

UNITED SPIRITS

A DIAGEO Group Company

United Spirits Limited
Registered Office:
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May 12, 2017

BSE Limited,
(Regular Office & Corporate Relations Dept.)
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001.
Scrip Code: 532432

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai - 400 051.
Scrip Code: MCDOWEL-N

Dear Sir/Madam,

Sub: Presentation made to Global investors

Pursuant to Regulation 46(2)(O) and other applicable regulations, if any of the SEBI (Listing Obligations and Disclosure) Regulations, 2015, we attach herewith the Presentation made to global investors in London by our Company's Managing Director and Chief Executive Officer and confirms to IFRS and not Ind AS and is on the earlier published results. The presentation is being uploaded on to the Company's website also.

Kindly take note of the above on your record.

Thanking you,

Yours faithfully,
For UNITED SPIRITS LIMITED,

RAMACHANDRAN VENKATESAN IYER
Digitally signed by
RAMACHANDRAN VENKATESAN
IYER
Date: 2017.05.12 10:41:24 +05'30'

V. Ramachandran
Company Secretary

Encl: As above

Corporate Identity Number : L01551KA1999PLC024991

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- Good morning/afternoon to all of you.
- I'm Anand Kripalu, Chief Executive Officer of United Spirits, Diageo's business in India.
- I've spent 3 decades in the consumer products industry, managing sales and marketing and running FMCG companies.
- I joined Diageo over 3 years ago when it acquired its majority share in United Spirits in India.
- I had the opportunity to interact with many of you yesterday evening and I hope you had a chance to experience some of our brands at the mainstream spirits showcase



WHAT WE WILL COVER TODAY

DIAGEO

Strong long term fundamentals in an attractive market

Clear strategy to access the opportunity

Confidence in the future

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- Today I'm going to talk about the attractive opportunity we see in India
- And our strategy and plans to access the opportunity
- I will also share with you how we have transformed our India business in the past 3 years as well as some great outcomes we have achieved so far
- And why I am confident about the future of this business



WHAT WE WILL COVER TODAY

DIAGEO

Strong long term fundamentals in an attractive market

Clear strategy to access the opportunity

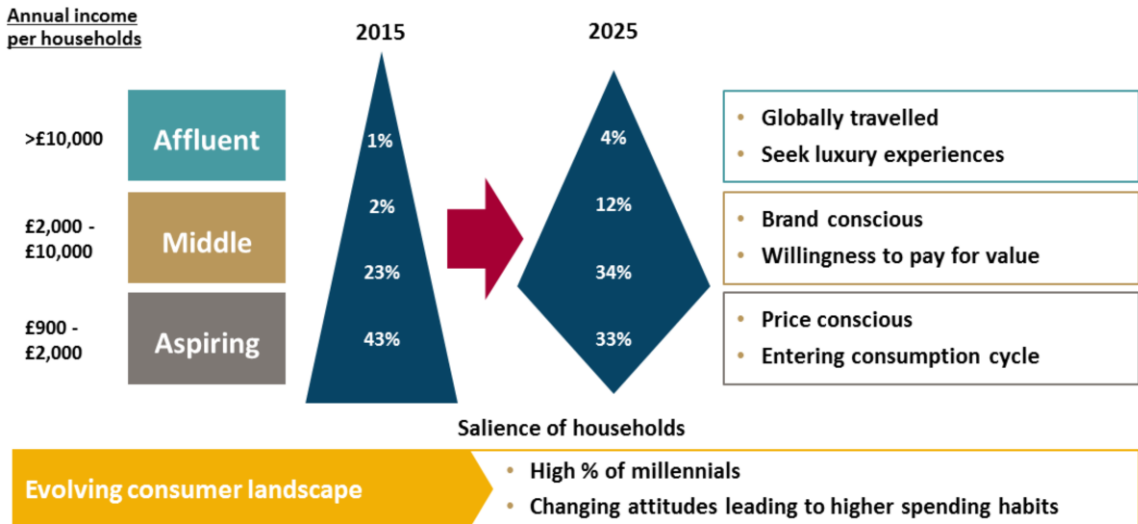
Confidence in the future

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- Starting with the opportunity

