



“United Spirits Limited  
Q1 FY’26 Earnings Conference Call”  
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**Moderator:** Ladies and gentlemen, good day, and welcome to United Spirits Limited First 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 call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Shweta Arora, Head of Investor Relations, United Spirits Limited. Thank you, and over to you, ma'am.

**Shweta Arora:** Thank you, Neerav. Hello, everyone. Good afternoon, and welcome to United Spirits Limited Q1 FY '26 Earnings Call. 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 release posted yesterday. Both are available on stock exchange and company's website under the Investors section. Moving on, today on the call, we have with us Mr. Praveen Someshwar, Managing Director and CEO, who is joined by Mr. Pradeep Jain, Executive Director and CFO. Praveen and Pradeep will take you through the financial and business performance for the quarter followed by the Q&A session. Thank you, and over to you, Praveen.

**Praveen Someshwar:** Thank you, Shweta, and good day, everyone. We'd like to begin today's call remembering and mourning the loss of our 11 beloved RCB fans in the tragic incident at the stadium on 4th June during the RCB team felicitation event. This heartbreaking and gut-wrenching incident has deeply shaken us. Our thoughts are with the families of the deceased and the many who were injured. May I request everyone to join me in observing a one-minute silence in the memory of our beloved fans who lost their lives on 4th June.

**Moderator:** Sir, you may go ahead.

**Praveen Someshwar:** Thank you. As always, it's great to be joined by all of you today as we close the first quarter of the new fiscal full year 2026, which has brought both challenges and cheer in equal measure. We are optimistic on domestic consumption with an upbeat monsoon and some early signs of urban consumption recovery as is also evident from results of the broader FMCG and consumer sector.

Starting with a quick update on macro and industry. Discretionary consumption remains muted and occasion-led, particularly at the upper end, which is below the historical 2- to 3-year momentum. While alcobev continues to show relative resilience versus other FMCG categories, it's again marred by policy headwinds.

The most notable and recent one being from the state of Maharashtra, significant hikes in excise duties impacting IMFL has led to spikes in the consumer MRP almost in the range of 30% to

40%. This is despite the company making some decisive and bold moves of not passing the complete burden to the consumer.

In addition, the state has introduced something known as MML, which is Maharashtra Made Liquor. While this is not the first time that any state has made this move to encourage local industry, this step looks extreme and will potentially impact the consumer value proposition for the segment in the state.

Overall, Maharashtra as a consumer market is significant for us. Our national value salience in the state hovers in the mid- to high teens or thereabout. However, at this stage, it is too early for us to assess the complete impact of the announcement as there are many moving parts around the MML entry.

Our initial read assessment, if I may say so, definitely suggests that the IMFL industry contraction in view of the above-mentioned sharp consumer price increases. Considering relatively steady consumption habits of the category segment audience, we believe the contraction of the pie will not be as severe or proportional as is the percentage of price increase, we have seen.

Early indicators, and I say very early indicators suggest that the consumer spend is seeing mid-teen growth, which is very, very encouraging. However, we have to get to a 30%, 35% consumer spend growth to be revenue neutral. We'll have to wait and watch over the next couple of quarters on how this plays out. As all of you would already know, such experiments have been attempted in the past in some states, albeit at a very low scale, and have met very lukewarm results.

Having said the above, and as I just spoke about Maharashtra, India is a portfolio of many states. I want to repeat what I said in the last quarter call, for every headwind, there is a tailwind as well. We are seeing progressive policy changes in some other states like UP, MP, Jharkhand to name a few. These certainly will help us unlock healthy category momentum in the coming quarters. Moreover, as all of you are already aware, we expect fresh opportunities to unlock at the top end with the India-UK FTA implementation.

So overall, in balance, we are cautiously optimistic. Amidst a muted demand environment, if I may say so, we have delivered a resilient quarter. Our overall net sales value grew 8.4% over prior year same quarter, with P&A net sales value growth at 9% year-on-year. The current quarter is also lapping a high base in the prior year on the back of proactive actions taken by the company then to mitigate potential union election-led supply chain disruptions.

Pradeep will provide more color on the margin and cost environment. But broadly, I have to say we are doing well on that front, in line with our stated ambition, carefully balancing growth and investments with profitability. In this evolving backdrop, our portfolio remains strong and resilient. Premiumization, innovation and format-led recruitment continue to be our key growth levers.

Quickly coming to key updates on our trademarks. On Upper Prestige, Signature maintained high salience, RCAP entered the CSD channel, boosting institutional access. In Mid Prestige,

Royal Challenge delivered double-digit growth and performed competitively, led by cultural activations like Bold Sherni and India's first alcobev eSports campaign.

Pack format innovation on Royal Challenge has scaled effectively and is delivering healthy double-digit year-on-year growth across the launch states. This is the pocket pack, and it's been very, very powerful. We are in the process of expanding its footprint. At the sake of repetition, the pocket pack is our triple benefit innovation, as we call it, drives consumer penetration through convenience, enables productivity realization and significantly reduces the carbon footprint. So, it's an ideal pack as we go forward.

