Management Discussion

Shweta Arora - Head, Investor Relations, United Spirits Limited
Thank you, Darwin. Hello, everyone. Good afternoon, and welcome to United Spirits Limited First Quarter Fiscal 2027 Earnings Call. Before proceeding with today's call, I would like to remind the listeners that during the call, there may be some forward-looking statements. These statements are based on our views and assumptions at this point of time. However, this is not a guarantee of our future performance, and the results may materially differ from those expressed in or implied by such forward-looking statements. I request all of you to please refer to our financial and press release posted yesterday. Both are available on stock exchange and company's website under the Investors section. There was some technical issue because of which press release is still not available on BSE. The teams are in touch with the stock exchange, and we regret the inconvenience cause.

Moving on today on the call, we have with us Mr. Praveen Someshwar, Managing Director and CEO, who is joined by Mr. Pradeep Jain, Executive Director and CFO. Praveen and Pradeep will take you through the financial and business performance for the quarter, followed by the Q&A session. Thank you, and over to you, Praveen.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Thanks, Shweta, and very good afternoon to everyone. Thanks for joining us today, and as always, it's wonderful to speak to all of you. What better way to begin today's call than by calling out the implementation of the UK FTA last week? It was a historic moment when the agreement was signed a year ago, and it's equally gratifying to see it come into force today. This is an exciting moment for us, and we look forward to executing our playbook and capturing the opportunities ahead. More importantly, it's a win for our consumers, as access to Scotch will improve significantly, and the same will encourage further premiumization. Overall, we as a company remain committed to inclusive premiumization and will focus on growing Scotch penetration and accessibility as the captain of the industry. There are several other milestones in this quarter that are equally worth celebrating, if not more. Delighted to share that our Royal Challenge trademark has crossed 10 million cases on the trailing 12-month basis. This is a significant milestone for us, especially because we are the challenger brand in that segment.

Taking it from one challenger brand to another, I'm further delighted to share that Signature, our upper prestige trademark, has joined the INR1,000 crore club on a trailing 12-month basis. With this milestone, Signature joins McDowell's number one Royal Challenge and Johnnie Walker, taking the total number of our INR1,000 crore plus NSV trademarks to 4. We remain confident of sustaining the growth momentum on both these trademarks and further reinforcing the virtuous cycle of growth. And talking of milestones, last but not the least, Smirnoff, a trademark that has almost touched INR250 crores NSV in the-- in Q1 of fiscal '26-'27.

To put that into perspective, Smirnoff delivered approximately INR350 crores NSV in fiscal '25-'26, full year INR350 crores. And think about it, INR250 crores in Q1 26-27. This growth underscores the scale and momentum of the brand, driven by our local flavor innovation around Minty Jamun and Mango Mirchi. The Minty Jamun innovation has effectively created a category of its own, inspiring launches not just in alcobev category but in adjacent categories as well. Thanks to Smirnoff, the category in India is under a jamun seizure, as I call it. Today you can see jamun-flavored spirits, jamun-based cocktails gaining popularity -- popularity across the market, validating the consumer appeal of this previously untapped flavor opportunity.

What is even more encouraging is that the success of this innovation has created a positive halo on the core variant, also contributing further to the trademark's equity. We assure you that this is just the beginning, and we are working in the background to bring many more such exciting propositions from our innovation hub, The Good Craft Company.

Coming to our quarterly performance now, I'm sure you've all looked at our releases, so to avoid repetition, I would just touch upon a broader India growth story beyond the now often discussed policy headwind in Maharashtra. We've closed a strong quarter, delivering solid double-digit growth in our P&A above portfolio. Low teens' P&A growth in Rest of India offset by the Maharashtra impact. Allow me to unpack the performance numbers a bit.

During the quarter, against the reported P&A volume shrinkage of 1.3%, if we exclude Maharashtra, our P&A volume has grown by 6.4%. On NSV growth, based on the same construct against the reported P&A growth of 10.1%, eliminating Maharashtra, we have grown 14.8%. It is in this context that we say we have delivered a solid quarter. Therefore, to conclude the headline performance, we strongly believe that our historically stated double-digit growth construct with 5% to 6% P&A volume growth and 6% to 7% price mix stance, and we are excited about our P&A double-digit growth aspirations. Of course, PJ will provide more color on the other key financial metrics in his comments.

Now turning to key updates on our trademarks. As we speak, McDowell's renovated bundle has been launched in UP, Rajasthan, and Haryana. The initial response on trials has been encouraging, with consumers appreciating both the quality of the product and the overall bundle. Rajasthan and Haryana were launched just about a couple of weeks back. Overall, it's very early days to draw any concrete conclusions until we have seen some meaningful data on repeat purchases over the next few months in different markets. We aim to roll out the new bundle to roughly 85% of the salient markets before the festive season kicks in.

Black White launched its new equity campaign anchored by a powerful FIFA World Cup 26 association, delivering an average quarterly reach of 78 million consumers. To drive deeper market penetration, we expanded our out-of-home presence across Tier 2 cities and continued to invest behind visibility. Brand has been performing competitively in the segment and is now the number 1 Scotch and international whisky in India by volume. Also, India is the largest Diageo market for this trademark globally. During the IPL season, Johnnie Walker launched its equity film, generating over significant impressions and reaching more than 150 million consumers. This was complemented by the exclusive Whisky Experiments events held on World Whisky Day, enhancing consumer engagement and brand affinity.

Smirnoff strengthened its cultural relevance through standout activations across with PUMA x Superkicks and Palermo Jamun launch and the Park Street takeover in Calcutta, driving very strong consumer engagement. Coming to a brief update on RCSPL transaction, the Competition Commission of India, as you must have heard, has approved the transaction with the remaining statutory clearances clearly in process.

