



“United Breweries Limited
Q4 and FY2021 Earnings Conference Call”

April 28, 2021



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Moderator: Ladies and gentlemen, good day and welcome to the United Breweries Q4 FY2021 Earning 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 Services. Thank you and over to you Sir!

Harit Kapoor: Thanks Ayesha. On behalf of Investec India, we would like to welcome all the participants on this call. We hope that you and your family are keeping safe in the second wave of the pandemic. We have with us from the management team at United Breweries, Mr. Berend Odink CFO, who will take us through the initial remarks for the Q4 FY2021 results on its call for United Breweries. Over to you Berend for your opening remarks!

Berend Odink: Thank you very much Harit, and good afternoon everybody on the call. Thank you for joining and let me echo the words of Harit, I hope everybody is safe and healthy in these unprecedented and difficult times for the country. Today we will discuss the Q4 and year to date results. I will start with opening comments supported by some slides and after that we open the line for any questions that are there.

So, this time before we move to the figures I think it is appropriate to look back and acknowledge the resilience shown during the year. We are very proud of our employees: throughout the country employees have risen to this challenging occasion, whether its keeping breweries running and supporting the trade or adopting to continuously changing circumstances and of course many have moved to work from home and again now during this second wave unfortunately.

Towards consumers we have seen many thematic campaigns reflecting the various phases of lockdown and subsequently also towards reviving demand. For customers various support programmes were run, importantly some 5000 outlets received social distancing and hygiene kits for resumption of business and last but not the least, community support was expanded as part of our CSR program.

During this second COVID wave we are also extending significant support to the communities of the breweries where we operate, recognizing that this is the need of the hour in what are very challenging times for the country. So, in summary it has been an exceptional year with lockdowns, prolonged on trade closures and COVID related duty increases. The company has focused its responses across a few dimensions, health & safety



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including introducing socially distanced operations, keeping consumers engaged and reviving demand, while reducing costs and preserving cash.

Coming to next slide, looking at the key results highlights; Q4 saw continued recovery in demand with 9% growth on a reported basis and during Q4 many states had strong recovery including Karnataka, Maharashtra. The State of Telangana demand remains subdued to the COVID cess that negatively impacts consumer prices. With an agile approach on costs and investments the full year EBITDA margin came in at 10% despite the 39% volume decline for full year. Q4 saw a healthy underlying profitability with EBITDA margin at 17.7%.

Free operating cash flow came in at Rs.440 Crores which is Rs.362 Crores above prior year. So in a challenging year we achieved net cash position for the first time; with year end net cash balance of Rs.155 Crores. We propose a dividend for approval at the next AGM is Rs 0.50 per share and it is maintaining the historic dividend payout ratio, in this case on 12%.

The next two pages summarise the Q4 and full year results in tabular format. Q4 saw net sales at +8% and the expansion of the gross margin to 52% and as mentioned earlier EBITDA margin at 18%. Also, to point out during Q4 an impairment charge has been taken of Rs.66 Crores which was booked as an exceptional item and this in majority relates to our plant in Bihar were based on recent elections there has not been any change on the stance of prohibition.

Slide seven shows the volumes performance by region for Q4 and a year to date numbers. Many markets posted double digit volume growth, lapping the prior year impact of COVID and lockdown that happened in the latter part of March. In North there's a 13% volume growth in Q4. It's from growth in most of the states except Delhi, where uncertainty on the new policy led to lower demand. The state of UP was stable and good to know that in both UP and Rajasthan the new excise policy results in reduction of beer consumer prices. In the West there was a 23% volume growth in Q4 and we have seen growth in all markets except Chattisgarh. In East we reported 26% volume growth for Q4, substantial growth in West Bengal on the back of the revised excise policy which led to lower consumer prices for beer, while all the main markets in East posted growth except for Orisha. In South there was growth of 3% with Karnataka and Kerala posting double digit growth like as mentioned earlier Telangana market continue to trade below prior years due to the COVID related cess negatively impacting beer prices.

Moving to the next slide on regional brand portfolio we saw a continued expansion of both Witbier and Amstel. Witbier launched in Maharashtra, Punjab and Chandigarh and Amstel rolled was out to Telangana, Maharashtra and Haryana. Most markets on trade being open, we saw in Q4 the premium portfolio growing ahead of the total portfolio of the company.



