United Spirits Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**United Spirits has successfully pivoted to a "Luxury-First" model, with the high-margin Prestige & Above segment now commanding 89% of Net Sales Value.**	—
2	**Net Sales Value grew 6.6% YoY, significantly bolstered by innovation and brand renovations which contributed 10% to total revenue growth.**	—
3	**Operating margins expanded to 19.0% driven by a 100bps reduction in material costs and a favorable product mix shift toward premium offerings.**	—
4	**Profitability remains robust with PAT of □1,582 Cr, though SAR payouts surged 87.5%, significantly outstripping the 11.8% EBITDA growth.**	—
5	***The company has achieved a debt-free status with a net cash position of 848 Cr, providing massive balance sheet flexibility for future scaling.***	—
6	**Cash generation is elite, with Cash Flow from Operations (CFO) at □1,947 Cr (1.23x PAT), driven by disciplined working capital management.**	—
7	**Free Cash Flow of □1,786 Cr comfortably covers automation-focused capex by 12x, supporting a 25% increase in dividend payouts.**	—
8	***Earnings quality is tempered by aggressive accounting, including a 50-year amortization of IPL rights and estimated revenue recognition for sports ventures.***	—
9	**Governance is strong with a 9/10 rating and zero promoter pledge, though RPTs remain high at 13.3% of revenue due to a □1,080 Cr parent offtake commitment.**	—
10	***Significant liquidity is trapped in "dead assets," with 1,191 Cr in disputed tax payments and 59% of receivables tied to state-run government corporations.***	—
11	**The outlook is centered on India's premiumization decade, with potential bull-case triggers from a UK-India FTA reducing Scotch tariffs.**	—
12	**Investment View: ACCUMULATE; monitor for P&A growth slowing below 5% or government receivables exceeding a 65% threshold.**	—

1. Business overview (In Bullet Points)

- **Business Segments:** United Spirits Ltd (USL) has successfully concentrated its portfolio into the **Prestige & Above (P&A)** segment, which now commands 89% of Net Sales Value (NSV), up from 87.4% in the prior year. The "Popular" segment exit is effectively complete.
- **Revenue Drivers:** Growth is driven by premiumization and innovation. Innovation/Renovation contributed **10% to NSV growth**. Key brands include Johnnie Walker (JW), Royal Challenge American Pride (400k cases in debut year), and Godawan (Indian Single Malt).
- **Cost Drivers:** Primary costs include **Material Costs** (35% of revenue), Excise Duty (□15,207 Cr), and Advertising & Marketing (~6.2% of revenue). Structural costs include a □1,080 Cr minimum offtake commitment for bulk Scotch.

- **Industry Position:** USL is transitioning from a legacy volume player to a high-margin "Luxury-First" powerhouse, leveraging Diageo’s global playbook to dominate the Indian premiumization tailwind.
- **Expansion Plans:** Focus on "Category Creation" in Agave (Don Julio, Maya Pistola) and Craft spirits. The company is also positioning itself to benefit from the potential **UK-India Free Trade Agreement (FTA)**.
- **Capacity & Technology:** Implementation of the "Supply Agility Programme" involving **SCADA** automation and AI-powered vision systems for "zero-defect" manufacturing.
- **Segment Performance: Prestige & Above** grew 9.89% YoY to □10,270 Cr, while the Popular segment remained stagnant at □1,121 Cr. Sports Revenue (RCB) contributed □504 Cr.
- **Geographical Presence:** Strong pan-India presence with a strategic focus on "Three Indias" (segmenting by price tier). Management is specifically targeting re-entry execution in **Andhra Pradesh**.

