"United Breweries Limited

Q3 FY'24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to United Breweries Q3 FY'24 Earnings Conference Call hosted by Investec Capital Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harit Kapoor from Investec Capital Services. Thank you, and over to you, sir.

Harit Kapoor: Thank you, Manuja. Welcome, everybody. On behalf of Investec Capital Services, we'd like to welcome the management of United Breweries for their Q3 FY'24 call. From the team in United Breweries, we have Vivek Gupta, MD and CEO; Radovan Sikorsky, Director and CFO; and Robin Achten, Business Control and Investor Relations.

I now hand over the call to Vivek for his opening remarks, post which we'll open it up for Q&A. Just a quick request is to limit your questions to two per participant as the management has a hard stop on time.

Thanks and over to you, Vivek.

Vivek Gupta: Thank you, Harit, and good afternoon, everyone, and thank you for joining the call. I'm here with Rado, and we are pleased to discuss the developments of quarter 3 and performance up to date. I would say, we are very happy with the progress we have made in this quarter both around our strategic pillars and the continued momentum we are seeing on the company.

In terms of our results for quarter 3, our volume increases 8%, with price mix positive, net sales grew by 13%. And the sales is quite broad based with volume growth from Tamil Nadu, Telangana, Orissa, Maharashtra, Rajasthan, and there were some headwinds in Delhi and Kerala and in some of the other markets as well.

Our gross margin for the quarter was 44%. They were 215 basis points up versus prior year. I would say that this is slightly below our expectation, but we understood during the quarter why is it down. And we made some corrective actions, which we are very happy on the progress of those actions as well. But we are not overly worried about the drop in the margins for the quarter as we know that structurally, we are doing the right thing.

Our premium volume continues to be strong. It showed a 14% surge. We saw double-digit growth -- and strong double-digit growth in some of our key premium brands like Ultra Max. We had a bit of supply challenges for Heineken® in Karnataka. But despite that, we were able to deliver good growth, and we estimate our shares to be sequentially up for the December quarter, even on premium.

To highlight year-to-date, because of this strong recovery in the last two quarters, our volumes are now almost flat, down 1%. Our net sales is up 4%. Gross margins are still lagging behind, but it's catching up in low forties. Our EBIT growth is positive and profit after tax at 12%, but more important, the momentum is there.

Our volume growth was very broad based. East grew 22% for us, driven by strong growth in Odisha and Jharkhand. South, the big markets of Tamil Nadu, Karnataka, Telangana, AP, Kerala, grew 10% for us. West grew 9% for us and North, we had a decline because primarily led by Delhi, where we continued to wait for a structural solve at local level.

Our volume recovery is showing momentum. In quarter one, we were down almost 12%. Quarter two, when we talked the results last time, we were up 7%. Quarter three, we were up here 8%. And even better part is the price mix has improved. So some of the actions we took in the first half and this quarter, we are now seeing results.

So, our price mix has improved from 3% to almost 5% based on the work which is happening on the premiumization and the right pricing. So we feel overall quite strong about the results.

I'll hand over to Rado to talk about margins and some of the other improvements, and then we can open up for questions.

Radovan Sikorsky: Okay. So Vivek touched on the margins, but I'll just give you a little bit more flavor. So like Vivek said, compared to last year, we see nice improvement on our margins driven by some of the softening of the raw impact materials coming through, but then also the pricing helped us. So, some healthy pricing and also doing revenue management activities have helped as well.

If you look at from quarter-to-quarter, there can be a little bit of questioning around the growth here. But we are fully aware what is happening. And there we see that the bottle returns were not at the expected levels, right? And of course, that means we have to do more injection of new bottles, particularly also when you see the volume growth That combination had an impact on our margins.

But like Vivek said, we are taking the necessary actions for that going forward, and we believe that we can set that right. And there was also a little bit of a state mix impact. On the EBIT margins, I have to add that actually in the quarter, we did quite a bit of investments behind our brands, quite a bit more than in the previous quarter and also versus last year. And you could probably see that also in the market, where we were also involved in the World Cup, etcetera. So that was nice to see that we are building the brand power.

And I think we can end with that and go over to Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Latika Chopra from JPMorgan. Please go ahead.

Latika Chopra: Two questions. The first one was on volume growth. You've been delivering 7%-8% kind of a volume growth, but clearly the base was also, you know, at least in the prior quarters affected by route-to-market changes, and now that's sitting in the base.

Even at some of the states like Karnataka and Tamil Nadu recently, you know, announced some tax increases. How do you see volume growth really playing out? Are you comfortable with this high single-digit volume growth momentum and mid-single-digit price mix momentum to continue for the upcoming fiscal?