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The Q4 net sales on page 9, has really driven this quarter by volume and as stated earlier that's been across most of the markets driven by the good demand for recovery versus the prior year. Well of course March was impacted by the Covid Lockdowns that started.

On the next slide we have the EBITDA breakdown, gross profit improvements driven by price and benign input cost, the margin improvement in other expenses over prior year were due to cost measures, better volume leverage and prior year Q4 provision for absolute stocks at that time of Rs.16 Crores. The quarterly progression and recovery in top and bottomline is shown on page 11, and after a challenging start of the year the company posted sequential growth and improvement in results as shown in the graph.

Going to slide-12 on the free operating cash flow results, we posted a strong free operating cash flow of Rs.440 Crores for the full year with the decline in operating cash flow was more than offset by improvements in working capital. Further the capital investments were down as well as income tax and with that the company continued to improve its leverage, towards the net cash position as already mentioned of under 155 Crores at the year end despite a very challenging year due to COVID.

Finally, turning to the slide on the outlook and the summary. Due to the second wave of COVID-19 the industry outlook is very volatile. The impact of the pandemic will of course depend on the magnitude and duration of lockdowns, including any partial or full trade restrictions whereas you can imagine the situation is now changing daily. Challenges faced during the first wave include the finite beer shelf life and costs that we made for liquidation and expired product, as well as operational challenges like for example lower returns of used bottles.

Health and safety of employees and stakeholders remains paramount. All operations are fully in compliance with the regulations as they are introduced from time to time. UBL has and will continue to manage all elements of cost and capital investments with agility in light of the uncertain demand given the situation of the second wave. It is important to note that the company has observed recovery along the lines of consumer demand post the first COVID-19 wave and we continue to be optimistic about the long term growth drivers of the industry. We are well positioned to navigate the current circumstances with a leading market position, strong brand portfolio and robust balance sheet.

With that I would now like to conclude my opening comments and we can move to the Q&A section, please go ahead.

Moderator:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may dial star and 1 on your touch tone telephone. If you wish to



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remove yourself from the question queue you may press Star and 2. Participants are requested to use handsets when asking questions. Ladies and Gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy:

yeah thanks for the opportunity. My first question is on West Bengal. So, if you could tell us why in Bengal you managed to get the tax and the price reduction, and I think a few more states you got. So are you expecting more states to give you this benefit and when you see very sharp growth in these markets where the cut happen is it that you are getting new customers or getting some market share shift within beer from other parts of the alcohol consumption and does it continue, is it in the initial one or two quarters there is a big growth and then it tapers down from your past experiences if you could share how the consumer behavior is?

Berend Odink:

Sure, in West Bengal we have seen of course new policy introduced from October last year which was favorable to the industry in terms of reduced pricing in the market and I think it is fair to say that in West Bengal this policy side has been quite volatile if you look at a longer period so there have been moments where the liquor products was more favorable and now we see of course the beer industry is bit more favorable so, those dynamics have been at play and that is also at play in the current point in time. At the same time, I would say the growth that we have seen is not beyond levels that we have seen in the past in terms of absolute size of the industry i.e., it is more mix between the various categories of alcohol than to say there is huge absolute growth in that sector. But as you say we have other states like UP, like Rajasthan where we now see some reduction in beer consumer prices which is positive from the perspective that we look at recovery of markets and that affordability is certainly helping that recovery.

Abneesh Roy:

And where do you get the growth from, is it from other parts of liquor and does it sustain normally after one quarter or two quarters?

Berend Odink:

Yeah, this is initial growth that will taper off after a couple of quarters and what I said earlier we mainly see that growth coming out of the liquor segments of the markets back to beer. I don't think it is again beyond levels that we have seen in the past it is more trading to the historic size of beer, as in couple of years prior so that that is a good recovery to earlier levels.

Abneesh Roy:

Thanks. My second question is versus the previous lockdown if you compare now in the more impacted state for example like Maharashtra, Karnataka, Delhi and UP. How are the sales or the business different versus the initial part of lockdown in wave-1 and second if



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you could also comment on your preparedness and learning from wave-1 which is helping you in wave-2, any anything which is helping if you could point out that?

