DIAGEO
INDIA

United Spirits Limited

Registered Office:
'UB Tower'
#24, Vittal Mallya Road,
Bengaluru – 560 001
Tel: +91 80 2221 0705
Fax: +91 80 3985 6862
www.diageoindia.com

1st June, 2020

BSE Limited
Listing Department
Dalal Street, Mumbai 400 001
Scrip Code: 532432

National Stock Exchange of India Ltd
Exchange Plaza, C-1 Block G,
Bandra Kurla Complex,
Bandra East, Mumbai- 400051
Scrip Code: MCDOWELL-N

Dear Sirs,

Sub: Investor presentation

Further to our intimation dated May 23, 2020 regarding investor meet, enclosing herewith copy of the presentation used in the meeting.

This is for your information and records.

Thank you,

Yours faithfully,
For United Spirits Limited

MITAL ARVIND SANGHVI

Digitally signed by MITAL ARVIND SANGHVI
Date: 2020.06.01 11:28:04 +05'30'

Mital Sanghvi
Company Secretary

Encl: As above

UNITED SPIRITS
A DIAGEO Group Company

ANAND KRIPALU

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

WHAT WE WILL COVER TODAY

UNITED SPIRITS
A DIAGEO Group Company

FY20 PERFORMANCE

FY20 KEY HIGHLIGHTS

COVID & BEYOND

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SANJEEV CHURIWALA

EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER

01 JUN 2020

WHAT WE WILL COVER TODAY

UNITED SPIRITS
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FY20 PERFORMANCE

FY20 KEY HIGHLIGHTS

COVID & BEYOND

FY20 – A YEAR OF CONTINUED MACROECONOMIC SLOWDOWN…

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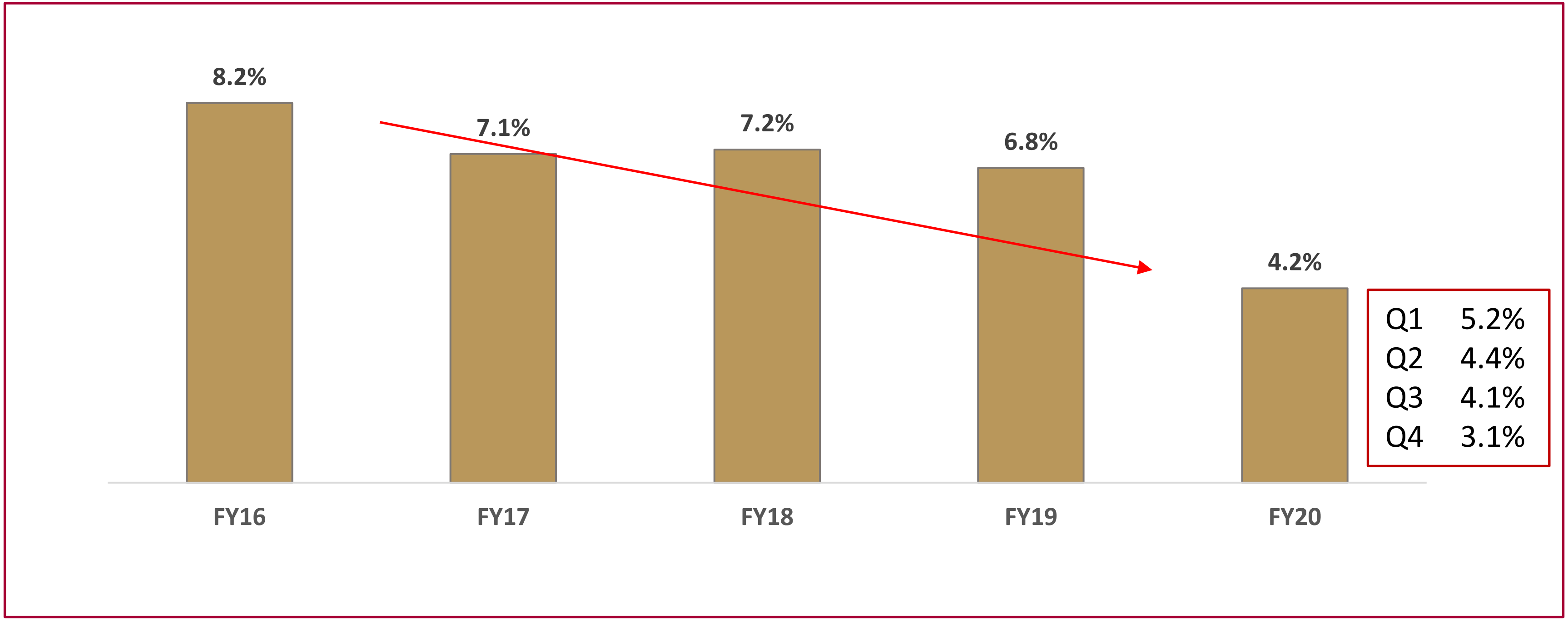
India GDP Trajectory



Source: MoSPI

F20 IN A NUTSHELL

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Net sales[1]	**+1.2%**
Prestige & Above net sales	**+0.4%**
Gross margin	**44.8%; (408)bps**
EBITDA margin[2]	**16.6%; +223 bps**
Interest costs	**-13%**
Profit after tax	**705 Cr; +7%**

[1] Underlying net sales growth was (1.5)%, excluding one-off bulk Scotch sale.
[2] Underlying EBITDA margin excluding one-off bulk Scotch sale was 15.9%, underlying margin expansion was 92bps

