



UNITED BREWERIES LIMITED

**May 10, 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

**Subject: Submission of written Transcript of Earning Conference Call pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

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Dear Sir/Madam,

Pursuant to Regulation 30 read with clause 15(B) of Para-A of Part-A of Schedule III to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attach herewith copy of Written transcript of Quarter4 FY2022-23 Financial Results Earnings conference call held on Friday, May 05, 2023 @ 04.00 p.m. IST, by way of conference call with Investors and analyst, hosted by Investec India, to discuss on the Investor Presentation of the Company on Quarter and Year ended March 31, 2023.

Kindly take the same on record.

Yours faithfully,  
For UNITED BREWERIES LIMITED

**Amit  
Khera**

Digitally signed  
by Amit Khera  
Date: 2023.05.10  
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**AMIT KHERA**  
Head Company Secretary and Compliance Officer

Encl: As above.



“United Breweries Limited  
Q4 FY2023 Earnings Conference Call”

May 05, 2023



**ANALYST:** MR. HARIT KAPOOR – INVESTEC CAPITAL SERVICES  
INDIA PRIVATE LIMITED

**MANAGEMENT:** MR. RADOVAN SIKORSKY – DIRECTOR & CHIEF  
FINANCIAL OFFICER – UNITED BREWERIES LIMITED  
MR. ROBIN ACHTEN - BUSINESS CONTROL & INVESTOR  
RELATIONS - UNITED BREWERIES LIMITED



*United Breweries Limited*  
*May 05, 2023*

**Moderator:** Ladies and gentlemen, good day and welcome to United Breweries Limited Q4 FY2023 Earnings Conference Call 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. Thank you and over to you Mr. Kapoor!

**Harit Kapoor:** Thank you Andrew. On behalf of Investec Capital Services, I would like to welcome all the participants to the call as well as would like to thank the United Breweries management for giving us this opportunity to host the Q4 FY2023 earnings call for United Breweries. From the management at United Breweries, we have Mr. Radovan Sikorsky, Director and CFO as well as Mr. Robin Achten who is part of business control and investor relations. I will now hand over the call to Radovan for his opening comments, post which will take Q&A so over to your Radovan.

**Radovan Sikorsky:** Good afternoon everyone on the call and thank you for joining. Today, we will discuss Q4 and full year 2023 results of UBL and I am here together with Robin and after the opening comments on our results, we are of course happy to take your questions.

I will start with the highlights of Q4 volume growth of around 3% in the quarter driven by Telangana, West Bengal, Uttar Pradesh, and Rajasthan. We faced some route to market headwinds during Q4 as well and the volume growth excluding some of that was around 17% for the quarter. The premium segments again recorded growth ahead of the total portfolio, which is nice to see, going around 19% in the quarter driven by Heineken. Kingfisher, Ultra and Ultra Max, which were all nice to see. Net sales were up in the region of 3.5% with healthy pricing of around 5% with some of the positive premiumization coming through in net sales as well, but quite a bit of states **Inaudible (2:33)** again by the negative state mix. Now price increases have been taken across multiple states and we have a continued commitment in driving revenue management activities, and we are putting much more effort behind that and we see some fruits coming out of that going forward as well as. Gross margin under pressure as I had said before for Q4 that it would come and that is really coming through the cost of sales, for barley, and the packaging materials. The decline versus Q3, we spoke that pressure would continue and was slightly more, but that was primarily also because of the state mix affect, so the state mix affect was slightly higher than we thought and therefore a slight decline in the GP margin.



*United Breweries Limited*  
*May 05, 2023*

On the EBIT margins, mainly driven by that gross margin and that was the key drive on that one. In terms of highlights for the full year, fantastic 31% growth showing that category really coming back and actually March 2023 year end was the highest volumes we had sold in terms of if you look back historically, which is great to see. The premium segment grew close to 60% strong net sales growth as well supported by the pricing and that of course impacted by the negative state mix. There were the margin declines for the full year again. I do not need to repeat the inflationary pressure, but we also of course got some fixed cost leverage in that so that mitigated some of that negative impact. From the board meeting, the board proposed the dividends of Rs.7.5 per share and although that amount is slightly lower than last year, last year we had quite high cash positions but still it is quite a bit higher than in previous years and that really shows our commitment to shareholders that we really believe in the long-term categories of this business and the resilience of our business going forward, so that is nice to see.