Berend Odink:

Yes. You mentioned a couple of specific states so let me touch upon those. In Maharashtra the difference between last year of course on a national level at that time we had a full lockdown including all the outlets including any productions in breweries so this time around the situation is quite different. It is more state by state. With the regulations in Maharashtra, Delhi it is a full lockdown, but for example, Maharashtra there is home delivery allowed, there is takeaway from restaurants allowed of course this is a small segment of the market. I would say there are differences with prior year. In Karnataka we are seeing a two week lockdown being announced, but here the retail outlets seem to be open at least in the morning hours so, there is some sales probably possible in the next few weeks which is of course different from the full lockdown that we saw one year prior. In terms of learnings the situation is different: the social distancing operations have been introduced in all the breweries and in that perspective we can operate much more safely and a much more in a continuous way. We also actively looking at stock levels in the market not only at brewery levels but also the trade and we have other contingency planning in place, we look at it with quite some agility particularly last few weeks things have been changing almost daily. So, quite a number of learnings and whatever we can do we are actively on it, but at the end of the day once a lock down is announced of course we will respect that and we support the health perspective of what the government is trying to balance so of course we support that as well.

Abneesh Roy:

Just one last follow up on this, is any of your breweries closed because the demand will be a bit weaker you would have inventory or any of your breweries closed currently or any plan for that in any of the more impacted market?

Berend Odink:

Yes, when there is lock down and when we are not defined as an essential industry that means we cannot package at that point in time, but I would say it is not so much of problem in the sense that if the whole market is more or less under lockdown then basically operations would otherwise also would come to a very low level or even a standstill. I think it is more once the trade opens that we make sure also that the operations in breweries can resume. To what I said earlier, we had our learnings how to preserve the beer, to make sure stock levels and are managed in the right balanced way. As of now there is no issue, yet it has to be seen and things of course may change in the next one to two months perhaps.

Abneesh Roy:

That is quite helpful. Thanks a lot. All the best.

Moderator:

Thank you. The next question is from the line of Vishal Biraia from Aviva Life Insurance Company India Limited. Please go ahead.



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Vishal Biraia: Thank you. Hello Berend a question due to the fresh lockdown that we see this time is there a risk of write off on inventory side that we saw in the first half in last year?

Berend Odink: As of today, we have not identified the risk in the Q4 results we have not anything on write offs. But of course, it will all depend on the impact and duration of lockdowns at a certain stage and if it takes a very long time and in the different states stocks cannot move, whether it is in breweries or in the trade, then there is that risk. So, that is on that. We are looking at it, we are managing that, probably at the same time we cannot rule it out. I think the only perspective I can give is that the impact is much more nuanced by the various states then maybe a year ago when it was the national scale lockdown and particularly when the trade opened up it was state by state almost. From that perspective the situation is different, but I cannot rule it out today if you say that there might not be any stock at risk.

Vishal Biraia: One more question on the market share gains, could you elaborate as to what could be the extent of market share gains that you would have got in more states as supposed to any state that you would have lost market share?

Berend Odink: Yes, we have on the market share from where we have seen good performance in number of states even the important states like Karnataka, Maharashtra we have added share also in states like UP, Kerala, Tamil Nadu. We have seen some share pressure in other states, for example in Delhi we have lost a bit of share which mainly has to do with the channel mix where channels that were impacted more we were having higher shares so that impacts the mix obviously. We have lost some share in Odisha where sell offs were much more driven by expiry products of all the industry players. So, once our products were sold, competition stock got higher priority because that was approaching expiry. Telangana, we have seen a little bit of market share pressures as quite some high discounting happened in the market. In that sense it is a mixed bag but in the key important states we have expanded share and in Q4 we were back at levels of some 52% which we normally trade at in the quarter.

Vishal Biraia: Okay, and just one last question, UB used to manufacture Heineken in at 5 breweries, have you ramped that up or do you plan to ramp it up with the near term?

Berend Odink: Yes, we have this year added another brewery to the network that can produce Heineken, so we now have three breweries that they get the ability to produce Heineken. As of now we do not have the immediate plans but of course as the business continues to grow and we look at our footprint in terms of what economically make sense, in terms of securing supply but also balancing cost of taxation and investments behind this.

Vishal Biraia: Thank you very much. I will come back in the queue.



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Moderator: Thank you. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.

