

United Spirits

Operator: Good day and welcome to the United Spirits Limited Q3 FY26 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 call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sweta Arora, Head of Investor Relations, United Spirits Limited. Thank you and over to you, ma'am.

Management: Thank you, Darwin. Hello everyone. Good afternoon and welcome to United Spirits Limited Q3 FY26 earnings call. Wish you all and your loved ones a very happy New Year 2026. Before proceeding with today's call, 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 of 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 releases posted yesterday. Both are available on the stock exchange and the company's website under the investor section. Today on the call we have with us our Managing Director and CEO, Mr. Praveen Someshwar, who is joined by our Executive Director and CFO, Mr. Pradeep Jain. Praveen and Pradeep will take you through the financial and business performance for the quarter, followed by the question and answer session. Thank you and over to you, Praveen.

Management: Thank you, Sweta, and a very good afternoon to everyone. Wish you all and your loved ones a very happy 2026. As always, it's wonderful to have all of you today. We closed a resilient growth quarter overall, both on the top and bottom line amidst continued headwinds from Maharashtra. The bright side is the momentum in the top half of the portfolio.

Strong growth in luxury, acceleration in the premium segment on the back of primary Scotches and Smirnoff, which is through flavor innovation, and the Signature trademark growing on the high prior base to enhance upper prestige salience, and the Royal Challenge pocket pack driving consumer penetration in mid-prestige. However, the launch of MML (Maharashtra Made Liquor) at very attractive price points and their sampling and gradual distribution increase remains a competitive challenge in Maharashtra, especially for the popular and lower prestige segment. That said, the script is playing out on expected lines and we are holding up well.

Let me peel the onion a bit for our October to December quarter results announced last evening. During the quarter, against the reported P&A; volume shrinkage of 2%, we are flat. We are flat excluding the one-time retail pipeline fill impact of Andhra Pradesh in the prior year base. So if we back out the AP pipeline, we are actually flat versus negative. On top of that, if we exclude Maharashtra for the quarter, our P&A; volume has grown by 6%. So it gives us confidence that the rest of India is growing very healthily.

On NSV growth based on the same construct, against the reported P&A; growth of 8.2%, eliminating the AP pipeline fill impact, we are circa 10%, and excluding Maharashtra, we are at 14%. It is in this context we say that we are happy with the momentum in the rest of India and feel that it's been a resilient growth quarter. Also important to call out that the adverse volume impact in Maharashtra predominantly is at the lower end of the portfolio. Mathematically, that provides a fillip

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to the national price mix, which stands at 10% for this quarter. We believe our historically stated range of 6-8% very much stands now that we have seen green shoots emerge on the top end of the portfolio.

On a YTD nine-month basis for FY26, P&A; growth stands at 9.8%, and we are tracking close to our guidance. This is despite a higher base for Q3 FY25 owing to pipeline filling in the newly opened market of Andhra Pradesh as explained above. Correcting for that, our P&A; year-to-date growth would be more like 10%. Pradeep will provide a little more color on the financial metrics in his comments.

At a macro level, we are witnessing consumption green shoots. The top end of the portfolio has delivered strongly in the quarter, which is reflective in the P&A; price mix as stated above. Clearly, disposable income available in the hands of the consumer has seemingly improved with GST cuts, income tax slab rationalization done in early 2025, and the good monsoons that always have a positive multiplier. While October to December has fared well for us, we still see uncertainty pertaining to the job market and geopolitical undercurrents. Therefore, we remain cautiously optimistic for the upcoming wedding season and the next couple of quarters.

Overall, our single largest challenge remains MML in Maharashtra, and we are putting our best foot forward to retain the competitiveness of our popular and lower prestige portfolio. As all of you are aware, the industry association has taken actions to ensure a level playing field in the medium to longer term, and we are tracking the developments closely as that is sub judice.