Let me also briefly touch upon the organized -- organizational effectiveness initiatives we undertook this quarter. While this is an annual exercise, this year's exercise was a little deeper and therefore more transformative, if I may say so, in impact. Over my last 15 months in the role, I have seen a clear opportunity to simplify our structure by reducing layers and leverage automation more effectively, and thereby driving greater agility. The restructuring and the reorganizing we did during the quarter reflects that sentiment and is designed to help us execute faster, operate more efficiently, and strengthen therefore our competitive edge.

As I bring my remarks to a close, let me touch upon the broader macro and industry dynamics and how we look at navigating those. We are witnessing healthy demand momentum, particularly at the premium end of the market. At the same time, inflationary pressures, including those arising from the West Asia situation and the AI-driven employment uncertainty, are start -- are impacting sentiments and pockets of certain consumer segments.

In this environment, our focus remains on delivering the right value proposition through a well-calibrated price-pack architecture in prestige and above segment. While premiumization remains a powerful long-term trend in India, we remain sensitive to the value-conscious consumer in India and will keep calibrating our offerings across the portfolio with a value-righting lens. In a market as diverse as India, it is important to navigate the dichotomy between premiumization and value-seeking behavior. We believe these trends are not mutually exclusive.

Our approach is what we would like to call inclusive premiumization, enabling consumers to access better experiences and trade up within their means through the right back price of offerings. Looking ahead, while the external environment continues to evolve, our strategy remains clear and consistent: a consumer-first mindset, continuously evolving portfolio, and disciplined execution with agility. With this, I hand over to PJ for a quick update on the financial performance for the quarter. PJ, I know I'm a lot more optimistic, but I'm sure you'll give them a bite of realism also.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah, thanks, Praveen, and good afternoon, everyone. Thanks for joining us today on the first quarter of fiscal '27 earnings call. Always a delight to connect with this cohort in this forum, right? As always, we'll request you to please refer to the financial and press release releases posted last evening. It is noteworthy that the consolidated numbers do not include Royal Challengers Sports Private Limited anymore. This is consequent to the announcement dated March 24th, 2026.

It is now being reflected as discontinued operations, subject to BCCI and other regulatory approvals required to complete the transaction. Prior year numbers have also been restated accordingly. As Praveen mentioned earlier, we have delivered an overall strong quarter with double-digit P&A growth. And this is after absorbing the adverse Maharashtra impact. As mentioned last quarter as well, we do not see any sequential deterioration due to Maharashtra, while we still must cycle the base for next couple of quarters. Praveen has also deconstructed the quarter growth construct on the top line, so we'll not be repeating that. Suffice to say that the momentum in Rest of India remains strong and building up for the next few quarters.

Let me also briefly touch upon the popular segment. While it continues to be a small part of our business, accounting for less than 10% of revenues, it is important to provide some context for the quarter. The segment faced two policy-related impacts during the period: the continuation of the Maharashtra adverse impact and the changes in the Karnataka policy that came into play during the quarter. I would want the audience to appreciate that the Karnataka policy impact overall is very favorable to our Prestige and above portfolio, and some part of that tailwind is also nested in the quarter P&L performance. I also want to reemphasize that the adverse volume impact in Maharashtra mathematically is accretive on the national price mix.

Therefore, the reported overall price mix stands at 9.4% for the quarter and for Prestige and above at 11.4%. But when we exclude Maharashtra from the equation, overall price mix normalizes to 5.4%, and P&A comes down to 8.4%, which is what should be considered for the way forward, especially once we start lapping Maharashtra after a couple of quarters. On the cost side, as highlighted in the

last quarterly call, this quarter absorbed the impact of the West Asia crisis, roughly a range of about INR30 crores. Impact was across the lines of glass, energy, packaging, and logistics. EBITDA has largely been stable.

The redeeming thing is that crude has normalized from the north of INR100 levels and playing around between 80 and 90. Having said that, the situation does remain fairly dynamic, on that front, right. So therefore, we'll have to wait and watch in terms of when all this will normalize over the next three to four months. The marketing reinvestment rate during the quarter was at 11.3% of net sales. While this may appear high for the quarter, but would request all of you to see this in the context of a renovation innovation-heavy calendar and an IPL FIFA World Cup quarter, which gives our brands an opportunity to build salience and top of mind with the consumer. In addition, the top end of the portfolio continues to perform well, and that also demands higher A&P as we have historically stated. So overall would say that A&P investment would remain in the range of 10.5% to 11% for the full fiscal. As a consequence of all the above, our EBITDA grew 4.1% for the quarter at INR432 crores and EBITDA margin was at 16%.

Moving on to the other relevant line items, there is a dividend income of INR150 crores from Royal Challengers Sports Private Limited, which is reflected in the other income. In addition, you will be able to see an exceptional charge of INR1.5 crore. INR81 crores for the quarter. Approximately INR50 crores is on account of the org restructuring measures, which Praveen alluded to earlier, and the large part of the balance pertains to the closure of a unit under the multi-year supply agility program, details of which were shared in our stock exchange disclosures last month. The reported profit after tax for the quarter was at INR391 crores, a growth of all other relevant numbers and information is well contained in our press release.

With this, we can now open the floor for Q&A. Thank you.

Questions & Answers

Operator
Thank you very much. We will now begin the question and answer session. [Operator Instructions] Our first question comes from the line of Abneesh Roy with Nuvama. Please go ahead.

