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“United Spirits Limited

Third Quarter Financial Year 2026 Earnings
Conference Call”

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India



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LIMITED**

**MR. PRADEEP JAIN – EXECUTIVE DIRECTOR AND
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**MS. SHWETA ARORA – HEAD, INVESTOR RELATIONS –
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Moderator: Ladies and gentlemen, good day, and welcome to the United Spirits Limited Third 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 and 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, Dorwin. Hello, everyone. Good afternoon, and welcome to United Spirits Limited Q3 FY '26 Earnings Call. Wish you all and your loved ones a very Happy New Year 2026.

Before proceeding with today's call, I would like to remind the listeners that during the call, there may be some forward-looking statements. These statements are based on our views and assumptions at this point of time. However, this is not a guarantee of our future performance, and results may materially differ from those expressed in or implied by such forward-looking statements. I request all of you to refer to our financial and press release posted yesterday. Both are available on stock exchange and company's website under the Investors section.

Today, on the call, we have with us our Managing Director and CEO, Mr. Praveen Someshwar, who is joined by our Executive Director and CFO, Mr. Pradeep Jain. Praveen and Pradeep will take you through the financial and business performance for the quarter, followed by the questions-and-answer session.

Thank you, and over to you, Praveen.

Praveen Someshwar: Thank you, Shweta, and very good afternoon to everyone. Wish you all and your loved a very happy 2026. As always, it's wonderful to address all of you today. We have closed a resilient growth quarter overall, both on top and bottom line, amidst continued headwinds from Maharashtra.

The bright side is the momentum in the top half of the portfolio. Strong growth in luxury, acceleration in the premium segment on the back of primary scotches and Smirnoff, which is through flavour innovation, Signature trademark growing on the high prior year base to enhance Upper Prestige salience and Royal Challenge pocket pack driving consumer penetration in Mid Prestige.

However, launch of MML- Maharashtra Made Liquor, at the very attractive price points and their sampling and gradual distribution increase, remains a competitive challenge in Maharashtra, especially for the Popular and Lower Prestige segment. That said, the script is playing out on expected lines, and we are holding up well.

Let me peel the onion a bit for our October-December quarter results announced last evening. During the quarter, against the reported P&A volume shrinkage of 2%, we are flat excluding the one-time retail pipeline fill impact of Andhra Pradesh in the prior year base. So if we back out AP pipeline, we are actually flat versus the negative. On top of that, if we exclude

Maharashtra for the quarter, our P&A volume has grown by 6%. So it gives us -- rest of India is growing very healthily.

On NSV growth, based on the same construct against the reported P&A growth of 8.2%, eliminating the AP pipeline fill impact, we are circa 10%. And excluding Maharashtra, we are at 14%. It is in this context we say that we are happy with the momentum in rest of India and feel that it's been a resilient growth quarter.

Also important to call out that the adverse volume impact in Maharashtra predominantly is at the lower end of the portfolio. Mathematically, that provides a fillip to the national price mix, which stands at 10% for this quarter. We believe our historically stated range of 6% to 8% very much stands now that we have seen green shoots emerge on the top end of the portfolio.

On a YTD 9-month basis, fiscal '25-'26 basis, P&A growth stands at 9.8%, and we are tracking close to our guidance. This is despite a higher base for Q3FY25, owing to pipeline filling in the newly opened market of Andhra Pradesh, as explained above. Correcting for that, our P&A year-to-date growth would be more like 10%. Pradeep will provide a little more colour on the financial metrics in his comments.

At a macro level, we are witnessing consumption green shoots. The top end of the portfolio has delivered strongly in the quarter, which is reflective in the P&A price mix as stated above. Clearly, disposable income available in the hands of the consumer has seemingly improved with GST cuts, income tax slab rationalization done in early 2025 and the good monsoons that always have a positive multiplier.

While October to December has fared well for us, we still see uncertainty pertaining to the job market and the geopolitical undercurrents. Therefore, we remain cautiously optimistic for the upcoming wedding season and the next couple of quarters. Overall, our single largest challenge remains MML in Maharashtra, and we are putting our best foot forward to retain the competitiveness of our Popular and Lower Prestige portfolio.

As all of you are aware, the industry association has taken actions to ensure a level playing field in the medium to longer term, and we are tracking the developments closely that being under sub judice.

Quickly coming to our key update on trademarks. Signature trademark continues to lead the way in the Upper Prestige segment. Its unique purpose-driven proposition is growing the brand ahead of the category. Signature has registered strong double-digit growth in the festive season and contributed to Upper Prestige segment's nearly double-digit growth.

