

IR presentation 2011

# Brewing a success in India



Enter the World of

# KINGFISHER

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CFO United Breweries

# UBL: Key facts and figures



- 10** million hectoliters
- 54%** market share, the largest brewer in India
- 1.5** litre per capita consumption
- 18** owned breweries, and 10 contract breweries
- 39%** share for the Kingfisher brand - it is synonymous with Indian beer
- 75%** owned by Dr Vijay Mallya and Heineken





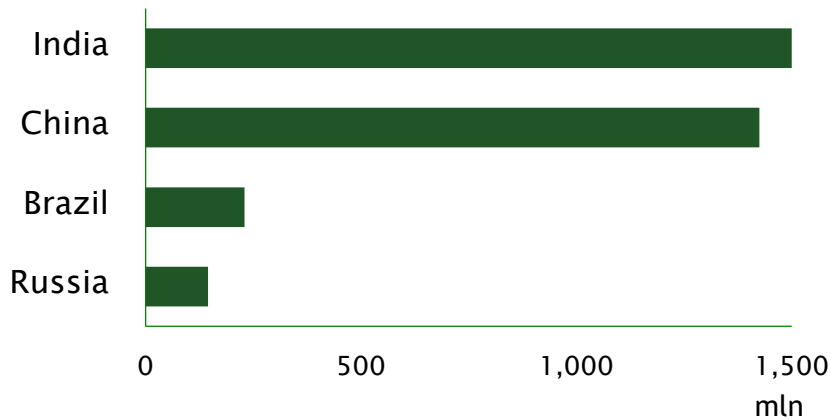
# India and the Beer opportunity

# Demographic dividend to be reaped

Population increase fuels potential for rapid beer market growth

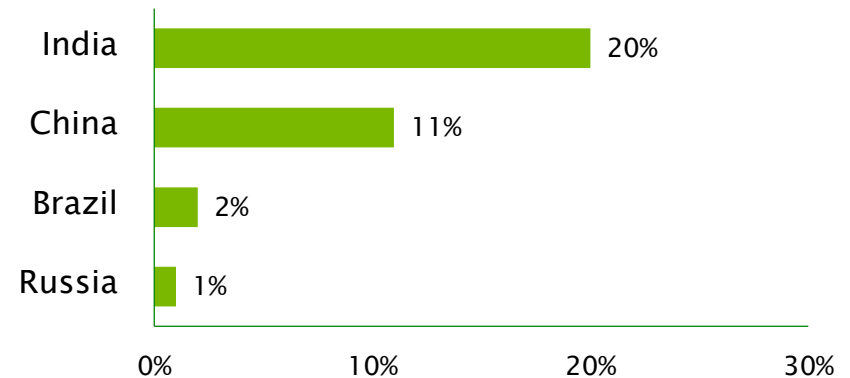


Population in 2030



- India will have the world's largest population by 2025
- In 2030, India will have over 1.5bn inhabitants
- Net increase in working population of 270 million by 2030

Below 25 year olds as % of total population in 2030



- In 2030:
  - 20% of the world's below 25 year olds will be Indian...
  - ...compared with 11% from China
- Significant growth in the legal drinking age population in India

# Consumption is set for strong growth

A significant middle class will emerge supporting increased spending power



## Household income brackets

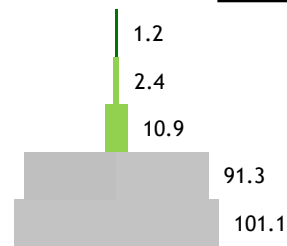
thousand, Indian rupees, 2000

Globals (>1,000)  
Strivers (500-1,000)  
Seekers (200-500)  
Aspirers (90-200)  
Deprived (<90)

