United Spirits | ADD

JM FINANCIAL

Strong on premiumisation; policy bumps to drag near term growth

Mehul Desai
mehul.desai@jmfl.com | Tel: (91 22) 66303065
Gaurav Jogani
gaurav.jogani@jmfl.com | Tel: (91 22) 66303085
Pooja Kubadia
pooja.kubadia@jmfl.com | Tel: (91 22) 66303074
Sumanyu Saraf
sumanyu.saraf@jmfl.com | Tel: (91 22) 66303077
Rajat Gupta
rajat.gupta@jmfl.com | Tel: (91 22) 66303077

Post-acquisition by Diageo, UNSP has undergone a transformation with clear focus on driving premiumisation, improving profitability and strengthening balance sheet. Success is visible from uptick in P&A salience, sharp improvement in EBITDA margin (+1,000bps over FY15-25), zero debt and healthy FCF generation. The headwind in Maharashtra will weigh on near-term growth but favourable policies in UP, AP, MP and Karnataka should provide some cushion. We are factoring in the same through lower sales growth in P&A/Popular segment and assigning a lower target multiple (vs. historical average). Having said that, our analysis of the P&A segment suggests UNSP has outperformed Pernod Ricard and seen share gains in Mid & Upper prestige segments, where it was relatively weaker. Its leadership in Premium and Luxury portfolio makes it one of the key beneficiaries of the India-UK FTA and likely urban recovery in coming quarters. This provides comfort on UNSP's ability to achieve double-digit sales growth in P&A over the medium to long term. Margin execution has been strong over FY23-25; premiumisation, stable RM and the cost efficiency programme will help sustain high-teen margins. Sharp corrections due to near-term headwinds are an opportunity to add the stock. We initiate coverage with ADD; TP of INR 1,475 (valuing standalone business at 51x Sep 27E + INR 130/share for Royal Challengers Sports Pvt Ltd).

- **Maharashtra tax hike a near-term headwind..:** Maharashtra (c.16-18% of sales/EBITDA) may see disruption due to a) steep hike in excise duty for IMFL (c.30-40% increase in MRP) and b) introduction of MML segment between IMFL and Country liquor with huge price gap. Our checks/industry interactions point to possible downtrading and industry decline of c.20%, which could weigh on near term sales growth. Favourable policies in certain states and likely recovery in urban discretionary could provide some cushion. We bake in lower sales growth of c.6% in P&A (vs. management guidance of double-digit growth) for FY26E. Possible opening up of Delhi/Bihar market can be an upside risk.

- **…but stepped-up interventions in P&A showing encouraging results; provides comfort on medium-term trajectory:** Over last 3-6 years, UNSP's P&A sales has grown much faster than Pernod Ricard. The notable trends are – a) Faster growth in luxury segment (33% of sales), b) share gains in lower prestige from Imperial blue and c) share gains in Mid/upper prestige (c.23% of sales and high margin segment) led by RC and Signature, where it had a relatively weaker position vs. Pernod Ricard. Better execution here provides comfort on double-digit growth over the medium term (we bake in c.10% growth in FY27 and 28E).

- **Healthy execution on margins so far, expect high-teen margin to sustain:** Over FY15-25, while gross margin has improved by c.400bps, EBITDA margin has expanded by c.1,000bps (without curtailing A&P spends), led by divestments of regular portfolio, rationalisation of manufacturing footprint and the supply chain agility programme. While margin expansion over the last 2 years was ahead of expectations, faster growth in Mid/upper prestige, productivity initiatives and UK FTA benefit (in FY27E) should help sustain high-teen margins and drive higher EBITDA growth (CAGR:11%) over FY25-28E.

Recommendation and Price Target	
Current Reco.	ADD
Previous Reco.	NA
Current Price Target (12M)	1,475
Upside/(Downside)	11.1%
Previous Price Target	NA
Change	NA

Key Data – UNITDSPR IN	
Current Market Price	INR1,327
Market cap (bn)	INR965.5/US$11.0
Free Float	38%
Shares in issue (mn)	727.4
Diluted share (mn)	727.4
3-mon avg daily val (mn)	INR1,665.5/US$18.9
52-week range	1,700/1,271
Sensex/Nifty	83,014/25,424
INR/US$	88.1

Price Performance

%	1M	6M	12M
Absolute	1.5	-2.9	-13.7
Relative*	-0.2	-11.8	-13.5

* To the BSE Sensex

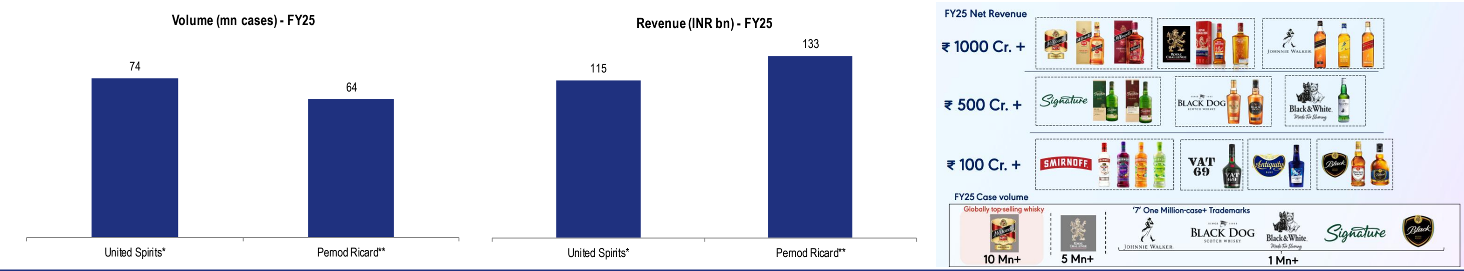
Financial Summary (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	106,300	115,170	121,885	134,499	147,248
Sales Growth (%)	3.0	8.3	5.8	10.3	9.5
EBITDA	17,080	20,580	21,803	25,160	27,982
EBITDA Margin (%)	16.0	17.8	17.8	18.6	18.9
Adjusted Net Profit	13,120	15,580	15,089	18,022	20,314
Diluted EPS (INR)	18.0	21.4	20.7	24.8	27.9
Diluted EPS Growth (%)	24.8	18.8	-3.2	19.4	12.7
ROIC (%)	19.8	22.1	21.5	24.3	26.0
ROE (%)	20.3	21.0	18.4	20.3	21.1
P/E (x)	73.6	62.0	64.0	53.6	47.5
P/B (x)	13.9	12.3	11.3	10.5	9.6
EV/EBITDA (x)	55.9	46.3	43.5	37.5	33.6
Dividend Yield (%)	0.7	0.9	0.9	1.1	1.3

Source: Company data, JM Financial. Note: Valuations as of 18/Sep/2025

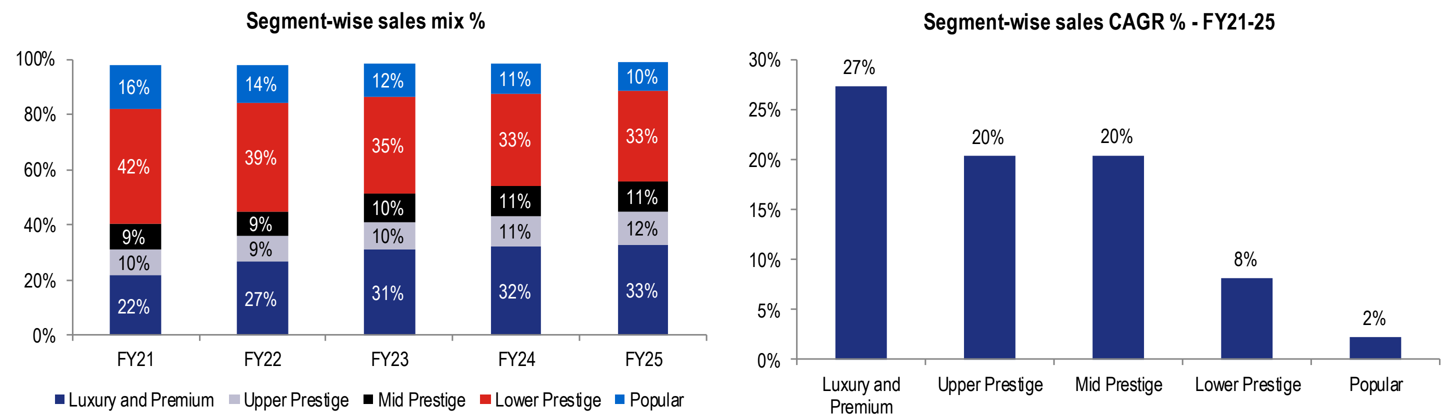
Focus charts

Exhibit 1. Largest IMFL player by volume and 2nd largest by value (FY25) with strong portfolio



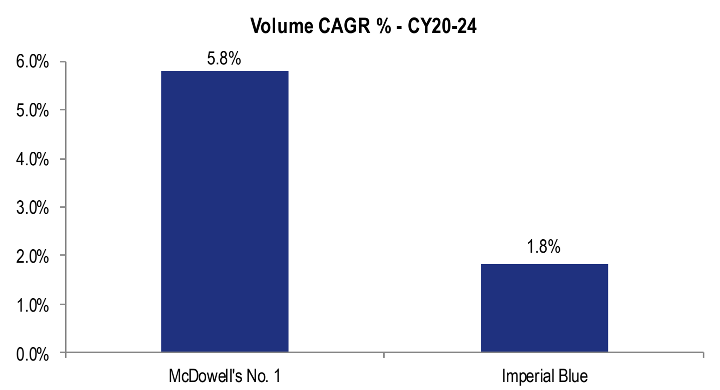
Source: Company, JM Financial.
*Volume data of United Spirits includes franchisee volume of 9-10mn cases.
**Figures of Pernod Ricard for FY25 is as per internal estimate.

Exhibit 2. Strong execution on premiumisation with faster growth in luxury, upper and mid prestige segments



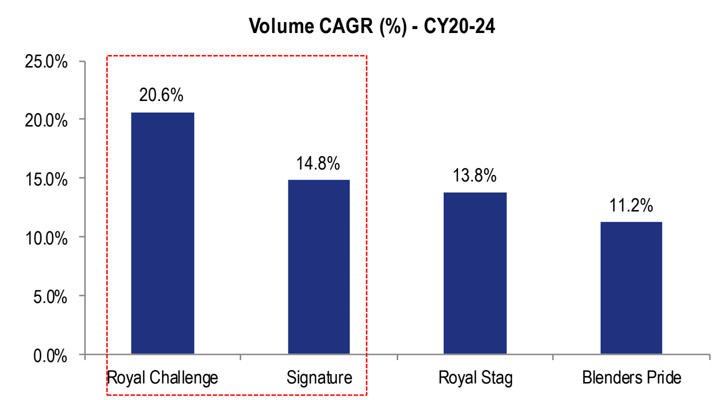
Source: Company, JM Financial

Exhibit 3. UNSP maintains its leadership position in lower prestige segment through McDowell's No. 1



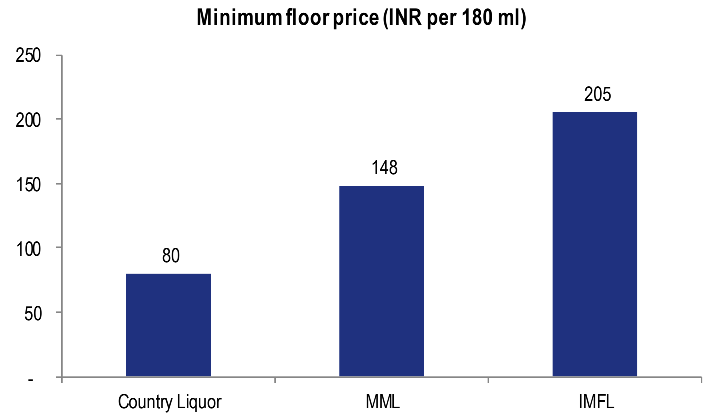
Source: Company, JM Financial

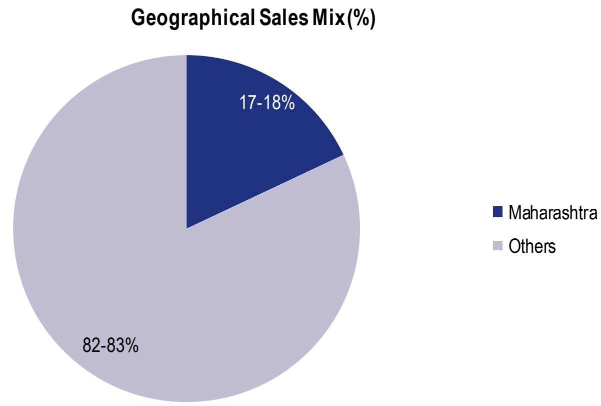
Exhibit 4. UNSP has outperformed market leader in Upper/Mid prestige over CY20-24



Source: Company, JM Financial, Note: Red box highlights brands owned by United Spirits

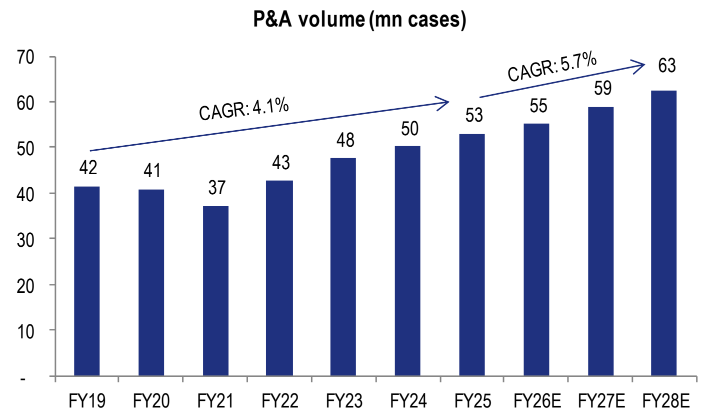
Exhibit 5. Maharashtra – A key market for UNSP has seen steep excise hike in IMFL which could impact near-term volume





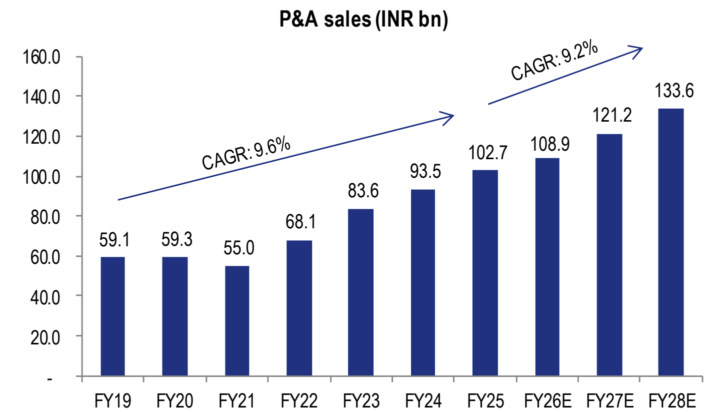
Source: Company, JM Financial. Note: MML – Maharashtra Made Liquor

Exhibit 6. We expect P&A volume to grow at a CAGR of 5.7%…



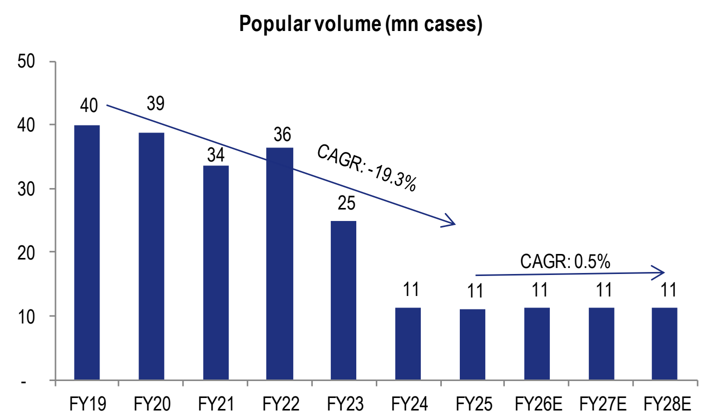
Source: Company, JM Financial

Exhibit 7. ...driving P&A sales CAGR growth of 9.2% over FY25-28E



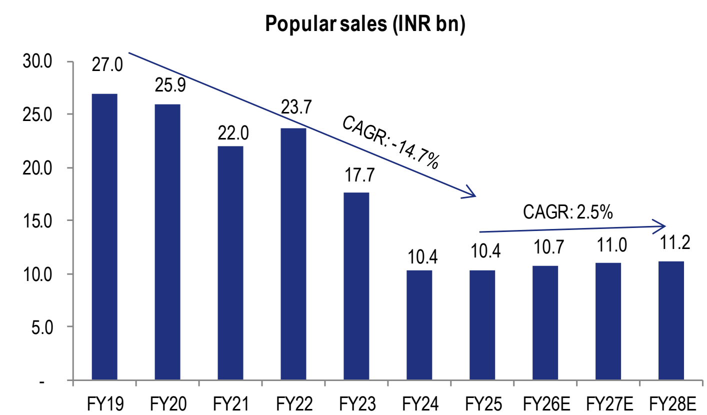
Source: Company, JM Financial

Exhibit 8. Popular volume to be stable at current levels…



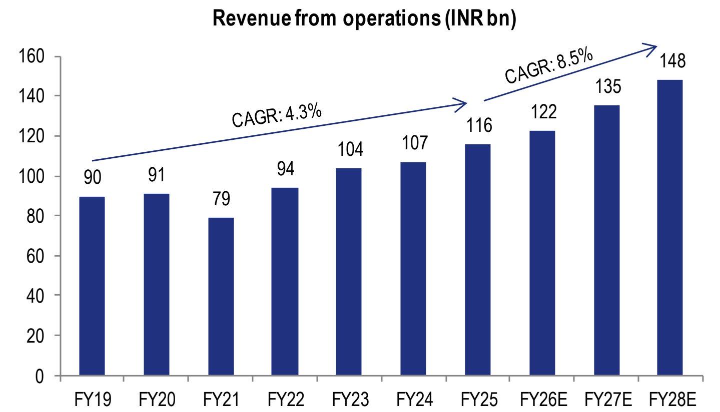
Source: Company, JM Financial

Exhibit 9. …with sales expected to rise at a modest pace



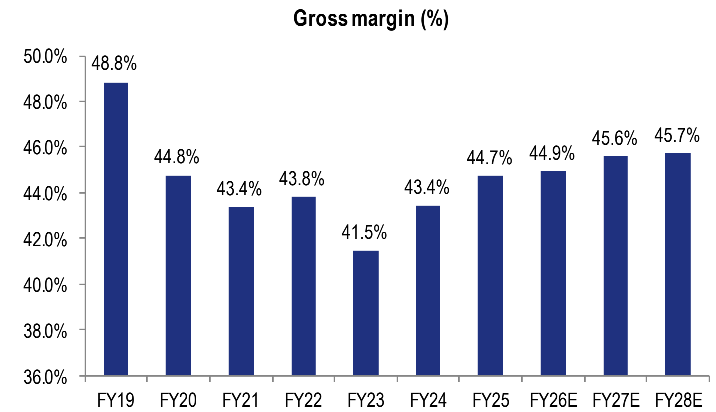
Source: Company, JM Financial

Exhibit 10. Sales growth set to accelerate to 8.5% CAGR



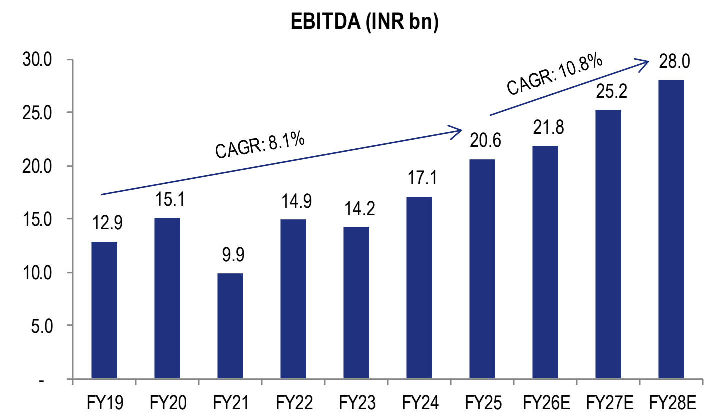
Source: Company, JM Financial

Exhibit 11. Gross margin to remain at steady state levels



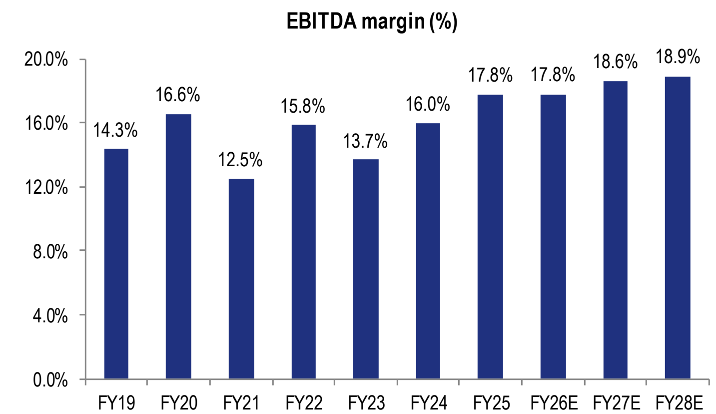
Source: Company, JM Financial. Note: Gross margin is calculated on net revenue