Abneesh Roy - Analyst, Nuvama
Yeah, thank you. My first question is to PJ. I wanted to understand on IPL team sale, what approvals have come, what are pending, and what is the expected timeline? Is there any change versus the initial around 6-7 months timeline? And second part of the question to PJ is what happens to the balance 90% stake to Nuvola? Is there a game plan to eventually acquire the majority stake in this? That is my first question.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah, Abneesh, so, I mean, very clearly, as you would have seen in the press, the Competition Commission of India approval has already come in. And we are working along with the buying consortium with the BCCI, right? The BCCI approval is the core approval, and we expect that to come through in the next 60 to 90 days, right. So very much on track for that original six to seven month timeline for closing the transaction, right. So that's one.

Your second question was -- look, as we've always said, we keep taking these minority strategic positions, right, in new consumer trends that we see emerging and with a set of entrepreneurs who

-- startup entrepreneurs who we believe are breakthrough, right. So that's the only way to look at it right now, right, and then over the next three, five, seven years if the businesses become big and scale up, et cetera, then we can take a position on the balance, right? So that's the response to your second question.

Abneesh Roy - Analyst, Nuvama
So my second and last question is to Praveen. So it is on the three South Indian states. One is on Karnataka, great start for you and industry. I wanted to understand if government also gets a good benefit, because if that happens, other states could see this as a template. It is a bold, but a great reform. Second quick question on South is in Tamil Nadu, with the new government focus on better honesty and better regulation. Would you expect that at some stage great reforms can happen there? Third quick question on South India. Telangana, there has been news flow on the price hike. Any update on that? Thank you.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
That's very specific. Thanks, Avnish. Overall, I think South is doing very strongly. Karnataka, as you rightly said, we've seen very healthy growth, especially with the new -- new policy document. Yes, I think even whatever little I know about it, I know that it's a win-win proposition. The government is feeling good about how they are mopping up taxes appropriately. Consumers are feeling good because they are starting to see their premium exciting brands now a little more rightfully afforded -- affordable and rightfully priced. And we as people who are servicing this are feeling good.

So I think it's a win-win proposition. It's too early to say this is exactly the playbook. I think it's going to play out, and we'll see it over a few quarters, which will give us all comfort that, yes, this is the right-- that's what I'd say. Early to say anything. I wouldn't speculate. Early signs are exciting. But that's a long way ahead. Telangana, I always hope for the best. Hopefully industry and the policymakers will work together to do the right things for the industry. But we are in the right place. So overall, south of India is looking good.

Abneesh Roy - Analyst, Nuvama
So thank you. That's all from my side.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Thank you, Abneesh.

Abneesh Roy - Analyst, Nuvama
Thanks.

Operator
Thank you. Our next question comes from the line of Arnab Mitra with Goldman Sachs. Please go ahead

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah, hi, Arnab.

Arnab Mitra - Analyst, Goldman Sachs
Yeah, hi. Yeah, hi. My first question was again on the India-UK trade deal. Now that the deal has come through, in terms of timelines, how much timeline do you think is there before we see an impact on growth and cost, which are the two elements where you probably have a benefit? And any

change in the expectations of how you think the growth acceleration could be or the cost savings could be versus what you had shared last when the deal initially was signed?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah. So, Arnab, let me take that. So absolutely, as Praveen mentioned, the treaty is up and running in terms of on-ground reality now, effective a few days ago, right? And we have actually also cleared our first shipment at the concessional duty. So I did want to provide that comfort. Now bear in mind that that's a shipment, but obviously there is a lot of inventory in the system already, right, inventory at the corporations, inventory with the distributors, with the wholesalers already duly cleared. So we expect that inventory to be in the range of anything between 60 to 70 days, right. So we believe the real benefit to the consumer and the reflection, right, in our statement will happen sometime around October, early October, right? So that's probably -- numbers are by and large pretty much in the same range, right?

Yes, there is absolutely a benefit on our IMFL portfolio, on the COGS, et cetera. But do bear in mind, as I've always cautioned all of you, right, there are some competing factors also. Look forex have depreciated by almost 12% to 13% over the last eight-nine months, et cetera, right? There is always a little bit of forced inflation that happens, et cetera, right? So those will kind of neutralize those benefits. But yes, net-net, it will be -- it will be beneficial to us, right?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
And those neutralization factors, if I may say, so PJ has got accentuated given the West Asia crisis.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Absolutely.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
And therefore, overall this is what it is.

Arnab Mitra - Analyst, Goldman Sachs
Got it. Got it. Thanks so much for that.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
All of them have been answered or have I left some part of your question?

Arnab Mitra - Analyst, Goldman Sachs
No, no, I understood. So Ceteris Paribus benefits are similar, but obviously the starting point can be different because of the utilizing factors that have come in now is what I understand, right?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
That's right.

Arnab Mitra - Analyst, Goldman Sachs
Got it. Got it. My second question was actually on the growth acceleration, we have seen this quarter ex MH Maharashtra. Would you attribute it largely to the acceleration in Smirnoff is very, very impressive. And of course, there's a McDowell's re-launch, though it seems in very early stages. Would Smirnoff be a major driver here or you've seen across the board a pickup? And any specific reasons because it looks like quite a significant improvement in growth compared to last quarter?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Okay, look at our portfolio, overall I think we've been consistently seeing growth, mid-region above, okay, consistently over the last few quarters. Yes, Smirnoff is picking up, and therefore that's beefing up that growth algorithm, if I may say so. Okay, what we need to do to get our overall portfolio into play is get our play in McDowell's and the growth in McDowell's. We've just gone in for renovation. We've gone in for renovation. The whole bundle is now looking excitingly different and excitingly new, and our consumer initial response has been very exciting. But it will take a few months as it comes, settles in into these markets, and a whole lot of consumer sampling will happen, which hopefully will build on to a virtuous cycle of growth in that space. If we get that act right, I genuinely believe the acceleration will be very, very healthy. Otherwise, we are very well positioned as we speak to deliver our guidance on a consistent basis.