Quickly coming to our key updates on trademarks. Signature trademark continues to lead the way in the upper prestige segment. Its unique purpose-driven proposition is growing the brand ahead of the category. Signature has registered strong double-digit growth in the festive season and contributed to the upper prestige segment's nearly double-digit growth. Coming to mid-prestige on Royal Challenge, we've launched "Choose Bold 3.0 otherwise" a new trademark thematic design to build salience and cultural relevance. The film features Rannvijay Singh, cricketer Smriti Mandhana, gamer Mortal, and rapper Srishti Tavde to embody the brand's bold spirit. The campaign echoes the voice of the new generation and sharpens brand differentiation.

Through the RC pocket pack, we have also reaffirmed our commitment to convenience-led innovation, which is democratizing access for the next generation of consumers. This has contributed meaningfully to the growth of the trademark, which is performing competitively and continues to grow well ahead of the category. On our anchor trademark McDowell's, we rolled out the pocket pack in Maharashtra, and the same will extend nationally over the next 2-3 quarters. This trademark has had high-impact visibility in the India-South Africa cricket series. During the festive season, we also activated experientials, and McDowell's did six Yaari jams with 33,000 attendees across six different cities. This is our culture play to connect with young consumers in their moments of social celebration.

Coming to our Indian single malt Godavan. Godavan's growth momentum continued in the quarter led by the CSD, the Indian armed forces channel. Brand equity is being built on the back of curated luxury experiences such as Godavan Durbar evenings and impactful collaborations with partners like the Conscious Collective and the British Council. Speaking of our global luxury portfolio, during the festive season, Johnnie Walker reignited the iconic "Keep Walking" campaign, delivering a

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stupendous digital reach among affluent consumers supported by a premium outdoor presence across airports and high-impact sites in key cities. The brand amplified its cultural footprint through landmark associations with AP Dhillon's national music tour as title sponsor and debuting at Sunburn, featuring global EDM icons like David Guetta, Axwell, and Above & Beyond.

These platforms enabled Johnnie Walker to engage a new generation of culturally curious consumers at scale, reinforcing "Keep Walking" as a bold, expressive, and future-facing mindset. The quarter also marked the scale-up of Black Label's on-trade visibility through our own IP "Whisky Experiments" now extended into third-space environments like Sunburn, redefining how whiskey can be discovered and enjoyed in high-energy cultural contexts. Together, these initiatives strengthen Johnnie Walker's role at the intersection of music, culture, and modern luxury, driving relevance and cultural heat while continuing to evolve the category for contemporary India.

Coming to the white portfolio, starting with flavor of the year on Smirnoff, which is Minty Jamun, it has emerged as a breakthrough innovation, validating our India-first flavor strategy and becoming the primary growth engine for the trademark and the entire white portfolio. Momentum on the back of this innovation has made India break into the top five Smirnoff markets in the world. The brand tapped into Gen Z through the Smirnoff Experience concert series in Mumbai, Gurgaon, and Bangalore, featuring global music icon DJ Afrojack. These high-energy activations amplify cultural relevance and reinforce Smirnoff's position as the go-to brand for flavor-led experiences.

Last but not the least, we are excited to see how Don Julio, our global tequila market leader, is penetrating the overall spirits market in the country. Delighted to share that on a nine-month basis, YTD Don Julio has crossed 100 crores in NSV, making it our fastest 100 crore plus innovation brand. As category creators and leaders, we envision that the next decade will belong to Don Julio in India. We are excited to see how our trademark is doubling both on a quarterly and a nine-monthly basis, and this to us is just the beginning.

Looking ahead, we remain committed to steering through the emerging competitive and regulatory landscape by staying true to our portfolio strategy that has helped us over the last few years, and we are confident that it holds us in good stead for the future as well. Our unwavering focus on commercial execution and agility to serve changing consumer needs has held us in good stead, and we continue to invest in the right levers of growth with a focus to create long-term value for all stakeholders. With this, I hand over to Pradeep for an update on the financial performance for the quarter.