Coming to Mid Prestige, on RC, we have launched Choose Bold 3.0 'Main Nahi Toh Kaun Be', a new trademark thematic design to build salience and cultural relevance. The film features the VJ -- Rannvijay Singh, our cricketer Smriti Mandhana, gamer- Mortal and rapper -Srushti Tawade to embody the brand's bold spirit. The campaign echoes the voice of the new generation and sharpens brand differentiation.

Through RC pocket pack, we also reaffirmed our commitment to convenience-led innovation, which is democratizing access for the next generation of consumers. This has contributed meaningfully to the growth of the trademark, which is performing competitively and continues to grow well ahead of the category.

On our anchor trademark, McDowell's, we rolled out the pocket pack in Maharashtra, and the same will extend nationally over the next 2 to 3 quarters. This trademark has had a high-impact visibility in the India-South Africa cricket series. During the festive season, we also activated experientials, and McDowell's did 6 Yaari Jams with 33,000 attendees across six different cities. This is our culture play to connect with young consumers in their moments of social celebration.

Coming to our Indian single malt, Godawan. Godawan's growth momentum continued in the quarter led by the CSD, the Indian Armed Forces channel. Brand equity is being built on the back of curated luxury experiences such as Godawan Durbar Evenings and impactful collaborations with partners like Conscious Collective and the British Council.

Speaking of our global luxury portfolio, during the festive season, Johnnie reignited the iconic Can't Stand Still campaign, delivering a stupendous digital reach among affluent consumers, supported by a premium outdoor presence across airports and high-impact sites in the key cities.

The brand amplified its cultural footprint through landmark associations with AP Dhillon's national tour -- the music tour as title sponsor and debuting at Sunburn, featuring global EDM icons like David Guetta, Axwell and Above & Beyond. These platforms enabled Johnnie to engage a new generation of culturally curious consumers at scale, reinforcing Keep Walking as a bold, expressive and future-facing mindset.

The quarter also marked the scale-up of Black Label's on-trade visibility through our own IP whiskey experiments, now extended into third space environments like Sunburn, redefining how whiskey can be discovered and enjoyed in high energy cultural context. Together, these initiatives strengthened Johnnie's role at the intersection of music, culture and modern luxury, driving relevance, trial and cultural heat while continuing to evolve the category for contemporary India.

Coming to the White's portfolio, starting from Flavour of the Year - Smirnoff, which is Minty Jamun, which has emerged as a breakthrough innovation, validating our India-first flavour strategy and becoming the primary growth engine for the trademark and the entire White's portfolio. Momentum on the back of this innovation has made India break into the top five Smirnoff markets in the world of Diageo.

The brand tapped into Gen Z through the Smirnoff Experience concert series in Mumbai, Gurgaon and Bangalore, featuring global music icon, DJ Afrojack. These high energy activations amplify cultural relevance and reinforce Smirnoff's position as the go-to brand for flavour-led experiences.

Last but not the least, we are excited to see how Don Julio, our global tequila market leader, is penetrating the overall spirits market in the country. Delighted to share that on a 9-month basis, just in the 9 months YTD, Don Julio has crossed INR100 crores in NSV, making it our fastest INR100 crores-plus innovation brand. As category creators and leaders, we envision that the next decade will belong to Don Julio in India. We are excited to see how our trademark is doubling both on a quarterly and a 9-monthly basis. And this, to us, is just the beginning.

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

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

Pradeep Jain:

Thanks, Praveen, and good afternoon, everyone. Thanks for joining us today on the third quarter fiscal year 2026 earnings call. Always a delight to connect in this forum, wishing you and your loved ones a super 2026.

As always, we'll request you all to please refer to the financial and press release of last evening. Just a reminder once again that from the previous quarter, that is July-September quarter onwards, the consolidated accounts are inclusive of NAO Spirits consequent to the completion of the acquisition in June 2025, although numbers are insignificant at this stage.

As Praveen mentioned earlier, we have delivered an overall resilient quarter and tracking close to our P&A growth guidance. And this is despite the policy headwinds in the more salient states and launch of MML. Praveen has already deconstructed the quarter growth construct, so I will not be repeating that. Considering the significant noise due to Andhra Pradesh and Maharashtra, it would be prudent to consider the year-to-date 9 months normalized view for the topline growth.

