi
Company Secretary

Encl: as above

UNITED SPIRITS LIMITED

A DIAGEO Group Company

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

Tel +91 80 4544 8000 | CIN: L01551KA1999PLC024991 | www.diageoindia.com

Unaudited Standalone Statement of Financial Results for the quarter and nine months ended December 31, 2020

(INR in Millions except for earnings per share data)

	Particulars	3 months ended December 31, 2020	3 months ended September 30, 2020	3 months ended December 31, 2019	9 months ended December 31, 2020	9 months ended December 31, 2019	Previous year ended March 31, 2020
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	**Income**						
	(a) Revenue from operations	82,260	74,593	78,072	195,043	221,669	285,892
	(b) Other income	194	128	176	417	414	455
	Total income	**82,454**	**74,721**	**78,248**	**195,460**	**222,083**	**286,347**
2	**Expenses:**						
	(a) Cost of materials consumed	12,521	11,390	11,363	30,154	34,882	46,239
	(b) Purchase of stock-in-trade	1,449	351	1,015	2,308	2,498	2,907
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(185)	677	1,988	(248)	1,310	1,074
	(d) Excise duty	57,373	53,134	52,247	138,395	150,698	194,983
	(e) Employee benefits expense	1,560	1,400	1,266	4,163	4,108	5,143
	(f) Finance costs	377	507	455	1,383	1,427	1,907
	(g) Depreciation, amortisation and impairment expense	614	571	524	1,823	1,597	2,275
	(h) Others:	-					
	(i) Advertisement and sales promotion	2,346	1,835	2,511	4,699	5,953	7,153
	(ii) Loss allowance on trade receivables and other financial assets (net)	(56)	(85)	(183)	515	(339)	(503)
	(iii) Other expenses	3,414	3,194	3,625	9,298	10,212	13,835
	Total expenses	**79,413**	**72,974**	**74,811**	**192,490**	**212,346**	**275,013**
3	**Profit before exceptional items and tax (1 - 2)**	**3,041**	**1,747**	**3,437**	**2,970**	**9,737**	**11,334**
4	Exceptional items, net (Refer Note 5)	-	-	-	(750)	-	13
5	**Profit before tax (3 + 4)**	**3,041**	**1,747**	**3,437**	**2,220**	**9,737**	**11,347**
6	Income tax expense						
	(a) Current tax	824	328	949	1,152	2,691	3,063
	(b) Current tax relating to earlier years	(13)	(4)	-	(17)	-	857
	(c) Deferred tax charge / (credit)	(69)	139	(100)	(345)	238	380
	Total tax expense	**742**	**463**	**849**	**790**	**2,929**	**4,300**
7	**Profit for the period (5 - 6)**	**2,299**	**1,284**	**2,588**	**1,430**	**6,808**	**7,047**
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 plans	-	-	-	-	(367)	(366)
	(ii) Income tax credit / (charge) relating to above	-	-	-	-	92	92
	Total other comprehensive income, net of income tax	**-**	**-**	**-**	**-**	**(275)**	**(274)**
9	**Total Comprehensive Income (7 + 8)**	**2,299**	**1,284**	**2,588**	**1,430**	**6,533**	**6,773**
10	**Paid up Equity Share Capital (Face value of INR 2/- each)**	1,453	1,453	1,453	1,453	1,453	1,453
11	**Other Equity**						36,644
12	**Earnings per share of INR 2/- each:**						
	Basic and Diluted (in INR)	3.16	1.76	3.56	1.96	9.37	9.70

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Unaudited Consolidated Statement of Financial Results for the quarter and nine months ended December 31, 2020

(INR in Millions except for earnings per share data)

