

# USL MAY SPIN OFF BOTTLED WATER BIZ INTO SEPARATE SUBSIDIARY

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**U**nited Spirits (USL), the world's second-largest spirits company by volume sales, is mulling spinning off its bottled mineral water business into a separate subsidiary.

The move follows 26 per cent annual growth in the company's water business over the last five years. The move, if it fructifies, is also expected to build the brand identity of its bottled water brands, which shares the same name as its top spirits brands.

USL has three water brands in its portfolio — McDowell's No 1, Bagpiper and Director's Special. These products are positioned in the regular mineral water segment at Rs 8 for 500 ml, Rs 13 for one litre and Rs 18 for two litres. It will soon



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across the country but no plants of its own.

The company entered the soda business in 1999 through McDowell's No 1 and water business in 2000 through the same brand. The business turnover for the water business for 2009-10 at street price is Rs 73 crore. In terms of sales volumes, water sales constituted 7.98 million cartons (each of 12 litres), while soda made up 1.19 million cartons (each of 12 litres) for 2009-10. McDowell's No 1 is its biggest bottled mineral water brand with 68 per cent share of the business turnover, followed by Bagpiper with 24 per cent and Director's Special at 8 per cent.

The Indian packaged water business is estimated at around Rs 2,500 crore with a growth rate of close to 35 per cent. While India ranks in the top 10 largest bottled water consumers in the world, its per capita per

annum consumption of bottled water is estimated to be five litres which is comparatively lower than the global average of 24 litres. However, the total annual bottled water consumption, according to industry estimates, has risen rapidly in the last decade from about 1.5 billion litres in 1999 to five billion litres in 2009.

Margins are relatively higher (15-20 per cent) in bottled water compared with the margins of eight-10 per cent in soft drink, according to V Sridhar, additional director, food and agriculture, Technopak Advisors. The market is largely unorganised with the organised industry constituting only 20 per cent of the market. Parle's Bisleri leads the market with a share of over 40 per cent, followed by PepsiCo's Aquafina, Coca-Cola's Kinley and Tata's Himalayan, according to Technopak.

launch the Signature brand of bottled Himalayan water which is expected to be in the premium segment.

"Soda and water are logical extensions for our business. We might be one of the few liquor companies with a serious interest in water. We have flirted with the idea of spinning off the entire business into a new subsidiary and create more value for our stakeholders," said Vijay Rekhi, managing director of United Spirits. He added that although the water business was not economically very big for the company at present, it is well-aligned to its spirits products since water and soda go with consumption of spirits. The company has 45 franchisees