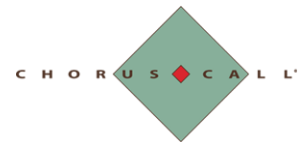




United Spirits Limited
Second Quarter Financial Year 2026 Earnings
Conference Call”
October 31, 2025



**MANAGEMENT: MR. PRAVEEN SOMESHWAR – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – UNITED SPIRITS
LIMITED
MR. PRADEEP JAIN – EXECUTIVE DIRECTOR AND
CHIEF FINANCIAL OFFICER – UNITED SPIRITS
LIMITED
MS. SHWETA ARORA – HEAD OF INVESTOR
RELATIONS – UNITED SPIRITS LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to United Spirits Limited Second 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 the conference call, 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, United Spirits Limited. Thank you, and over to you, ma'am.

Shweta Arora:

Thanks, Rutuja. Hello, everyone. Good afternoon, and welcome to United Spirits Limited Q2 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 Investor's section. So 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:

Thanks, Shweta, and a very good afternoon to everyone. Wish you and your loved a very happy festive season, and I'm sure we're just coming out of lots of sweets. As always, it's wonderful to be here amongst you. We've closed a strong quarter, both on the top and the bottom line, and it gives us confidence on our full year aspirations, notwithstanding the Maharashtra policy headwinds.

At a macro level, there are green shoots emerging. Normal monsoons always fire up rural consumption. Urban consumer sentiment seems to be rebounding with progressive GST reforms that will hopefully add disposable income in the hands of the consumer, which is good for consumption across categories and especially in indulgence. And we hope this will propel the October to December festive season demand and thereby convert into healthy category growth and continue to drive overall premiumization.

Overall, also happy to note that we are back to double-digit P&A growth for the quarter as well as well the first half of '25-26, in line with our aspirations. Needless to say that the second half will be a lot more challenging than the first half in view of the Andhra lap and the Maharashtra challenge. I'll dwell further into this in a moment.

The quarter has witnessed a strong performance on EBITDA growth as well. Pradeep will provide a lot more color on the same in his comments. As we have mentioned in the past as well, we remain focused on what is our circle of influence and the initiatives that we believe, if resourced and executed well, will be the most elastic to growth.

Our top priority clearly is to continue to drive BIO, scotch and tequila, which is showing now good momentum, where we are the category leaders and the creators. Next, Indian single malt as in Godawan has shown very promising performance and has grown very strong -- it says double digit, but very high double digit. And Smirnoff has got back into a strong double-digit growth.

Our pocket pack, specifically in Royal Challenge, but across our Prestige portfolio, continues to drive consumer penetration with its own distribution expansion. And we have other momentum geographies like, as I say, AP, Rajasthan, Karnataka, Jharkhand, little bit of West Bengal and Punjab, and all of this where we've seen some progressive policy moves and our own execution starting to unlock opportunity.

While Maharashtra will remain a challenge, I want to say that our team has been agile in restructuring the value chain in Maharashtra in complete alignment with our channel partners, therefore, making us very competitive. We've declined -- I can say reasonably confidently that we have declined less than the industry in the July-September quarter.

And as we mentioned in our last quarter call also, consumer spending based on retail sales value has continued to grow very healthily as we've taken up pricing. And that range has moved to between 18% to 25%, and that's very, very healthy.

Maharashtra made liquor (MML) has just hit the market a few weeks back at a price point of INR160 for a 180 mL nip as we call it. I'm sure it will generate trials and therefore, keen to see where it will source volumes from. Will it upgrade from country liquor or will it source through the IMFL prestige segment. At this stage, vis-a-vis Maharashtra, there are many variables at play. And it's difficult to say where it will finally settle down.

So our sense is that it will take another couple of quarters for us to share a balanced picture. And therefore, we'll see how will it work out. But given what we have done over the first quarter, I feel absolutely confident that we will emerge stronger in Maharashtra. Hence, on the top line growth, as we stand today, we continue to remain cautiously optimistic.

Quickly coming to key updates on our trademarks.

Our Upper Prestige segment portfolio continues to power ahead with Signature trademark leading the way. Signature is reinforcing its equity by combining purpose-driven storytelling with immersive experiences. These initiatives strengthen brand meaning and distinctiveness, positioning Signature as a modern conscious choice in the Prestige segment.

On the Mid-Prestige, Royal Challenge continues to perform competitively and growing ahead of the category in most markets and across the country in total. The 180 mL pocket pack has continued its winning streak and has received great response in the launched markets. Consumer acceptance has fueled volume growth and share gains. Since its launch, the pack has recorded double-digit growth. We'll be expanding to more markets in the coming quarters.