	Particulars	3 months ended December 31, 2020	3 months ended September 30, 2020	3 months ended December 31, 2019	9 months ended December 31, 2020	9 months ended December 31, 2019	Previous year ended March 31, 2020
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	**Income**						
	(a) Revenue from operations	84,103	75,094	78,123	197,404	224,047	288,237
	(b) Other income	188	110	58	350	141	220
	Total income	**84,291**	**75,204**	**78,181**	**197,754**	**224,188**	**288,457**
2	**Expenses:**						
	(a) Cost of materials consumed	12,546	11,381	11,357	30,107	35,017	46,398
	(b) Purchase of stock-in-trade	1,449	351	1,015	2,308	2,498	2,907
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(230)	661	1,968	(271)	1,310	984
	(d) Excise duty	57,373	53,134	52,247	138,395	150,698	194,983
	(e) Employee benefits expense	1,602	1,433	1,293	4,275	4,206	5,300
	(f) Finance costs	429	558	507	1,542	1,591	2,120
	(g) Depreciation, amortisation and impairment expense	789	693	660	2,221	2,002	2,853
	(h) Others:	-					
	(i) Advertisement and sales promotion	2,344	1,848	2,519	4,717	5,978	7,173
	(ii) Loss allowance on trade receivables and other financial assets (net)	(56)	(85)	(284)	515	(440)	(551)
	(iii) Other expenses	4,499	3,464	3,751	10,794	11,537	15,320
	Total expenses	**80,745**	**73,438**	**75,033**	**194,603**	**214,397**	**277,487**
3	**Profit before share of net loss in associates, exceptional items and tax (1-2)**	**3,546**	**1,766**	**3,148**	**3,151**	**9,791**	**10,970**
4	Share of net loss in associate accounted for using equity method	(5)	(4)	(8)	(13)	(23)	(33)
5	**Profit before exceptional items and tax (3+4)**	**3,541**	**1,762**	**3,140**	**3,138**	**9,768**	**10,937**
6	Exceptional items, net (Refer Notes 5 and 6)	202	-	-	(548)	-	666
7	**Profit before tax (5 + 6)**	**3,743**	**1,762**	**3,140**	**2,590**	**9,768**	**11,603**
8	Income tax expense						
	(a) Current tax	824	328	949	1,152	2,691	3,063
	(b) Current tax relating to earlier years	(13)	(4)	-	(17)	-	857
	(c) Deferred tax charge / (credit)	129	187	(129)	(133)	1,364	1,373
	(d) MAT credit written-off / (entitlement)	-	-	-	-	-	104
	Total tax expense	**940**	**511**	**820**	**1,002**	**4,055**	**5,397**
9	**Profit for the period (7-8)**	**2,803**	**1,251**	**2,320**	**1,588**	**5,713**	**6,206**
10	Other Comprehensive Income						
	A. Items that will be reclassified to profit or loss						
	(i) Exchange differences on translation of foreign operations	9	7	55	14	42	49
	B. Items that will not be reclassified to profit or loss						
	(i) Remeasurements of post-employment benefit plans	-	-	(1)	-	(368)	(360)
	(ii) Income tax credit / (charge) relating to above	-	-	-	-	92	91
	Total other comprehensive income, net of income tax	**9**	**7**	**54**	**14**	**(234)**	**(220)**
11	**Total Comprehensive Income (9+10)**	**2,812**	**1,258**	**2,374**	**1,602**	**5,479**	**5,986**
12	**Paid up Equity Share Capital (Face value of INR 2/- each)**	1,453	1,453	1,453	1,453	1,453	1,453
13	**Other Equity and Non controlling interest**						35,414
14(a)	**Profit/ (loss) attributable to:**						
	Owners	2,870	1,294	2,353	1,749	6,005	6,589
	Non-controlling interest	(67)	(43)	(33)	(161)	(292)	(383)
		2,803	**1,251**	**2,320**	**1,588**	**5,713**	**6,206**
14(b)	**Other comprehensive income attributable to:**						
	Owners	9	7	54	14	(234)	(221)
	Non-controlling interest	-	-	0	-	0	1
		9	**7**	**54**	**14**	**(234)**	**(220)**
14(c)	**Total comprehensive income attributable to: [14(a) + 14(b)]**						
	Owners	2,879	1,301	2,407	1,763	5,771	6,368
	Non controlling Interest	(67)	(43)	(33)	(161)	(292)	(382)
		2,812	**1,258**	**2,374**	**1,602**	**5,479**	**5,986**
15	**Earnings per share of INR 2/- each: [Refer Note below]**						
	Basic and Diluted (in INR)	4.05	1.82	3.32	2.47	8.47	9.29

Note:

In calculating the weighted outstanding equity shares during all the periods presented under Consolidated Statement of results, Company has reduced its own shares held by USL Benefit Trust (of which the Company is the sole beneficiary).

United Spirits Limited

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter and nine months ended December 31, 2020

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 certain states. In addition, Royal Challengers Sports Private Limited, a subsidiary of the Company, holds the right to the Royal Challengers Bangalore (RCB) cricket franchise of the Indian Premier League (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 consolidated results include the following subsidiaries and a trust controlled by the Company ('the Group'):

Indian subsidiaries:

- Pioneer Distilleries Limited ("PDL")
- Royal Challengers Sports Private Limited
- Sovereign Distilleries Limited
- Tern Distilleries Private Limited [Refer note 4(b)(i)]

Overseas subsidiaries:

- Asian Opportunities and Investments Limited
- Liquidity, Inc. [ceased to be a subsidiary w.e.f. December 18, 2020. Also refer note 4(b)(i)]
- McDowell & Co. (Scotland) Limited
- Montrose International S.A
- Palmer Investment Group Limited (during the quarter ended September 30, 2020, UB Sports Management Overseas Limited was merged with Palmer Investment Group Limited) [Refer note 4 (b)(i)]
- Shaw Wallace Overseas Limited
- United Spirits (Great Britain) Limited
- United Spirits (Shanghai) Trading Company Limited
- United Spirits Singapore 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 associate company:

- Hip Bar Private Limited

3. These Standalone and Consolidated Statements of Financial Results have been prepared in accordance with the applicable Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 (the "Act") [Companies (Indian Accounting Standards) Rules, 2015 (as amended)] and other accounting principles generally accepted in India.

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter and nine months ended December 31, 2020 – Contd.

4. Historical Matters

(a) Additional Inquiry

As disclosed in each of the annual financial statements commencing from year ended March 31, 2017, upon completion of an inquiry into past improper transactions which was completed in April 2015 ('Initial Inquiry') and 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. The Additional Inquiry 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 each of the annual financial statements, commencing from year ended March 31, 2019, the Company had sought approval of regulatory authorities for divesting its stake in Liquidity, Inc., and liquidating its wholly owned subsidiaries, 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), United Spirits (Shanghai) Trading Company Limited and Montrose International S.A. The Board has also approved liquidation of Asian Opportunities and Investments Limited, McDowell & Co. (Scotland) Limited, Shaw Wallace Overseas Limited and United Spirits Singapore Pte Ltd, for which the Company is in the process of seeking regulatory approvals for liquidating the said subsidiaries.