Aditya Soman: Good afternoon. So, couple of questions from me, firstly any update on now input cost of bearing in particular barley or something that we are seeing inflation again after some benign period last year. Would this be a factor or going into remainder of the year and also you have inflation on glass and then the second question on you have obviously seen an improvement in operating cash flow a lot of that came through from working capital. So, how sustainable do you think this positive movement in updating cash flows?

Berend Odink: Thank you Aditya for this question. First on the input cost as you point out barley is trending up a bit this time around. We are now in the buying season where the price is 15% up since last year crop prices. Buying is on the way so have to see what will be the full impact once we have done all the procurement but definitely the quality and the quantity will be down versus what we used to see in prior few years. Having said that at least for Q1 we are covered with last year crop so if prices trend up then it will take a little bit of time before it moves through our profit and loss. On glass the new glass prices for us are flattish or stable. I think the challenge here is more around recollections from the market that we saw in Q3 and Q4 bit up of an upward trend in terms of lower collections and therefore higher new bottle injections to support the growing recovery. But really in terms of prices of new glass that is stable. On the working capital side the working capital block has come down quite a bit and that of course volume supported, still I would say that even by end of March we have seen quite some pick up in volume so, I would be expecting that we can carry that through quite a bit at the same time probably we will have to absorb some of that to move back in terms of capital locked in working capital in the sense that once the market fully back at the levels that we have seen pre COVID. I think in the end, probably a little bit below in terms of where we are today. But the good news is in terms of receivables and outstandings, all of that is a very healthy situation given the challenges also the states have around budgets and deficits and what we all have seen. So, I think that is good.

Aditya Soman: Thanks, just one follow up on the barley, let say if the barley crisis stay elevated and it starts flowing into your P&L is there anything you can do in terms of imports or is it just too early to discuss?

Berend Odink: Yes, imports are an option, but I think generally the import prices have traded a little bit above the domestic prices of course depending on where the prices move domestically you will find some kind of equilibrium and you can switch to imports that is something we monitor. At the same time from the local sourcing perspectives and making sure that there is continued interest from farmers to grow barley you would have a preference to source



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domestically. It will also depend on wheat and all these prices but normally imports are a little bit above domestic barley prices.

Aditya Soman: Thank you very much.

Moderator: Thank you. The next question is from the line of Prateek Rangnekar from Credit Suisse. Please go ahead.

Prateek Rangnekar: Thanks for the opportunity. My question is more on the runrate that you are seeing currently. You were having a fairly strong pick up in this quarter before the closure in March. If you could quantify on how much of volume sales were lost because of the March shutdowns in some of the cities. Also, if you could comment on the trend in April and may if you could through some light on what percentage of a outlets are you currently seeing working or is it majority closed?

Berend Odink: Yes, in terms of March, the impact I would say was relatively low of course now the first number started to trend up but in terms of trading impact and measures on that front I think it was not that prevalent. Those measures started more in Maharashtra first during the quarter of April and spread to more and more states. Where we stand today the main impacts are again in Maharashtra, Delhi with full lockdowns, although Maharashtra does allow home delivery, Kerala seems to move now in full lockdown, other states the majority we have is at least evening curfews and weekend lockdowns. In some states like Karnataka and Rajasthan who allow liquor outlets in the morning hours. Those are the different models and the different types of restrictions happening at the moment but I cannot give you number today as to how many outlets are open or not because this is a very fluid picture where we stand today. I hope this gives you some context and sheds some light as to what is happening in market.

Prateek Rangnekar: Fair enough. Thank you so much. Just one more question may be from a strategic perspective. Are there any plans on adding more premium or may be more different varied kind of views which are prevalent in your international markets in bringing those to India?

Berend Odink: Yes, in general we keep continuing expanding the premium side. Amstel and Whitbier we have been working on the last financial year. But I would expect as we have seen in the last five years the number of products in the premium segment increasing I think the next five years that will even increase more and that would definitely involve things around craft variety and then those emerging trends from some consumers in India. In general, that is absolutely on the cards but of course we have to look at exactly what is the right timing and the right proposition for the various markets.