Coming to our anchor trademark, McDowell's. It has a deep emotional resonance and regional relevance, and thereby reinforces its leadership in the lower prestige segment through culture-

led storytelling and youth-focused engagement. We've onboarded our new brand ambassador, Vijay Deverakonda to specifically focus on the South markets.

Our new trademark campaign, first with Friends, our 360 rollout with Kartik Aaryan and Vijay Deverakonda, celebrating memorable firsts with friends across various platforms, including digital, out-of-home and OTT has done well for the brand.

McDowell's X Series portfolio grew at a healthy double-digit over last year. The growth is primarily led by Citron rum and vodka. Response is particularly strong in the states of Orissa and Andhra Pradesh. And we have also launched and now starting to see good response across UP and Rajasthan.

Coming to Indian single malt, Godawan. This has been a strong quarter in Godawan so far. The brand is building momentum in priority markets with very high repeat orders coming from most markets, most importantly, the CSD channel also. We have launched new experience like Durbar evenings that are building credible advocacy for the brand.

We closed the quarter with an aspirational launch of Godawan 173, a second limited collector's edition after Godawan 100. The launch pays tribute to the new borns of the Godawan bird, whose population has risen from sub-100 to 173 and owed to the measures of Great Indian Bustard conservation program that is supported by Diageo USL and the real purpose behind this plan.

We created ceramic Jaipur Blue Pottery inspired bespoke collections of 173 bottles that were launched at The Savoy, London. Sonam Kapoor represented the emblem of Godawan and Blue Pottery at the London Fashion Week by wearing Erdem couture dress. It was an evening where craft met conservation. This launch being the true representation of Indian artisanship on global luxury stage.

As we enter the festive season, the most important season for our business, we are hopeful to further scale up both our performance and equity, not just in India, but also critical channels like Duty Free and the U.K. Godawan also crossed the milestone of 100-plus awards in a span of just under 2 years, fastest for any single malt in the world. In fact, Godawan has been triple crown single malt of the year across U.S. Spirits Awards, London Spirits Competition and Spirits Business U.K.

This reinforces our confidence in the powerful proposition that we have created. We're also making targeted interventions on our global luxury portfolio. Johnnie Walker continues to build modern luxury credentials through cultural relevance and premium collaborations, strengthening its leadership in the international whiskey category. We've also rolled out a limited edition, Blue Label pack in partnership with designer, Rahul Mishra, celebrating India's festive spirit and craftsmanship.

Coming to the Whites portfolio. The Whites are clearly growing. The new Smirnoff flavors are spearheading growth for the trademark with the Northern states of UP and Haryana really leading the way. Of the three new flavors, Minty Jamun has become the consumer favorite, showing healthy growth and its success, as I say, is substantiated by Me-too products appearing in the market in very quick succession.

Tequila continues to witness robust growth. For the festive season, we have activated distinctively in the on-trade with Don Julio Paloma time, which went live across 170 key accounts, heroing Don Paloma's and will continue until the end of this month as a leader to the Day of the Dead. Looking ahead, our focus is to win in the market during the upcoming festive, wedding and holiday season. All hands are on the deck with razor sharp focus on in-store execution, while prioritizing consumer value proposition and differentiated offerings.

With this, I hand over to Pradeep for a quick update on financial performance for the quarter before we take any questions.

Pradeep Jain:

Thanks, Praveen and good afternoon, everyone. Thanks for joining us today on the second quarter of fiscal year 2026 earnings call. Always a delight to connect in this forum. Wishing you the best for the festive season ahead and the New Year. As always, we'll request you to please refer to the financial release and the press releases from last evening.

Please note that from second quarter, the consolidated accounts are inclusive of Nao Spirits, consequent to the completion of the acquisition in June 2025, although numbers are not significant at this stage at all.

As Praveen mentioned earlier, we have delivered a strong quarter and returned to double-digit P&A growth, both for the quarter and first half and this is despite the policy headwinds in the more salient state. At the sake of repetition, we'll once again request all of you to see the combined performance of April to September as one consolidated block in view of the noise in the prior year in these quarters.

Hence, I would prefer to speak on first half numbers as well to provide a more normalized view of our performance. Our overall portfolio NSV growth for half one fiscal '26 was at 10.1%, within which the P&A growth stood at 10.9%. Half one growth, excluding Andhra Pradesh was at 5% and for the Prestige and above segment was at 5.3%. It is important to convey at this point.

Moderator:

Ladies and gentlemen, please stay connected. Ladies and gentlemen, thank you for patiently holding. We have management reconnected. Thank you, and over to you, sir.