In terms of the final the outlook, nothing really changes from that perspective. We believe in further building category growth, driving premium through our portfolio, high Heineken silver, and Kingfisher Ultra family, so we will continue on that journey. In terms of the inflationary pressure on our cost price well that will continue in the near term like I have mentioned, but we see some life at the end of the tunnel as we get to the back end of the year as well and we will continue with our revenue management initiatives and of course have really a cost mindset in terms of managing our cost base, so overall remain optimistic on the long-term growth potential of this industry, increasing disposable income, favorable demographics and premiumization. With that, I would conclude, and we can move to Q&A.

**Moderator:** Thank you. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Latika Chopra from JP Morgan. Please go ahead.

**Latika Chopra:** Thanks for the opportunity. My first question was on the demand front as we exited the quarter 17% volume growth ex-Tamil Nadu, but it seems growth rates were fairly healthy but as we exited the quarter did you sense any adverse impact from unseasonal rainfall as lot of other consumer companies were calling this out and do you see that as a risk for the summer quarter, which is the current quarter?

**Radovan Sikorsky:** Moving into Q1 of this year?

**Latika Chopra:** Yes.



*United Breweries Limited*  
*May 05, 2023*

**Radovan Sikorsky:** The weather has been having an impact particularly in the north definitely and we see that. It is putting some pressure on what we are seeing in some of the volumes that consensus is there for sure.

**Latika Chopra:** The second part was other than the weather impact, underlying consumer spending behavior fairly healthy in your view and how has market share progressed for United Breweries including or excluding the Tamil Nadu piece?

**Radovan Sikorsky:** In terms of consumers, we are not seeing any impact.. We are still confident of the category and we are seeing the strong premiumization as well, so we are seeing the disposable incomes must be playing a role there as well, so at that moment I feel that I do not see really any issue in that respect. In terms of your question on market share, yes, we have come under a bit of pressure in our market share excluding Tamil Nadu, so we have lost low single digit shares, but again you probably know even better than me, how volatile these market shares can be across the different states also depending on supply from interstate supply, etc., so I would not put too much reading into that at this point. We needed to look at it from a more longer-term perspective.

**Latika Chopra:** Sure, and the last question I had was on raw material inflation you said this might remain a headwind in the near term. If I recollect correctly, last time you spoke about the high cost barley inventory probably getting exhausted by Q1 of FY2024 is that the same situation that is the score right now and we are increasingly finding that the fresh barley crop in India or the prices seem to be moderating I guess you would be procuring the fresh barley any color or incremental input cost sensation particularly for barley and for glass so assuming the state mix remains constant as Q4, would it be right to say that Q4 was bottoming out of gross margin?

**Radovan Sikorsky:** Yes, like you have rightly said, I have mentioned in the last call that Q1 is going to continue being difficult for us right in terms of margins. Hopefully, the weather picks up a little bit and there are some green shoots in that in terms of the barley side, but the pressure on margins in Q1 will continue and we should start seeing some benefits flowing through in Q2 as we start incorporating the new barley crops into production and the current status on the barley in the market it is a good crop. Quality is good. Some issues with moisture as it has been raining quite a bit as you rightly said about the weather conditions, so it has been raining more in those Northern parts in the Rajasthan area so there is moisture in the barley, but it seems to be that the crops are still good and in terms of pricing it is sort of more or less in line to what we thought that pricing is coming down versus what we had in the past so that is good to see.



*United Breweries Limited*  
*May 05, 2023*

- Latika Chopra:** Sure, thank you so much and wish you the best.
- Moderator:** Thank you. The next question comes from the line of Nillai Shah from Moon Capital. Please go ahead. The line of Mr. Nillai Shah has been disconnected. I will promote another one that is Jay Doshi from Kotak.
- Jay Doshi:** Thanks for the opportunity. My apologies, I joined a bit late so if the question has been answered I will go back to the queue. Could you give some color on your market share trends in the past? For a couple of quarters. Have you managed to maintain market share or are you losing market share both in the premium segment as well as mainstream segment that is my first question?
- Radovan Sikorsky:** Like I said in the previous call, we had come under a bit of pressure in the markets share, very low single digits but again like I mentioned to the previous question, I would not read too much into it. There is volatility in market share across states when we try and consolidate across the whole of India, so that that is the way we look at it. In terms of premium market share, I believe we are broadly flat in terms of the growth maybe excluding route to market share yes it could be around I would say broadly flat. As you know it is not that easy to obtain exact market shares but the way we see how we are growing in the market I would say we are broadly flat in premium.
- Jay Doshi:** Understood that is helpful and if you have not already answered could you give us some color on what is the impact of AP and Telangana lost volumes on a Y-o-Y basis and what is your strategy for those markets, and if you answered I will look at the transcript later?
- Radovan Sikorsky:** I have mentioned in the transcript. I said that excluding some of the route to market headwinds we had a growth of around 17% in the quarter. On Tamil Nadu, we are seeing some positives coming through for summer in terms of volumes as there is shortage of capacity as well, but we are cautious in terms of saying if that will continue, but it looks like for the next couple of months we see increased demand for volumes, which is nice to see. Whether that will be permanent, I cannot say at this time as we work through improving the situation. We continue with the same route to market model that made using our own sales force and we stick to that, but there seems to be a bit of positiveness coming out now for the summer and we will monitor that.
- Jay Doshi:** Sure. Thank you so much. I will go back in the queue.
- Moderator:** Thank you. The next question comes from the line of Nillai Shah from Moon Capital. Please go ahead.