TOPLINE IMPACTED BY CONSUMPTION SLOWDOWN & COVID-19 LED DISRUPTION

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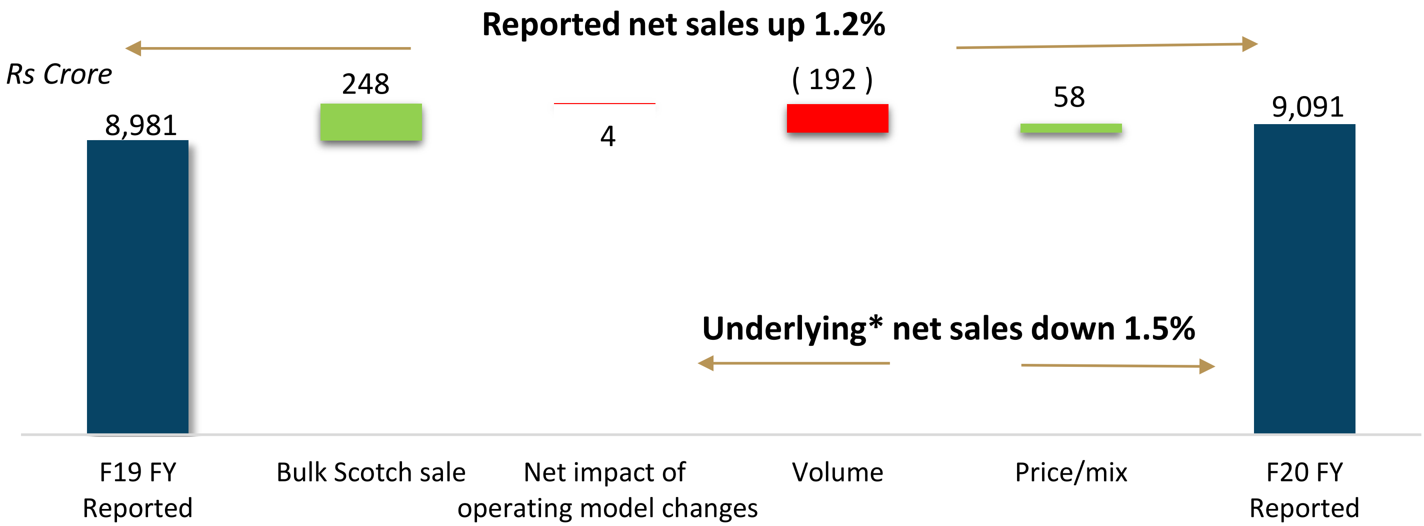

	Reported net sales % FY20	Underlying* net sales % FY20
Prestige & Above	0.4	0.4
Popular	(4.2)	(4.1)
Total	1.2	(1.5)

** Underlying movement excludes the one-off impact of Bulk Scotch sale & operating model changes.*

EBITDA MARGIN EXPANSION DESPITE AN UNPRECEDENTED ENVIRONMENT

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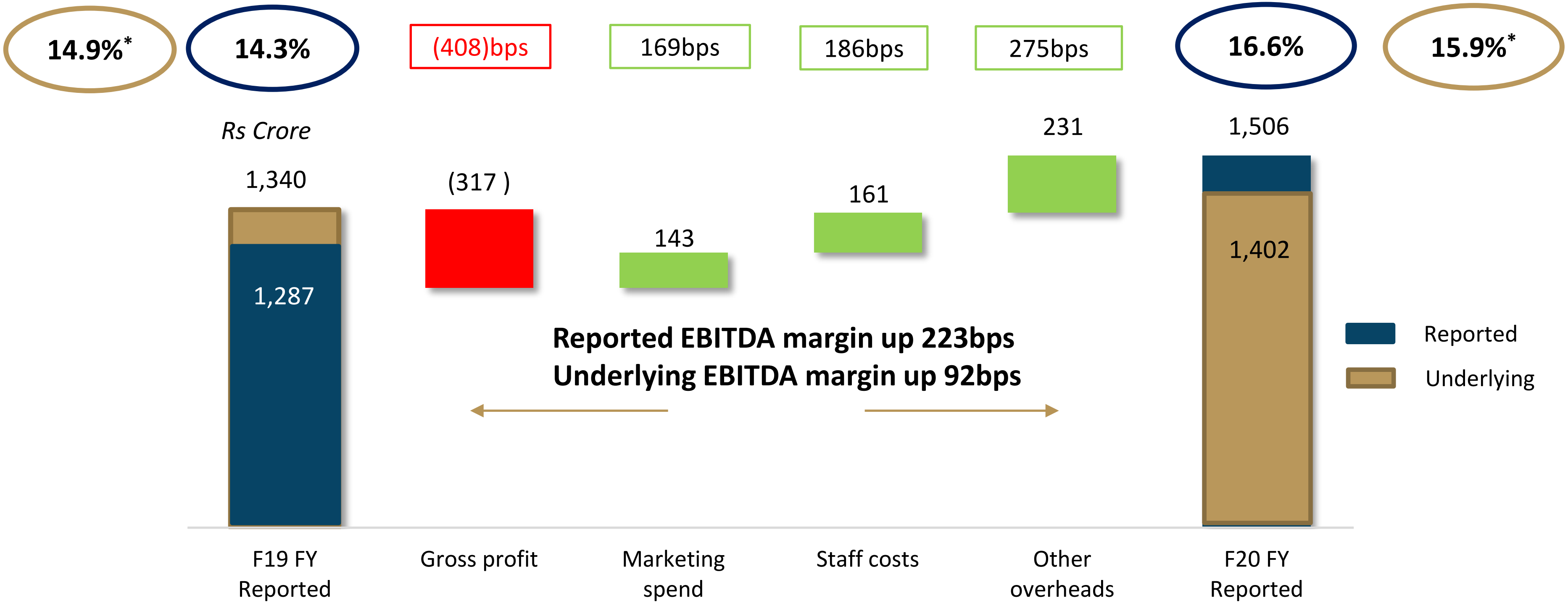

*Underlying EBITDA margin excludes the impact of Bulk Scotch sale and one-off restructuring costs
Underlying EBITDA margin for F20, net of bulk Scotch sale is 15.9%.

