



“United Breweries Q2 FY2018 Earnings Conference  
Call Hosted by IDFC Securities”

**November 09, 2017**



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**MODERATOR:** **MR. HARIT KAPOOR - IDFC SECURITIES**



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**Moderator:** Ladies and gentlemen, good day and welcome to the United Breweries Q2 FY2018 Earnings Conference Call hosted by IDFC Securities. 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, 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 IDFC Securities. Thank you and over to you, sir.

**Harit Kapoor:** Yeah. Thanks Vivian. On behalf of IDFC Securities, we would like to welcome all the participants to the United Breweries Q2 Earnings Call. From the management, we have Steven Bosch, CFO and Mr. Poonacha from Finance and Investor Relations on the call. I now hand over the call to Steven for his opening remarks post which we can open the floor for Q&A. Over to you, Steven.

**Steven Bosch:** Thank you so much. Good afternoon/Good morning everybody. Thanks for attending this Q2 conference call. As mentioned, we will have a short introduction and then open the floor for questions. We are pleased to announce double digit volume growth for the quarter. We recorded 11% volume growth whereas the industry grew at about 5% and we are now comfortably above the 50% of volume share, adding some further 200 basis points of market share year to date September.

Our revenue net of excise duty grew 23% and with the gross profit margin in line with the comparable quarter of the previous year, our operating profit for the quarter is up 72%. Revenue growth on account of price increases and a better sales mix has offset the negative impact of GST on input costs, as well as the higher input prices for Barley, Sugar and Rice. The industry and the company witnessed volume growth in most of the regions, except for the western region. Volume dropped in a few markets such as in Maharashtra, excluding Mumbai, West Bengal and Kerala. The worst effects of the highway ban have so far been visible in Kerala and in the state of Maharashtra and those continue to be the worst affected states of the country when it comes to this highway ban.

If we look at the regional performances in the quarter in a bit more detail, then starting with North. In that region, we have seen growth in the industry as well as for the company's volumes and most of the key markets, except for Haryana registered volume growth. And there were no supplies in Himachal Pradesh because of the change in the distribution policy there. In the South, UBL's volumes grew more than 20% against an industry growth of little less than 10%. So clearly, we added some market share with gains in particular in Karnataka, Tamil Nadu, Andhra Pradesh and Kerala. And in particular, the large markets of Telangana and AP reported good volume growth and also for the South you have to bear in mind that we had some issues in the last year in Tamil Nadu, so good to be back in the market this year again.



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In the East, the company realized volume growth, that was a little less than the industry growth and the market share movement in this region was a mixed one with share gains in Orissa and a drop in West Bengal. In West Bengal, the market is in flux as there is some disruption due to the switch over to a government corporation model that is currently in the process of being implemented. And finally in the West, whilst the company performances was better than the industry as a whole, we saw a volume drop of around 7%, still resulting in marginal market share gain.

Then finally as we concluded in our Q1 Call, the impact of the highway ban has been less severe than expected and when it comes to this highway ban, I recollect the clarification that was issued by the Supreme Court as a welcome release as it exempted outlets within city limits from this ban. And as a result, there are many outlets getting back into business. If you look now at a pan India level, around 15% of all outlets remains closed and that is largely due to the negative effects still seen in Kerala and in Maharashtra exclusive of Mumbai. And we are monitoring these markets in particular and we expect that over time around 10% of outlets will remain impacted, so will remain closed and we see that by the end of this calendar year, I think we should be see business as usual and back to normal volume growth. That was it for my introductory comments and the floor is open for any questions.

**Moderator:** Thank you, sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Krishnan Sambamoorthy from Motilal Oswal. Please go ahead.

**Krishnan Sambamoorthy:** My query is regarding, at the end of the fourth quarter conference call, you had indicated that April sales declined by 13% and subsequently for the next 5 months, the sales have been robust. I understand that the base was weak, you had explained that at the end of the first quarter. My query is, do you see a substantial uptick in the industry sentiment despite the highway ban or is this primarily market share gain that you made at the cost of peers?

**Steven Bosch:** If you see the volume growth for the industry, that is a 5%, so that is I think the mid single digit that we have in the past frequently referred to as the normative growth rate. We have of course as you mentioned on top of that added market share. So that has helped us to come to this more than 10% volume growth. I would think that if you look at coming period, then we will not have the effect of demonetization nor, for the industry, the highway ban. So as you would have seen over last 5 months as you have indeed correctly pointed out, the industry has been able to grow like that.