*United Breweries Limited*  
*May 05, 2023*

**Nillai Shah:** Thank you. I hope I am audible. My question is essentially on the market shares. You gave a little bit of color on that, but just thinking about one state on which we get data on a regular basis, Karnataka, which has generally been a state where you have been very strong in the past, there has been a significant market share loss out there. Can you give some updates as to what really is happening in that particular state for you?

**Radovan Sikorsky:** In Karnataka yes, we have lost some market share to be honest. What we are seeing in terms of the growth is the economy segment particularly driven by power cool. We have also introduced the brand Bullet in that segment, but we are careful of driving that volume growth, because we feel that is not good for the **Inaudible (16:53)** category so we had lost some share there, but we are going to work our way through it. In Karnataka as well as you know the elections are coming through, so there is quite a bit of volatility in the market of supply, so we have had some maybe administrative issues around dispatching that has complicated things a bit. next week as you know, it is going to be a bit more difficult so hopefully as we get through that and we can get back on track again.

**Nillai Shah:** Okay and then the second question essentially is on this part that we have been trying to focus on the premium segment, which obviously is good from a Heineken perspective and good for UBL from a long-term perspective. In the near term, how do you balance the volume growth versus what your aspirations are from a long-term perspective for the premium portfolio, which is to say that when your sales force is going through to the outlets, how are they incentivized to drive volumes versus mix versus just overall growth for the business?

**Radovan Sikorsky:** I am not going to go now into details of the sales incentive schemes, but of course it is a combination of the two. The pull from the consumer and the push that we give. We are doing intensifies sales to focus on premium as well, but importantly not to take the eyes of Kingfisher, which is the bread and butter of our business still, so it is the right balancing act I would say; in managing that by trying to build the brands through digital and through media respecting the regulatory environments.. We see nice traction coming through actually for the Heineken Silver Brand and that is how we do it and it needs to be a game of patience, that is key for us. In takes a long time to build a brand. If you look at what Heineken has done in markets like Brazil it has taken many years, but we can see that at the end of the day there is huge opportunity for it.

**Nillai Shah:** Got it that is clear. Just one small bit on the input cost bit, which you spoke about to the earlier question, given that the volumes arguably are lower than what we would have envisaged as we went into the season period and now we have certain issues with the weather conditions so the volumes of next quarter are also slightly uncertain at this point in



*United Breweries Limited*  
*May 05, 2023*

time, would it then be fair to say that the barley which you have procured will probably go through till the end of 2Q given the lower than expected volumes that you have witnessed?

**Radovan Sikorsky:** That is a good question. Of course, I am also grappling with that so I am still confident that we will continue to have good volumes, but to your point of if we have muted volumes going into the next couple of quarters, which hopefully will not be the case then that would be an impact 100%. I cannot deny that. That would impact, yes.

**Nillai Shah:** Got it. Thank you very much for the time.

**Moderator:** Thank you. The next question comes from the line of Krishnan Samba Moorthy from Nirmal Bang. Please go ahead.

**Krishnan S:** Radovan, when you mentioned that gross margin pressures are likely to persist in Q1, were you talking about both material cost pressures as well as state mix being unfavorable?

**Radovan Sikorsky:** Yes, I mean this state mix is difficult to forecast was also a bit stronger in Q4 than we expected. It could continue not to the same extent potentially. What we are doing however is ensuring through revenue management activities is to try and get more pricing also in those states that have an impact on state mix, so that is key focus for us so we are looking at other states and where we could potentially take price as well that will help us in that respect.