The Company has received an order on July 22, 2020 from the Jersey Financial Service Commission, Company Registry, with respect to the merger of UB Sports Management Overseas Limited with Palmer Investments Group Limited. Consequently, UB Sports Management Overseas Limited stands merged with Palmer Investment Group Limited with effect from July 15, 2020. The Company has filed the relevant filing with the RBI on December 21, 2020 for the above merger. The Board has also approved the merger of Palmer Investment Group Limited with the Company.

On October 14, 2020, the Company had entered into a definitive agreement for sale of its entire shareholding in its wholly owned subsidiary, Tern Distilleries Private Limited. The Company rescinded the agreement subsequently since it did not receive the consideration from the prospective purchaser. Subsequently, on January 23, 2021, the Company has entered into a definitive agreement for sale of its entire shareholding in this wholly owned subsidiary with another party, for a sale consideration of INR 300 million. On the completion of this sale, Tern Distilleries Private Limited will cease to be a subsidiary of the Company.

On December 01, 2020, the Company received a no-objection letter from the Reserve Bank of India (RBI), for the liquidation of Montrose International S.A. and United Spirits (Shanghai) Trading Company Limited and stake sale in Liquidity, Inc. The Company has transferred its shares in Liquidity, Inc. on December 18, 2020 and initiated the liquidation proceedings of United Spirits (Shanghai) Trading Company Limited and Montrose International S.A, in their respective jurisdictions.

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter and nine months ended December 31, 2020 – Contd.

The completion of the above liquidations and merger 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 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) Montrose International SA (viii) United Spirits (Shanghai) Trading Company Limited and (ix) Asian Opportunities and Investments Limited. Accordingly, assets and liabilities of such subsidiaries have been recognised as current at their fair values that approximate to their carrying values as at December 31, 2020. 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 each of the annual financial statements commencing from year ended March 31, 2015, 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 8,422 million up to December 31, 2020. The Company has offset payable to UBHL under the trademark agreement amounting to INR 81 million and INR 244 million for the quarter and nine months period ended December 31, 2020, respectively and consequently, the corresponding provision for loan has been reversed to ‘Loss allowance on trade receivables and other financial assets (net)’. The cumulative offset up to December 31, 2020 amounted to INR 1,928 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 were disputed by the Company, and the Company had 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.

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter and nine months ended December 31, 2020 – Contd.

(d) Excess managerial remuneration

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, 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 Act, 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.

(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 each of the annual financial statements commencing from year ended March 31, 2016, 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 each of the annual financial statements commencing from year ended March 31, 2016, 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 had 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. During the quarter ended September 30, 2020, the Company had received an order on the adjudication applications for aforesaid two show cause notices and has complied with the said order. The penalty arising out of adjudication applications is not material. The Company is awaiting a response from the Registrar on the remaining 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 each of the annual financial statements commencing from year ended March 31, 2016, 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

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter and nine months ended December 31, 2020 – Contd.

iv. as disclosed in each of the annual financial statements commencing from year ended March 31, 2017, 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 to which the Company has responded to; (B) past acquisition of the Whyte and Mackay group to which the Company has responded to; (C) clarifications/ queries received from the Authorised Dealer from time to time on Annual Performance Reports ('APR') for prior years; to which the Company is in the process of responding and (D) compliances relating to the Company's overseas Branch office, which the Company has duly responded to.

(f) Dispute with IDBI Bank Limited

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, 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 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 ("WP") 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. The Company disputed the Order and filed an appeal against this order before a division bench of the Hon'ble High Court of Karnataka. During the quarter ended September 30, 2019, the division bench of the Hon'ble High Court of Karnataka reinstated the interim order in the writ petition, thereby granting a stay on the disposal of the secured assets of the Company by the bank. On January 13, 2020, the division bench of the Hon'ble High Court of Karnataka admitted the writ appeal and extended the interim stay. 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. During the quarter ended September 30, 2017, the bank filed an ex-parte appeal before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai against the order of the DRT. During the quarter ended December 31, 2017, following an application by the Company, DRAT has issued an Order impleading the Company in the proceedings. The bank's appeal is pending for final hearing by DRAT.

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter and nine months ended December 31, 2020 – Contd.

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

As disclosed in each of the annual financial statements commencing from year ended March 31, 2019, 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 results.

The Company had re-evaluated the existing controls and processes in this area and strengthened the same before the year ended March 31, 2019. Under the direction of the board of directors, the management had engaged an independent law firm to conduct a review of past practices in this area and during the quarter ended June 30, 2019, 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, in this matter.

5. Exceptional item - Commitment towards "Raising the Bar" programme

As per the announcement made to the stock exchanges dated June 24, 2020, the Company as part of Diageo group's COVID-19 ("Raising the Bar") programme, has committed to spend INR 750 million over a period of two years from July 1, 2020, in order to support the post Covid-19 revival and recovery of pubs, bars and restaurants serving alcohol.

Raising the Bar aims to provide non-cash support to qualifying pubs, bars and restaurants serving alcohol in Mumbai, Delhi, Bengaluru and other select cities through the Diageo Bar Academy. The programme includes providing hygiene kits, a range of personal protection equipment (such as masks, gloves, hand sanitizers), digital support and training to help these outlets effectively maintain social distancing and enhanced hygiene standards while deploying confidence building measures for consumers to safely visit and socialize. The amount of INR 750 million has been accounted as exceptional item in the Standalone and Consolidated Statement of Financial Results for the nine months ended December 31, 2020.

6. Exceptional item – Sale of Liquidity, Inc.

On December 18, 2020, the Company completed the sale of its entire shareholding in Liquidity, Inc to its joint venture partner, Plonk!, LLC, a Delaware limited liability company. The business was sold for a sale consideration of USD 1. Following the completion of this sale, Liquidity, Inc ceased to be a subsidiary of the Company. This transaction resulted in a profit of INR 0 million and INR 202 million and has been accounted as an exceptional item in the Standalone and Consolidated Statement of Financial Results respectively.