Management: Thanks Praveen and good afternoon everyone. Thanks for joining us today on the Q3 FY26 earnings call. Always a delight to connect in this forum. Wishing you and your loved ones a super 2026. As always, we'll request you all to please refer to the financial and press release of last evening. Just a reminder once again that from the previous quarter onwards, the consolidated accounts were inclusive of Nao Spirits consequent to the completion of the acquisition in June 2025, although the numbers are insignificant at this stage.

As Praveen mentioned earlier, we have delivered an overall resilient quarter and are tracking close to our P&A; growth guidance, and this is despite the policy headwinds in the most salient state and the launch of MML. Praveen has already deconstructed the quarter growth construct, so I will not be repeating that. Considering the significant noise due to Andhra Pradesh and Maharashtra, it would

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be prudent to consider the year-to-date nine months normalized view for the top-line growth. For nine months, our overall volume and NSV growth stands at 4% and 9% respectively. Within this, the P&A; segment volume and NSV growth stands at 4.5% and 9.8%. And lastly, without delving into minutiae, if we take out both the headwind of Maharashtra and the tailwind of Andhra Pradesh, our nine months P&A; volume and NSV growth is in the range of 7.1% and 12.3% respectively. This provides us, as Praveen pointed out earlier, the comfort that our rest of India portfolio is working extremely well and our strategy is working.

Coming to price mix, you all would have noticed that our P&A; price mix is a strong 10.2% for the quarter and 5.3% for nine months. Now Praveen has already spoken about the buoyant quarter we've had in the top half of the portfolio and that without doubt augurs well. He also indicated the positive price mix impact nationally driven by the adverse Maharashtra volume impact. We believe our historically stated price mix of 6-8% is sustainable at the higher end till the Maharashtra volume headwinds continue and at the lower end once the headwinds fall off.

On the cost side, the commodities basket is holding. Bulk scotch is the only structurally inflationary input commodity and that will be aided by the India-UK FTA tailwind as and when it comes into play. The marketing reinvestment rate during the quarter was at 14% of net sales. This normalizes at 10.6% of net sales for the nine month YTD period. This is reflective of the recovery in the top end of the portfolio, both bottled-in-origin and bottled-in-India, which are A&P; heavy given the nature of the trademarks and the consumer price points.

Operator: Pradeep sir, you are not audible if you're speaking at this moment. Excuse me, sir, you were not audible just now for the last 15 seconds.

Management: Okay, do you want me to repeat the last couple of paragraphs?

Operator: Yes sir, that would be great. Thank you.

Management: Okay, so I'm just covering the last bit again. I covered the nine months overall volume and NSV growth. Let me start with the price mix. You all would have noticed that the P&A; price mix is a strong 10.2% for the quarter and 5.3% for nine months. Praveen has already spoken about the buoyant quarter we've had in the top half of the portfolio and that without doubt augurs well. He also indicated the positive price mix impact nationally driven by the adverse Maharashtra volume impact. We believe our historically stated price mix range of 6-8% is sustainable at the higher end till the Maharashtra volume headwinds continue and at the lower end once that headwind falls off.

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Operator: Thank you very much. We will now begin the question and answer session. Our first question comes from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra – JP Morgan: Hi, thank you for the opportunity. The first question was on Maharashtra because you said this is a top-of-the-mind issue for you. If you could just elaborate a bit more on what you are noticing on the ground on the MML side, how is the consumer acceptance of these brands? Do you expect the intensity of the impact of MML, which came in the last quarter, to intensify in the near term? And what kind of initiatives have you undertaken or do you plan to undertake to navigate this challenge better?

Management: First, Latika, thanks for the question. Maharashtra is top of mind for everyone. I've said over the last call and over the last six months, I have been to Maharashtra literally every month and interacted with our customers and our consumers. MML came into play roughly at the end of September and it took full hold in October and November. We saw rapid distribution and availability across. The number of brands is increasing. But what we have noticed is the first brand to market became the most acceptable brand, and as fresh brands are coming, they are becoming less and less acceptable. That's the first thing.

