



UNITED BREWERIES LIMITED

February 21, 2023

1. Department of Corporate Services,
BSE Limited,
Floor 25, P J Towers,
Dalal Street,
Mumbai - 400 001
Scrip Code: 532478

2. Department of Corporate Services,
National Stock Exchange of India Ltd.,
Exchange Plaza, Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051
Scrip Code: UBL

Dear Sir,

Sub: **Written Transcript of Financial Results Earning Conference Call**

Pursuant to Regulation 30 read with clause 15(B) of Para-A of Part-A of Schedule-III and Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith copy of Written transcript of Quarter3 FY22-23 Financial Results Earning call, which was held on Friday, February 10, 2023 @ 04:00 p.m. IST, by way of conference call with Investors and analysts, hosted by Investec India.

Kindly take the same on record.

Thanking you, we remain,

Yours faithfully,

For UNITED BREWERIES LIMITED

RADOVAN Digitally signed by
RADOVAN SIKORSKY
SIKORSKY Date: 2023.02.21
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RADOVAN SIKORSKY

Director and Chief Financial Officer

Encl: As above.



“United Breweries Limited
Q3 FY2023 Earnings Conference Call”

February 10, 2023



ANALYST: MR. HARIT KAPOOR – INVESTEC CAPITAL SERVICES

**MANAGEMENT: MR. RADOVAN SIKORSKY – DIRECTOR & CHIEF
FINANCIAL OFFICER – UNITED BREWERIES LIMITED
MR. P. A. POONACHA – FINANCE & INVESTOR
RELATIONS – UNITED BREWERIES LIMITED**



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Moderator: Ladies and gentlemen, Good day and welcome to the Q3 FY2023 Earnings Conference Call of United Breweries Limited hosted by Investec Capital Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harit Kapoor from Investec Capital Services. Thank you and over to you Sir!

Harit Kapoor: Thank you Michelle. On behalf of Investec Capital Services, I would like to welcome the management of United Breweries and thank them for the opportunity to host this call for the Q3 FY2023 results. I would also like to thank all the participants who are joining the call. From the management of United Breweries, we have the senior management team, Mr. Radovan Sikorsky, Director and CFO and Mr. P. A. Poonacha from Finance and Investor Relations. I will now hand the call to Mr. Sikorsky for opening comments post which we can take the Q&A. Over to you Radovan.

Radovan Sikorsky: Thank you. So good afternoon everyone on the call, thank you for joining. So today we will discuss the results of Q3. I am here together with Mr. Poonacha and after the opening comments as mentioned we are happy to take questions in terms of our financials. So, if you look at Q3, the volume growth as you saw was up 4% in the quarter prior, it was primarily driven by Telangana, Rajasthan, and Karnataka. Nice growth in the premium segment growing 13%. This is a total portfolio of 4% so that is nice to see that premium trend that we have been talking about continues. Difficult on the EBIT for the quarter down 69% due to the changes in the impacts of the state mix and primarily then the inflation impact. Really the inflationary pressure now coming through as we thought it would come through in these quarters and also some routine market impact as well. This was partially offset by the volume and of course the price increases coming through as well nicely. The inflationary pressure on the cost of sales like I mentioned is impacting the gross profit margins and contributing to a decline on our GP to around 42% broadly.. If you look at the regional volume performance versus prior you can see the split between north, west, east, and south. So, the north in the quarter in growing around 13%, west around 2%, east 3% and the south flat. Now despite the growth in the volumes in Telangana, Karnataka, and Kerala as well in the south we were impacted by declines in Tamil Nadu. So that is a little bit on the regional level. We can still chat a bit more about it in the questions. In terms of the net sales from the next slide sales were up around 2% in the quarter. We did have some additional discounts booked in the last quarter, which were flowing through from previous quarters which impacted our revenue growth by about 1%. So, underlying we are looking at around 3% and within our revenues we include the net income from our contract brewers and of course the



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margins on the contract were also down due to their inflationary pressure on cogs as well so that also had an impact on the revenue growth. In terms of the pricing, pricing continues to be growing at around 5-6% and we continue to seek further opportunities on pricing also going into 2023. The states mix had an impact on us right so strong growth in certain of the key regions with pricing structures are different to average and that has had an impact on the mix in terms of the state mix.