2. Management commentary & outlook

- Management has shifted from "defensive cleaning" to "offensive scaling," focusing on a "Luxury-First" strategy to capture discretionary spend in urban India.
- The strategic vision is aligned with "Viksit Bharat 2047," positioning USL as a "CPG Powerhouse" rather than just a liquor company.
- A clear emphasis is placed on **"Speed and Simplicity"** to overcome historical lethargy in the Indian alcobev sector.
- Management is explicitly bullish on the **UK-India FTA**, positioning the supply chain to be the primary beneficiary of reduced Scotch tariffs for the "Bottled-in-Origin" (BIO) segment.
- Growth guidance is centered on double-digit top-line growth driven by premiumization ("Drink Better, Not More").
- Digital transformation is a priority, with the creation of a **First-Party Data (1PD)** ecosystem and precision marketing via Market Mix Modelling (MMM).
- ESG is treated as a business continuity strategy; 100% replenishment in water-stressed areas and 100% coal-free distillation are key milestones to de-risk the "license-to-operate."
- Management highlights "Restriction on market accessibility" and regulatory concentration as top risks, given the heavy reliance on Government corporations.
- The successful debut of **Royal Challenge American Pride** (7% of trademark NSV) validates the strategy to disrupt the Upper Prestige segment with differentiated liquid profiles.
- **Management Tone:** The tone is highly confident, visionary, and aggressive. Management is no longer just defending market share but is actively attempting to reshape Indian drinking culture through luxury positioning and digital moats. The narrative suggests a definitive pivot from a legacy-burdened entity to a modern, high-efficiency Diageo subsidiary.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	12,069	11,321
Sales Growth %	6.61	6.68
Expenses	9,833	9,321
Material Cost %	35	36
Raw material cost	4,179	3,937
Change in inventory	90	119
Manufacturing Cost %	21	22
Employee Cost %	5	5
Other Cost %	20	20
Operating Profit	2,236	2,000
OPM %	19	18
Other Income	271	208
Exceptional items	108	42
Other income normal	163	166
Interest	89	76
Depreciation	283	275
Profit before tax	2,135	1,857
Tax %	26	24
Net Profit	1,582	1,408
Minority share	0	0
Exceptional items AT	79	32
Profit excl Excep	1,503	1,376
Profit for PE	1,503	1,376
Profit for EPS	1,582	1,408
Profit Growth %	9	42
EPS (□)	21.75	19.36
Dividend Payout %	55	46

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	145	145
Reserves	7,959	6,976
Borrowings	480	265
Long term Borrowings	0	0
Short term Borrowings	0	25
Lease Liabilities	480	240
Other Borrowings	0	0
Other Liabilities	4,592	3,790
Non controlling int	0	0
Trade Payables	2,239	1,954
Advance from Customers	0	0
Other liability items	2,353	1,836
Total Liabilities	13,176	11,176
Fixed Assets	1,712	1,560
Land	124	147
Building	423	388
Plant Machinery	1,757	1,483
Equipments	56	57
Furniture n fittings	35	44
Vehicles	1	1
Intangible Assets	131	131
Other fixed assets	688	730
Gross Block	3,215	2,981
Accumulated Depreciation	1,503	1,421
CWIP	72	37
Investments	923	645
Other Assets	10,469	8,934
Inventories	2,305	2,063
Trade receivables	3,410	3,056
Receivables over 6m	940	105
Receivables under 6m	2,652	3,124
Prov for Doubtful	-182	-173
Cash Equivalents	2,030	1,269
Loans n Advances	207	207
Other asset items	2,517	2,339
Total Assets	13,176	11,176

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	1,947	1,118
Profit from operations	2,319	2,100
Receivables	-321	-1,045
Inventory	-242	163
Payables	250	132
Loans Advances	-42	154
Other WC items	146	-49
Working capital changes	-209	-645
Direct taxes	-163	-337
Other operating items	0	0
Cash from Investing Activity	-1,114	226
Fixed assets purchased	-162	-98
Fixed assets sold	1	19
Investments purchased	-1,391	-1,032
Investments sold	1,163	751
Interest received	36	42
Dividends received	0	0
Invest in subsidiaries	0	0
Investment in group cos	-13	-15
Redemp n Canc of Shares	0	0
Acquisition of companies	0	0
Other investing items	-748	559
Cash from Financing Activity	-557	-407
Proceeds from borrowings	28	25
Repayment of borrowings	-53	-1
Interest paid fin	-40	-21
Dividends paid	-355	-284
Financial liabilities	-137	-126
Other financing items	0	0
Net Cash Flow	276	937
Free Cash Flow	1,786	1,039
CFO/OP	94	73

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	103	99
Inventory Days	197	186
Days Payable	191	176
Cash Conversion Cycle	109	108
Working Capital Days	48	52
ROCE %	26	28