Coming to our anchor trademark, McDowell's. Our newly launched McDowell's Double Oak Barrel has been very well received. The 180 mL pack format further supports penetration and trials. Consumer feedback on smoothness and premium value has been very encouraging. We intend selectively rolling it out to other states as well. McDowell's X Series sustained its momentum, especially in the Eastern states and helping us gain share in the white spirits.

Our single malt Godawan -- India single malt, Godawan continues to register very strong growth, supported by the recent launch at the Bangalore duty-free and some other markets and strong traction in the CSD channel. Its U.K. debut included listings at Selfridges and Soho Square. With 100-plus awards, it continues to redefine Indian luxury malts, and it presents a significant opportunity of export, which remains untapped.

Coming to the whites portfolio. Our recently launched Smirnoff flavors exceeded internal benchmarks across Haryana, Maharashtra, Karnataka, Goa, UP. So clearly, it's exciting the consumer. Minty Jamun led preference, reaffirming our relevance among younger bold exploring cohorts in a flavor-led white spirits category. Don Julio recorded strong double-digit growth driven by Cinco de Mayo activations, high consumer affinity and industry recognition for experiential excellence.

It remains a frontrunner in the fast-growing luxury tequila segment, and quarter-on-quarter, we are significantly improving our performance in this category. Another significant development during the quarter was the completion of Nao Spirits acquisition. It was always part of our portfolio. We clearly looked at it as we looked at the laddering in that category.

But we thought this was just the right time to scale up using Diageo's expertise and tap into the repertoire local authentic craft-oriented brand consumption opportunity to now take it to our fold. We are delighted that brands like Greater Than and Hapusa are part of our extended portfolio.

Looking ahead, we will continue to focus on our circle of control to navigate policy headwinds and challenging demand environment. Overall, we remain optimistic on the medium-term opportunity to lead India's alcobev premiumization curve with differentiated and tailored offerings.

Before handing over to Pradeep to cover the financial performance, I want to take a moment to reflect on the broader impact of our business. An independent economic and social impact assessment by the Pahlé India Foundation has just been released, and the findings are both

humbling and inspiring. We directly and indirectly enable employment for 6.5 lakh people, 650,000 people. Our contribution to the Indian economy stands at circa INR49,000 crores. We contribute over INR20,000 crores in taxes annually.

Beyond numbers, our operations create deep linkages with agriculture, logistics, community and more. From using 98.6% renewable energy to positively impacting over 100,000 lives through our community programs, we continue to embed purpose in our growth. These outcomes reinforce a simple truth. When business puts people first, economies thrive.

As India accelerates towards Viksit Bharat, we are proud to be more than just a consumer company. We are a committed partner in shaping an inclusive, progressive and globally respected India by 2047.

With this, I hand over to Pradeep for a quick update on the financial performance for the quarter.

**Pradeep Jain:**

Thanks, Praveen, and good afternoon, everyone. Thanks for joining us today on the first quarter of fiscal year 2026 earnings call. It's an absolute delight to address all of you. I will request all of you to refer to the financial and press releases from last evening, and I'm sure you must have already seen our preview released earlier this month.

As Praveen mentioned earlier, we have delivered a steady quarter despite the demand environment being soft. Our overall portfolio NSV growth was 8.4% for the quarter, within which the P&A growth stood at 9%. The quarterly growth number, excluding Andhra Pradesh, was 3.2%, both for the total portfolio and for the Prestige & Above segment.

As the demand moderated at the top end and in line with seasonality of the business, our price/mix was flat during the quarter. Price/mix for the quarter, excluding Andhra, was 2.3%. Andhra, as all of you are aware, is primarily a lower Prestige mass market.

It is important to call out that this growth is lapping a high prior year base, driven by a combination of 2 factors. One, as Praveen has already mentioned, involved proactive action to mitigate potential union election-led supply chain disruption last year, and another was a business-as-usual development in West, both of which had led to a favorable growth in the prior year same quarter.

And therefore, as we had requested last year, I would again request all of you to look at the first half of the fiscal year '25-'26 also as one consolidated block. Our inherent growth run rate is exactly in the same range as our 2 prior sequential quarters.

On the cost side, input commodity inflation is under control, except neutral alcohol spirit, which remains structurally inflationary. All eyes will be on the ethanol blending targets in the ethanol supply year 2025-'26, as the government has not revised the ethanol blending policy for the last 2 years. The next announcement is expected around October, November this year.

Glass inflation was mitigated through alternative sourcing, alternative packaging solutions and long-term vendor contracts and therefore, contributed positively to COGS and gross margin.

That said, we do expect some supply-related disruptions in the upcoming quarter on glass, owing to planned furnace shutdowns from key suppliers, both in the East and the West of the country.

Gross profit for the quarter was INR1,121 crores with a gross margin of 44%. Grossing up for the one-off indirect tax expense of INR40 crores, our underlying gross margin for the quarter stands at 45.5%, which is an expansion of 107 basis points over prior year. The marketing reinvestment rate during the quarter was 9.3% of net sales. While this may appear elevated for a seasonally low quarter, it's a conscious step taken to build mental availability of our brands throughout the year.