RISING INCOME LEVELS RE-SHAPING THE CONSUMER LANDSCAPE

DIAGEO



Source: McKinsey, excludes consumers not buying branded goods

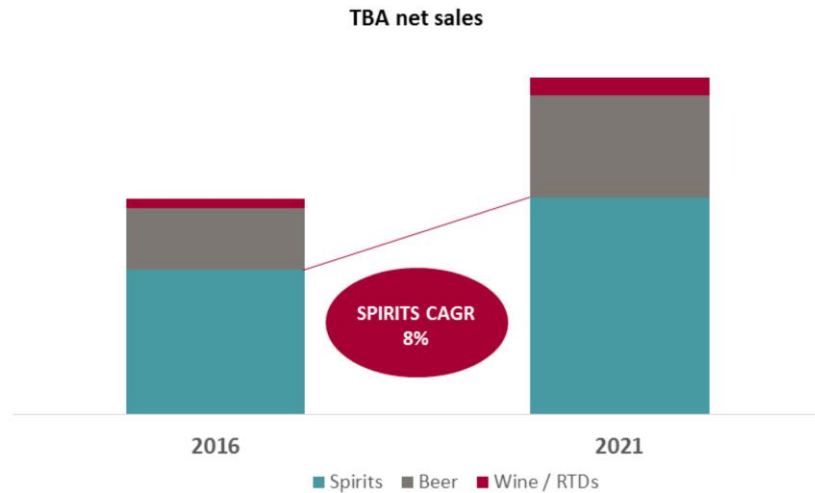
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- India's economy for the past few years has been the bright spot among the large emerging markets; growing at around 7% and this strong growth is expected to continue in the medium term
- This economic growth is driving GDP/capita growth which is morphing what I call the 3 Indias i.e. aspiring, middle and affluent consumers; from a bottom heavy pyramid to a middle heavy diamond.
- Aspiring: The ones who are just entering the consumption cycle and for whom price is the biggest determinant of consumption.
- Middle: These consumers start to move up to the point where they are willing to pay for better brands as long as the perceived value exists. This consumer segment is growing fast and is expected to get to about 45% of the population over the next decade or so. To put this in perspective, by 2025 middle consumers in India will be almost the same size as of population of Europe. [about 80%]
- Affluent: At the top of the pyramid are those who want the best the world has to offer. Typically, these are well travelled who seek luxury experiences and buy the best brands. And the number of affluent people will be more than double the population of Australia.
- Millennials are two thirds of India's population, with more money in their pockets are looking for experiences and willing to spend on them
- These favourable economic and demographic factors coupled with changing attitudes, are projected to support a long term increase in consumer spending.
- Cultural and social attitudes to alcohol are also changing.
- So what does this mean for the total beverage alcohol sector.



