

# United Spirits

15 May 2026

**Operator:** Ladies and gentlemen, good day and welcome to the United Spirits Limited fourth quarter financial year 2026 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shweta Arora, Head of Investor Relations at United Spirits Limited. Thank you, and over to you, ma'am.

**Shweta Arora – United Spirits Limited:** Thank you. Hello everyone, good evening, and welcome to United Spirits Limited's Q4 and full year FY26 earnings call. Before proceeding with today's presentation, I would like to remind the listeners that during the call, there may be some forward-looking statements. These statements are based on our views and assumptions at this point in time. However, this is not a guarantee of our future performance, and results may materially differ from those expressed in or implied by such forward-looking statements. I request all of you to refer to our financial and press release posted yesterday and the presentation posted today. Both are available on the stock exchanges and the company's website under the investors section.

Today on the call we have with us, Mr. Praveen Someshwar, our MD and CEO, who is joined by Mr. Pradeep Jain, Executive Director and CFO. Praveen and Pradeep will take you through the business performance for the fiscal year 2026, followed by the Q&A session. With this, I hand over the call to Praveen for his opening remarks.

**Praveen Someshwar – MD & CEO:** Thank you, Shweta. Good evening, everyone. Thank you for joining the call. It has been a little more than a year that I have spent with Diageo. What a year it has been! On balance, I am excited about where we are. We are going to talk you through the business update, the full year FY26 performance, and our reflections going ahead with the financial highlights.

In summary, this is a reflection on the year gone by—my first in a business that has seen a reasonably good last 4 or 5 years. I want to say to all of you that the best is yet to come. I have always maintained in our interactions over the last few quarters that we need to continue what is working well and change what can be better. The combination of the two will unlock our true potential. In that sense, I would want to call out several things that are already working well. Whether it is Signature, which has continued to perform competitively in the upper prestige segment, or Black & White in the primary scotch segment, a global trademark for which India is the number one market for Diageo. We continued our excellent work on Johnnie Walker, which posted strong growth during the year. Our format innovation, especially the pocket pack—what Pradeep refers to as the triple benefit interventions—is contributing meaningfully to segment-beating growth in the mid-prestige segment and value chain productivity.

Now, coming to the areas of the portfolio where we have made changes over the last year. First and foremost, we opened the world's largest vodka brand, Smirnoff, to local flavor innovation, and it has responded and started to contribute meaningfully to our overall growth. In this fiscal year, we have crossed the volume of 1 million cases on the trademark. In the last quarter alone, it did over 400,000 cases. Second, we are accelerating tequila category creation. Again, it is our fastest 100

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# United Spirits

15 May 2026

crore plus trademark and has long legs for sustained growth in the future. It has already captured one-third of the tequila market and is expanding the category. It is growing share, expanding the category, and considering the price points we operate at, our value share will be significantly higher.

Third, I have spoken about the on-premise opportunity multiple times across these forums and the importance of the same to build our brands. We are ramping up our investments in this critical channel that makes our brands come alive for consumers, allowing us to highlight their rich legacy and purpose. We are convinced that in the alcobev category, how our brands show up in on-premise is an extremely critical enabler for long-term top-of-mind and equity recall. We have already seen the early results of this.

As we move into the new fiscal year, we are feeling good on the policy front. This is driven by the progressive intervention in Karnataka that will provide a much-needed boost for continued premiumization of the category in the state. Additionally, with the India-UK FTA likely to come into place in the near future, Scotch—which is our core strength—will become more accessible and improve penetration.

Last but not the least, regarding what is going well, we are extremely happy with the sustained productivity agenda that we have driven and been able to extract from the business value chain year-on-year. We will share more details on the same as we progress in this session.

Now, coming to the headwinds in the year gone by. All of you are aware of the situation in Maharashtra. We are doing what we can through the industry association and the legal route. Keeping that aside, I believe the worst impact has now been absorbed in the quarter gone by. Sequentially, it should not deteriorate from here onwards, though we will still have a couple of quarters to cycle through prior year comparatives.