3.2 Financial analysis summary

- **Revenue** from operations (net of excise) grew 6.61% to □12,069.00 Cr, driven by the Prestige & Above segment reaching □10,270.00 Cr (9.89% growth), while the Popular segment remained stagnant at □1,121.00 Cr, signaling a successful strategic pivot toward higher-margin products.
- **OPM %** improved to 19.00% from 18.00% YoY, supported by a reduction in Material Cost % to 35.00% from 36.00%, even as Employee Benefits Expense rose to □714.00 Cr due to increased share-based payments and SAR payouts of □30.00 Cr.
- **PAT** reached □1,582.00 Cr, though impacted by Exceptional items of □108.00 Cr (including □65.00 Cr for supply restructuring) and moderated by revenue leakage via rebates/incentives amounting to □1,639.00 Cr (6.01% of gross contract price).
- **CFO** improved dramatically to □1,947.00 Cr from □1,118.00 Cr, resulting in a high CFO/PAT ratio of 1.23x, as the drag from Working Capital changes reduced to -□209.00 Cr, allowing the company to fund its Capex of □162.00 Cr entirely through internal accruals.
- **Trade Receivables** rose to □3,410.00 Cr, with gross receivables growing 9.40% against a 4.83% growth in total gross revenue; a significant liquidity risk exists as 59% of these (□2,311.00 Cr) are tied to Government corporations with extended payment cycles.
- **Inventory** levels increased to □2,305.00 Cr (up 11.73%), outpacing revenue growth and suggesting strategic stockpiling of raw materials or matured malt (valued at □1,006 Cr), which is critical for the premium portfolio.
- The company remains debt-free regarding external bank loans, but **Total Debt** equivalents are represented by Lease Liabilities which spiked to □480.00 Cr following □394.00 Cr in new additions to Right-of-Use assets.
- **Free Cash Flow (FCF)** reached a robust □1,786.00 Cr, providing headroom for a 25% increase in Dividends paid (□355.00 Cr) while maintaining a Cash Equivalents balance of □2,030.00 Cr.
- **ROCE %** moderated slightly to 26.00% from 28.00% as the Total Assets base expanded to □13,176.00 Cr, partly due to "dead assets" like □1,191.00 Cr in taxes paid "under protest" and a □365.00 Cr contingent claim under arbitration.
- **Other Assets** are dominated by □1,191.00 Cr in disputed taxes paid "under protest," which acts as a non-productive drag on the Balance Sheet, while Other Income was bolstered by □124.00 Cr in interest on tax refunds.
- **Other Expenses** (□1,690 Cr) remained stable despite revenue growth, suggesting improved operational leverage in sub-contracting and freight costs.
- The dominant financial theme of the year is the **exceptional cash flow generation (CFO > PAT)** and premiumization-led margin expansion, which has effectively de-leveraged the balance sheet and funded both increased capital expenditure and higher shareholder returns.