Second, in terms of pure product and spoken to a lot of consumers, I think they're making tough choices. They don't believe the product is really as exciting as they would like it to be, but given the pricing difference and the advantage, they are making choices and therefore, albeit with some level of pain, they have made some choices to try and explore these new MML brands.

Third is what we've done. Very clearly, I think we have doubled down on McDowell's and RC overall. We've improved our pocket pack availability. We've launched the pocket pack in McDowell's also; it was only in RC to begin with and now in McDowell's also, and we have activated at the ground level. We've seen great momentum within the category we play. Unfortunately for us, we don't play in that center space and that is hurting us. It's not a question of the product, the brand, or the execution; I think all of that is very exciting. We just need to start playing at the right price point so that we get the significant unlock. So what we have done is not only the market work, but we've also, as an industry association, taken appropriate actions to ensure a level playing field in the medium term. As that matter is sub judice, we will await developments on that front.

Latika Chopra – JP Morgan: Thank you for the detailed answer. The second bit, Pradeep, on the margin front for you, I just wanted to check as we've seen good levels of gross margins two quarters in a row. How much of this year-over-year increase of over 200 basis points that you saw in Q3 is on account of benefits from benign raw materials? Except for bulk scotch, I think the other inputs you mentioned are benign. Just trying to see what part is mix-led versus what is RM inflation-led and of course your own cost efficiencies. I want to understand how that outlook looks in coming quarters once the mix normalizes. And the second part of the margins is A&P; spends; do you still stand by 9.5-10% of revenue guidance for the full year?

Management: Let me take it in pieces. There are multiple drivers of the gross margin. I can give you a directional response. Commodities are holding as I mentioned in my opening comments, and excluding bulk scotch, they will continue to hold based on our assessment for the next couple of quarters. Productivity also continues in the same vein. I had also mentioned in the last quarter call that the bulk scotch inflation has started hitting somewhere from November onwards. A little bit of a

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lag effect of that will hit us now in the subsequent quarter, but overall, we are pretty much comfortable on the COGS basket.

As you are aware, in the October–December quarter, our top-end portfolio salience is the highest. That obviously reflects in this quarter and that will wear off in the January to June period. That is something you need to be conscious of. Regarding your last question on A&P; part of it is driven by the mix element itself. As the top end of the portfolio starts firing, there is a mix element that takes us to a higher number. My sense is that we will probably be around the higher end of the range, marginally higher than that on a full-year basis. We're also making some tactical investments to protect the competitiveness of our portfolio.

Operator: Thank you. Our next question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta – Macquarie: Hi team. I just had a few questions. First, I wanted to understand the strategic review of the IPL team. Could you give us a sense of how it will plan out and the likely timelines?

Management: As we said when we put out our guidance on the strategic review, we said by March 31 we will come back, and that holds good.

Avi Mehta – Macquarie: Perfect. Also, if you could give us some sense of how the free trade agreement benefits would flow through. We have a limited idea currently, so I would love to get some thoughts on the expectation of when that benefit in scotch comes in.

Management: We believe the treaties need to be endorsed by the British Parliament, which has not happened yet. Once that happens and everything comes into play, we believe somewhere in the July to September quarter. Our belief is that the FTA will be brought into the British Parliament sometime in March to April. India doesn't need to take it to Parliament; it's a cabinet approval and it will automatically get approval. So we are hoping that between March and May, we will see this sign-off. What Pradeep was talking about is the elimination of that will be more like the July to September quarter because it will take time for that to play out in our numbers. The benefit in the numbers is what I meant, which will start coming probably in the July to September quarter.

Avi Mehta – Macquarie: Got it. And just a last clarification on how the industry performance has been since November when MML was introduced. Has the decline stabilized? Has it deteriorated? Just some idea of how the consumer is behaving, because you cited adoption but also a realization that the quality may not be as high as they hoped.