Then there is the softness in our anchor trademark, McDowell's, which across the rest of India—excluding Andhra Pradesh and Maharashtra—has been flat. We have been working on the transformation of McDowell's for the last year. A completely transformed bundle of McDowell's is getting launched in its very first market, Uttar Pradesh, over the last couple of days. I will spend more time on the McDowell's transformation in the next few minutes.

The numbers clearly indicate that if we take out the states impacted by policy change—Andhra Pradesh and Maharashtra—the rest of India, which is roughly 80% of our national portfolio, has grown double-digits in both P&A and the total portfolio. It has also seen a sequential pickup in momentum over the prior year. Within this, the mid-prestige and above segment has grown in the high teens. Mid-prestige and above nationally, including Maharashtra and Andhra Pradesh, has also grown in the mid-teens over the prior year.

Allow me to unpack this further. As mentioned, P&A in the rest of India, excluding Maharashtra and Andhra Pradesh, has grown at a solid 11.3% for the year versus the prior year. Within that, mid-prestige and above grew at 17.1%. All segments from mid-prestige onwards are posting healthy growth rates in the year and have momentum as we enter the new fiscal year. While we always continue to see our business as P&A including lower prestige, we have observed varying definitions of P&A in the industry. The mid-prestige and above growth rate will ensure fair comparisons on an

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# United Spirits

15 May 2026

annual basis.

My second key message is regarding the opportunity in lower prestige and McDowell's. As you can see, it has been more flattish over the last few years. Finally, regarding the two excluded states of Andhra Pradesh and Maharashtra. It is visible that both states have impacted growth—one positively and another negatively. Combined, we have lost about 120 basis points of growth this year. However, the rest of India business is delivering double-digit growth. Our exciting plans give us confidence that in the coming year, even including Maharashtra and Andhra Pradesh, we should be able to deliver our double-digit growth guidance for P&A.

Let us take a step back and look at the bigger picture. India is emerging as the consumer market of the next decade, backed by strong economic growth with GDP expected to reach 7 trillion by 2030, and more importantly, very high-quality growth. A young population with a median age of roughly 28, combined with a rapidly expanding middle and affluent class, is reshaping consumption. Over the next 5 years, India will add around 100 million legal drinking age consumers—nearly a quarter of the global additions—making this a globally significant growth story. This is further enabled by a digital-first economy that is expanding access and driving aspirational consumption.

Bringing that to our category, India is already the number one whiskey market by volume, number two by value, and the second largest spirits market globally. It contributes roughly 39% of the growth in global total beverage alcohol and remains the fastest-growing large market. Importantly, we are still early in the growth curve with spirits penetration at 40% and per capita consumption at 2.6 liters, leaving significant headroom for growth. The combination of macro tailwinds, rising incomes, and increasing premiumization creates a compelling opportunity that we are well-positioned to capture.

India's alcobev market is clearly shifting. Growth today is being driven by premiumization and alignment with consumer aspirations. In response, we have reshaped our portfolio strategy around winning consumer occasions, premiumization, and investing in future-backed innovation. At the same time, we have built a future-ready organization focused on talent and learning. All of this is anchored in our broader responsibility through our Spirit of Progress agenda and our commitment to the vision of Viksit Bharat.

Our portfolio strategy is anchored in a consumer-first lens. We think of India as "Three Indias." India 1, which is approximately 49% of the population and 49% in terms of value, is highly aspirational but income-constrained, seeking affordable access to brands. India 2, which is roughly 28% of the population and 19% of the value, is the core middle class driving consumption with a focus on value and constant premiumization. India 3, which is roughly 8% of the population and 7% of the value, is the affluent class seeking premium experiences and self-expression. We have chosen not to play in the bottom 20% given the limited affordability and shrinking base. Our strengths lie in brand building, with five of the top ten equity brands—including Signature, Royal Challenge, McDowell's, Black Dog, and Johnnie Walker.

Incomes are rising across segments, but surplus is growing in India 2 and 3 while declining in India 1. This shapes very different consumer behaviors. Alcohol consumption is growing across all segments, but India 1 and 2 are driven by higher penetration and frequency, while India 3 is led by affluent growth with some moderation in frequency due to high-end experiences.