PAT GROWTH OF 7%, PAT MARGIN EXPANSION OF 42BPS

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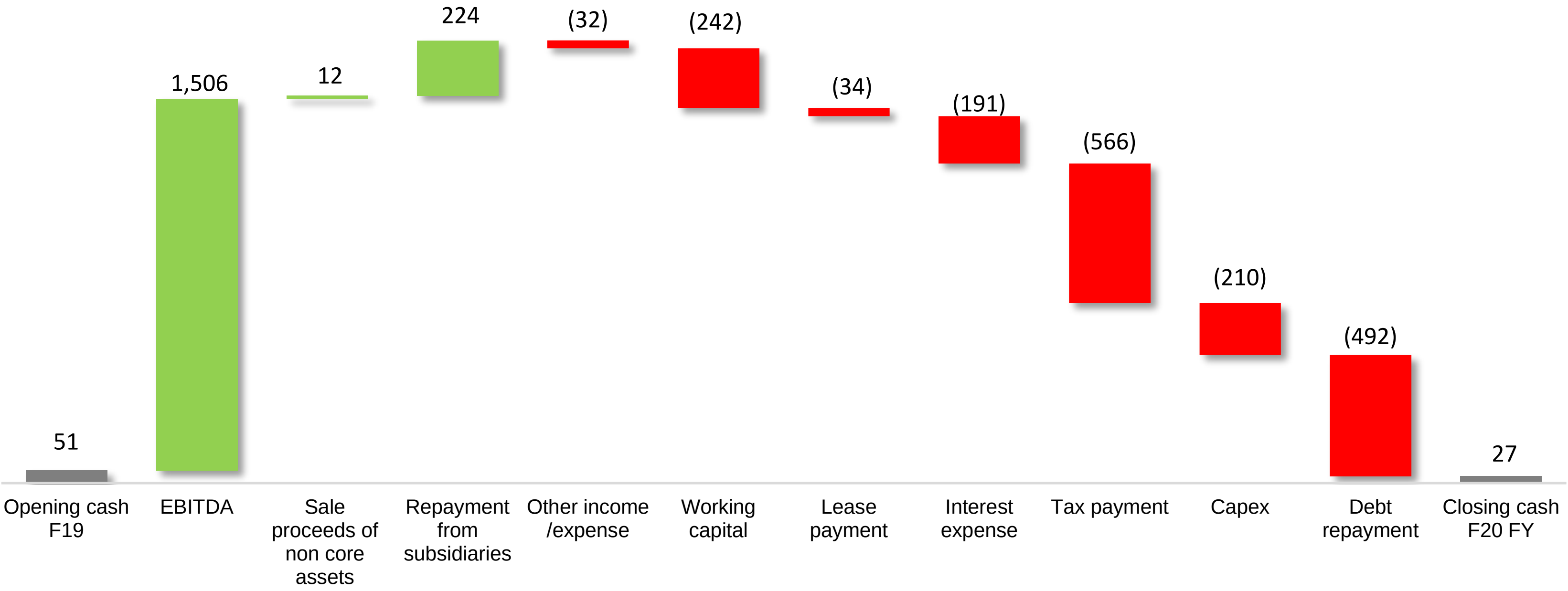
CONTINUED FOCUS ON CASH MANAGEMENT

Rs. Crore



FURTHER PROGRESS ON DELEVERAGING

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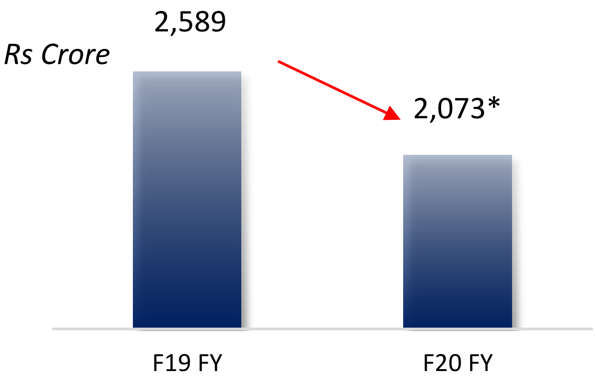
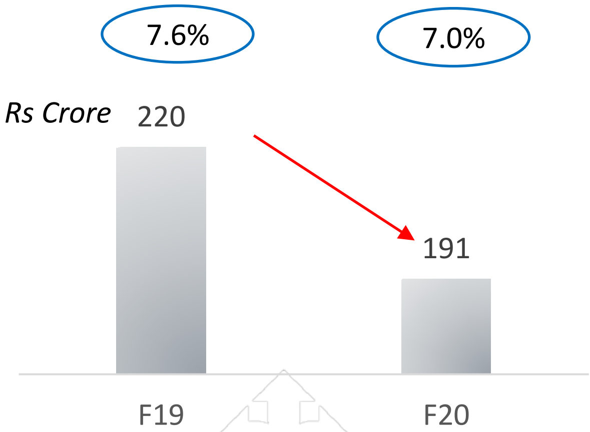
Net debt

Reduction of Rs. 492 Cr.



Interest Cost

Interest cost saving of Rs. 29Cr.



**Closing balance is net of finance lease reclassification impact of Rs. 24 Cr due to IndAS 116. Pure debt repayment is Rs. 492 Cr. during the year.*

SUSTAINED IMPROVEMENT IN KEY FINANCIAL INDICATORS

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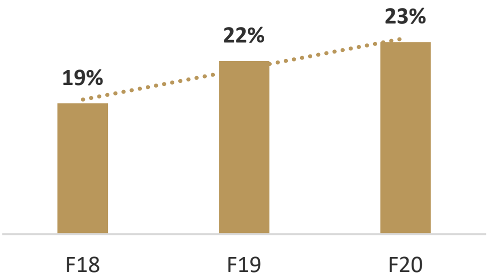
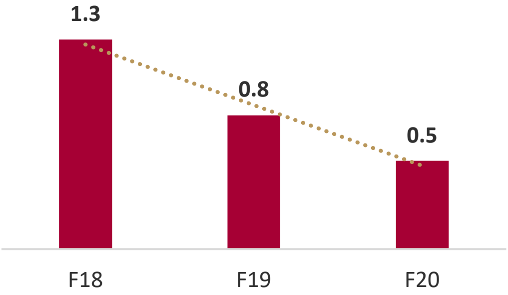
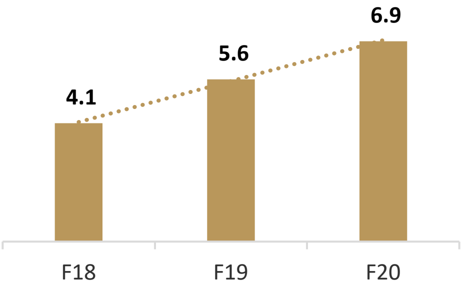
Return on Capital Employed