On the next slide where show the year to date so April to December results you can see the growth in volume. We are up 43% in terms of volumes, pricing around 6% then we have the impact of the state mix and so overall we are looking at strong revenue growth, net sales growth of around 39% on the year to date. So really nice performance in that respect. Overall, our operating margins year to date are broadly flat so not much growth coming through there, but really impacted by inflation and more so as you could see in our Q3 results. So of course, the leveraging of the volumes is helping us on margins even though the fixed costs are up with the business reopening. Operating profit margins are broadly flat. So that I think would cover my summary. I think on the outlook we can also close after the questions; I can just give a little bit of an update on the outlook.

Moderator: Thank you very much Sir. We will now begin the question answer session. The first question is from the line of Alok Shah from Ambit Capital. Please go ahead.

Alok Shah: Hello thank you very much for this opportunity. The first question is what the operating model change in Tamil Nadu was that you highlighted once again, and can you quantify the volume impact going to the same that is my first question.

Radovan Sikorsky: So, in Tamil Nadu we have basically changed the operating model in the market. We mentioned also in the results in the Q2 that we changed the operating model there. Basically, we go direct, and we are using our own sales force in Tamil Nadu and not operating through a third party and that was the main change. The volume impact that we have seen coming through in Tamil Nadu in Q3 we had quite a significant impact in volumes so of course we are looking at how we can restore the volumes in Tamil Nadu and what opportunities we have to restore that.. We look at different operating models that we have, and we consider whether we can work with the model that we have chosen in Tamil Nadu.

Alok Shah: Got it. Just to understand this little better so in Tamil Nadu if the wholesale and the retail is controlled by Tasmac so how would private company go direct if you can explain us so does your sales person goes directly to the retail counter and sources order and passes to Tasmac is that what you are doing if you can explain that.



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Radovan Sikorsky: We sell through Tasmac, but previously we did not have the sales force employed under us and the sales are now our team and visiting the retail outlets and that was the change, previously we did it through an agent.

Alok Shah: Okay now employees are on your sales. Okay got it and when you say you plan to restore volume and no plan of restoring so what does that mean. Can you explain this also?

Radovan Sikorsky: We are working through it at the moment. We are not planning on any restructuring at this point in time in terms of the footprint there and so we are working through it with management on how we can restore the volumes. I think for now I do not want to say more than that I think it is an internal discussion and as we progress, we can give more information on that.

Alok Shah: Okay with respect to this gross margin compression and specifically the sequential gross margin compression of 500 basis point and correct me if I am wrong, but I think at the start of the year the strategy was not to procure barley for the full year so would it would have happened that this quarter on the spot basis you would have procured barley and that was the reason why the gross margin compression was 500 basis point.

Radovan Sikorsky: As you know the barley crop comes in around April in India and that is when we are procuring the barley for the following season. That is what we are doing this year as well. There was a bit of shortage of barley as well for us actually going into 2022 and we also had to import actually more which was quite a significant cost for us as well and barley prices have gone up significantly, I mean we are looking at price increases also with barley converted into malt because conversion cost from barley to malt have also gone up because of energy prices so we are looking at increases of around 45% and more in terms of that. So there has been a significant impact for us and the fact is that beginning of the year we were still producing under the old crop right so the impact was not as big in the beginning, but now it is fully on the crop of April of 2022, which was much higher and then also we imported so therefore that had quite a big impact going forward and I think it is going to continue for now also going into Q4 for sure, but the good news about it all is we can see is that the crop that is coming in now in April which we will then start utilizing in sort of July this year is looking very good in terms of quality and quantity at this point in time right, of course it can still change once the harvest begins, etc., but it is looking very good if that will be the case then that will really ease the pressure on cost going into Q2 and Q3 next year.

Alok Shah: Got it clarification 45% you said was malt price increase from April till date.



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Radovan Sikorsky: Yes, actually it's over 50% if you compare quarter to quarter but year to date it is around 40% or so but in the quarter itself it is aggravated because now, we are really purely on that crop and also the imports.

Alok Shah: Got it and just a final bit more for clarification so if there is an expectation that the volumes will come back, specifically I am going back to Tamil Nadu, was the impairment necessary according to the management assessment because if volumes are likely to come back it is a short term impact right.