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- Prateek Rangnekar:** Thank you Sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Krishnan Sambamoorthy from Motilal Oswal Financial Services. Please go ahead.
- Krishnan S:** Thanks for taking my question. Berend, Rishi in a media interaction today morning mentioned that there has been a regain of market share. Was there any loss in market share in the earlier part of the year and if so, have you ended up the year with higher market share, equal market share or lower than you began the year?
- Berend Odink:** Yes, in Q1 and Q2 we have seen a lower market share. It is mainly on the kind of specific factors due to lockdowns, on trade being closed, some state mix in there, we were trending lower Q1 and Q2 where if you now look at Q3 and Q4 what I said earlier were back to kind of 52% levels and those are the levels we have seen kind of on balance for the last two year to three years. We gained back that market share and that is good to see with bit by bit all the markets opening and all those channels opening up fully in Q4 so in this kind of normal business scenario, that is the stable picture.
- Krishnan S:** Okay, the other question is regarding glass bottles while your point on all over availability of market bottles last year and therefore higher injections. Are you seeing inflation because of the higher crude and fuel cost?
- Berend Odink:** No, the prices for glass they are kind of overall similar as to prior year that is what we expect for the current year. Of course, things might change a little bit, as normally these contracts are indexed to underlying input costs sometimes soda ash or energy etc.
- Krishnan S:** Okay, just one final question, typically the company procures barley for the whole year during the beginning of the year. Has there been delayed a little because of the lack of availability and quality of the barley?
- Berend Odink:** Yes, we tend to buy let us say in March/April /May for the full financial year. Last year as the crop was pretty good at some lower prices we have decided to buy a bit more so that will help us of course this year when we also see the barley pricing trading up a bit at stated earlier. From year-to-year we make those calls as to what is the right strategy in terms of procurement and that buying can vary for example, to 15 month, 18 months or limited to maybe 9 months depending on quantity and quality that we see on the ground.
- Krishnan S:** Thanks Berend.
- Moderator:** Thank you. The next question is from the line of Alok from Ambit Capital. Please go ahead.



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Alok: Good afternoon. Thank you for taking my question. My first question is while you mentioned about the market share my question is around what is it that we are doing for the overall market development any specific initiatives over the last three, four years and next two year-three years going ahead you plan to take to expand or recruit more consumers in the beer space? That is number one and number two is when you mentioned about improvement in the working capital but when we see receivable and inventory days it seems to be quite high as compared to the previous year. So, can you elaborate on the reasoning for the same? Thank you.

Berend Odink: Thank you for the question. First on the category penetration which is how I take your question. Yes, this is definitely one of the key pillars in our strategy going forward that we want to increase and drive the penetration. We see a couple of components for example, quite active in terms of promoting drinking at home and introducing more and variety of occasions for beer consumption. On policy side making sure that availability improves, making sure the distribution reach improves. For example, in the past we spoke about the home delivery element, it is small today but we have seen some states picking that up so that could be a potential factor in the longer term. Overall this is where we are focusing. In some of the states where we are in a good market share position, that we see much more opportunity from driving the category penetration then let us say only focus in our market share within that state so, your point is spot on. As you may know that in India with the category penetration is very low, per capita consumption is still very low so to move that up is one of the key pillars. On the working capital of course, you are right if you have said that you balance that with about 12 months of sales the number should be bit higher. I was more coming from the perspective to look at absolute amounts that we have seen quite a bit of reduction in the capital tied up in the working capital components and I think you if look at base sales of course we had a very unusual year with Q1 and Q2 being quite low, if you tend to look at that on a six months basis it is pretty much really different story. Yes, that is more the mechanics of what you are looking at six month trailing or 12 month trailing.

Alok: But as you mentioned before that there has not been a sufficient RM inventory so, I am assuming the inventory which is there at the year end would be more for the finished products. Is that understanding correct?

Berend Odink: It could be there. We also have a little bit higher stock of barley then maybe years ago, and a couple of smaller components. But in general inventory is relatively a lower component in working capital. The work in this is mainly about the receivables, keeping that the main drive.

Alok: Okay, and in terms of receivables while it is higher in terms of days we do not see any risk right?



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Berend Odink: No, I think from what I said earlier given that there are challenging conditions for lot of the states, the payment behavior actually has been very healthy. I think it's not a guarantee of how the behavior will be in the future, but it is good to conclude that last 12 months have been good on that front.

Alok: Thank you. That is it. Best of luck for the next quarter. Thank you.

Moderator: Thank you. The next question is from the line of Rahul Ranade from Goldman Sachs Asset Management. Please go ahead.