## Number of households

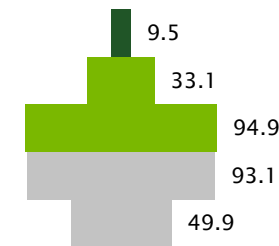
million

2005



+123m

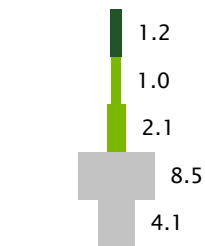
2025



## Aggregate consumption

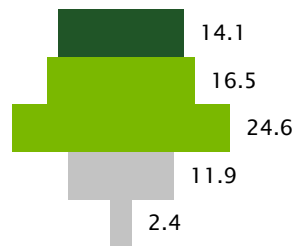
trillion, Indian rupees, 2000

2005



12.5x

2025



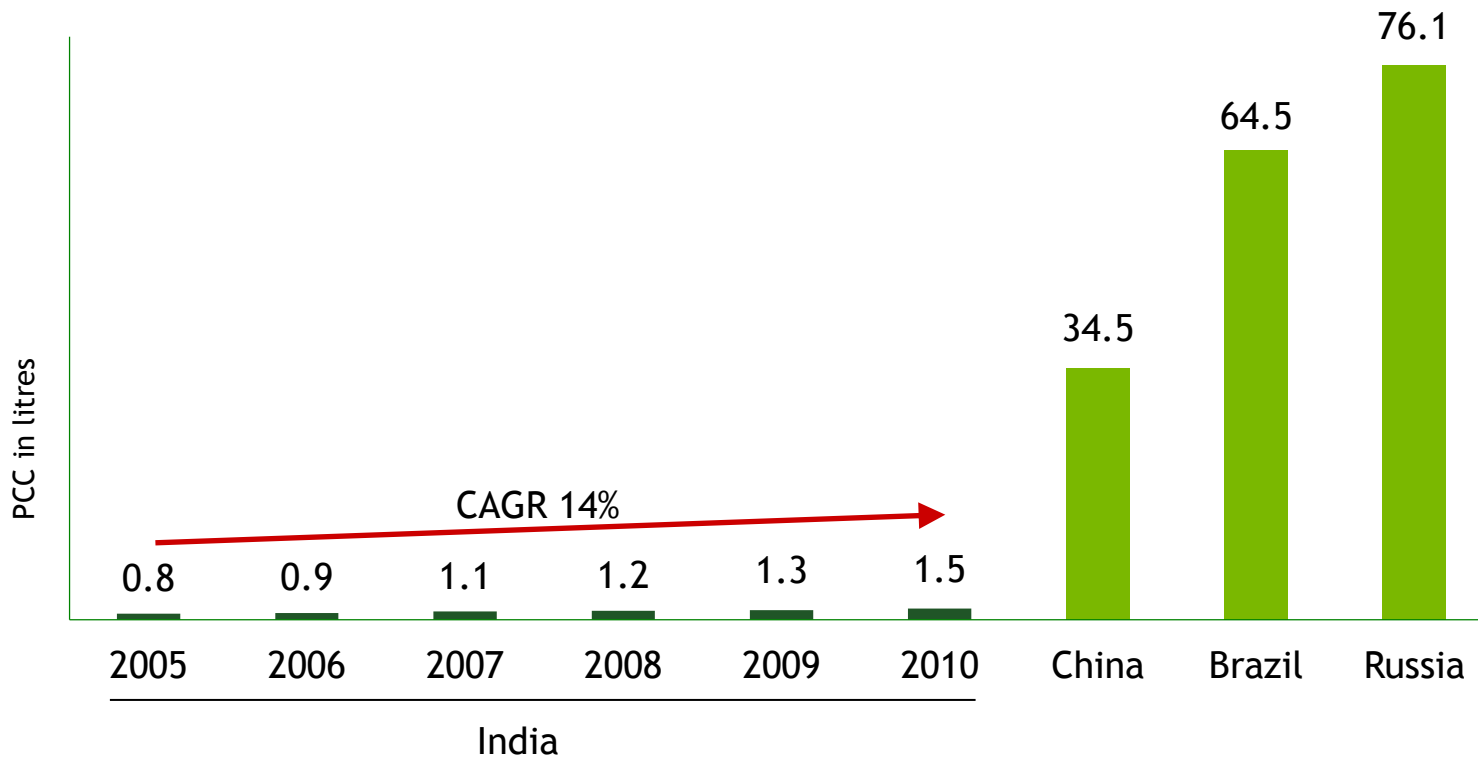
- Beer will become increasingly affordable to a growing number of people in India
- Increase in number of upper & middle class households of 123m by 2025
- Middle and upper class will drive 12.5x consumption growth
- Higher income expected to support significant increase in discretionary spend

# Beer consumption in India is well below other 'BRIC' countries



The Indian beer market has grown strongly over the past 5 years from a low base

## Per Capita Beer Consumption



# Today's beer consumption is very low

India is far below other emerging markets of similar income levels



## India

## Comparable Markets

Per Capita Beer Consumption at comparable GDP

1.5 liter

20 liter

Share of alcohol consumption



<0.5%

Wine

5%

78%

Spirits

8%

22%

Beer

87%



# Two key reasons

High prices & low availability



## ***AFFORDABILITY***

- Highest duty in the world
- Duty not set according to alcohol content
- Expensive alcoholic beverage

## ***AVAILABILITY***

- 65,000 licensed outlets across the country
- 1 per 18,000 people
- In China: 1 per 300 people