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter and nine months ended December 31, 2020 – Contd.

7. Proposed merger of Pioneer Distilleries Limited with United Spirits Limited

The Board of Directors ("Board") of PDL and of the Company at their meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") in relation to the proposed merger of PDL with the Company under Sections 230 – 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. Upon completion of the merger, the non-promoter shareholders of PDL will receive 10 equity shares of the Company (face value of INR 2 each) for every 47 equity shares of PDL (face value of INR 10 each), held by them as on the record date. Post the merger, the Company's issued capital is expected to expand by 712,138 shares and the revised shareholding of Relay BV (the holding company, a subsidiary of Diageo plc) in the Company will change from 55.94% to 55.88%. The Scheme is subject to the receipt of requisite approvals from the relevant statutory authorities and the respective shareholders and creditors of PDL and of the Company. The BSE Limited and the National Stock

Exchange of India Limited have issued their no-objection to the draft scheme and related documents filed, vide observation letters dated October 21, 2020 and October 22, 2020, respectively. The Company jointly with PDL have filed application under Sections 230 to 232 of the Companies Act, 2013 on November 27, 2020 with the National Company Law Tribunal, Bangalore.

8. Loan conversion to equity

The Company had granted from time to time interest free loans to USL Holdings Limited, a wholly owned overseas subsidiary of the Company incorporated in British Virgin Islands (USL Holdings, BVI). The outstanding loan stood at USD 766,140,114 (INR 56,268 million), as of September 21, 2020. Pursuant to the decision taken by the board at their meeting held on July 27, 2020, conversion of the said loans into equity shares was completed on September 21, 2020 by allotting 766,140,114 equity shares of USD 1 to the Company by USL Holdings, BVI. The Company has made the relevant filing with the RBI on December 19, 2020 for the above transaction.

9. Impact of Covid-19

Once the lockdown due to Covid-19 pandemic was lifted in May 2020, Management has taken appropriate actions to scale up the Group's manufacturing to the levels prior to Covid-19 across all locations. Both off-trade and on-trade sales have gradually resumed across the country with temporary disruptions occasionally during the pendency of a curfew or lockdown.

With respect to the Company's subsidiary, Royal Challengers Sports Private Limited the IPL Season 13 which has been generally conducted in the months of March to May in the past, commenced in September 2020 and ended in November 2020 at the UAE. Hence the consolidated financial results for the quarter ended December 31, 2020 are not comparable to the corresponding quarter.

The Group has a prudent liquidity risk management policy for maintenance of required cash and / or has access to funds through adequate unutilised sanctioned borrowing limits from banks and is confident of servicing its debt obligations as they fall due. Based on the management's assessment, no material impact on the carrying amounts of current and non-current assets (including financial assets) is expected. The Group had assessed its existing controls and internal financial reporting processes and made appropriate changes, as required, in view of the situation arising due to Covid-19 pandemic. Group continues to review its contracts/ arrangements and does not expect any material impact on account of non-fulfilment of the obligations by any party.

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter and nine months ended December 31, 2020 – Contd.

Management has considered various internal and external information available up to the date of approval of financial results in assessing the impact of Covid-19 pandemic in the standalone and consolidated financial results for the quarter and nine months ended December 31, 2020. The Company continues to maintain a positive outlook for the rest of the year and will continue to monitor changes in future economic conditions.

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

11. The Statement of Standalone and Consolidated Financial Results for the quarter and nine months ended December 31, 2020 have been reviewed by the Audit Committee of the Company and approved by the Board of Directors of the Company at their meetings held on January 27, 2021.

DIBYENDU MAJUMDER Digitally signed by DIBYENDU MAJUMDER Date: 2021.01.27 17:44:26 +05'30'

By authority of the Board

ANAND THIRUMALACHAR KRIPALU Digitally signed by ANAND THIRUMALACHAR KRIPALU Date: 2021.01.27 17:21:47 +05'30'

Place: Mumbai
Date: January 27, 2021

Anand Kripalu
Managing Director and Chief Executive Officer

Review Report

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

1. We have reviewed the unaudited consolidated financial results of United Spirits Limited (herein 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 December 31, 2020 and the year to date results for the period ended December 31, 2020 which are included in the accompanying 'Unaudited Consolidated Statement of Financial Results for the quarter and nine months ended December 31, 2020' together with the notes thereon (hereinafter referred to as the "Consolidated Statement"). The Consolidated Statement has been prepared by the Holding Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations, 2015"), which has been initialed by us for identification purposes.

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 (the "Act") and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Consolidated Statement based on our 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.

4. 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.

5. The Consolidated Statement includes the results of the following entities:

Indian subsidiaries:
- Pioneer Distilleries Limited
- Royal Challengers Sports Private Limited
- Sovereign Distilleries Limited
- Tern Distilleries Private Limited

Overseas subsidiaries:
- Asian Opportunities and Investments Limited
- Liquidity Inc. (ceased to be a subsidiary w.e.f. December 18, 2020)
- McDowell & Co. (Scotland) Limited
- Montrose International S.A
- Palmer Investment Group Limited (during the quarter ended September 30, 2020, UB Sports Management Overseas Limited was merged with Palmer Investment Group Limited)
- Shaw Wallace Overseas Limited
- United Spirits (Great Britain) Limited
- United Spirits (Shanghai) Trading Company Limited
- United Spirits Singapore Pte Ltd
- United Spirits (UK) Limited
- USL Holdings Limited
- USL Holdings (UK) Limited

Trust controlled by the Holding Company:
- USL Benefit Trust

The consolidated results also include the Group's share of total comprehensive income (comprising profit/(loss) for the period and other comprehensive income) of the following associate company:
- Hip Bar Private Limited

6. Based on our review conducted and procedures performed as stated in paragraphs 3 and 4 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 Ind AS 34 prescribed under section 133 of the Act 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.

