

PRESS RELEASE

Audited financial results for the year ended 31 March 2016 (Standalone only)

Full year results in line with our strategy

- Net sales growth 13%. Q4: 12% growth
- Diageo brand portfolio drove 8ppts of net sales growth. Q4: 9ppts
- Net sales of Prestige and Above segment up 26% with 16ppts positive price/mix, Q4: 29% with 20ppts positive price/mix
- Diageo brand portfolio contributed 19ppts net sales growth to the Prestige and Above segment. Q4: 22ppts
- EBITDA Rs. 880 Crore; 81% growth. Q4: Rs. 91 Crore
- EBITDA margin 9.7%, up 364bps given provisions made in previous year and benefit from the elimination of Related Party Transactions
- Profit after tax Rs. 981 Crore. 2015: Rs. (1,956) Crore
- USL Group consolidated net debt Rs. 4,250 Crore; reduced by Rs. 737 Crore as a result of divestments
- eps 67.5 rupees. 2015: (134.6) rupees

Anand Kripalu, CEO, commenting on the year ended 31 March 2016 said:

"This year was a continuation of the journey we started two years ago; positioning this business to be the market leader in the most attractive profit pools of the future. We have leveraged our core strengths and focused behind the most attractive categories and geographies, with a clear set of our power brands. We continue to transform our organization and build new capabilities in line with our strategic priorities. Focus on our productivity approach continues to deliver efficiencies through projects that challenge every element of cost that does not represent value for the consumer. These gains have been re-invested behind new capabilities, our brands and our route to consumer strategy to support future growth.

Looking at F16, the robust top line and bottom line performance gives me confidence in our strategy behind our power brands, our clear focus on the Prestige and Above segment and our selected participation play in the Popular segment. We have successfully completed the integration of the Diageo brand portfolio this year and we now have an outstanding portfolio of brands across each key category and price point.

Net sales growth of 26% of the Prestige and Above segment was fuelled by our premiumisation strategy and the full integration of the Diageo brand portfolio. As part of our renovation strategy we completed the re-launch of Royal Challenge and the new look McDowell's No.1 whiskey is also now in market. The re-launch of Signature started towards the end of Q4 and we expect to see positive momentum in the brand in the next fiscal. As highlighted earlier this year, we have faced specific industry challenges in states such as Uttarakhand and Chhattisgarh and the Haywards temporary pricing challenge in Karnataka also negatively impacted performance this fiscal.

Our EBITDA delivery was robust and grew 81% in line with our expectations. We have successfully reduced net debt by Rs 737 Crore through our non-core asset divestment strategy. This has strengthened the balance sheet, lowered interest cost and improved shareholder value.

These results and the actions that are driving this growth give me confidence that USL can deliver strong and sustained performance in the coming years."