**Krishnan S:** How many months of barley did you have inventory, did you have at the end of March and how much do you have currently, would you be able to share that data given that you will be typically procured barley for the seven to eight months of the year during the season?

**Radovan Sikorsky:** We had quantities higher than what we had in March 2022 and the reason behind it was that we needed to be slightly more conservative as we moved into 2022 and the back end because if you recall very well the barley crop was not good in 2022 and at the same time volumes were coming way above expectations. Like I said at the beginning of the call if you look at the full year volumes, it was a record year for us which is fantastic also for the category and when we saw that coming through as we were progressing through the year, we made the call that we need to procure more. At that stage, there was also the pressure around Ukraine and barley crops combinations of the volatility and therefore there was a more conservative outlook on that, so our crops are higher. How much more I cannot quite quote that really to you at this point, but yes that is basically the background to that.





*United Breweries Limited*  
*May 05, 2023*

**Krishnan S:** Okay and have you been supplementing your inventory significantly over the last month or so?

**Radovan Sikorsky:** Have we been, sorry what.

**Krishnan S:** Increasing your barley inventory?

**Radovan Sikorsky:** We now are working to get the new crop in, so we have already started purchasing new crops and we are in the markets and we are sourcing so that is happening yes, but of course we still have the old crop.

**Krishnan S:** Okay just one more question on the other component of your raw materials; while Q1 the highest proportion of markets would still mean that any adverse effect from a sequential perspective your bottling cost can come down do you see bottling cost being high for a few months and therefore a risk to your Q2 numbers and beyond as well or do we see some kind of reproduction there?

**Radovan Sikorsky:** Yes the pressure on the bottling is two way in pricing so we still see in our Q1 bottling pricing is will be an impact and even into Q2 on the bottle. It is more the barley that I see improvement coming through, but on the bottle the pressure is still there because of the supply in the market but we are working through that with our large suppliers, and we know we are much more looking now into the medium-to-longer term that we are in much better position.

**Krishnan S:** Would you be in a position to guide; sorry?

**Radovan Sikorsky:** On top of that I mentioned to those in my previous call is that a lot of focus on us on the returnability of the bottles to get that returnability improvements so that is what the team working on. It is not an easy process right, because it is a complex infrastructure of bottle collection through the different S1, S2 and S3 sort of layers that we operate through but there is more that can be done there and that of course helps a lot, and it is also great for sustainability. It has got a double impact for us and double positive impacts, but some of these things just take a little bit of time. It needs structure. It needs thinking through that we see opportunities there as well.

**Krishnan S:** Okay and would you be able to be in a position to guide as to when do you expect bottling cost to come down Q2 or Q3 realistically?



*United Breweries Limited*  
*May 05, 2023*

**Radovan Sikorsky:** It is a little bit difficult for me to say that now in terms of bottles, I still see the pressure continuing there on the bottles. We are going to get more the benefit of the barley than the bottles at this point in time. On the bottles it is more about being effective in terms of bottle returns that is what we need to also focus on.

**Krishnan S:** Okay, just on a follow-up on that typically if I am correct the market bottle proportion would be about 70% to 75% but from a four- or five-year perspective what do you expect that number to be?

**Radovan Sikorsky:** We want to improve on where we are and how we came out of COVID and there has been some improvement already, but I am still not happy with it. I still want the teams to work more on that, to focus on that and for me it is yes generating profit through efficiencies, but also the sustainability agenda for us.

**Krishnan S:** Understood. Thanks a lot.

**Moderator:** Thank you. The next question comes from the line of Ajay Thakur from Anand Rathi. Please go ahead.

**Ajay Thakur:** Thanks for taking my question. I just want to understand on the competitive intensity given the fact that when the new players are kind of seeing increasing share or increasing revenue, which is much faster than our growth rates can we expect that in the medium term our market share could be at the threat from the current levels?

**Radovan Sikorsky:** If our market share will be, sorry.

**Ajay Thakur:** Our market share will be under threat in the medium term from our current levels given the competitive intensity rising from the newer players?

**Radovan Sikorsky:** No, I mean look Kingfisher has a very strong brand presence in India and our premiumization strategy is also going in the right direction. Competition is healthy in India and as we have always said there is a lot of opportunity for category growth. We just need to focus on doing the right things, in opening up new occasions for the brand Kingfisher and for our premium portfolio and if we do the right things we can keep our market share or grow our market share actually in certain states and particularly premium because where we feel we are under indexed so that would be nice to see and that is our focus to bring up premium market share.