And while seasonality may exist between the 2 halves of the year, we wanted our brand investments to be uniformly distributed. This, however, does not change our full year A&P guidance of 9.5% to 10% and will sequentially step up as we approach the peak season of October, December to keep our virtuous growth cycle intact to drive consumer engagement and maintain equity of our trademarks.

Reported EBITDA for the quarter stands at INR415 crores. After adjusting for the INR40 crores one-off, underlying EBITDA stands at INR455 crores, almost flat year-on-year. The reported EBITDA margin for the quarter was at 16.3%, while underlying margin is at 17.9%. As always, our endeavor will be to continue our structural cost-reduction initiatives across the value chain and make right interventions to deliver on our top line and bottom-line growth aspirations. Overall, PAT for the quarter is INR258 crores with a PAT margin of 10.1%.

With this, we can now open the floor for Q&A. Thank you.

**Moderator:**

Thank you very much. We'll now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you may press star and 1 to ask a question.

The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

**Abneesh Roy:**

Yes, thanks. I have 3 quick questions. First is on your comments on Maharashtra. So, you did mention that the MML kind of strategy, Maharashtra Made Liquor, those equivalents have been tried earlier in other states. So, if you could clarify a bit more on generally near term and long term, how does it pan out? Because we don't see that as a concern in most states. So, it does mean that initially maybe it's introduced and then does get sidelined. So, if you could clarify on that.

Second related question is, you did mention that you are absorbing substantially in some cases. So, I wanted to understand the 30% to 40% tax hike. The absorption is sporadic, or it is a bit more substantial? So that is my first question.

**Praveen Someshwar:**

So, I'll start with the first question and your whole question on which other state they did introduce state-made liquor. I'm told Rajasthan had it some years back. Much before that, UP experimented with it. And in both cases, they realized over a period of time that it didn't make

any substantial impact, and it just impacted the taxes and duties, and they completely changed it over the next few years in their yearly policy updates. So too early to say what will happen in Maharashtra and how it will work out. But clearly, it shows in the past that it didn't work.

On absorbing some -- not passing on the complete pricing. Look, I don't think there was a one-size-fit-all. It was different brands priced differently, and it was nicely laddered. In the upper -- if you see the middle Prestige level, we have absorbed significant sums of money. At lower Prestige, we've been marginal absorption and not -- that's not very big absorption in terms of absolute duties.

At Popular, at below lower Prestige, we've passed on everything because that's what -- there was a minimum price requirement also, and therefore, we had to pass on. So, it's been done differently across brands and across categories. But that's how we have done it, and that's -- we've carefully created it so that the laddering continues in the category and the consumers in some manner are softened.

**Pradeep Jain:**

Yes. And maybe I'll just add, Abneesh, to Praveen's points, right, that whatever we have consciously decided not to pass on, we are tasking ourselves to generate that productivity. A significant portion of it from the Maharashtra state itself. But where we are not being able to absorb that completely in Maharashtra, we are obviously tasking ourselves to generate that from the rest of the portfolio.

**Abneesh Roy:**

Understood. One quick follow-up on this first question. So, given your focus on premiumization, would you look to play the MML once full policy clarity comes? And second, a small bit on the pass on to customer. Is the -- are the other large players also behaving fairly similar because it's an industry-wide issue. So is there some irrational competition here that some small player or big player is trying to become extra aggressive, or you are trying to become extra aggressive. I wanted to understand, is there some level of discipline here on the thought process?

**Praveen Someshwar:**

We've seen a very balanced approach. I wouldn't see aggression from anyone till now. It's early days. It's just been 30 days effectively, it's gone to market, but we've seen a balance in the play. So that's not really a concern.

On -- MML rules have just come out. We're all studying. What I'm told early read of it is we cannot participate. So, there's -- it's not about we can -- we want to or can't, we cannot participate, but we will go through it in great detail and see what the opportunity is. And if there is an opportunity to participate, then that does it play in our overall segment and how do we structure it.

**Abneesh Roy:**

Sir, my second and last question is on the 3 cost items. So first, of course, on the glass, you mentioned interesting and very useful comment that some planned maintenance is going to happen. Generally, planned maintenance is well thought through. So, do you see this as a substantial impact or more of just a small and temporary impact on your costing on the glass?

And second is, Q1, your other costs and A&P costs rose sharply. On a full year basis, given, sir, you have now taken up the leadership as the MD, is there some thought that on a full year basis also these 2 line items should go up a bit versus last year, as a percentage of sales?