Arnab Mitra - Analyst, Goldman Sachs
Got it. Thanks. That's it from my side. Very helpful. Thank you.

Operator
Thank you. Our next question comes from the line of Percy Panthaki with IIFL Capital Limited. Please go ahead.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Yes. Hi, Percy.

Percy Panthaki - Analyst, IIFL Securities
Hi. Hi, everyone. My first question is on the gross margins going ahead. So we have as you mentioned earlier two competing factors, which is one is the COGS benefit from the UK FTA or any other cost-saving programs that you might be running on packaging material and raw material? On the other hand, we have this inflation in crude, which will affect both glass as well as PET prices. So under a scenario where crude is sort of -- is sort of remaining at around INR95 to INR100 to the dollar, do you think that you would be able to -- I mean, these two competing forces will nullify and you will be able to maintain the gross margins on a Y-o-Y basis or do you think at a 95 to 100 crude, we see a gross margin compression on a Y-o-Y basis for FY27 as a whole?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah, so Percy, look, I mean, if you're saying that in the full year crude will be in the 95-100 range, we are going to be then lapping a crude of 65-70 in the base, right? So obviously there will be inflation. But again, our effort will be to get our multiple interventions into play. There is a little bit of multi-year supply agility program still in the play. Our ongoing continuous productivity is also into play. So we will get everything into play, right? And our premiumization mix into the play to ensure that as an overall blended business, we continue to aspire to grow our profit a little ahead of our revenue growth, right? That's what would be our intent in terms of the overall P&L, right? Gross margin could move a little bit here and there depending on exactly some of the factors that you've called out.

Percy Panthaki - Analyst, IIFL Securities
Just to press a little bit on this point, I mean, can you take me through the math here? See, about 25% to 30% of your sales would be packaging material affected by crude in one way or the other. And at the current crude prices, the inflation in packaging material costs could be anywhere between 30% to 50%. So if I do the math, the inflation actually works out -- I mean, 0.25 into 0.4, it

works out to about 10% of your sales, which is a really huge number. And we can't really get this quantum of price increases in one year. So I mean, can it -- I mean, I know that first of all you need to assign a probability to this event itself, that crude maintains at such a high level throughout the year, which might not be a very large probability. But in event -- but in case that event does pan out, do you think that the margins can be really disastrous in that event?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
But Percy, that's a bit of an alarmist picture that we are thinking on. I don't think we should go on those lines, right? First of all, the numbers are not as high as you are calling out, right? Then if you look at the other big intervene -- big item in our portfolio, which is neutral alcohol spirit that is fairly stable right now. In fact, it's been deflationary for the last four quarters, right? And then the FTA benefits, our continuous productivity machinery, et cetera. So we believe that we should be able to neutralize, right? Now if obviously, crude remains at 110, 120 throughout and numbers hit the roof, but then we will have some kind of mitigation plan at that point of time, right? And we will come proactively to you and talk about it, right?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Percy, just to add to what PJ said, that's the power of the portfolio.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
That's the power of the portfolio, right? So I won't worry too much. State governments will become more amenable, hopefully to provide some pricing, right, though with a lag, as we have always maintained. So I won't worry too much on that right now at this point of time.

Percy Panthaki - Analyst, IIFL Securities
Got it, understood. Second question on understanding gross margins for this quarter. So there is a one-off in the base. If I adjust the base for that one-off, your raw material cost as a percentage of sales is about 54.5%. And in this quarter, you mentioned that the cost inflation impact is about INR30 crores. So if I basically remove that INR30 crore cost inflation, then your gross margin--sorry, your COGS comes to 52.8% in this quarter.

So on a YoY, there is then an expansion of 170 basis points, and this is attributable to the mix. Now my question here is that if your overall realization per kilo has gone up by close to 10%, then isn't a 170 bps expansion rather small for such a big realization? Just to make it clear, I am looking at this 170 basis points after removing all other effect apart from what could be attributable to the mix. And of course, there would be any other cost-saving initiatives, et cetera, which I won't be able to remove. But I've removed the cost inflation impact this quarter, and I've removed the one-off in the base last quarter, and that's how I'm getting 170 basis points expansion.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah. So Percy, maybe I'm not following the math, right? But I think the larger point is that as we get the mix benefit, the COGS also goes up, right? So as the higher end of the portfolio sells, the COGS is also much higher, right? So therefore what you see as a benefit is the net benefit, which is a combination of the entire mix benefit, right? So -- but your overall numbers seem to be correct, right, which is, yes, on an underlying basis, we have expanded gross margin in exactly the range that you've spoken of, right? I didn't get the rest of the math, and maybe we could take that separately offline.

Percy Panthaki - Analyst, IIFL Securities
Understood. That's all from me. Thank you and all the best.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Thank you.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Thanks, Percy.

Operator
Thank you. Our next question is from the line of Harit Kapoor with Investec. Please go ahead.

Harit Kapoor - Analyst, Investec
Yeah, hi, good evening. Can you hear me?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah, we can, Harit, little louder.