For 9 months, our overall volume and NSV growth stands at 4% and 9%, respectively. Within this, the P&A segment volume and NSV growth stands at 4.5% and 9.8%. And lastly, without delving into minutiae, if we take out both the headwind of Maharashtra and the tailwind of Andhra Pradesh, our 9-month P&A volume and NSV growth is in the range of 7.1% and 12.3%, respectively. This provides us, to Praveen's point made earlier, the comfort that our Rest of India portfolio is working extremely well and our strategy is working.

Coming to price/mix, you all would have noticed that our P&A price/mix is a strong 10.2% for the quarter and 5.3% for 9 months. Now, Praveen has already spoken about the buoyant quarter we've had in the top half of the portfolio, and that without doubt augurs well. He also indicated the positive price/mix impact nationally, driven by the adverse Maharashtra volume impact. We believe our historically stated price/mix of 6% to 8% is sustainable at the higher

end till the Maharashtra volume headwinds continue and at the lower end once the headwinds fall off.

On the cost side, the commodities basket is holding. Bulk scotch is the only structurally inflationary input commodity, and that will be aided by the India-U.K. FTA tailwind as and when it comes into play. The marketing reinvestment rate during the quarter was at 14% of net sales. This normalizes at 10.6% of net sales for the 9-month YTD period. This is reflective of the recovery in the top end of the portfolio, both Bottled in Origin and Bottled in India, which are A&P heavy given the nature of the trademarks and the consumer price...

Moderator: Pardon me, sir, you are not audible if you're speaking at this moment.

Pradeep Jain: Okay. You want me to repeat the last couple of paragraphs.

Moderator: Yes, that would be great, sir.

Pradeep Jain: Okay. Okay. So I'm just covering the last bit again. I covered the 9 months overall volume and NSV growth. Let me start with the price/mix. You all would have noticed that our P&A price/mix is a strong 10.2% for the quarter and 5.3% for 9 months. Praveen has already spoken about the buoyant quarter we've had in the top half of the portfolio and that, without doubt, augurs well.

He also indicated the positive price/mix impact nationally driven by the adverse Maharashtra volume impact. We believe our historically stated price/mix range of 6% to 8% is sustainable at the higher end till the Maharashtra volume headwinds continue and at the lower end once that headwind falls off.

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We are also making some conscious A&P investment choices in our portfolio, considering the competitiveness of our brands. All other relevant numbers and information is well contained in our press release of last evening.

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

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

Latika Chopra: Thanks for the opportunity. The first question was on Maharashtra because you said this is top of the mind issue for you. If you could just elaborate a bit more on what you're noticing on the ground on the MML side? How is the consumer acceptance of these brands? Do you expect

the intensity of impact of MML, which came in the last quarter to intensify in the near term? And what kind of initiatives you've undertaken or you plan to undertake to navigate this challenge better?

Praveen Someshwar:

So first, Latika, thanks for the question. Maharashtra is top of mind for everyone. As I said over the last call and over the last 6 months, been to Maharashtra literally every month, Bombay every month and interacted with our customers and our consumers. MML has come into play roughly end of September, and it took full hog in October and November. Mid-November is when it saw complete distribution and availability across.

The number of brands is increasing. But what we have noticed is the first brand to market became the most accepted brand. And as fresh brands are coming, they are becoming less and less acceptable. That's the first thing.

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

Third is what we've done very, very clearly, I think we have doubled down on McDowell's and RC overall. We've improved our pocket pack-price play. We've launched the pocket pack in McDowell's also. It was only in RC to begin with, and now, in McDowell's also. And we have activated at the ground level.

We're seeing great -- if you look at it within the category we play in, we are seeing huge momentum. Unfortunately, for us, we don't play in that centre space, and that is hurting us. So it's not a question of the product, the brand or the execution. I think all of that is very, very exciting.

We just need to start playing the right price points so that we get the significant unlock. So what we have done is not only done the market work, we've also -- overall, as an industry association, we have taken appropriate actions to ensure a level playing field in the medium term.

Pradeep Jain:

And that matter is sub-judice, Latika. So we will await the developments on that front.

Latika Chopra:

Sure. Thank you for the detailed answer, appreciate it. The second bit, Pradeep, on margin front, just wanted to check, we have seen good levels of gross margins 2 quarters in a row. How much of this Y-o-Y increase or to over 200 basis points that you saw in Q3 is on account of benefits on benign raw materials.

Except for bulk scotch, I think the other input costs, as you mentioned, are benign. Just trying to see what part is more state mix led versus what is RM inflation led, and of course, your own cost efficiencies to just understand how that outlook looks in coming quarters once the state mix kind of normalizes?