DRIVING STRONG GROWTH IN ONE OF THE WORLD'S BIGGEST TBA MARKETS

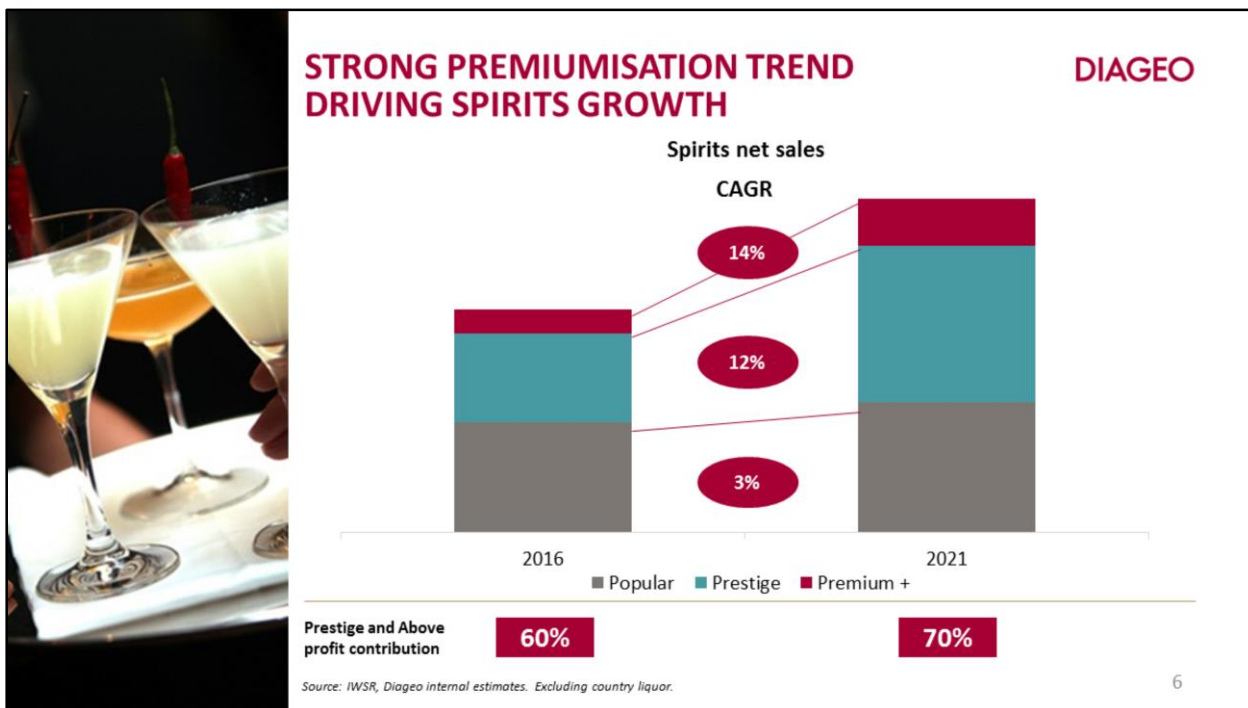
DIAGEO



Source: IWSR, Diageo internal estimates. Excluding country liquor.

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- The long term fundamentals for total beverage alcohol are also strong supported by:
 - LPA+ population expected to increase by 183 million over the next decade
 - Rising disposable incomes which will drive better consumption
 - Lowest per capita consumption in the world which is expected to increase as social attitudes to alcohol change. Unlike in the past, it's not taboo to serve alcohol at a wedding reception, nor is it unusual for women to go out and have a drink with their friends
- Spirits is the biggest TBA category (almost 70% of TBA value) and the strong consumer fundamentals are expected to drive strong growth over the next five years.



- It is not just the volume opportunity, WHAT people choose to drink makes a big difference.
- People want to drink better and they want to be seen to be drinking better.
- With rising incomes they are able to do this and we are seeing a strong premiumisation trend in spirits which is expected to drive double digit growth in the Prestige and above segment
- As an example, India is the largest whisky market in the world selling almost 200 million cases. However there is stark difference between volume and value with the average retail price per 750ml in the rest of the world being more than 5 times that in India. So lot of room to drive premiumisation!
- The prestige and above segment is also where most of the spirits industry profit pool is, it is expected to contribute 70% of spirits industry profits by 2021
- So while the popular segment will continue to be a sizeable (though shrinking) portion of the spirits industry's sales and profits, the growth and profit pool is in the prestige and above segment



IN AN EVOLVING REGULATORY LANDSCAPE

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State-level regulated market and pricing



Restricted advertising



Controlled retail footprint



Supreme Court judgment on alcohol sale and service near national and state highways



Effect of impending GST

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- While there are strong long-term macro and consumer fundamentals which create the opportunity for spirits, the fact remains that India is a highly regulated spirits market:
 - Alcohol is a state subject with individual states regulating the manufacture, distribution, sale and pricing of alcohol.
 - Both, advertising and the retail footprint are restricted. In India alcohol is sold through only about 80,000 outlets, that number in Spain is over 250,000 outlets.
- The regulated market while creating complexity also means that the well established players like USL know how to operate and navigate in this regulated environment
- We have built the capability and the muscle to operate in this highly regulated and evolving environment.
- We have invested in building a strong Corporate Relations team of experts that leads the engagement with governments at the Central and State level.
- We have also strengthened our industry associations and through them we are engaging the government to offer perspectives and solutions to improve the ease of doing business; we offer evidence-based solutions to create a more harmonised taxation and regulatory regime – taken from best practice from around the world.
- The current government is very committed to improve the ease of doing business in India, so that is certainly very encouraging.
- There are a couple of regulatory changes that have been in the news recently
- The Supreme court judgement on alcohol sales near highways being the first one:

- This ruling impacts not only our industry but also has an impact on tourism, hotels and restaurants
- State governments and various hotel, retail and restaurant associations are approaching this aggressively to mitigate impact
- The implementation and mitigation is in various stages across states with some states having declassified highways, others fast tracking new alcohol license approvals and so on
- This is creating a short term impact which is expected to go through to the first half of F18 since some of the outlets have time until September 2017 to comply.
- We expect the impact to be mitigated eventually and where it doesn't get mitigated the consumption will shift to other outlets
- The other impending regulatory change is the GST bill:
 - The alcohol industry has been involved in discussions with the GST council
 - However it looks like alcohol will not be included in the GST bill
 - Having said that there is a lot of support to make sure alcohol is not unduly hurt as a result of input costs going up
 - We are in on-going discussions with the government around tax slabs for our inputs
 - We have also worked up a detailed mitigation plan which involves actions taken by us and advocacy with state governments
 - While we will only know the full extent of the impact after the GST bill is finalized, it is likely there could be some impact in F18.
- Given the evolving regulatory landscape, it is increasingly important that we play a leadership role in shaping the regulatory landscape. I will share more on it later.
- With this overall context of the opportunity and the landscape we operate in, let me share with you why we are well set up to access the opportunity

WE ARE WELL SETUP TO ACCESS THE OPPORTUNITY

DIAGEO

Largest beverage alcohol company in India

Winning portfolio with 15 brands over 1 million cases

Advantaged route to consumer

44%* share in spirits

Wide manufacturing footprint covering most States

Strong global and local capabilities

*Nielsen value share, 12 months ended February 2017

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- We are the largest beverage alcohol company in India and among the largest consumer goods companies with McDowell's No. 1 being one of the largest consumer brands in India;
- We have a comprehensive brand portfolio with over 100 brands of which 15 brands sell over 1 million cases
- Our strong distribution network and route to consumer is second to none in the industry with almost 1 in every 2 branded spirits bottles sold in India coming from our portfolio.
- Our share in spirits is almost two times compared to our next closest competitor in spirits. (Source: Nielsen)
- We are combining the best of global and local capabilities and expertise as we build this business for the future.

WITH A BROAD PORTFOLIO ACROSS PRICE POINTS

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Consumer prices*	Focus brands	
Affluent	Luxury	>£20
Middle	Premium	£10 - £20
	Prestige	£4 - £8.5
Aspiring	Popular	< £3.5

*Average consumer prices in India, 750ml bottle

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- We spoke about the 3 India's earlier, and our portfolio covers all consumer and price segments
- Within each segment we have a broad line up, offering a range of choices to consumers
- So we have favourable demographics and consumer attitudes towards the category, that is driving strong category growth. We have a portfolio that is uniquely positioned to access this opportunity. Imagine what the opportunity could be if we operated in a more favourable regulatory environment.



WHAT WE WILL COVER TODAY

DIAGEO

Strong long term fundamentals in an attractive market

Clear strategy to access the opportunity

Confidence in the future

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- Let me now tell you how we are going to access this opportunity

OUR AMBITION IS TO BE THE BEST PERFORMING, MOST TRUSTED AND RESPECTED CONSUMER GOODS COMPANY IN INDIA

DIAGEO



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- At the start of our journey 3 years ago, we set out our vision to become the best performing, most trusted and respected consumer goods company in India.
- To achieve that we set out a medium term goal to grow top line double digit and improve organic operating margin to mid-high teens.
- For the past 3 years we have been worked to a focused strategy and 5 priority areas to achieve this goal
 - Strengthen & Accelerate core brands
 - Evolve route to consumer
 - Drive out cost to invest in growth and expand margins
 - Lead USL and industry towards the highest ideals of corporate citizenship
 - Creating a future ready organisation
- So let me tell you a bit about each of these priority areas and the strong progress we've made against each.
- Let me start with how we are strengthening our core brands and I will talk about this in two parts:
 - First, within our core brands our focus is on premiumisation through strengthening our Prestige & Above brands
 - Second, what we are doing to maximise value from our Popular brands

FOCUS ON PRESTIGE AND ABOVE BRANDS

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Renovation



Purpose-led marketing platform



Occasion-driven special packs



Innovation



Up-weighted marketing investment

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- Our Prestige and above brands represent about 60% of net sales
- We are focused on four levers to accelerate growth.
 - Ensure that our brands are contemporary and in step with evolving consumer tastes which means we have a renovation rhythm to update and upgrade our offers to the consumers.
 - We combine that with compelling purpose led marketing campaigns
 - Participate in new occasions through special packs for specific occasions.
 - Leverage innovation to grow our brands.
- And we will support this with increased levels of marketing investment
- We'll talk a little bit more about each of these levers

RENOVATION

DIAGEO



Source: Nielsen value share within prestige segment

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- The first brand we renovated 2 years ago was Royal Challenge with great success
- Volume has doubled and the brand is seeing strong share gains
- We have continued the renovation with McDowell's No 1. whisky which we relaunched in Dec 2015 and Signature in November 2016.
- We are pleased that both brands have gained share post renovation.
- It's clear that our renovation strategy is the right one , and that we have developed the capability to deliver this change.
- Now let me take you through in more detail our work on Royal Challenge.