Harit Kapoor - Analyst, Investec
Yeah, sure. So just on the India-UK FTA bit, just another follow-up here. So we've spoken about the benefit on the productivity and the margins as well as on the international portfolio being at probably at lower price point. If you could just kind of highlight as to what incremental opportunities from a white space, new product launch, et cetera, that this event kind of brings upon us? And how do we kind of -- what is our kind of thought process on that from the next, say, 6 to 12 months perspective? What more can we do in this opportunity that has been presented to us? That's my first question?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Sure. Harit, thanks for the question now. First, absolutely, I think you will -- and when I say scotch will become more accessible with FTA, you will see a whole lot of excitement around it. It will take some time to play out, but you will see. We being the industry captain, you'll see us play out over the next few months, a few things, and you'll get a feel of how that will improve accessibility of scotch across to our consumers. But as I would say, wait and watch. Over the next couple of quarters, this is going to open up new space and new excitement.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah, too early to call out anything.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Equally, I would assume as we come through this, there will be a host of other competitors coming into the fray. And my view on this is when you see competitive activity, it unlocks further growth. So I think you'll see a virtuous cycle play out, but too early to say the next few quarters will be exciting.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
And the October call will be a good time to discuss some of these things, Harit.

Harit Kapoor - Analyst, Investec
Fantastic. And the second question was on brand investments. So if you see the last two years, we've seen continued step up and probably one of the reasons why P&A has also growth have been

strong is that your brand investments have continued to step up. While it may be too early in the year to ask? But is there a kind of range that now we are looking at for brand investments last year was a 10%, 10.5%, you were at the upper end almost of that range. What should we kind of assume from a full-year basis now? What range are we kind of looking at now given that all these opportunities exist in terms of investing as well as the McDowell No. 1 re-launch?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah. Yeah. So Harit, I called that in my opening comments, and I think I've been saying that for the last couple of quarters now. The range should be seen as 10.5% to 11% for the full fiscal year FY27, right? This is the broad range that we would want to follow, obviously, subject to a little bit opportunistic here and there that might. But broadly, the range that you -- that we'll guide is 10.5% to 11% A&P.

Harit Kapoor - Analyst, Investec
And -- and just a small additional question here was that Pradeep, while you did mention that October is the right time to kind of talk about this. Would October be also the right time to -- for you to get a fair assessment of how McDowell's No. 1 has landed given that it will be done in 85% of the country?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Yeah. So, Harit, what I would say is early days. Even then it -- because some of those markets would have come in September. But overall, it will give us a good feel of where McDowell's is and therefore good time to have a chat around.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
No, no, absolutely. Of the early market launches, we will have a better sense than what we have today. Absolutely right.

Harit Kapoor - Analyst, Investec
All right. Those are my questions. Wish you all the best. Thank you.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Thanks.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Thanks, Harit.

Operator
Thank you. Our next question comes from the line of Jeetu Punjabi with EM Investco Capital Advisors Private Limited. Please go ahead.

Jeetu Punjabi - Analyst, EM Investco Capital Advisors Private Limited
Hi, well thanks for -- thanks for the presentation. I have one pointed question. I joined a little late, so I'm not sure if I missed it. But is there a clarity on when the RCB transaction closes and when we could expect it -- expect the money in our books in United Spirits?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah. So Jeetu, as we've always said, we made the announcement in the last week of March and six to seven months is what we have always said. Like we again said earlier in the call, the Competition

Commission of India approval has already been received. You would have read that in the press. And right now, we are working with the buyers and the consortium on the approval from BCCI, right? BCCI is taking a little bit of time because first they were busy with the tournament. And then two deals have happened. So they are going through that due diligence process, right? But yes, we expect it to complete by September, October.

Jeetu Punjabi - Analyst, EM Investco Capital Advisors Private Limited
Okay. Thank you very much. Really appreciate that. Thank you.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Thanks.

Operator
Thank you. Our next question comes from the line of Aditya Soman with CLSA. Please go ahead.

Aditya Soman - Analyst, CLSA
Hi, good evening. So two questions. Firstly, when you talk about this 10.5% to 11% sort of marketing spend, can I get a sense of where this is getting spent? So would it be largely sort of digital, or is it a point of sale, or are we seeing any shift in any of these channels? And second, just a follow-up from the ones before. So we've got this sort of INR150 crores dividend from RCB. I'm assuming this will be the last one, right, or would we still get some sort of a pro rata dividend for FY27 as well given that the transaction closes halfway through the year?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah. So Aditya, let me take your second question first, right? So yes, I mean, we would also want to believe this is the last one. Hopefully, we'll close the transaction successfully, right? So this will pretty much be the last one in terms of dividend, right? So that's one. On your first one, which is look, obviously, that it's -- as I said earlier also, I don't want to give any exact breakdowns, et cetera. But clearly, if you compare the A&P mix of this category versus that of a normal CPG category, I guess digital is slightly higher in quotient versus the traditional TV media, et cetera. So that is one. And a large part of it, right, the point of sale, point of purchase salience is also significantly higher than the rest of the CPG, right? So those would be my two or three call-outs. Praveen, in case you have to add anything to that.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Absolutely. Consistent to that, I think it's a 360 spend to reach the consumers. You reach out at the point of sale and that activation, I assume in this category, not assume. I am sure in this category is ahead of other categories. Our overall communication on digital is a little more than what the traditional FMCGs would do in TV, but the mix is pretty much consistent overall.

Aditya Soman - Analyst, CLSA
Understand. And then for example, when we saw this sort of Black & White activation during the World Cup, this would now largely be classified as digital or still it's a mix of digital and TV?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
It's a mix of digital and TV. So you're so right. You happen to see TV, I assume, but it is very much digital also in a big way.

Aditya Soman - Analyst, CLSA
Understood. Very clear. Thanks.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Thank you.