- Pradeep Jain:** Yes. So Abneesh, let me take that, right? And Praveen is smiling, right? So, he's passed it on to me. So no, for glass, there are -- you're right, there are these planned furnaces, et cetera. So, there is a little bit of cross regional sourcing that happens, et cetera, which leads to a little bit of an uptick of freight cost, et cetera, but otherwise, nothing structural. It will be temporary, exactly the way you have said, right?
- And the second thing is, I've already -- we've already covered that in our opening script. We don't expect the A&P investment to go up versus our full year guidance, right? So, this is more a quarter-on-quarter phasing issue, right, and therefore, not a full year impact.
- Abneesh Roy:** Even other costs, other cost has also risen sharply?
- Pradeep Jain:** Other costs, okay, this is -- other costs, well, all I can attribute that it is due to a bunching up of some of our old cases and legal issues, et cetera, right? But again, nothing structural, right? So that, again, should be seen as a one quarter issue.
- Abneesh Roy:** So, thanks, all the best from my side. Thank you.
- Praveen Someshwar:** Thank you.
- Moderator:** Thank you. Next question is from the line of Avi Mehta from Macquarie Capital. Please go ahead.
- Avi Mehta:** Yeah. Hi, team. Thanks for the opportunity. My first question was more on how to look at Maharashtra from a company level basis. Now given the salience of Maharashtra and your initial read on how demand behavior is, do you see that FY'26 Prestige growth may be lower than the double-digit growth that we typically aim for?
- Praveen Someshwar:** In Maharashtra or across the country?
- Avi Mehta:** I'm more interested because typically, India has some pluses, some minuses, so I just wanted to get more overall feel? And how should I look at that?
- Praveen Someshwar:** Thanks. I think I made that point very clear in the opening statement itself. In balance, I think we are cautiously optimistic. Our mid-range, midterm guidance is very simple, which is double-digit growth in P&A. I think we are completely committed towards it. And we don't see any of this changing it in the short term at all.
- Pradeep Jain:** Yes. Also, maybe Avi, I'll just add to what Praveen is saying, right? There have been and you've been associated with the company for the past, right, I mean you've seen Delhi happen. We lost about 6 to 7 points of growth. We were immediately able to reallocate resources and punch our weight in other geographies, et cetera. So that's what Praveen is saying. That will be our aspiration, right? We also have to wait for the peak season, right? I mean, once October, November, December kind of go through the season, et cetera, then we will be in a better shape, right? But as of now, we are not diluting our aspirations for Prestige & Above double digits.



- Avi Mehta:** Very clear, very clear. Thanks a lot. That's clear. The other bit is, yes, if that is the case, and even though you're looking to use productivity to offset some of the tax hikes in the year, would it be fair to say you remain confident of EBIT growth being higher than sales growth?
- Pradeep Jain:** It will moderate, as I've always mentioned, right? I mean, if you see that we've been fairly ahead of what we have committed over the last 2 to 3 years. And as one had mentioned last time, it is going to moderate now, right? But like any forward-looking organization, we always try and extract the EBIT growth a little ahead of our revenue growth, right? So that's a fair expectation. Keep us honest on that, and that's what we strive for.
- Avi Mehta:** And last, with your permission, just a clarification and bookkeeping. Could you just explain what this indirect tax actually about? And why -- how is it -- and what is this related to? That's all from my side.
- Pradeep Jain:** Yes. So, Avi, first of all, I just want to dimensionalize the amount, right? While the INR40 crores number looks large for a single quarter, it's almost a 5-year catch-up, right? And that's our ongoing risk assessment of our plethora of our dispute resolution book is large, as you are aware, because of legacy issues, right?
- So, we keep assessing that depending on developments. On this one, we felt that it is better to kind of cover ourselves for us based on some trigger events that have happened, right? There is a much more detailed disclosure on the issue in our annual report. You will get a better sense.
- So broadly, what I'm saying is the annualized number will be in the range of about INR6 crores to INR8 crores. On that also, we are driving productivity interventions. Our intent will be to ideally completely neutralize, but there might be some spillover cost that comes into our algorithm.
- Avi Mehta:** Sorry, Pradeep, this INR6 crores to INR8 crores, this quarter, it was INR5.7 crores. So, you are including the interest or you're talking just about the RM? I just wanted to clarify that because you saw an interest impact also, right.
- Pradeep Jain:** Yes, so I'm keeping the interest cost of INR32 crores aside, right? I'm just talking about the INR40 crores that is into the operating results, right? So that's what I'm saying, the annualized number will be about INR6 crores to INR8 crores on an annualized basis. It's a 5-year catch-up, right? And therefore, it's not very material, and we are driving interventions to kind of neutralize that number also.
- Avi Mehta:** Thank you very much. That's all from me. Thanks a lot. Thank you.
- Praveen Someshwar:** Thank you. Avi.
- Moderator:** Thank you. Next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