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# United Spirits

15 May 2026

Four clear trends cut across all segments: recruitment of new consumers, premiumization to better quality, repertoire experimentation in India 3, and the growing pride in Indian culture driving consumption in India 1 and 2. Our playbook is simple. We drive differentiated strategies across the Three Indias. For India 1, it is about enabling "drinking better" at scale through pack, price, and format innovation. For India 2 and 3, the focus shifts to upgrading experiences with innovation around culture, flavors, and a push toward premiumization.

Our Royal Challenge continues to perform strongly on recruitment. Growth is being led by the 180ml segment and the pocket pack. We are stepping up media to build sharper brand distinction with our latest campaign, "Mane Nahi To Kaun Be," featuring icons like Smriti Mandhana and Naman Mathur, popularly known as Mortal. We are building deep engagement through e-sports integration.

As we go ahead, we are transforming McDowell's No. 1. We have upgraded the liquid with 30% more Scotch to deliver a smoother, richer taste while retaining what consumers love, all at the same price. This is complemented by a new modern Scotch-inspired design and a convenient 180ml PET format. After rigorous testing over the last several months, we are confident we have a winning bundle rolling out this May. It just rolled out in Uttar Pradesh, and we are excited about the feedback. This is a full reset of the world's largest whisky brand by volume.

Coming to India 2, Black & White is the largest Scotch brand in the country by volume. Black Dog is also gaining traction with a renovated range and the "Savor the Pause" campaign with Keira Knightley. At the Upper Prestige space, Signature continues to lead with its positioning around conscious living and sustainability, such as our Mangroves Regeneration campaign in Odisha.

Smirnoff has had a significant year. We have crossed 1 million cases and entered the top five global markets for the brand. We exited Q4 volumes north of 400,000 cases. We are now at 350 crores net sales value, growing at triple digits, with a trajectory to reach 1,000 crores over the next 18 months. Growth is flavor-led, with innovations like Minty Jamun delivering record volumes.

In India 3, Johnnie Walker continues to build cultural relevance. India is now the number three market globally by volume and number four by value for the brand. Godawan is our crown jewel, a purpose-led brand anchored in conservation of the Great Indian Bustard. It has received over 100 global awards and is growing at triple digits. Don Julio has also been a standout success, becoming the fastest-growing brand in our portfolio to reach a 100 crore top line.

The scale of innovation and renovation delivered over the last year is a distinct competitive advantage for us. Innovation contributes roughly 25% of our growth, and if we include pocket packs, it is north of 70%. We now have four trademarks with over 1,000 crores in net sales value as Signature enters the club. McDowell's remains the largest selling whisky in the world with roughly 30 million cases.

Beyond the business, our total economic contribution to India stands at approximately 49,000 crores, supporting 650,000 jobs. Our contribution to the exchequer is approximately 20,400 crores. Our ESG journey is also progressing, with improved scores on Sustainalytics and the Dow Jones Sustainability Index.

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# United Spirits

15 May 2026

Finally, our people priorities are focused on building future-ready capabilities. We have invested heavily in innovation commercialization and our on-trade organization. We want our associates to have a "born-digital" mindset. Our employee engagement index remains strong at 90%.

With this, I hand it over to Pradeep to take us through the financials.

**Pradeep Jain – Executive Director & CFO:** Thank you, Praveen. We have delivered a leveraged performance on the P&L in the full fiscal year. Our EBITDA growth stands at 11.6% against a net sales value growth of 7.6%, which translates roughly to a 1.5x growth multiplier. Gross margin is at 46.4%, up 172 basis points on a reported basis. EBITDA margin reached 18.4%, about 66 basis points better than last year, in line with our guidance of mid-to-high teens.

The business generated 1,375 crores in free cash flow during the year. The board has approved a final dividend of 11 per share. Including the interim dividend of 6 per share declared in January 2026, the total dividend for the fiscal year will be 17 per share. This translates to a PAT payout ratio of 67%, up from 50% two years ago. Return on capital employed stands at a healthy 28% versus 26% last year.