3.3 Contingent liabilities & commitments

- **Claim from Institutional Customer:** ₹365.00 Cr regarding historical differential trade terms; currently under arbitration.
- **Tax Litigation:** Significant disputed matters in Income Tax and Indirect Tax (Excise/Sales/GST). Notably, ₹1,191.00 Cr has been paid "under protest."
- **Legacy UBHL Dispute:** Official Liquidator is challenging a ₹206.00 Cr trademark fee set-off related to a historical ₹1,337.00 Cr loan (which is otherwise fully provided for).
- **IDBI Bank Dispute:** ₹46.00 Cr remains in a "suspense account" since 2014 due to a prepayment dispute.
- **Minimum Offtake Commitment:** ₹1,080.00 Cr commitment to Diageo Scotland for bulk Scotch sourcing.
- **Capital Commitments:** ₹126.00 Cr in approved but unexecuted capex.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — high cash conversion; CFO of □1,947 Cr exceeds PAT of □1,582 Cr by 23%.	—	Forensic check confirms PAT is well-supported by cash flows despite working capital drags.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — potential aggressive credit; receivables + inventory grew 10.5% vs sales growth of 6.6%.	—	Note 32(A): 59% of receivables are from Government corporations, increasing liquidity risk via state payment cycles.
3	Revenue timing (unbilled/contract assets)	Revenue ↑ — aggressive recognition; RCB central rights recognized on "estimated basis" before formal BCCI communication.	—	Note 21: Revenue recognized based on matches played rather than confirmed contractual entitlement.
4	Revenue from related parties %	Neutral — minimal top-line reliance; RPTs focused on sourcing and royalties rather than direct sales.	—	Note 37: Transactions are primarily for Scotch sourcing and brand licensing from Diageo affiliates.
5	Inventory vs revenue growth	Profit ↓ — inventory build-up; stock grew 11.7% vs 6.6% sales growth, potentially masking slowing demand.	—	Note 10: Growth outpaced revenue, suggesting strategic procurement or potential stock-piling of raw materials.
6	Inventory valuation method change	Neutral — consistent application; no change in valuation policy reported in the annual report notes.	—	Note 1.1: Inventory valued at lower of cost and net realizable value consistently.
7	Exceptional items in operating profit	Profit ↑ — non-recurring gains; □108 Cr exceptional items (pre-tax) significantly boosted the reported bottom line.	—	Note 29: Includes □65 Cr for supply restructuring costs, offset by other non-recurring gains.
8	Depreciation rate vs useful life policy	Profit ↑ — aggressive amortization; IPL rights (RCB) amortized over 50 years despite potential shorter commercial cycles.	—	Note 2: Management treats 50-year life as "prudent" despite regarding the asset as having an indefinite life.
9	Provision reversals boosting PAT	Profit ↑ — non-cash boost; □2 Cr inventory obsolescence reversal vs □67 Cr charge in previous year.	—	Note 10(a): Reversal of previous write-downs provides a minor tailwind to current year operating margins.
10	Tax rate consistency	Profit ↓ — higher tax outflow; effective tax rate rose to 26% from 24% YoY.	—	Note 18: □1,191 Cr paid "under protest" for disputed taxes remains a significant non-productive asset.
11	CWIP age and stalling projects	Neutral — active investment; CWIP increased to □72 Cr, suggesting ongoing capacity or infrastructure expansion.	—	Balance Sheet: Increase in CWIP aligns with the □162 Cr spent on fixed asset purchases.
12	Deferred tax asset recognition	Neutral — conservative approach; no significant concerns over DTA recoverability mentioned by auditors.	—	KAM: Auditor focuses on litigation complexity rather than DTA valuation risks.
13	RPT quantum and trend	Profit ↓ — cash repatriation; dividend paid to parent increased 25% to □355 Cr in FY25.	—	Note 37(c): Massive structural dependency on Diageo Scotland for bulk Scotch sourcing via offtake agreements.
14	Dividend paid vs FCF adequacy	Neutral — sustainable payouts; □355 Cr dividend is well-covered by □1,786 Cr Free Cash Flow.	—	Cash Flow: Strong FCF generation allows for increased dividends while maintaining a net cash position.
15	Auditor KAM: Litigation Complexity	Profit ↑↓ — significant judgment; classification of □1,191 Cr as contingent rather than provision avoids P&L hit.	—	Auditor flags extreme complexity in tax/ civil litigations; reliance on legal opinions to avoid immediate P&L impact.
16	TMU Principal Accounting	Revenue ↑ — scale inflation; reporting gross sales of Tie-up Units as own revenue.	—	

#	Check	Impact	Status	Notes detail
				USL reports gross sales of third-party units as its own, inflating the reported scale of operations.
17	Treasury Shares	Neutral — legacy structure; 1.72 Cr shares held by USL Benefit Trust deducted from equity.	—	Legacy UB Group structure complicates capital base; 2.38% stake held in treasury.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion Type:** Unqualified. * **KAM - Litigation:** Auditor flags the extreme complexity of tax and civil litigations. Management classifies these as "contingent" rather than "provisions" based on legal opinions. This judgment prevents immediate P&L hits but risks massive future outflows. * **KAM - Revenue Cut-off:** Focus on the Tie-up Manufacturing Unit (TMU) model and government corporation sales. The risk involves potential inflation of year-end sales due to the complexity of the "Principal" reporting model. * **Emphasis of Matter - Legacy Governance (UBHL):** A historical loan to UBHL of □1,337.00 Cr is 100% provided for. However, the Official Liquidator is challenging a □206.00 Cr set-off of trademark fees. * **Emphasis of Matter - IDBI Bank Dispute:** □46.00 Cr remains trapped in a "suspense account" since 2014 due to a prepayment dispute. * **Going Concern:** No material uncertainty; seven overseas subsidiaries are being prepared on a "liquidation basis" as part of a rationalization process.

B. Related Party Transactions | Party | Relationship | Nature | Amount (Cr) | Concern | | :--- | :--- | :--- | :--- | :--- | | Diageo Scotland | Fellow Subsidiary | ***Minimum Offtake Commitment*** | 1,080.00 Cr | ***Structural "take-or-pay" risk for bulk Scotch; limits sourcing flexibility*** | | Diageo Relay B.V. | Immediate Holding Co | ***Dividend Paid*** | 355.00 Cr | ***Cash repatriation to parent increased 25% YoY*** | | Diageo Brands B.V. | Fellow Subsidiary | Purchase of Stock-in-Trade | 114.00 Cr | ***High dependency on parent for premium BIO portfolio*** | | Diageo North America | Fellow Subsidiary | Royalty Expense | 58.00 Cr | ***Fixed revenue leakage for IP access; increased from 56.00 Cr*** |

- **RPT Risk Checks:** Major RPTs represent 13.31% of Net Revenue and 82.53% of CFO.
- **Red Flag:** The □1,080 Cr minimum offtake commitment represents a rigid cost structure regardless of market demand.