And the second question was on your comments on gross margin and the interventions that you've undertaken. If you could elaborate a bit on that, and should we now assume that 44% that you delivered in this quarter is kind of a bottom, and progressively margins should move up? Thank you.

Vivek Gupta: Thanks for asking the question. I think on the first one, look, I think the first thing is, yes, we have RTM changes, the previous quarter, or past year, there was a lower base, you can call it. But I would say that, you know, growth is very broad based. So as I gave you numbers, like, for example, in East of India, where we had no RTM change, we grew almost 22%. In South of India, it was around 10%. In West, we grew 9%, where there was no RTM change previous year.

So I would say that the growth has been quite broad-based for us. And I think, yes, the recent announcement by Karnataka government is a setback, because we don't want beer prices to increase. But the actual impact of the price to the consumer, we have to still watch. It is around 3% increase to the consumer.

So we think it may not be that significant increase to the consumer that it can impact the volume of momentum, but we have to see on the announcement. On the Tamil Nadu, we are still awaiting the whole impact of the MRP increase, and what does it mean for us from our profitability, how much the pricing, we are going to get benefit. There is no clarity. We think we are going to get clarity in the next couple of weeks on that.

I think, having said that, I think what we are doing is a lot of fundamental work. As Rado said, we are going to continue to invest in brands. We are filling a portfolio. We have a lot of innovation. So, we are pretty confident that this trend of 7% to 8% with high single-digit growth, we can deliver in the near future. I think on the second question, on the margins, I will ask Rado to give us specifics on what kind of things are there and how we are looking at it.

Radovan Sikorsky: Yes. So like I said a little bit before, the two main drivers are for a slight muted -- I wouldn't say a muted performance. I would say that slightly below the previous quarter is actually the bottle returns, right? And then -- I've spoken in the past about that, the importance of bottle returns vis-à-vis also the price of new bottles. So of course, it's a combination of working on both of them and that -- now we have had some more difficulties in getting bottles back to in the market, and we've had the necessary conversations with our stakeholders and suppliers.

And then we put forward some plans going forward on that, which we are hoping will have a positive outcome on that. And then there was a little bit of a state mix with impact as well. So that's roughly on the margins.

Latika Chopra: All right. So it's fair to assume at least gross margins stick at these levels and probably don't come below this. I don't know how to think about that. I know state mix it a little tricky to call out. But from a cost/mix of new bottles versus old bottles, is it going to worsen or it stabilized at these levels in your view?

Radovan Sikorsky: So like I said, let's see how these action plans pan out. If they go well, then I think we can have a bit more underlying growth in margins. But let's see how the market moves on our plans.

Moderator: The next question is from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: Congrats on good volume growth. My first question is on the premium market share and premium volume growth. So it's a good performance. Wanted to understand in FY '25, what will be your expectation in terms of premium volume growth given you're under-indexed versus your pan-India market share. In premium, you are under-indexed.

And related question in terms of premium only. How many times can the bottle be reused in premium? I understand Heineken will use mostly new bottles. But in rest of the, say, Ultra and Ultra Max, how many times can the bottle be reused versus your economy bottles? Some color if you can give, that will be useful.

Vivek Gupta: Yes. Thanks, Abneesh. I would say that I think the premium is a definite part of our strategy. And as I mentioned, I think for us, UB is the total portfolio is going to be very critical. So, we're going to do a lot of work on Kingfisher, on the World Cup, Sunburn and UB actually invested significantly. But absolutely, premium is going to be there.

We view shares on premium in last quarter. We will continue to have a significant share growth this year. Our plan is to expand our innovation like Heineken Silver innovation, Heineken Draught innovation, some of the other innovations which we have in pipeline, which we'll disclose in next quarter or so. I think we have a really strong plan on premium both in terms of innovation and supply towards that.

I think on the bottle return, of course, when you build a premium brand, you have to increase lot many bottles. But the return percentages on premium are very similar right now. Because one of the issues, which is the bottle is -- there's a whole issue of the broken bottle of cullet, which is happening if you are working with glass manufacturers. Because there is a lot of illegal trade-offs with collecting the bottles and breaking them and selling it to recycling for the industries is impacting us.

So we are working with government, we are working with glass manufacturers. We are working with our own vendors to do their capabilities on this. So I think it will be just the new infusion as a result premium will impact. But overall, we don't see a significant difference in premium return versus the mainstream return.