Our focus remains on the "virtuous cycle of growth." Productivity and revenue growth management must collectively offset inflation while enabling brand investment. Fiscal 2026 included a 6-month base benefit from the reopening of Andhra Pradesh and reflected the impact of the Maharashtra excise policy revision. While these distort reported numbers, our rest of India business—representing 80% of our portfolio—is delivering 11.3% growth in prestige and above.

Regarding our supply chain agility program, we are roughly 3 years into the program. Co-location initiatives are 100% complete, and footprint optimization is 83% complete. Productivity reached 415 crores in FY26, helping us mitigate more than 80% of inflation year-on-year. While we saw healthy headline pricing of 182 crores, we expect this to moderate in FY27 given the stable commodity environment. Our year-end operating working capital intensity remains in line with last year.

To conclude, our EPS and ROCE have consistently improved, demonstrating the strength of our operating model. I will now turn it back to Praveen for concluding remarks.

**Praveen Someshwar – MD & CEO:** Thank you, Pradeep. I remain focused on the great Indian consumer opportunity. Favorable demographics and growing affluence are on our side. Industry drivers, including new legal drinking age consumers and treaties like the India-UK FTA, present a huge premiumizing opportunity.

While the West Asia conflict may take a quarter or two to abate, it does not change the medium-term outlook. We have a clear line of sight on opportunities, backed by innovation, liquid assets, and organizational agility. Our actions are visible through sharper innovations starting from McDowell's, category creation in Tequila, and localized portfolios of brands like Smirnoff. As we enter FY27, we do so with confidence in delivering our ambition of strong double-digit growth for the P&A portfolio.

**Operator:** Thank you very much. We will now begin the question and answer session. Our first question is from the line of Jay Doshi from Kotak. Please go ahead.

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# United Spirits

15 May 2026

**Jay Doshi – Kotak:** Thanks for the detailed presentation. Could you elaborate on your optimism regarding Karnataka following recent policy changes? It would be helpful if you could share data points around the salience of P&A and mid-P&A in that market and where you believe these could trend in the next year or two? Second question for Pradeep—what would be the impact of inflation on the business in the first half of this year, and can you offset it through efficiencies?

**Praveen Someshwar – MD & CEO:** Thanks, Jay. The Karnataka policy change is progressive. It reduced excise slabs from 16 to 8 and allowed pricing flexibility. Across the portfolio, we have seen price reductions between 15% and 35%, which is significant. Popular products at the lowest end will see a price increase of roughly 17–18%, breaking away from the 100 price point. All these factors give us confidence in high double-digit growth in Karnataka. The state represents roughly 7% of our national P&A volume.

**Pradeep Jain – Executive Director & CFO:** On inflation, the largest impact is on packaging material costs, which are one-third of our overall costs. In the April–June quarter, packaging costs will inflate by about 4–5% above the normal rate. We expect a gross margin impact between 1.25% and 1.5% for that quarter, which is roughly a 35 to 40 crore impact. If the crisis continues, this could double in the next quarter. We remain focused on additional productivity to offset this.

**Jay Doshi – Kotak:** At this point, you do not see a reason to call out a big material margin impact? There are headwinds, but you have some cost offsets?

**Pradeep Jain – Executive Director & CFO:** There will be an impact in the quarter, and as you know, pricing comes with a lag. As the year progresses, we will keep you updated.

**Operator:** Thank you. Our next question is from the line of Abneesh Roy from Nuama. Please go ahead.

**Abneesh Roy – Nuama:** You spoke about local flavors in Smirnoff vodka. Have you started gaining market share from the local player who has almost a 60% share? Second, ex-Maharashtra, can you talk about market share on an overall portfolio?

**Praveen Someshwar – MD & CEO:** The flavor unlock for Smirnoff was massive—a once-in-a-decade innovation. It has brought the mojo back to the brand. In Q3, it did 400,000 cases plus for a 1 million case annual business, which shows triple-digit growth. We are certainly growing share handsomely across the country.

**Abneesh Roy – Nuama:** On pricing, apart from Telangana, are any other advanced discussions happening for price hikes?

**Pradeep Jain – Executive Director & CFO:** We continue to seek headline pricing, particularly given the West Asia situation. We aim to neutralize 50% of inflation through pricing and the remaining 50% through productivity.