Exhibit 12. We expect low-double-digit EBITDA growth…



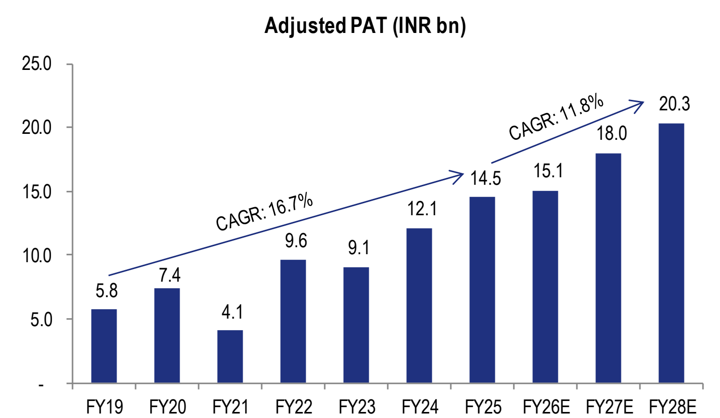
Source: Company, JM Financial

Exhibit 13. …with modest margin expansion over FY25-28E



Source: Company, JM Financial

Exhibit 14. Earnings growth to largely mirror EBITDA trajectory



Source: Company, JM Financial

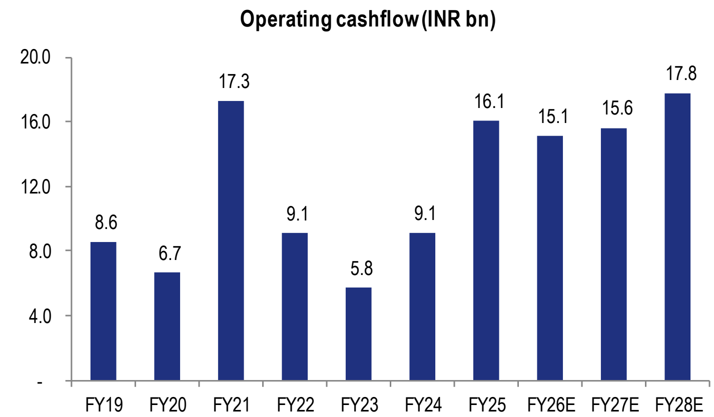
Exhibit 15. Working capital days to improve to 48 days by FY28E

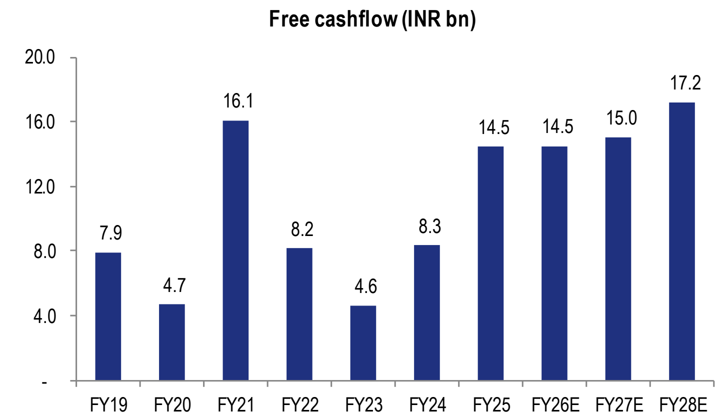
Net working capital days (on gross sales basis)	FY19	FY20	FY21	FY22	FY23
Inventory days	24	23	27	26	30
Debtor days	32	29	29	27	32
Creditor days	17	15	19	18	23
Net working capital days	39	38	37	35	38

Net working capital days (on gross sales basis)	FY24	FY25	FY26E	FY27E	FY28E
Inventory days	30	31	30	30	30
Debtor days	45	50	48	46	45
Creditor days	26	29	28	28	27
Net working capital days	48	52	50	49	48

Source: Company, JM Financial

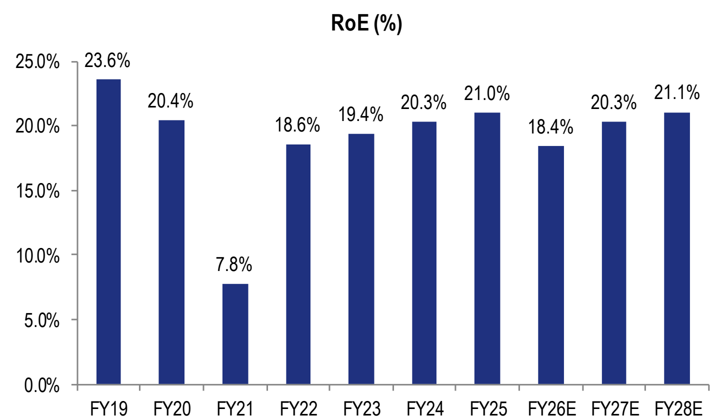
Exhibit 16. Healthy operating cashflow with lower capex to drive strong FCF

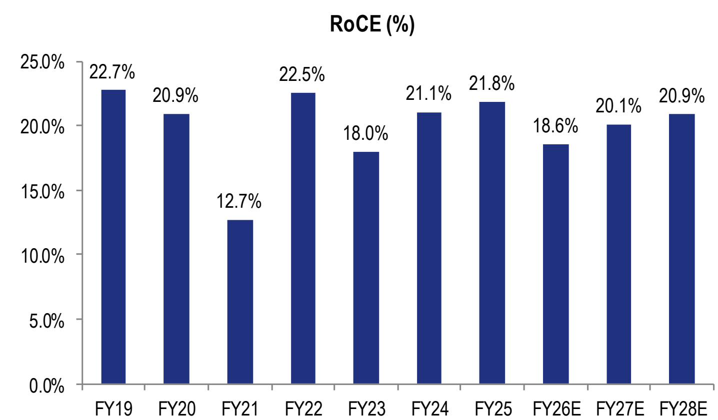




Source: Company, JM Financial

Exhibit 17. RoE/RoCE profiles to remain healthy across FY25-28E





Source: Company, JM Financial

Investment thesis

- **Largest player in overall IMFL as well as in P&A segment with strong capabilities:** United Spirits, a subsidiary of Diageo PLC with a volume of 64mn cases (c.75mn-80mn cases including franchisee volume), is the largest player (market share of c.19%) in the IMFL segment in India. In the P&A segment (which is 83%/89% of its overall volume/sales), it is a formidable player with c.29-30%+ market share (now becomes the largest player post the sale of Imperial Blue by Pernod Ricard to Tilaknagar) led by a strong portfolio of brands. A combination of strong brands, large manufacturing/supply chain infrastructure and increased focus on the P&A segment puts the company in a good position to capitalise on the premiumisation opportunity, navigate adverse regulatory challenges and sustain its leadership position.

- **Maharashtra tax hike a near-term headwind..:** Maharashtra is the largest and key market for UNSP in terms of sales and profitability (accounts for c.17-18% of sales and slightly higher on EBITDA). After several years of favourable regulatory environment for IMFL, the state in its newly announced policy has significantly increased excise duty for IMFL (from 300% to 450% of manufacturing cost) where manufacturing cost is <210 per bulk litre. This has resulted in a steep MRP hike of c.30-50% for Popular, Low and Mid prestige segment brands while hike in Upper prestige and Premium/luxury is much lower. Further it has introduced a state-specific liquor segment MML with a huge price gap with IMFL and country liquor. These changes could lead to downtrading (in Popular/Low & Mid Prestige segment). Our channel checks/commentaries from key players suggest the industry is likely to see a c.15-20% decline, which could impact UNSP's FY26 sales growth in the state especially in Popular, Lower and Mid-prestige segments. Having said that, opening up of AP, and favourable policy environment in UP, MP and Jharkhand should provide some cushion from the impact on overall volume for FY26. Factoring in Maharashtra impact for the balance 9M, we expect P&A volume growth of 4% (vs. 9% seen in 1Q) and low-single-digit volume growth in the Popular segment (vs. 12% seen in 1Q) for FY26E. Realisation/case in P&A segment could see moderation due to lower growth in luxury segment seen in 1Q and some absorption of duty hike implemented by UNSP in Mid and Lower prestige segments.

- **Step-up in portfolio interventions to further strengthen its P&A segment:** Post takeover by Diageo, we have seen a transformation in United Spirits with the focus shifting to the premium segment. Over the last decade (especially in the last 5-6 years), Popular segment salience has come down substantially led by franchising out or divestment of tail brands. Over FY16-25, United Spirits has marginally outperformed Pernod Ricard both in volume and value terms. However the outperformance is higher in the last 5 years (FY19-25) – a function of portfolio interventions done by United Spirits across sub-segments (especially in Mid and Upper prestige segments where it had relatively lower market share vs. lower prestige and luxury segments) in P&A. In the lower prestige segment (impacted by inflation and increased competitive intensity), while growth is much lower vs. the rest of the P&A segment but it has outperformed Pernod Ricard in last 3-4 years. Also there is conscious strategy to drive upgrades from Lower prestige – visible from extending McDowell's brand in Mid-Upper prestige and launch of RC American pride. Factoring in the Maharashtra impact, we conservatively bake in c.8% sales growth in the P&A segment (lower vs. management guidance of double digit) and expect double-digit trajectory from FY27/28E with balanced mix of volume and realisation growth.

- **High-teen margin to sustain over medium term:** Over the past decade, United spirits has improved its EBITDA margin by c.1,000bps to 17.8% in FY25. While gross margin has improved by c.400bps over the same period, United Spirits has been able to extract efficiencies across overhead costs (staff cost and other expenses), thereby driving greater expansion in EBITDA margin. The supply chain agility programme launched in FY22-23 also delivered impressive results (extracted savings of INR 7bn savings on P&L and INR 1.5bn-2bn in working capital efficiencies) with margins recovering to high-teen levels from lows of c.13.7% in FY23. While, in the near term, one could see some volatility due to challenges in Maharashtra (large and profitable market for United Spirits), over the medium term we expect United Spirits to sustain its current high-teen margin levels considering stable ENA (extra neutral alcohol) prices, continued scale-up in the P&A portfolio, likely UK-FTA benefit from FY27E and scale benefits.

- **P&A segment led sales growth coupled with moderate margin expansion p.a. to drive c.12% earnings CAGR over FY25-28E:** We expect overall sales CAGR of c.8.5% for United Spirits over FY25-28E led by volume CAGR of 4.8% and price/mix growth of 3.6%. On a segmental basis, we expect c.9% sales CAGR in the P&A segment over FY25-28E. Popular segment sales are expected to remain under pressure due to the steep increase in excise duty in the large market of Maharashtra and weakness in Karnataka. Going ahead, the pace of margin expansion is likely to be lower, and margin is likely to remain range-bound at the current high-teen levels. ENA prices are stable; however, the government's announcement on ethanol blending target in the coming months will be a key monitorable. Glass prices could see some temporary inflation due to planned maintenance shutdowns in the East and the West. A&P spends are likely to remain c.9.5-10% of sales. Hence, we expect moderate margin expansion of c.110bps over FY25-28E, resulting in 11%/12% EBITDA/PAT CAGR over the same period. Stable profitability and working capital along with lower capex intensity could result in healthy cash generation over FY25-28E, which should keep the dividend payout ratio healthy.

Exhibit 18. Key assumptions

Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total IMFL volumes (mn cases)	**72**	**61**	**64**	**66**	**70**	**74**
YoY	-8.5%	-15.2%	4.1%	3.8%	5.8%	5.0%
- P&A volumes	48	50	53	55	59	63
YoY	11.7%	5.4%	5.4%	4.3%	7.0%	6.0%
- Popular volumes	25	11	11	11	11	11
YoY	-32.0%	-54.6%	-1.9%	1.4%	0.0%	0.0%
Total Realisation per case (INR)	**1,397**	**1,690**	**1,765**	**1,803**	**1,882**	**1,963**
YoY	20.5%	20.9%	4.4%	2.2%	4.4%	4.3%
- P&A realisation per case	1,755	1,862	1,936	1,975	2,054	2,136
YoY	10.0%	6.1%	4.0%	2.0%	4.0%	4.0%
- Popular realisation per case	711	921	940	959	978	997
YoY	9.6%	29.5%	2.0%	2.0%	2.0%	2.0%
Total IMFL sales (INR mn)	**101,229**	**103,820**	**113,070**	**119,680**	**132,184**	**144,817**
YoY	10.3%	2.6%	8.9%	5.8%	10.4%	9.6%
- P&A	83,572	93,450	102,700	108,944	121,233	133,647
YoY	22.8%	11.8%	9.9%	6.1%	11.3%	10.2%
- Popular	17,657	10,370	10,370	10,736	10,951	11,170
YoY	-25.5%	-41.3%	0.0%	3.5%	2.0%	2.0%
Total sales	**103,737**	**106,920**	**115,730**	**122,473**	**135,116**	**147,896**
YoY	10.1%	3.1%	8.2%	5.8%	10.3%	9.5%
Gross profit	**43,019**	**46,440**	**51,760**	**55,009**	**61,584**	**67,606**
Gross profit margin (%)	**41.5%**	**43.4%**	**44.7%**	**44.9%**	**45.6%**	**45.7%**
A&P spends (as % to net sales)	**8.9%**	**9.8%**	**9.8%**	**9.9%**	**9.9%**	**9.9%**
EBITDA (INR mn)	**14,187**	**17,080**	**20,580**	**21,803**	**25,160**	**27,982**
YoY	-4.8%	20.4%	20.5%	5.9%	15.4%	11.2%
EBITDA margin (%)	**13.7%**	**16.0%**	**17.8%**	**17.8%**	**18.6%**	**18.9%**

Source: Company, JM Financial. Note: Net sales is net-off excise duty and excluding other operating income.

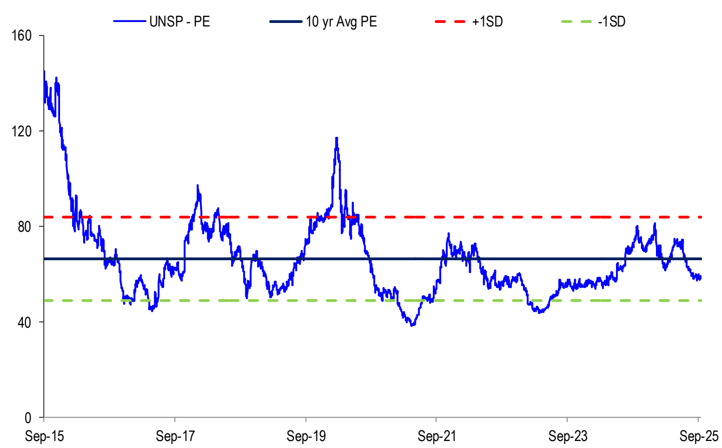
Valuation: Initiate with ADD and a target price of INR 1,475

- We expect net revenue CAGR of c.8.5% (P&A sales CAGR of 9%) over FY25-28E with volume CAGR of 5% (P&A/Popular CAGR of 5.7%/0.5%). Factoring in the Maharashtra impact, we have taken lower growth in P&A for FY26E and expect it to revert back to double-digit growth in FY27/28E. With stable input costs, premiumisation and cost saving programmes, we expect c.100-110 bps improvement in Gross/EBITDA margins over FY25-28E, resulting in EBITDA/PAT CAGR of 11%/12%, with average RoE/RoCE (post-tax) of 20%.
- We initiate coverage with ADD; TP of INR 1,475 (valuing standalone business at 51x Sep 27E + INR 130/share for RCB). We have assigned lower multiple of 51x (vs. 5-year avg. PE of c.59x as well as vs. target multiples for listed peers) to UNSP, factoring in uncertainty in the near term owing to headwinds in the key market of Maharashtra and slower earnings growth vs. other alcoholic beverage peers. We like UNSP's portfolio strength; improving execution in Mid and Upper prestige segments provides assurance on its ability to ride premiumisation wave in IMFL. This along with its superior RoE/RoCE profile and balance strength vs. peers provides additional comfort. Sharp corrections due to near-term volatility are an opportunity to add the stock.

Exhibit 19. UNSP's 5yr avg. PE band

Source: Bloomberg, Company, JM Financial. Note: Valuation as on 18th Sep'25

Exhibit 20. UNSP's 10yr avg. PE band



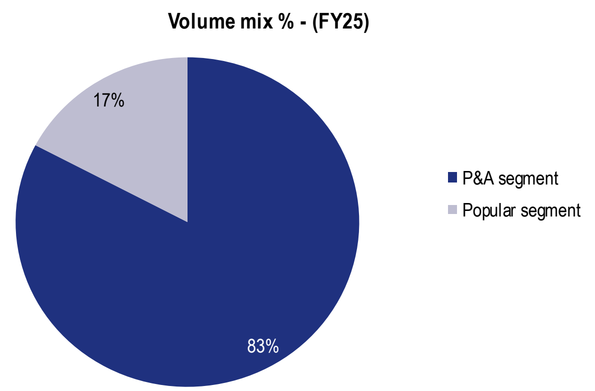
Source: Bloomberg Company, JM Financial. Note: Valuation as on 18th Sep'25

Business analysis

Largest IMFL player by volume in India

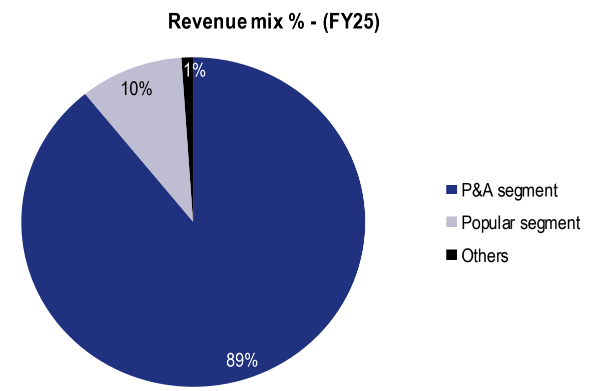
- **Largest player (by volume) with strong brands in IMFL segment:** United Spirits (UNSP), a subsidiary of Diageo PLC with a volume of 64mn cases (c.75mn-80mn cases including franchised volume), is the largest player in the IMFL segment in India. The portfolio comprises strong brands like McDowell's No 1, Royal Challenge, Signature, Director's Special, Antiquity, Black Dog, Diageo brands (Johnnie Walker, Smirnoff, VAT 69, Black & White) and the recently launched Godawan. Through these brands, United Spirits has a presence across sub-segments (especially a large presence in whisky) and price points in IMFL. As per our analysis, UNSP has a volume market share of c.20% (excluding franchised brands) in the overall IMFL space; however, within the P&A segment, its market share will be higher at c.30%+. McDowell's No 1 Whisky is the largest brand for UNSP and also the top selling whisky globally with a volume of 10mn+ cases, followed by Royal Challenge with a volume of 5mn+ cases. Overall, within its portfolio, UNSP has 7 millionaire brands (McDowell's No 1, Royal Challenge, Johnnie Walker, Black Dog, Black & White, Signature, Antiquity) that together account for NSV of INR 45bn-50bn.