Pradeep Jain:

Yes. Thank you. Thank you, Rutuja. So yes, let me continue from where I thought we dropped off. I was wanting to say to all of you that it is important to convey at this point that we continue to see solid momentum in Andhra and are confident of growing the business sustainably over the base now that we have completed the 4 quarter lap.

Our price mix has improved in the second quarter and for the first half, it's hovering at 1.6% for the full portfolio and 2.4% for the P&A segment. Price mix, excluding Andhra Pradesh in half one for the full portfolio was at 3.2% and for the P&A segment is at 4.9%. The 4.9% is reflective of the green shoots emerging in the top end of the portfolio, that is the Bottled in Origin luxury segment. While these represent the primary offtakes, the coming quarter of OND will provide an indication of the tertiary consumption momentum.

On the cost side, barring for neutral alcohol spirit and bulk scotch that are structurally inflationary, input commodity inflation is under control. We are closely monitoring

developments on neutral alcohol front with the announcements around the corner for ethanol supply year 2025, '26. Our productivity muscle continues to flex and contribute positively to and the gross margin enhancement.

Gross profit for the quarter was INR1,493 crores with a gross margin of 47.1%, which is an expansion of 190 bps over prior year on an underlying basis. Again, if we normalize this performance over the half, our first half reported gross profit is at INR2,614 crores and gross margin at 45.7%. Our underlying gross margin for the first half stands at 46.4%, an expansion of 154 bps over prior year on an underlying basis.

The marketing reinvestment rate during the quarter was 7.6%. This normalizes at 8.4% of net sales for half one fiscal '26, almost at the same level as last year. Like Praveen mentioned earlier, as we enter the peak festive season, we will be dialling up on this to build mental availability of our brands. This, however, does not change our full year A&P guidance of 9.5%-10.0%.

The reported EBITDA for the quarter stands at INR672 crores, a growth of 32.5% year-on-year. Reported EBITDA margin for the quarter was at 21.2%, an expansion of 337 bps over last year same quarter. For the half, reported EBITDA stood at INR1,087 crores, a growth of 16.8% with EBITDA margin at 19%.

Underlying EBITDA, however, was at INR1,127 crores with an EBITDA margin of 19.7%, an expansion of 113 bps on an underlying basis. Overall PAT for the quarter grew 40.9% at INR472 crores and a PAT margin of 14.9%. With this, we can now open the floor for Q&A.

Moderator:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use the handsets, while asking a question. Ladies and gentlemen we will wait for a moment, while the question queue assembles. The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy:

Yeah. Thanks. Congrats on a very strong set of numbers. My first question is on Andhra market. So other industry players expect a strong second year, which is, I think, coming out from your initial statement also. So, I wanted to understand, in second year, what are the growth drivers for you and industry, given first year has been quite strong? But I do agree that generally, any market which opens up generally doesn't come out fully in the first year.

And second, if you could comment on market share in Andhra because the other listed player, which had its call yesterday, they claim that they have leadership position in Andhra. So if you could comment on pan-India market share versus Andhra, how does it stand currently?

Praveen Someshwar:

So, first, Abneesh, thanks for the question. I know Andhra is right up in everybody's mind because now that the four-quarter lap is done, it's the real growth. As I see it, Andhra has quarter-on-quarter shown improved growth as we've gone through the last year and it continues. All our growth drivers are in play.

Our growth drivers focused on prestige, on premium and luxury, each of these categories in play. Prestige and premium are playing much more strongly than luxury, but each of these are in play. My belief is that as we get to the second year, we've seen it. We're already starting to see it. We get the comfort that it will continue to grow very healthily and in line, if not ahead of India. So I feel very, very comfortable about that. That's the first question.

The second question is on market share. Look, I wouldn't comment on market share. But I have to say that we are doing extremely strongly in Andhra Pradesh. It's, you know, our business and the type of numbers we have delivered over the last 1-year absolutely speaks to it.

Quarter-on-quarter, we've seen improved performance, and we've built a very robust and strong position in AP across layers of prestige and BII. And therefore, it gives me a lot of confidence in terms of our performance and full confidence about how Andhra will continue to drive growth as we go through the second year of its play.

Abneesh Roy:

Sir, my second question is on Maharashtra. So you have done better than the industry, although you have also declined. So if you could talk more about what has worked here in terms of the portfolio play? In terms of gross margin, in specific to Maharashtra, how are things?

I do understand overall raw material is benign in terms of glass and ENA. So that could have helped for you and industry in Maharashtra. But definitely, whenever such sharp tax hike happens, large companies like you will always prioritize where to fully pass it on, where to absorb some of the tax. So if you could talk about that.

And on the Maharashtra liquor, how widespread will be the distribution? How is the quality? Because this is something which is very new. In Rajasthan, this had completely failed. So do you expect any difference in the performance of Maharashtra liquor from a medium- to long-term perspective?