**Krishnan Sambamoorthy:** Yeah. Which is remarkable right? So 5% volume growth for the industry itself despite the highway ban? It is fairly remarkable number.

**Steven Bosch:** Yeah, I agree.



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- Moderator:** Thank you. The next question is from the line of Sonali Salgaonkar from Bank of Baroda Capital Markets. Please go ahead.
- Sonali Salgaonkar:** Sir my first question is regarding your robust margins of 17% EBITDA margins in Q2. Sir just wanted to delve a little deeper on this. So is there any particular one off that we see in terms of lower other overheads this quarter or is this a kind of sustainable trend that we could see over the coming quarters?
- PA Poonacha:** Regarding sustainable trend Sonali, I don't think 17% is a sustainable trend. If you go to history 2006-2007, was the only one full year where we had 17%-18% EBITDA margin after which we have never achieved this. Regarding one-offs, there have been certain one-offs in this quarter both in the income and in the cost. So as such, there is a neutral effect of one-offs in this quarter. So it is a pure business growth for this quarter.
- Sonali Salgaonkar:** Sure. So sir any particular guidance in terms of at least a margin you would like to give at this point in time say for FY18?
- PA Poonacha:** All we can say is, like I said, this is one the highest margins we have made in the history of the business. So do you think business can sustain highest margins through long periods?
- Sonali Salgaonkar:** Sure. Sir any quantifications of the one-offs you could give in this quarter?
- PA Poonacha:** No, I mean these are internal, but there is nothing effecting the quarter, I mean both income & expenses off-set each other.
- Sonali Salgaonkar:** Sure. And sir which states did you get price hikes in this quarter?
- PA Poonacha:** No price hikes.
- Sonali Salgaonkar:** Alright. Sir, because I think your press release mentions that this revenue growth was due to price increases. So maybe not the states, your product prices have increased?
- PA Poonacha:** It is the last year, Sonali.
- Steven Bosch:** So we refer to price increases in our Q1 call, those are of course still applicable. So Q2 versus Q2, you still see the effect of those in our current numbers.
- Moderator:** Thank you. The next question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.



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**Nitin Gosar:** Sir the first question is with regard to the piece effect, would you mind helping us understand what could be the volume growth if one were to adjust the piece of exports in Tamil Nadu which were not there in the previous quarter in the same time?

**PA Poonacha:** Exports are very small. If you take the expected exports for the entire year, it would be not even 1% point. So when we said that export it is with respect to the revenue line, that is, it was not there last year, it is there this year. So volume wise, it is very minimal and regarding Tamil Nadu, yes, there is some effect. I really can't straight away quantify it. We were last year in the mid or early 20s as a percentage market share in Tamil Nadu and we had only the month of July and probably the first week of August where we had supplies. But compared to the current quarter, this year we have maintained about 30% market share throughout the 3 months. So you can work out from industry numbers what it is.

**Nitin Gosar:** Fair enough. Sir second question is with regards to the cost structure; are there any meaningful cost overheads which can be reduced over a period of time which is still lying in the system and that can be reworked upon?

**PA Poonacha:** No, reduced over a period of time, it is a very blanket question because it depends on the environment. For example today, we can surely source this entire country's volumes in 4 or 5 breweries. But can you reduce the number of breweries, no you can't, right? So there are certain constraints with which we have to work, we have 21 breweries to run. Each one has their own capacity constraints with respect to license capacity. So the business is built with certain cost structure and we have been continuously working with respect to fixed overhead costs & would continue to do the same. So any drastic reduction, we don't see.

**Nitin Gosar:** Okay. And employee cost that we have seen around 101 crores for the quarter that should be the number to go by?

**PA Poonacha:** Sorry, I didn't get the question.

**Nitin Gosar:** The staff cost of 101 crores for the quarter, is it the number to go by on quarterly basis from here on?

**PA Poonacha:** Yes, for the next 3 quarters yes.

**Moderator:** Thank you. The next question is from the line of Ashit Desai from SBICAP Securities. Please go ahead.

**Ashit Desai:** So my question was on the realization front, you said volumes have grown by 11%. The overall revenue growth is 23%. So realization growth is roughly 12% this quarter against what you reported around 7% last quarter. So there is an incremental 5% coming in as realization gains.



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So if you could tell us where this is coming from and out of overall realizations, how much is pricing and how much is mix, if you can get some clarity on that?