Management: In the July to September call, I said we have seen consumer spend growth of anywhere between 18–22%. They have taken pricing of 33–34% and therefore there was an 8–10% volume decline. When MML came in mid-September, it bridged that gap and is starting to see growth in consumer spend. The overall industry, including MML, is continuing to see growth both on volume and on value. Now if I look at our P&A; segment, it is certainly declining at just about a double-digit rate in terms of value. Roughly, on a value basis for nine months, it is around the mid-teens to high-teens. During the October–December period, we saw just about a double-digit decline.

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Avi Mehta – Macquarie: Is this double-digit decline remaining similar for the quarter versus post-MML introduction?

Management: July–September was a little different from October–December, but the differences are marginal. There is a change because we have also stabilized our pricing. We've had a couple of points of incremental negative value, but it's marginal and not really significant compared to July–September.

Operator: Thank you. The next question is from the line of Jay Doshi from Kotak. Please go ahead.

Jay Doshi – Kotak: Hi, thank you for the opportunity. My first question is on your comments on the top half of the portfolio, especially BII and BIO. In which markets are you seeing that growth? Is it a function of a competitor losing market share or the overall market growing well for upper prestige?

Management: It's early green shoots in the top end of the category. I believe the category is starting to see momentum because of GST cuts, disposable incomes, and good monsoons. We are delighted with the lift across the top tier. We are seeing each of our top-end brands grow faster than the market. Across the country, we are seeing this, although the top end is more salient in Northern India.

Jay Doshi – Kotak: Thank you. Second question, there was an article in the Financial Times that top-five spirit players are sitting on the highest level of inventories in a decade. How is the pricing of bulk scotch decided between United Spirits and Diageo? Why should we see inflation in bulk scotch if there is high inventory?

Management: It is a related party transaction and we go to shareholders every year. It follows a cost-plus model. The cost that Diageo Scotland incurs plus an arm's length margin. You can refer to our website for a benchmarking study by Ernst & Young. The average cost is consistent and we have the comfort that they are competitive, as they control 40% of the global scotch inventory.

Jay Doshi – Kotak: Perfect. Last question, could you give us an idea of the Maharashtra state excise collection for the December quarter and how it compares to their estimates when they increased excise duty?

Management: I don't have the October–December numbers yet. The first quarter after they made the changes was a period of significant pain and public discussion. I don't want to speculate, but by the end of the month, the data should be in the public space.

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

Harit Kapoor – Investec: Good evening. Regarding Maharashtra, it seemed like from the period in Q3, it should not incrementally worsen. Should we assume that the 200 basis point impact in AP comes back in the future quarters, adding to the overall volume number?

Management: That sounds very logical. On a status quo basis, we should recoup the two points of volume growth which was due to the AP retail pipeline. Barring the industry association's actions, which could change things, that is the way to think about it.

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21 January 2026

Harit Kapoor - Investec: And the second part, you mentioned the 6-8% price mix will continue. Gross margins have been at about 47% over the last two quarters. Is it fair to assume they should not be very different going forward, adjusting for the bulk scotch impact?

Management: Broadly, yes. The price mix will correct slightly because the top end is very salient in the October-December quarter, but we should remain in the same range. Inflation will go up a little on the COGS side, but hopefully, the price mix will continue to neutralize it.

Operator: Thank you. Our next question is from the line of Avnish Roy from Nuvama. Please go ahead.

Avnish Roy - Nuvama: Thanks. My first question is on the performance excluding Maharashtra. Your volume growth excluding Maharashtra has been resilient. Which states are driving this? Is it UP, parts of Eastern India, and Karnataka? And regarding Andhra Pradesh, what are your expectations for the full year?