Aditya Soman - Analyst, CLSA
Thank you.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
I hope you liked the campaign, Aditya.

Aditya Soman - Analyst, CLSA
Yes, it was good. Thanks.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Thanks.

Operator
Thank you. The next question is from Jay Doshi with Kotak. Please go ahead.

Jaykumar Doshi - Analyst, Kotak Securities
Hi team, thanks for the opportunity. Couple of questions. One is if you could elaborate what is the extent of end consumer price reduction you expect in BIO portfolio, BII portfolio post UK FTA implementation, given that rupee has depreciated quite a bit in the last few months. And besides that, what else gives you confidence that this is a game changer in terms of driving premiumization if pricing change is not likely to be meaningful? So that's my first question, and I'll wait for the answer and then ask the next?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah. So Jay, let me take the -- the price reduction on a blended basis, right, on the BIO portfolio would be in the range of 7% to 9%, right? So yes, I mean, that is consistent. I don't think that number will change on a national weighted average basis. Some states, it could be a little higher.

Jaykumar Doshi - Analyst, Kotak Securities
The currency depreciation doesn't affect that number, which was the same even when --

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Absolutely. Absolutely. It doesn't. It doesn't -- it doesn't at this point of time. It doesn't, right? Now over a period of time, we'll have to see how it goes, right? But yes, as of now, it doesn't. Okay? And what was your second question? I've forgotten that, Jay?

Jaykumar Doshi - Analyst, Kotak Securities
Is there anything else that your optimism or your tone was quite exciting. So are you expecting to launch many new products which you couldn't launch for some other reasons earlier post UK FTA implementation, and that gives you a lot of confidence?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
So Jay, what I would say is just wait for some time and you'll see it roll out in the market. Yes, there are opportunities, there are spaces which we think can be unlocked, and that's what we are all

working on in terms of making sure that how do we unlock growth through those spaces in using the FTA, and therefore primarily in Scotch. You'll see that as we walk over the next few quarters, and that is why I believe the accessibility of Scotch will significantly improve.

Jaykumar Doshi - Analyst, Kotak Securities
Understood. Second question is on MML in Maharashtra. Now that almost a year has passed since the change in regulation, what has been the excise collection and impact, if any, on Maharashtra state excise collection because of this policy change in terms of quarterly tax run rate for them? And second is, how is MML tread over the past few months? Is there a scale-up that you see of MML on month-on-month? Where do you think it has settled, or where do you expect it to settle in terms of either absolute volumes or percentage share -- market share in Maharashtra?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
So, Jay, PJ, feel free to add on. MML in Maharashtra, as you know, it's sub judice. We are fighting in the courts around non-permissibility to play in a certain space through the association. That's one part of it. The second part of it is how has it impacted the collection overall excise. I think the overall MML has settled down to a certain stable number on a consistent basis over the last few months. We're seeing stability. And with that stability, I don't think they are seeing declines anymore, which they saw in the first quarter or the first few quarters. I think it's more or less now seeing, but they're not seeing explosive growth at all, but they're not seeing declines anymore, if I may say so, overall in this category.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Maybe just -- sorry, Praveen, go ahead.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
There was a third question. No, no, add, build on.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Just to build from my side, Jay, look, in the shorter term, as Praveen mentioned, I think the exchequer revenues are reasonable and they'll probably be feeling pretty happy, right, with the -- with the overall MML intervention. But as we have seen, these interventions cannot be judged on a one-year basis, right? What we used to do, we believe we used to sustain -- sustainably grow the category, right, over an extended period of time, right? I'm not too sure whether the MML -- MML players will have that capability, right? So that's the only thing I would call out, and let's see how it pans out.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
You'll see that play out. Already -- you will see that play out. And that's what they will realize over a period of time and therefore, appropriately take decisions if not -- if we don't get anything from the court. There was a third question, Jay, sorry.

Jaykumar Doshi - Analyst, Kotak Securities
Sure. So just if you could give us some sense of what's the market share or absolute volumes of MML in Maharashtra on a monthly basis. I believe excise department has not uploaded the numbers -- recent numbers but I'm assuming you would have good intelligence on where they are?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
So it is the last four, five months have been pretty stable. It's been consistent. It's -- if I remember -- and I'm just talking out of memory, so that's why I'm just -- it's 1 million cases roughly every month is what I see 800,000 to 850,000 cases is what I remember and it's been stable at that level over the last 3, 4, 5 months.

Jaykumar Doshi - Analyst, Kotak Securities
Perfect. Very helpful. Thank you so much.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Thanks, Jay.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Thank you, Jay.

Operator
The next question is from the line of Karan Taurani with Elara Capital. Please go ahead.

Karan Taurani - Analyst, Elara Capital
Hi, thanks for taking my question. My first question is on the lower Prestige segment. So McDowell's No 1, you're talking about renovation and maybe potential market share gains after the same impact is behind us on a pan-India basis. But what do you make of Imperial Blue on ground. The recent acquisition by Tilaknagar, then you've got IconiQ White, not exactly a competitor, but yes in a similar segment of lower Prestige. What do you make of the competitive intensity in the lower Prestige segment, and how will that impact your growth rates for McDowell's going ahead?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Look, I think Karan, the way I would say it is lower prestige and mid-prestige first compete with each other. And therefore, as a category, manufacturing out we say lower prestige and mid prestige. But if you look at the consumer in, they move between lower and mid prestige consistently. And therefore, I overall look at that space together that all of these are very much our competitors, okay? You spoke about IB, you spoke about IconiQ, there is Pernod's offerings in mid prestige and our own which is McDowell's and RC. So I look at that holistically and start building out on that.