**Steven Bosch:** Big picture you see the effect of price increases coming in big states like in Bengal, in Karnataka, in Maharashtra, so that has been clearly favorable also if you compare Q2 versus Q2 last year, I think we have had a good state mix when it comes to growth in the markets I highlighted in the introductory comments like in Tamil Nadu, like in Karnataka. So it is a combination of price increases as well as good performance in some of the key markets with above average realization.

**Ashit Desai:** Okay. How much would pricing would be bulk of this increase?

**Steven Bosch:** We didn't say that pricing is the bulk, I think it is a fair split between mix and price.

**Ashit Desai:** Okay. And what is the one-off that Poonacha highlighted in topline and why is that this won't continue going ahead?

**PA Poonacha:** The one one-off which most of us surely know is Octroi in Mumbai, considering that our annual increments come in the month of July, you have the retirement benefits which come as a onetime hit which offset this one-off upside.

**Ashit Desai:** Okay. So retirement benefits are in the employee cost?

**PA Poonacha:** Yes.

**Ashit Desai:** Okay. My second question was if I look at the next two quarters, you have a base which has declined by 8%-10% last year. So you think volume growth can be substantially higher in the second half or I mean 11% is the best that one can see?

**Steven Bosch:** Let me comment on the macro picture. I mean, last year we had of course two big effects that played a meaningful role in our Q3 and Q4. Obviously the demonetization was announced almost exactly a year ago, as well as we saw the preemptive effects of the highway ban, which already were visible in the March month because people were destocking in anticipation of this highway ban, there was some disruption already in Q4. So the industry will not be facing these two effects in the coming quarters. So in absence of such effects we might see continued market volume growth and beyond that it is a matter of us aiming to achieve more market share gains. But that is always to be seen.

**Ashit Desai:** Got it. One last question if I may, you had highlighted some cost saving initiatives to offset the GST hit. You had highlighted few things in the last quarter. So if you can give some color as to



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where we are on that and how much savings have come in this quarter, how much more do you expect in coming quarters?

**PA Poonacha:** Can't quantify this. But directionally, we are working as we said that we are speaking to our vendors. We have negotiated better terms. So as such, we have mitigated a portion of the impact of GST increase.

**Ashit Desai:** But has everything come into this quarter or you still working on that front and we can expect some more gains to come in the second half?

**Steven Bosch:** Cost control is a continuous effort. So we look at that from an ongoing basis. So definitely something that keeps us busy and is on our radar.

**Ashit Desai:** And has Kerala given any price increase, they have increased the retail prices, so is there a price increase for the company as well?

**Steven Bosch:** Yeah price increase for beer has now been granted. But that is not part of our Q2.

**Ashit Desai:** No, in November they have increased retail prices.

**Steven Bosch:** Yeah. The industry has seen an increase than can be expected for Q3 onwards.

**Ashit Desai:** So how much price increase have we received over there?

**Steven Bosch:** A mid single digit price increase.

**Moderator:** Thank you. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

**Arnab Mitra:** Just wanted to just carrying forward from the previous question, after the second quarter close, have you got more price hikes other than Kerala in states like AP and those kind of other states, if you could just call out some of the major things?

**Steven Bosch:** No there have not been any further price increases that the industry, that was given by excise to the industry, no.

**Arnab Mitra:** So in general do you see the pricing environment in the control markets to be better this year compared to the past 2-3 years or is it pretty similar in terms of, or are you getting more broad based price hikes this year?

**Steven Bosch:** We don't see a particular trend change or some clear evidence that there is a move away from the past, no.



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- Arnab Mitra:** Sure. And just one question on the Octroi bit. I mean so this benefit would continue to be there, right, because the Octroi and the entry taxes are no longer there. So why would you call it out as a one-off this quarter and not sustaining?
- PA Poonacha:** Octroi is only in the region of Mumbai, but the rest of Maharashtra, we have not gained anything. So it is only with respect to Mumbai and to the next question, why is it one-off, I mean you know that in the month of October that there is a revision in the excise policy in Mumbai, so...
- Arnab Mitra:** Right, but that would basically have a volume impact depending on how much pricing goes up, right? I mean, the benefit of lower cost due to Octroi and will continue to be there in other expenses.
- PA Poonacha:** But then as overall effect, your final pricing that you will get in the overall structure, the structure in Mumbai is very complicated. So as a multiplier what you gain may not be in line with the volume that you lose, right?
- Arnab Mitra:** Sure. Understand. And just one last question, is there any benefit you got this quarter because of the Maharashtra LBT kind of going away after the GST?
- PA Poonacha:** LBT is not payable by the company, right? LBT is based on the distributor sale to the retailer and it is built into the distributor margin.
- Arnab Mitra:** Yeah. So my question was if LBT goes away, does it benefit you in the sense that can you increase your realization to the distributor or has it had no impact is what I was asking?
- PA Poonacha:** That is what I have to say. LBT is built to distributor margin and you know that rest of Maharashtra is worst affected with respect to the highway ban. It is a difficult situation, that is, you can't go back to your distributors with negotiation on margins?
- Arnab Mitra:** Sure, understood and just one last question on glass. You highlighted they have input cost. Any trend you are seeing on the glass prices?
- Steven Bosch:** No meaningful trend to comment on this call, no.
- Moderator:** Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy:** You have been growing double of the industry. So my question is who is losing market share. Is the gain in market share largely in South markets and what exactly are the reasons behind consistent gain in share?
- Steven Bosch:** One particular item that we called out in our release as well is us being back in Tamil Nadu. The effect that we will see is that this is largely at the expense of local parties in Tamil Nadu and