Praveen Someshwar:

Look, again, Abneesh, Maharashtra and Andhra Pradesh. All right. Okay. So Maharashtra, as I say, it's too early to say anything. It's just a quarter. July is when we took the price increase, August is when the pricing started coming into play in the marketplace.

We reengineered and restructured the value chain, I think, very, very well, and in consultation and in discussion and in work with our channel partners. So, I think it's kept us in good stead and that gives us confidence.

Yes, we have declined. If you look at the overall quarter, we have declined. But month-on-month, if you look at it, our declines come down. And that's, you know, it's also about a reflection of the consumer spend growth. Where I spoke about consumer spend growth of 20% to 25%, we've taken a price increase of 35%. So we have seen month-on-month that decline coming down.

Now then comes MML. And that is just come in a few weeks back. And I've been in that market recently and look, I think it's, you know, I wouldn't run down any liquid. But in my mind, I think that's where the differentiation is. It's our brand, the power of our organization, the power of our

innovation system and power of building brands will come into play. I think we have a strong brand in McDowell's and Royal Challenge, and our liquids win with our consumers.

Given this, well, over the last couple of months have seen them pay a premium of 20% to 25% in terms of pricing. It gives me confidence that there is no reason we should in any way not focus on anything else other than our quality of execution at the marketplace and continue to build our brands and recruit consumers.

In terms of distribution for MML, I see that not being an issue. Early distribution tells me that they very quickly get it. But as you know, specifically, the Bombay market, especially the trade can be very, very harsh. If they don't -- if it doesn't get consumed, it will get dropped off also very quickly.

So we'll see, we'll see how it progresses and how it plays out. But we feel absolutely confident about the steps we are taking. We'll continue to be agile. We'll work the markets. We'll talk to our consumers, and we do right by them.

Abneesh Roy: One follow-up there. In MML, who are the key players in terms -- and how are they sourcing, etcetera? Any insights you can give on that?

Praveen Someshwar: Well, I'm not sure I can give you any more color on that. But there are lots of players, lots of players already in play. There will be geography driven, there will be across Maharashtra driven. Too early to say anything. But as we start seeing their product in the marketplace, I'm sure consumers will decide as to what they are excited about.

Abneesh Roy: So that's useful. My last quick question, you spoke on the white spirits strong performance. So I wanted to understand, in the last few quarters, have you also seen for you and industry, white spirits grow faster than brown spirits? And in terms of fighting the market leader there, if you could tell us, is there much more needed there? I know you are doing well, but if you could say in terms of closing the gap, what else is needed to really close the gap with the market leader in that segment?

Praveen Someshwar: Look, I don't know where you're getting to, but I'll keep it as simple. I think we've seen over the last quarter or over the last 4, 5 months, if I may say, so a very strong performance of our white spirit brand, Smirnoff, okay. Obviously, we've introduced flavors at the beginning of the year, end of last year, beginning of this year -- calendar year, I mean. And all of them are slowly getting into markets across the country.

State by state, we have clear metrics on what is success. We've seen people respond to our flavors very, very positively, and it's created a lot of buzz in the markets it has come in. And we've seen very healthy growth, as I said. And a few quarters like this tells me that this is a space where innovation will play a very, very important role. And I think we are very focused on building that pipeline healthily over the next few quarters.

Abneesh Roy: That's all from my side. Thanks a lot.

Praveen Someshwar: Thanks, Abneesh.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: Hi, sir. Just analysing your growth on an organic basis that is ex-AP. So, in the first half of last year, we had a growth of about 3%. On that base, ex-AP, we have grown at about 5.5%. So the 2-year CAGR is about 4%, which seems to be quite poor. So is this mainly because of Maharashtra? Like, how much is Maharashtra pulling the growth down by?

So if Maharashtra had grown at the same level as India, this 5.5% growth that we did this quarter, that would be how much? It would be 7.5% or something like that? I mean, I'm not looking at the exact number, but any flavor you can give on this will be helpful.

And the corollary to this question is if ex-Maharashtra, we are growing at about 5%, 5.5%, when we lap this base in the second half and when Maharashtra is going to -- sorry, AP is going to become organic, then how do we see our growth maintaining at a double-digit kind of a level?

Praveen Someshwar: So, Percy, thanks for the question. Obviously, you are now shaping what our challenge is very, very clearly. Let's put it very clearly. In simple words, Percy. The good news is we've grown double-digit first half, okay? And that's our guidance. We stay consistent to it. As we have said consistently, we are cautiously optimistic.

We have seen -- if I see outside of Maharashtra and Andhra Pradesh, the 3% and 5% you kept talking about was outside of Andhra Pradesh. Outside of Maharashtra and Andhra Pradesh, we have performed very strongly. It gives us a lot of comfort, okay?