Exhibit 21. UNSP's volume mix for FY25



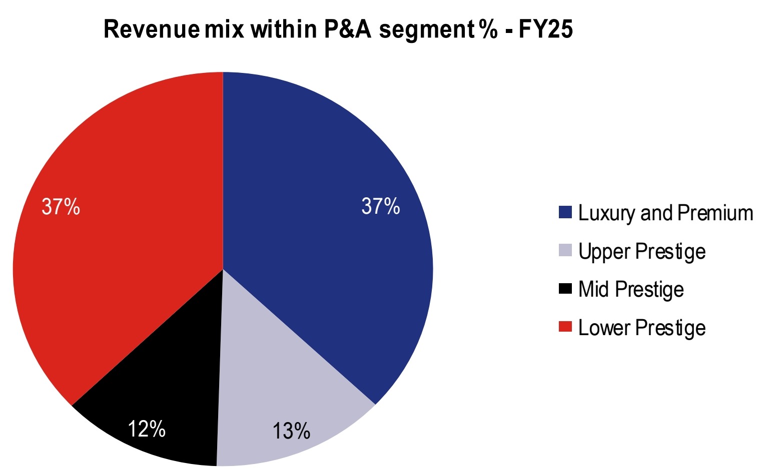
Source: Company, JM Financial. Note: Volume data of United Spirits excludes franchisee volume of 9-10mn cases.

Exhibit 22. UNSP's revenue mix for FY25



Source: Company, JM Financial

Exhibit 23. Revenue mix within P&A segment for FY25



Source: Company, JM Financial

Exhibit 24. Snapshot of UNSP's brand portfolio

Source: Company, JM Financial

Exhibit 25. Snapshot of segment-wise price structure of key brands

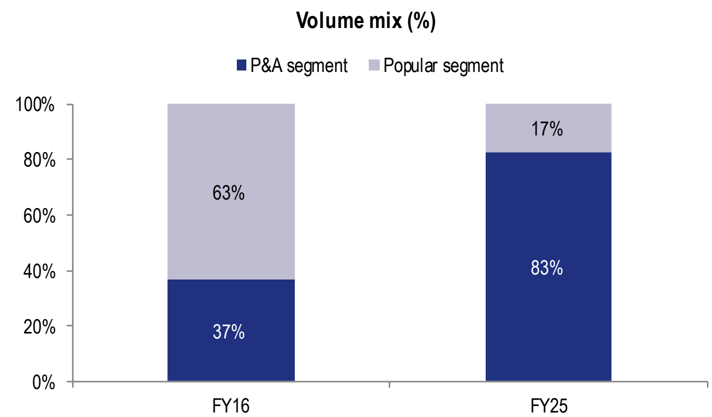
Segment	Key brand	Volume (ML)	MRP (INR)
Popular	Directors special black classic whisky	750	755
Lower Prestige	McDowells No. 1	750	960
Mid Prestige	RC American pride	750	1020
	RC Finest Premium Whisky	750	1,205
Upper Prestige	Signature Premier	750	1,760
	Antiquity Blue	750	1,825
Luxury and Premium	JW Red Label	750	3,445
	JW Black Label	750	5,190
	Black & White	750	2,805
	Black Dog 14 Yrs	750	5,270
	Godawan 01 Rich and rounded	700	4,820

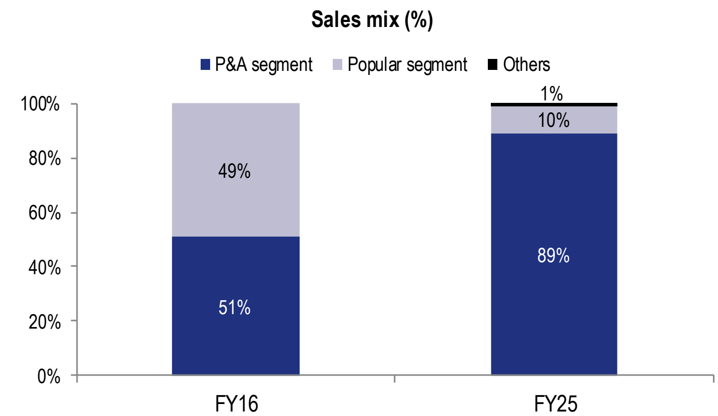
Source: Current prices taken from Livecheers.com and KSBCL, Company, JM Financial.
Note: Price is equivalent to the MRP in the state of Karnataka

Diageo's entry led to increased focus on premiumisation and improving profitability

- **Diageo's entry into India made premiumisation a key focus area:** Diageo, a UK-based MNC player in alcoholic beverages, made a much-anticipated entry into one of the world's fastest growing liquor markets by acquiring a controlling stake in United Spirits over 2013-2014. Over the next decade, a business transformation exercise was carried out, wherein several initiatives were undertaken like a) driving premiumisation, which became a strategic priority, b) product rationalisation, c) franchising/ sale of Popular/economy portfolio, d) rationalising manufacturing footprint, e) cost optimisation and f) reduction in debt.

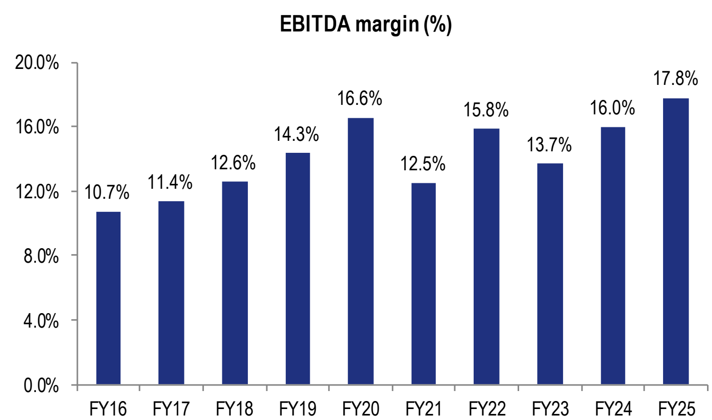
Exhibit 26. Rising contribution of P&A segment (in volume and revenue) highlights Diageo's premiumisation success

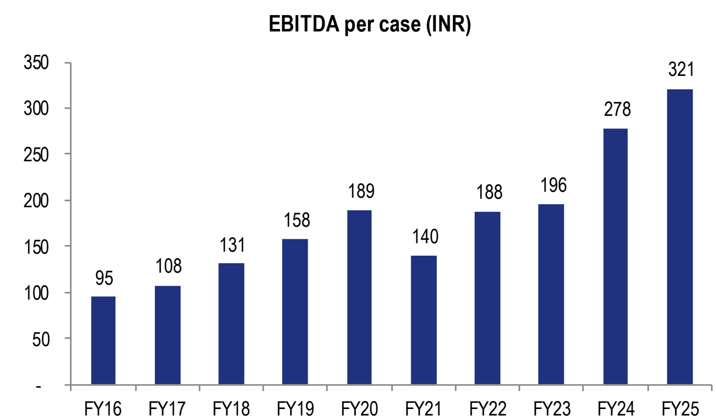




Source: Company, JM Financial

Exhibit 27. Premiumisation has yielded positive results, which is evident from improvement in EBITDA margin and EBITDA per case





Source: Company, JM Financial

Accelerating premiumisation: Reshaping the portfolio based on consumer trends

- **Divestment of the Popular portfolio:** United Spirits had initiated a strategic review of select brands (excluded McDowell's No. 1 and Director's Special brands) in its Popular portfolio in 2021. Some of the major brands that were included in the review were Haywards whisky (10mn cases), Bagpiper whisky (7.5mn cases), Old Tavern (6.5mn cases), Honey Bee brandy (4.5mn cases), White Mischief, Romanov and a tail of small brands. In 2022, United Spirits approved the sale of 32 Popular brands for a cash consideration of INR 8.3bn to Inbrew Beverages. This apart, it also entered into a franchising arrangement with Inbrew for another 11 Popular brands for 5 years and provided an option to Inbrew to extend it to perpetuity or acquire these 11 brands for about INR 13.3bn. In terms of P&L impact, the divested/franchised brands contributed to INR 7.7bn/INR 5.3bn to sales and INR 1.18bn/INR 770mn to EBITDA (c.14-15% margin) in FY22. The divestment was part of the overall strategy to free management bandwidth and accelerate the premiumisation journey.

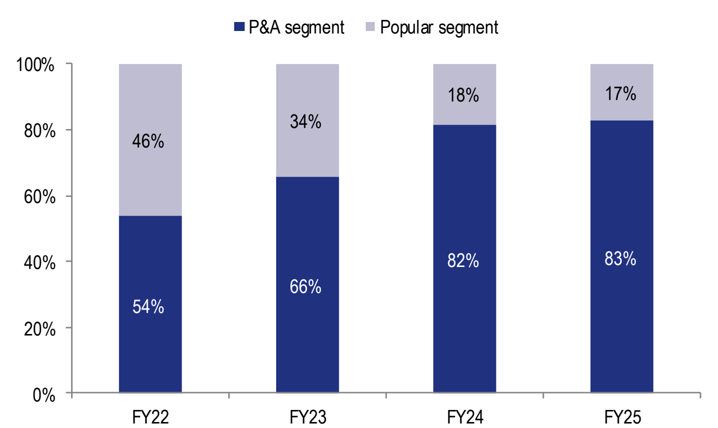
Exhibit 28. Snapshot of Popular brands divested/franchised to Inbrew Beverages

Particulars	Divested	Franchised
Volume (mn cases)	26-27	8-9
Sales (INR bn)	7.7	5.3
EBITDA (INR bn)	1.2	0.8
EBITDA Margin (%)	15.3%	14.5%

Source: Company, JM Financial

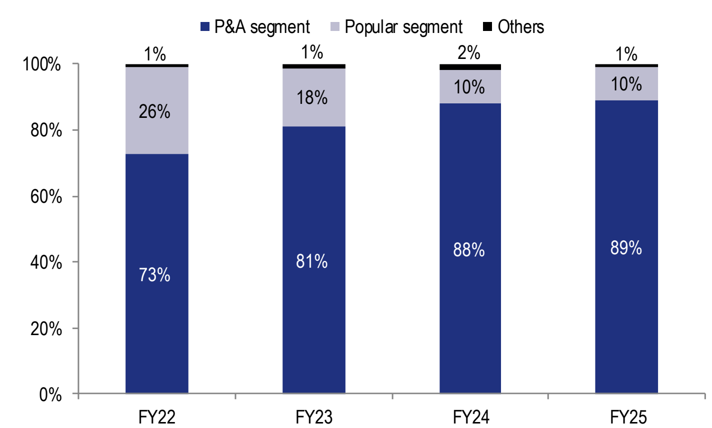
- **Premiumisation – Story so far:** As of FY25, United Spirits' P&A segment accounts for c.83%/89% its overall volume and sales. Within the P&A segment, its portfolio straddles from Lower/entry level P&A segment to luxury portfolio (comprising of Bottled in India and Bottled in Origin brands). Over the last decade, United Spirits has been focusing on premiumisation at various levels and undertook several initiatives to reshape the portfolio (especially in last 3-4 years) based on consumer trends. If we divide this period into two parts a) period prior to divestment of Popular portfolio (FY15-22) – P&A salience to overall volumes increased from 33% in FY15 to 54% in FY22 and b) post divestment (FY23-25) – it has increased from 65.7% in FY23 to 82.7% in FY25.

Exhibit 29. P&A segment accounts of c.83% of UNSP's volume…



Source: Company, JM Financial

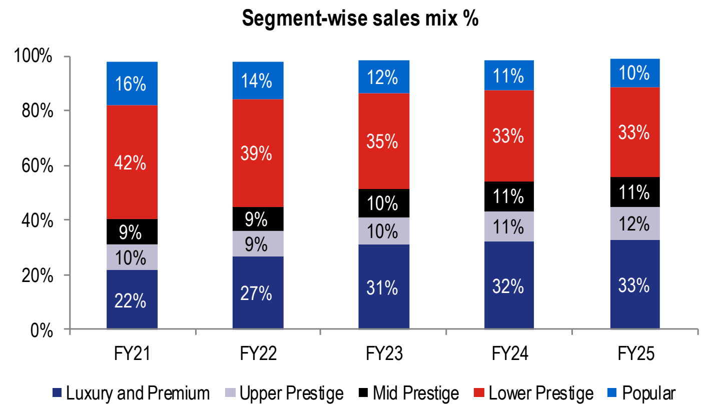
Exhibit 30. …and c.89% of its revenue as of FY25



Source: Company, JM Financial

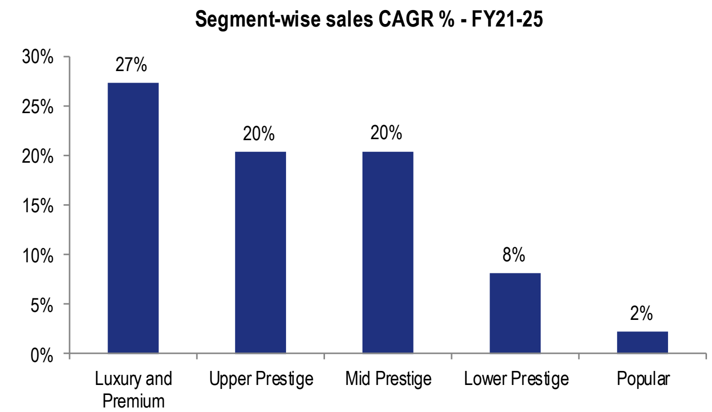
- **Driving premiumisation within sub-segments of P&A:** Over the last 5 years (FY21-25), within its P&A sub-segments, the Luxury and Premium portfolio has been the fastest growing (CAGR of 27%) followed by Upper prestige/Mid Prestige (which grew at a CAGR of 20% each) while the Lower Prestige segment has grown at a much slower pace of 8%. As a result, the mix within the P&A segment is now skewed to Luxury & Premium segment (value salience up c.1,000bps to 33% over FY21-25).

Exhibit 31. Premiumisation drives structural shift in product mix



Source: Company, JM Financial

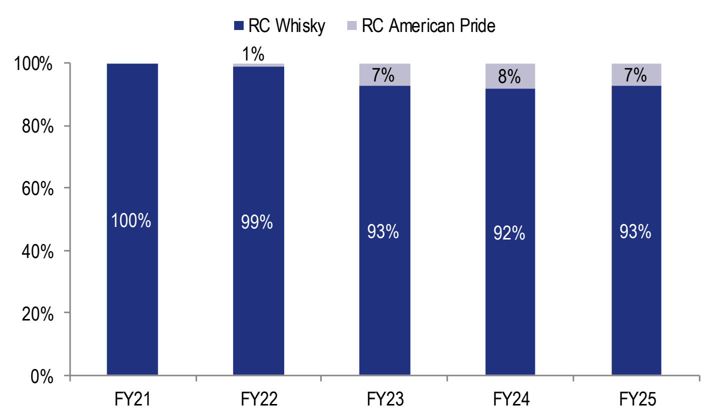
Exhibit 32. Luxury & Premium is the fastest-growing sub-segment



Source: Company, JM Financial

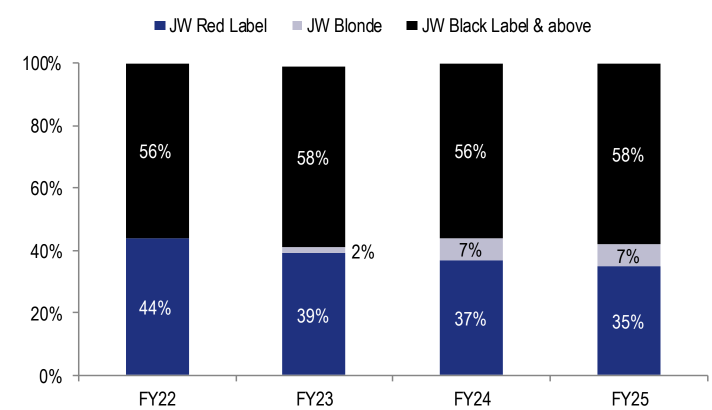
- **Premiumising within trademarks**: United Spirits is leveraging its large umbrella brands/trademarks to launch premium extensions – for e.g.: RC American Pride, Black Dog Gold Reserve, JW Blonde, and JW Red label, which have been launched at a premium to the base SKU. It also launched McDowell's X series (rum, vodka and gin) in the Mid-to-Upper prestige price point and McDowell's single malt whisky to further drive this trend. The strategy is to retain consumers when they premiumise by capitalising on the strong brand recall of its marquee brands.

Exhibit 33. Within trademarks, premiumisation is seen in RC…



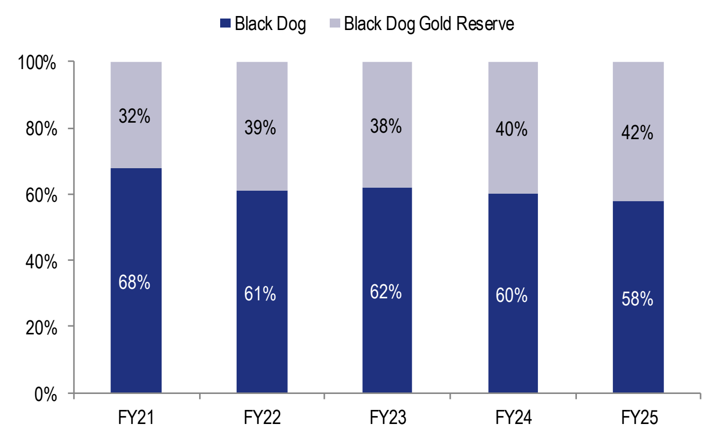
Source: Company, JM Financial

Exhibit 34. …and Johnnie walker through premium product extension



Source: Company, JM Financial

Exhibit 35. Mix improvement in another trademark brand via premium launches



Source: Company, JM Financial

Exhibit 36. Launch of McDowell's X series - anchor trademark expanding into new horizons

Source: Company, JM Financial

- **Introducing new categories:** The fourth lever is driving premiumisation by introducing/creating new categories: For e.g.: premiumising in the fast-growing white spirits segment through the launch of Don Julio (Tequila), and Tanqueray (capitalising on gin's growing Popularity).