***Beer is not the alcoholic beverage  
of the common man***



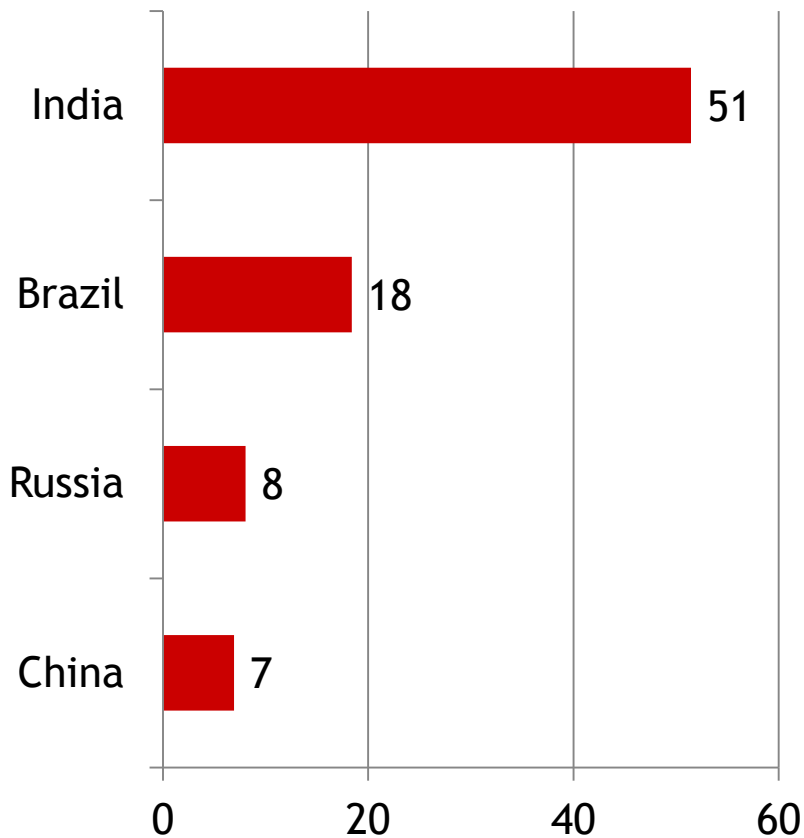
# Affordability

Beer prices in India are very high



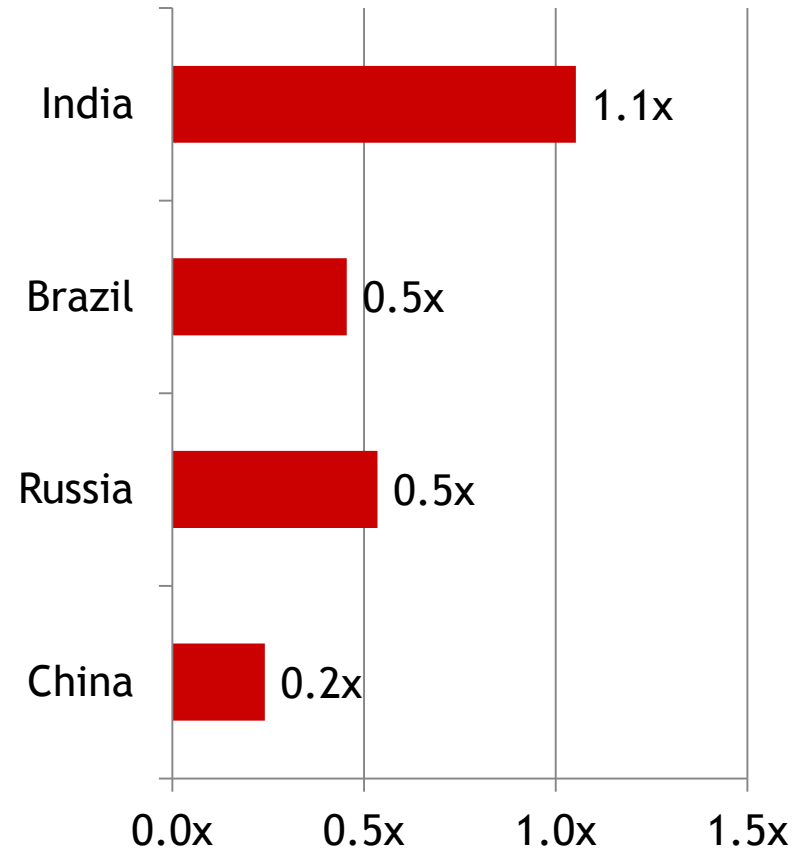
- ▶ An Indian has to work up to 7x as long to afford a beer

### Minutes work for a beer



- ▶ India is the only BRIC where a beer is more expensive than a Big Mac

### Beer relative to Big Mac



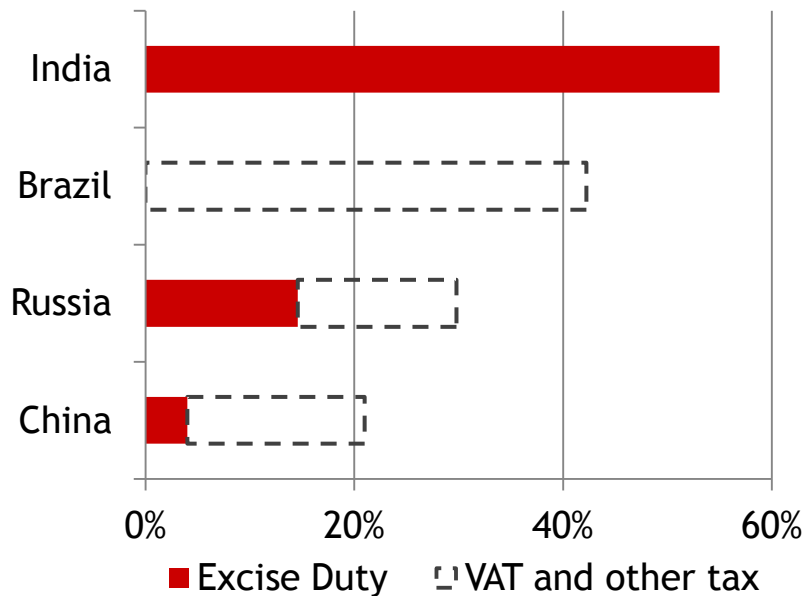
# Affordability

Excise is highest among BRICs and drives preference for hard liquor



- ▶ Taxation is significantly higher than other countries

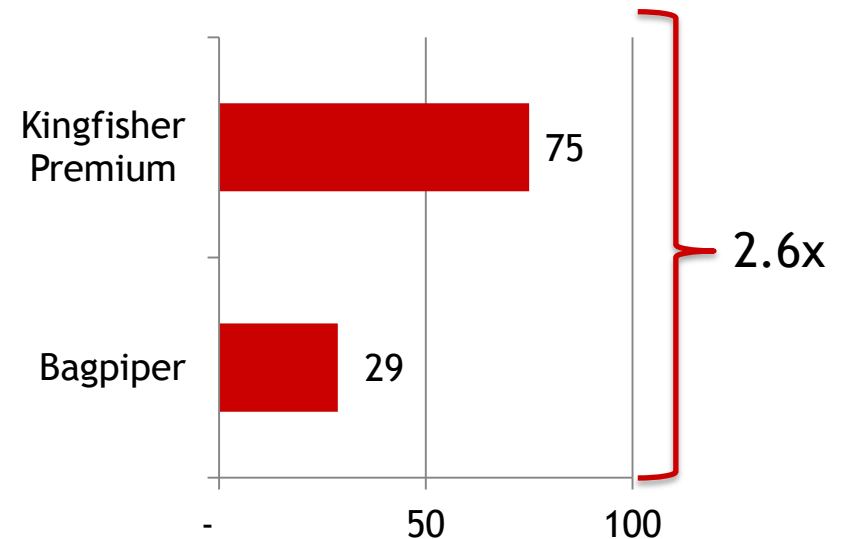
## Taxation of Beer



*Indicative rates as % of consumer price. VAT is only levied on value added, so effective rate is lower.*

- ▶ Beer is taxed significantly higher than hard liquor

## Relative pricing vs spirits per unit of pure alcohol



*Based on consumer prices in Tamil Nadu*

# Availability

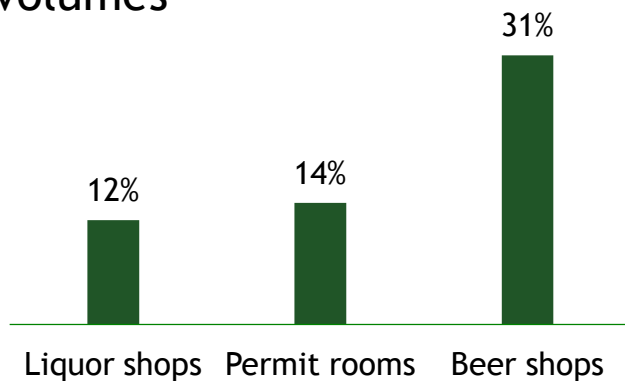
## Case Study: Mumbai Beer shops



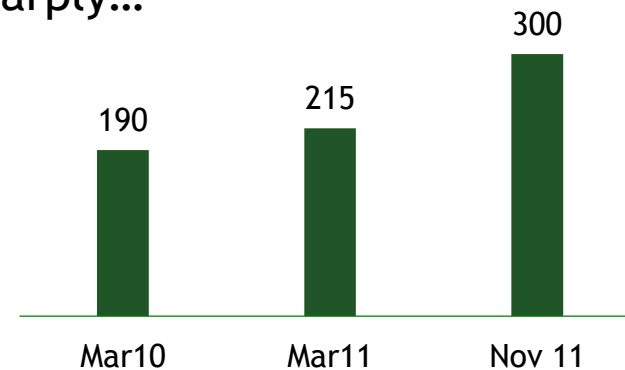
### New Policy established

- ▶ Since the 1970's no new licenses have been issued for liquor shops
- ▶ In 2006, the Maharashtra government started to issue 'beer shop' licenses for outlets that can only sell beer and wine, but not spirits