ROYAL CHALLENGE RENOVATION

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Tested all elements of mix via neuroscience



Improved liquid



New to market packaging



Impactful communication



Brilliant execution



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- We comprehensively re-engineered the consumer offer. The new marketing platform is about living life in a 'Bold' way
- This boldness came across in all aspects of the brand:
 - A bold new packaging
 - A darker bold liquid
 - 'Bold' communications
- Let's have a look at the new Royal Challenge advertising.

PURPOSE-LED MARKETING PLATFORM

DIAGEO



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- So as you saw the ad shows, people making bold life choices:
 - An individual making the bold decision to make a career change
 - And a man and a woman from two different communities boldly making their life choices

OCCASION-DRIVEN SPECIAL PACKS

DIAGEO

HOLI FESTIVAL LIMITED EDITION



SCOTCH COLLECTON – YEAR ROUND GIFTING



T20* LIMITED EDITION



*Indian Cricket Premier League (IPL) special edition

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- We have extended our offering with special packaging for special occasions whether it is gifting packs or festivals like Holi or Diwali or for occasions like cricket.

INNOVATION

DIAGEO

RECRUIT

Recruit consumers through new propositions



RE-RECRUIT

Extend brands into new occasions



DISRUPT




Access large, untapped categories through new spirits



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- Innovation is an area where we have invested in upgrading our capabilities and are also leveraging Diageo's strong innovation capabilities
- We will leverage innovation in a focused and sustainable manner to recruit consumers to existing categories, extend brand portfolios to new occasions and to disrupt with new spirits offerings target at untapped categories
- Innovation will also be margin accretive.
- I have shared with you how we are accelerating growth of our prestige and above brands. Let me now tell you about the actions we are taking to maximise value from our popular brands

FIT FOR PURPOSE OPERATING MODEL FOR POPULAR BRANDS

Operating model	% of Popular net sales	Rationale	Ambition
 Retain	50-60%	Profitable growth opportunity	Hold share
 Franchise out	30-40%	Franchisee has local scale and strong RTC	Stable income stream
 Exit	0-5%	Unprofitable in both operating models	-

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- The Popular segment is important because it is the pathway to trading up consumers into the Prestige and above segment
- However, the level of profitability varies in different states and thus requires a different operating model.
- We have created a fit-for-purpose model for our Popular brands with three approaches to managing the brands
- **RETAIN:** In states like Maharashtra and Karnataka where we can derive sustained and profitable growth in the long term, we will retain the business and operate it ourselves
- **FRANCHISE:** In certain states we believe that other local parties are better advantaged to maximize value of our popular brands and thus in these states we have begun appointed franchisees for these brands, through a fixed fee model.
- **EXIT:** In those states where we don't see a profitable business model either way we may choose to exit
- In the end state popular brands are expected to be about 30% of our net sales (including franchise income)
- This model works because it liberates our time and attention to focus on the biggest opportunity in the prestige and above segment while maximising value of our popular brands

RTC: KEY FOCUS AREAS**DIAGEO**

Key RTC objectives			
Channel/ segment	Leverage outlet as media to build brand imagery	Create demand through consumer winning activations	Leverage trade as ambassadors
On Trade	Create Perfect stores	Brand activations Scotch mentoring Wedding and Banquets	Diageo Bar Academy World Class
Off Trade			

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- Overall philosophy of the RTC program is to move focus from sell in to sell out
- That means winning at point of purchase or consumption
- Given the restricted media market we operate in, we are treating every store and bar as an opportunity to advertise our brands.
- Our perfect store program does that with clear standards for distribution, visibility and merchandising
- We are recruiting new consumers through brilliantly executed consumer activations in outlets and also at occasions like Weddings & Banquets
- We are helping our trade partners do what they do better through the Diageo bar academy and World classing, turning them into advocates of our brands
- I will share a couple of examples to bring it to life

TRANSFORM STORES TO "PERFECT STORES"

DIAGEO



Before



After

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- We are transforming stores to perfect stores, focussing on the right visibility, share of shelf and merchandising standards
- You can see the same store after executing after our perfect store standards
- Perfect stores now account for over a third of our business

CONSUMER WINNING ACTIVATIONS

DIAGEO

SCOTCH MENTORING



TROLLEY



BRAND ACTIVATIONS



WIN THE BAR FOR THE NIGHT



BOTTOMS UP WITH CELEBRITY MIXOLOGIST.