Once you look at holistically, that's why we invested in McDowell's to transform its offerings so that it can get competitive in that space. My belief, after all the consumer tests we have done and early signs we have seen it's a good place to start building up momentum over the next few quarters. So wait and watch, but I believe we are in a good position.

Karan Taurani - Analyst, Elara Capital
Right. And as far as the other brands are concerned within the portfolio, especially RC, Signature, there has been some market share gains as far as volumes is concerned. So what is happening differently over there? And what is the potential for growth? Because this will try help us kind of forecast the overall P&A volume growth in the near to medium term because we all know that luxury and Scotch segment growth rates are healthy. But on the RC and the Signature brand side, what is the kind of growth that one can expect? Will they -- will they also beat in terms of gain market share from here on?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Well, we've done well over the last few years. There is no reason why that should change. Some of these are challenger brands, and therefore we have to consistently gain share, and our playbook suggests that it's working. And therefore, I wouldn't worry too much about it. I just continue to execute and focus on executing the playbook to build on it. I'll come back to -- that's the power of the portfolio. If we start adding up each of these parts, sometimes you may come to an obnoxious number. So I'd just be careful. As you start building out a portfolio, there will be years when there is explosive growth in a certain space and in some other years in another space. We just need to make sure overall portfolio of P&A starts delivering on double digit.

Karan Taurani - Analyst, Elara Capital
Got it. Thank you. That's from my side.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Thanks, Karan.

Operator
The next question is from the line of Dhiraj Mistry with Jefferies. Please go ahead.

Dhiraj Mistry - Analyst, Jefferies
Hi, sir. My again question is on McDowell's it's quite encouraging to see that there is early signs for McDowell's has been quite good. But given that McDowell's higher saliency in the overall P&A brands volume, the success of re-launch would materially change your guidance of 5% to 6% volume growth over the medium term?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Too early for me to say. I would say in hindi [Foreign Speech]. Is that at the right thing to say? Yes. But too early for me to say. As I said, the overall portfolio, I still think 5% to 6% volume and another 5% to 6% to 7% of mix. That's what our guidance is and that's what -- but we'll see how it builds up over the next few quarters between all the other propositions, and McDowell's will give us a lot more confidence on how it is starting to trend and build.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
But overall, absolutely, just to add to what Praveen is saying, you're absolutely right, right? And we played our cards on McDowell's Number 1, and therefore we just -- we are confident. We are confident of what we have put in the market, right? Absolutely. The jury is not yet out, right? So the next four to six months will play out on that, right? So absolutely, it's wait and watch in that space.

Dhiraj Mistry - Analyst, Jefferies
So hopefully, we'll see the upward revision for the volume growth momentum over, let's say, two to three quarters down the line. And sir, second question is for price hike taken or announced in any of the states to mitigate ongoing inflation?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Not really if I look prices. If we have seen a price increase. Look, with the FTA happening, I would assume there was -- there will be some level of muted response on price hikes, but we have seen some price hikes, but it's not significant, if I may say so. Yeah.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
We've had three good years as I keep saying, right? So -- and as I've always consistently said, prices in this category come in peaks and troughs, right? So the peak three-year season have probably played out, right? So we just need to brace up for a little bit of moderation on that, right? But as I always also say that we keep making attempts, right? It's not that we don't make attempts, and some of them convert, some of them don't convert, right? So let's see how that plays out.

Dhiraj Mistry - Analyst, Jefferies
Got it. Got it. And sir, last question is on Karnataka State policy. Now given that the price decline in, let's say, Mid Prestige and Upper Prestige segment has already been implemented, what kind of volume growth or let's say, from when we can see that there will be a volume uptick can happen in Karnataka?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Well, you've already seen a little bit of June starting to cycle in. July is certainly powering ahead. So you'll see that consistently. June was Karnataka in full bloom. May was when the transition happened. June was Karnataka in full bloom. You'll see the full quarter impact as we go on.

Dhiraj Mistry - Analyst, Jefferies
Got it. Thank you and all the best.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Thanks, Dhiraj.

Operator
Ladies and gentlemen, in the interest of time, we request that you please restrict yourself to two questions only. Our next question comes from the line of Mihir Shah with Nomura. Please go ahead.

Mihir Shah - Analyst, Nomura
Hi, thank you for taking my question. First question is on Karnataka again and would appreciate whatever you can share. If you can help us understand the saliency on volume/value? And what is the price changes both on P&A and popular, and the kind of volume that one can expect post these price changes in the portfolio? So that's question number one?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah. I think we've shared it earlier, Karnataka is roughly about 6% to 7% of our national P&A salience in value terms, right? So, that's one number. Prices, again, broadly, I'm just talking of the anchor brand. McDowell's used to be probably INR235 or INR240 for the -- for the 180 ml pack. Today, it's at INR200 or INR225 -- INR205, right? So that's broadly. And yes, it will pretty much be exactly in the same range percentages, right, across the portfolio, right? Popular has gone up. So therefore, it's kind of a two-way impact on Popular, right? And that's why my comments, what I said in the opening comments, right? Popular will get squeezed, and Prestige & Above will benefit, right? So that's broadly the Karnataka impact.

Mihir Shah - Analyst, Nomura
Understood. So the price cut is broadly close to about 10% odd or 11%?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
10% to 15% -- 10% to 15% across.

Mihir Shah - Analyst, Nomura
10% to 15% and one can hope for more than like 10%, 15% volumes to make -- compensate for that or how should one think about that?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Absolutely. Absolutely.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Absolutely.