Rahul Ranade: Thanks for the opportunity. Just one question, comparing our performance we have 40% for the full year volume decline. If we were to kind of compare it with volume degrowth that we saw for the full year in terms of the spirits industry. So, just wanted to get your perspective like now with the benefit of hindsight, what do you think were the key drivers of the underperformance versus the spirit industry, like one of the obvious factors that I could think of is that the pandemic or the lockdown hit us then our season or the peak season which is the first quarter is in full swing and that is one reason. But, apart from that any study or any market research you did to kind of understand the reason for the under performance apart from just a seasonality effect?

Berend Odink: The peak season obviously was one which was exceptional, these couple of months actually gone and March to a certain extent. Other elements that we see now it is for the beer to be chilled. So, if you think about consumption at home for beer you need a kind of cooling space, which is a bit more complicated than if you would not cool it. That is one element playing into that. Then the with the outlets being closed etc., of course there were shifts in consumption and then beer being a bit more bulky as a product, if people have chosen may be between transporting, one or two bottles or may be six bottles of beer if you make a trade off, perhaps more people have chosen for liquor at that point in time. So, to me all these elements I think that will be much impacted due to trade closures, lockdowns, restrictions being there and again the Q3, Q4 I think we have seen that recovery coming back so we do not see any structural change in consumer behavior or demand. But of course, during lockdowns and all kind of restrictions being there some of these have come to the forefront.

Rahul Ranade: Sure and is there any sense of evidence of say downtrading happening where the kind of job losses etc., that we hear. Is there an economic impact or an economic angle to some kind of a downtrading, people shifting from beer away to spirits, something on those lines?

Berend Odink: No, in beer we have our economic products in various states so we have been looking at that in terms of some shifts happening but there are plusses and minuses but I have not seen any data that says there has been structural shift of downtrading or trading out the category



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and when you talked earlier in this call about some of the demand in West Bengal, in UP. That also shows that there is quick pick up again. So, to your question I do not think there is shift out of beer or down in the price towards more economic products.

- Rahul Ranade:** Thanks for this.
- Moderator:** Thank you. The next question is from the line of Ashit Desai from Emkey Global Financial Services. Please go ahead.
- Ashit Desai:** Thanks for the opportunity. Couple of questions; one if you could touch upon on the margins in Q4 we've seen a very sharp gain and the highest margin we have seen in Q4 so, what are the drivers for those and any one off's that we should be aware of?
- Berend Odink:** In Q4 we have in this quarter not seen any one offs in the key areas as reported. We have to recon that there is unusual year in the A&P spend for example we have been much slower than we would usually trend that also has to be seen in the light of lot of the closures that we have seen during the year etc., so that could be around 1% of the topline versus normative levels. But for the other parts being it is about cost measures and some more volume leverage due to the growth versus prior year quarter.
- Ashit Desai:** Ad spends you are saying as percentage of sales are lower by 1% versus last year this is for Q4?
- Berend Odink:** Yes, for Q4 and full year.
- Ashit Desai:** Okay, so even if we exclude that there is a very sharp jump would you say that these cost reductions are sustainable?
- Berend Odink:** Going forward, the market situation as we discussed earlier, is very dynamic. We see lot of opportunities from the premium side which will also continue to support with the right innovations and activations behind that, we would imagine if anything that number on that side to go up. We spoke about barley trading up a bit in terms of prices versus prior years, glass bottles again some uncertainty due to the current lockdown and how much will come back. On the pricing side we have seen some states neutral in terms of excise policies, some even reducing prices. For me its more about volume recovery post hopefully second wave and maybe less about pricing. So, these are the elements impacting the margin at the end of the day. But as we have the last year we have seen of course lot of fluctuation, not only on the demand, yet particularly on the bottomline and the margins. But happy to conclude at least last quarter we end with a good profitability but difficult to make outlooks for next quarters.