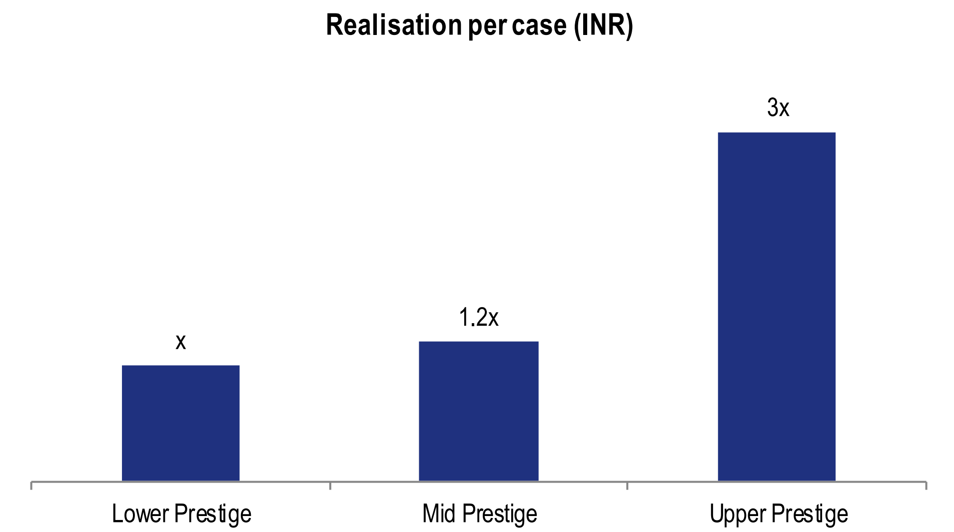
Exhibit 37. Introduction of newer categories – deeper move into the premium segment

Source: Company, JM Financial

Analysing key sub-segments of P&A: Leadership in luxury segment & lower prestige; gaining traction in Mid & Upper prestige segment

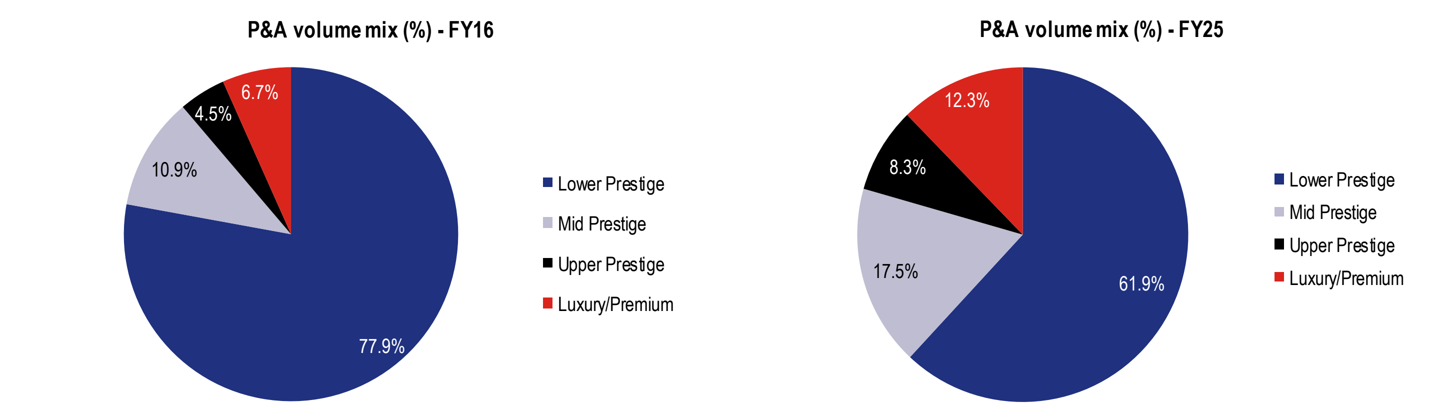
- **As per our industry checks and analysis of the P&A segment, United Spirits enjoys a dominant position at the entry level (Lower prestige) and top end (Luxury and premium)** of the P&A segment while Pernod Ricard enjoys leadership position in Mid and Upper prestige. A large part of the profit pool in the P&A segment sits in the Mid-Upper prestige segment. Realisation per case in Mid-prestige can be around c.1.2x of Lower prestige while for Upper prestige it can be around c.3x. As per our estimate, Lower prestige is largest segment for UNSP accounting for c.60%+ of its P&A volumes followed by Mid prestige, Luxury and Premium and Upper prestige segment with salience in high teens, high single digit and mid-single digit respectively.

Exhibit 38. Mid-Upper prestige segment account for major profit pool in P&A considering large size and higher realisation



Source: Industry, JM Financial estimate

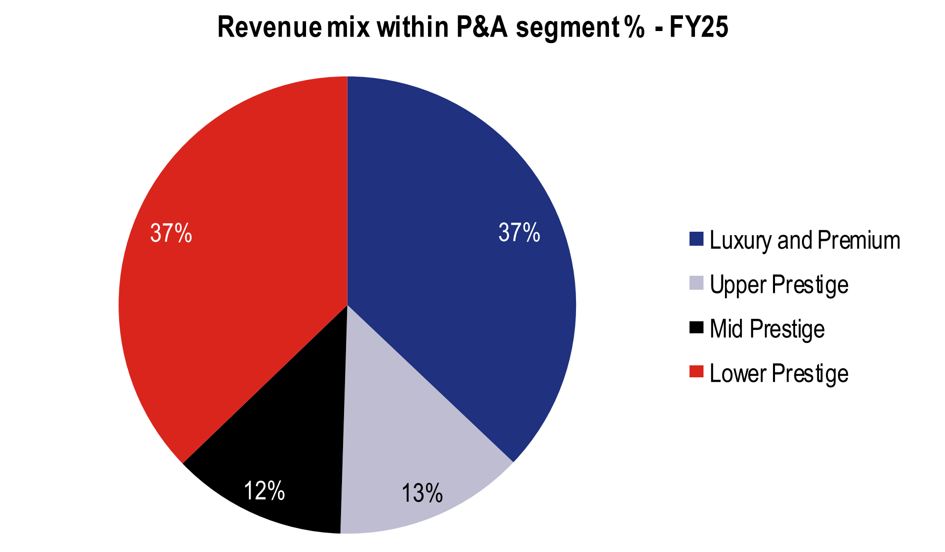
Exhibit 39. United Spirits is gaining traction in Mid and Upper prestige segments



Source: JM Financial estimate

- **United Spirits enjoys leadership position in Luxury and Premium as well as Lower prestige segment:** If we look at United Spirits portfolio construct in the P&A segment, it has a higher skew towards top end (Luxury and Premium) and bottom end (Lower prestige) with both accounting for c.37% of P&A sales (33% of its overall net revenue). The Mid/Upper prestige segment salience is lower at c.12%/13% of its overall net revenue.

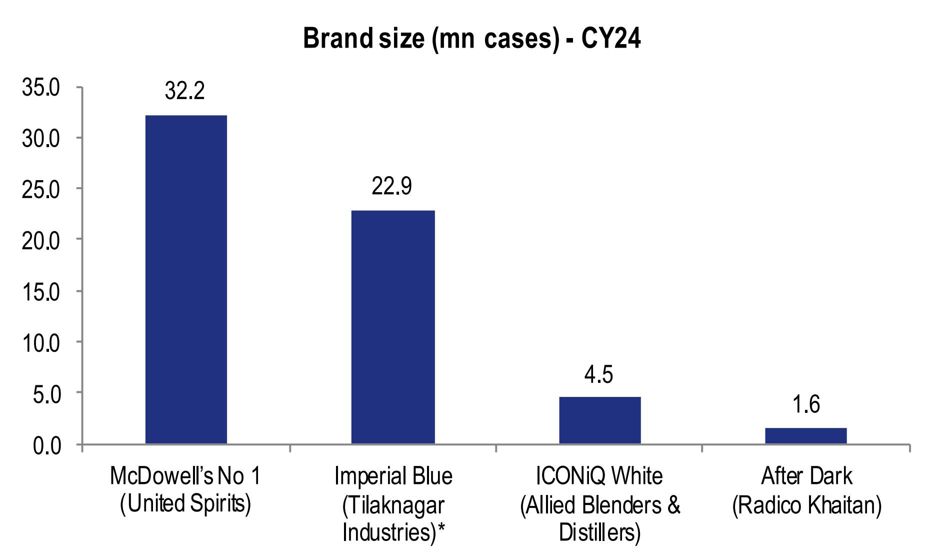
Exhibit 40. Revenue mix within P&A segment for FY25



Source: Company, JM Financial

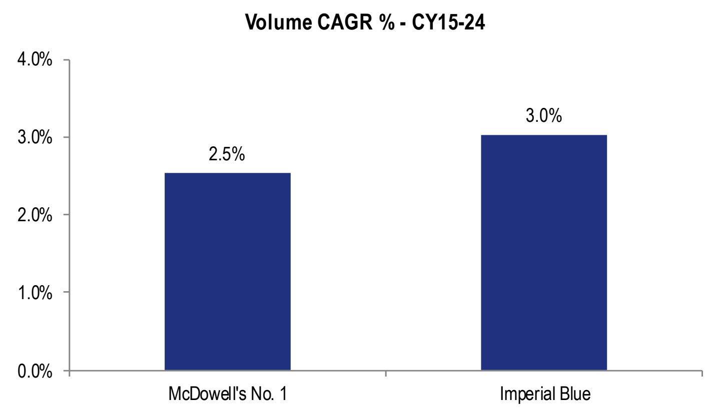
- **Largest player in lower prestige segment led by Mcdowell's No 1:** United Spirits enjoys leadership position in this segment through McDowell's No 1, which is the largest brand with a volume of c.32mn+ cases, followed by Imperial blue (volume of c.23mn cases; the brand was recently sold by Pernod Ricard to Tilaknagar Industries). As per our estimates, the industry size is c.70mn-80mn cases. In the last decade, the top two brands McDowell's No 1 and Imperial blue volume have grown at a CAGR of c.3%. In last 4 years, McDowell's No 1 has grown at a CAGR of 6%, much faster vs. 2% CAGR for Imperial blue. In our view, inflation over the past few years has also curtailed uptrading from the regular to lower prestige segment. This apart, regulatory headwind in Karnataka and Maharashtra also impacted growth in recent years. United Spirits' lower prestige segment grew in high single digits in FY25, largely aided by opening up of the Andhra Pradesh market. In our view, while McDowell's is still the largest brand the company was not able to benefit from the slowdown in Imperial Blue. Moreover, we have seen successful launches from competition – Allied Blenders' Iconiq white launched in CY22 and has gone on to become fastest-growing brand by reaching sales of 5mn cases in FY25. Radico Khaitan's After Dark reached 2mn cases (doubled in the last 1 year).

Exhibit 41. United Spirits rules the lower prestige segment with McDowell's No. 1



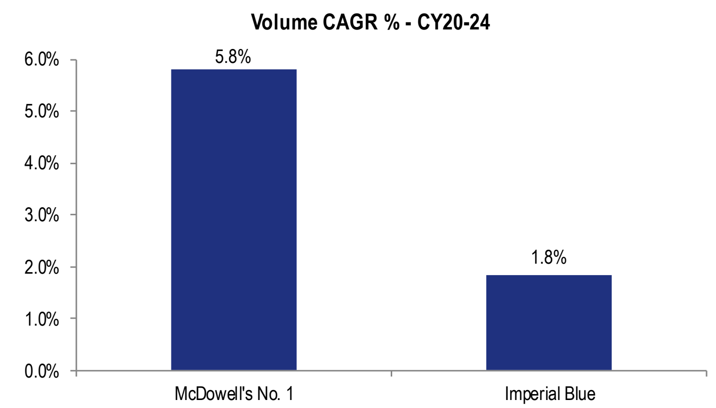
Source: Industry reports, JM Financial.
*Imperial Blue brand was recently acquired by Tilaknagar Industries from Pernod Ricard.

Exhibit 42. McDowell's, which was underperforming earlier…



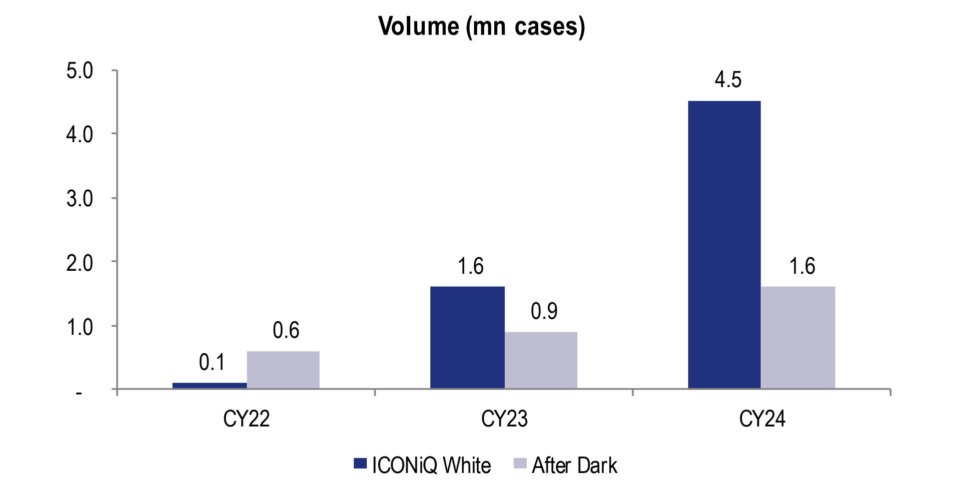
Source: Industry reports, JM Financial

Exhibit 43. ...has gained traction over last 4-5 years vs. Imperial blue



Source: Industry reports, JM Financial

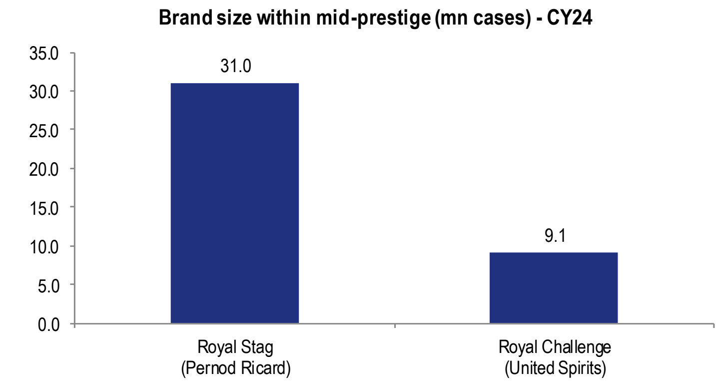
Exhibit 44. Peers too have capitalised on Imperial Blue's slowdown with new launches

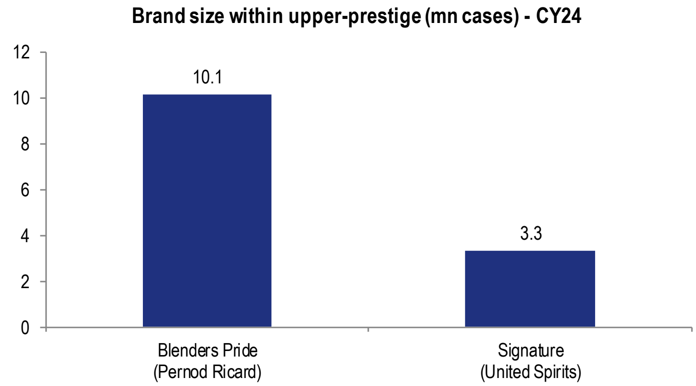


Source: Industry reports, JM Financial

- **Strengthening presence in Mid and Upper Prestige through portfolio interventions; promising results so far:** In the Mid-prestige segment, United Spirits is under-indexed and Pernod Ricard had leadership position with its flagship Royal Stag brand. In the last 5 years, United Spirits has seen strong traction with volume of its key brand Royal Challenge doubling (volume CAGR of 21% over CY20-24 vs. 14% for Royal Stag), indicative of clear market share gains in the segment. Similarly, in the Upper-prestige segment, United Spirits' Signature has outperformed, growing at a CAGR of 9%/15% over CY15-24/CY20-24 vs. 7%/11% for Pernod Ricard's Blender's Pride. This apart, innovations like Royal Challenge American Pride and Antiquity blue have also helped strengthen its position in the Upper prestige segment. In terms of value growth, United Spirits' Mid-prestige and Upper prestige sales have grown at a healthy CAGR of 20% each over FY21-25 and now account for 11%/12% of its overall sales.

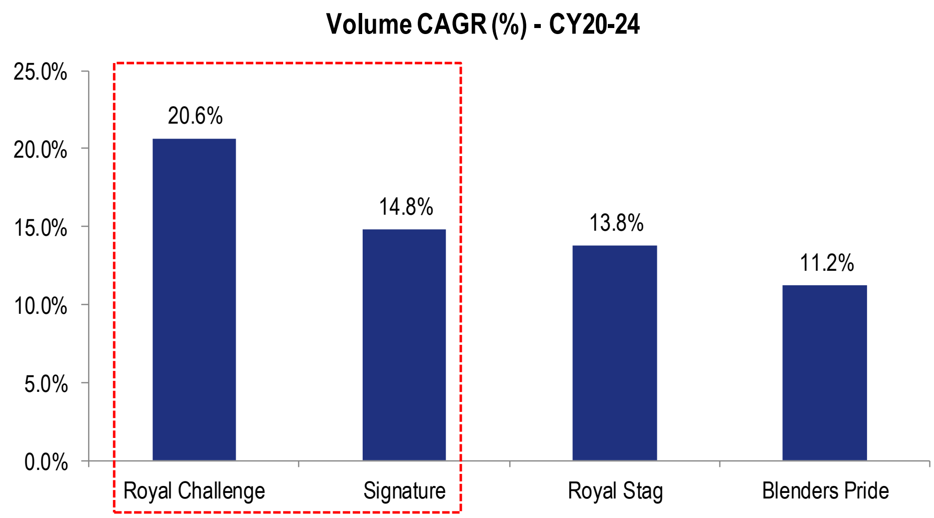
Exhibit 45. Pernod Ricard enjoys leadership position in Mid and Upper prestige segments





Source: Industry reports, JM Financial

Exhibit 46. UNSP has been gaining strength over the market leader in last 4-5 years

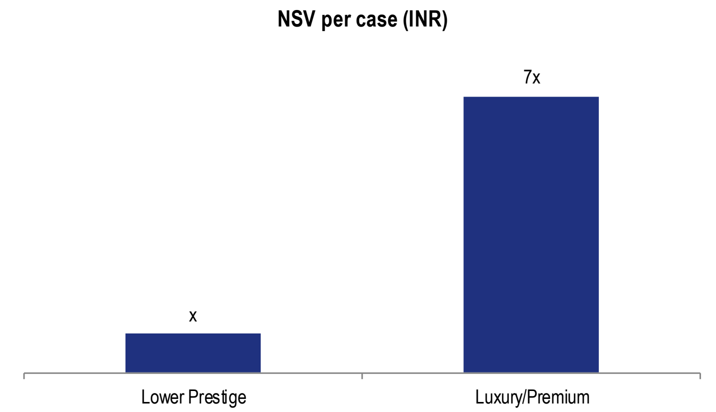


Source: Company, JM Financial, Note: Red box highlights brands owned by United Spirits

- Accelerating growth in Luxury + Premium segment by capitalising on Diageo's global portfolio: Of the overall c.400mn cases Indian spirits market, whisky is the largest segment, accounting for c.250mn cases (c.65-66% of the overall spirits market). The Scotch whisky market in India is close to c.9mn-10mn cases while single malts (Scotch whisky produced in single distillery and made from 100% malted barley) within that will be less than 1mn cases.
  - **United Spirits has a strong play in the Scotch whisky/single malt segment through its BIO/BII portfolio.** It has a distribution arrangement for Diageo brands – for the BII portfolio (Black Dog, Black & White, VAT 69, Smirnoff, Godawan), Diageo supplies the bulk Scotch and the bottling operation is done by United Spirits in India; the BIO portfolio (Johnnie walker, Talisker, Singleton Ciroc) comprises finished goods distributed by United Spirits. Over the last 4-5 years, United Spirits has taken several initiatives across Johnnie Walker (renovations, launch of JW blonde), Black & White (launch in hipster format), Black Dog and Singleton to further fortify its leadership position in this segment. Activations, new campaigns, consumer engagement activities have been stepped up across brands in the last few years. The segment has seen healthy sales CAGR of 20% for United Spirits and accounts for c.33% of its overall sales.
  - **On the BIO/BII portfolio (baring Black Dog, Godawan where UNSP owns the IP and Smirnoff which is on royalty model) as per the distribution arrangement, UNSP earns a 10% EBIDTA margin.** As UNSP doesn't invest much capital on them, the post-tax ROIC

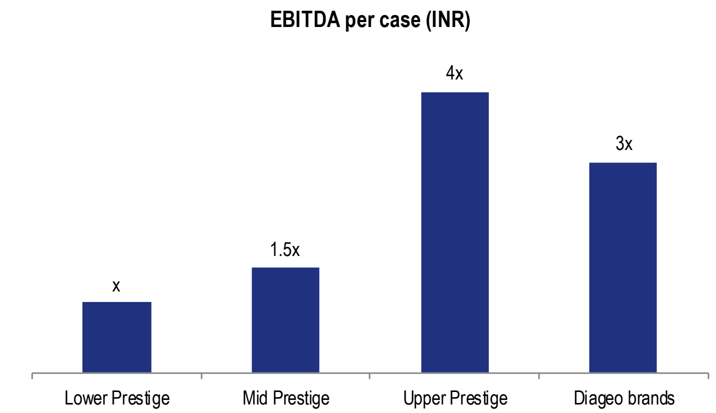
is quite high at c.30%+ with asset turns being 3.5-4x. Our analysis/industry checks suggest EBITDA/case for Diageo brands can be c.3x of the Lower Prestige portfolio.