**Praveen Someshwar – MD & CEO:** Karnataka is giving us some pricing back, Rajasthan has given us some flexibility, and Telangana is exploring it. MP also has some corrections.

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# United Spirits

15 May 2026

**Abneesh Roy – Nuama:** You mentioned two more quarters of tough environments in Maharashtra, but will it not be two and a half given Q3 did not see the impact? Also, what is your take on the UK FTA benefit?

**Praveen Someshwar – MD & CEO:** The India-UK FTA is in play at the corridors of power; I won't speculate on the exact date. On Maharashtra, we have seen the worst already in Q4. While we will see prior-year comparative impacts in Q1 and Q2, it should not sequentially deteriorate from here.

**Operator:** Thank you. Our next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

**Percy Panthaki – IIFL Securities:** On the lower prestige part, where growth is flat, is that the industry trend or have we lost market share?

**Praveen Someshwar – MD & CEO:** Industry-wide, the mid and upper prestige segments are growing faster. However, within lower prestige, we have not performed well and have seen share gaps over the last 6 or 7 quarters. That is why we are transforming McDowell's No. 1 to win back those consumers.

**Percy Panthaki – IIFL Securities:** What exactly went wrong? Was it packaging, flavor, or pricing?

**Praveen Someshwar – MD & CEO:** It was a combination. We weren't winning the consumer. We have now relooked at the liquid, packaging, and format. We researched this with 10,000 consumers across 8 markets to ensure we have a winning bundle.

**Percy Panthaki – IIFL Securities:** On margins, if glass prices remain high for the rest of the year, can you maintain the 18.9% margin?

**Pradeep Jain – Executive Director & CFO:** As I mentioned, we expect a 1.25% to 1.5% impact on gross margin for the April-June quarter. It is not just glass; high crude prices also impact PET and raw materials.

**Praveen Someshwar – MD & CEO:** These impacts are moderated through our productivity agenda. In the short term, there might be small fluctuations, but we are reasonably comfortable over a longer period.

**Operator:** Thank you. Our next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

**Arnab Mitra – Goldman Sachs:** In Q4, there seems to be a moderation in your ex-Andhra, ex-Maharashtra growth. Was this due to elections or the McDowell's relaunch?

**Praveen Someshwar – MD & CEO:** It moderated marginally. There were several issues, from generic market factors in January to the West Asia trigger in March affecting our global portfolio. I don't see a significant slowdown on a 9 to 12-month basis.

**Arnab Mitra – Goldman Sachs:** Does it still make sense to operate in the lower prestige segment given the presence of local players? Is the economics of that segment still good?

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# United Spirits

15 May 2026

**Praveen Someshwar – MD & CEO:** It is a very big part of our business and the India 1 segment is seeing healthy growth. This segment eventually ladders into our premium portfolio.

**Pradeep Jain – Executive Director & CFO:** The economics are not an issue. Enterprise productivity provides the maximum benefit to high-volume brands like McDowell's. The category has a laddered margin structure, and we have no economic concerns regarding it.

**Operator:** Thank you. Our next question is from the line of Harit Kapoor with Investec. Please go ahead.

**Harit Kapoor – Investec:** How long will it take to get consumer feedback on the new McDowell's?

**Praveen Someshwar – MD & CEO:** It has just entered the market in UP. It will take another month to see full placement. By late August, we will be across most markets in India. We will start seeing significant performance data by mid-July.

**Pradeep Jain – Executive Director & CFO:** By the October call, we will have a better sense, especially as the festive season approaches.

**Harit Kapoor – Investec:** Are there other white spaces you are looking to enter, such as premium vodka?

**Praveen Someshwar – MD & CEO:** We are creating the tequila category today and unlocking vodka through Smirnoff. We are also enhancing our play in brandy. There are global brands we are evaluating for India over the next 12 to 18 months.

**Operator:** Thank you. Our next question is from the line of Krishna Sambamurthy with Ashika Institutional Equities. Please go ahead.

**Krishna Sambamurthy – Ashika Institutional Equities:** How have ENA costs trended recently?

**Pradeep Jain – Executive Director & CFO:** ENA costs have been reasonably stable, which is why our cost concerns are currently centered on packaging material inflation.