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- Ashit Desai:** Just two bookkeeping questions, if you can share the total provisions or write offs done in FY2021 and also if any pricing actions taken or received across states in the current year or in the last three month to six months?
- Berend Odink:** On provisions we put out that last year Q4 we have taken around Rs.16 Crores, during the year we have taken more. I think there is a bit of an arbitrary element in terms of when you provide that there are liquidation scheme in the market and with below the line schemes you support the sell off of your stock that is close to expiry. It is difficult to pinpoint to one number, but it has impacted, as many elements have done the last quarters. With pricing that again what I said earlier probably more of volume recovery then the pricing approach. In Karnataka prices have been flattish, in Maharashtra we have taken around Rs.5 per bottle in terms of prices and couple of states no prices in terms for example UP. So, in general may be a bit below what we would do in prior years.
- Ashit Desai:** Thanks. That is it from me.
- Moderator:** Thank you. The next question is from the line of Manish Poddar from Nippon India AIF. Please go ahead.
- Manish Poddar:** If you can help me with couple of data points first is what would be the on trade growth for Q4 and let us say full year and the same number for off trade? Thank you.
- Berend Odink:** For off trade, the result was closer to normal because there was unrestricted lockdown and to a larger extent on trade of course we have seen a lot of restrictions going even up to October in some stages even longer so, the good part is that in Q4 when markets would be comparable both off and on we will probably be close to pre-COVID levels but if you would ask for a full year number I would have to get back to you but definitely the on trade would of course be much below normal given the full impact of lock down.
- Manish Poddar:** Just one more on the inflation or the RM inflation front, let share to index the inflation for your raw materials. How that stuck up versus last year you said for barley it is about 15% odd, but it is a composite index if last number was 100 where does this number stand now?
- Berend Odink:** Probably if you would have put it in a next couple of percentage point up to mid single digit, but we have been asking but of course we are entering the season with open positions on some of the aluminum, some of the barley that is currently under procurement. So, we still are locking in some of the prices for the key contracts but that is currently the estimate.
- Manish Poddar:** Thank you.



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Moderator: Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Thanks for the opportunity. You spoke about market share again towards the end of the year but Carlsberg reported its number today and they called out high teen's volume growth in India. So, I just wanted to understand is there any particular player who is losing more than historical market share. How to explain the divergence in 4Q?

Berend Odink: Yes, I can only comment on our own figures and how we arrived at them. When we talk about market share gain it is has more to be seen versus Q1 and Q2 as I explained earlier due to the kind of COVID measures we dropped couple of percentage points on national level and that we have been guiding that in Q3 and Q4 that has been recovered and we are back to normative levels. But better ask the other market participants as to how they trade and where they have got gains or losses.

Tejas Shah: Second if you can share some comments or insights on consumer trends and demands trends you had witnessed in markets which have opened globally for you and any structural shift and how consumer looks at or consumes this product?

Berend Odink: Your question is on beer specific in India?

Tejas Shah: Yes, especially beer specific wherever you have opened globally also as a group any consumer insights you can share that can be useful as a lead indicator in India and coming period when we open up?

Berend Odink: In general looking at the trend in that once on trade opens up, for example we have seen a very good performance and consumers in majority they are very keen to go back and resume the patterns as we have seen pre-COVID and I would say that is probably picture we have seen in many other markets and even in international markets like China and Vietnam, some of the trading has been even higher than prior years. So, those are just anecdotes and the couple of examples but overall we have not seen structural shift per se consumers approach the category in a different way or their pattern of going out is structurally different and I think that is also what we have seen gradually build up back to the recovery in Q3 and Q4, many of the markets were very much trading on levels that we have seen pre-COVID.

Tejas Shah: Thanks. This is very helpful. That is it from my side.

Moderator: Thank you. The next question is from the line of Sunita Sachdev from UBS Securities. Please go ahead.