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then I think largely in bigger markets, I think in Maharashtra as well as in Karnataka, we have been able to take share. That is sort of commentary we have on it.

**Abneesh Roy:** And sir who has lost and what is the reason for the gain?

**PA Poonacha:** You know who could have lost. Let us not spell it out. I mean if we have gained in place like Maharashtra and Karnataka, there are very few small players. So you very well know who that is.

**Abneesh Roy:** Number two player largely.

**PA Poonacha:** You answer.

**Abneesh Roy:** Bengal, there is a change in the business distribution, the corporation is coming into this. So does it mean the growth can get impacted market share also thereby and also pricing also, the freedom changes in Bengal because of this or is largely sourcing volume, it gets impacted.

**PA Poonacha:** West Bengal has adopted a different way of moving to the corporation model. They are going district wise where they are just putting in couple of depots and moving parts of the state to the corporation model in a very phased manner. And this is leading to certain supply issues. In the past you had your own distributors, who did your volume, did their targets. Here the corporation is new and it is in the few pockets. So ordering is not structured. So this is creating a bit of issue where we are not able to have a smooth road to market.

**Abneesh Roy:** So do you see risk to market share because of all this in Bengal?

**PA Poonacha:** Temporary phase, yes. But once corporation settles and as most corporations do, if they start ordering on based on replacement or based on secondary sales, slowly we should claw back to where we were.

**Abineesh Roy:** Sir, the next question is in Maharashtra, in spite of growth not being good, I have two questions on that. One is, was the growth largely low because of highway ban and second in Maharashtra you have seen, last 5 years excise hike has been quite high. So in that context, why further a very sharp hike happened, I think your prices will need to go up by 10%-25% in Maharashtra. So government's tax collection also gets impacted, right? If such a sharp tax hike happens because volumes get impacted. So there is no improvement in terms of this thinking in the government circles that this is in fact counterproductive?

**Steven Bosch:** So two questions, right? So the first one is around what is the reason for the volume drop in Maharashtra? Yes, that is largely related to the highway ban. We still saw a big drop in the number of outlets in the state of Maharashtra, that is outside of Mumbai. So that is something that whole industry has been facing. Secondly totally with you, yes, I agree, excise hike typically



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lead to a drop in volume. It is something that we also raised with government officials, but nevertheless they have decided to increase the excise once more.

**Abneesh Roy:** And sir lastly in terms of if you see liquor plus in the government controlled states, they are franchising both number one and number two player. In your line of thinking, is there a similar plan in the long term that maybe only in the free states you want to do business directly?

**Steven Bosch:** For us, what we are working with is largely with one brand, right, with Kingfisher as our key brand and then we have extensions and we are working on building up a bigger portfolio of course also with Heineken and some import portfolios. We do not have like in spirits perhaps a clear split between Popular and P&A. So there is no, we have a different way of working, so I don't see that sort of opportunity to break up the portfolio in two parts and have two different segments and start franchising

**Moderator:** Thank you. The next question is from the line of Aman Batra from Goldman Sachs. Please go ahead.

**Aman Batra:** Sir, two questions. One on the West Bengal market with this movement to the corporation structure of distribution, has it kind of impacted the profitability of the business in any form and manner?

**Steven Bosch:** On that, I do not see that, no.

**Aman Batra:** Okay. And the second is on the Maharashtra market, it is a free pricing market if I believe for you and a decently profitable market for you as well. So when have increased the excise in October as you said, have you taken any commensurate price increases to pass on that or have you not done that?

