



**UNITED SPIRITS LIMITED**

**Bangalore  
January 20, 2012**

**PRESS RELEASE**

**RESULTS Q-3 FY12**

The Board of Directors of United Spirits Limited at their meeting in Bangalore today, considered and approved the results of the Company for the October-December Quarter of fiscal 2012.

<b>October - December</b>	<b>Q3 FY12</b>
<b>VOLUMES - USL INDIA (Million cases)</b>	<b>30.5</b>
<b>REVENUE - adjusted for Apr-Sept 2010 revenues of Balaji Distilleries included in Q3 FY11 post merger in Dec 2011 (₹ Crore)</b>	<b>1,953.9</b>
<b>Operational EBIDTA (₹ Crore)</b>	<b>200.3</b>

**ENA prices were up in Q-3 by 15% (translating to ₹21/case).** Sales during the Quarter were affected by two major developments; one issue related to orders for the Company's products in **Tamil Nadu** that were hampered by a sustained campaign to promote sales of local brands from certain distilleries at the cost of recognized market-leader brands of USL, **resulting in a volume loss to USL of over 1.5 million cases in Q-3 alone.** However, post the revision in the ordering pattern, the situation in Tamil Nadu is improving with both orders and sales trending significantly upwards in January.

The other issue was the sharp **increase in Excise Duty and Sales Tax in West Bengal** that **pushed up End Consumer Prices by 45%** resulting in **Industry volumes dropping by 48%** during the Quarter over the comparable period of

the previous fiscal. At the end of the quarter, the Company has launched strategically priced new packs as a corrective measure; these have found huge consumer acceptance. The sharp increase in duties in this state have led to infiltration of cheaper stocks from contiguous states apart from illicit unhygienic distillation affecting the lives of consumers.

As a consequence of these factors that adversely affected business, USL sales volumes during Q-3 were at 30.51 million cases (PY 30.30 million cases). When adjusted for the Tamil Nadu imbroglio, overall sales volumes were up 6%. **In markets other than TN and West Bengal, sales volumes grew 10% during the quarter.**

Sales revenues as reported were at ₹ 1,953.9 crore (PY ₹ 1,960.1 crore). However the reported figures for Q-3 of FY11 included the Apr-Dec'10 results of Balaji Distilleries Limited along with the Oct-Dec'10 figures for USL as the merger of BDL with USL was approved in that quarter. When sales revenues are readjusted to reflect the relevant quarter's sales, Sales Revenue for Q-3 is up 13% (₹240.8 crore).

**Sales of the Company's brands in the Premium and Prestige categories during Q-3 grew 7% to 6.95 million cases (PY 6.51 million cases). Adjusted for the unique situation in Tamil Nadu and West Bengal, this would have been a 16% growth.**

April-December	FY12
<b>Volumes - USL INDIA (Million Cases)</b>	<b>89.9</b>
<b>REVENUE (₹ Crore)</b>	<b>5,679.97</b>
<b>Operational EBIDTA (₹ Crore)</b>	<b>871.3</b>

For the April-December 2011 period, overall **Sales volumes have registered a growth of 12% and stand at 89.94 million cases (PY 83.49 million cases).**

**Revenues are up almost 19% and are at ₹5,680 crore (PY ₹4,777.3 crore)** thereby further reinforcing the continuing premiumization story. Black Dog Scotch volumes are up 26% having crossed last year's annual volumes in 9 months of the current fiscal. India's most expensive IMFL brand, Antiquity Blue Whisky, grew 39% while premium whiskies Royal Challenge and Signature grew by 18% and 16% respectively. No.1 McDowell's Platinum Whisky, last year's addition to the 'Millionaires Club' in its year of launch, has registered a phenomenal growth of 58%. This year, McDowell's VSOP Brandy, a prestige brandy offering is the new (and **USL's 23<sup>rd</sup>**) **entrant to the 'Millionaires Club'** having crossed a million cases in only its second year of launch and that too notwithstanding the setback to USL in Tamil Nadu, India's largest brandy market.

**Spirit costs** have started dropping in January'12 with the produce of the delayed crushing season arriving in the market; however these were **up during the Quarter by 15% (translating to approx. ₹21/case)** over both the comparable quarter and the average rate of the previous fiscal. While the prices of this essential raw material have taken a quantum step-up from the rates in the previous year as a result of multiple factors including sanction by some states to export spirit overseas, the increasing supplies of Ethanol to the Oil Marketing Companies at very profitable prices for the distillers and supply disruptions in states like UP and Karnataka etc., **currently rates are down 6% (₹10/case).**

All the Company's investments in ensuring supply side security on the ENA front (Pioneer Distilleries-Maharashtra, Sovereign Distilleries-Karnataka and Tern Distilleries-Andhra Pradesh) are operational and are helping to contain cost increases of this very important input for the Company.

The results for the comparable quarter of FY11 did not have the impact of a 7% rate increase granted to glass bottle suppliers in February 2011.

During the Quarter under review, the Company extended the rollout of two new brands in the Premium segment and one new variant in the Prestige segment. Signature Premier Whisky (a super-premium offering from the millionaire Signature

Rare Whisky family), a blend of 8-year old Scotch and Indian malts created by Whyte & Mackay's master blender Richard Paterson, was rolled out to all key premium whisky markets and has notched up a healthy six-figure sales volume – an indication of how well it has been received by the trade and by consumers. Similarly, Vladivar Vodka, a Premium Vodka offering from the Whyte and Mackay stable, has been rolled out in key markets to very enthusiastic response from customers. Combo-flavors of the best-selling White Mischief Vodka are also being rolled out nationally. **As was indicated in the commentary on the Q-2 results, one-time advertising and sales promotion expenses for the launch and rollout of these brands amounting to ₹26cr have been included in the results of the current Quarter and this has resulted in the increase of promotional spends during Q-3 by 200 basis points.**

During the quarter, the Company progressively increased its shareholding in the Karnataka based Sovereign Distilleries Ltd, an unlisted primary distillation Company with a 180 Kilo Liters Per Day facility using both molasses and grain as input substrates. USL's shareholding in SDL as on date stands at over 99% of the equity capital.

Interest costs in the current quarter stood at ₹139.2 crore vis-à-vis ₹103.8 crore for the corresponding quarter of the previous fiscal. On a consolidated basis, interest costs for the 9-month period increased to ₹ 565.2 crore against ₹ 362.5 crore for the corresponding period. This increase is substantially driven by higher cost of interest owing to repeated increases in interest rates as also increased debt for working capital and capital expenditure to finance business growth.

The Company has initiated steps to issue **Foreign Currency Convertible Bonds** of US \$ 175 million with a green shoe option of up to an additional US \$ 50 million. This will go to paying down the foreign currency debt and to finance capital expenditure aimed at reducing costs on the supply side through increased multi-substrate distillation capacity and investment in a glass container plant. Through the proceeds of the FCCB issue, the Company envisages a reduction in interest costs by at least 200 basis points from current levels. At an Extraordinary General

Meeting of Shareholders held earlier today, the Company was accorded approval by the shareholders to proceed with the issue.

The Emerging Markets Division of the Company has tied up arrangements to open up four new markets in the African and Asian continents. Henceforth, this Division will manage sales of IMFL brands from USL and of the W&M brands to these markets.