Andhra Pradesh will continue to -- as I said just now, will continue to grow, and we feel good. If not faster than rest of India, it will grow at India rate even after the lap. And therefore, you know, it gives me a lot of confidence on that front. Maharashtra remains a challenge. We will see, and we've been agile. We've just gone through a quarter where Maharashtra has played out. We've come out well as I see it. We will continue to be agile.

We'll continue to be focused -- winning with our consumers. We'll continue to be focused on building our brands and executing in the marketplace. And we will course-correct it if required so that we unlock our potential in Maharashtra, given where it is. But, you know, I say, I say, as I said, cautiously optimistic of the second half. But all our plans gives me a lot of confidence that we will deliver on our promise.

Pradeep Jain: Yes. And maybe just to build on what Praveen has said, Percy. I mean, you've shaped the question absolutely correctly. That is our challenge in the next two couple of quarters. But we have demonstrated umpteen instances in the past that we are able to quickly allocate resources to the most elastic points of growth.

And we got to kind of, you know, invest in Maharashtra and set that also up for sustainable growth, right? So that's exactly our, you know, our challenge, and we will continue to do that.

Percy Panthaki: Understood. Understood. Pradeep, just to push the envelope a little bit on this ex Maharashtra and AP, would the growth be like a high-single-digit kind of a number this quarter?

- Pradeep Jain:** So again, you know, Percy, there is noise in the prior quarters, as I called out in my opening comments. The right way to look at it is April, September, excluding Maharashtra, AP, we are double-digit.
- Percy Panthaki:** Oh you are double-digit, okay.
- Pradeep Jain:** April, September. And that kind of gives -- and now you're right. After that, you've shaped up the challenge very beautifully, right, which is what Praveen has referred to.
- Percy Panthaki:** Understood. Understood. My next question is on gross margin. We've seen about -- sorry, couldn't hear you.
- Praveen Someshwar:** Go on, go on.
- Percy Panthaki:** Yes. On gross margin, we have seen like a 140 bps kind of expansion. So, what is driving this? I understand glass is a little bit sort of benign, but is ENA also contributing? And what is the outlook on the gross margin?
- Pradeep Jain:** No, so we don't give that kind of outlook, Percy, right? All I can say is, it's always good to have gross margin headroom. Right now, absolutely, the commodities are a little benign, right? And neutral alcohol, we will have to wait for the government announced prices, more for the next cycle.
- Right now, it's pretty much under control, right? And our productivity machinery continues to run and our premiumization continues to run. So that's what gives us the kicker on the gross margin, right? That's a good play...
- Percy Panthaki:** So this quarter, what has been the driver mainly?
- Pradeep Jain:** It's a combination of productivity, benign inflation and our revenue growth management.
- Percy Panthaki:** Okay. Okay. That's all for me. Thanks and all the best.
- Pradeep Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of Avi Mehta from Macquarie Capital.
- Avi Mehta:** Hi, team. Thanks for the opportunity. I wanted to kind of just, you know, pick up on the progressive policies that have been implemented, which you pointed out in the initial comments. Could you kind of elaborate what is happening and share some comments on these states that have seen changes?
- Praveen Someshwar:** Look, I think many states we've seen progress. UP, you saw the number of outlets grow effectively doubled, as I shared with you last quarter results. So we've seen UP open up in a very nice way. Jharkhand has moved from government owned retail to private retail. Rajasthan happened a little earlier before that. Karnataka happened second half of last year. Madhya Pradesh happened earlier in the year. So I can keep going on, but each...

