



UNITED SPIRITS LIMITED

London
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PRESS RELEASE

Q-2 FY13 RESULTS

**REVENUES UP Rs. 430 Crore to Rs.2,221 Crore
EBIDTA moves up by Rs. 3 Crore to Rs.269 Crore)**

Q2 FY12	July - September	Q2 FY13	
28.7	VOLUMES (Million cases)	28.4	(0.28 mio) ↓ 1%
1,790.6	REVENUE (Rs. Crore)	2,220.7	+ 430.1 Cr ↑ 24%
266.53*	Operational EBIDTA (Rs. Crore)	269.21	+ 2.7 Cr ↑ 1%

*net of one time income of Rs. 65.15 Crore

The Board of Directors of United Spirits Limited approved the unaudited financial results for the July-September quarter of fiscal 2013 at their meeting in London this morning.

Sales Revenues were up 24% and stood at Rs. 2,220.7 Crore, an increase of Rs. 430.1 Crore over the comparable quarter of the previous year (Rs. 1,790.6 Crore). Excess Bulk spirit stocks were sold for Rs. 314.7 crore – were this one-time sale eliminated from the Sales Value, NSR growth would be 6% for the quarter. Sales Volumes were flat and stood at 28.4 million cases for the quarter (PY 28.7 million cases). What is heartening, however, is the growth in what the industry refers to as Prestige and Above brands or the Premium segments which grew sharply for USL by 14% and stood at just under 7.4 million cases – an increase of 0.91 million cases over the comparable quarter of the previous fiscal. During H-1 of FY13 this upper end of the portfolio grew 16% over the comparable period.

The key markets of Tamil Nadu & West Bengal continued to dampen USL's performance during the quarter. Despite USL products in Tamil Nadu flying off the shelves whenever they

are available, an artificially imposed constraint on USL volumes against the tide of consumer demand for the Company's brands in that state, saw USL output being restricted to about 70% of its capacity. This artificial embargo restricts consumer demand from being satisfied in full and consumers in the state have to make do with brands that were never their first choice. Things have partially improved the position during from H-2 of the last fiscal, nevertheless USL is nowhere close to utilizing its full capacity.

The West Bengal market is slowly coming to terms with the sharp increase in duties and taxes imposed by the State Govt. at the end of Q2 of the previous fiscal which saw volumes dropping by as much as 50% in the immediately following quarter and by 20% each in Q4 of FY12 and Q1 of FY13. In the quarter just ended, volumes of both USL and the Industry are down 3%.

Spirit costs during the quarter are up approximately Rs. 2.25/case from the average of FY12 and about Rs. 6.25/case up from Q-2 of the previous fiscal, an adverse impact of Rs. 17 Crore for the quarter alone. However, unless State Governments intervene in the process of trading in molasses and spirit, we expect that spirit prices will be benign in the rest of the current fiscal, post the commencement of the crushing season this month.

Despite the adverse impact of the above, EBITDA margin is up approximately 150 basis points over the average of FY12 (computed without the one-time income referred to earlier). This increase is a manifestation of the premiumization efforts of the Company reflected in the 14% growth in the Prestige & Above segment and the price increases taken at varying points during FY12 and during the current fiscal. Revenue enhancement measures continue to be a combination of increase in billing prices, the introduction of higher priced alternate brands and cuts in trade spends.

Leading brands of the Company - McDowell's No.1 & Royal Challenge registered healthy growths of 16% & 23% for the half year. While the Black Dog Scotch Whisky range grew by 19%. Other brands in the Prestige & Above Segment also registered healthy growth vis-à-vis the previous fiscal as a result of which the upper end of the USL product portfolio grew 14% during the quarter and 16% during the half year.

Interest costs are up to Rs. 170.04 Crore (PY Rs. 144.17 Crore) as a consequence of increased borrowings for working capital coupled with rate increases by lenders as directed

by RBI from time to time. *Ad hoc* borrowings, at higher interest rates, to fund the growth in business also accounted for this rise.

Profit before Tax is additionally impacted by a foreign exchange swing of Rs. 73.4 crore (comparable quarter of PY had an exchange gain of Rs. 39.4 crore as against a loss of Rs. 34.0 crore in the current quarter) – this is on account of shift in rupee-dollar/pound parity on loans to overseas subsidiary companies. However, on a consolidated basis, this impact has been negated.

As mentioned in earlier communication, the activities of the Emerging Markets Division are to be conducted through a wholly owned Singapore-based subsidiary of Whyte & Mackay Ltd., UK. Sales through the Singapore company have commenced subsequent to the end of the quarter. Country specific teams have already been put in place in 4 identified markets to take the business activity forward.