Debt-Equity ratio



Interest Coverage ratio



CONTINUING TO CREATE VALUE FOR OUR SHAREHOLDERS

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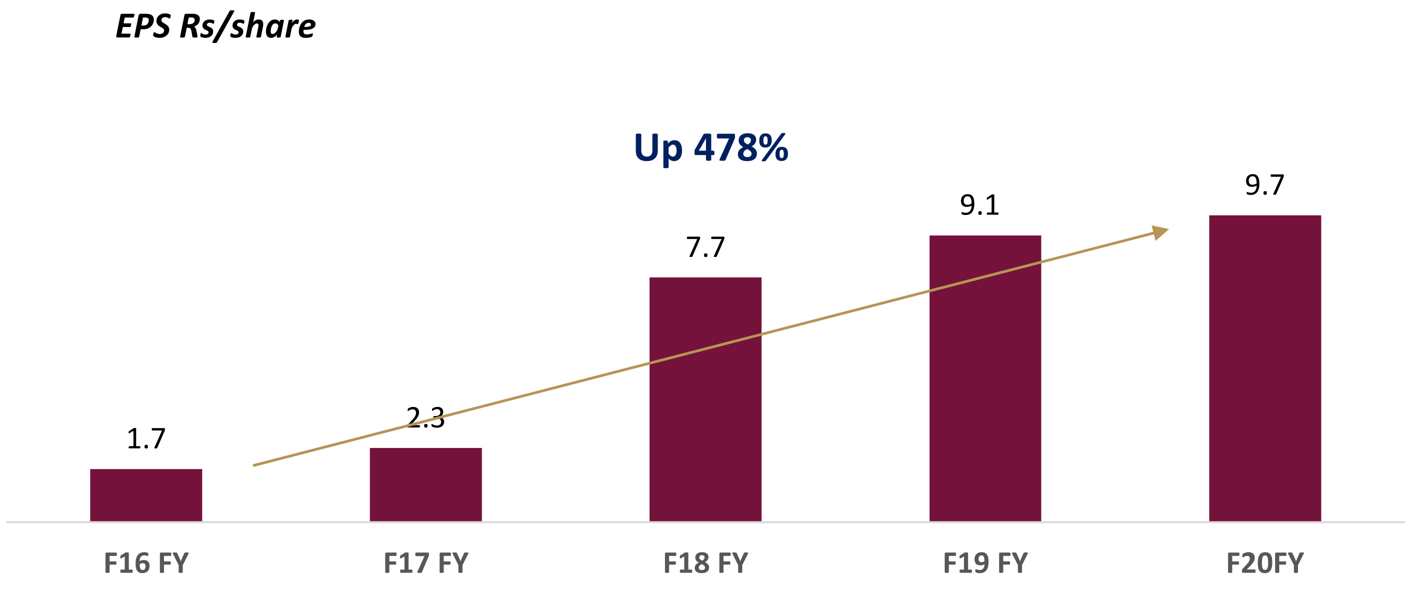

** EPS has been retrospectively adjusted for the 1:5 stock split that became effective in F19*

WHAT WE WILL COVER TODAY

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FY20 PERFORMANCE

FY20 KEY HIGHLIGHTS

COVID & BEYOND

WE HAVE MADE FURTHER PROGRESS AGAINST EACH OF OUR STRATEGIC PRIORITIES IN FY20

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To be one of the best performing, most trusted and respected consumer products companies in India

5 Strategic Priorities

Strengthen & accelerate core brands	Evolve route to consumer	Drive productivity to invest in growth	Corporate citizenship	Winning organization

OUR STRATEGIC PRIORITIES

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PLAYING INTO INDIA'S TOP PASSION POINTS

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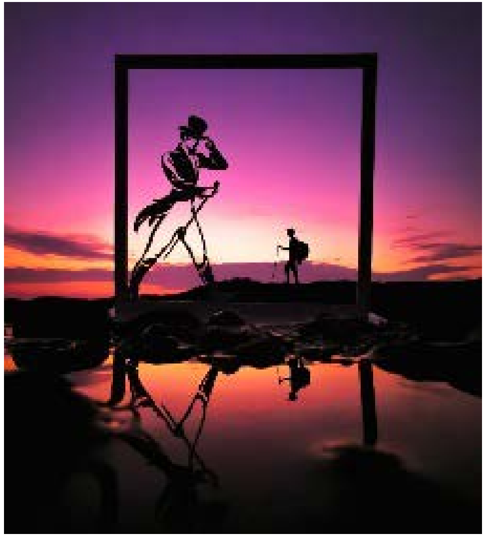
Food	Cricket	Travel
		
Black & White	*Royal Challenge*	*Johnnie walker*

DRIVING PURPOSE-LED CAMPAIGNS VIA INFLUENCER LED APPROACH

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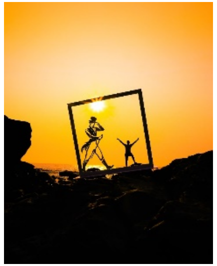
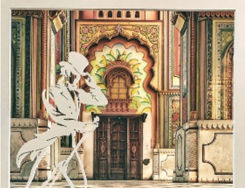
JOHNNIE WALKER #THETRAVELLINGBILLBOARD

AN ICON STRIDES ACROSS UNCHARTERED LOCATIONS IN INDIA





THE ROYAL CHALLENGE RELAUNCH

BANGALORE
ROYAL
CHALLENGERS

NEW No.1 WHISKY YOU ALREADY LOVE

DRINK RESPONSIBLY

HIPSTER AND MC DOWELL'S PLATINUM UPDATE

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Innovation in Action

Scotch Hipster

Mc Dowell's No1 Platinum

OUR STRATEGIC PRIORITIES

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5 Strategic Priorities

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OPTIMALLY SERVING THE THREE INDIAs