WEDDINGS & BANQUETS

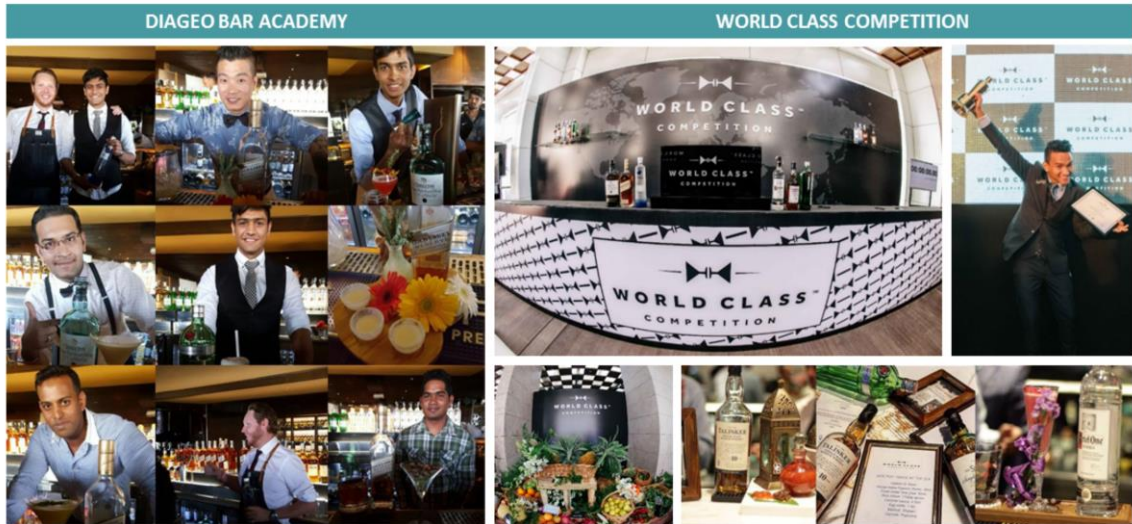


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- We are activating our brands with the right tools in the right channels to recruit consumers
- You might have heard about Indian weddings being a big party. A great opportunity to build our brands and sample at scale. We now have a dedicated team activating in this channel with branded bars and bartenders we provide.

LEVERAGE TRADE AS A BRAND AMBASSADOR

DIAGEO

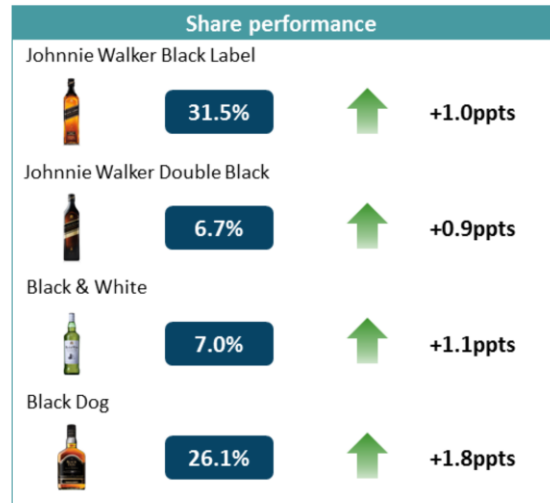
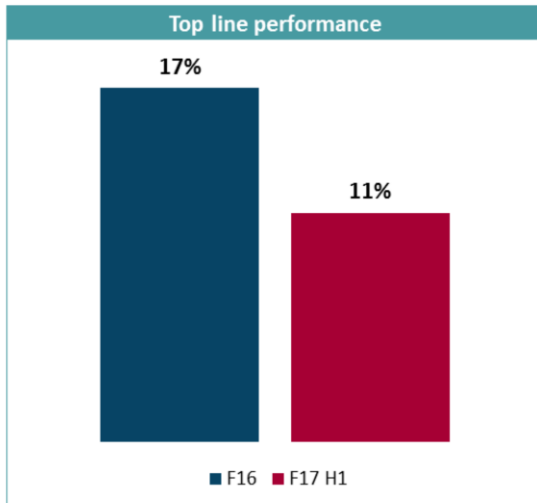