And the second part on the margins is A&P spend. Do you still stand by 9.5% to 10% of revenue guidance for the full year? Thank you.

Pradeep Jain:

Okay. Yes. So, Latika, let me take it in pieces, right? See, look, there are multiple drivers of the gross margin, right? I mean I can just give you a directional response, right? Commodities are holding, as I mentioned in my opening comments, right? And probably excluding bulk scotch, they will continue to hold. Our assessment is probably for the next couple of quarters, right? So that is one.

And that obviously helps, right, because our productivity continues to be in the same range, right? So, therefore, that always helps. I'd also mentioned in the last quarter call that the bulk scotch inflation has started hitting somewhere from November onwards, right. So a little bit of a lag effect of that will hit us now in the subsequent quarters. But overall, like I said, we are pretty much comfortable on the COGS basket, right.

Now, as all of you are aware, in the October, November, December quarter, our top end portfolio of salience is the highest, right. So that obviously reflects in this quarter, that will wear off, right, in the -- relatively in the Jan to June period, right. So that is something all of you need to be conscious of, right. And coming back to your last question of A&P, I referred to that in my opening comments. Look, part of it is driven by the mix element itself, right?

As the top end of the portfolio starts firing, there is a mix element itself that takes us, right, to a higher number, right. So my sense is that we will probably -- well, I wouldn't say we will probably be around the higher end of the range, marginally higher than that, right, on a full-year basis, probably. That's the way we're looking at it. We're also having to make some tactical investments, right, to protect the competitiveness of our portfolio.

Latika Chopra:

Understood. Very clear. Thank you so much.

Pradeep Jain:

Thank you.

Moderator:

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

Avi Mehta:

Yeah. Hi, team. I just had a few questions. First, I wanted to kind of just understand the strategic review of the IPL team. If you could give us a sense on how it will pan out the likely timelines for the same?

Praveen Someshwar:

Look, as we said, when we put out our guidance on strategic review, we said by March 31st, we'll come back. And that holds good as we stay here right now. So, Avi, that holds. There's nothing more to add to that.

Pradeep Jain:

Absolutely right. In case there's a deferment, we'll come back to you.

Avi Mehta:

Perfect. And also, if you could give us some sense on the how -- because we don't have -- we have limited idea on how the free trade agreement benefits would flow through as in -- just would love to kind of get some thoughts on what is the current expectation on when that benefit in bulk scotch kind of comes in.

- Pradeep Jain:** Yes. So we believe, right, that -- look, I think the treaties have been signed -- and Praveen will correct me if I'm wrong, it needs to be endorsed by the British Parliament, right? That has still not happened, right? Once that happens and everything kind of comes into play, we believe somewhere in the July to September quarter, right? Praveen, sorry?
- Praveen Someshwar:** That's the implication...
- Pradeep Jain:** Yes, that's the implication.
- Praveen Someshwar:** Yes. So our belief is that the FTA will be brought into the British Parliament sometime in March to April. So, the moment that gets signed off by the parliament there, for us, India doesn't need to take it to the parliament. It's a cabinet approval, and it will automatically get approval. So we are hoping that between March to May, we will see the sign off. What Pradeep was talking about is the implication of that will be more like July to September quarter because it will take -- we have stocks -- pipeline and all of that, you'll start seeing that play out in the July-September.
- Pradeep Jain:** The benefit in the numbers is what I meant, Avi, which will start coming probably in the July to September quarter, right? But the trigger, as Praveen mentioned, is the signing off by the British Parliament.
- Avi Mehta:** Got it. And just the last clarification bit, just on the last -- the question asked by the last participant, Latika. I just wanted to understand that since November, when MML was introduced, could you kind of give us a sense on how the industry performance has been? I mean, has the decline kind of stabilized? It has not been impacted by MML.
- Has it kind of deteriorated? Just some idea of how the consumer is behaving because you did cite towards adoption, but also realization that the brand is not -- or the quality may not be as they were hoping it to be. So would love any thoughts or any help over there on how it is behaving on the ground? That's all from my side.
- Praveen Someshwar:** Interesting question. If you remember, July to September, I take you back to the July-September call, and what I said was we are seeing consumer spend growth of anywhere between 18% to 20% to 22%. That's what the growth was. And we have taken pricing of 33%, 34%. And therefore, there was an 8%, 10% volume decline. Obviously, when MML came in, and it started coming in, in mid-September, it's bridged that gap, and it's actually starting to see growth in the consumer spend. I don't see that being an issue.
- Overall, the industry -- which is including MML, the industry including MML is continuing to see growth, both on volume and on value. Now, if I look at our P&A plus industry, it is certainly declining. And it's declining at roughly -- overall, it's just about a double-digit decline is what I would just say. Value decline is what we are seeing effectively.
- Avi Mehta:** And Praveen, this is double-digit decline -- it's similar for the quarter versus post-MML introduction, right? Would that be a right...