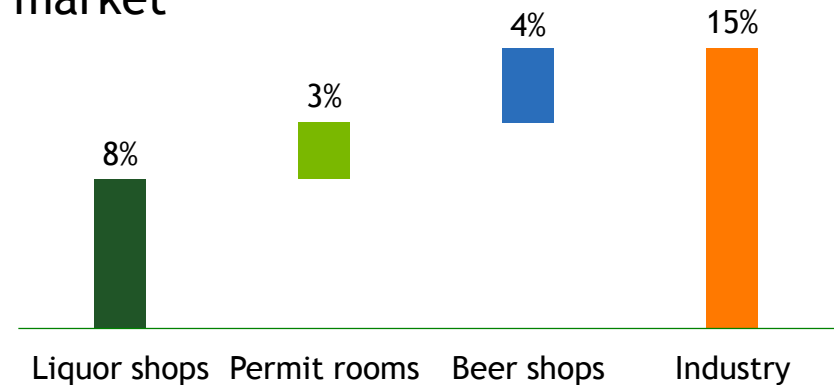
...driving high growth in beer shop volumes



Number of beer shops has increased sharply...



...accelerating growth of the overall market



# A highly regulated market

Leveraging the existing framework



## ▶ Excessive State regulation and intervention

- Route to market
- Economics, need to have a brewery in each state
- Pricing

## ▶ India is not homogeneous country

- 27 uniquely different states

## ▶ Ban on advertising alcohol

- Difficult to build new brands

## ▶ Requires ability to operating in very different structures

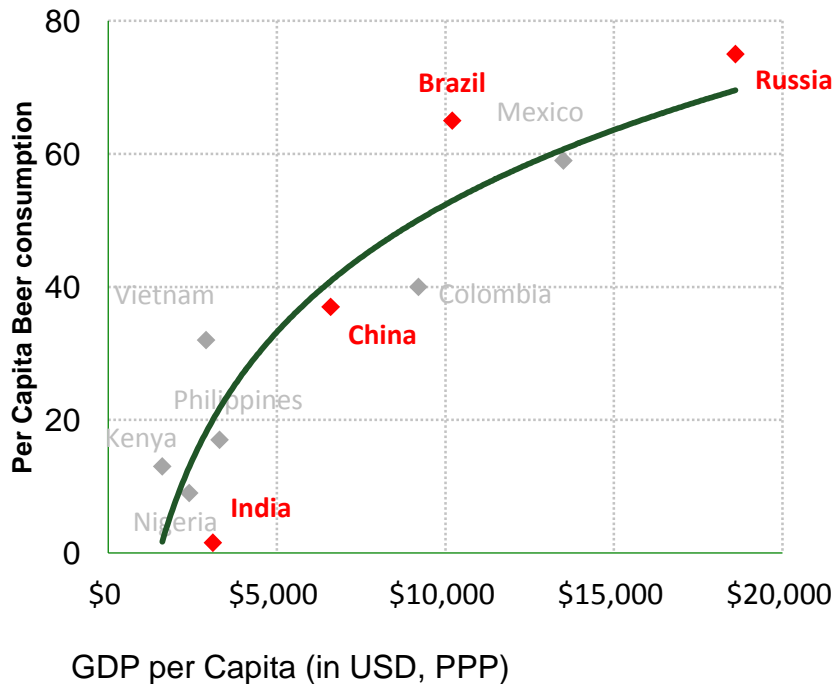


# India is at the start of the growth curve



Income growth will drive per capita beer consumption

## Beer consumption versus income level



Demographics will fuel further market growth

- ▶ UBL expects to grow volume at an average annual rate of 15% over the next five years
- ▶ By the end of 2015, India is expected to reach 3 liter per capita