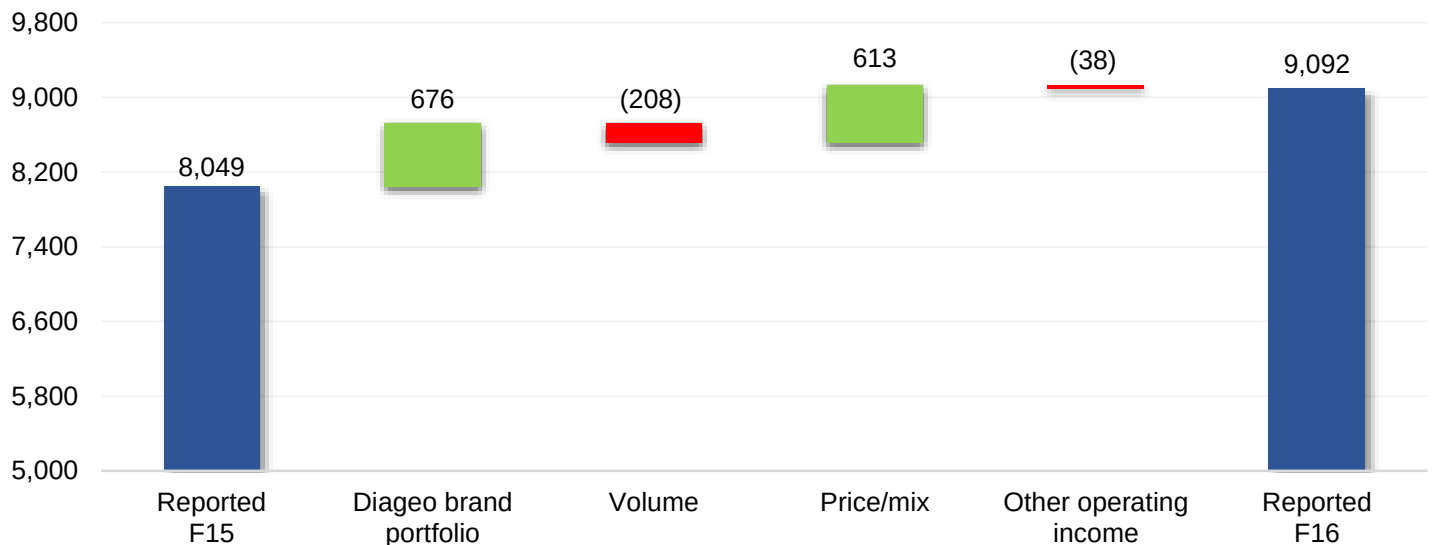
Key financial information

For year ended 31 March 2016

Financial information summary

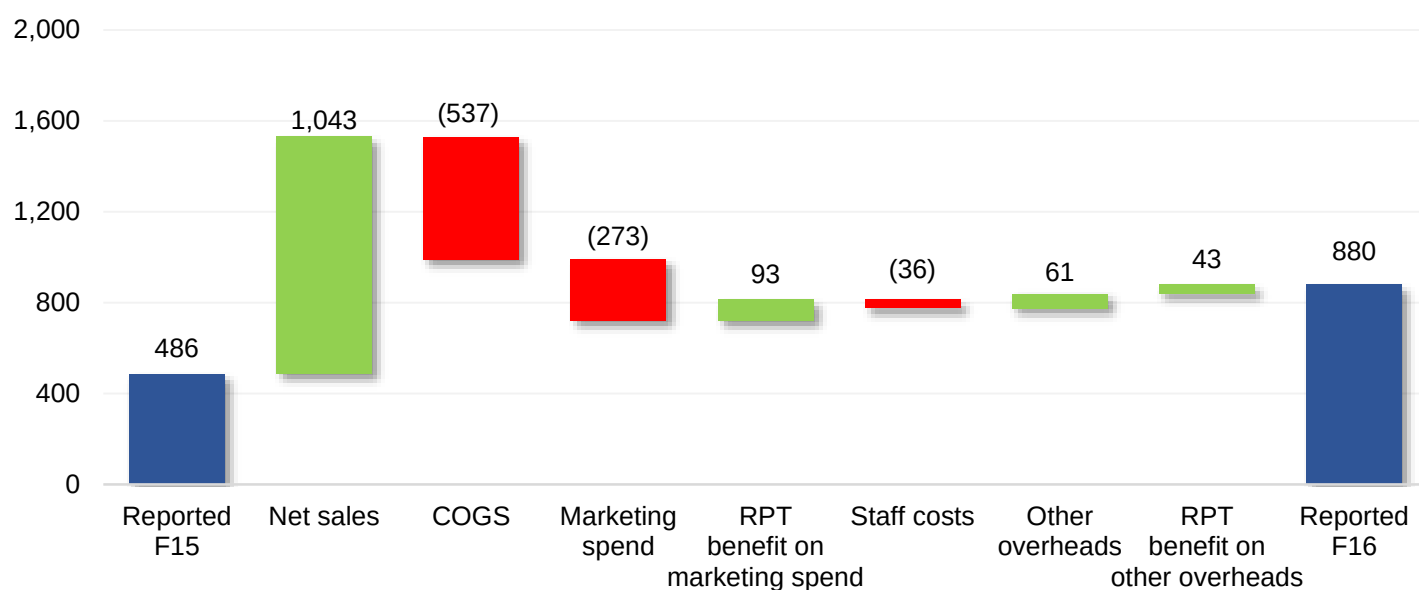
Rs. Crores	2016 FY	2015 FY	Growth %
Net sales	9,092	8,049	13
COGS	(5,306)	(4,769)	11
Gross profit	3,786	3,281	15
Staff cost	(654)	(619)	6
Marketing spend	(966)	(787)	23
Other Overheads	(1,286)	(1,389)	(7)
EBITDA	880	486	81
Exchange Difference Gain/Loss/Other Income	106	160	(34)
Depreciation	(102)	(110)	(7)
EBIT	884	536	65
Interest	(447)	(593)	(25)
PBT before exceptional items	437	(56)	874
Exceptional items	736	(1,872)	139
PBT	1,173	(1,928)	161
Tax	(192)	(28)	578
PAT	981	(1,956)	150