Abneesh Roy: Sure. That's helpful. One follow-up on the premium strategy itself. Your competitors in premium are unlisted, and that gives them an advantage of propping up ad spend without looking at the quarterly results too much. So I want to understand this constraint of yours, that will continue. In that light, what are you doing different versus earlier in terms of -- I understand the Draught beer, which has been launched, etcetera. But what is the different strategy you are now employing versus, say, in the past because your market share is much more under-indexed here? So given the constraint of being listed entity, anything you can do different on a strategic level?

Vivek Gupta: Yes. I'd say I think there are 3 things. I think one is just fundamentals, very basics. Because we need to get our supply chain network ready for premium. It's one of the issues we face in interstate exports, because we produce premium in state X, and they don't allow exports for whatever reason, and then it becomes very difficult. So the consumers don't get consistency of supply.

So we are working very hard on fundamentals to improve our local supply in a premium in the key states, and you will continue to see our footprint increasing there. We've actually added a couple of places that we recently started extra production of premium (. So we are doing some of the local sourcing, which will absolutely improve the performance of premium.

The second is the whole investment in marketing is not only more done, but it's also quality of marketing. So there is a lot of work happening, and we are very pleased on our brand power score because we can score -- actually improved on Kingfisher brand, we also improved on Ultra and some of our brands are even scoring better than the competition. So we are seeing very good on the quality and the content of that part.

And I think the third one is there is execution, the sheer execution which we are working on. And I think if it sounds very, very basic, whether on a premium to -- some of a premium brands, the distribution has doubled in Maharashtra. So it's very basic, but we are doing a lot of those work.

And the fourth is very consumer meaningful innovation, which is quite deep rooted on the insights. So as a company, we are also sustaining our ability of understanding consumer insights, designing for the consumer. And you will see that over the next few weeks when some of these programs are on the relay.

Abneesh Roy: Sure. My second and last question is on the state-level mix, which you have given. So good volume growth in south, but when I see multinational spirits companies, they don't have much of a presence in Tamil Nadu and Kerala given too much of a government control, etcetera. So what would be your experience and response to that medium, long term? And second is, when does north volume growth recover because now at some states, base will also start to benefit? So any color you can give on recovery in north India?

Vivek Gupta: Yes. I think we should see recovery more starts in the next couple of quarters because I think we're still going through the RTM cycle. We are actively working with the government in those states to open a few of these things. So I think it will take another quarter or so to see decent recovery there.

I think on the Tamil Nadu and Kerala, as we said, we have the RTM changes is Tamil Nadu last year. We are going through that. We are looking at how the overall performance comes in. We have also strengthened our portfolio there. Kerala, again the same thing. We have a good share in Kerala, and we continue to see good consumer response on the demand.

So we actually don't face any government resistance which I'm aware of in Kerala and Tamil Nadu to do business. So of course, some of the calls we have taken to increase the MRP of beer, that can be a dampener need to understand fully once the notification comes in. But right now, our progress on Tamil Nadu is strong.

Moderator: The next question is from the line of Ajay Thakur from Anand Rathi Securities. Please go ahead.

Ajay Thakur: I had 2 questions. One was to do with the strategy. So last quarter, you had mentioned about -- you will give a bit more color on the strategy during the quarter for -- what is future road map. If you can shed some light on that, that will be helpful.

Vivek Gupta: Yes. Sure, Ajay. I think we will -- we actually will do a proper session on that because we are actually linking up with the overall global company and [inaudible 0:19:50]. But I can give you an overall view on the key pillars we are working on it.

I think the first pillar is, of course, we are working on ramping up our supply chain for future. And as you know, in India, each state is very different. And beer is a lot of scale business. And we have one of the biggest brewery network in India. So, one of the things we are reviewing is what is our future network looks like, where we need to expand, where we need to add, where we need to consolidate. So there's a lot of work happening on that part. And that is about making sure that we have capacity for the future to at least deliver high single-digit to double-digit growth for next 5 years to come back.

I think the second one is we are leveraging a lot of -- really consumer-first mindset -- really consumer-first mindset, really investing in both in our organizations and our capabilities to understand why the beer penetration in India is low, why only 85 million to 90 million people consume beer versus 200 million people who consume any liquor.

So the clear objective is to drive categories growth. And for me, the big, big part is the people who are already drinking liquor, why can't they drink a moderate liquor like beer and what are the barriers to do that. So, we have some understanding, but we need to go very deeper into it. And we are already seeing some experiments, which are giving us success around category growth.

I think the -- and leading to it is third is to have a very winning portfolio in India. The unique thing about UBL-Heineken is that we have the best domestic portfolio in India with Kingfisher Ultra, Ultra Max and some of our local brands. But we also have access to the global portfolio of HEINEKEN. And we just need to bring the right portfolio so that we can offer various price points.