*United Breweries Limited*  
*May 05, 2023*

- Ajay Thakur:** Secondly, I wanted to understand what would be the mix of bottles and barley for us in terms of the raw material cost and if I were to look at in terms of the correction in the barley cost will we get the benefit of the whole of the correction in the barley cost whenever we exhaust our current inventory?
- Radovan Sikorsky:** Yes, we will get the full benefits when we exhaust the full inventory of barley. That is definitely the case and hopefully we can exhaust it as quickly as possible to be honest right. In terms of the mix cost and I have given quite a lot of information already on that from the previous question, so in terms of the bottle strategy and barley pricing, so you could pick that up from the transcript as well, we have covered there.
- Ajay Thakur:** Okay thanks for the same.
- Moderator:** Thank you. The next question comes from the line of Chinmay Gander from Canara HSBC Life Insurance. Please go ahead.
- Chinmay Gander:** Thank you for taking my question. Just on the gross margins so you mentioned that largely it is attributed to state mix especially the Q-o-Q the sequential decline so can you help us understand like which are these states which would have resulted into a negative impact with respect to the statements?
- Radovan Sikorsky:** You are meaning Q4?
- Chinmay Gander:** From Q3 to Q4?
- Radovan Sikorsky:** We are getting really getting strong volume growths out of states like Telangana and Rajasthan was also strong. The back end of March there was some weather impact already starting. Those states in the North and Telangana has some impact on the state mix, so the growth exceeded what we thought a bit yes.
- Chinmay Gander:** You also mentioned that basically you are trying for a price increase in these states, which have impacted you negatively so have you got any heights in any of these states recently and what kind of quantum heights do we require over here?
- Radovan Sikorsky:** We got some nice price increases in Rajasthan in March. It was a double-digit growth price increase coming through there and we are looking at opportunities also in some of the other states I mentioned.



*United Breweries Limited*  
*May 05, 2023*

**Chinmay Gander:** You also mentioned Telangana; we would have obviously filed for the price increase so is there a set time lines in whether we will get a response either we will get it or not get it and how is that?

**Radovan Sikorsky:** I am really sorry. I did not understand the question.

**Chinmay Gander:** In Telangana, we would have also filed for price increases. Is there a set timeline, which the state has put stay in one month, two months or in certain time period we will get a notification whether we get it, or we do not get it?

**Radovan Sikorsky:** While we are in the process of discussions on that one, so we are hopeful to get that price increase also in Telangana. our case is quite clear of why we want these price increases due to the strong inflationary pressure our business. The officials understand our views. We are really open in these discussions, so hopefully we can get it. They need to do their work to understand this proposal and we are really pushing for it and that would be very nice if we could get that through.

**Chinmay Gander:** Lastly my question is on Tamil Nadu. Because of the change in the route to market, we have lost our presence over there so do we have a target or a guidance or a path where you plan to say recover at least say 50% to 60% of the market which we lost can you help us on that?

**Radovan Sikorsky:** On the previous calls we mentioned we changed the route to market to operate with our own sales, etc., and like I said at the beginning of the call we see some positives coming through now going into the summer season , coming through for May and June, but I want to be cautious on that in terms of if this is for the longer term or not but it is nice to see that is happening and we can see also some excitement at the brewery that this is happening but I am just cautious of if this is the long term, but we continue doing our efforts to try and to try and get the volumes but let us see.

**Chinmay Gander:** Ambitiously, I mean should we expect at least a 50% kind of a recovery in that market in terms of the lost volumes say in a year's time or that we are too aggressive, or I mean can you just broadly help us on that?

**Radovan Sikorsky:** I am cautious at the moment. We are doing what we can. There are some positives coming through for the next couple of months, but I cannot really say at this time.