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AFFLUENT INDIA	MIDDLE INDIA	ASPIRING INDIA
		
Deliver unique, curated experiences	Leverage outlets to build brand equity & aid premiumization	Focus on retained states, support franchisees

"Horses for Courses"-led front line sales force optimization

Leveraging technology to monitor market execution

OUR STRATEGIC PRIORITIES

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SUSTAINED PRODUCTIVITY ACROSS ALL LINES OF THE P&L

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Productivity Initiatives		FY20
COGS	• Efficiencies through modernization/automation and Footprint transformation • Imports value chain optimization and Logistics efficiency improvement • Rate and feature optimization	Contribution to Gross Margin +77bps
Marketing	• A&P: Standardize marketing elements across regions, Scope consolidation of digital and creative agencies	Contribution to EBITDA margin +132bps
Overheads	• Vendor consolidation for IT maintenance services, network infrastructure upgrade	
Interest costs	• Debt reduction of INR 492 cr. during FY20 • Interest cost savings of INR 29 cr. during the year	

OUR STRATEGIC PRIORITIES

UNITED SPIRITS
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CHANGING THE NARRATIVE FOR ALCO-BEV

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Shape Regulatory Environment

- **Pricing:** Realizing pricing across states; structural pricing unlocks
- **Shifting Narrative:** Leading the effort to establish an economic narrative for Alco-Bev
- **Advocacy**: Partnering with regulators and credible external voices to drive industry reform
  - Ease of Doing Business wins in Mah, UP

Changing Industry Reputation

Road Safety partnerships with States, UTs

Enriching Lives; Empowering Women

OUR STRATEGIC PRIORITIES

UNITED SPIRITS
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BUILDING A FUTURE-READY ORGANIZATION

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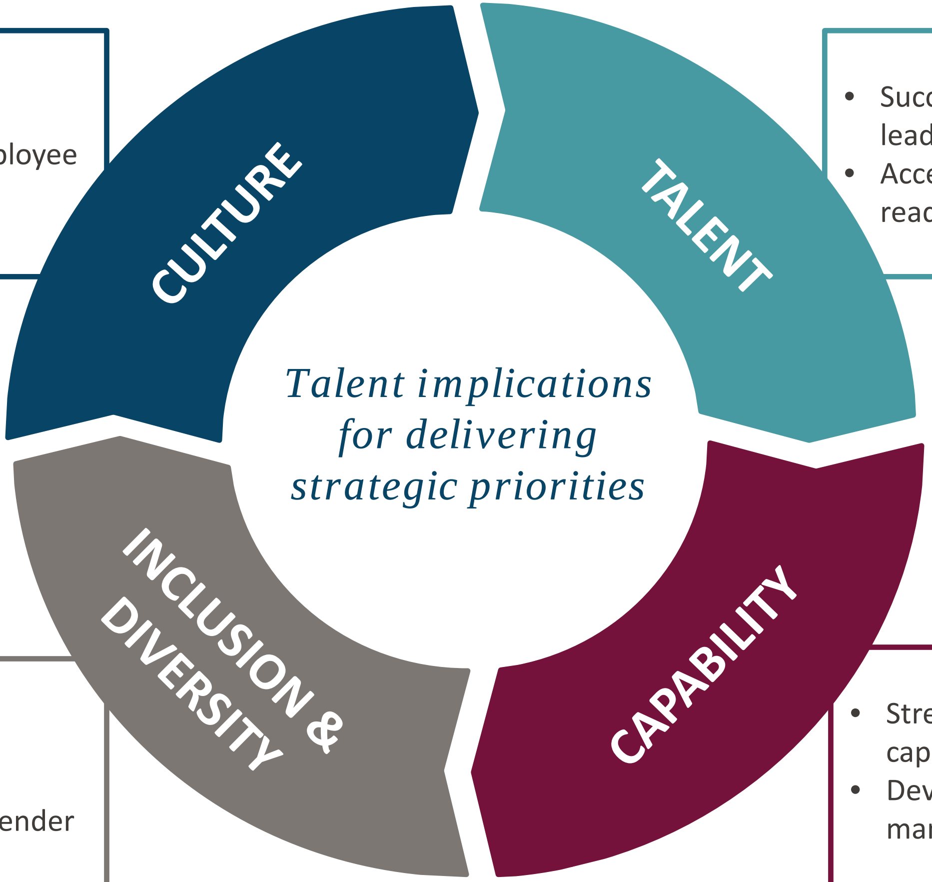
- Co-creation driven by high performance culture and employee trust

- Succession planning for critical leadership roles
- Accelerate internal pipeline readiness for senior positions



- Women in senior leadership increased from 23% to 32%
- Expand “Inclusion” beyond gender

- Strengthen “people manager capability”
- Develop next generation manufacturing leaders

WE HAVE REASONS TO CELEBRATE AND MATTERS TO RESOLVE

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Happy About

1. Margin improvement in a difficult environment
2. Relaunch of McDowell's No.1, Royal Challenge
3. Innovation: McDowell's No.1 Platinum, Hipster
4. Continued focus on operational and financial efficiency
5. People & Culture

Do Better

1. Performance in select state-brand combinations
2. Pricing & Market Access in key states
3. Commodities cost – volatility and predictability
4. Intermittent supply chain disruptions