7. We draw your attention to the following matters:

   a) As explained in Note 4(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, 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 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 Holding Company, if any, arising from potential non-compliances with applicable laws in respect of the above.

   b) As explained in Note 4(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 Holding Company, if any, arising out of potential historical non-compliances with applicable laws, if established.

   c) As explained in Note 4(b)(ii) to the Consolidated Statement, consequent to the rationalisation process initiated by the Group 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 their carrying values as at December 31, 2020.

   d) As explained in Note 4(d) to the Consolidated Statement, the Managerial remuneration for the year ended March 31, 2015 included an 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.

   e) Note 4(e) to the Consolidated Statement, which describes the various regulatory notices and communications received from Securities Exchange Board of India ('SEBI'), Ministry of Corporate Affairs ('MCA')/ Registrar of Companies, Karnataka (the 'Registrar'), Directorate of Enforcement ('ED') and Holding Company's authorised dealer banks ('AD') to which the Holding Company has responded to or is in the process of responding.

f) Note 4(f) to the Consolidated Statement, which describes the uncertainty relating to the final outcome of litigations 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"). Based on management assessment supported by external legal opinions, the Holding Company has disclosed the aforesaid amount of INR 459 million under Other Non-current financial assets as recoverable from the bank pending the final outcome of the litigation. 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 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.

g) As explained in Note 4(g) to the Consolidated Statement, the Holding Company during the year ended March 31, 2019, 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 Holding Company in this respect have been described in the said note.

8. The Consolidated statement includes the financial results of 12 overseas subsidiaries and a trust controlled by the Group which have not been reviewed by their auditors and whose financial information reflect total revenue of Nil, total net profit/ (loss) after tax of INR (4) million and INR (8) million and total comprehensive income of INR (4) million and INR (8) million for the quarter and nine months ended December 31, 2020 respectively. The Consolidated statement also includes the Group's share of net loss after tax of INR 5 million and INR 13 million and total comprehensive loss of INR 5 million and INR 13 million for the quarter and nine months ended December 31, 2020, respectively, in respect of an associate company, based on its financial information which has not been reviewed by its auditors. According to the information and explanations given to us by the Management, the financial information of the aforesaid subsidiaries, trust and the associate are not material to the Group.

Our conclusion is not modified in respect of the matters described in paragraphs 7 and 8 above.

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

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Dibyendu Majumder
Partner
Membership Number: 057687
UDIN: 21057687AAAAAF6200

Place: Bengaluru
Date: January 27, 2021

Review Report

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

1. We have reviewed the unaudited standalone financial results of United Spirits Limited (the "Company") for the quarter ended December 31, 2020 and year to date results for the period ended December 31, 2020 which are included in the accompanying 'Unaudited Standalone Statement of Financial Results for the quarter and nine months ended December 31, 2020', together with the notes thereon (hereinafter referred to as the "Standalone Statement"). The Standalone Statement has been prepared by the Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations, 2015").

2. This Standalone Statement, which is the responsibility of the Company's Management and approved by the 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 (the "Act") read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Standalone Statement based on our 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.

4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the Standalone Statement has not been prepared in all material respects in accordance with the recognition and measurement principles laid down in Ind AS 34 prescribed under Section 133 of the Act read with relevant rules issued thereunder 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.

5. We draw your attention to the following matters:

   a) As explained in Note 4(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 4(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 4(d) to the Standalone Statement, the Managerial remuneration for the year ended March 31, 2015 included an 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 4(e) to the Standalone Statement, which describes the various regulatory notices and communications received from Securities Exchange Board of India ('SEBI'), Ministry of Corporate Affairs ('MCA')/ Registrar of Companies, Karnataka (the 'Registrar'), Directorate of Enforcement ('ED') and Company's authorised dealer banks ('AD') to which the Company has responded to or is in the process of responding.

e) Note 4(f) to the Standalone Statement, which describes the uncertainty relating to the final outcome of litigations 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"). Based on management assessment supported by external legal opinions, the Company has disclosed the aforesaid amount of INR 459 million under Other Non-current financial assets as recoverable from the bank pending the final outcome of the litigation. 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 4(g) to the Standalone Statement, the Company during the year ended March 31, 2019, 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 in paragraph 5 above.

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

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Date: 2021.01.27 17:45:42 +05'30'

Dibyendu Majumder
Partner
Membership Number: 057687
UDIN: 21057687AAAAAE8025

Place: Bengaluru
Date: January 27, 2021

UNITED SPIRITS LIMITED

PRESS RELEASE

Unaudited financial results for the quarter and nine months ended 31 December 2020

(Standalone only)

DIAGEO
INDIA

Sustained recovery momentum and improved margins sequentially backed by positivity in consumer sentiment and operational resilience.