**PA Poonacha:** We are still in dialogue with the officials with respect to what the impact and the effect of the new duty policy. Only after we get clarity on that, we can, because it is a multiplier of your MRP. So unless we have absolute clarity in the new policy and what exactly the department wants, we wouldn't want to change the MRP. So as of now, we have not made major supplies barring a few brands. We will await further clarification, after which we would aspire to do it as margin neutral as possible.

**Aman Batra:** Okay. Understood. And has there been any kind of excise increase on the spirits as well in Maharashtra or has they not touch that?

**PA Poonacha:** It has only touched beer.

**Moderator:** Thank you. The next question is from the line of Abhisek Banerjee from UBS. Please go ahead.



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**Abhisek Banerjee:** My question is on the competitor front, just wanted to understand what kind of competitive intensity are you seeing from ABI and SABMiller given what is going on with the shares. Are you seeing them promoting more on the street and another part is in the ultra premium part of the portfolio where a new entrant has come in and its story making its way into retail outlets, are you seeing anything new happening there, especially in the ultra premium portfolio and light portfolio?

**Steven Bosch:** So the first question, it is clear that SAB is getting together with ABI makes it a very strong competitor, with a portfolio with strong beer, as well as mild beer, in the mainstream, and also in the premium space. So clearly it is a strong competitor and we have our own portfolio to counter that. And especially on the ultra premium or the high end of the market, you see some further growth of craft beer, even if these still are in small volumes, the niche is clearly an area where you have especially in the big metros people's attention and we have our own import portfolio that is also priced at the high end of the market including brands like Desperados, Sol, Dos Equis and other brands from the European Heineken portfolio including also wheat beer called Edelweiss. So it is also a market segment where you see the biggest growth percentages also given a low base.

**Moderator:** Thank you. We have a follow on question from the line of Ashit Desai from SBICAP Securities. Please go ahead.

**Ashit Desai:** So if I look at your balance sheet, there is a sharp increase in the receivables. So for the year, you would see working capital increasing or you can cut back further on the working capital?

**PA Poonacha:** We can't cut back working capital. I mean I think from the current environment, we had the best we can. With respect to increase in receivables, yes, what you see is by and large on account of corporations paying us later than what they used to do in the past, especially corporations of Andhra. However, a portion of this enhanced receivables is on account of this change in structure in Telangana where in the previous year, you had only excise duty and when the corporation sold to the retail trade, retail trade paid VAT, local VAT, acquired the permit and then took supply of beer. This VAT portion has now been rolled up as additional excise duty. So that portion is now part of the company invoicing itself. So company pays this upfront at the time of dispatch and await the corporation to pay after the corporation sells from its depots to the retailer which is the higher working capital block in Telangana.

**Ashit Desai:** Okay, got it. And you spoke about some supply distribution issues in Uttar Pradesh. What are these exactly?

**Steven Bosch:** I think he is just referring to the Himachal Pradesh, change in distribution policy?

**Ashit Desai:** And what is happening there?



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- PA Poonacha:** You are talking about the debtors, collectables, right? What was your question?
- Ashit Desai:** I thought you commented something on some distribution issue in Uttar Pradesh, maybe I heard it wrongly. So I will take it later.
- PA Poonacha:** Nothing in Uttar Pradesh.
- Steven Bosch:** The issue in Himachal Pradesh, is one there is a different distribution policy, different policy coming into effect, which has led to a temporary destocking. So that is temporary thing that was there in Q2.
- Moderator:** Thank you. We have follow on question from Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy:** Sir this quarter we have seen QSR, Jewelry companies report very good set of numbers. Even FMCG companies have said that overall the demand seemed to have bottom out. In y our case and even in spirit companies, we have seen premium end grow quite fast. This could be restricted to these specific companies. My question is in the premium end, are you also saying that sentiments have seen a marked recovery because you called that out, but is it market share gain or is it market improvement in sentiment in the premium end?
- Steven Bosch:** On the premium end, if you look at last quarters, we have seen strong double digit growth for the products that we have in that space. And the big underlying trend is one of overall strong consumer demand. So that segment has been less affected by things like the highway ban or even demonetization. So the higher priced products have continued to do well.
- Abneesh Roy:** Sir in Maharashtra, we have seen beer getting taxed and spirits not getting taxed. So is it normal that beer in fact which is having lower alcohol and lower price also, so that gets taxed and spirits not getting, is it common to see only beer getting taxed or normally both gets mostly increase together in most states?
- Steven Bosch:** The latter is the normal procedure, normal pattern, but you can never rule out unilateral changes like we have seen a year ago in the state of Uttar Pradesh. So it may be something that is still coming up, a spirits excise hike, we don't know, and it is currently as we understand being contemplated. Clearly, beer has now been hit by this excise price hike and as an industry we continue to push our agenda also given lower alcohol percentage of beer, we definitely find this counterintuitive because one would like to promote also the lower alcohol products.
- Abneesh Roy:** Is it because the liquor lobby is able to put forth their way of thinking, their interest better, would you like to think that way or it is just one off?
- Steven Bosch:** I don't think it is so much related to a certain lobby or spirits intervention. What is clear is that the spirits component or the salience of the spirit related excise revenues are very high when