Praveen Someshwar: No. Actually, before, July-September was a little different. And October-December is a little different. They are marginally different. They're not significantly different. But if you -- what you can see is on a value basis on 9 months, this -- if I remember rightly, this is more like 18 -- around the mid-teen to high teens, roughly is what it is for the 9 months. During the October-December, we've just about a double-digit decline.

Avi Mehta: Okay. Sorry, I'm not clear. Maybe I'll kind of come -- take this offline, but I wasn't clear on this. My specific point was since MML introduction versus pre-MML introduction, is there a change in the trajectory? That's what I was trying to say?

Praveen Someshwar: There is a change. Yes. Very clearly. That's how I started. There is a change. There is -- effectively, there is -- in fact, because we have also stabilized, our pricing also stabilized. We've had a couple of points of incremental negative value.

Avi Mehta: Okay. Just a couple of -- that's exactly.

Praveen Someshwar: Yes. So it's marginal. It's not really significant, if I may say so, the difference between July-September and October-December.

Avi Mehta: Okay. Thank you very much.

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

Jay Doshi: Hi, thanks for the opportunity. I've got three questions today. The first one, your comments on the top half of the portfolio, especially BII, BIO was very encouraging and I believe it's after several quarters that you sound so confident. Can you give us some more colour on which markets you're seeing that growth?

Is there a function of competitor losing market share or overall the market is growing very well for Upper Prestige BII, BIO? And what in your assessment is driving this? Because we haven't heard positive commentary on consumption from any company as such so far in the last -- so that's question number one. I'll wait for your answer on this?

Praveen Someshwar: Okay. Jay, thanks for joining in. Thanks for the question. Okay. Look, it's green shoots, early green shoots, again in the top end of the category if I may say so. I believe the category is starting to see momentum. I believe, as I said, as we are seeing consumer spend come back, because of various reasons, it could be GST cuts, it could be disposable income, it could be good monsoons.

But all of that is playing a role and you are starting to see buoyancy in that early green shoots. Festive season usually sees a certain lift. We are delighted with the lift we have seen across the top tier of them. We have obviously a strong performance of all our brands. We're seeing each of our top end brands grow faster than the market.

And therefore, we are seeing the category grow and we grow faster as we are building momentum and equity in the top end. So it's looking good. And we are hoping that this stays and it's consistently. All indications suggest that we are in a good place.

- Pradeep Jain:** And Jay, it's across the country, by and large, across the country. Obviously, the top end is far more salient in the Northern part of the country, but it's across the country that we are seeing this tailwind. So to your question, there is no specific market that we need.
- Jay Doshi:** It's broad-based.
- Pradeep Jain:** It's fairly broad based.
- Jay Doshi:** Second question, now there was an article in Financial Times earlier this week that top five spirit players, Diageo included globally are sitting on highest level of inventory that we have seen in the past decade. Now, when I read that article versus your commentary of inflation in bulk scotch, there is a little bit of disconnect. So, could you help us understand how the pricing of bulk scotch is decided between United Spirits and Diageo and when there is a weak demand globally, why should you see inflation in bulk scotch? That's question number two?
- Pradeep Jain:** So Jay, I mean, I don't want to kind of address the latter part, but you will be able to draw the conclusions. Look, it's a related party transaction. We go to the shareholders every year. We are very transparently kind of do that. So it's a cost-plus model, as simple as that, it is a cost-plus model.
- The cost that Diageo Scotland incurs in making a scotch and plus there is an arm's length margin. So if you want to get into the nitty-gritties of that, my request will be you can go to our website. And every year before the -- around the Annual General Meeting, we actually put out a complete benchmarking study. I think Ernst & Young does it for us. And it's available to all public and shareholders. That will provide you the exact construct, but the simple principle is it's cost plus an arm's length margin.
- Praveen Someshwar:** And if I just add one line to that, Jay, that do remember this is also reasonably a competitive purchase price also. So it basically tells you that the average cost plus Scotch price is reasonably consistent.
- Pradeep Jain:** Yes. It's consistent. And Jay, having said that, that's the construct. Separately, we obviously keep doing benchmarking on this, etcetera, that is Diageo Scotland competitive enough, right? So that's a separate thing, and we absolutely have the comfort that they are absolutely competitive. They control 40% of the global scotch, right? So, you know, hopefully, they are competitive, which pretty much plays out in our benchmarking also.
- Jay Doshi:** Perfect. No, that's helpful. Thank you. Last question is, could you give us some idea of how Maharashtra state excise collection was for the December quarter on a Y-o-Y basis? And what you -- in your assessment, it would be versus their own internal estimate when they increase excise duty and when they introduce MML?
- Praveen Someshwar:** Wrong people to ask this question. But, you know, as investors, you are always right in asking these questions. That's how I would say it. Look, I don't know the October-December number, as yet. We will know it very shortly, okay? I think the first quarter after they did, there was a lot of pain, yeah. Okay.