Radovan Sikorsky: The management is trying to restore the volumes. I cannot say if they are likely to come back or not. We will do what we can as a management team to get the volumes back. I mean Tamil Nadu is a state where we can see category growth. There is opportunity for the beer segment, and we will work to see what can be done, but we took an impairment on it based on our positions at the end of December in terms of there was a decline in cash flows and EBITDA, which triggered an impairment review and therefore we did an impairment review on the assets.

Alok Shah: Got it. I have couple of more questions. I will just back in the queue. Lastly just a request and suggestion of behalf of clients also if maybe Mr. Rishi who can join the call like many of the CEO of other companies join. This will help investors and us get a strategic perspective of the business as well.

Radovan Sikorsky: 100%. The plan would be for our of full year results. I will ask that CEO will join us as well so that we can have a discussion with the CEO and the CFO for the full year.

Alok Shah: Great thank you very much. Thank you.

Moderator: Thank you. The next question is from the line of Pratik Rangnekar from CS. Please go ahead.

Pratik Rangnekar: Thanks for the opportunity Sir. Sir just to understand the Tamil Nadu issue a little bit more. Just wanted to understand the change the sales channel from going from indirect to direct so is there anything that was necessitating this change as such and what is the benefit that we see in doing in this change.

Radovan Sikorsky: As we mentioned Heineken acquired the majority in 2021 so we review the business models where we can improve the business, where we can drive efficiencies. We look at commercial sales etc and it was decided that we would take this approach in this state and that was a decision that was done where we now use our own sales force and not through an



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agent. We have seen now declines in volumes which we need to address and that is our position at the moment.

Pratik Rangnekar: Suppose the decline is not arrested in that case would we look at reversing that decision in sometime or is it something that we will continue.

Radovan Sikorsky: Well like I said we will try and restore those volumes whether we will manage that is another question, but it is our role as management and our sales team to try and do that and we will look at different options of how we can restore those volumes.

Pratik Rangnekar: Got it. Thank you so much and just one more question from my end was that now from the last couple of quarters you see premium growing much faster than the portfolio but at the same time in terms of advertising or marketing spend we remain at 5% of sales at least at an overall annual basis so is it that once the premium starts growing up there will be some sort of uptick in the advertising spend as well here.

Radovan Sikorsky: Well our plans for next year as well is to try and increase, going forward we want to increase ATL, BTL but as you know that there are restrictions around how much advertising we can do and where and how, but we will continue with that in terms of how much we put behind premium and also our mainstream and we monitor our return on investment that we are doing the right things.

Pratik Rangnekar: Thank you so much Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Sir thank you for the opportunity. I just had two questions one was again on the change in distribution in AP and Tamil Nadu. We believe the volume contribution from these two states used to be 4% before the change would it be possible to share the contribution during the quarter and the second question was a bit more colour on the negative state mix during the quarter, thanks.

Radovan Sikorsky: So, the volumes were even a bit higher in the state of AP. We should remember also with Andhra Pradesh the volume decline has taken place earlier on in the back end of 2019 where we had a big impact right so there already we had quite a big volume impact on Andhra Pradesh just to be clear on that one that is why we also mentioned in the notes that combination of route to market but also changes in policy and so that was the case. In terms of this, state mix I mean we still have very strong volume growth. I have to say in some of



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the states right like Telangana and Rajasthan which is great to see because there is a lot of opportunity there. Whereas in states where we have higher contribution some of the states in the south like the likes of Karnataka or Maharashtra those growth have not been to the same extent as those ones and that is just causing the mix impact so that is the reasoning behind it. For us it is important that in these states we have strong positions, and the growth is there but we also start extracting more value out of those states in terms of price increases and we already seeing some successes this year of getting more price in areas like Rajasthan so that is nice to see. If I would add to it if we compare Karnataka for example in the quarter, we were up around 12% versus 7% so it is nice to see steady growth in those states as well but some of the other states are growing that much quicker.

Umang Mehta: Got it and just on the first question possible to share the mix of Tamil Nadu this quarter in volumes.

Radovan Sikorsky: Tamil Nadu was down considerably in terms of the mix. If we had an underlying volume performance of around 4% in the total portfolio, we would be higher single digits excluding Tamil Nadu.