Exhibit 47. Luxury/premium segment delivers ~7x NSV per case vs. lower prestige



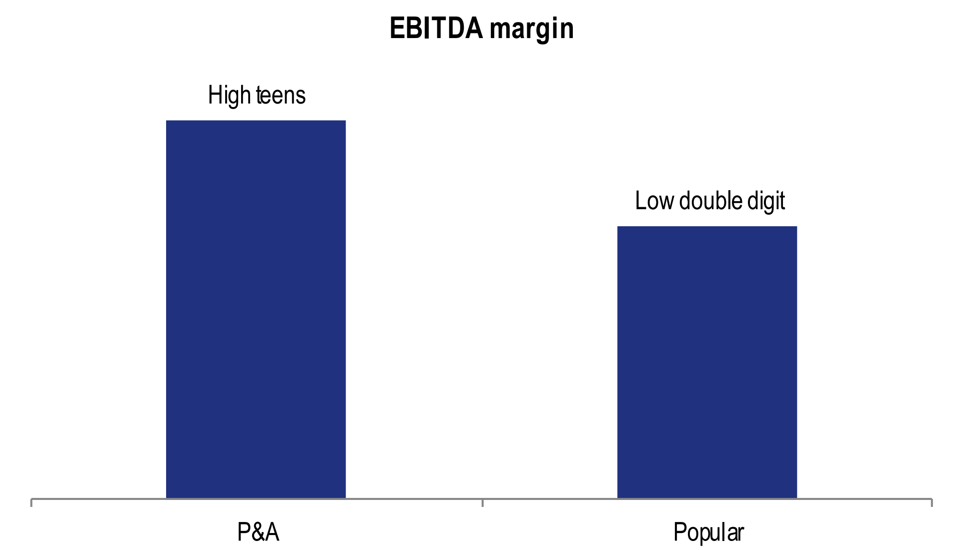
Source: JM Financial estimates

Exhibit 48. Profitability scales with prestige – Upper prestige yields 4x EBITDA per case vs. lower prestige



Source: JM Financial estimates

Exhibit 49. Premium drives profitability as P&A margins outperform Popular

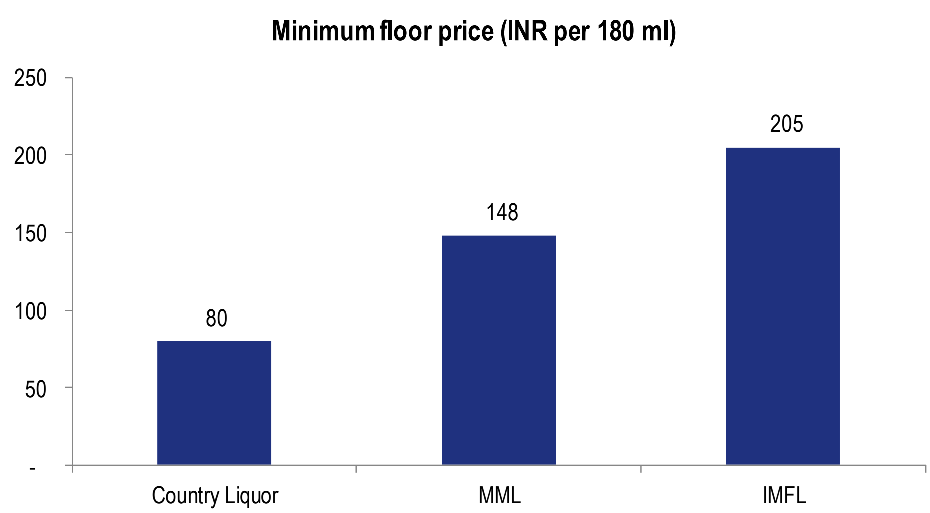


Source: JM Financial estimates

State mix: Maharashtra duty hike a near-term headwind, favourable policies in Karnataka/UP/AP to provide some cushion

- Significant upward revision in excise duty by Maharashtra: With the aim of generating additional excise revenue, the Maharashtra government in 1QFY26 announced a significant hike in the excise duty on spirits. The key highlights/changes under the revised duty structure were: a) cut-off slab for manufacturing cost increased to INR 260 per bulk litre vs. INR 210 earlier, b) increase in excise duty to 450% of the manufacturing cost from 300% earlier for Popular, lower-prestige and Mid-prestige segment, c) Introduction of new category with lower taxation called MML (Maharashtra-made liquor) and d) Minimum/floor price for IMFL increased to INR 205 for 180ml (vs. INR 120-150 earlier).
- Introduction of new category – MML needs to be watched: It will be an exclusive Maharashtra product, with its manufacturing restricted to the state, requiring the producer's head office and a significant portion of the ownership to be in Maharashtra. The product will have strength of 42.8% ABV and will feature traditional flavours, priced at a minimum of INR 148 for 180ml bottle. As per the draft guidelines, UNSP is not permitted to participate in this category. While state specific liquor has not seen material success in other states (for e.g.: Rajasthan), the management remains cautious about the rollout, as the proposed measures could dilute the value proposition for the IMFL segment.
- Implication for the industry: On account of the excise hike, consumer level MRP has increased by c.30-45% for Popular, Lower and Mid-prestige segments. As per our understanding/industry checks, the IMFL industry is expected to see a decline from 2Q onwards. Further, with minimum floor price for IMFL increasing to INR 205, the gap vs. country liquor (where the minimum price is INR 80) has increased, which provides enough headroom for MML (minimum price at INR 148/180ml) to establish its presence. On a segmental basis, the price gap between Popular and lower prestige portfolio has narrowed, which provides some potential for upgradation while there was no material narrowing of gap between lower and Middle prestige portfolio.

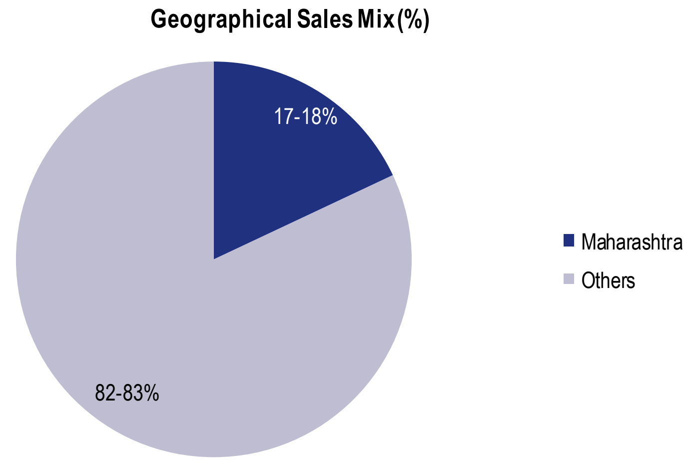
Exhibit 50. Maharashtra's minimum floor price across product categories



Source: Media reports, JM Financial

- Impact for UNSP: Maharashtra is a large market for United Spirits, accounting for Mid to high teens in terms of overall sales and a slightly higher contribution to EBITDA. In terms of IMFL industry mix, it is a low and Mid-prestige market. Our channel checks/commentaries from key players suggest industry is likely to see a c.15-20% decline. We believe impact is likely to be higher in Popular, lower and Mid prestige segments, which could negatively impact UNSP's FY26 sales growth. Factoring in the Maharashtra impact (assuming 20% decline in Maharashtra volumes) for the balance 9M, we expect P&A volume growth of 5.5% (vs. 9% seen in 1Q) and low single digit volume growth in the Popular segment (vs 12% seen in 1Q) for FY26E. Realisation/case in P&A segment could see moderation due to lower growth in luxury segment seen in 1QFY26 and UNSP's decision to absorb some of the impact by not fully passing on the hike in Mid and Upper prestige.

Exhibit 51. Saliency of Maharashtra to United Spirits' overall sales



Source: Company, JM Financial

- **Karnataka: Favourable policy especially for P&A segment:** Apart from Maharashtra, another key market for United Spirits is Karnataka. While Maharashtra has implemented a steep hike in excise duty for IMFL in 2025, Karnataka has seen a favourable policy for IMFL players with a) reduction in additional excise duty for P&A segment slabs announced in Sep'24 and b) increase in additional excise duty for lower end IMFL segments announced in 2025, which should aid premiumisation. Further, there has been increase in excise duty for the beer segment in Karnataka.

Exhibit 52. Government intervention in Karnataka favours premium brands with duty reduction vs. entry-level brands

Declared Price Range	Additional ED per BL (w.e.f 20.07.23)	Declared Price Range	Additional ED per BL (w.e.f 27.08.24)	Declared Price Range	Additional ED per BL (w.e.f 15.05.25)
000.00 - 449.00	215.0	000.00 - 450.00	215.0	000.00 - 470.00	297.0
450.00 - 499.00	294.0	451.00 - 500.00	294.0	471.00 - 520.00	367.0
500.00 - 549.00	386.0	501.00 - 550.00	386.0	521.00 - 570.00	461.0
550.00 - 599.00	497.0	551.00 - 650.00	523.0	571.00 - 650.00	553.0
600.00 - 699.00	668.0	651.00 - 750.00	620.0	651.00 - 750.00	620.0
700.00 - 799.00	816.0	751.00 - 900.00	770.0	751.00 - 900.00	770.0
800.00 - 899.00	870.0	901.00 - 1050.00	870.0	901.00 - 1050.00	870.0
900.00 - 999.00	938.0	1051.00 - 1300.00	970.0	1051.00 - 1300.00	970.0
1000.00 - 1099.00	982.0	1301.00 - 1800.00	1,200.0	1301.00 - 1800.00	1,200.0
1100.00 - 1199.00	1,102.0	1801.00 - 2500.00	1,400.0	1801.00 - 2500.00	1,400.0
1200.00 - 1299.00	1,325.0	2501.00 - 5000.00	1,600.0	2501.00 - 5000.00	1,600.0
1300.00 - 1399.00	1,541.0	5001.00 - 8000.00	2,000.0	5001.00 - 8000.00	2,000.0
1400.00 - 1799.00	1,667.0	8001.00 - 12500.00	2,400.0	8001.00 - 12500.00	2,400.0
1800.00 - 2199.00	1,860.0	12501.00 - 15000.00	2,600.0	12501.00 - 15000.00	2,600.0
2200.00 - 4924.00	2,124.0	15001.00 - 20000.00	2,800.0	15001.00 - 20000.00	2,800.0
4925.00 - 7650.00	2,483.0	20001.00 - Above	3,000.0	20001.00 - Above	3,000.0
7651.00 - 15000.00	3,571.0				
15001.00 - Above	5,358.0				

Source: Company, JM Financial
Note: ED stands for excise duty and BL stands for bulk litre

- **Uttar Pradesh - Favourable policy to result in sharp increase in distribution network:** Apart from Maharashtra and Karnataka, Uttar Pradesh, due to its favourable excise policy, has emerged as a high-growth market for alcoholic beverage players. Recently, Uttar Pradesh introduced a reform with respect to liquor retail shops in its FY26 excise policy. Outlets that earlier sold only beer or foreign liquor will now be composite and are allowed to sell both in view of the policy change. This has almost doubled the reach for spirits, with a significant increase in the number of outlets.

Execution on profitability – right-sizing and cost-saving initiatives have resulted in healthy margin improvement over FY15-25

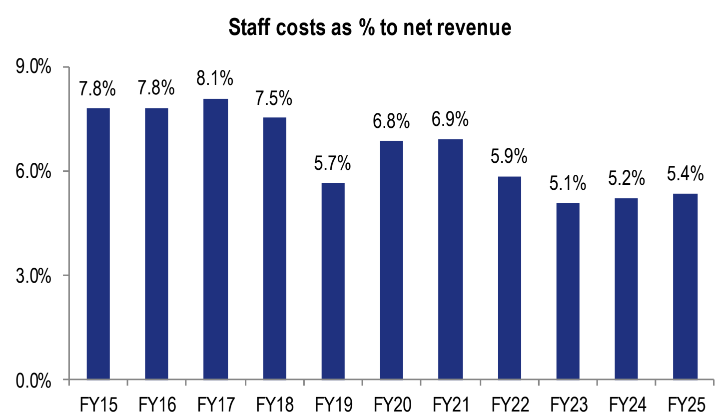
- **Focus on extracting cost efficiencies and strengthening balance sheet:** Apart from scaling up its P&A portfolio, another key focus area for United Spirits (post acquisition of controlling stake by Diageo) was improving profitability by driving cost efficiencies and strengthening the balance sheet (reduction in debt). Over the years, United Spirits has significantly rightsized its manufacturing footprint and launched several productivity initiatives to mitigate input cost inflation and drive overall profitability. In 2022-23, the company launched a supply chain agility programme (with the target of generating savings of 100-150bps over the next 3 years) that focused on conversion cost optimisation, better capacity utilisation, co-location with ENA distillation (100% benefit realised), footprint optimisation (c.70%+ benefit realised), ESG benefits and improving RoCE. As of end of FY25, UNSP was able to extract savings of INR 7bn on P&L and INR 1.5bn-2bn in working capital efficiencies. For FY25, savings stood at INR 4bn (vs. INR 5bn in FY24, which included INR 1.5bn benefit from non-recurring monocarton elimination).

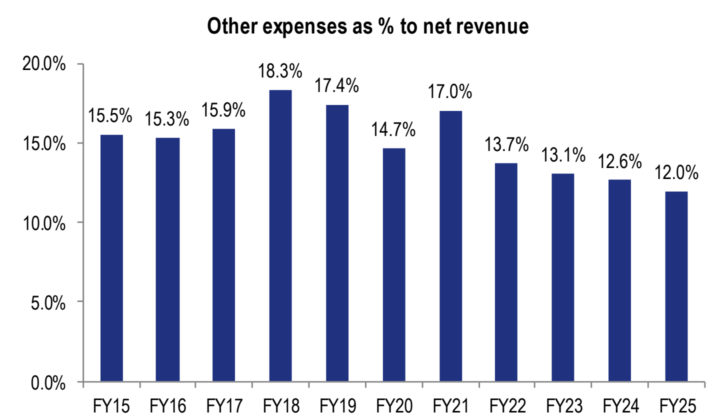
Exhibit 53. Snapshot of United Spirits' strong manufacturing network

Manufacturing footprint	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Owned	NA	NA	NA	NA	19	15	15	15	12	11	11
Third-Party	NA	NA	NA	NA	31	30	32	32	25	25	25
Total	**88**	**74**	**60**	**58**	**50**	**45**	**47**	**47**	**37**	**36**	**36**

Source: Company, JM Financial

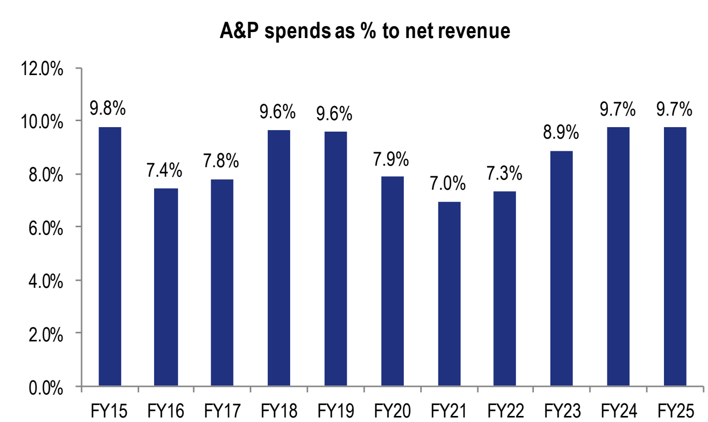
Exhibit 54. UNSP's execution to extract cost efficiencies from staff costs and other overheads ex A&P spends is impressive

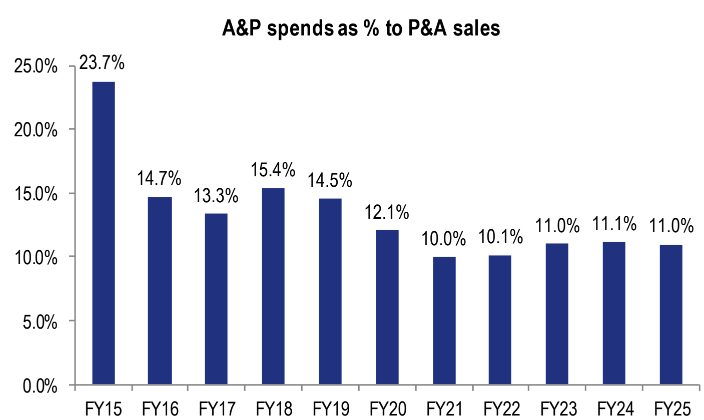




Source: Company, JM Financial.
Note:
1.Other expenses excludes A&P spends.
2.Net revenue is net-off excise duty but including other operating income.

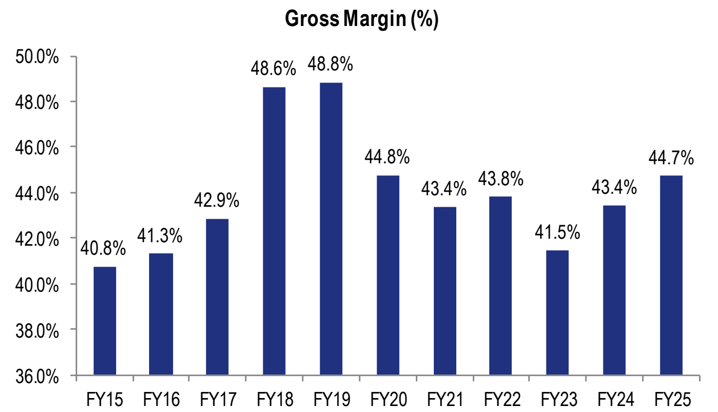
Exhibit 55. UNSP has tightly controlled its brand investment not only as % to net revenue but also as % to P&A sales





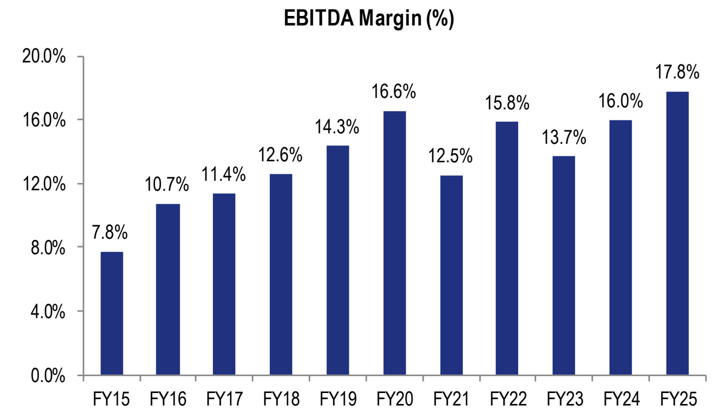
Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.