Net sales growth (Rs. Crores)



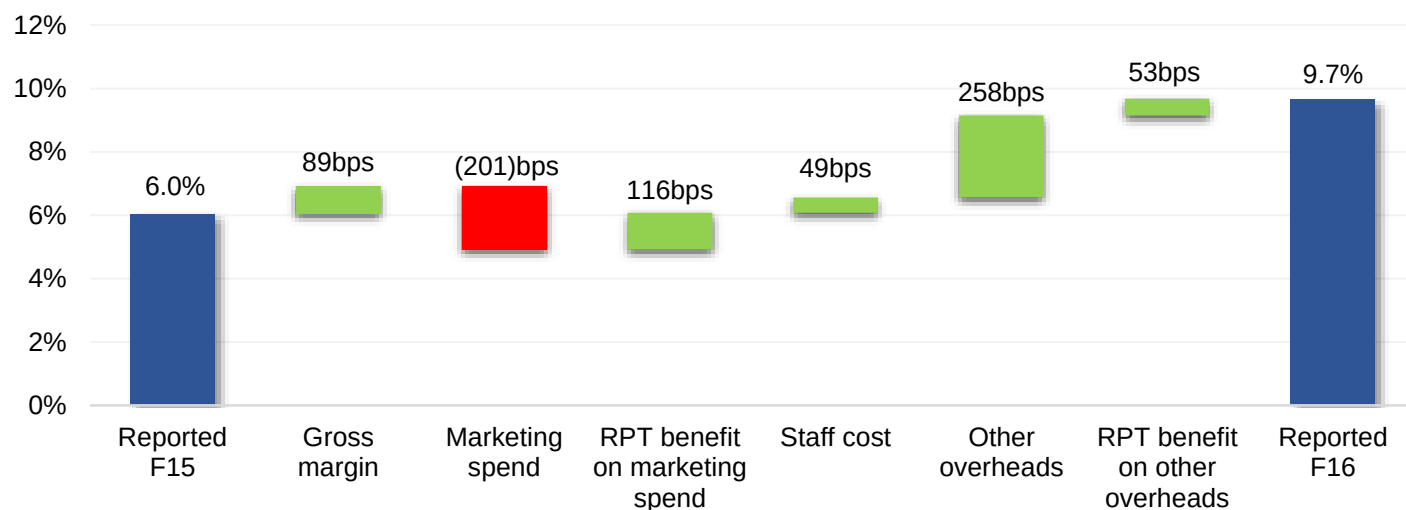
Reported net sales were up 13%. Direct distribution and sales of the Diageo brand portfolio in India added Rs. 676 Crore of net sales in the full year positively impacting net sales by 8ppts. The adverse volume impact is mainly driven by the Haywards brand due to the temporary pricing challenge in Karnataka in the second quarter. Pricing during the year remained muted in the highly regulated environment in India. Favourable price/mix was driven by positive brand/state and segment mix.