- Percy Panthaki:** Hi sir, because of the change of Maharashtra excise duty, was there any kind of sort of early buying by the trade, which sort of you would like to call out in terms of benefit on the volume growth?
- Praveen Someshwar:** Actually, not at all. We didn't get -- we actually cleaned our pipeline because we were very, very clear that we will move into it. At that point of time, there was not enough clarity on various things. So, we didn't clog the pipeline.
- Pradeep Jain:** And Percy, all within the quarter, right? So, all within the quarter, right? So even if there was any trade would have taken something, it's all within the quarter, right? So, we are not carrying forward anything.
- Percy Panthaki:** Understood. Understood. Also wanted to understand the gross margin expansion, 100 basis points Y-o-Y, especially in light of the fact that your price plus mix in the P&A segment is zero this quarter. So generally, we see -- generally, we struggle to even deliver 100 basis points even with a pricing plus mix. And this time, that lever is completely zero. So, can you throw some light on this?
- Pradeep Jain:** Yes. Commodities have been kind this quarter, Percy, right? I mean neutral alcohol spirit was kind and even glass, right, because we're migrating to PET. So mostly, the entire commodity portfolio was kind, right? But like I said in my opening script, neutral alcohol spirit structurally remains inflationary, as you are aware, right, because of ethanol blending, the policy has been updated for 2 years. So that will come in. So, it's more wait and watch as the policy comes in sometime in October, November. As of now, it's been kind, right? So that's the one that has given us the kicker.
- Percy Panthaki:** Understood. And just to get my figures right, did you mention that excluding AP, the volume is 3% and the price is 2%?
- Pradeep Jain:** The volume is 3% and the mix is -- no, no, total growth is 3%, right? So, the -- excluding Andhra, if you just strip out Andhra, right, our total NSV growth is about 3% and volume will be 1%, right, because the price-mix is 2%. Shweta did I get that right?
- Percy Panthaki:** Okay. Okay. So basically, your total volume growth is 9% and ex-Andhra is 1%. So, Andhra is about 8% of the volumes this quarter.
- Pradeep Jain:** On volume, yes. On volume, yes. Yes, Percy. Absolutely.
- Percy Panthaki:** Was it ever this high? Because my understanding was that it was more in the range of about 4.5% to 5% before all the problems in Andhra happened.
- Pradeep Jain:** Yes. Percy, value contribution was always in the 5% range, 4.5% to 5%. Volume contribution was always higher. Like I mentioned, it is a lower Prestige mass market, right? So, volume is higher.
- Percy Panthaki:** Got it, got it. That's all from me. Thanks, and all the best.
- Pradeep Jain:** Thank you.

- Moderator:** Thank you. Next question is from the line of Latika Chopra from JPMorgan. Please go ahead.
- Latika Chopra:** Yeah, hi. Thanks for the opportunity. Let me just check a few things on Maharashtra. In your initial comments, you said the revenue salience for the state is about mid- to high teens. I would assume the BIO and parts of BII portfolio have not been affected by the tax changes. So, if you adjust for this piece, would you say the impacted portfolio is a low double-digit kind of salience on aggregate revenue basis for you?
- Pradeep Jain:** Yes. So, Latika, the BIO, BII portfolio is not a very large salience in Maharashtra. It's -- I think Praveen was mentioning it, I don't know, not in his comments, but somewhere else, right? It's largely a lower prestige and mid-prestige market, right? So therefore, yes, I mean, it could reduce by a percentage point. But by and large, it will stay in the same range of whatever Praveen mentioned in his opening comments.
- Latika Chopra:** All right. And the other bit that I wanted to understand from you was basis the prior episodes of price -- sharp price increases, I'm sure we have not seen probably something to the tune of 30% to 40%, at least not in my immediate knowledge, but definitely probably we have seen in the range of 15% to 20% in the past. What kind of a consumer behavior have you seen?
- There are also updates on how liquor from the neighboring states could come in. There is consumer down trading. But any specific episodes or examples on the quantum of volume or value impact that you would want to share? Just to give us some context on how the purchase behavior and growth rates have been affected in the past.
- Praveen Someshwar:** So, thanks, Latika. First, a very interesting question. As I said, alcobev usually shows a lot more resilience, okay, unlike some other categories. Whole FMCG category is a lot more sensitive to pricing. I believe alcobev is a lot less sensitive to pricing, and it's all in relative terms, I would say. That's the first thing I'd say. Also, if I -- I don't know if I said it, but I know I've done the market, done Maharashtra over the last 1 month. And as we look at data, what we are seeing is that consumer spends are showing a strong double-digit growth, overall consumer spends.
- If you look -- went to the retail outlet and looked at what they actually saw in terms of retail sales in the month of April, May or -- and what they see after mid-July when the impact of the price increase, we are seeing a strong double-digit growth, which tells me -- that talks to the resilience of the category. That's the first thing I'd say.
- However, as I said, we took a 30%-35% price increase. That's something we need to keep in mind, and it's very early days. So, what gives me comfort is the growth in consumer spend and the strong double-digit growth in consumer spends. That gives me some comfort. We still have a long way to bridge.
- There are many things we'll need to look at carefully. And therefore, we will need to be agile as we go through the next few quarters as we restate our laddering and segment the portfolio and play the Brand X Pack X Price opportunity. But that's an exciting space. But I can say the sticker shock has not -- is not half as bad as what I would see in other categories. And that's, to me, very, very positive. Does that answer your question, Latika?