Exhibit 56. Gross margin is maintained at steady state levels



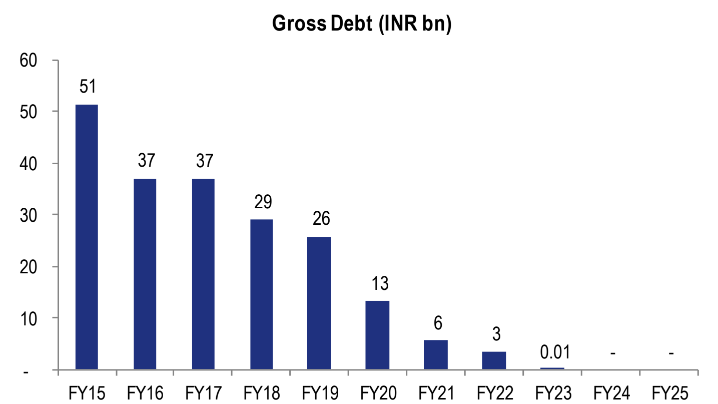
Source: Company, JM Financial. Note: Gross margin is calculated on net revenue.

Exhibit 57. EBITDA margin saw sharp uptick led by cost efficiencies



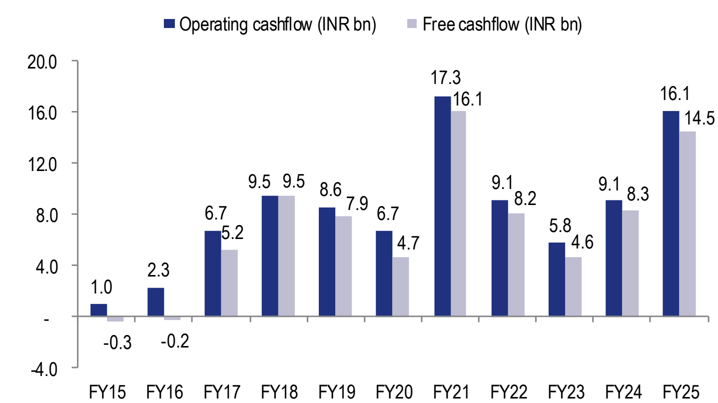
Source: Company, JM Financial

Exhibit 58. Steady reduction in debt over last decade



Source: Company, JM Financial

Exhibit 59. Robust improvement in cash flow generation

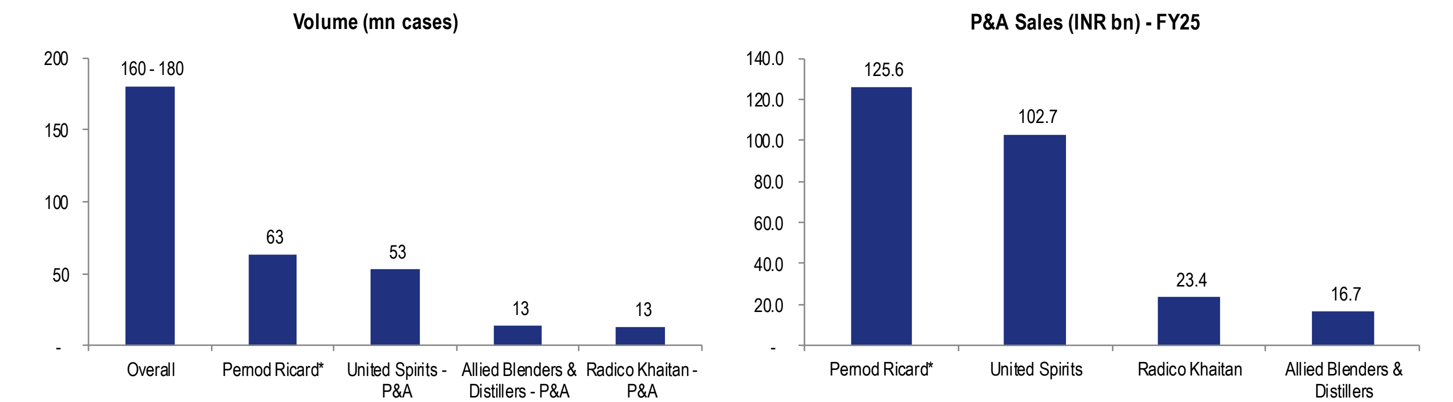


Source: Company, JM Financial

Analysis of competitive landscape: UNSP has outperformed Pernod Ricard with share gains in Mid/Upper prestige

- **Post sale of Imperial blue by Pernod Ricard, United Spirits now becomes market leader in overall IMFL and P&A segment:** United Spirits and Pernod Ricard are the top two players in the IMFL segment. While United Spirits is the largest player in terms of volume, Pernod Ricard is largest in terms of value in the domestic IMFL segment. If we look at the P&A segment, as per our estimates, as of FY25, Pernod Ricard is the market leader both in volume and value followed by United Spirits. As per our checks and industry reports, the size of the IMFL industry in India is 400mn cases and the P&A segment accounts for c.40-45% of the volume share, which translates to c.160mn-180mn cases. As of FY25, basis our estimate, Pernod Ricard's market share stands at c.35-40%, followed by United Spirits at c.30-33%; Radico Khaitan's share would be in high single digits. However, post the recent sale of Imperial Blue (which had a volume of c.22mn-23mn cases) to Tilaknagar; United Spirits will become the largest player.

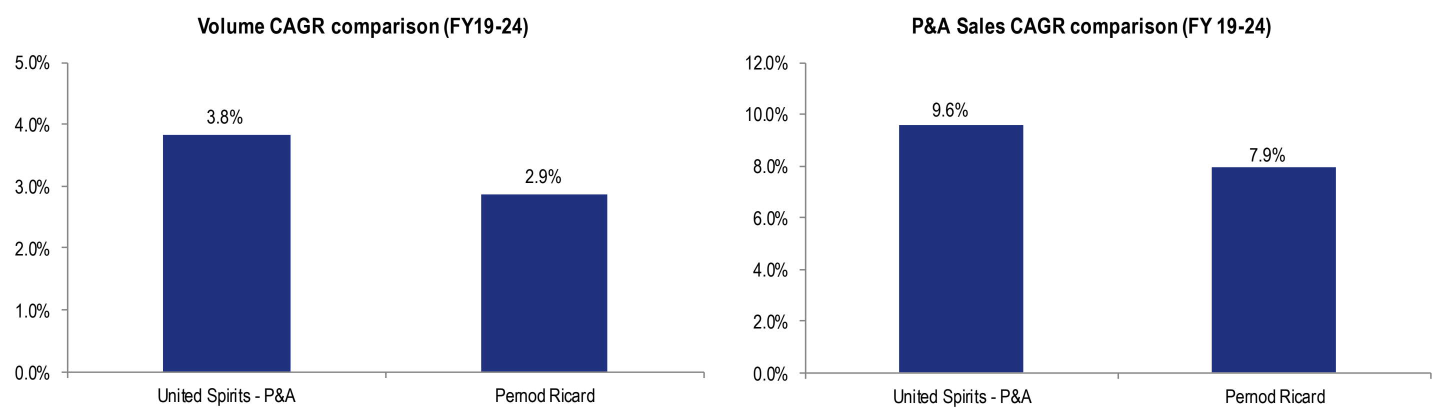
Exhibit 60. Presently, Pernod Ricard is the largest player in the P&A segment in both volume and value



Source: Company, JM Financial. *Data for Pernod Ricard pertains to FY24.

- **Over FY16-24, UNSP's P&A portfolio has marginally outperformed Pernod Ricard both in volume and value terms. However, the outperformance is higher in the last 5 years (FY19-24) – a function of portfolio interventions done by United Spirits across sub-segments in P&A.**

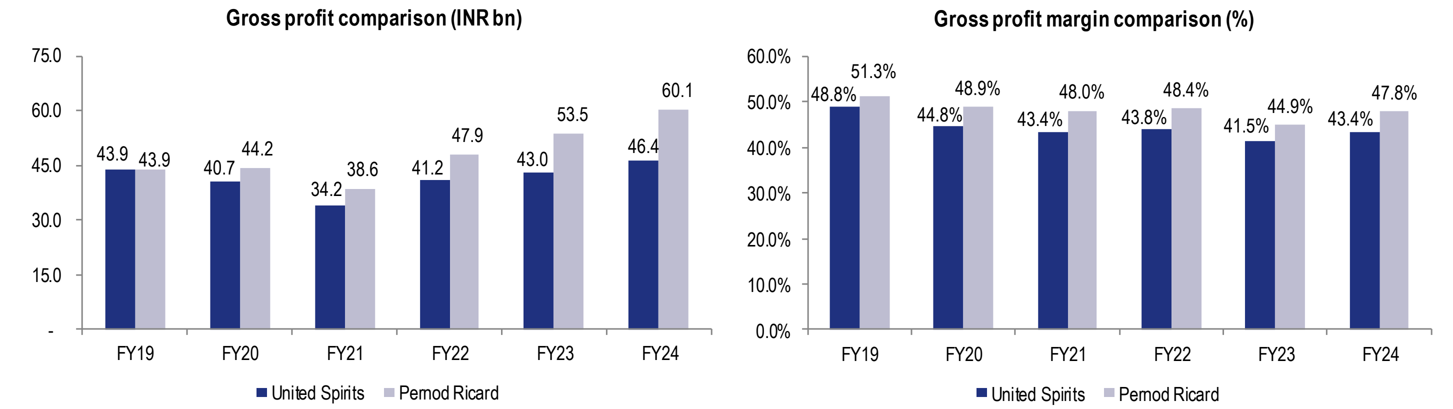
Exhibit 61. United Spirits has outperformed Pernod Ricard in volume as well as value terms over the past 5 years (FY19-24)



Source: Company, JM Financial

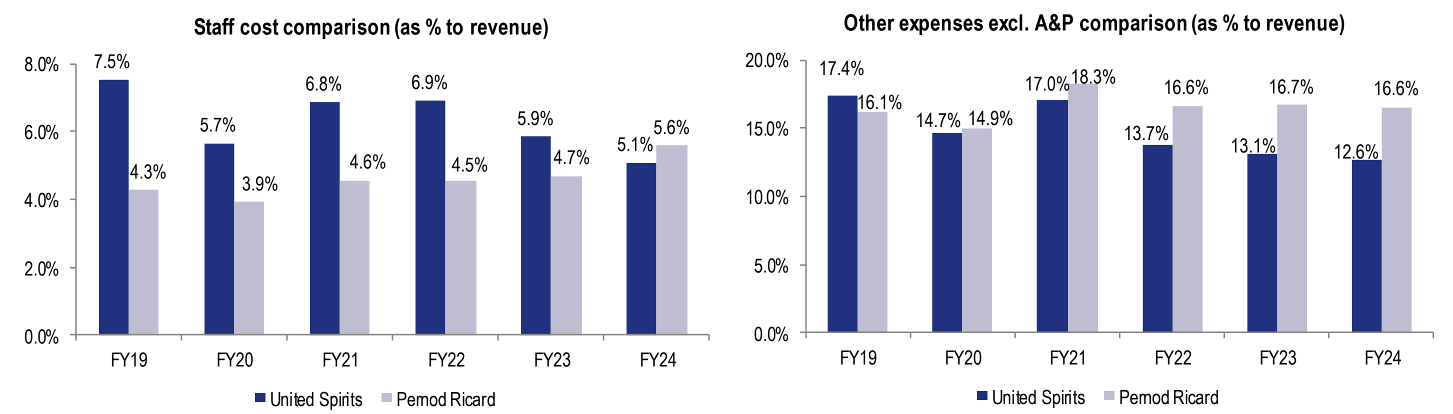
- **Pernod Ricard enjoys better profitability on overall basis due to better product mix:** While United Spirits has a presence in Popular and P&A segments, Pernod Ricard has a presence in the P&A segment only. Also within P&A segment, Pernod Ricard has higher salience in Mid and Upper prestige where margins are higher while UNSP has higher salience in lower prestige. As a result, it has relatively better profitability (gross margin/EBITDA margin) both in terms of % to sales as well as on per case basis. Another key thing to note is that United Spirits' overhead costs (staff cost + other expenses) as % to sales are lower vs. Pernod Ricard. The lower EBITDA margin is entirely a function of lower gross margin for United Spirits (due to weaker mix).

Exhibit 62. Pernod Ricard delivers better gross profits and margins vs. UNSP due to favourable product mix



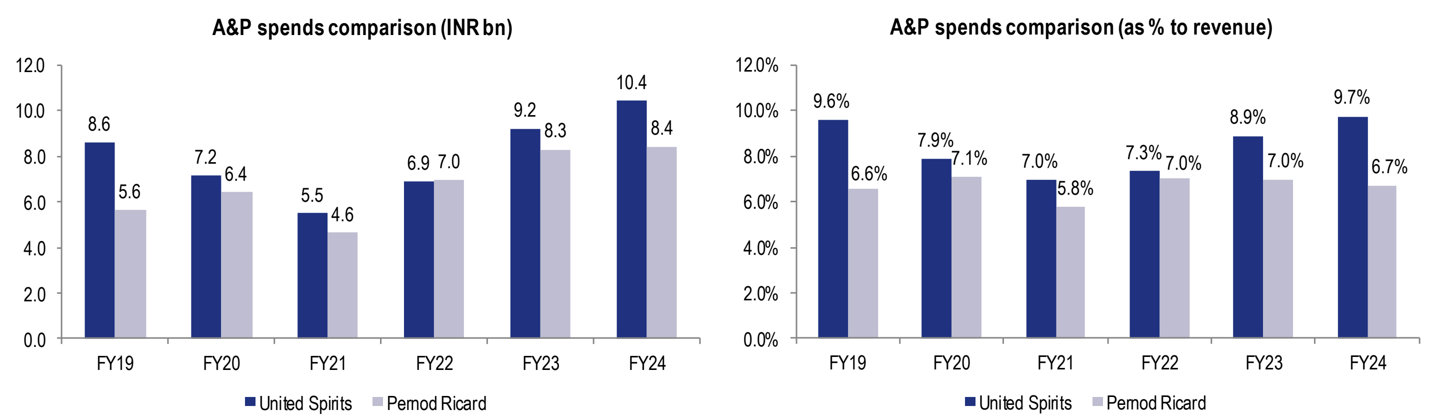
Source: Company, JM Financial

Exhibit 63. On the cost front, UNSP has managed to extract efficiencies in its overhead costs (as % to sales) vs. Pernod Ricard



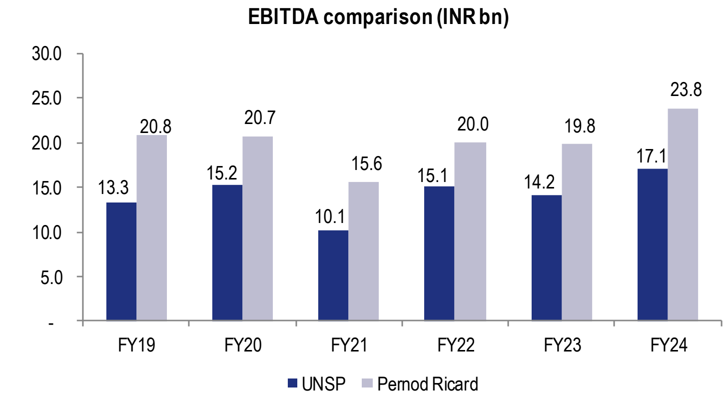
Source: Company, JM Financial. Note: Revenue is net-off excise duty but including other operating income.

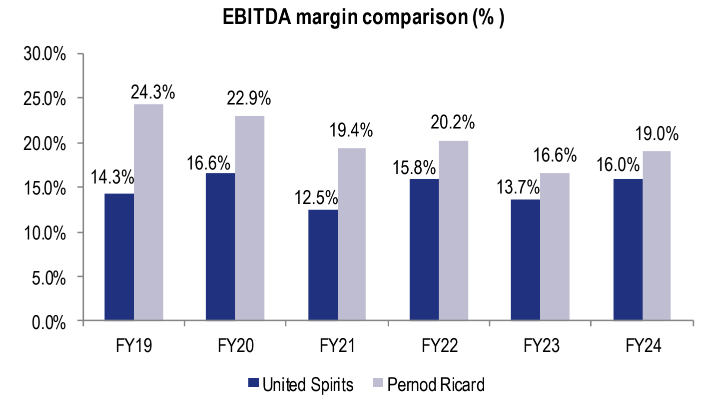
Exhibit 64. However, higher A&P spends of UNSP drags relative cost competitiveness



Source: Company, JM Financial. Note: Revenue is net-off excise duty but including other operating income.

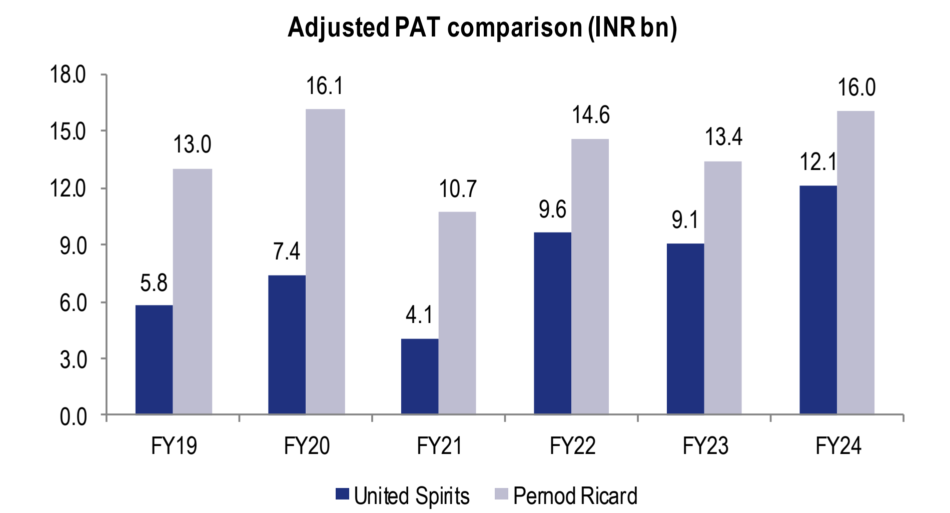
Exhibit 65. UNSP's lower EBITDA margin is on account of lower gross margin and higher A&P spend vs. Pernod Ricard





Source: Company, JM Financial

Exhibit 66. Pernod Ricard enjoys better profitability on overall basis



Source: Company, JM Financial

Exhibit 67. On gross sales basis, UNSP has a leaner working capital cycle vs. Pernod Ricard

Particulars (FY24)	FY19	FY20	FY21	FY22	FY23	FY24
United Spirits						
Inventory days	24	23	27	26	30	30
Debtor days	32	29	29	27	32	45
Creditor days	17	15	19	18	23	26
Net working capital	**39**	**38**	**37**	**35**	**38**	**48**
Working capital as % to gross sales	**10.7%**	**10.3%**	**10.2%**	**9.6%**	**10.4%**	**13.3%**
Working capital as % to net revenue	**34.1%**	**32.4%**	**35.0%**	**31.2%**	**27.7%**	**31.5%**
Pernod Ricard						
Inventory days	13	19	21	20	26	22
Debtor days	49	50	59	51	51	65
Creditor days	23	24	31	35	34	33
Net working capital	**38**	**44**	**49**	**37**	**43**	**54**
Working capital as % to gross sales	**10.5%**	**12.1%**	**13.5%**	**10.1%**	**11.9%**	**14.7%**
Working capital as % to net revenue	**24.8%**	**28.8%**	**32.6%**	**23.2%**	**24.9%**	**31.3%**

Source: Company, JM Financial.
Note: 1. Working capital days is calculated on gross sales basis. 2. Net revenue is net-off excise duty but including other operating income.