WHAT WE WILL COVER TODAY

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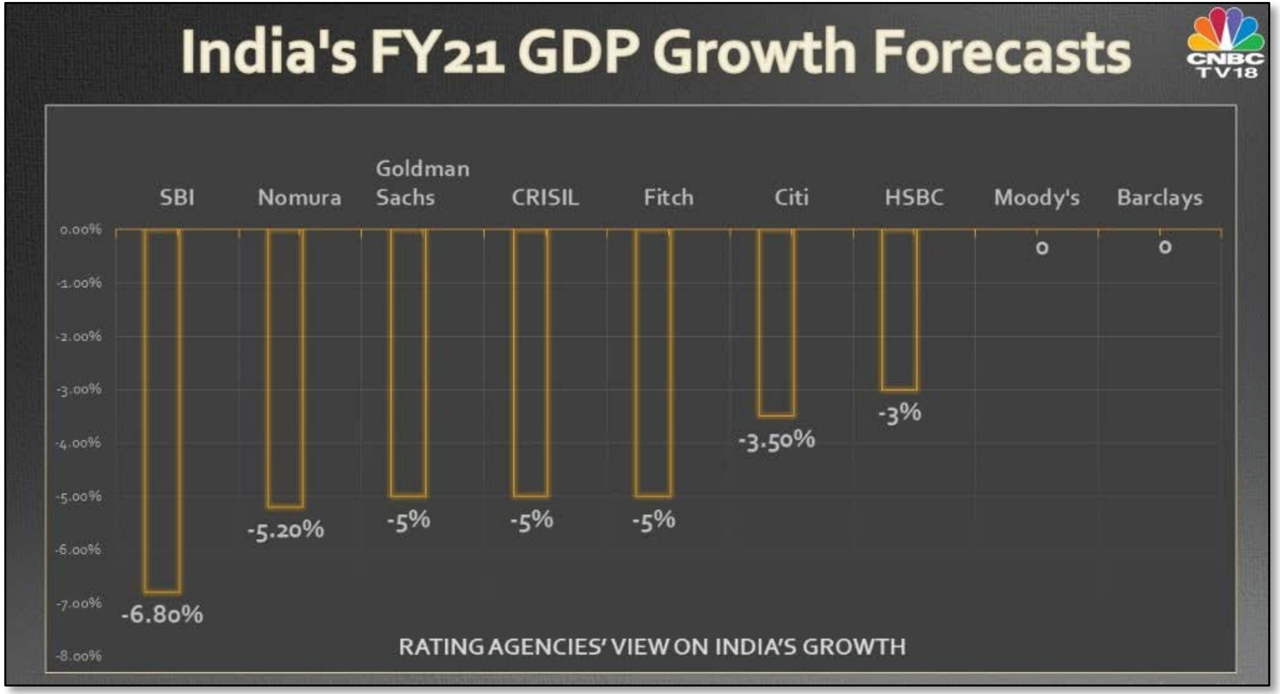
FY20 PERFORMANCE

FY20 KEY HIGHLIGHTS

COVID & BEYOND

THE CORONAVIRUS PANDEMIC BROUGHT UNPRECEDENTED TURMOIL TO AN ALREADY DISTRESSED SITUATION



Source: *CNBC TV18 article dated May 28, 2020;*

https://www.cnbctv18.com/economy/how-badly-will-lockdown-impact-indias-gdp-growth-heres-what-top-brokerages-say-6019041.htm

ALCO-BEV SALES WERE SEVERELY IMPACTED BY THE LOCKDOWNS

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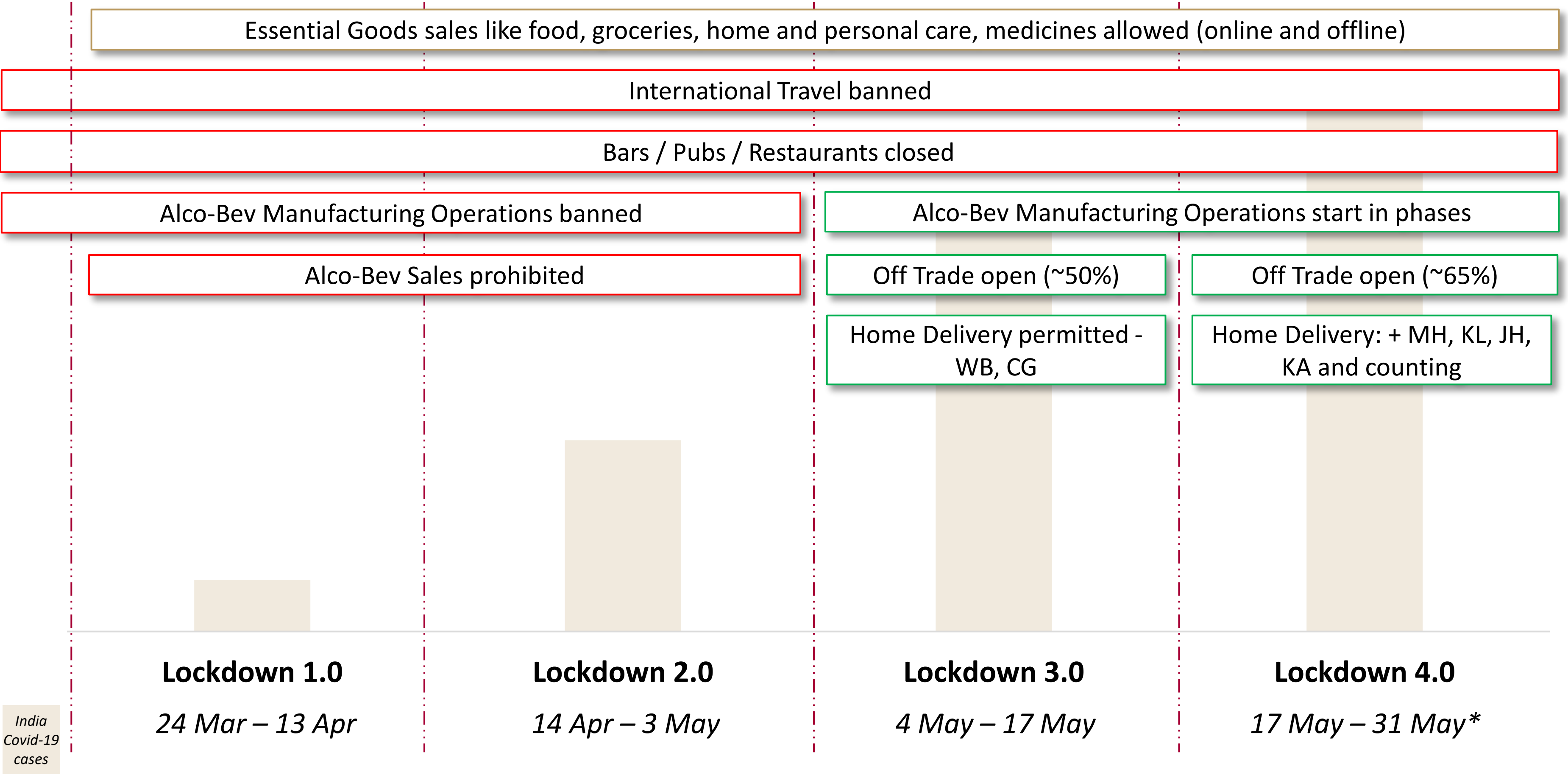