Management: Yes, Avnish. Regarding the first question, rest of India excluding Maharashtra is doing well as a bucket. That 6% volume growth we spoke of is as high as some of our best years recently. We saw 14% value growth. A 6% volume growth and 8% price mix are at the high end of our historical range. In a portfolio of 30 states, some will be up and some will be down, but it is broad-based. In Andhra Pradesh, brands are doing very well and we are continuing to grow healthily. We are a high-share market there and we drive the category.

Avnish Roy - Nuvama: Second question is on Delhi. We've had many quarters waiting for the new policy. It is a premium market. When I consider potential demand from neighboring areas like Gurgaon and parts of UP, how do you see this market when it opens up?

Management: Delhi is a big market with high per capita income. We expect new policy discussions over the next couple of months. Our brands are resilient and doing well in the Northern belt. We are waiting to unlock that market. We have demonstrated our agility in the past; when Andhra Pradesh opened, we were in the market within 30 days. We will seize the opportunity as and when it comes.

Avnish Roy - Nuvama: Last question on the Royal Challengers Bangalore team strategic review. Regarding the women's team, how do you see this as a marketing spend and which brands are seeing a positive effect? Will both the men's and women's teams be part of this review?

Management: It is a strategic review of the overall asset. Regarding the WPL (Women's Premier League) season, we have activated Royal Challenge appropriately. The new campaign is gaining momentum and translating into strong volume, revenue, and share performance. It augurs well for the trademark.

Operator: Thank you. Our next question is from the line of Ashutosh Jain from Barclays. Please go ahead.

Ashutosh Jain - Barclays: High, thanks for taking my question. You historically stated that your P&A; growth algorithm is double-digit top-line growth with 4-5% volume mix and 6-8% price mix. Does this include the UK FTA impact from Q1 FY27 onwards, or is it independent?

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Management: We stay committed to our double-digit P&A; guidance. Nothing has changed. Even this quarter demonstrated that despite headwinds, our numbers are consistent. Once the FTA arrives, we will unveil our plans, but for now, we are delivering on our original guidance.

Ashutosh Jain – Barclays: So the current guidance for P&A; excludes the FTA, and any incremental benefit from the UK FTA will be on top of that?

Management: Right now, it assumes business as usual. If there is a significant unlock from the FTA, that could be different. We do not change our guidance based on individual events. We stuck to our guidance even when the Maharashtra situation happened.

Ashutosh Jain – Barclays: My second question is hypothetical. Your main competitor, Pernod Ricard, still does not have a license to sell in Delhi. If they were to get a license, how much do you believe your market share is defensible given Delhi is skewed toward P&A;?

Management: Delhi is a small market right now in its current form where major players' access is not complete. No major part of our growth is coming from there currently. If the market opens up for everyone, we will see what we need to do, but it is negligible in the overall national growth algorithm.

Operator: Thank you. Our next question is from the line of Himanshu Shah from Dolat Capital. Please go ahead.

Himanshu Shah – Dolat Capital: Thanks for the opportunity. On the India-UK FTA, can you call out the benefit on the bulk scotch front on an annualized basis? You mentioned 110-120 crores, while smaller competitors have quoted higher numbers. Is this conservative?

Management: I don't know what others have quoted. We have provided a range of what we believe the impact will be based on our scale.

Himanshu Shah – Dolat Capital: Can you update us on the Telangana outstanding situation? Are the overdues impacting industry volumes?

Management: It is an industry-wide issue. Industry associations are working with the Telangana government. We have seen progressive improvement, but not at the pace we would want. There has been no impact on volumes so far. We haven't shared the specific number of overdue days publicly, but the entire industry is in the same boat.

Operator: Ladies and gentlemen, we'll take that as the last question for today. I would now like to hand the conference back over to Ms. Sweta Arora for closing comments.

Management: Thanks Darwin. Thanks everyone for joining us on the call today. In the interest of time, I am closing the call, but if you have any unanswered questions, please feel free to reach out to me directly. Thank you and have a good evening.

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

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