- Avi Mehta:** Let me rephrase it. Maybe any update on, say, Delhi or we are also hearing some talks about Bihar? Any updates on these two and West Bengal in particular, if you could share some comments on these three particular states?
- Praveen Someshwar:** So West Bengal, I think, is very progressive. So I'm not sure what you mean by West Bengal. But Delhi and Bihar, I turn the question back to you folks. You folks will know exactly what's happening. It's anybody's guess. I'm not going to get into it. But everything we are hearing is very positive, but it needs to -- what we have always said, and if I were to look at it, rubber needs to hit the road. When it does, what we have demonstrated is we are agile and we will win big time. Until that time, it's all speculation.
- Avi Mehta:** Got it, Praveen. And Pradeep, just on the margin question. We've been able to demonstrate on a first half basis, a reasonably healthy performance, even if I were to adjust or normalize the marketing spends and take it closer to your full year guidance. If -- does that, in any way, make you revisit your thoughts on having maybe similar -- the expansion that we saw in the first half, is that a better indicator of what we could probably see for FY '26?
- Pradeep Jain:** No. I wouldn't say that, right? I mean, like I said, again, I don't think you should look at this quarter in isolation. I have always maintained that and that's why I kind of stressed on that in my opening comments also...
- Avi Mehta:** No. No. First half -- I mean, first half margin.
- Pradeep Jain:** You should look at the first half, right? Yes. And absolutely. I mean, it is always our desire to kind of grow our bottom-line a little ahead of our top-line, and that is what we will remain committed to on a full year basis.
- Avi Mehta:** But is that -- because first half, you saw 110 basis points, right, if I'm correct? Was that number that I picked up rightly? And if -- that's where I was coming from. So that does not -- is that the right metric to build in or we could kind of aspire for the full year somewhere closer to that?
- Pradeep Jain:** It wouldn't be fair for us to comment on that, right? I mean we do not granularly manage to that level. I think we've stated our intent, which is to grow our bottom-line and a little ahead of our top-line growth, right? And any forward-looking organization should attempt to do that on an ongoing basis.
- Avi Mehta:** That's it. Fair enough. Fair enough, Pradeep. That's all from my side. Thank you very much.
- Pradeep Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jay Doshi from Kotak. Please go ahead.
- Jay Doshi:** Hi. Thanks for the opportunity. And very impressive performance in Maharashtra. I have two questions. First is, if you could just -- you did mention that there is a 35% price increase in Maharashtra and consumer spends are growing around 20%, 25%. So is it right to understand, this is basically industry data? So at an industry level, there may be a value decline of...
- Pradeep Jain:** Volume decline. Sorry.

- Jay Doshi:** Sorry, volume decline of 10% to 15%?
- Praveen Someshwar:** So, first, Jay, thanks for the question. Yes. I think, look, it's a 35% price increase roughly on an industry basis, a little more in some segments and a little less, and I'm averaging it out. Yes, we're seeing between 20% and 25%. So if I were to add that up, it's a 10% to 15% decline. But as I said, as I consistently say, it's progressive, okay? And if I see the quarter, it could be a very different number, because the first month of July could be or August could be very different than September. That's number one.
- Second, this was a scenario when MML was not there. MML just came in early October or end September. And therefore, it's playing out its space. And therefore, that is going to source volumes, and that's the million-dollar question, where will it finally source volumes or which significant part of its volumes, either upgrading country liquor or from IMFL, P&A. So that's the big discussion. So it will need a couple of quarters more as we see how it plays out.
- Jay Doshi:** Understood. And also want to confirm, in response to Percy's question. I think you mentioned that excluding Maharashtra and excluding AP, P&A value growth is double digit for the first half. Is that correct?
- Praveen Someshwar:** Yes. So that's a number I wouldn't have given usually. Pradeep has obviously been a lot more magnanimous in sharing that, but that obviously gives us the confidence that we are on the right path.
- Jay Doshi:** But then, if I'm not mistaken...
- Pradeep Jain:** It is right, because all of us are interpreting it correctly. On this, the Maharashtra challenge continues for the next two quarters, right? So we just want to be clear on that.
- Jay Doshi:** That I understand. But I think AP has helped you by about 700 basis points in value terms, right, growth for the first half and that is something you've called out. So I was just wondering the impact of Maharashtra is that high? I mean -- or maybe I'll take this offline, but I just wanted to confirm. Thank you so much.
- Pradeep Jain:** Thank you.
- Praveen Someshwar:** Thanks, Jay.
- Moderator:** Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.
- Harit Kapoor:** Yes. Hi. Good evening. my question was more on the festive. So in the same quarter last year, I think Hina had mentioned that they were expecting a strong festive, and it hadn't really panned out in the same -- at least as per expectations. This time, you -- and it was more so on the luxury super premium side that we had seen some sort of weakness.
- This time around, you mentioned that you've seen a strong primary sell-in for the BIO, BII, and that's part of the gross margin expansion bit also. Just wanted to get your sense, whatever you are seeing from the market in the last two months, does that -- is it giving you greater

confidence, at least in the super premium portfolio at this time around, at least going forward, you should see higher growth from a demand standpoint? That's my first question.

Praveen Someshwar: First, I'm surprised, you said, last year was a little benign on luxury. I thought it was a good quarter. Having said that, I think we've seen post that, subsequent a couple of quarters of a slowdown in luxury, but early signs, I have to say the primary sell-ins and as we are starting to see the uptick in secondary early signs, green shoots on luxury. Clearly, starting to see that play out and it's performing well.

But too early to say, is that a sustainable play or is that just a temporary play. And therefore, I would look at October to December quarter very carefully. Important, therefore, for us to execute well. This is a big part of the year and execute, communicate our brand in a robust manner so that consumers are happy too.