- Latika Chopra:** Yes, to an extent. The second question that I had was on this import duty reduction benefits timeline. Any updated thoughts here on when we start to see some of that effect flowing through?
- Pradeep Jain:** Yes. So, Latika, we believe it will -- it should happen in the April-June quarter, right, which is the first quarter of next fiscal. Because these products also have a long pipeline, right? At any point of time between the high seas and the stocks that we have for across the country, et cetera. There's a long inventory pipeline. So, we believe that will happen sometime between April and June.
- Latika Chopra:** All right. Thank you so much.
- Pradeep Jain:** Thank you.
- Moderator:** Thank you. Next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.
- Jay Doshi:** Hi. Thanks for the opportunity. Some more numbers, if you can share on Maharashtra. First of all, are you seeing by any chance upgradation from popular to lower prestige or lower prestige to mid-prestige in Maharashtra given that you've absorbed a larger part of tax increase in mid-prestige and then some lower prestige and you've not taken -- you've not not passed on any. So, are you seeing that trend? And how big is the popular market? I know DSP Black is a very large brand, but would really want to know in terms of volumes, which are -- how big is the market? And could this be opportunity in some form in terms of relative market share for United Spirits?
- Praveen Someshwar:** So, Jay, first, good question on how the segment -- it's very early days. I don't think we have any reads on premiumization, as you call it, or we all call it, where people are getting laddered from popular to lower prestige to mid-prestige. And look, the price difference between popular and lower prestige has significantly reduced. So, you're bound to see some upgradation, okay?
- The price difference between lower prestige and mid-prestige remains the same. But I think typically, there are some price points which seem a lot higher than they really are. So, we'll go through all of that. Too early to say what will be -- will there be upgradation and what is the percentage of upgradation? There will be some play. But I think the biggest beast in it has still not come into play, which is MML.
- And as and when it comes in, we will really read the market as to what is the laddering, what is the premiumization and therefore, what is the upgrade and where will the volumes start aggregating. But this is a wait and watch, and we are carefully seeing the market. And as we build trends, we will appropriately adapt ourselves to unlock potential.
- Jay Doshi:** Understood. Second is on your -- you still maintain an aspiration for double-digit growth in P&A. But when I look at the recent quarter numbers ex of AP, and AP will start anniversarizing from December quarter. So, I feel that ex of AP and ex of Maharashtra, the growth trajectory was not yet strong. And with some headwinds in Maharashtra and AP anniversarizing, I don't know, am I missing something?
- Are you sort of -- are there any tailwinds in other states that makes you confident? Or are you - - is there a good chance that Maharashtra government may roll back or at least partially roll back

the tax increase, so you are hopeful that maybe in second half, things could actually be better than what today, mathematically it appears to be?

**Praveen Someshwar:** So, the second part of the question, does Maharashtra government roll back? I think I need to go to an astrologer really. I'm not sure at all, okay, why they would roll back. The only reason they roll back is if they see drop in their duty collection over a consistent period of time, as I see. And that, in my mind, sounds not. As I say and as I see the consumer spend growth, I don't see that happening.

**Pradeep Jain:** I'll give it a shot for at least some period of time to our assessment

**Praveen Someshwar:** So that's the second part -- first part. Look, as I said, my important thing is India is the portfolio of states, the markets which don't do well. And we went through the same phase a couple of years back when Delhi hit us. okay? Yes, there are sometimes headwinds, sometimes tailwinds. But even in that scenario, you overall managed to deliver double-digit P&A.

Now as I see, if I look at UP, it's been a very progressive policy, okay? Our outlets have doubled. And just giving you -- there are lots of things which have happened, which give us the clear opportunity to unlock category momentum. MP, same way. Jharkhand is going to go through a new go-to-market in the next 30 days.

So, I think there are states and there will be, in my mind, more states which will open up as this is a yearly policy, and therefore, we've always seen a balance. And therefore, our belief is that we will start seeing some of these build scale.

**Jay Doshi:** Understood. Thank you. And wish you the very best in this role Praveen.

**Praveen Someshwar:** Thank you Jay.

**Moderator:** Thank you. Next question is from the line of Krishnan from Nirmal Bang. Please go ahead.

**Krishnan:** Hi Praveen, you mentioned -- just mentioned UP. What's your view on the developments that have happened on the ground in the last 5 or 6 months? How much have you seen the IMFL demand go up in the states because of practical, as you said, doubling of the number of outlets? And a follow-up to that, would there be a need to relook at your capacities in the state and make substantial investments?

**Praveen Someshwar:** Okay. First, we have a lot of capacity. So, I don't see capacity being an area of concern at all in that state. The rollout happened in pretty much end April to end May, and that's why -- so that's why I said it's -- the policy happened in March. The rollout happened in April and May.

So, the outlets are starting to come into play, and you're starting to see that build out. So, we've seen very healthy growth. So very, very healthy growth in June and July in UP. That gives us the confidence that, that market is going in the right direction. So overall, UP policy is progressive, and we see that looking very good.