OUR RESPONSE TO THE COVID CRISIS IS ANCHORED ON TWO KEY OBJECTIVES

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Manage the Crisis	+	Emerge Stronger

WE SET-UP A CRISIS MANAGEMENT TEAM (CMT) TO MANAGE THE CRISIS…

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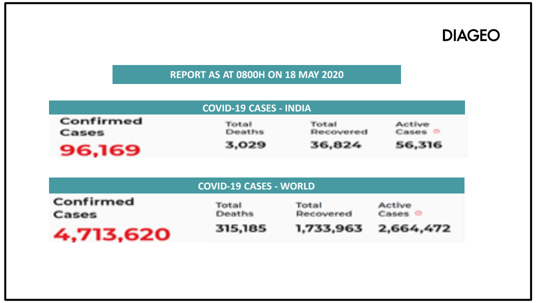
Crisis Management Team


DIAGEO

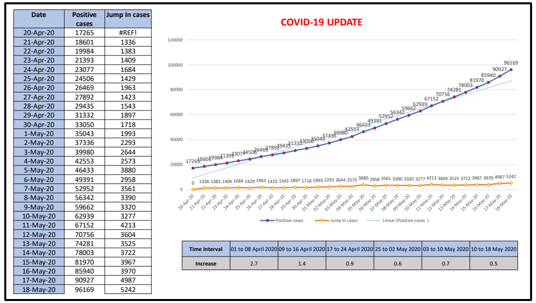
REPORT AS AT 0800H ON 18 MAY 2020

COVID-19 CASES - INDIA

Confirmed Cases	Total Deaths	Total Recovered	Active Cases
96,169	3,029	36,824	56,316

COVID-19 CASES - WORLD

Confirmed Cases	Total Deaths	Total Recovered	Active Cases
4,713,620	315,185	1,733,963	2,664,472



Date	Positive cases	Jump In cases
20-Apr-20	17265	#REF!
21-Apr-20	18601	1336
22-Apr-20	19984	1383
23-Apr-20	21393	1409
24-Apr-20	23077	1684
25-Apr-20	24506	1429
26-Apr-20	26469	1963
27-Apr-20	27892	1423
28-Apr-20	29435	1543
29-Apr-20	31332	1897
30-Apr-20	33050	1718
1-May-20	35043	1993
2-May-20	37336	2293
3-May-20	39980	2644
4-May-20	42553	2573
5-May-20	46433	3880
6-May-20	49391	2958
7-May-20	52952	3561
8-May-20	56342	3390
9-May-20	59662	3320
10-May-20	62939	3277
11-May-20	67152	4213
12-May-20	70756	3604
13-May-20	74281	3525
14-May-20	78003	3722
15-May-20	81970	3967
16-May-20	85940	3970
17-May-20	90927	4987
18-May-20	96169	5242

Time Interval	01 to 08 April 2020	09 to 16 April 2020	17 to 24 April 2020	25 to 02 May 2020	03 to 10 May 2020	10 to 18 May 2020
Increase	2.7	1.4	0.9	0.6	0.7	0.5

Daily senior leadership and key stakeholder check ins to review

- Pandemic trajectory
- Health and well-being of our people
- Policy changes, decisions and unlocks required to manage people-related, operational and financial issues
- Regulatory guidance impacting our manufacturing and sales
- Emerging opportunities and risks

…AND DEFINED 6Cs OF COVID CRISIS MANAGEMENT

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1. Care

2. Communication

3. Consumer

4. Customer

5. Cost

6. Cash

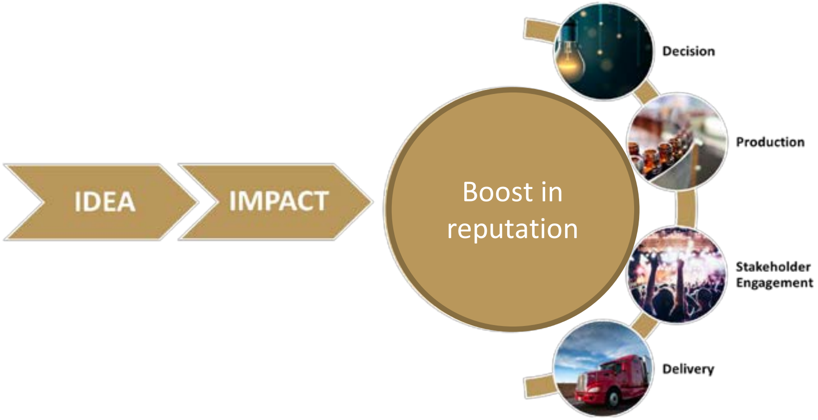
PRIORITIZE PEOPLE: CARE & COMMUNICATION

Care

Caring for Our Community

AGILITY, SPEED & COLLABORATION – ALL FOR A NATIONAL CAUSE

THE BIG IMPACT: ENHANCING REPUTATION



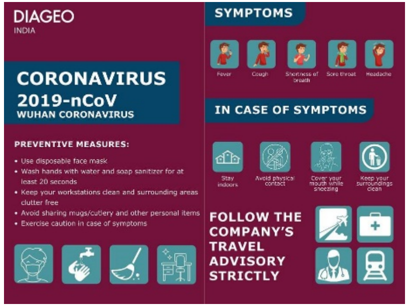
PRIORITIZE PEOPLE: CARE & COMMUNICATION

Care

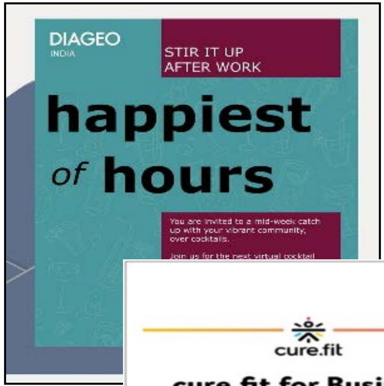
Communication

Caring for Our Employees

Safety



Wellbeing



Communication

Internal

- Inviting ideas
- Bi-weekly “All Employee” webinars
- Regular email communication including advisories, policy and operational updates

External

- Virtual engagement across all levels of the organization
- Routine updates on status of operations, supply etc.