- Pradeep Jain:** And there was media.
- Praveen Someshwar:** It was a lot of pain. It was in public space, okay? And very, very clearly, it was not something which was adding up for them. Let's see. I don't think I want to speculate about it. I'd love to see. And it will be in the public space very shortly. I think end of the month, you'll see it in public space. I mean, all...
- Jay Doshi:** Yeah. Thank you so much. Thank you so much. That's it from my side. Thank you.
- Praveen Someshwar:** Thank you, Jay.
- Moderator:** Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.
- Harit Kapoor:** Hi, good evening.
- Management:** Hi, Harit.
- Harit Kapoor:** Yeah. Hi. Good evening. Hi. Good evening. You know, most of my questions are answered. I just had a couple. One is the way you mentioned Maharashtra, it seems like incrementally from the pain in Q3, it should not be too incrementally painful in Q4. So I just wanted to get your sense that if I -- if I should look at going forward and the 200 basis points of primary kind of -- which you saw impact in AP, that kind of comes back in the going forward quarters.
- And everything else remaining constant, at least that adds to the overall volume number. Is that the way to think about at least going forward? I'm assuming everything remaining constant, which itself is a fairly large assumption in this industry. So just your thought on that.
- Praveen Someshwar:** I think you said it...You know, Harit, built on what we said, sounds very, very logical. As I said, that's what I would say given the present scenario. But please be aware that the industry association has taken other actions to ensure a level playing field. That's the only add to that discussion. Otherwise, I would just stay with that thought process.
- Pradeep Jain:** On a status quo basis, absolutely. We should recoup the 2 points of volume growth, which is largely due to the AP retail pipeline bit, right? And everything else should, by and large, remain the same barring for the one thing that Praveen has called out, right? Now, if there is success on that front, obviously, things could look very different.
- Harit Kapoor:** Got it. And just a follow-up on that. Is there a -- I know it's sub-judice, but is there a written expectation there in terms of what -- when the order comes, over the next month, 2 months, 3 months...
- Praveen Someshwar:** I'd just say if you're following the case closely, I think that it is sub judice, so I don't want to say anything around it. We will wait for it. Very shortly, we should see how it progresses ahead.
- Harit Kapoor:** Got it. And the second part was, you know, in the initial remarks, and I think you covered a lot in the initial remarks, was that you were expecting the 6% to 8% on price/mix to continue.

Adjusting for whatever scotch inventory impact you have or the bulk scotch impact you have because it was -- you started buying in November. So the full quarter impact comes in Q4.

Adjusting for that, is it fair to assume that these gross margins, which have been at about 47% over the last 2 quarters, are broadly -- should broadly not be very different adjusting for this? Because you're mentioning that the price/mix will continue to be very, very healthy going forward. Is that the right way to think about this?

Pradeep Jain: Yes. Broadly, I would say the price/mix, I mean, there will be -- there are quarter-on-quarter impacts, right? Obviously, like I said, the top end of the portfolio is very, very salient in the October, November, December quarter.

So there will be some correction on account of that, right? But the bulk scotch bit is more on the COGS inflation side, whereas the price/mix is more on the portfolio sales side, Harit, right? So I just want to be clear. I hope you are not comparing apples with oranges there.

Harit Kapoor: No, no, I was just looking at the complete gross margin impact because that's a function of COGS inflation as well as price -- product mix, so I just wanted to marry both. So that was the thought process.

Pradeep Jain: Yes, yes. Yes, that's right. So we are -- by and large, it should remain in the same range, right? Inflation will go up a little. But again, hopefully, the price/mix will continue, that should neutralize it.

Harit Kapoor: Got it. Those are my two questions. Wish you all the best. Thank you.

Pradeep Jain: Okay.

Management: Thank you, Harit.

Moderator: Thank you. Our next question comes from the line of Abneesh Roy from Nuvama. Please go ahead.