So you could have seen some of that in Karnataka, where we are now playing in all the tiers what the dealers are looking at so that -- which gives us -- and there are some gaps in the super premium, but we still are working and meeting all the premium needs. So that's the second big area is to really focus on consumer and give them what they want.

I think the third important area is to use of technology. I think as you know that the stores are limited. There are 100,000 stores, but we have also high manufacturing and large business. How do we leverage technology to get more efficiency, effectiveness and -- but also increase the speed of execution? There's a lot of what's happening on -- as a company to be more digital, like -- something like -- we are working in our breweries, working in our go-to-market, working in internal working to really do that.

And I think the fourth key pillar for us is absolutely to really grow this category by working very closely with the government and really impacted our policy framework. Because if you ask me, that is the biggest barrier to growth of beer in India. And we are closely working with the government, really trying to educate.

And recently, World Health Organization has given us study, which actually talks about something called a harm per liter. They're saying the world should move towards moderate drinking versus the high spirit drinking and all. And unfortunately, in many states, the taxation is very different.

So I think those are the four key priorities other than just making sure that the organization is a winning organization and capable organization. But these four areas, we are doing a lot of work, but we'll talk more. Then we'll do a little bit more session on the exact details of what we are trying to do it.

Ajay Thakur: My second question would be more on the Karnataka, which you were alluding to. I wanted to just understand a bit more in terms of the market share trends, how it is moving. Because of late, we had seen that the Karnataka being one of the area of a concern in terms of market share losses. So I just wanted to understand how it is exactly now. Have you seen some kind of a strategy in turning on that front? And if you could throw some light about that?

Vivek Gupta: Right. I would say our organic share -- and when I say organic share is -- if you take away some of the disruptions which happened in Karnataka, where we moved from 3 shares to 2 shares and back to 3 shares. And this is for the industry, right? The governments are changing their mind up and down in the thing, and we worked through that.

I would say we are still the positive share progress in Karnataka. So, our shares in Karnataka, we gained some share towards the end of the quarter compared to the start of it. Our strategy is definitely working. It's a very competitive market and our strategy is definitely working.

We also have further plans in Karnataka which are getting into the execution in the market, which will only strengthen it. So, I think on the question -- I think -- it's keeping everything as a -- if there's no disruption because of elections or something like

Moderator: The next question is from the line of Jay Doshi from Kotak AMC.

Jay Doshi: I have a few questions on your profitability. Now we believe that barley prices -- the low-cost barley would be already in the cost structure of this quarter, and yet your gross margin is at 44%, which is nearly 10% points lower than what it used to be in FY 2019. It's not an apple-to-apple comparison, but when I look at the other listed player United Spirits their gross margins are about 300 basis points lower versus that period.

So I'm just curious and I want to understand, is there some structural change for the beer industry or change in your state mix that is resulting in such sharp gap versus what it used to be 4 years back?

And if you could address -- I understand that -- because ours bottle prices would be hurting you more than spirits players. But broadly, taxation, price increases should not be very different between spirits and beer over the last 4 years, right? So this is first part of the question.

Second is if you can give a road map in terms of what is necessary or what is required for you to get to 15%, 16% EBITDA margin or essentially 50%-plus gross margin? And is there a visibility on that?

Radovan Sikorsky: Sure. So let me take that one. So 2019 feels like so far away already. And so many things have happened since the impulse through COVID, through the extreme volatility of the commodity prices and quite a different world we're living in terms of volatility, right.

So, our ambition is always that we need to improve the gross margins and the margins for our Indian business. But it will take some time through the various activities that we are doing in terms of premiumization, the category goes, getting the economies of scale, etcetera, getting the efficiencies in the breweries that I've been talking about in the past and also in the material part. So it's a combination of those things.

But the big impacts for us, I'm not going to go -- dive into comparing us with spirits in terms of margins because it is a different product, yes? We use different raw materials. Barley prices had a significant impact on us, and the spirits weren't as exposed to natural material as we are because they use the different raw materials.

And the bottle impact on us was high as well, as you might know. And we've been under pressure with the bottles, as Vivek has mentioned, with coloured and prices in the market, and we have to manage that properly. We've seen softening of that, and that's reflected in our margins. So our margins are improving.

Are they improving at the pace that we want? Of course, we would want them to improve more. But I think we have the right plans in place and we're working through to grow those margins. But for our business, it's a combination of a number of things. And of course, the state mix, you actually mentioned it correctly and that's true. The state mix has impacted us as well.