Harit Kapoor: Great. I meant H2 of last year. So I have the same...

Praveen Someshwar: H2 what? Yes.

Harit Kapoor: Yes. Yes. And the second question is on the gross margin again. So I guess a lot of questions coming in because we haven't seen 47% maybe in five six years, seven years in a quarter. But how much of this, Pradeep, could be due to increased sell-ins towards -- as you filled up the trade, as we had an early Diwali also? How much of that on the BII, BIO side? So the reason to harp on this is that this number is -- we haven't seen this in a while. So, yes, just one question on that? Thanks.

Pradeep Jain: Yes. No. And that's a fair point. I mean, as Praveen and I have both said in our opening comments, right? I mean, we've done the primaries, BIO, right? So therefore, that does provide a mix kicker to the gross margin line, right, while at the OP line, it's pretty flat, right? But it does provide a bit of a kicker.

But having said that, there are other drivers also in play, right? I mean the commodity inflation is reasonably benign and our productivity numbers continue to kind of chug along, right? So that's broadly there. But you're absolutely right. Yes. There is that BIO mix in the quarter, which has provided a kicker.

Harit Kapoor: Yes. Great. Fantastic. Wish you all the best. Thank you so much.

Pradeep Jain: Thank you.

Praveen Someshwar: Thank you.

Moderator: Thank you. The next question is from the line of Pankaj Murarka from Renaissance Investment Managers. Please go ahead.

Pankaj Murarka: Yes. Hi. Praveen, now that you've been around for two quarters, it will be good to get what do you think is the medium-term construct of the business, given the structural tailwinds that the industry always enjoys, and obviously, there are cyclical headwinds, which will keep happening every year from state-to-state that we've seen happening every few years.

So what's the kind of construct you think in terms of volume growth, revenue growth, realization you think that this business can, because given the structural tailwinds that the industry has. And also, meaning any thoughts on Bihar, given what's going on and what you've read, that will be helpful.

Praveen Someshwar:

Pankaj, first, as I've said, I think, as an organization, USL over the last few years has done very well, consistent. They have worked on consumer insights, the insights to drive and unlock potential by geography, I wouldn't say by state, but by geography and therefore, got the best out of it. We've seen in terms of NSV growth or revenue growth, improvement in gross margins, improvement in operating margins. So, overall, it's been a very disciplined ship.

So I don't see us over the -- I've been here now, as you said, two quarters, I don't see that we need to do something dramatically different. We just need to iron out some challenges. We need to -- obviously, there will be agile on new opportunities and look at the geography very, very carefully. So we are effectively working towards that and consistently looking at how do we deliver on our guidance.

Now within that, we've seen a couple of areas where there are opportunities. And innovation can be a massive opportunity, and you will see -- we've already seen and we will see innovation unlock in each of the spaces. Innovation can be liquid, innovation can be format, innovation can be in geographies and that's something we'll keep working on.

On-premise, we've done exceedingly well off-trade. On-premise is the second space, where I think we've not done as well as we would like to, and therefore, we are ramping up our play in on-premise. But over the next few quarters, we will see that play out as our brands get more robust and more celebrated in front of the consumers.

So I see all of these as opportunities. There are structured tailwinds. There will be some headwinds. That's our job to balance. And so in the short-term, could see some volatility, but I believe the medium-term, we are very well entrenched.

Pankaj Murarka:

So that's well appreciated. Any comments on Bihar in terms of what it could -- meaning if you have some better understanding than obviously, what you...

Praveen Someshwar:

Sorry, Pankaj, I missed. Talking about Bihar. Bihar is a massive opportunity. Your guess will be as good as mine. So I am not really gonna guess. What I can say is, if that market were to open, we would, in a very agile manner, capture that opportunity and unlock its potential.

Pankaj Murarka:

Sure. And Pradeep, what you said in terms of margins, then should we take it as a medium-term expectations that we should gradually see margin improvement as we -- which could be a combination of price, cost efficiencies and mix playing out over the medium-term, because that should be a recurring annual phenomena and bar of expectations for you all -- for the team will keep rising?

Pradeep Jain:

Yes. Pankaj, we have stated that quite explicitly earlier as well, right? Margins, now that we have reached that mid -- high-teens in that mid- to high-teen guidance, we would want to sustain in this range for a couple of years, I would say. And once we are able to kind of sustain at this

level for an extended period of time, then we will think what could. So right now, we're not changing our guidance. It remains in that range of mid- to high-teens, and ideally, we would want to sustain at the high-teens level.

Pankaj Murarka: Are you under balling it given what you've seen or are you seeing this is more because of the benign raw material cost, which is showing an uplift in the margin?