Avnish Roy: Thanks. My first question is on ex of Maharashtra. So your volume growth ex of Maharashtra has been resilient. So my question is, which are the states driving this? Is it UP, some parts of Eastern India and Karnataka, if you could clarify?

And second part of the question is, Andhra, what is your expectation on full year, given this is the first quarter of the second year? How do you see the full year panning out? I understand first quarter, maybe the base was on the higher side. But full year, how do you see Andhra for you? That is the first question.

Pradeep Jain: Yes. So, Abneesh, the first question, look, I think that's why we have kind of deconstructed it. Praveen, in his opening comments, had deconstructed the volume growth and the value growth, right, nationally. So Rest of India, excluding Maharashtra, let's look at it as one bucket.

We are, by and large, doing well across, right? So that's the 6% volume growth that we spoke of, right? So -- and that 6% is as high as some of our best years over the last 4, 5 years, right? So that's the growth part.

Praveen Someshwar: And 14% in value.

Pradeep Jain: Okay. And 14% in value, right? So therefore, that -- so 6% volume, high end of our historical range; price/mix of 8%, high end of our historical range, and therefore, total of 14%, 15% P&A, high end of our historical range, right?

So that should provide you the comfort that we are by and large doing well. Now, in a portfolio of 29, 30 states, there will always be some that are taking up the numbers and some that are bringing down the numbers. But overall, nothing to worry about.

Praveen Someshwar: I would say it's broad-based. It's broad-based. It's not any state -- significantly, we are seeing consistent performance.

Pradeep Jain: That's right. That's one. And then, on Andhra, as I had mentioned, as we had mentioned in the last quarter, the brands were doing very well. And we are growing on, you know, after having beginning to lap up Andhra, we are continuing to grow very healthy on those numbers, right? So Andhra is pretty much in line with our national growth numbers, maybe a little higher than that because we are a high share market there, and we pretty much drive the category.

Abneesh Roy: Sure. Second question is on Delhi. We have had many quarters where new policy is still -- I think the industry is waiting for it to be implemented, full clarifications and all that. It's a reasonably good market. It's a premium market. When I combine smuggling, say, from Gurgaon, and say, parts of UP, how do you see this market when it opens up?

Praveen Someshwar: So first, I'll just be careful about -- I think Gurgaon is Gurgaon, and I wouldn't say that it moves anywhere else. But look, I think Delhi is a big market. It is a high-per-capita-income market. And as and when the new policy comes into play, it's around this time of the year, over the next couple of months that you will see a whole lot of new policy discussions.

I believe it is going to open up fresh opportunity for all of us. Our brands are very, very well resilient there. And they -- as I see it, in terms of top of mind, they are doing exceedingly well consistently across the northern belt, especially the top end of our brands. So as and when it opens up, we believe we are waiting to unlock again.

Pradeep Jain: I mean, Abneesh, also, we've said this in the last couple of quarters. I think we have demonstrated enough credentials on that front in terms of our agility, right. I mean, when Andhra opened up, within 30 days, right, we were in the market. So we are confident that if at all that opportunity comes, we will absolutely kind of seize it completely, and we'll be in the market, right.

Praveen Someshwar: Not if at all, as and when.

Pradeep Jain: As and when.