# Capitalising on UBL's strengths for growth

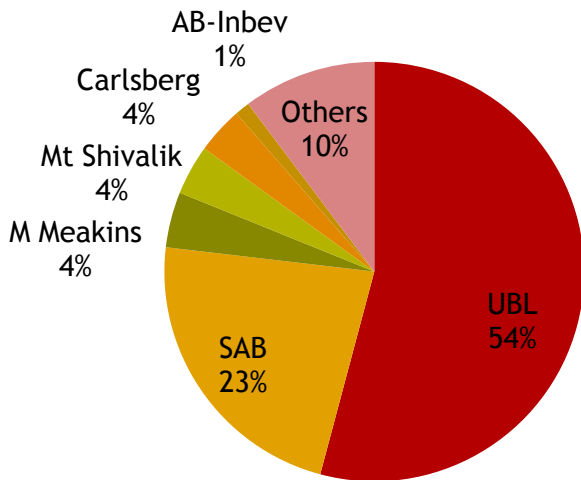
# UBL's leadership is undisputed



Market leading position in India

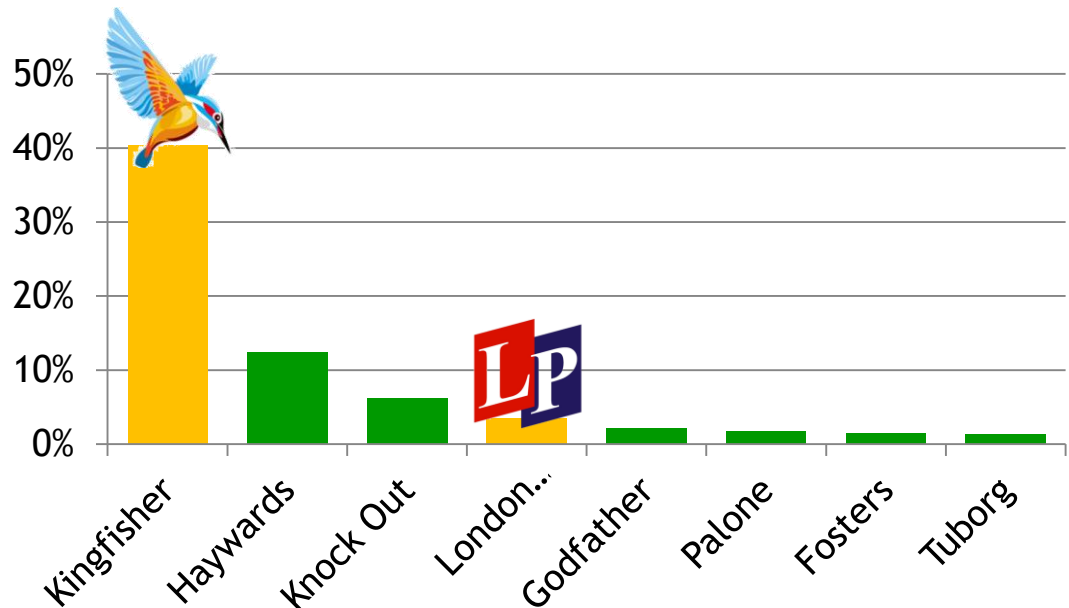
- ▶ Strong market position will continue to drive economies of scale and superior returns
- ▶ All time high market share of over 54%

## UBL is more than two times its nearest competitor



All-India market share FY11

## On a brand basis the leadership is even more apparent

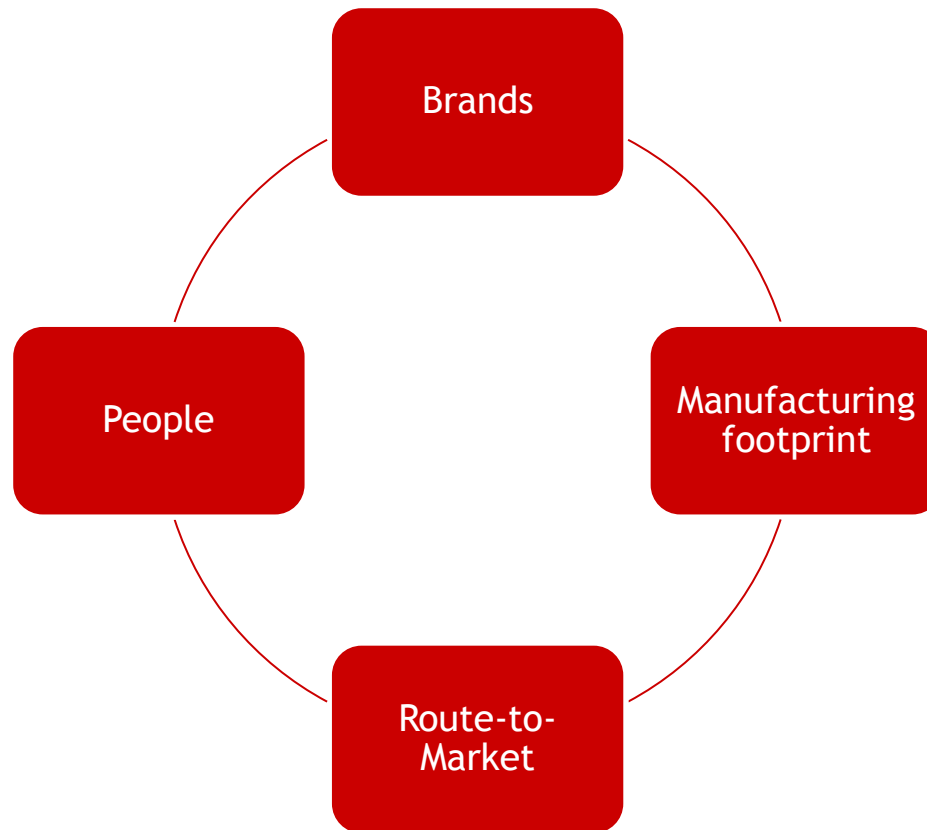


# What is this leading position resulting from?

## UBL's Competitive Advantages



- ▶ UBL has been able to achieve its market leadership by leveraging four competitive advantages:



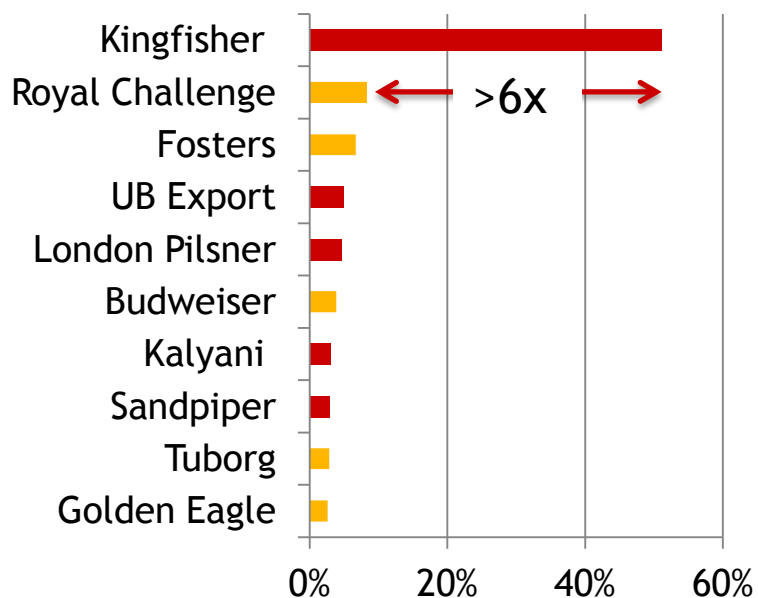


# The strength of the Kingfisher Brand is unparalleled



- ▶ Iconic brand - KINGFISHER is synonymous with beer for Indian consumers
- ▶ No other beer brand comes close:

*All-India market share Mild Beer FY11*



*Brands in green are part of UBL portfolio*

Brand Equity among young consumers:

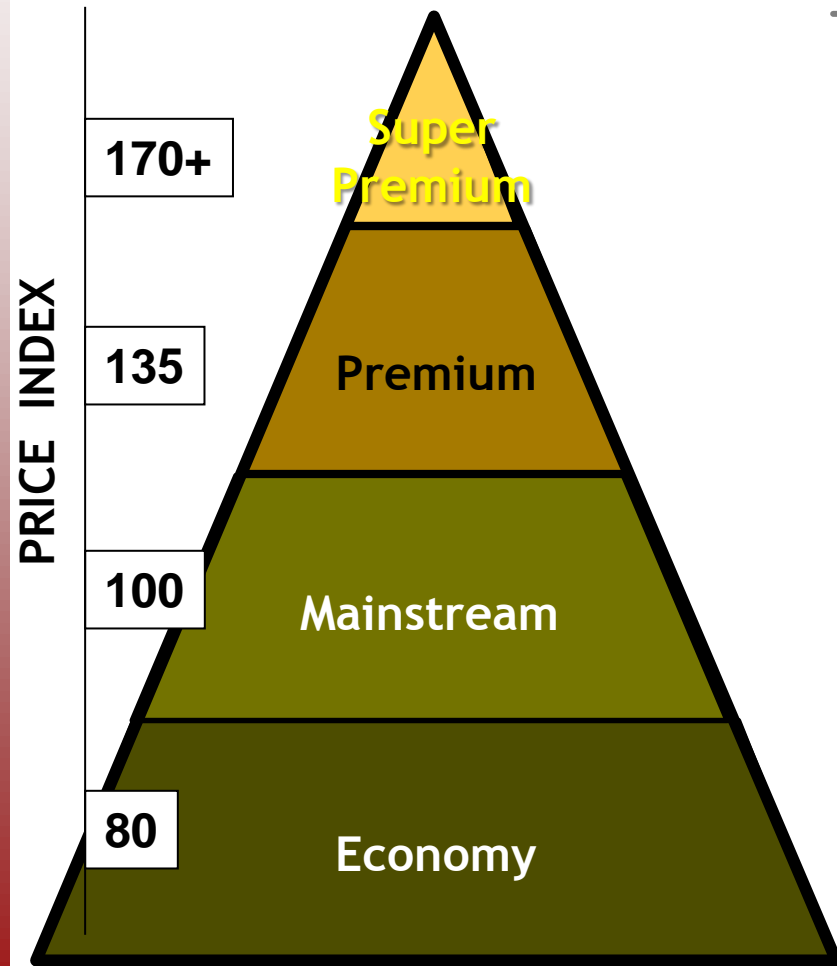
facebook 2,508,800





- ▶ Kingfisher is India's most liked beer brand by far. No.2 has only 172k fans
- ▶ On a global basis, Kingfisher is the most liked alcohol brand after Heineken
- ▶ Leaving all global beers such as Budweiser and Corona, and renowned spirits as Smirnoff and Bacardi well behind it

# But it is not only Kingfisher... ...UBL leads across all segments



Mumbai mild beer portfolio Q2FY12



Key brand	Segment share	No.2	Relative share
	65%	Corona	0.25x
	49%	Carlsberg	0.96x
	70%	Fosters	0.23x
	81%	Golden Eagle	0.19x

# Investing behind the brand

Leveraging aspirational properties in fashion and sports



Cricket: Indian Premier League



Football: Kingfisher East Bengal



Formula One: Force India



Fashion: Kingfisher swimsuit calendar



# Heineken

Building brand equity for the future



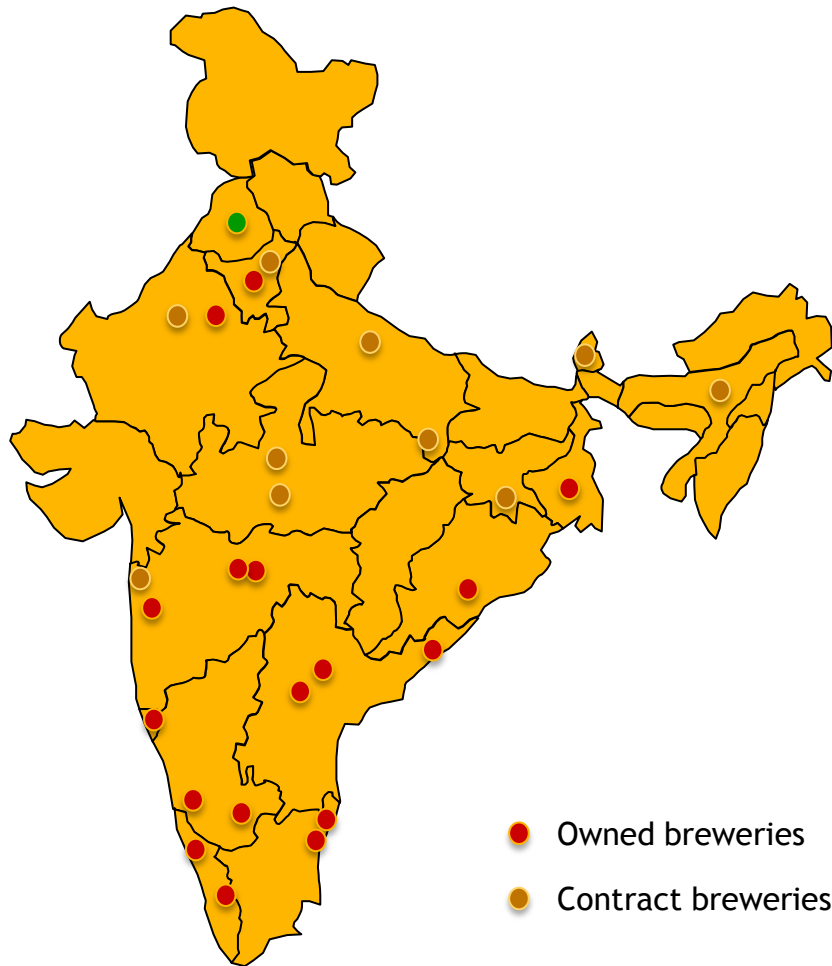
- ▶ Selective launch in key metros: Mumbai, Delhi, Bangalore, Kolkata and Goa
- ▶ Gradual roll-out based on:
  1. Perfect execution
    - ▶ Targeted Distribution
    - ▶ Premium Visibility
    - ▶ Cold & Fresh Stock management
  2. Driving awareness & be part of the conversation.
    - ▶ Strong focus on digital media
  3. Set benchmarks at every touch-point - Quality over quantity
    - ▶ K2 bottles
    - ▶ World class PoS materials
  4. Leveraging UBL strengths in market
- ▶ IPS segment is still a very small part of the overall market