**Krishnan:** Would your NSV contribution from that state be in the mid- to high single digits in FY'25?

- Praveen Someshwar:** I wouldn't get into that because it's a collection of states. I wouldn't say -- that's why I didn't want to get to a state discussion. I said a few states. Each of these states are reasonable. What I gave you was one state given Maharashtra, the significant change.
- Krishnan:** Understood. And on Maharashtra, just one clarification since you mentioned mid- to high teens sales contribution. Would Maharashtra be more profitable and therefore, would the EBITDA contribution from Maharashtra be relatively higher?
- Pradeep Jain:** Marginally, I would say, Krishnan, right, but not. I mean there was a time 6 years ago when Maharashtra used to be dramatically profitable compared to the rest of the portfolio. But over the years, the gap has narrowed down significantly, right? So, it will not make a material difference to the national algorithm.
- Krishnan:** Understood. And this is at an overall level, right? Because in Maharashtra, you continue to retain the popular segment, right? So, this mid- to high teens contribution would be at a total level or P&A?
- Praveen Someshwar:** Total level. Total level. Total level.
- Pradeep Jain:** Value contribution is...
- Praveen Someshwar:** Yes, total level.
- Shweta Arora:** Just a minute. Before we move on, I just want to clarify on the volume question earlier. The volume ex AP on P&A is 1%, while total is 2.7%. Yes, move on.
- Moderator:** Thank you. Next question is from the line of Harit Kapoor from Investec India. Please go ahead.
- Harit Kapoor:** Yes, good evening. So just wanted a question on the broader competitive market environment. Some of your listed peers have seen fairly sharp acceleration in growth rates over the last 2 quarters, while Andhra is obviously a factor for them as well. But just wanted to get your sense on this acceleration in growth.
- And at the same time, the market demand environment at an overall level not being so conducive. So just some comments on the competitive environment, some of the large Indian players growing at a rapid pace, your thoughts?
- Praveen Someshwar:** First, don't really feel a quarter here and there, you'll always see some acceleration and deceleration. But overall, we look at India growth by state, total rolling up and industry reports on an ongoing basis, on a regular basis. And I can say with reasonable confidence as even I have started seeing them consistently, we are in the top tier of performance. That's the first thing I'd say.
- Also, one of the things, and I think Pradeep alluded to it in great detail, is that you need to keep our current quarter performance in context of a high base of the prior year and some other things which he mentioned. So therefore, normalizing. And if I were to see our growth rates now and if you were to look at it first half of the year, you will realize that we should be on the right side

at the top tier of the performance. So, I feel comfortable. And I also feel that sequentially, we've been pretty consistent.

**Harit Kapoor:** Fantastic. The second point was you did mention about improving urban sentiment. I think you referenced to FMCG companies. But are you seeing that uptick going through the quarter, going through Q1 and into Q2 also that on-ground demand sentiments for the sector or for yourself, in particular, have seen some improvements, obviously, exing out the noise of Maharashtra being negative or UP being positive?

**Praveen Someshwar:** Look, I genuinely believe there are early signs of recovery. I wouldn't say moving in from, as I said, Q1 to Q2. I think there are early signs of recovery in urban. Where we have seen things improve further is rural, okay? And I believe the monsoons -- pretty healthy monsoons will help it further. So that I feel a lot.

Urban, we've seen early signs of recovery. It shows up in all the other FMCG businesses. And I believe this -- I think momentum will continue. It will continue to improve. Festive will be the true test in my mind for all other categories and certainly for our category.

**Harit Kapoor:** Great, wish you all the best. Thank you.

**Praveen Someshwar:** Thank you.

**Moderator:** Thank you. Next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

**Arnab Mitra:** This relates to the top end of the P&A where you mentioned that the growth trends are still very tepid. And I think our initial diagnosis was a macro issue, consumer is not spending there and also, we have a slightly high base coming out of COVID.

But now that it's continued for a long time, I was wondering what do you think you need to do the growth back there? Any changes in price laddering, marketing? Anything happening on the competitive side, which is constraining our growth there? Because that's, I think, the main delta you can deliver on the top line if -- so just your thoughts on how to revive that part of the growth.

**Praveen Someshwar:** Okay. I'm going to, PJ build on that. But even last year, if we were to say, before I get into talking about how our brands are doing, even in the last year, the first quarter and quarter and half was very, very muted at the top end. The top end accelerates typically during the festive time. Before and right up to January, it really accelerates, and that's when consumption bunches and spikes up, okay?

So that's the first thing. So, we saw the same behavior last year. We believe we will see the same behavior this year. And therefore, festive is an important part of that. Second, if you look at our brands, our brands are doing extremely well. We look at our brand scores on a monthly basis.

And each of our top end trademarks, especially Johnnie is across its lines is looking extremely strong and is growing equity, growing differentiation. That gives us reasonable confidence that we're doing the right things. The consumers are loving what they see. Consumers -- the occasions

of these are over-indexed during festive, and that's when, hopefully, we will see this unlock. So right now, we don't see anything new, or any big change required on what we are doing.

**Arnab Mitra:** In terms of affordability in the category, any challenge -- is that one of the feedback? I don't know if in your consumer research that the price gap is quite large and that is there's a certain consumer upgrade, which is not happening? Or do you think pricing is something which is not an impediment in terms of getting the growth back here?