EBITDA growth (Rs. Crores)



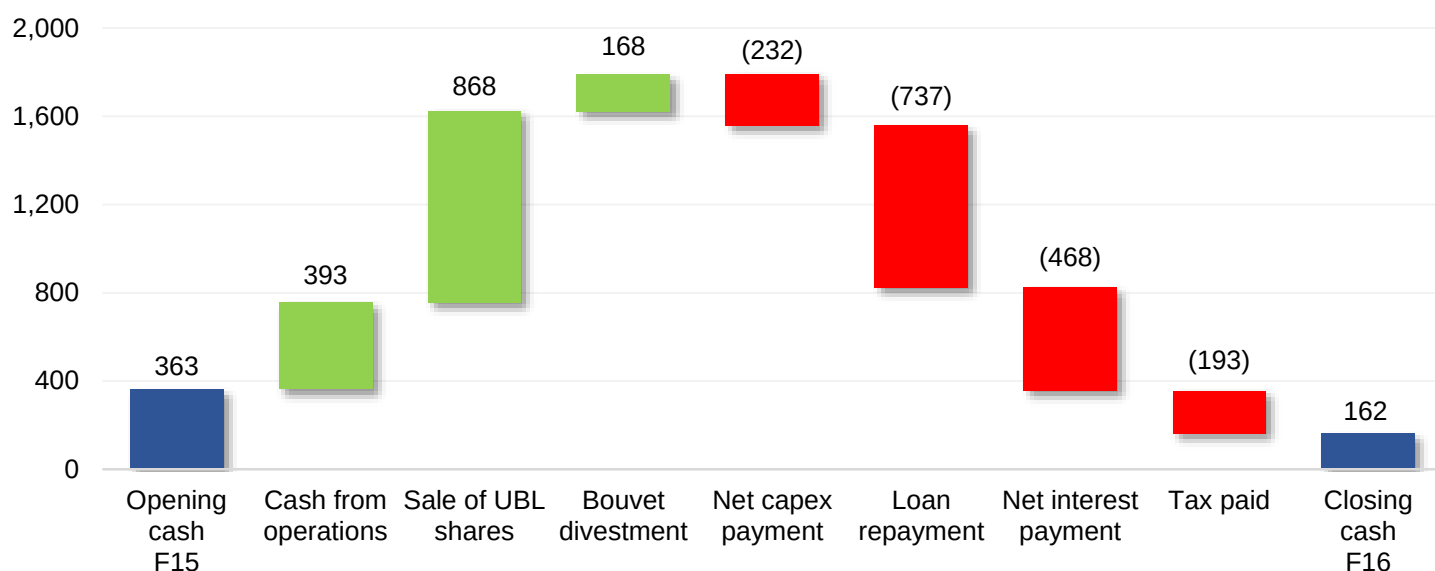
EBITDA was up 81%, mainly driven by incremental net sales from the Diageo brand portfolio coupled with continuous focus on the Prestige and Above segment and selected play in the Popular segment. We continue to invest behind our brands with an underlying increase in our marketing investment of 39% versus last year, excluding the impact of the Related Party Transaction savings but including the investments behind the Diageo brand portfolio. Investment behind the USL brands increased by 10% ahead of top line growth.

Change in EBITDA margin (%)



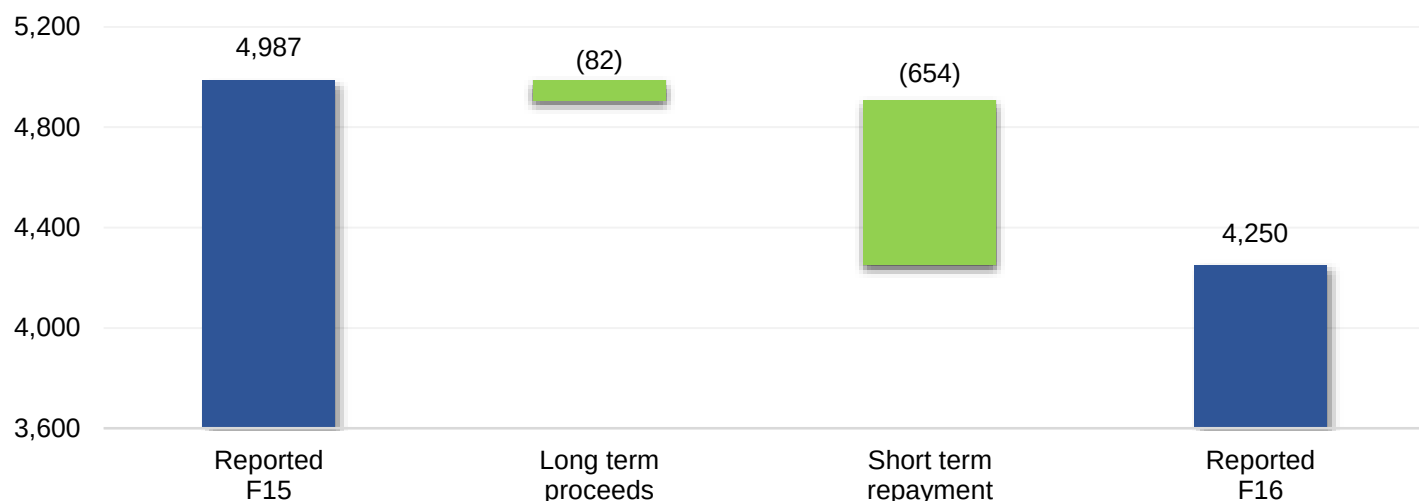
EBITDA margin of 9.7% improved by 364bps versus prior year. Gross margin improvement was mainly driven by the integration of the Diageo brand portfolio and our continued focus on portfolio premiumisation and clear participation choices in our Popular segment. These savings have been re-invested behind our brands and capabilities. Other overheads positively impacted margins driven by lower employee related costs and other operational overhead costs. Comparison against the level of provisions made in previous year and the benefit of the elimination of Related Party Transactions also positively impacted margin.