# Manufacturing network across all major states



## UBL brewery footprint



- ▶ Unique brewery footprint
  - In line with the requirements of a complex regulatory framework
  - 18 owned breweries and 10 contract breweries
- ▶ Closeness to market a critical success factor
  - Freight costs
  - Import and export duties
  - Freshness
- ▶ Ability to manage contract brewers in key states

# Best Route to Market

In distribution...



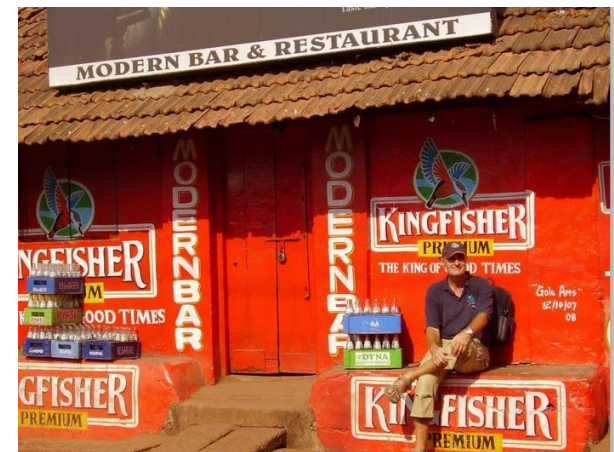
- ▶ India has 27 states that have distinctly different routes to market
  - ▶ Ability to manage this complexity is one of UBL's core strengths
  
- ▶ Established distributor relationships
  - ▶ Group scale - with 60% share in spirits and 54% in beer - provides significant benefits
  - ▶ Most distributors have been UB Group partners for multiple decades
  - ▶ The best distributors and trade partners aligned with UB Group

# Best Route to Market

...as well as in retail



- ▶ Leadership in cold chain management
- ▶ Point of sale visibility
- ▶ Must stock brands provides portfolio benefits
- ▶ Economies of scale





- ▶ Most experienced management in the industry
  - ▶ Customer facing management has been with the group for 20+ years
  - ▶ Very low churn rate
  - ▶ Strong background in dealing with regulatory environment and market complexities
  - ▶ Very difficult for foreign entrants to replicate
  
- ▶ Chairman's added value
  - ▶ Dr Vijay Mallya provides significant added value as ambassador for the industry's interests and is a member of parliament





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**UBL has a proven track record**