**Chinmay Gander:** Thank you.



*United Breweries Limited*  
*May 05, 2023*

- Moderator:** Thank you. The next question comes from the line of Chanchal from Birla. Please go ahead.
- Chanchal:** Thank you for the opportunity. Just firstly the Rishi has been released from today so in terms of management change new CEO, can you talk anything about it?
- Radovan Sikorsky:** Yes this announcement has been a few months back. As you know he decided to try to do something different. In terms of the CEO search, we are in the process. We are a lot closer so that is good news. Hopefully, we can come to the conclusion of that in the near term and that is basically what I know at this stage so much closer to the decision as we work through that
- Chanchal:** Near term would be two to three months, I assume?
- Radovan Sikorsky:** Well hopefully, even sooner than that but two to three months, let us see. I cannot really give at this point in time yes. I should know over the next few weeks a bit more.
- Chanchal:** Sure. The second question is how big was Tamil Nadu for us in terms of million cases if you can help us understand?
- Radovan Sikorsky:** We have discussed this. It was sort of high single digits in terms of volumes Sure I mean yes it has an impact.
- Chanchal:** I am just asking to say two three years back, if I assume three years back how big was Tamil Nadu or as how big is Tamil Nadu in terms of bigger market rough numbers if you can help us understand?
- Radovan Sikorsky:** Well, it was around 7% to 8% of our total volume so you can just figure it out.
- Chanchal:** Sure 7% to 8% of total volume? Thirdly in terms of operating profit per case do you internally look at operating profit per case state wise or how does your profit and P&L account work; because each state profitability is mixed and you have called out couple of quarters that because of the state mix your profit is not superior, so do you look at operating profit per case on various state internally?
- Radovan Sikorsky:** Yes, we do. Internally, when we go into more details as a business we do. We look at India of course as a total and also we split this alcohol and soft drinks in our segments, but we also for internal purposes of course we look at per case per state as well per brand per SKU as well, small bottle, large bottle, can, etc.,



*United Breweries Limited*  
*May 05, 2023*

**Chanchal:** Interesting, and what is the cutoff of operating profit per case that below that operating profit per case will not operate in a state or it is not good to operate in a state or you will focus on volume only?

**Radovan Sikorsky:** No, definitely not just focus on volume, so not at all. You know well that certain states are more profitable than others, but we are a scale business. Kingfisher is a national brand. It is the multinational beer brand in India. We want to keep it that way, but we have to make the right calls and do the right revenue management activities, so that we can grow profitability in the states that there is lower profits over time and that is why like I said in terms of the state mix where we have some negative impacts we try and focus our revenue management activities also around there of how we can extract value. Of course, we are in a difficult pricing environment in some states but as we work through it and we have the discussions around it and we show that we have inflationary pressure we can have a good conversation around it and try and drive price.

**Chanchal:** Let me ask you again? I am just trying to decipher do you have a benchmark operating profit per case, which you can share with us which you look at or it is an operating margin? How do you look at the state wise?

**Radovan Sikorsky:** I am not going to share these types of details in terms of her per case, etc., and so we have that information, but that information is internal, and we cannot share externally.

**Chanchal:** Sure, thank you. I wish you all the best. Thank you.

**Moderator:** Thank you. The next question comes from the line of Aakash Goel from Tara Capital Partners. Please go ahead.

**Aakash Goel:** Good afternoon. We have heard about the operating environment and the scenario and the possibilities of how the operating metrics would pan out maybe, but just to get a sense on some of the strategic initiatives or I mean how are you planning out what kind of some color on the strategy that you are taking to kind of come back or maybe improve in terms of the overall performance and something some color on that would be very really helpful?

**Radovan Sikorsky:** You mean overall.

**Aakash Goel:** Yes, from a broader perspective?

**Radovan Sikorsky:** Well, our strategy really has not changed to what we have been saying. For us, we continue on with on the same track in terms of category penetration and playing our role as the



*United Breweries Limited*  
*May 05, 2023*

market leader to grow the category in a responsible manner and that is important for us that there is a lot of opportunity to grow it in a responsible manner to premiumize, to look at more occasions in all the segments, we are now looking much more and more on innovation ,to build an innovation funnel and to take more risk with the innovation as well so that that continues. We look at our footprints in terms of where we have our breweries. We have got a healthy footprint that we can also improve on it in different areas so that we can serve the markets better. We look at also our SKU performance, bottles, cans and what is the consumer looking for so that is overall how we continue to look at the total category, and as the leader we take responsibility of that as well to do it in the right way and to also ensure that we look at our sustainability agenda in the right way as well, which is very important for us and the planet.

**Aakash Goel:** Got it. That is helpful and in terms of the premiumization that you are talking about how are you looking to take that premiumization mix higher what are you I mean going to do to promote that or something from maybe Heineken perspective as well so?