Movement in cash (Rs. Crores, USL Group consolidated)



Cash closed the year at Rs. 162 Crore following debt repayment. Underlying operations generated cash of Rs. 393 Crore, net of Rs. 277 Crore increase in working capital, including the incremental working capital associated with the Diageo brand portfolio. Net capex was higher than last year as we invested in upgrading strategically important manufacturing units. Cash generated from the divestment of the UBL Shares and the Bouvet Ladubay subsidiary was used for short term debt repayment resulting a reduction in interest costs.

Movement in debt (Rs. Crores, USL Group Consolidated)



Net debt reduced by Rs. 737 Crore driven by the divestment of non-core assets, mainly the UBL Shares and the Bouvet Ladubay subsidiary. These divestments together with renegotiation of borrowings terms reduced the total interest cost. Significant improvement in overall financial flexibility, corporate governance and our compliance framework has been reflected in our improved credit rating. During the year, ICRA Limited upgraded the Long Term Rating from BBB to A+, while the Short Term Rating improved from A3 to A1+. These improved ratings will enable us to access more economical sources of debt leading to lower interest cost and increased shareholder value.

The USL Standalone results will show an overall debt reduction of Rs. 1,119 Crore positively impacted by the elimination of the intercompany debt post the Scheme of Amalgamation between the Company and SW Finance Co. Limited, a wholly owned subsidiary of the Company.

Business review

We have improved both top line growth and increased operating profit in a highly regulated / competitive environment and have further strengthened our core brands to be best placed to win in every segment. Our performance in the Popular segment reflects our prioritized participation strategy and the net sales growth of the Prestige and Above segment clearly shows positive signs of our premiumisation strategy. During the year we have continued our renovation agenda completing the re-launch of Royal Challenge, the current roll out of McDowell's No.1 whiskey and the Signature renovation. The impact of these successful renovations will continue to be a positive driver of future growth. The new renovated range can be seen below.



F16 has seen a continuation of our productivity journey through every aspect of the P&L. Further efficiencies achieved have been achieved and reinvested into our brands and capabilities. We have continued our Perfect Store program this year, driving enhanced shopper experience and building brands in store with the number of perfect stores increasing by ~5,000 to ~20,000 in the year.

Segment review

Overall volume was down 1% with net sales up 13% on stronger performance of the Prestige and Above segment. The integration of the Diageo brand portfolio also had a positive mix impact accounting for half of the overall positive mix. The main contributors were Johnnie Walker, Black & White, VAT69 and Smirnoff. Good performance of Black Dog in the premium segment and the re-launch of Royal Challenge and McDowell's No. 1. whiskey in the prestige segment also had favourable net sales mix impact.