C. Shareholding * **Promoter:** 55.88% (Zero Pledge) * **FII:** 16.14% * **DII:** 11.75% * **Public:** 16.23%

D. Board Composition + KMP Compensation * **Total Directors:** 9 (55.56% Independent; 33.33% Women). * **KMP Compensation:** * Praveen Someshwar (MD & CEO): □13.89 Cr (Prior Year). * Pradeep Jain (CFO): □4.15 Cr (Prior Year). * ***Aggregate SAR Payouts***: □30.00 Cr (87.5% YoY growth), significantly outstripping the 11.8% EBITDA growth. * **Family Correlation:** No KMPs share the same family name; no compensations within the same family observed.

F. Capital Allocation & Capex | Action | FY current (Cr) | FY prior (Cr) | % of CFO | Signal | | :--- | :--- | :--- | :--- | :--- | | Dividends | 355.00 | 284.00 | 18.23% | — | | Capex | 162.00 | 98.00 | 8.32% | — | | Net Cash Increase | 61.00 | 787.00 | 3.13% | — | | Tax Paid Under Protest | 1,191.00 | — | 61.17% | — |

- **CAPEX Analytical Notes:**
  - CFO (□1,947 Cr) is **12.02x Capex (□162 Cr)**, showing elite self-funding status.
  - Capex is focused on the "Supply Agility Programme" and **factory-of-the-future automation** (SCADA/AI).
  - **The 65.3% increase in Capex is directed toward manufacturing automation, which should structurally protect margins against rising labor costs.**

- Revenue from the high-margin **Prestige & Above segment grew 9.89%**, validating the shift of capital toward premium brand-building.

H. Risks * ***Tax Litigation***: ₹1,191.00 Cr paid "under protest." Impact: 14.7% of Net Worth locked in non-productive assets. (High) * ***Institutional Dispute***: ₹365.00 Cr claim under arbitration. Impact: Represents 9.3% of gross trade receivables risk. (High) * ***Govt Concentration***: 59% of receivables (₹2,311 Cr) due from Govt corporations. Impact: Liquidity is hostage to state-run payment cycles. (Medium) * ***Minimum Offtake***: ₹1,080.00 Cr commitment for Scotch. Impact: Structural margin risk if premium demand slows. (Medium) * ***Lease Liabilities***: Spiked to ₹480.00 Cr. Impact: Represents "hidden" leverage not in bank debt. (Medium)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	5	→	P&A segment 89% of NSV; 10% growth from innovation.	Dominant market position in premium spirits with a clear luxury-led moat.
Financial health	5	↑	Debt-free; CFO ₹1,947 Cr > PAT ₹1,582 Cr; FCF ₹1,786 Cr.	Elite cash generation and zero external debt provide massive balance sheet strength.
Earnings quality	3	→	CFO > PAT but 59% Govt receivables + TMU accounting.	Strong cash flows are offset by aggressive revenue recognition and state-run liquidity risks.
Management & governance	4	→	Zero pledge; 55% Independent Board; Clean audit.	Professional Diageo-led management, though high RPT dependency remains a factor.
Capital allocation & earnings visibility	4	↑	ROCE 26%; Capex 12x covered by CFO; Dividend +25%.	Disciplined reinvestment in automation and premium brands with high return visibility.

Business positives (for this company this year) * **Premiumization Success:** Prestige & Above segment now contributes **89% of NSV**, with 9.89% YoY growth. * **Exceptional Cash Conversion: CFO of ₹1,947 Cr** represents 1.23x PAT, driven by improved working capital management. * **Debt-Free Status:** Zero external bank borrowings and a **Net Cash position of ₹848 Cr**. * **Innovation Traction:** New launches and renovations contributed **10% to NSV growth**, including the successful breakout of American Pride. * **Operational Efficiency: OPM % expanded to 19.00%** despite inflationary pressures, aided by a 100bps reduction in material costs.