Umang Mehta: Got it. That is helpful. Thank you Sir.

Moderator: Thank you. The next question is from the line of Krishnan S from Motilal Oswal Institutional Equities. Please go ahead.

Krishnan S: For many discretionary companies during the quarter, it was a case of two halves, so did you see something similar that October or maybe early November was good and the second-half of the quarter was weak from a demand perspective.

Radovan Sikorsky: No really no. I cannot really say that.

Krishnan S: Basically, coming from the market demand for the quarter I am not talking about your revenues in the demand for the quarter so far.

Radovan Sikorsky: I am not sure what you mean.

Krishnan S: Various discretionary categories has seen things slowdown in terms of consumption because the inflation is affecting the consumer wallets. Are you seeing something similar in this particular quarter?



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Radovan Sikorsky: No, I do not think so. Even compared to 2019 we can see the category is growing so we do not see really a slow down at this point in time and we are not changing our forecast of the category growing high single digits going forward at this stage in time.

Krishnan S: Got that couple of questions on raw materials. Did I hear you correctly stating that the benefits of lower barley cost will be felt from 2Q onwards and not in 1Q which is the very crucial quarter summer season quarter for UB.

Radovan Sikorsky: Let me just clarify that a little bit so we are not confused because sometimes mix calendar year with this financial year so just to be clear. So, like I said to you, the new barley crop we will start using in around June, July okay so that means the impact will be sort of more in Q2. The impact will be coming through that. We will start having benefits. Q4 will be a difficult quarter for this financial year. We will continue to see pressure on our margins. Q1 also.. What I do see however is that the pricing that we have a lag in should start helping those margins.

Krishnan S: That is clear. Just one final question on glass bottle cost you may not have been affected for this particular quarter which is seasonally weaker because of higher proportion of market bottles, are you seeing significant inflation on that front as well which could impact in Q4 and Q1.

Radovan Sikorsky: Yes, I mean on bottles we still seeing pressure on pricing definitely there is really a sort of demand supply happening there. The supply is a bit restricted and there is quite a bit of demand, particularly from us as well so those economics are playing out there, so we see still some pressure going forward on glass prices, so I think what we are working on quite strongly and we have quite good plans in place for that is to make sure that old bottles coming back. We can improve on that ratio and we believe this quite a bit still to be done on that one and that is an important efficiency for us in terms of glass going forward so we are really working as a team and we setup a good project around that to get old bottles coming back from the market into the season.

Krishnan S: Just to clarify what was the extent of sequential as well as Y-o-Y increase in glass bottle cost, new bottle cost.

Radovan Sikorsky: New bottle.

Krishnan S: Yes.

Radovan Sikorsky: High level it was double digit percentages in a range of anything between 6 and 12%.



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- Krishnan S:** That was very useful. Thanks Radovan.
- Moderator:** Thank you. We have the next question from the line of Tejash Shah from Spark Capital. Please go ahead.
- Tejash Shah:** You mentioned at your press release that Delhi slowdown attributed to market policy so is the slow down observed for the whole industry or we would have lost market share A and B curious to know in such scenario how does the consumer behave, they stop drinking beer or they source it from other state or they move on to some other liquor formats which are available more easily versus beer so if you can throw some light on this two aspects.
- Radovan Sikorsky:** You are asking particularly about Delhi. Delhi our volumes have come down and we have lost some market share there yes, so we have lost share. In terms of consumers well I think consumption is probably lower, but consumption is going also to some of the local players.
- Tejash Shah:** So basically, in such disruptions the market share actually goes back to local players versus the organized players is that a fair understanding.
- Radovan Sikorsky:** In Delhi I would see that happening yes.
- Tejash Shah:** Sir on barley prices. We have actually in the past we have entered into very long term contracts to protect our margins considering the experience that we have had recently on barley will we explore that option as we go into buying season this period.
- Radovan Sikorsky:** We do annual contracts with the barley producers on the next crop and barley is very much priced on how good the crop will be at the end of the day and that is the approach we are taking for barley going forward as well at this point in time. What we are doing however quite a bit now is that we are working with barley farmers how we can increase acreage and how we can improve you know barley crops and with Heineken you know we try and draw a lot on Heineken experience in that respect because they have exposure across the globe with barley and so we are trying to leverage on those experiences and work with local farmers on how we can improve that so I think that is very positive going forward seeing as barley is such an important ingredient for us. I am very positive about that going forward.
- Tejash Shah:** Sir in past you have mentioned that imported barley is also an option and we have seen there is a better malt yield that we have seen in imported barley. So, any thoughts around that if we are going on that route as well.