- Avnish Roy:** Last question, RCB team, the IPL team, the strategic review. So one is, in terms of the women's team, now a few seasons have gone. When you see this as a marketing spend, if you could highlight which brands have seen positive rub-off effect because clearly, there is ROI calculation, which would be going into all these kind of spends. And second, I understand both men's and women's teams, both teams will be part of the strategic review, right, because women's team started just a few seasons back.
- Praveen Someshwar:** Yes. It's a strategic review of the overall asset. Yes. So it's...
- Pradeep Jain:** Nothing we can divulge at this point.
- Praveen Someshwar:** Nothing. It's a strategic review of the overall asset. The point you're saying on what the WPL present season is doing on our brands, look, if you see across the digital space, we have activated Royal Challengers appropriately. And you're seeing our new campaign starting to gain momentum, and that's translating back into very strong volume and revenue and share performance on RC. So it's very -- it augurs well. We believe this will be consistent as we go through the season.
- Abneesh Roy:** Thanks. That's all from my side. Thank you.
- Praveen Someshwar:** Thank you, Abneesh.
- Moderator:** Our next question is from the line of Ashutosh Jain from Barclays.
- Ashutosh Jain:** Hello, team. Thank you for taking my question. So I have 2 questions. First would be, you historically stated that your P&A growth algo is double-digit top line with like 4% to 5% volume/mix and 6% to 8% price/mix. Does this include the UK FTA impact, which will come from, say, Q1 '27 onwards? Or is it independent of the UK FTA impact?
- Praveen Someshwar:** So look, we stay committed to our double-digit guidance, P&A guidance, okay? I don't think anything has changed. As we have said it consistently, we believe even this quarter, in spite of all that has happened, demonstrated that, other than some accidents here and there, our overall numbers are consistent. 9 months, very, very clearly, we are delivering that.
- On FTA, as and when it comes, it will open up new opportunities. These are all some things which we will work on. We are hoping the sooner the FTA comes, we will be able to unveil our plans around that.
- Ashutosh Jain:** Okay. So my -- so am I reading it correctly, like the current guidance, which is for P&A, double-digit top line, this kind of excludes FTA and anything which -- incremental benefit which comes from U.K. FTA will be on top of that?
- Praveen Someshwar:** Look, right now, the way I put it is it is assuming business as usual, okay? If there is some significant unlock, which we do in FTA, that could be very different. But within a certain realistic estimate, it is all part of the discussion.
- Pradeep Jain:** Also, Ashutosh, we will just add, look, we do not kind of change our guidances based on individual events, right? Maharashtra happened, but we've still stuck to our double-digit P&A

guidance, right. So let that come up, right? And when that come up, hopefully, we can discuss at that point of time how it is impacting, what we are doing, etcetera, right? So I would say let's wait for that July-September quarter to come.

Ashutosh Jain: Okay. Fair enough. And my second question is like quite farfetched and it's kind of hypothetical. But your main competitor, which is Pernod Ricard, still does not have a license to sell in Delhi. So assuming if it were to come and has this license to sell in Delhi, how much you believe your market share is defensible in the region? Because Delhi as part of the Northern mix is more skewed towards P&A. So just wanted to assess the risk there in case if it comes back online.

Pradeep Jain: Yes. So Ashutosh, again, I think this has -- we've discussed this earlier, right. Delhi is a small market right now, right. In its current form, right, where the access to the big players is not complete, right. So right now, it's not that any major part of our growth is coming. It's a very small market, right. In case the market opens up, at that point of time, we believe that it will open up for everyone, and then, we will see what we need to do at that point. But right now, to answer your question, it's negligible in the overall national growth algorithm.

Ashutosh Jain: Fair enough. Thank you so much.

Pradeep Jain: Thank you Ashutosh.

Moderator: Our next question is from the line of Himanshu Shah from Dolat Capital.

Himanshu Shah: Sir, sorry, stretching a bit more on India-UK. FTA, but can you just call out like what could be the benefit on the bulk scotch front on an annualized basis, once the UK. -- India-UK FTA comes into effect?

Pradeep Jain: INR110 crores to INR120 crores.

Himanshu Shah: Okay. Sir, some of your smaller competitors have been quoting a higher number, so any -- more or less similar set of numbers. So is this a bit more conservative or this is what we expect?

Pradeep Jain: I really don't know what others have quoted, right, but we've given a range of what we believe will impact us.

Himanshu Shah: Sure. Very helpful. And secondly, sir, any update -- can you update on Telangana outstanding situation, like what kind of over dues are there? And is that by any way impacting our volumes, or for that matter, industry volumes due to delay in payments?

Pradeep Jain: So right now -- well, it's -- first of all, Himanshu, as you are aware, it's an industry issue, right. So the associations -- industry associations are working with the Telangana government to find a fault. Over the months, we've seen progressive improvement, right, but obviously not at the pace at which we would want, right. So we continue to work with the associations and the Telangana state government. So far, there is no impact on the volume.

- Himanshu Shah:** Okay. And how much would be overdue, sir, in terms of number of days versus the normal range?
- Pradeep Jain:** We haven't shared that number, so I would refrain from sharing that number publicly, right. But yes -- but by and large, the entire industry is in the same range.
- Himanshu Shah:** Thank you. That's it from my side.
- Pradeep Jain:** Thank you.
- Moderator:** Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to Ms. Shweta Arora for closing comments. Over to you, ma'am.
- Shweta Arora:** Thanks. Thanks, everyone, for joining us on the call today. In the interest of time, we're closing the call, but if you have any unanswered questions, please feel free to reach out to me directly. Thank you. Have a good evening.
- Praveen Someshwar:** Thank you, everyone.
- Pradeep Jain:** Thank you all.
- Moderator:** Thank you. On behalf of United Spirits Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.