**Radovan Sikorsky:** With Heineken, we are really focused on certain states that is important for us. It is really focusing on certain states and to grow and expand the brand step by step, so it is not an all-out India launch because then we are not focused, and it is not good for the brand so that is the approach. It is also important for us that we manage the profitability, so we try in the place where we grow Heineken that we have the right footprints and the production for the brand, so we work through those things as well. In terms of the Kingfisher family with Ultra and Max the same thing, focused in states where we believe that there is a lot of opportunity for Ultra and Ultra max, but then sometimes you just do not have the footprint for production there and therefore then the profitability is lower. We are working through this and to really focus on that premium and extract profitability and premium.

**Aakash Goel:** Got it and lastly just could you give any sense on the possibility of a stake increase from the promoter side coming through or something like that?

**Radovan Sikorsky:** Which type.

**Aakash Goel:** Promoter's stake; is there a possibility of promoters take increase coming through or something?

**Radovan Sikorsky:** I cannot actually understand the question.

**Aakash Goel:** The stake from the promoter in the company; is there any possibility for a buyback there or a share increase from the promoter, is what I am asking about any color on that yes?



*United Breweries Limited*  
*May 05, 2023*

- Radovan Sikorsky:** You mean from the majority shareholders.
- Aakash Goel:** Yes?
- Radovan Sikorsky:** Not that I am aware of. There is no plan like that.
- Aakash Goel:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Prashant Kothari from Pictet Group. Please go ahead.
- Prashant Kothari:** My question was on excise increases; what are the kind of exercise on an average you have seen in this year and how does compare with what we might have experienced in the last few years any kind of a change in trend?
- Radovan Sikorsky:** I do not have information in front of me but as far as I am seeing and what we had discussions nothing really that significant to be honest; that is the way I am seeing any changes in excise policy across different states I have not seen really significant increases in excise now.
- Prashant Kothari:** Okay that was helpful. Thank you very much.
- Moderator:** Thank you. The next question comes from the line of Latika Chopra from JP Morgan. Please go ahead.
- Latika Chopra:** Thanks again so quick questions. I wanted to check what is the volume and value share of your premium brands in FY2023?
- Radovan Sikorsky:** The volume share we have around 21% to 22% or so; we do not really track value to be honest.
- Latika Chopra:** What would comparable number be in say FY2019 or pre-COVID?
- Radovan Sikorsky:** It was lower. Cannot recall now. I am not sure; it was around low double digits in terms of market share, but I cannot recall exactly how much that was that we have done pre COVID yes.
- Latika Chopra:** Alright no worries. The second bit which I wanted to understand was I know we are going through this whole steep confrontational period, but just wanted to check on the thought process here as you look to increase the share of these premium brands, should we expect a





*United Breweries Limited*  
*May 05, 2023*

disproportionate increase in brand spends and even if you read somewhere normalized gross margin, the operating margin uptake will be far more gradual in your views; I am talking about next three to four years period and also related question is I understand you talked about managing profitability a couple of times; are you only looking at market shares in premium brands; has that become the key metric for you or you still care about overall market shares, so you are okay to kind of let go of slow margin stake or brand slash brands in those states and kind of look at building more of the premium portfolio?

**Radovan Sikorsky:** Okay so I **Inaudible (52:18)** with the last questions to that one, so in terms of market share definitely to grow in premium share. In terms of overall market share we do need to balance that correctly right. We want to keep the scale that we have. We want to ensure that within the mainstream segments Kingfisher does maintain a strong position, but so we do not want to lose share in mainstream segments, but as premium grows it does impact mainstream depending how fast the total segment grows so there can be some shifts there but we also look as you rightly are looking at how much is share in premium.. We definitely do not want to say Heineken or Kingfisher who has more priority . I want to make that very clear. Kingfisher is a very important brand for us, and it is a fantastic brand and like I have said was that we look at new occasions for the brand as well. We do extensions on the brand; for me it is an & approach. to be honest. We are under indexing premium and focus also on that. Do not lose share on Kingfisher, balance it between revenue management, activities and the growth of volume so have that in mind. . But if we lose a couple of percentages here and there we are not going to panic about it right, not at all and sometimes you might lose 1% or 2% share due to revenue management activities and so be it so that summarizes it.

**Latika Chopra:** Got it thanks and last question was on capex; plans for 2024 anything to share here?

**Radovan Sikorsky:** Our plans for 2024 are strong. In the region of around to Rs.300 Crores if I recall yes around Rs.300 Crores.

**Latika Chopra:** All right. Thank you so much.

**Moderator:** Thank you. The next question comes from the line of Harit Kapoor from Investec. Please go ahead.

**Harit Kapoor:** Thanks; I just had two or three questions. One, you had mentioned that the ex-operating model changes you had a 17% growth are you only exiting out Tamil Nadu and Andhra Pradesh here or are you also exiting out Delhi, etc., which have some disruptions in the last quarter?