- We have integrated the **Diageo brand portfolio** into USL this fiscal. The portfolio consists of over 20 brands, with the key brands being Smirnoff, VAT69, Johnnie Walker and Black & White, all of which are positioned in the premium and luxury segment. The Diageo brand portfolio added 1.3m cases volume.
- The **Popular segment** represents 63% of total volumes and 49% of total net sales. 4ppts and 5ppts respectively below last year. Popular segment volume declined 7% and net sales grew 2%. The reduction in volume was largely driven by the specific temporary pricing challenge on Haywards in Karnataka which impacted volume growth by circa (4) ppts. Despite this, overall Popular segment net sales grew 2% fuelled by good growth of our power brands which represent almost 80% of our net sales in the popular segment: McDowell's Rum and Brandy; Bagpiper; Old Tavern and Director's Special whiskey.
- The **Prestige and Above segment** represents 37% of total volumes and 51% of total net sales, up 4ppts and 5ppts respectively when compared to prior year. Volume increased 10% with net sales up 26%. Excluding the Diageo brand portfolio, volume was up 6% and net sales up 8%. Robust growth of the segment was fuelled by our renovation strategy with the re-launch of Royal Challenge and benefited from the recent new look McDowell's No.1 whiskey.
 - The **Royal Challenge** re-launch was completed at the beginning of this fiscal and we have seen exceptional growth in each quarter with volume growth of 61% and 50% net sales growth in the full year.
 - The new look **McDowell's No. 1. whiskey** was launched in the third quarter and posted 18% volume and 23% net sales growth in Q4 resulting in overall volume growth of 8% and net sales growth of 13% in the full year.
 - The performance of **Signature** was muted with volume decline of 2% and negative price/mix of 7ppts. The re-launch of Signature started towards end of Q4 and we expect to see positive momentum in the brand in the next fiscal.
 - **Antiquity** volume was up 18% with net sales up 10%.

- **Black Dog** performance was robust during the year and volume grew 23% with net sales up 24%.

Neilsen tertiary share data⁽¹⁾ is reflective of the above showing strong share momentum on Royal Challenge while, the McDowell's No.1 whiskey franchise maintained share for the year, with positive share gains on the main core variant of McDowell's No.1. The full positive impact of the new look McDowell's No.1 whiskey franchise (as depicted above) plus the fully renovated offering on Signature is expected to be seen in the coming year.

We have also continued to see strong share momentum on the Premium Scotch portfolio. Black Dog, Black & White and Vat69, and on our Premium Vodka portfolio, led by Smirnoff. The core variants of Johnnie Walker Red, Black and Double Black have also shown positive share gains for the full year.

Note (1): AC Neilson Value share metrics for the 12 month period ending 31 March 2016.

The Board of Directors of United Spirits Limited at their meeting in Bengaluru today considered and approved the audited financial results for the year ended 31 March 2016.

Appendix

Volume by segments (EU million)

	F16 FY	F15 FY	% chg.	F16 Q4	F15 Q4	% chg.	F16 Q3	F15 Q3	% chg.	F16 Q2	F15 Q2	% chg.	F16 Q1	F15 Q1	% chg.
Prestige and Above	34.2	31.0	10	8.1	7.4	9	9.6	8.4	15	8.0	7.9	2	8.4	7.3	15
Popular	58.9	63.2	(7)	15.2	16.9	(10)	16.1	16.8	(5)	13.8	15.5	(11)	13.8	14.0	(1)
Total*	93.0	94.2	(1)	23.3	24.3	(4)	25.7	25.2	2	21.8	23.4	(7)	22.2	21.3	4

*The volume analysis above excludes royalty and franchise volumes. (prior year restated for like for like comparison)

Cautionary statement concerning forward-looking statements

This document contains 'forward-looking' statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to United Spirits Limited, anticipated cost savings or synergies, expected investments, the completion of United Spirits Limited's strategic transactions and restructuring programmes, anticipated tax rates, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside United Spirits Limited's control. United Spirits Limited neither intends, nor assumes any obligation, to update or revise these forward-looking statements in the light of any developments which may differ from those anticipated.

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Conference call and live Q&A session

Anand Kripalu, Managing Director and Chief Executive Officer and Sanjeev Churiwala, Chief Financial Officer will be hosting a Q&A session on Friday **27th May 2016 at 12:00 pm** (Noon, IST time).

To participate the Q&A session please use the below dial in details.

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