Exhibit 68. Pernod Ricard generates superior cash flows due to better profitability and lower capex intensity

Cash flow generation (INR bn)	FY19	FY20	FY21	FY22	FY23	FY24
Operating cash flows						
United Spirits	8.6	6.7	17.3	9.1	5.8	9.1
Pernod Ricard	13.9	13.3	16.7	15.4	8.9	12.0
Free cash flows						
United Spirits	7.9	4.7	16.1	8.2	4.6	8.3
Pernod Ricard	12.3	12.1	15.3	13.4	6.7	9.8

Source: Company, JM Financial

RCB – a key marketing tool

- Apart from core alcoholic beverage business, UNSP holds perpetual franchisee rights of Royal Challenger Bangalore (RCB) through its 100% subsidiary, Royal Challengers Sports Pvt.. Ltd (RCSPL). Franchisee rights for Men's IPL were bought in 2008 for INR 4.8bn, and for c.INR 9bn for Women's IPL in 2023. The subsidiary's revenue largely comes from central rights income, sponsorships and ticket sales. Central rights for IPL are auctioned every 5 years. Over FY23-28 the same were sold by BCCI for INR 484bn (3x the amount received in the previous cycle). While Men's IPL is profitable, Women's IPL team is currently making EBITDA losses of INR 700-800mn.

Exhibit 69. Revenue break-up for RCSPL

Revenue (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Central rights income	1,949	1,201	1,674	1,987	1,499	4,218	3,286
Income from sponsorship	733	513	558	828	831	1,237	1,258
Income from ticket sales	348	290	-	-	9	607	416
Price money	-	-	44	44	44	60	44
Transfer fees	22	22	-	-	20	-	-
Royalty & licensing fee	22	21	43	57	39	225	40
Total	**3,074**	**2,046**	**2,319**	**2,916**	**2,442**	**6,347**	**5,044**
Revenue mix (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Central rights income	63.4%	58.7%	72.2%	68.1%	61.4%	66.5%	65.1%
Income from sponsorship	23.9%	25.1%	24.1%	28.4%	34.0%	19.5%	24.9%
Income from ticket sales	11.3%	14.2%	0.0%	0.0%	0.4%	9.6%	8.2%
Price money	0.0%	0.0%	1.9%	1.5%	1.8%	0.9%	0.9%
Transfer fees	0.7%	1.1%	0.0%	0.0%	0.8%	0.0%	0.0%
Royalty & licensing fee	0.7%	1.0%	1.9%	2.0%	1.6%	3.5%	0.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Company, JM Financial

Exhibit 70. Snapshot of RCSPL's profit and loss statement

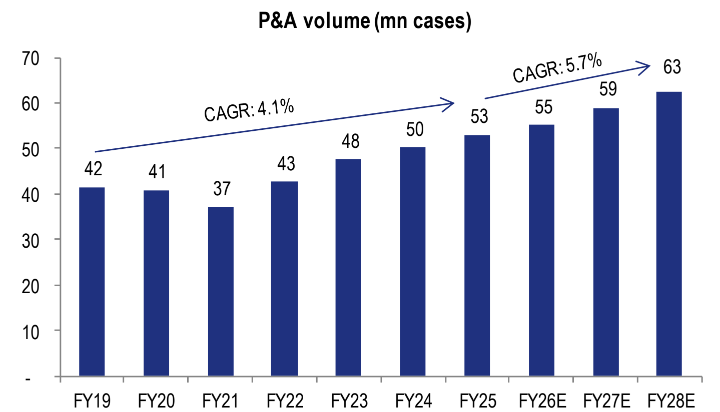
Profit & loss statement (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Revenue from operations	**3,074**	**2,046**	**2,319**	**2,916**	**2,442**	**6,347**	**5,044**
YoY	110.6%	-33.4%	13.4%	25.7%	-16.3%	159.9%	-20.5%
Match playing expenses	1,534	1,074	1,261	1,686	2,313	3,160	2,879
YoY	40.6%	-30.0%	17.4%	33.7%	37.2%	36.6%	-8.9%
Other expenses	141	139	109	140	190	253	301
YoY	37.4%	-1.6%	-21.4%	28.4%	35.7%	33.2%	19.0%
EBITDA	**1,400**	**833**	**949**	**1,090**	**-61**	**2,934**	**1,864**
EBITDA margin %	45.5%	40.7%	40.9%	37.4%	-2.5%	46.2%	37.0%
Finance cost	247	247	212	125	42	4	3
Depreciation	113	73	93	106	80	113	86
Other income	61	20	90	22	32	148	105
PBT	**1,101**	**533**	**734**	**881**	**-151**	**2,965**	**1,880**
Tax expense	253	495	192	220	-35	747	480
PAT	**848**	**38**	**542**	**661**	**-116**	**2,218**	**1,400**

Source: Company, JM Financial

Financial overview:

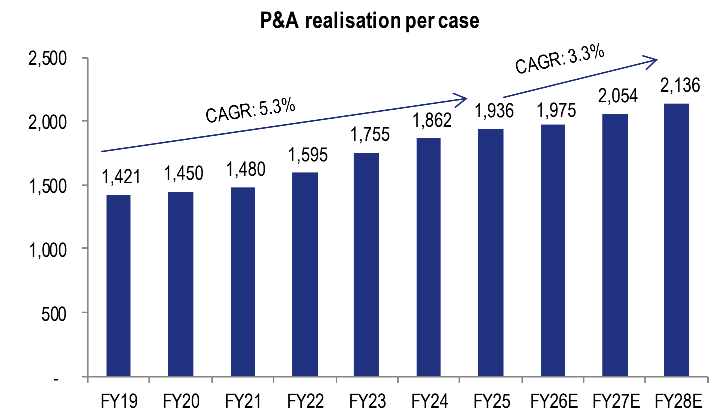
- **Revenue performance:** United Spirits' sales have grown at a CAGR of c.4% over FY19-25, impacted by Covid-led disruption and divestment/franchising of a large portion of its Popular segment portfolio. P&A segment sales grew at a CAGR of c.9.6% with a volume CAGR of c.4%. We expect a similar trajectory to continue in the P&A segment, and bake in c.9% sales CAGR over FY25-28E. We expect high-single-digit sales growth in the P&A segment in FY26 and bake in low-double-digit growth for FY27/28E (in line with management guidance). In the Popular segment, we expect muted growth of 0.5% (vs. 2% decline in FY25) largely due to the steep increase in excise duty in Maharashtra and weakness in Karnataka. As a result, we expect overall sales CAGR of c.8% for United Spirits over FY25-28E, led by volume CAGR of c.5% and price/mix growth of c.4%.

Exhibit 71. For P&A, we expect 5.7% volume CAGR trajectory…



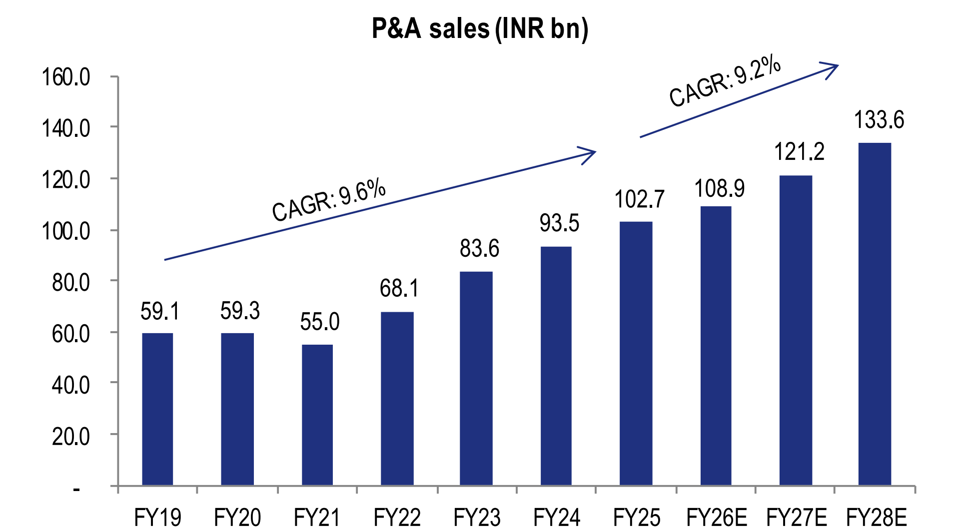
Source: Company, JM Financial

Exhibit 72. …and realisation per case CAGR of c.3% over FY25-28E



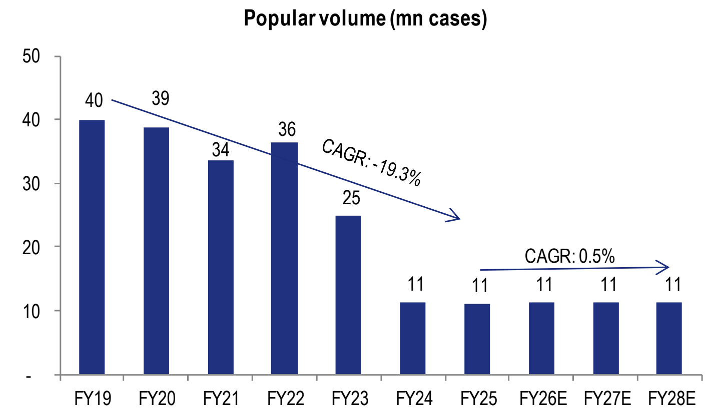
Source: Company, JM Financial

Exhibit 73. Steady improvement in volume and realisation to aid double-digit sales CAGR for P&A segment across FY25-28



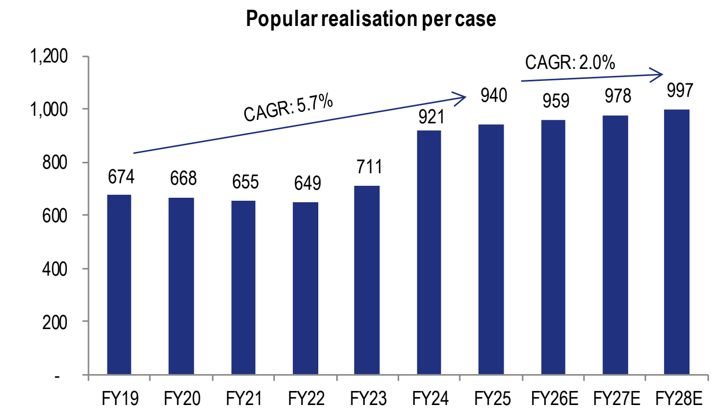
Source: Company, JM Financial

Exhibit 74. We expect Popular to remain under pressure in volume…



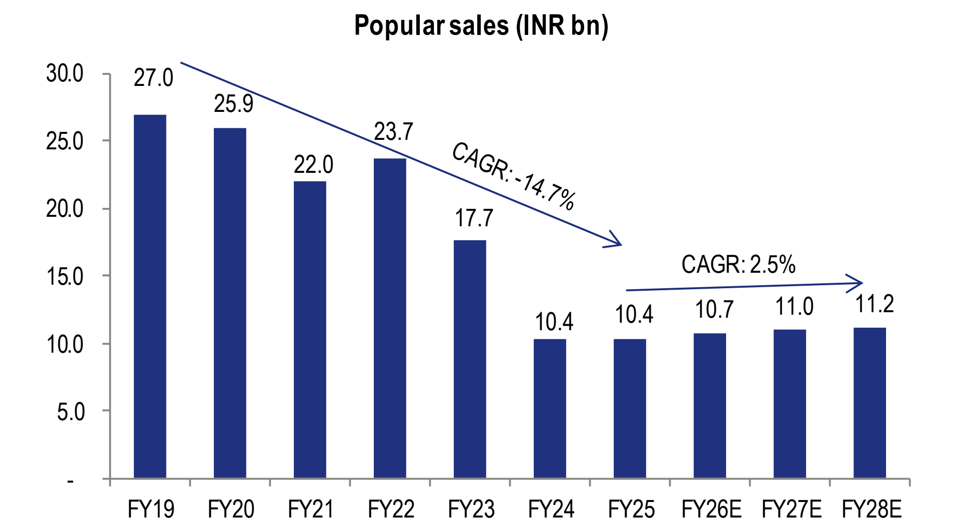
Source: Company, JM Financial

Exhibit 75. …as well as realisation per case



Source: Company, JM Financial

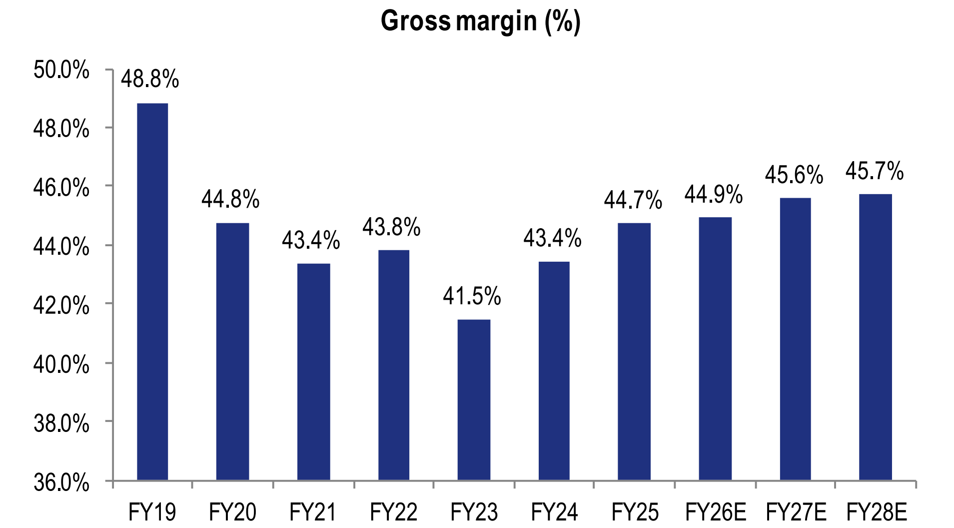
Exhibit 76. Sales CAGR for Popular segment to remain weak across FY25-28E due to state-level challenges in Maharashtra and Karnataka



Source: Company, JM Financial

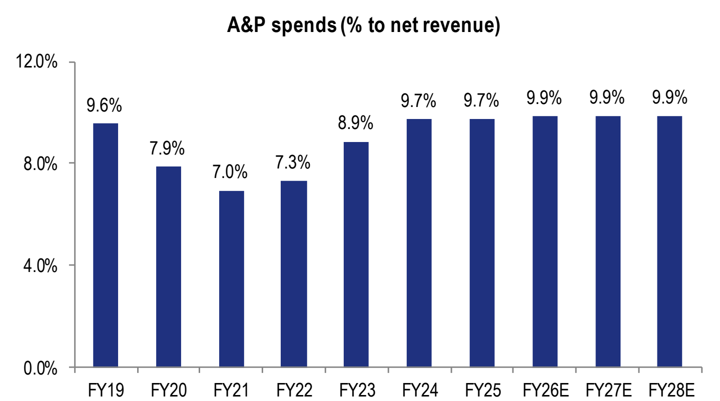
- **Scope for margin improvement exists, albeit at lower pace vs. FY23-25 trend:** After steep inflation in ENA as well as glass bottles impacted margins in FY23, United Spirits saw a healthy improvement in margins over the next 2 years. Gross margin improved by c.330bps to 44.7%; that, coupled with benefit from productivity programmes resulted in EBITDA margin expanding by c.410bps to 17.8% (in line with its guidance of high-teen margins), despite c.90bps increase in A&P spends (as % to net revenue). Going ahead, the pace of margin expansion is likely to be lower and margins are likely to remain range-bound at current high-teen levels. ENA prices are stable; however, the government's announcement on ethanol blending target in the coming months will be a key monitorable. Glass prices could see some temporary inflation due to planned maintenance shutdowns in the East and the West. A&P spends are likely to remain c.9.5-10% of sales. Hence, we expect moderate margin expansion of c.110bps over FY25-28E, resulting in low-double-digit EBITDA/PAT CAGR over the same period.

Exhibit 77. We expect gross margin to remain in the range of 45-46% on the back of stable RM environment



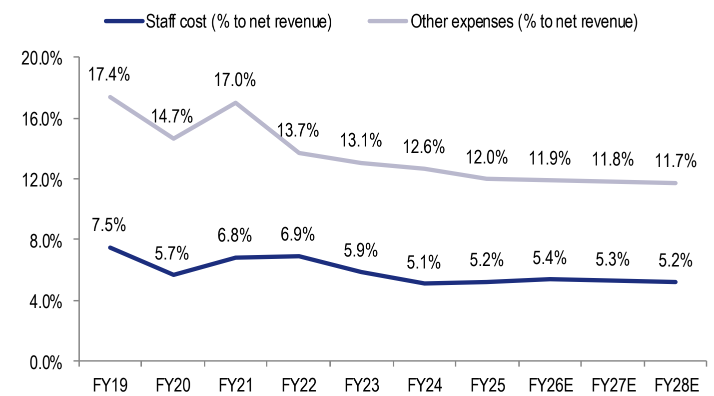
Source: Company, JM Financial. Note: Gross margin is calculated on net revenue.

Exhibit 78. We expect A&P spends to be steady at c.10% of net revenue



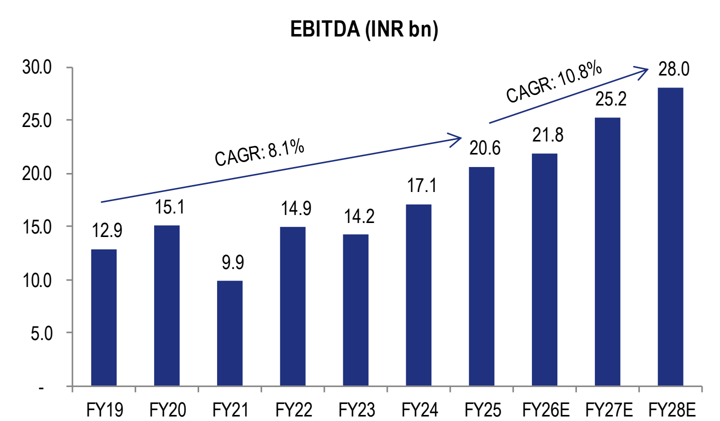
Source: Company, JM Financial.
Note: Net revenue is net-off excise duty but including other operating income.

Exhibit 79. Significant improvement in staff cost; other overheads to remain at current sustainable level



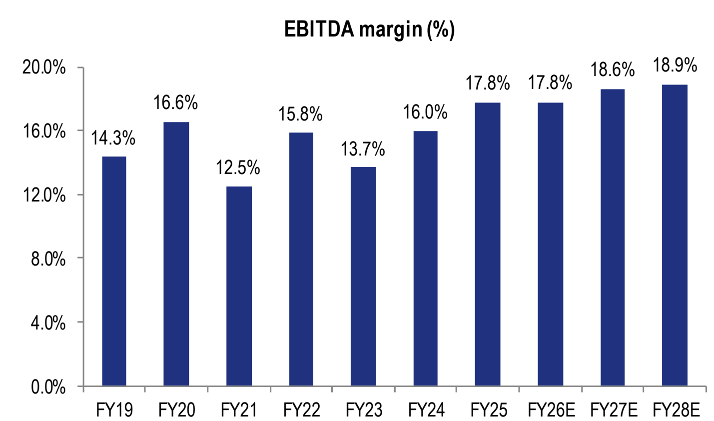
Source: Company, JM Financial.
Note: Net revenue is net-off excise duty but including other operating income.