**Praveen Someshwar:** So first, I wouldn't wash away if pricing is never an impediment. But I believe I don't see where we are in terms of pricing, depending on every state is a little different, and I want you to know that there are extremes -- 2 extremes on what that pricing could be. But I think it's reasonably well laddered. We have smoothly ensured if you look at our overall segmentation and the way we have laddered it is we've got upper prestige, we got bottled in India and that is our beginning of luxury and then you've got the top end luxury, which is BIO. So, it works very well. It's consistent. We don't see the issues. We'll keep tweaking it basis what we see and basis where there are opportunities. And I think we are -- it looks reasonably consistent.

**Arnab Mitra:** Got it, got it. Thanks. That's it from my side. All the best.

**Praveen Someshwar:** Thank you.

**Moderator:** Thank you. Next question is from the line of Prakash Kapadia from Kapadia Financial Services. Please go ahead.

**Prakash Kapadia:** Yes, thanks for the opportunity. Just one question from my end. If you could comment on the - what we are seeing in terms of the state government's populism is increasing. Clearly, alcohol and real estate seem to be the easy target. What I was trying to understand is given larger states like Karnataka, Maharashtra are seeing uncertainty disruptions due to policy changes, due to excise duty hikes far higher.

And these at least historically were far more larger states for us. So, is the offset by the newer geographies so high, we don't see a major impact on sales for the balance of the year? Is that what is likely to happen? Or you mentioned the consumer forgets about all of these things and then sales just normalize and there is no price impact, if any? And Delhi, how is the trajectory? Have things stabilized post the new policy? Those are my questions.

**Praveen Someshwar:** First, Delhi, the new policy is still not in place. The new government has come in and they are working on it. They've just continued with the old policy, and we are hopeful sooner than later, we'll see the new policy. That's the first thing. And as and when the newer policy could happen, that could be an opportunity.

As I said, on the first part, India is a portfolio of states, and we've learned over the last 3, 4 years that we just need to be consistent and focused. And there are going to be some headwinds and for every headwind, there's a tailwind. And how do you balance that consistently and double down on the opportunity while mitigate the risk.



- Prakash Kapadia:** So, you don't really see much of an impact is what you're saying, it could be offset by some of the other states which we are focusing on.
- Praveen Someshwar:** You are so right. We're cautiously optimistic that we will stay true to our guidance.
- Pradeep Jain:** Yes, that will be our aspiration, right? Absolutely. That is our intent, and that is our aspiration, right? Now obviously, as Praveen mentioned, the MML thing is yet to play out. We need to see that how that plays out. It could be a positive, it could be a negative, right? And then we continue to flex, right, in terms of what -- where we can extract growth in the rest of the country.
- Prakash Kapadia:** Thanks, sir. All the best.
- Pradeep Jain:** Thank you.
- Moderator:** Thank you very much. The last question is from the line of Karan Kamdar from Choice Institutional Equities. Please go ahead.
- Karan Kamdar:** Thank you for the opportunity. What I'd like to know is how do you see the white space between gin and vodka, gin has been on the rise and also you acquired last year, later than has been performing really well.
- Praveen Someshwar:** Sorry Karan. You're not clear at all.
- Pradeep Jain:** Karan, there's a lot of background noise. We can't hear you clearly, right? So...
- Karan Kamdar:** Is it better now?
- Pradeep Jain:** Yes, this is better, slightly better.
- Praveen Someshwar:** This is better.
- Karan Kamdar:** Yes. Sorry about that. So how do you see the white spirit space as between gin and Vodka? Do you see like gin outgrowing Vodka over the next 4, 5 years, Nao has also been performing really well? So about white spirit space?
- Praveen Someshwar:** Look, there are cycles in white spirits. Some years back, gin was the most high-performing space, and it grew rapidly. Over the last few years, if I may say so, vodka has seen a resurgence. So, these cycles for us, it's a portfolio. And we look at laddering and segmenting within the portfolio and build that out very, very consistently. We are committed and invested both in gin and in vodka. So, I don't know what will grow faster or slower, but I can say as the category grows, we are very well positioned to unlock potential.
- Karan Kamdar:** Okay, sir. And one last question, if I may. As you said that Maharashtra is a headwind. Do you see UP becoming a tailwind in the future with a more modern policy and increasing number of retail outlets? How much of a tailwind can it be for us?
- Praveen Someshwar:** It's just coming into play as Maharashtra is just coming into play. UP is just coming into play, but absolutely, it is a tailwind.

**Karan Kamdars:** Okay. Thank you, sir. That's it from my side.

**Moderator:** Thank you very much. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Ms. Shweta Arora for closing comments.

**Shweta Arora:** Thank you. Before we close today's call, I'm happy to inform that we have published our first integrated annual report. This shift from a traditional annual report to an integrated one marks more than a format change for us. It reflects a holistic thinking that connects financial outcomes with environmental, social, human and intellectual capital, offering a unified view of our strategy, governance, risk and opportunities.

I request all of you to please do take a look, and we look forward to your feedback on the same. Again, on behalf of United Spirits Limited, I wish everyone on the call a very happy Independence Day. Please feel free to reach out to me if you have any further questions. Thank you all for joining. Have a good evening.

**Praveen Someshwar:** Thank you all.

**Pradeep Jain:** Thank you. Thank you all.

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