Third quarter performance highlights:

- Reported net sales declined 3.6%, a sequential improvement from Q2 driven by continued off-trade resilience, gradual on-trade recovery offset by the contraction of owned and franchise business in Andhra Pradesh (AP).
- Prestige & Above segment net sales declined 0.8% partially as a result of lapping a high festive season comparative.
- Popular segment net sales declined 6.7%, led by a decline of 5.7% in priority states. Increased consumer prices impacted demand in this price conscious segment and unfavourable State mix further contributed to the decline.
- Gross margin was 44.6%, up 24bps versus last year, driven by benign commodities and continued focus on productivity during the quarter.
- Reported EBITDA was Rs. 384 Crores, down 9.5%. Reported EBITDA margin was 15.4%, down 100bps, primarily driven by lower fixed cost absorption and increase in administrative expenses.
- Interest costs were Rs. 38 Crores, down 17% driven by reduced debts and lower interest rates.
- Profit after tax was Rs. 230 Crores and PAT margin was 9.2%.

Nine months performance highlights:

- Reported net sales declined 20%; with improvement seen sequentially in third quarter vs prior two quarters.
- Prestige & Above segment net sales declined 15.7%.
- Popular segment net sales declined 22.4% and priority states were down by 19.7%.
- Gross margin was 43.1%, down 235bps versus last year, primarily due to due to contraction of owned and franchise business in AP and resulted impact on South franchise business, lower fixed cost absorption and obsolete inventory provisions.
- Reported EBITDA was Rs. 576 Crores, down 53.4%; reported EBITDA margin was 10.2%, down 723bps due to negative impact of fixed cost de-leverage. After adjusting for the one-off impact of bulk Scotch sale and restructuring costs, underlying EBITDA declined 50%.
- Interest costs were Rs. 138 Crores, 3.1% lower than last year, mainly due to lower debt and lower interest rates.
- Profit after tax was Rs. 143 Crores and PAT margin was 2.5%.

Anand Kripalu, CEO, commenting on the quarter and nine months ended 31 December 2020 said:

"The reported revenue decline of 3.6% in the third quarter reflects improving consumer sentiment over previous quarters, notwithstanding on-premise footfalls still being low, the route to market change in Andhra Pradesh and taxation led price hikes post Covid-19. Operational resilience, contextual marketing with focus on in-home occasions and renovation of our core brands supported the top-line recovery.

Prestige & Above segment net sales moderately declined 0.8% in Q3, albeit lapping strong normal festive base comparatives. Scotch performance continues to be encouraging.

The third quarter witnessed benign commodities which, along with continued productivity, facilitated marginal expansion of gross margin to 44.6%.

The company maintained its marketing reinvestment rate for the quarter @ a healthy 9.4%. Reported EBITDA margin for the quarter was 15.4% and we delivered a PAT of Rs. 230 Crores.

Overall, performance for the nine months remains impacted by first quarter disruption in sales and supply chain on account of the pandemic and lower fixed cost absorption as a consequence. Contraction of owned and franchise business in AP due to the route to market change further impacted performance adversely. Notwithstanding the resilient second and third quarter performance, our underlying net sales in the first nine months declined 18.2%, EBITDA margin contracted to 10.2%. with a PAT of Rs. 143 Crores.

Operating cash flow remained strong and external debt reduced consistently through the nine months. CRISIL has reaffirmed its 'CRISIL AA+/Positive' ratings on the bank facilities and debt programmes.

Despite a quicker rebound than originally expected, in the near term there are still reasons to remain cautious and consequently, the company is not providing quantitative guidance for fiscal 2021. Our business continues to exhibit strong fundamentals and our focus to “Emerge stronger” will hold us in good stead.

KEY FINANCIAL INFORMATION

Key quarterly performance indicators

		F21 Q1	F21 Q2	**F21 Q3**
Net sales	*Rs. Crores*	1,030	2,146	**2,489**
Reported Turnover growth	*%*	-53.6	-6.6	**-3.6**
Gross profit margin	*%*	41.7	42.1	**44.6**
EBITDA	*Rs. Crores*	-78	270	**384**
EBITDA margin	*%*	-7.5	12.6	**15.4**
PAT	*Rs. Crores*	-215	128	**230**
PAT	*%*	-20.9	6.0	**9.2**

For the nine months ended 31 December 2020

Summary financial information

		F21 P9 YTD	F20 P9 YTD	Movement %
Volume	*EUm*	**51**	61	-17
Net sales	*Rs. Crores*	**5,665**	7,097[1]	-20
COGS	*Rs. Crores*	**-3,221**	-3,869	-17
Gross profit	*Rs. Crores*	**2,443**	3,228[2]	-24
Staff cost	*Rs. Crores*	**-416**	-404[3]	3
Marketing spends	*Rs. Crores*	**-470**	-595	-21
Other Overheads	*Rs. Crores*	**-981**	-994	-1
EBITDA	*Rs. Crores*	**576**	1,235	-53
Other Income	*Rs. Crores*	**42**	41	1
Depreciation	*Rs. Crores*	**-182**	-160[4]	14
EBIT	*Rs. Crores*	**435**	1,116	-61
Interest	*Rs. Crores*	**-138**	-143	-3
PBT before exceptional items	*Rs. Crores*	**297**	974	-70
Exceptional items	*Rs. Crores*	**-75**	-	N.A.
PBT	*Rs. Crores*	**222**	974	-77
Tax	*Rs. Crores*	**-79**	-293	-73
PAT	*Rs. Crores*	**143**	681	-79