Exhibit 80. We expect EBITDA CAGR growth of 10.8% with…



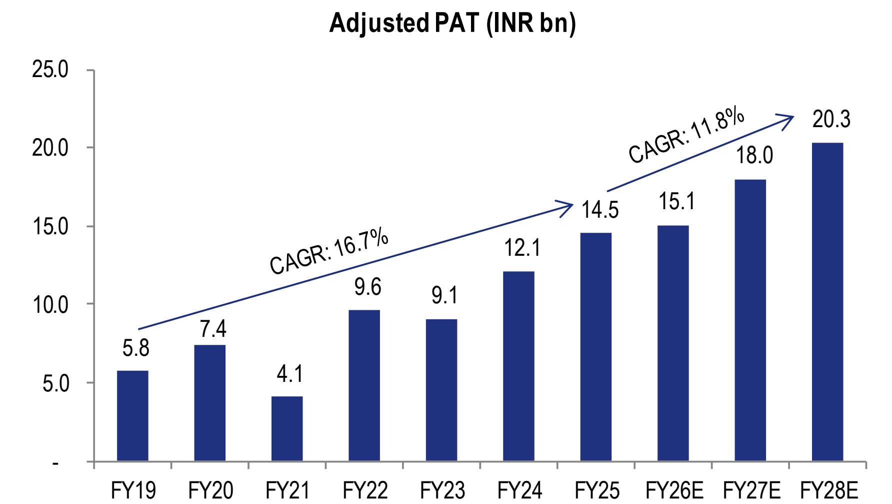
Source: Company, JM Financial

Exhibit 81. …EBITDA margin being range-bound in high teens



Source: Company, JM Financial

Exhibit 82. PAT growth to remain robust at 11.8% CAGR



Source: Company, JM Financial

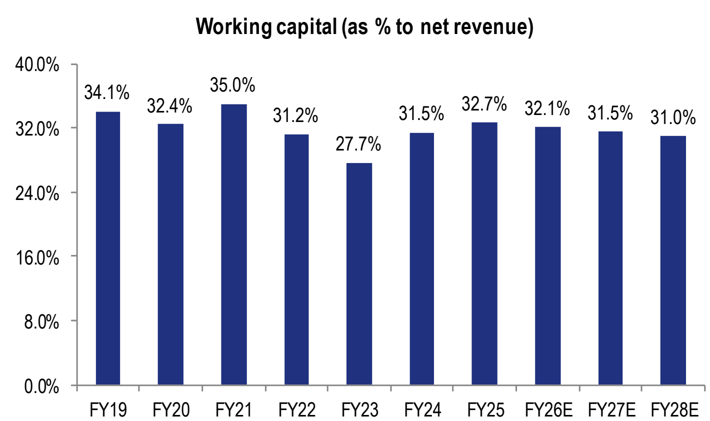
- **Cash generation and return profile to remain healthy:** Stable profitability and working capital along with lower capex intensity to result in healthy cash generation over FY25-28E, which should keep dividend payout ratio healthy and improve the overall return profile.

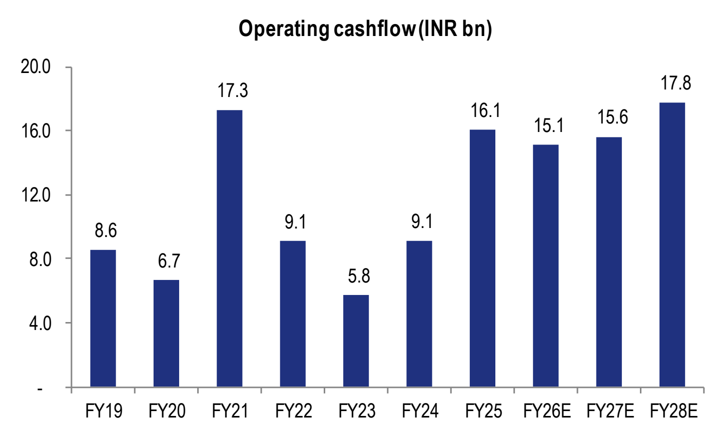
Exhibit 83. Snapshot of total working capital days calculated on gross sales

Net working capital days (on gross sales basis)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Inventory days	24	23	27	26	30	30	31	30	30	30
Debtor days	32	29	29	27	32	45	50	48	46	45
Creditor days	17	15	19	18	23	26	29	28	28	27
Net working capital days	39	38	37	35	38	48	52	50	49	48

Source: Company, JM Financial

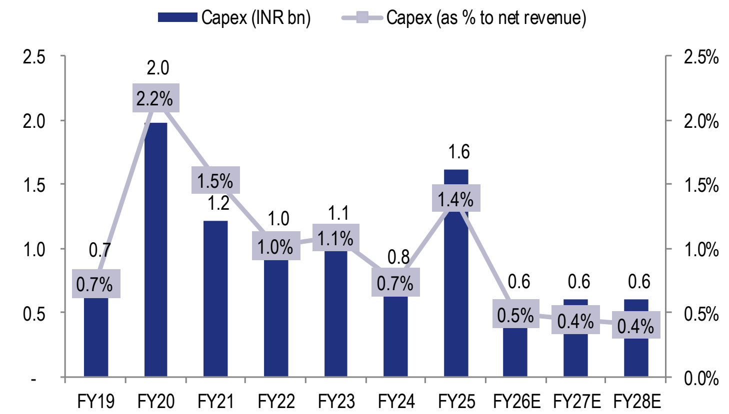
Exhibit 84. Steady profitability and working capital to aid operating cash flows…

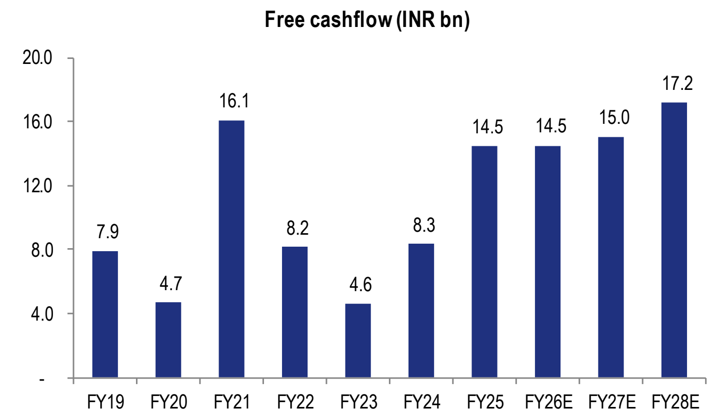




Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.

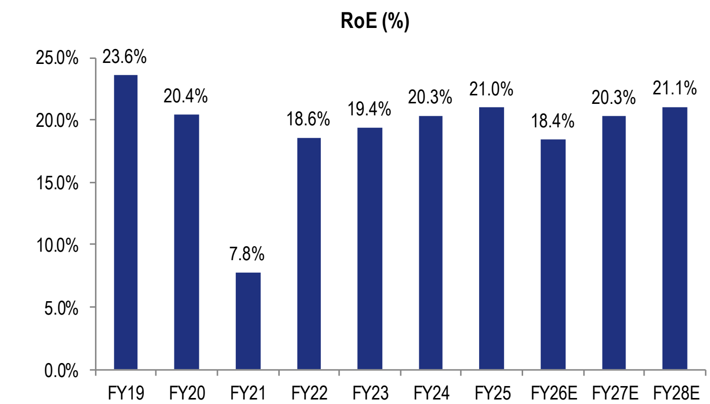
Exhibit 85. …which, along with lower capex intensity, could drive healthy free cash flow generation over FY25-28E

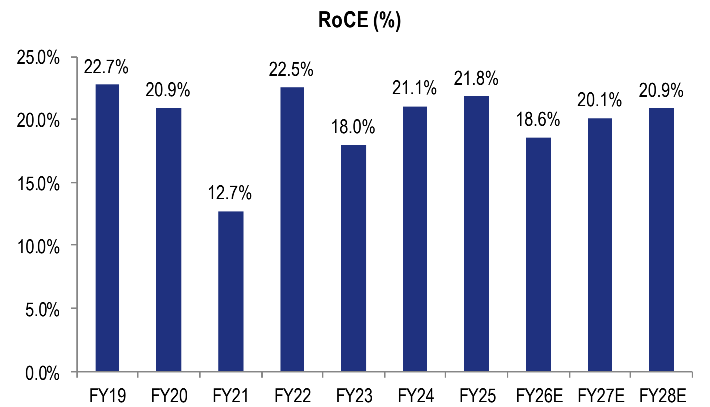




Source: Company, JM Financial. Note: Net revenue is net-off excise duty but including other operating income.

Exhibit 86. RoE/RoCE profiles to be largely stable over FY25-28E





Source: Company, JM Financial. Note: RoCE calculation is on post-tax basis.

Management background

Exhibit 87. Key management team

Name	Designation	Qualification & experience
Mr. V K Vishwanathan	Chairperson & Independent Director	He is a Chartered Accountant and has completed several advanced leadership management programmes from many prestigious institutions, including Stanford University. He has over 40 years of experience in the automotive and consumer goods sectors and was Chairman of Bosch Ltd. He has held various leadership positions in Bosch Group, Hindustan Unilever and TCS across the globe including India, UK, Germany and USA. He was also on the board of several companies including Bharti Airtel, ABB India, HDFC Life Insurance Company, TransUnion CIBIL Ltd.
Mr. Praveen Someshwar	Managing Director & CEO	He is a Chartered Accountant, Cost Accountant (ICWA) and also holds a B.Com (Honors) from Delhi University. He is a dynamic business leader with over 30 years of experience in driving transformation, strategy and execution within the media and FMCG industries. He served as the Managing Director and CEO of HT Media Limited. Previously, he spent 24 years at PepsiCo, where he held various management, finance, and strategy roles across India and the Asia Pacific region including CEO of India Foods and South Asia Beverages.
Mr. Pradeep Jain	Chief Financial Officer	He is a Chartered Accountant and an alumnus of the SRCC, Delhi University. He has an outstanding track record of over 25 years across sectors. He is also a member of Diageo's Global Finance Leadership and Diageo India's Executive Committee. Prior to Diageo, he held leadership positions across well-known organisations such as Eicher Motors, PepsiCo, and Pidilite Industries.
Mr. Vikram Damodaran	Chief Innovation Officer	He is an engineering graduate and holds B.E. (Mech) degree from College of Engineering, Guindy. He has 25 years of experience and leads innovation and premium portfolio development at Diageo. Prior to Diageo, he worked as a Chief Product Officer in GE Healthcare.
Mr. Jagbir S Sidhu	Chief Commercial Officer	He has an outstanding track record of over 30 years in the alco-bev industry. An experienced business leader, he has spearheaded several transformative initiatives across sales and marketing. Prior to Diageo, he worked with Pernod Ricard India where he held key leadership roles across Commercial, Marketing and International Business Development. He also led the business delivery for North, West and Canteen Stores Department (Ministry of Defence) and East Zones.
Mr. Jitendra Mahajan	Chief Supply & Sustainability Officer	He is an engineering graduate from the Walchand College of Engineering, Sangli and holds an MBA from Sydenham Institute of Management Studies, Mumbai having over 27 years of experience. Prior to joining Diageo, he served as Chief Operating Officer – Supply Chain & IT at Marico Limited. He has also worked at various blue-chip companies such as Britannia Industries and Mahindra & Mahindra.
Ms. Ruchira Jaitly	Chief Marketing Officer	She holds an honours degree from St. Xavier's College, Mumbai and is an IIM, Ahmedabad alumnus. She is an experienced marketer who has played a pivotal role in building leading consumer brands over the last 25 years. Prior to Diageo, she was with PepsiCo India as Senior Director, Marketing. Previously, she has also been associated with brands such as Nokia devices and Royal DSM.

Source: Company, JM Financial

Key risks

- **Any adverse regulatory changes in key markets:** The spirits industry in India operates in a highly regulated environment, marked by diverse regional laws including varying production levies, complex tax structures, advertising restrictions and multiple licensing requirements for manufacturing, storage, and distribution. Any changes in state-specific regulations or lapses in compliance could disrupt operations, delay product movement and adversely impact the company's business operations and profitability. For United Spirits, the state of Maharashtra contributes to ~18% of its overall sales. The state has recently announced a steep excise duty hike of over 50% on the IMFL category, which could adversely impact the company's volume trajectory and profitability.

- **Volatility in input costs:** United Spirits' key raw materials includes grain, extra neutral alcohol (ENA) and packaging materials like glass. Price volatility in these inputs, driven by global commodity cycles, supply-demand imbalances or geopolitical factors, could lead to higher production costs. Since the company operates in a highly regulated environment where price flexibility is negligible, cost escalations may affect it adversely and potentially result into margin compression.

- **Intense competitive landscape:** The IMFL industry in India is highly competitive with many existing incumbents penetrating the market with diverse and differentiated offerings across whisky, brandy, rum and white spirits. Further, country liquor players are also diversifying and upgrading their portfolio with entry-level IMFL products, further increasing the competitive intensity.

- **Shift in consumer preference and decrease in population consuming alco-beverages:** Globally, there is an emerging consumption trend wherein consumers are becoming more health conscious and shifting towards non-alcoholic and/or low-alcohol drinks due to the impact of alcohol on health. If such a shift in consumer demand (especially younger generation) towards zero or low-alcohol alternatives occurs in India, then demand for United Spirits' products could reduce and impact it negatively.

Financial Tables (Standalone)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	106,300	115,170	121,885	134,499	147,248
Sales Growth	3.0%	8.3%	5.8%	10.3%	9.5%
Other Operating Income	620	560	588	617	648
Total Revenue	**106,920**	**115,730**	**122,473**	**135,116**	**147,896**
Cost of Goods Sold/Op. Exp	60,480	63,970	67,464	73,532	80,291
Personnel Cost	5,430	6,050	6,564	7,119	7,717
Other Expenses	23,930	25,130	26,643	29,306	31,907
EBITDA	**17,080**	**20,580**	**21,803**	**25,160**	**27,982**
EBITDA Margin	16.0%	17.8%	17.8%	18.6%	18.9%
EBITDA Growth	20.4%	20.5%	5.9%	15.4%	11.2%
Depn. & Amort.	2,640	2,740	2,849	2,996	3,148
EBIT	14,440	17,840	18,954	22,164	24,834
Other Income	3,350	4,260	2,351	2,780	3,209
Finance Cost	760	890	1,051	753	775
PBT before Excep. & Forex	17,030	21,210	20,254	24,191	27,268
Excep. & Forex Inc./Loss(-)	-170	-650	0	0	0
PBT	16,860	20,560	20,254	24,191	27,268
Taxes	3,740	4,980	5,165	6,169	6,953
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	13,120	15,580	15,089	18,022	20,314
Adjusted Net Profit	**13,120**	**15,580**	**15,089**	**18,022**	**20,314**
Net Margin	12.3%	13.5%	12.3%	13.3%	13.7%
Diluted Share Cap. (mn)	727.4	727.4	727.4	727.4	727.4
Diluted EPS (INR)	**18.0**	**21.4**	**20.7**	**24.8**	**27.9**
Diluted EPS Growth	24.8%	18.8%	-3.2%	19.4%	12.7%
Total Dividend + Tax	6,546	8,728	8,752	10,813	12,189
Dividend Per Share (INR)	9.0	12.0	12.0	14.9	16.8

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	69,630	78,790	85,127	92,336	100,462
Share Capital	1,450	1,450	1,450	1,450	1,450
Reserves & Surplus	68,180	77,340	83,677	90,886	99,012
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	-1,770	-1,550	-1,550	-1,550	-1,550
Total - Equity & Liab.	**67,860**	**77,240**	**83,577**	**90,786**	**98,912**
Net Fixed Assets	12,820	14,780	13,893	13,022	12,182
Gross Fixed Assets	21,120	21,140	21,690	22,240	22,790
Intangible Assets	880	900	950	1,000	1,050
Less: Depn. & Amort.	11,820	12,550	13,835	15,147	16,484
Capital WIP	2,640	5,290	5,088	4,929	4,827
Investments	2,240	2,340	2,340	2,340	2,340
Current Assets	90,590	108,510	117,272	128,910	141,521
Inventories	20,630	23,050	23,709	26,144	28,602
Sundry Debtors	31,280	36,280	37,400	40,534	43,569
Cash & Bank Balances	10,210	11,500	16,474	20,390	25,199
Loans & Advances	0	0	0	0	0
Other Current Assets	28,470	37,680	39,689	41,842	44,151
Current Liab. & Prov.	37,790	48,390	49,928	53,486	57,132
Current Liabilities	19,640	24,860	25,250	27,605	29,987
Provisions & Others	18,150	23,530	24,677	25,881	27,144
Net Current Assets	52,800	60,120	67,344	75,424	84,390
Total – Assets	**67,860**	**77,240**	**83,577**	**90,786**	**98,912**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	16,860	20,560	20,254	24,191	27,268
Depn. & Amort.	2,640	2,740	2,849	2,996	3,148
Net Interest Exp. / Inc. (-)	760	890	1,051	753	775
Inc (-) / Dec in WCap.	-5,760	-3,540	-1,522	-3,351	-3,253
Others	-2,240	-2,860	-2,351	-2,780	-3,209
Taxes Paid	-3,130	-1,730	-5,165	-6,169	-6,953
Operating Cash Flow	**9,130**	**16,060**	**15,116**	**15,640**	**17,775**
Capex	-790	-1,610	-600	-600	-600
Free Cash Flow	8,340	14,450	14,516	15,040	17,175
Inc (-) / Dec in Investments	2,980	-9,230	-873	-960	-1,056
Others	2,470	1,340	989	1,254	1,501
Investing Cash Flow	**4,660**	**-9,500**	**-484**	**-306**	**-155**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-2,910	-3,500	-8,752	-10,813	-12,189
Inc / Dec (-) in Loans	0	0	0	0	0
Others	-1,480	-1,770	-907	-604	-623
Financing Cash Flow	**-4,390**	**-5,270**	**-9,658**	**-11,418**	**-12,811**
Inc / Dec (-) in Cash	**9,400**	**1,290**	**4,974**	**3,916**	**4,809**
Opening Cash Balance	810	10,210	11,500	16,474	20,390
Closing Cash Balance	10,210	11,500	16,474	20,390	25,199

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	12.3%	13.5%	12.3%	13.3%	13.7%
Asset Turnover (x)	1.6	1.5	1.4	1.5	1.5
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0
RoE	20.3%	21.0%	18.4%	20.3%	21.1%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	95.7	108.3	117.0	126.9	138.1
ROIC	19.8%	22.1%	21.5%	24.3%	26.0%
ROE	20.3%	21.0%	18.4%	20.3%	21.1%
Net Debt/Equity (x)	-0.1	-0.1	-0.2	-0.2	-0.3
P/E (x)	73.6	62.0	64.0	53.6	47.5
P/B (x)	13.9	12.3	11.3	10.5	9.6
EV/EBITDA (x)	55.9	46.3	43.5	37.5	33.6
EV/Sales (x)	8.9	8.2	7.7	7.0	6.4
Debtor days	107	114	111	109	108
Inventory days	70	73	71	71	71
Creditor days	74	83	79	80	80

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081
Member of BSE Ltd. and National Stock Exchange of India Ltd.
SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com
Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: sahil.salastekar@jmfl.com
Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:
All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and
No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and their immediate relatives are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JM Financial Institutional Securities and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1325 Avenue of the Americas, 27th Floor, Office No. 2715, New York, New York 10019. Telephone +1 (332) 900 4958 which is registered with the SEC and is a member of FINRA and SIPC.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an “accredited investor” as such term is defined in National Instrument 45-106 Prospectus Exemptions and a “permitted client” as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.