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- Sunita Sachdev:** Thank you. Berend, I hope all well with you and the UBL family.
- Berend Odink:** Thank you very much. Nice to speak to you Sunita.
- Sunita Sachdev:** I have two questions; one is I really appreciate the kind of market color you have tried to give but since we are obviously looking at the season time happening in April, May, June the main season and we really have no comparison with the base year last year. So, from your perspective where do you think the season will end up or what is the kind of planning that you may have for the season versus the 2019 which is the last normalized year. Any kind of index is it possible if it is going to 50%, 60%, 70% that will be helpful?
- Berend Odink:** I mean in our own planning and say scenario work that we do we of course look at two years back as last year Q1 is not that useful in terms of comparative or benchmark obviously. But honestly the picture is changing so quickly every day that we look at the actions that we can take then trying to target absolute levels that could be on the cards by the end of Q1 because if one market goes into lockdown for two weeks or one market opens up earlier those can of course cause very big swing. So, we tend to focus more on what do we need to do to be very adaptive and react to things happening on the ground. The whole budgeting part is quite scenario based and agile, is all I would say.
- Sunita Sachdev:** Alright, so there is no possibility of looking at any index on 2019 performance?
- Berend Odink:** We look at indices and potential outcomes but with all the uncertainty I don't want to put out figures that in a few days time might be too high or too low, with all of that what is now happening.
- Sunita Sachdev:** Second question that I have is as in earlier question also was on margins, seen a good job on a cost rationalization, look forward to the balance sheet to get more details on that and you also achieved healthy cash flows. Any update on any large IT project or ESG project or any capex etc. that you would like to change given that we are clearly obviously in the crux of a long term performance and you still manage decent operating performance. So, are you thinking on large capex outlays for the next two years or so?
- Berend Odink:** Yes, at least for the near future I would say probably this financial year we are looking closer at something like may be Rs.250 Crores type of levels of capex. Again, we are still in recovery what we look by like this year. In terms of expansion a year ago we completed a number of expansions so they gives us now ample capacity for near term. But we also need to look at kind of 3, 4, 5 year horizon. So, in fact I think it will be good news if I would come back with more capital investments because that would signal that we see that growth



coming. But given what is happening with COVID last year and this COVID second wave the expansion capex will not really be on the cards.

Sunita Sachdev: Thank you so much.

Moderator: Thank you. The next question is from the line of Prashant Kothari from Pictet. Please go ahead.

Prashant Kothari: Thank you very much for taking this call. The first issue was on the premium end of the market can you share what is our market share there and how it has changed during the year?

Berend Odink: Yes, we do not have that data for the last quarter on the premium side but what we did see in our own data that in generally particularly in Q4 we have seen a good recovery on the premium segment with on trade being open etc., so the growth in premium was double that of the total portfolio. It is something we have seen in the earlier years under normal market circumstances. That is positive and of course we are active in innovations expanding Witbier, Amstel, etc., and that is what we are focused on and we continue to pursue that growth from the premium end of the market.

Prashant Kothari: So, in normal years like December FY2021, how much of the premium volumes would have been going through on trade channels?

Berend Odink: We would not have specific channel. I mean obviously in on trade, the premium end would be little bit larger in terms of affordability in such a type of location. For on trade it is specifically a channel where some of the launches take place, some of the brand building and recognitions starts, where some of consumer promotions take place. But as we sell into the market it is difficult to separate fully as to what goes into on trade as such and what goes into the off trade on the national level.

Prashant Kothari: I understand that and you mentioned that some kind of pricing competition happening in Karnataka or that general kind of trade level competition. If you can just give some color there and is it a temporary situation you think or is it something which could sustain for some more time?

Berend Odink: One of my comments was on Telangana where we have seen quite some competitive intensity on discounts and the like. Yes, that is reflective of the competitive market dynamics, but these will be different state by state and from time to time across different market participants and brands. So, that is all healthy competition that is ongoing. But in Telangana there is consumer prices that have been quite high for a while now since unlock



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last year in May and also trade margins have been reduced so it is a pretty competitive set of dynamics at the moment there.

Prashant Kothari: Last question from my side, on the tax rate front, I feel that much higher than the 25% tax rate please explain why that is so and you are going to sustain on these higher levels?

Berend Odink: Could you repeat the question, I did not get that?

Prashant Kothari: I was trying to understand the tax rate it appears to be more than 30% why it is so high and what should we expect for the future?

Berend Odink: Going forward it is going to be closer to the 25% as we have seen with let us say the nominal effective tax rate, in the year we have this impairment which is not fully deductible so hence the effective rate was a bit higher in this year.

Prashant Kothari: Thank you very much.

Moderator: Thank you. I would now like to hand the conference over to Mr. Harit Kapoor, for closing comments.

Harit Kapoor: Thanks Ayesha. I would like to thank all the participants being joined for the United Breweries Call and would now hand over to Berend for his closing comments. Over to you Berend!

Berend Odink: Thank you Harit. Thank you everybody for the interest and hope everyone stays safe, stay healthy in these trying times and look forward to connect on the next call or in the next engagement that we have. 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.