**Krishna Sambamurthy – Ashika Institutional Equities:** Any update on your dividend payout policy or intentions for the Royal Challengers Bangalore stake sale proceeds?

**Pradeep Jain – Executive Director & CFO:** We amended our dividend policy three months ago, moving the payout range to 60–85%. Regarding the RCB transaction, we are focused on closing it. Once closed, the board will decide on the use of proceeds.

**Operator:** Thank you. Our next question is from the line of Lathika Chopra with J.P. Morgan. Please go ahead.

**Lathika Chopra – J.P. Morgan:** Are you maintaining the advertising spend band of 9–10%?

**Pradeep Jain – Executive Director & CFO:** Our A&P spends are currently around 10.5%, and we expect to sustain those levels.

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# United Spirits

15 May 2026

**Lathika Chopra – J.P. Morgan:** Could you give some flavor on the on-trade versus off-trade trends and feedback on the 200ml Johnnie Walker Blonde?

**Praveen Someshwar – MD & CEO:** On-trade is where our brands are built. It builds occasions and frequency. Regarding the pocket packs, the 180ml and 200ml formats soften the spend per purchase and allow consumers to premiumize and sample our products. It is a core penetration SKU in a country like India.

**Operator:** Thank you. Our next question is from the line of Aditya Gupta with TARA Capital Partners. Please go ahead.

**Aditya Gupta – TARA Capital Partners:** How are you monitoring the Gen Z trend of "drinking less but better"?

**Praveen Someshwar – MD & CEO:** I don't think they are drinking significantly less, but they are certainly drinking differently and better. They are moving towards single malts, premium whites, and cocktails. We see more repertoire drinking and occasionally more bingeing rather than consistent daily consumption.

**Aditya Gupta – TARA Capital Partners:** Is there any challenge to bottle availability?

**Praveen Someshwar – MD & CEO:** Given that PET is a significant part of our volume, we are not seeing significant concerns on bottle availability.

**Operator:** Thank you. Our next question is from the line of Mehul Desai with JM Financial. Please go ahead.

**Mehul Desai – JM Financial:** Your staff costs saw a 3% increase in FY26. How should we look at this going forward? Also, was there any dividend income from RCB in FY26?

**Pradeep Jain – Executive Director & CFO:** In Q3, there was roughly a 100 crore dividend income from RCB. For staff costs, we drive continuous organizational effectiveness. Our staff cost has been range-bound at 150 to 160 crores per quarter. One should look at it on a rolling four-quarter basis.

**Operator:** Thank you. Our next question is from the line of Abhijit Kundu with Antique Stock Broking. Please go ahead.

**Abhijit Kundu – Antique Stock Broking:** We heard feedback that McDowell's had too many variants, which muted growth. Is that correct? Also, where does Antiquity fit in your strategy versus Signature?

**Praveen Someshwar – MD & CEO:** I don't think McDowell's has too many variants; it is one core brand in most states. Antiquity is a core part of our portfolio and we will continue to drive growth. However, Signature is a national lead brand for us, whereas Antiquity is more geography-specific.

**Abhijit Kundu – Antique Stock Broking:** Has the Maharashtra excise impact settled down?

**Praveen Someshwar – MD & CEO:** It is averaging out and settling. We have seen the worst of it.

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# United Spirits

15 May 2026

**Operator:** Thank you. We will now take one last question from Ashutosh Jain of Barclays. Please go ahead.

**Ashutosh Jain – Barclays:** What will happen to scotch pricing after the UK-India FTA? A high single-digit decrease has been suggested. How will it differ across BII and BIO?

**Pradeep Jain – Executive Director & CFO:** The ranges are consistent. For Bonded in Origin (BIO), we are looking at a high single-digit reduction. For Bonded in India (BII), it will be in the range of 4-5%.

**Praveen Someshwar – MD & CEO:** Thank you everyone for joining. We appreciate your time.

**Shweta Arora – United Spirits Limited:** Thank you for joining. If there are further questions, please feel free to reach out directly. Have a good evening.

**Operator:** Thank you. On behalf of United Spirits Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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