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compared to beer. So there is perhaps less risk in putting a little extra on beer, as that will not impact much the overall excise revenue pool, as the excise revenues on spirit is a far larger chunk.

**Abneesh Roy:** Sir last question, this is on Bira. We have seen this brand really catch a niche especially the metro markets and they have been getting funding also. So any particular learning from Bira because obviously a longer terms this could be a risk. They have entered strong beer also. So what is the learning from Bira?

**Steven Bosch:** I think the learning is that there is a demand out there from consumers for something else, there is an opportunity for a new kid on the block. This gives also some extra energy into the beer category and we also have, as a response, increased our portfolio with the brands for instance I referred to little earlier from the overseas markets. So wheat beer we also now have in our portfolio and some other types of beer. So clearly we want to also be there for those consumers, for any consumers who are interested in the beer product.

**Abneesh Roy:** But those would be at more premium pricing, right, compared to Bira?

**Steven Bosch:** Yeah, clearly we are selling these at a bit higher price points, but when it comes to opportunities at Bira's price point, we keep on looking in the market for further opportunities.

**Moderator:** Thank you. We have a question from the line of Mr. Harit Kapoor from IDFC. Please go ahead, sir.

**Harit Kapoor:** In the interest of others, I apologize for repeating this for the third time. But, the question was that your other expenses line which is overhead ex-employee cost, has really at best increased in single digit on a Y-o-Y basis for almost 10 quarters now and in certain cases it has also declined. You know this is in spite of competitive intensity being strong and if you could just give a sense on is there enough in your cost management as well as ad spend to make sure that this growth continues to be in the single digit line. How do you see that over the next few quarters or probably 2-3 years?

**PA Poonacha:** Replacing your question, you are saying that overheads other than employee cost, right?

**Harit Kapoor:** Yeah. So they have been relatively muted as far as growth is concerned. They have just grown probably sub 7%-8% on the last probably 10 quarters, so?

**PA Poonacha:** It is a trend, it is our volume growth, Harit. The volume growth is also in the similar single digit, you know.

**Harit Kapoor:** So the assumption would be that you can still keep it at these levels?



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- PA Poonacha:** Yes, I mean this is really not different at the current levels.
- Harit Kapoor:** Second thing was on Maharashtra. By when do you expect this at least the negotiation with the government to clear out so that you can get back to...
- PA Poonacha:** Negotiation, we just want clarity.
- Harit Kapoor:** Yeah, the clarity.
- PA Poonacha:** What the excise policy has said is that for lager beer, the excise duty is up from 150% to 175% and for strong, it is up from 200% to 235%. However, the price that the brewer gets is a multiplier of the MRP. So there is no clarity whether the multiplier remains the same or the multiplier changes. So that clarity has not yet come. So before we jump and change our MRP, we as an industry, I am not talking about UBL, as a brewing industry, the IBA has represented so that we get clarity on what exactly the policy wants us to do.
- Harit Kapoor:** Very clear. And third thing was just a comment on the imported brand, you put them out of the market, initial response at the high end is, how is that?
- Steven Bosch:** Response I think is positive. It is rolled out in multiple metros. It is also often there in combination with Kingfisher on draught. So it is a nice portfolio that was can put in outlets and we have seen a good response and a good rollout and a smooth distribution of the products in first couple of months. So we are pleased with that pickup.
- Moderator:** Thank you. As there are no further questions, I would like to hand the conference over to Mr. Harit Kapoor for closing comments.
- Harit Kapoor:** Thanks, Vivian. I would like to thank all the participants who joined in for the United Breweries call. I will now hand over to Steven for closing remarks.
- Steven Bosch:** Thanks for participating in the call. Thanks for all the questions and look forward to interacting with you in our upcoming next call.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of IDFC Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.