MONITOR THE MARKET: CONSUMER & CUSTOMER

Consumer

Customer

Consumer Behaviour

- Monitoring weekly consumer sentiment evolution (across CPG categories)
- Alco-Bev specific consumer behaviour survey
- Syndicated studies related to impact of Covid on CPG and Retail
- Rapid field feedback

Customer Engagement

1. Plan

2. Execute

3. The Human Touch

SAFEGUARD FINANCIALS: COST & CASH

Cost

Cash

Optimize Cost

- Dramatically re-prioritize & re-allocate spends based on ROI
- Dial up productivity initiatives across all lines of the P&L
- Laser focus on slashing non-essential spends

Conserve Cash

- Single-minded focus on receivables and managing credit, advances
- Rigorously manage inventory at corporations, factories & warehouses
- Improve quality and efficiency of Payables
- Optimize CAPEX spends based on business criticality and ROI

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"Never let a good crisis go to waste"

~Winston Churchill

OPPORTUNITIES & CHALLENGES FOR ALCO-BEV IN THE SHORT TO MEDIUM TERM

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Opportunities

- Home Delivery / Online Ordering
- Advantage Spirits
- Duty-free ----> Duty Paid
- Shifting Narrative on (Alco-Bev's) economic contribution

Challenges

- Aggressive taxation
- Down-trading
- On-Premise sales
- Impact of adjacent sector performance (Tourism, Hospitality)

- "Socialising" redefined
- Changing store structures to aid distancing

OUR RESPONSE IN THE SHORT TO MEDIUM TERM

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Strategic Choices

- End-to-end Portfolio play
- ROI based investment to drive growth

Business Partnerships

- Unequivocal support to key customers (off-trade and on-trade), third party manufacturers and vendors

Supply Chain Readiness

- Demand-driven Supply
- Innovative Manufacturing

Regulatory Interventions

- Relentless Industry-led advocacy
- Maximize, sustain new avenues e.g. Home Delivery

WHILE THE SHORT TO MEDIUM TERM OUTLOOK REMAINS UNCERTAIN…

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…WE HAVE REASON TO BE OPTIMISTIC

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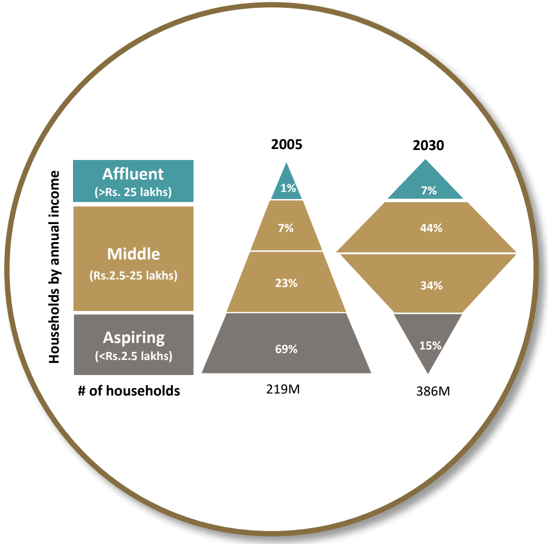
Consumer Opportunity

17 million added to LDA* population per annum for the next 3-5 years

**Legal Drinking Age assumed as >21 years for Spirits; period 2016-21*

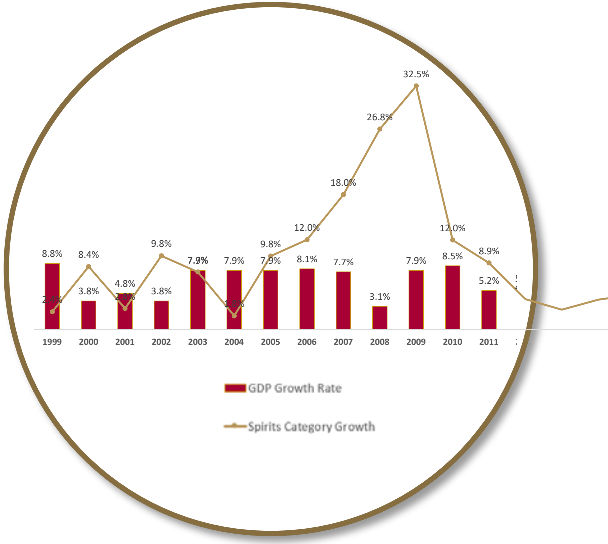
Long-Term Premiumization



Improving household income in the long term

Source: World Economic Forum-Bain report, Census of India (for 2016), Internal analysis

Category Resilience



Robust Spirits demand during slowdowns of the recent past

Source: IWSR, MoSPI

THANK YOU

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If you wish to ask a question, please dial-in to the following numbers. Please log out of the webcast if you ask a question to avoid echo/voice quality issues.

Universal Dial-In	+91 22 6280 1250` +91 22 7115 8151
Local Dial-In Available all over India	+91-7045671221
India National Toll Free	1 800 120 1221 1 800 266 1221
International Toll Free	
Hong Kong	800964448
Singapore	8001012045
UK	08081011573
USA	18667462133
International Toll	
HongKong	85230186877
Singapore	6531575746
UK	442034785524
USA	13233868721