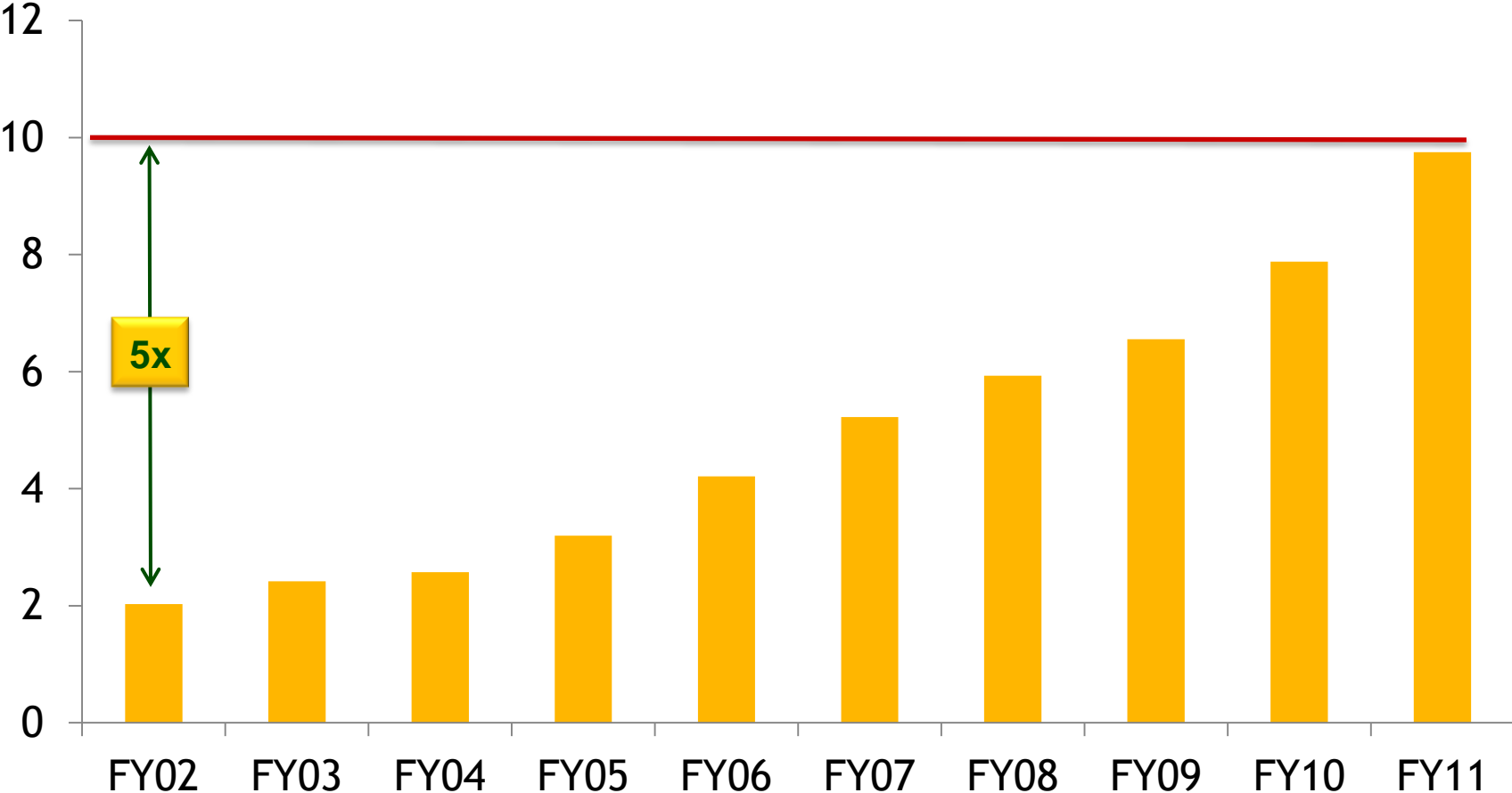
# Exceptional volume growth

UBL volumes increased five fold in less than a decade



## UBL Sales volumes

In Million Hectoliters

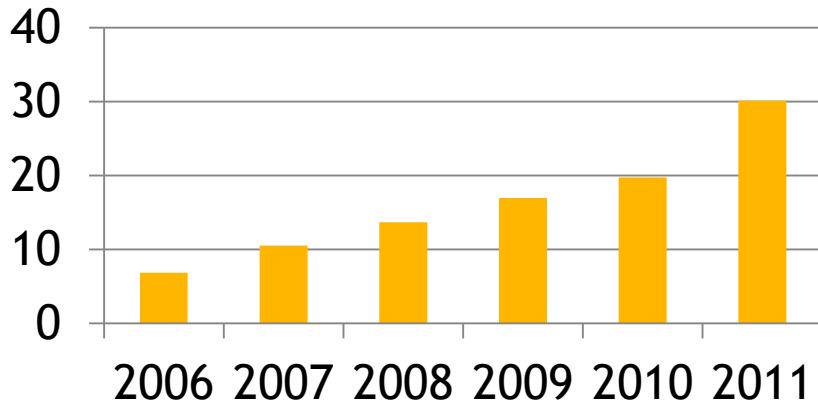


# Continued outstanding performance

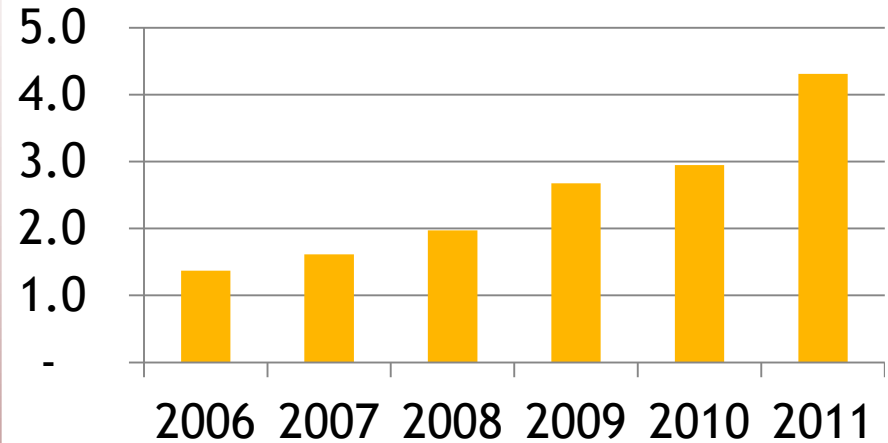
Performance highlights FY2006-2011



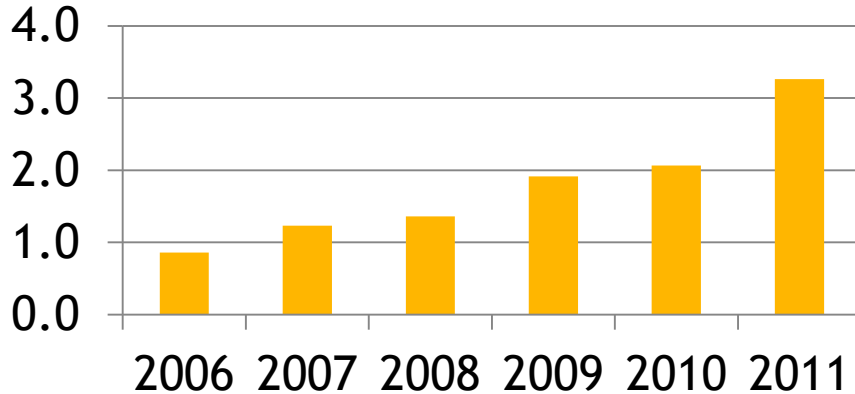
Sales up with an average 32% y-o-y



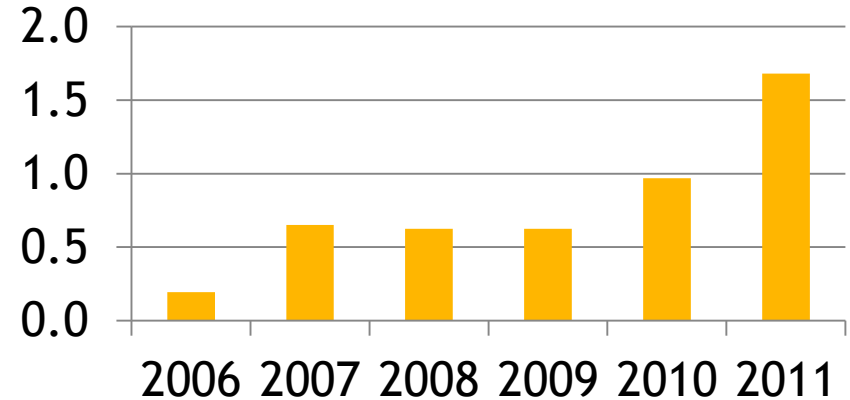
EBITDA exceeds Rs 4 billion



EBIT has quadrupled since FY2006



Net Profit has grown with 54% CAGR



All amount are in Rs bln, for year ending 31 March



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Closing remarks

# In Summary...



- ▶ Indian beer market growth opportunity unparalleled in the world
- ▶ UBL is the clear market leader with strong segment leadership positions
- ▶ UBL expects to grow volume at a CAGR of 15% over the next 5 years
- ▶ A superior route-to-market and manufacturing footprint provides consumer reach and scale benefits
- ▶ Strong fundamentals in place to continue strong profit growth



Questions, please?