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- Through World class and Diageo bar academy which we use to help bartenders upgrade their skills we are creating advocates for our brands

SCOTCH PORTFOLIO GROWING DOUBLE DIGIT AND GAINING SHARE

DIAGEO



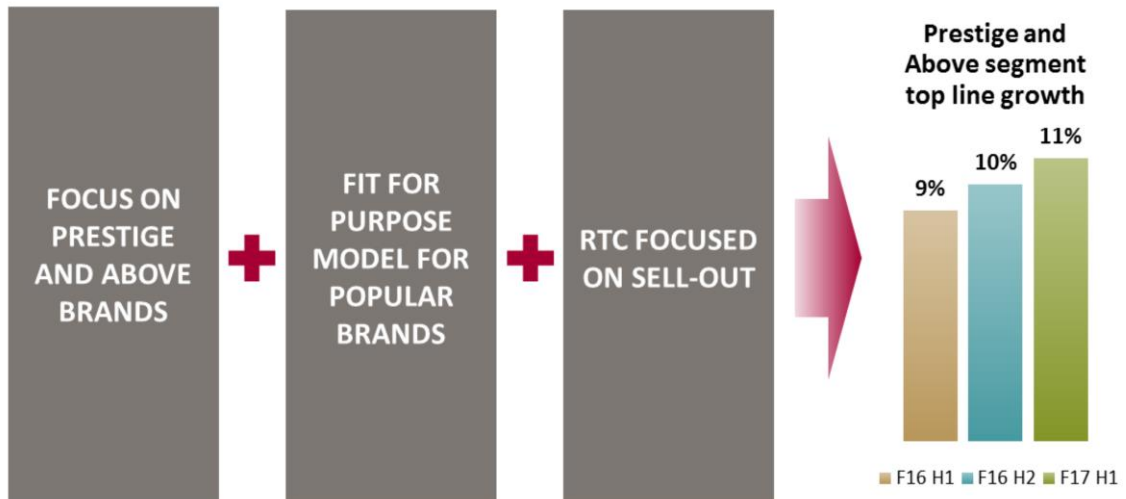
Source: Nielsen value share and share movement within the premium and luxury segment, 12 months ended February 2017

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- Combining the RTC of USL and Diageo brands is driving strong results on our scotch brands
- Net sales are growing double digit and we are gaining share on key scotch brands

CONFIDENCE IN DELIVERING DOUBLE DIGIT ORGANIC NET SALES GROWTH IN THE MEDIUM TERM

DIAGEO



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- The growth levers for Prestige and above brands and evolution of our RTC are driving double digit growth in our prestige and above brands which we expect to accelerate in the medium term.
- This coupled with unlocking price increases and stabilization of our smaller popular business will drive overall double digit top line growth in the medium term
- In F17 H1 we have also grown net sales faster than competition
- Let me now share with you our third priority, how we are generating the fuel to invest in our brands and expand margins, which is through our productivity program

AMBITIOUS PRODUCTIVITY TARGETS ACROSS ALL LINES

DIAGEO


* F16 organic operating margin improvement vs. F15

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- It's about getting far more efficient and productive,
- We have been driving this productivity journey rigorously; literally looking at every single line of the P&L. In an industry where pricing is controlled, it is very important to reduce costs to invest in our brands and deliver our margin ambition.
- We have delivered 700 bps of organic margin improvement through the end of F16 and it now stands at about 10%
- We have done this through better mix, savings in COGS and overheads and marketing efficiencies.
- Given we have gone after the low hanging fruit first, I expect the pace of improvement to be more gradual over the coming years.
- Some of the examples of the things we have done/are doing:
 - We have reduced total manufacturing sites from 93 to 73, and within that owned manufacturing sites from 30 to 25
 - We have moved to standardised and lighter weight bottles
 - Eliminated ineffective marketing spend and also reduced agency and point of sale costs
 - We have right sized the organisation and also implemented zero based budgeting
 - We are engaging with state governments on prices increases and have had some success in F17.
- Beyond operating profit, we have also reduced interest costs by:
 - Reducing debt through sale of non core assets
 - Lowered average interest rates on our debt, down from over 11% to about 8%
- And I'm pleased that we've built the muscle and the mind-set to make this a sustained way of operating which help us deliver on our medium term ambition of mid-high teen organic operating margins
- Let me share an example with you