Mihir Shah - Analyst, Nomura
Understood. That's nice. Secondly, PJ, just if you can requesting a comment on 2Q gross margins like you gave for 1Q in the previous call. What is the sequential impact that one can expect? You had earlier highlighted that it could be double of what we see in 1Q, but you will let us know your updated view later on. So just asking on that one?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
So look, we don't give quarter-on-quarter, right? I mean, because the war was an exigency, right? So we felt it appropriate to prompt. Reality is that the impact is not a full quarter impact what we -- experienced in April, June because we had some forward covers, right? So sequentially, it's more or less in the same range, I would say, right? I don't see anything dramatically improving, right? And then we have to wait out for the factors to play out, right? That's the way I will look at it.

Mihir Shah - Analyst, Nomura
Understood. Understood. And lastly, I think after 2Q, I know quarter-on-quarter is a bit difficult, but just understanding and appreciating the impact. So after 2Q the realization gains that we see in Maharashtra can fade away. But -- but from Karnataka side, there will be some kicker that will come in? So I wanted to understand if they net off each other? And how should one think what happens in the second half? And if I can just throw in the hat of UK FTA benefits also. So any because of all these changing mixes, we'll appreciate if you can highlight what -- how should one think about the volumes and realizations in the second half of the year?

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yeah, I mean I can talk about volume definitely. I think we said that in the last quarter also. Second half will definitely be higher than the first half, right, because Maharashtra will fall off and the tailwinds of Karnataka, et cetera, will continue, right? So maybe we should just leave it at that, right? Yeah, second half will definitely be better than first half. Praveen, if you have a build on that.

Mihir Shah - Analyst, Nomura
Okay, thank you.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Thanks.

Operator
The next question is from the line of Abhijeet Kundu with Antique Stock Broking. Please go ahead.

Abhijeet Kundu - Analyst, Antique Stock Broking Limited
Hi, sir. Thanks for the opportunity. A lot of comments have been made on whiskey segment, as it is

the largest segment within the largest category within IMFL. And you have been doing well in terms of Indian case of Smirnoff. But is there any thought process on -- Smirnoff being in the Upper Prestige and slightly luxury segment? Is there any thought process behind the lower Prestige and not maybe the lower Prestige, the Mid Prestige vodka or gin? When someone travels to geographies like Goa, I understand that those are the higher-priced gins and all. But you being the largest in the industry, you could be a pioneer and introduce vodkas of the world or gins of the world in the lower prestige and the mid-prestige segments.

Mid Prestige is something which is a very sweet place, where your competitor has done really well. So -- and now Smirnoff has really rejuvenated and done well. So any thoughts on that? I mean, any efforts on that? Because everyone is focusing on the lower prestige and mid-prestige whiskeys, and you have really done a great job in mid-prestige and upper-prestige, which was lagging for a very long time. And I believe you would do very well in McDowell's, but any thoughts on the white spirit market in the Mid --

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Thanks for your question.

Operator
Sorry to interrupt, Abhijeet. We request you to please ask all your questions together at once.

Abhijeet Kundu - Analyst, Antique Stock Broking Limited
Yeah. So just one question. Any thoughts on any working on the -- on the white spirits in the lower prestige and the mid-prestige segment?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Abhijeet, thanks for the question, exciting thought. Look, first, consumers don't think Lower, Mid, and Upper Prestige. Consumers think in terms of occasions. And therefore, what are the offerings. The lower mid and upper prestige is a manufacturing outpoint of view. So I just anchor that thought importantly. So we will look at working at propositions for our consumers, which solves and delights them in various occasions, okay?

Now what we have realized as we have done Smirnoff and the workaround Smirnoff and as Jamun and Mango have played out, that they have upgraded a whole set of consumers who were, as you said, lower prestige or at the popular space to come and experiment on those occasions. And they have enjoyed it and stayed with it. So that's an important thing to think about, think consumer out and not think manufacturer out. Having said that, what you're saying is in our ladder in white, is there an opportunity to play at the lower end?

Well, that is an exciting space. The whole idea of doing work around House of McDowell's was to start exploring that space. We're going to build on that space as we go on. We already have something, but we'll certainly build on that. But absolutely, we will think about it in terms of how do we solve for consumer occasions and build that up.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Yes. And maybe, Praveen, just to add to that, the acquisition of Nao Spirits was also towards exactly that intent, right?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
That whole laddering bit.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Whole laddering, right, of the white portfolio. Absolutely.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
So we are always looking at these opportunities. Does that answer your question, Abhijeet?

Abhijeet Kundu - Analyst, Antique Stock Broking Limited
Yeah. It was because your competitor in the Mid Prestige segment of vodka did really well. I mean, that was a history behind the question that's it?

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Absolutely. Completely agree and really appreciate what they have done. But I think what Smirnoff has shown is we just need to anchor to what our solutions for consumer occasions is. And therefore, we will see how it plays out.

Abhijeet Kundu - Analyst, Antique Stock Broking Limited
Okay.

Operator
Thank you. Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to Ms. Shweta Arora for closing comments. Over to you, ma'am.

Shweta Arora - Head, Investor Relations, United Spirits Limited
Thank you, Dorwin. Thanks, everyone, for joining in. A quick note before we close the call, our fiscal year '25, '26 Integrated Annual Report is now out. As always, I look forward to your feedback. Please feel free to reach out to me should you have any further questions on the results or seek any further clarifications. Thank you. Have a good evening.

Praveen Someshwar - Managing Director and Chief Executive Officer, United Spirits Limited
Thank you.

Pradeep Jain - Chief Financial Officer, United Spirits Limited
Thank you all. Thank you, everyone.

Operator
[Operator Closing Remarks]