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Radovan Sikorsky: I think it is again dependent on the crop, so the 2022 crop was not of such good quality. The barley was a little bit moist so the conversion ratios are not as good as they should be into malt whereas what we seeing for the next crop, this crop coming through now in 2023 seems to be a very good quality crop and that should be very good for us as well in terms of quality and quantity.. In 2022, There was some shortages and also some quality issues, so we imported as well which comes with quite a cost and that also impacted our margins like I mentioned earlier, but for sure our drive is to source locally. We want to use Indian raw materials as much as we can and we want to try and improve going forward the barley crops here locally because that is the ideal situation.

Tejash Shah: Sure, and last one have we taken any price hike in the recent months.

Radovan Sikorsky: In terms of pricing there is some that we have taken. We have taken some pricing across West Bengal, also in Kerala we took, in Goa as well so continuously we are looking at opportunities and going into 2023 as well so we will take pricing. There is a pricing lag with this inflation, but the big benefit we see if we are talking Q3 2023 and going forward if we have the pressure of inflation coming down with a mix of our pricing coming through and with the cost of sales coming down, we can see that could be a really nice reflection on our margins going forward.

Tejash Shah: If you can share some number. What I asked was that if you can share the weighted average price hike that we would have taken in the last quarter and was it at the fag end of the quarter or at the beginning of the quarter we were carrying this.

Radovan Sikorsky: The price increases it is a range of like between 2 and 6 % and then it is averaging around 5% I think in that quarter and then there is of course carryovers coming through from previous quarters and yes, it is actually still the same sort of average.

Tejash Shah: Got it. That is all from my side. Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Litika Chopra from JP Morgan. Please go ahead.

Litika Chopra: Thanks for the opportunity. Apologies I joined the call a little late. I am not sure this was touched upon but let me discuss with you the Tamil Nadu and Andhra issue. I wanted to understand at this point what is your understanding of how much time it would take for business to get back to more normalized levels. What is your best guess here? The second part is how have markets shifts trends for your brand seen in these states if you could share some colour here.



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Radovan Sikorsky: Okay so we spoke quite a bit about Tamil Nadu probably before you came. In terms of best guess I cannot really give a guess on that it is difficult. Like I said we will be looking at restoring the volumes. Hopefully, we can have some growth coming in as there is more demand coming through in the season in terms of the capacity availability in the state but it is really difficult for me to say. We need the time to work through it. We should remember that India is a huge country right with a lot of opportunities across a number of states we are not dependent on just one state or two states in terms of our business. We have excellent growth in the other states. We have opportunities to take pricing in other states as well so of course we like to be present and strong in all the states, but the beauty about our businesses is that we have strong presence across the whole of India and like I said we will take the necessary actions to try and restore the volumes and then we will see. We will take it from there.

Litika Chopra: Sure, and then coming back to the other bit which is gross margin profile. I heard that you know by June July you would expect the new barley crop to come through meanwhile there could be some benefits of price increases is it fair to assume that this quarter saw the bottoming or gross margin and I was just wondering if we look 2-3 years out how confident are you that this business could reverse back to mid teens kind of operating margins after we navigate this immediate raw material volatility and the whole Tamil Nadu, Andhra issue.

Radovan Sikorsky: I mean in terms of the margins, the margin will continue to be in this sort of range and under pressure like I have mentioned before going into Q4 and Q1 of 2023 right that will continue, and we see if all things go well in Q2, improvement coming through. Combination of the pricing and then inflation the impact of the cost increase. I mean it is a volatile world we are living in at the moment, so any type of forecasts does not necessarily have to reflect actuals right because things change, but based on what we know and what I am aware of at this moment the barley is looking as a positive indicator for us which is quite a big cost component part for us in terms of our production so that is good news. Longer term again like I said the fundamentals of our business are strong okay. We see also the category continuing to grow like I have said before and in this sort of high single digits and we see premiumization continuing so those are all positives for the business, but again like I said we are living in such volatile times things could change, but the fundamentals are there.