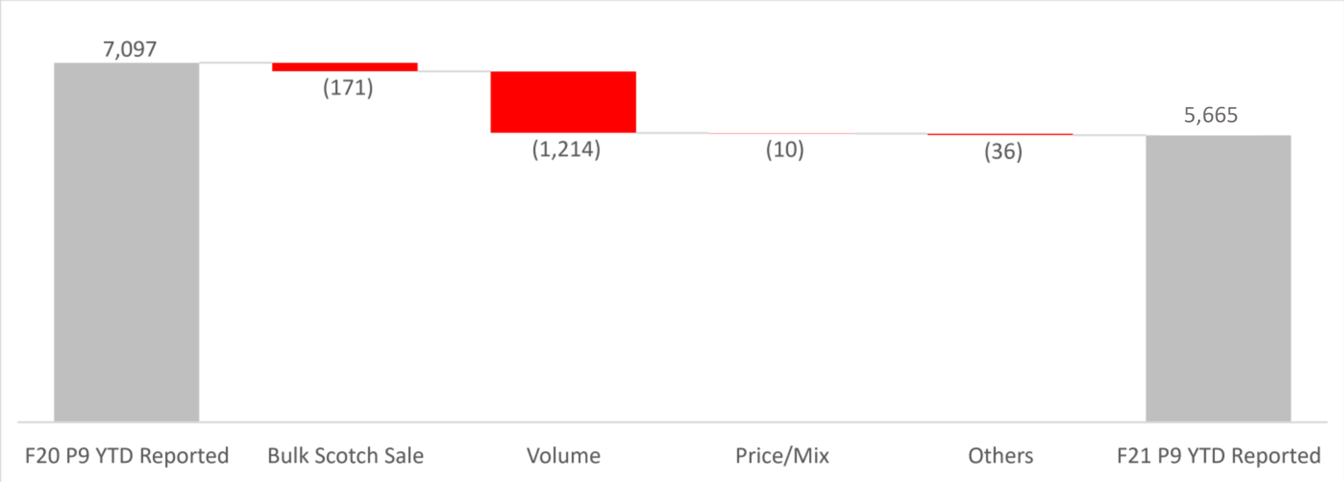
Key performance indicators as a % of net sales (reported):

		F21 P9 YTD	F20 P9 YTD	Movement bps
Gross profit	*%*	**43.1**	45.5	-235
Staff cost	*%*	**-7.3**	-5.7	-166
Marketing spends	*%*	**-8.3**	-8.4	9
Other Overheads	*%*	**-17.3**	-14.0	-331
EBITDA	*%*	**10.2**	17.4[5]	-723
PAT	*%*	**2.5**	9.6	-707
Basic earnings per share	*rupees*	**2.0**	9.4	-7.4rupees
Earnings per share before exceptional items	*rupees*	**4.1**	13.4	-9.3rupees

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

[1] *Includes a one-off impact of Rs. 97 cr. In F20Q1 and Rs. 74 cr. in F20Q2 from sale of bulk Scotch.*
[2] *Includes a one-off impact of Rs. 58 cr. In F20Q1 and Rs. 26 cr. in F20Q2 from sale of bulk Scotch.*
[3] *Staff cost include a one-off cost of Rs 2 cr. in F20Q1*
[4] *Includes a one time depreciation charge of Rs. 2 Crores*
[5.] *Underlyign EBITDA margin, net of one-off bulk Scotch sale was 16.6%*

Net sales (Rs. Crores)

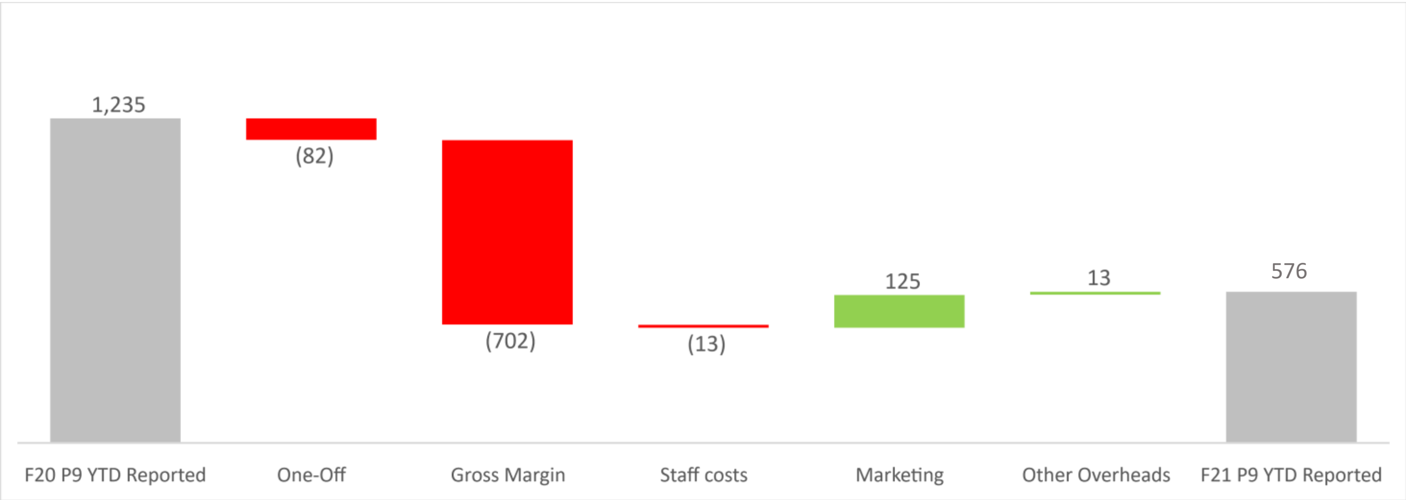


* Others include primarily non IMFL sale

Reported net sales in the first nine months of the financial year declined 20.2%. There was an inordinate impact with initial lockdown order, continued restrictions on on-premise establishments and behavioural shifts impacting the balance between the on- and off- premise occasion in most markets. Excluding the one-off benefit from sale of bulk Scotch inventory in the prior year, underlying net sales declined 18.2%. Net Sales of Prestige & Above segment declined 15.2% while net sales of Popular segment declined 22.4%.