*United Breweries Limited*  
*May 05, 2023*

- Radovan Sikorsky:** Did you say exiting out.
- Harit Kapoor:** Are you excluding only Tamil Nadu and Andhra Pradesh when you are saying excluding-operating model changes you had 17% growth or are you excluding out any other states as well, which had some disruptions in the past like Delhi, etc.?
- Radovan Sikorsky:** Yes, so in that 17%, also exclude Delhi and we are also not operating in Chhattisgarh.
- Harit Kapoor:** Right, so these four markets are outside your purview, which you say 17%?
- Radovan Sikorsky:** Yes it included them that is also included in the 17% part; yes Delhi some amount is coming in fact in AP and Chhattisgarh area.
- Harit Kapoor:** Got it. The second thing was on the price increases, so you have had 5% in Q4, which is obviously over the year you have received. Given the trend currently what is the kind of price increase trend on an average that you believe you can have for fiscal year 2024 given the data that you already have in terms of the price hike which you have got or at a weighted average level?
- Radovan Sikorsky:** At a weighted average. If we can get more that would be great and as we work through that the revenue management activities are not just around that, but also in terms of any trade schemes, etc., as we try and be more efficient.
- Harit Kapoor:** Got it and just a clarification in your presentation you had mentioned you had received the ice increase in Telangana will that old price increase you were talking about in the presentation?
- Radovan Sikorsky:** Yes that is a spillover yes because Telangana a price increase in 2022 happened sort of the back end of 2022 if I recall that is actually spillover into this part of the quarter.
- Harit Kapoor:** Okay and so the discussions you are having now for fresh price increase or you are trying to push the state for that? That is what you were trying to say?
- Radovan Sikorsky:** Yes we are trying to push for a fresh price increases driven around the inflationary pressure yes.
- Harit Kapoor:** Perfect that is it from me. Niranjana, you can the last question and then we can close.
- Moderator:** Thank you. The last question comes from the line of Nillai Shah from Moon Capital. Please go ahead.



*United Breweries Limited*  
*May 05, 2023*

- Nillai Shah:** Thank you for the follow-up. Just two more. First of all, on Tamil Nadu when this route to market change did happen; I remember in our discussion we were told that the company expects minimal disruption from the Tamil Nadu route to market change. That obviously is not the way it panned out so were you surprised in terms of the how much it impacted our business?
- Radovan Sikorsky:** I do not believe we said that we expect minimum disruption. We actually did not know what it would be. We took the decision and to change our model where we used our sales force, etc., and yes I mean the impact has been larger than expected and therefore we try and work through that to try and get our volumes back and like I said summer looks good, but I am very cautious on that anyway.
- Nillai Shah:** Okay, any possibility of an RTM change in other states especially given that we have a management change which is on the annual?
- Radovan Sikorsky:** At this stage, no. Like I said we continue looking at the state by state and we look at our footprints, our commercial strategy and we are always trying to improve what we can but no nothing really plan at this point.
- Nillai Shah:** That is helpful and just one last thing. In terms of this pricing that we have got through FY2023, there would have been a significant shift on-premises versus off-premises mix that happened versus last year given that last year had the COVID impact is some part of the pricing also driven by this mix change or this is just pure pricing?
- Radovan Sikorsky:** Last year pricing as you know the on-site is quite small actually in the market like I have always quoted which was, so it is just pricing. There is no way of mixed impact between on and off put it that way.
- Nillai Shah:** Got it. This is very helpful. Thank you very much and all the very best.
- Moderator:** Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Harit Kapoor for closing comments.
- Harit Kapoor:** Thank you. Firstly, on behalf of Investor Capital Services we would like to thank the management team of UBL to give us this opportunity to host the call and we would also like to thank all the participants who spent their time to join this one. I will now hand over to Radovan for his closing comments. Over to you Radovan.



*United Breweries Limited*  
*May 05, 2023*

**Radovan Sikorsky:** Looking forward, we continue to drive value out of the business in terms of top line, on our revenue management, focus on our **Inaudible (62:30)** and we remain optimistic on the long-term growth potential of the industry like I said before. I think we can all remain positive in that respect and yes I look forward to our next call. I wish you all a good afternoon and I hope all of you will enjoy Kingfisher over the weekend. Thank you very much.

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

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