Litika Chopra: Sure and are there any other costs levers as the company that you feel could be something that you could look to mitigate these cost pressures on cog side.



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- Radovan Sikorsky:** Yes, we do look at that of course. I think I mentioned at the last call in terms of production efficiencies we are doing now quite a bit and hopefully some of these things will be kicking in, in terms of being more efficient in our production we are looking at also how efficient we are with our recipes, but without touching the quality of the brand you must remember we are very much focused on quality right and in terms of quality we source very good barley and those barley prices have gone up significantly in the 2022 crop and actually that crop was not of the high quality that we would have expected and that had also an impact, but 2023 crop is really looking good at this point in time and I have to mention at this point in time in terms of quality and quantity we will know that once the harvest is done and once we do the necessary tests on that barley and it goes for conversion into malt, but what we know now as a business we feel quite positive about it, but let us see what the reality brings.
- Litika Chopra:** Sure, and the last bit was on any colour or any thoughts on capacity addition plans or capex plans for FY2024.
- Radovan Sikorsky:** Yes well, I think I mentioned that for 2023 we are looking at around anywhere between 300 to 400 Crores of investments of capex into the business for sure we are continuing to invest, improve our lines. We are looking to expand some of the capacities. We also working with contract brewers to offer large capacity when we are short because we did run into some constraints during summer last year where there was more demand that we could actually supply so I think yes, we are definitely looking into that.
- Litika Chopra:** So, this is for calendar year 2023 or FY2024 300 Crores.
- Radovan Sikorsky:** Yes, for financial year in 2024 yes.
- Litika Chopra:** Thank you so much Radovan.
- Moderator:** Thank you. The next question is from the line of Vishal Punmiya from Yes Securities. Please go ahead.
- Vishal Punmiya:** Just wanted to understand the demand environment for the 3Q FY2023 and maybe also if you can help us with the month of January. If you can just highlight growth trends between on trade and off trade for 3Q and for January and what was the mix of on trade off trade for the quarter and for the base quarter that would be helpful.
- Radovan Sikorsky:** I mean I am not going to now start speaking about exactly what January was I think that we will leave for the investor call for Q4. Generally, I can just say that the volumes came in



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within expectation on our forecasts so that is good news and growth versus the previous year so growth versus 2022 so that is on January. What was the other question in terms of?

Vishal Punmiya: So basically, wanted to understand demand or the volume trends between on premise and of trade.

Radovan Sikorsky: There was no real difference between the two, so we are not seeing that. There is a decline in the on trade volumes, consumers keep going out despite that there is a lot of inflationary pressure on consumers but that the mix between on and off is still the same for us. I think it is around 80 to 85 in off trade and 15 or actually even less around 10% in on premise.

Vishal Punmiya: And that would be 15:85 in the base quarter or would it be similar.

Radovan Sikorsky: It is really sort of similar, yes.

Vishal Punmiya: So, it has not changed much over the last one year.

Radovan Sikorsky: Not really no.

Vishal Punmiya: Because I believe that with on trade or footfalls in retail kind of going up or the mix would ever change in favor of on trade at least in terms of volume so it has not changed much is that what you are saying.

Radovan Sikorsky: Not really no. I think on trade is an area that we will be focusing on more and more especially in terms of draught beer. It is something that we want to be looking at more and more to promote our brands through the on trade as well and offer draught opportunities.

Vishal Punmiya: Actually, my second question was on that so gross margins are under pressure in the very near term so how do we then increase our promotions on premises whereas basically support the relatively newer brands in the portfolio or what would be the additional levers for that.

Radovan Sikorsky: We are not looking at increasing our promotional activities at this point in time. I mean we will be seeking pricing and we will manage our promotion activities a little bit based on how we are faring also against competition in the market so I think we try and balance that in the right way. It is important to gain value in the business and therefore have strict control over our BTL and that is managed in a proper way depending on how the competitive environment is turning out.

Vishal Punmiya: Okay understood. Thank you and best of luck for the current quarter.