Business negatives / concerns (for this company this year) * **Liquidity Lock-up: ₹1,191 Cr** (14.7% of Net Worth) is trapped in disputed tax payments "under protest." * **Receivable Risk: 59% of trade receivables (₹2,311 Cr)** are due from Government corporations, creating state-level payment cycle dependency. * **Structural RPT Dependency:** A **₹1,080 Cr minimum offtake commitment** to Diageo Scotland limits sourcing flexibility and ensures cash outflow to the parent. * **Accounting Aggression:** Amortizing IPL rights over **50 years** and recognizing sports revenue on an "estimated basis" before BCCI confirmation. * **Commercial Dispute:** A **₹365 Cr claim** from an institutional customer remains a significant contingent liability under arbitration.

Overall scorecard summary United Spirits has successfully completed its transformation into a high-margin, premium-led business with elite financial health, characterized by a debt-free balance sheet and exceptional cash flow generation. While business quality and capital allocation are at multi-year highs, earnings quality is slightly tempered by aggressive accounting estimates and a significant portion of assets being tied up in

government receivables and tax disputes. Overall, the company is on a **stable-to-improving** trajectory as it shifts from portfolio cleaning to luxury category creation.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Final line: "Total: 9/10 — Governance Rating: 4"

Part c: investor verdict

Thesis: USL is a high-margin, debt-free premiumization play on India's urban discretionary spend, backed by Diageo's global supply chain and brand equity.

Overall stance: ACCUMULATE

Rationale: Exceptional cash flow generation (CFO > PAT) and a successful pivot to the 89% P&A segment outweigh legacy litigation and government receivable risks. Re-evaluate when: P&A segment growth falls below 5% OR if the ₹365 Cr institutional dispute results in a full write-off. BULL CASE: UK-India FTA reduces Scotch tariffs, leading to a 200-300bps margin expansion in the BIO segment. BEAR CASE: Prolonged slowdown in urban discretionary consumption combined with a major adverse ruling in the ₹1,191 Cr tax dispute. Key monitorable: Government Receivable %: Current 59% → Watch threshold > 65%.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Capital Allocation	Resumed dividends (46% payout) after a decade; Capex at □98 Cr.	Increased dividend payout to 55%; Capex surged 65% to □162 Cr.	The company is accelerating both shareholder returns and internal reinvestment in automation as cash reserves grow.
Margin Trajectory	OPM at 18.0%; Material costs at 36% of revenue.	OPM expanded to 19.0%; Material costs cooled to 35% of revenue.	Structural margin improvement is being sustained through a combination of commodity cooling and a richer premium product mix.
Working Capital	Severe receivable spike (31.8%) vs. revenue decline (-8%).	Receivable growth (9.4%) more closely aligned with gross revenue growth (4.8%).	The extreme divergence in revenue quality from the prior year has stabilized, though collection cycles remain extended.
Management Tone	Defensive and focused on "cleaning up" legacy issues and deleveraging.	Offensive and "Luxury-First," focusing on category creation and digital moats.	Leadership has shifted from a turnaround mindset to an aggressive growth strategy targeting urban discretionary spend.
Portfolio Concentration	Prestige & Above (P&A) segment at 87.4% of net sales.	Prestige & Above (P&A) segment reached 89% of net sales.	The strategic pivot away from the mass-market "Popular" segment is now effectively complete.
Executive Incentives	KMP compensation growth (~17%) trailed EBITDA growth.	SAR payouts exploded by 87.5%, significantly outstripping EBITDA growth (11.8%).	Management compensation has become highly decoupled from immediate operating profit growth in favor of long-term equity-linked incentives.

7.2 Persistent patterns

- **Significant capital (over □1,100 Cr) remains permanently "locked" in tax payments made under protest, acting as a non-productive drag on ROCE.**
- **High concentration of trade receivables (59-61%) with Government corporations continues to make liquidity hostage to state-level payment cycles.**
- **Structural cash leakage to the parent entity (Diageo) persists through mandatory royalties and high-value sourcing of premium stock-in-trade.**
- **Legacy governance overhangs from the Mallya era, including the UBHL loan disputes and FEMA inquiries, remain recurring reporting risks.**
- **The accounting practice of not amortizing indefinite-life brands (including IPL rights) supports current PAT but maintains a permanent impairment risk on the balance sheet.**
- **Free Cash Flow generation remains exceptionally strong (CFO > PAT), ensuring the company remains entirely self-funding and debt-free.**
- **The business model remains highly sensitive to state-level excise policies, which consistently consume more than 60% of gross contract value.**
- **A major commercial dispute involving a □365 Cr claim from an institutional customer remains a persistent, unresolved contingent liability.**