MOVE TO STANDARDISED GLASS BOTTLES

DIAGEO



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- We used to have different types of bottles for various Popular brands
- So the team came up with a simple but effective idea such as a standard glass bottles for our Popular brands, thus reducing costs significantly.
- A good example of how we are reducing costs by targeting elements that don't impact consumer demand



Corporate citizenship

CORPORATE CITIZENSHIP

DIAGEO

Alcohol in Society

Highest Compliance and governance standards

Building thriving communities

Leadership role in shaping the regulatory landscape

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- Our fourth strategic priority is about being good corporate citizens
- One of the biggest changes we have made, and the one I'm most proud of, is how we do business – as a company and as an industry.
- Compliance and good governance are absolutely at the heart of the company. It spans everything we do – from how we engage with government officials to how we market our brands responsibly and ethically, and how we promote only responsible consumption.
- We are an ethical marketer and have been promoting responsible drinking.
 - Working in partnership with 23 state governments, our programmes have trained about 400 traffic police officials, 6000+ commercial vehicle drivers and 6000+ university students – in 54 cities
 - Our alcohol sensitization programme reached out to over 25,000 high school students in the past year in a concerted effort to curb underage drinking.
- At the grass root level, we invest in the communities around our plants, focusing on water, sanitation and skill building particularly for women.
- We are taking a leadership role in shaping the regulatory landscape:
 - We are engaging with states on model excise policies that create a win-win solution; increasing state excise revenues while increasing ease of doing business for the spirits industry
 - We are being proactive on engaging with state governments on prohibition, highlighting to them that education and awareness are the only way of tackling alcohol misuse
- We've made huge strides in re-building and enhancing Diageo's reputation in India.



Future ready organization

RIGHT SIZING THE ORGANISATION TO FUEL FUTURE GROWTH

DIAGEO

Added new capabilities in Innovation, Digital, Corporate Relations, Legal & Compliance

Investment in talent

Improved systems and key processes

Best of both cultures

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The final but perhaps the most important priority is building a future ready organisation.

- While we are right sizing the organisation, we are investing in our people, capabilities and processes to future proof our plans:
 - We have added new capabilities to the company such as innovation, digital, corporate relations, legal and compliance. You will have seen some examples yesterday evening of what we are doing in digital and leveraging it to connect with consumers in a dark market.
 - We have upgraded the our talent pool through external recruitment from leading consumer goods companies and invested in learning and development for existing talent.
 - We have also invested in systems and processes that helps us understand performance better and also allows us to make more efficient business decisions. For e.g. we now have an end to end forecasting and planning process that works back from consumer demand forecasts to materials planning
 - We have also made good progress on integrating Diageo's global culture with USL's local strengths



WHAT WE WILL COVER TODAY

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Strong long term fundamentals in an attractive market

Clear strategy to access the opportunity

Confidence in the future

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- Let me now share why I am confident about the future of the business

**OUR AMBITION IS TO BE THE BEST PERFORMING, MOST TRUSTED
AND RESPECTED CONSUMER GOODS COMPANY IN INDIA**

DIAGEO

Medium term goal

Grow top line by double digits and improve operating margin to mid-high teens



5 Strategic Priorities

**Strengthen
& accelerate
core brands**

**Evolve route to
consumer**

**Drive out cost to
invest in growth**

**Corporate
citizenship**

**Future ready
organization**

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- I have shared with you the strong plans we have in place and the progress we are making towards our medium term goals



CONFIDENCE IN THE FUTURE

DIAGEO

Progress and delivery of our strategy even while transforming the company

Clear priorities to accelerate performance

Belief in the foundation we have built to deliver the future

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- We've come a long way in 3 years. We've transformed nearly every aspect of the business, merging 2 very different companies; dealing with legacy issues, instituting global standards and controls, – while delivering on ambitious performance outcomes such as improving performance of our core brands and expanding operating margins. We were trying to fly the plane while fixing the engine.
- We have made good progress on nearly every front despite the regulatory headwinds the industry faced.
- Our efforts are driving improved performance which reinforces our belief that we have the right strategy in place and it is working.
- We will continue to focus on these priorities in the future to capture the long term opportunity in this attractive market.
- These results and the tremendous progress we have made gives me the confidence that we can achieve our medium term ambition.
- Thank you

DIAGEO

**CELEBRATING LIFE,
EVERY DAY, EVERYWHERE**