Overall volume declined 17.1% with shrinkage of 16.3% in Prestige & Above marginally outpacing Popular segment volume shrinkage of 17.9%. Underlying price/mix for the first nine months was (1.1)%, mainly due to reduced franchise royalty and adverse State mix.

EBITDA (Rs. Crores)



Reported EBITDA was Rs. 576 Crores for the first nine months of the year, down 53.4%. Excluding the one-off bulk Scotch sale and one-off restructuring costs in F20, underlying EBITDA declined 50%. Gross profit decline of Rs. 702 Crores, was primarily driven by contraction of Andhra Pradesh business due to route to market change, related inventory provision and decline in the South franchise business.

Reported staff cost increased 3.1% and overheads reduced by 1.3%. Advertising & Sales Promotion spend for first nine months is back to pre-COVID levels at 8.3% of sales, as the Company remained invested behind renovation roll-out of its two core brands, McDowell’s No.1 Whisky and Royal Challenge Whisky.

EBITDA margin (%, bps)

EBITDA margin for first nine months was 10.2%, driven by the lockdown restrictions, lower fixed cost absorbtion and gradual demand revival. While reported EBITDA margin during the same period last year was 17.4%, underlying EBITDA margin last year net of one time bulk Scotch sale and adjusted for one-off restructuring costs was 16.6%.

Compression in Gross margin of 235bps was primarily driven by contraction in Andhra Pradesh business, which resulted in a one-off inventory provision and a decline in the South franchise business. The reinvestment rate for the first nine months on advertising and promotion was 8.3% in line with our earlier guidance. Lower fixed cost absorption of administrative cost and overheads also impacted margin.

DIAGEO INDIA

SEGMENT AND BRAND REVIEW

For the quarter and nine months ended 31 December 2020

Key segments:

For the nine months ended 31 December 2020

	Volume				Net Sales			
	F21 9M Reported *EUm*	F20 9M Reported *EUm*	Reported movement %	**Underlying movement %**	**F21 9M Reported *Rs. Cr.***	F20 9M Reported *Rs. Cr.*	Reported movement %	**Underlying movement %**
P&A	**27.2**	32.5	(16)	**(16.3)**	**3,972**	4,713	(16)	**(15.7)**
Popular	**23.8**	29.0	(18)	**(17.9)**	**1,615**	2,082	(22)	**(22.4)**
Other	**-**	-	-		**77**	302	(74)	**(40.8)**
TOTAL	**51.0**	61.5	(17)	**(17.1)**	**5,665**	7,097	(20)	**(18.2)**

[1] Includes bulk Scotch sale of Rs. 171 cr.

For the quarter ended 31 December 2020

	Volume				Net Sales			
	F21 Q3 Reported *EUm*	F20 Q3 Reported *EUm*	Reported movement %	**Underlying movement %**	**F21 Q3 Reported *Rs. Cr.***	F20 Q3 Reported *Rs. Cr.*	Reported movement %	**Underlying movement %**
P&A	**11.4**	11.4	0.6	**0.6**	**1,774**	1,788	(1)	**(0.8)**
Popular	**9.9**	10.1	(2.3)	**(2.3)**	**688**	737	(7)	**(6.7)**
Other					**26**	57	(54)	**(54.1)**
TOTAL	**21.3**	21.5	(0.8)	**(0.8)**	**2,489**	2,583	(4)	**(3.6)**

- The **Prestige & Above segment** accounted for 70% of net sales during the first nine months of the year, up 3.7ppts compared to same period last year. The underlying movement net of previous period bulk scotch sale was 2.1ppts.

  Prestige & Above segment net sales declined 16.3% during the first nine months of the year, led by a laggard first quarter, which was impacted by nationwide lockdown, continued closure of on-premise outlets throughout the majority of period in 2QFY21 and gradual recovery of on-premise consumption in 3QFY21 as easing of restrictions lifted sentiments.

- The **Popular segment** accounted for 28.5% of net sales during the first nine months of the year, down 0.8ppt compared to same period last year. Adjusting the one-time sale of bulk Scotch affecting the relative salience of the segments; Popular segment was down 1.5ppts.

  The Popular segment net sales declined 22.4% primarily due to lower franchise income and State mix. Net sales of Popular segment in Priority states declined 19.7% during the first nine months.

Cautionary statement concerning forward-looking statements

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

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Q&A CONFERENCE CALL

Anand Kripalu, Managing Director and Chief Executive Officer and Pradeep Jain, Chief Financial Officer will be hosting a Q&A conference call on **Thursday, 28 January 2021** at **12:00 pm** (IST time). If you would like to listen to the call or ask a question, please use the dial in details below.

A transcript of the conference call will be available for download on 30th January 2021 at www.diageoindia.com.

Conference Joining Information
Option 1
Express Join with Diamond*Pass*™ No Wait Time https://services.choruscall.in/DiamondPassRegistration/register?confirmationNumber=0375337&linkSecurityString=1284ae11c
Option 2
When using dial-in numbers mentioned below please do so 10 minutes prior to the conference schedule to ensure that you are connected to your call in time.

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