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Moderator: Thank you. The next question is from the line of Mr. Harit Kapoor from Investec Capital. Please go ahead.

Harit Kapoor: I just had two questions one was on the premium portfolio if you can just give us a little bit of sense on while there is 13% growth in terms of what brands have driven this and the roll out of the Kingfisher beers well as Heineken Silver at what stage it is and how do you expect going forward.

Radovan Sikorsky: In terms of the mix within our premium brands so Kingfisher Ultra is doing very well I have to say. Let us focus on the Kingfisher portfolio. Ultra is doing very nicely. It grew I think over 20% in the quarter. Max is something we still need to work on as well but also very strong double-digit growth close to Ultra but we want more out of it and Silver is of course performing nicely for us. We have now launched Silver in Karnataka as you probably know, in Maharashtra and also in Goa now as well it is available. It is doing very well in Karnataka, in Maharashtra it is growing very nicely as well. We want to also push it more in Mumbai itself we see a lot of opportunity there and in Goa it is actually beating expectations, so we are positive about it, but it is a step by step approach. For us it is important to see that we are winning in premium in total and I think that is happening and our ambition to have a fair share of premium is what we striving for and we are working towards that.

Harit Kapoor: In this ambition do you expect over the next say 12 to 24 months more products to be launched or to believe the portfolio in terms of products is full and just focus on kind of driving distribution for our premium portfolio currently.

Radovan Sikorsky: At this point in time if we speak of premium, we want to focus on the winning horses so Heineken, the Ultra portfolio If you have too many brands launched at the same time then you start losing focus on it. It is all about the right focus to build those brands.

Harit Kapoor: Got it and the second question was on the regulatory environment. You have seen a few of the excise policies come out over the last 30 to 45 days any kind of key positive or key negative kind of takeaway that you could share from the same that was my second question.

Radovan Sikorsky: I think positive as well in some states I have to say in the north so that is quite positive for us, but overall, we are still assessing it, but we are not seeing any sort of negative impact on the business at this point in time.

Harit Kapoor: Great those are my two questions thank you.



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Moderator: Thank you. We have the next followup question from the line of Alok Shah from Ambit Capital. Please go ahead.

Alok Shah: Thank you for giving me this opportunity. The first point was any plans to initiate the operating model change in any other state where also there will be a scope to increase say the market share or accelerate the volume growth that was my first question.

Radovan Sikorsky: We review state by state our positions and at this point in time I do not see anything really, but I cannot really go into more detail than that but at this point in time no.

Alok Shah: Any sense that you can give what would be the industry level growth of the premium segment in terms of volume or value whatever if at all there is any indicated data available.

Radovan Sikorsky: In the quarter.

Alok Shah: In the quarter or 9 month whatever you can share.

Radovan Sikorsky: We grew in share in premium I know that. We grew volumes around 75% in premium versus last year from April to December, so it is a significant growth and we gained share. I do not recall exactly now how many percentage points industry grew but we did gain share.

Alok Shah: This is a bookkeeping what would you overall market share at overall company level now.

Radovan Sikorsky: It is about 50%, we still maintaining that sort of share as you know the shares were up and down depending on movements by state by state, but it is about 50%.

Alok Shah: Got it thank you very much for this opportunity. Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Harit Kapoor for closing comments.

Harit Kapoor: Thanks Michelle. On behalf of Investec, I would like to thank the management of United Breweries for taking out time for this call as well thank all the participants who joined the call. I would now like to hand over the call to Radovan for his closing comments.

Radovan Sikorsky: Okay to close I would just like to say that inflationary pressure will remain in the near term and I mentioned that quite a bit during the call, but we will take the necessary actions to mitigate those impacts whether it be through pricing, whether it be through better cost efficiencies in our supply chain footprint and also ensuring that on our sourcing going forward through barley, through the other materials that we require, that we manage to



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negotiate good prices for that and good quality products.. I think it is important to add that we remain confident about this beer category. We see young consumers coming into the category. We see such high potential for India actually in terms of GDP, per capita growth going forward in the longer term and also the premiumization, consumers are seeking premium products, looking for variety and as a business, we are able to offer that, so we remain positive for the longer term. So, I would like to end on that.

Moderator:

Thank you. On behalf of Investec Capital Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.