Pradeep Jain: It is, yes, absolutely. So it is those things. Look, I have been here now, what, right years? I've seen gross margins hit 49.5%, go down to 42%, 43%, right? And then we have gradually inched them back to 47%, right? So all I'm saying is, when the commodity inflation is benign, absolutely, it's good to have some headroom, right?

And when that spurt of inflation comes, yes, you will dilute a little, right? But overall, EBITDA margins will remain in the same range bound, right? And I've given my rationale multiple number of times as to why this range is a very, very healthy range.

Pankaj Murarka: Sure. And just one, any comments on RCB?

Pradeep Jain: None right now. I mean, we have -- yes, we have issued our...

Praveen Someshwar: Clarification.

Pradeep Jain: Our clarification, right? And I mean if at all, there is any development, we will absolutely kind of declare it.

Pankaj Murarka: Thank you. Thanks, gentlemen.

Moderator: Thank you.

Praveen Someshwar: Thank you.

Moderator: Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants, and in interest of time, we would request you to please limit your questions to two per participant. Ladies and gentlemen, this will be the last question, which is from the line of Abhijeet Kundu from Antique Stock Broking. Please go ahead.

Abhijeet Kundu: Yes. Thanks for the opportunity and congrats on a very good set of numbers. Essentially, I wanted to get some view on these three brands, essentially. Signature, Antiquity and Royal Challenge. Now Royal Challenge, last three years to four years has done really well. And now it has attained the size and growing in high single-digit volume from those levels will be difficult.

But the real opportunity always lied in Antiquity and Signature, where you have been doing very well, I mean, double-digit growth and all. So what's your view? I mean, because the -- in the last four years, particularly in the last two years, we have done very well there. And there lies the Upper Prestige, the profit pool is also very high.

So -- and then given this scope to grow there, scale up to growth. So what's your view going ahead there? And currently, how has been the situation? Because you spoke about Signature, but

you didn't speak about Antiquity. Antiquity had lost quite a bit of volumes in the last 10 years earlier, but it has come back very strongly, I believe.

Praveen Someshwar: Okay. So thanks, Abhijeet. First, your insights are very sharp. You pretty much spoke like all my stakeholders when they question me. Absolutely, Signature, I think, it's sharp. I think our plans are robust and we've seen double-digit growth around that consistently now over the last few years. Continues, and obviously, there are pockets of high-share, pockets of high-growth, pockets of low growth. You just need to keep investing, understanding those geographies better and unlocking.

Royal Challenge. I think Royal Challenge is not only about brand, but it is about, as I said, format. The pocket pack has done exceedingly well for the brand. It brought a whole new level of sampling for our consumers, and therefore, have unblocked a huge growth.

Antiquity, it's a relatively smaller brand in comparison, but it's an important brand, because there are pockets in the country where Antiquity is bigger than Signature, if I may say so. It's doing well. It's been consistent over the last, if I may say so, 24 months. And we have very clear plans on Antiquity by geography.

And in that geography, it's getting activated and executed in a consistent manner. So I feel good about all these trademarks in the Mid and Upper Prestige, and continue to see healthy growth even though they are now getting to scale.

Abhijeet Kundu: Understood. And McDowell's, the new range that you talked about, has done well. Which are the particular geographies that they have done well? I mean the white spirits and the new launches that you have done?

Praveen Someshwar: As I said, X Series has done well, Orissa and Andhra Pradesh in specific has done very well. UP, it's starting to play out and we have seen early green shoots around it in terms of it. And now we've gone into Rajasthan and we've seen early signs of it. So there are -- as we open more and more markets, we are seeing healthy growth around X Series.

Abhijeet Kundu: Okay. And just a small feedback on Smirnoff. I mean, the Smirnoff Jamun that you talked about, that has done really well. I believe in my channel checks in UP and other states said that there was a short of stock in case of Smirnoff. So I mean, particularly Jamun and Mango Mirchi, these two, they are doing really well. So, yes, so there has been some problems with the stock, it seems.

Praveen Someshwar: Thank you. And I hope you're getting your stocks, if not, then let us know and we will correct for it.

Abhijeet Kundu: Right.

Praveen Someshwar: Absolutely, you would like it.

Abhijeet Kundu: Thanks.

Praveen Someshwar: Thank you.

- Abhijeet Kundu:** Thanks. Thanks. Yes. Bye.
- Moderator:** Thank you. Ladies and gentlemen, as this 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. Thank you all for joining in. And please feel free to reach out to me should you have any further questions or need any clarifications. Thanks and have a good evening.
- Praveen Someshwar:** Thank you. Thank you, all.
- Pradeep Jain:** Thank you.
- Moderator:** Thank you members of the management team. On behalf of United Spirits Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.