But we want to grow the category. We want to grow the quantity of earnings, first and foremost. But of course, the quality of the earnings should come with that as well. And that's the balance that you're talking about. The quantity of earnings is important for us as well in India where we want the category to drive. So I think that could summarize on your question.

Moderator: The next question is from the line of Krishnan Sambamoorthy from Nirmal Bang Institutional Equities.

Krishnan Sambamoorthy: Okay. Q3 is seasonally a weak quarter, and you also -- but you also had the Cricket World Cup during this particular quarter. Anything to call out? Was there a significant positive impact that you can call out as a result of the World Cup during the quarter?

Vivek Gupta: I didn't get the question. The business impact of World Cup?

Krishnan Sambamoorthy: Yes, the Cricket World Cup. Was there any positive impact in what is usually a seasonally weak quarter?

Vivek Gupta: Yes. I see -- look, it's very difficult to isolate the impact of an event. I can only say that our present, we only measure brand power scores. And I would say that we were able to reach a significant large number of consumers during that World Cup because of the viewership, and we were running the campaign. And then our brand power scores have gone up.

Now how much that impacts the business and results is very, very difficult to really actually come together because somebody was telling me that up to the final it was great and after the final we stopped drinking. So it's very difficult to actually comment. But I think what really gave us the confidence that our brand power scores we use the consumers, and we got good results.

And that's why in December, during Christmas time and New Year, we actually -- were very strong in the event. We were a part of Sunburn festival. We got the data that in Sunburn festival, 87% of the consumers who walked in, they knew our brands, the top brand came.

So I think our execution was also very strong, which gives us confidence as we get into this quarter that we'll continue to see that momentum on this. But very difficult -- can't answer the question of whether the ticket world comes in fact.

Krishnan Sambamoorthy: Understood, understood. And on the cost side, was there any unusually high marketing spend during the World Cup season or the Sunburn at the end of the year period?

Vivek Gupta: Yes. Our total, we spent more than 200 basis points more on advertising and promotion in this quarter versus previous quarter. So absolutely, we invested more on some of this spend, but I think that will continue because as we get into the season we really do that.

And I would say, if you look at on the overall advertising and sales spend is still much lower than the local standards, what is needed to grow beer category. So one of our goal is going to be linking to the previous question of when will we get a very strong EBIT margins and all, I think -- I see India is somewhere with categories underpenetrated. There's a lot of scope to do that, and it will need bit of investments. There's a balanced growth. So we'll do it off-line and expand the category. But it will need investment, and we continue to invest.

Moderator: The next question is from the line of Arkopratim Pal from Sanjay Agarwal Broking. Please go ahead.

Arkopratim Pal: My first question is based on your latest results, what is the corresponding volume growth rate? And additionally, how much does the price decrease or increase in that quarter?

Vivek Gupta: I think your question is price/mix. So price/mix is up 5%. So our volume grew by 8% and revenue by 13%. So the net impact is plus 5%.

Arkopratim Pal: My question is, is there any price decrease or increase in your product in this quarter?

Vivek Gupta: We did rationalize price on economy in one of the brand in Karnataka, but that has a very small impact on our results. And we did cycle some of the price. We will still got the impact of some of the pricing which happened in some of the states. But net impact is plus 5%.

Arkopratim Pal: Okay. And one more thing that -- could you please elaborate on any potential changes in operating profit margin that might be anticipated for this current quarter?

Vivek Gupta: Sorry, I didn't get the question. Your line was breaking. You asked the profit margin?

Arkopratim Pal: Yes. I'm asking that, your operating profit margin might be anticipated for this coming current quarter is there any changes with your OP or something decreased or increased?

Radovan Sikorsky: Are you -- you're asking for guidance for the next quarter? Is that what -- if I understand correctly?

Arkopratim Pal: Sorry?

Radovan Sikorsky: Guidance. So we don't give guidance going forward on OP margins, what's going into the next quarter for quarter 4. All I can say is that -- and as I mentioned, we continue working through the plans to work on our margins, like I said on the bottles and on our revenue management activities and we are hoping for a good volume growth into quarter 4.

Arkopratim Pal: Okay. And what is your expectation about the demand scenario in this current coming quarter compared to last quarter?

Radovan Sikorsky: Sorry, I didn't understand. The line is quite bad.

Arkopratim Pal: Yes. My question is, what is your expectation about the demand scenario of this current coming quarter as compared to last quarter?

Vivek Gupta: As we said, look, we are -- we continue to see high single-digit growth. And on the margins, as Rado said, we don't give the guidance, but we are taking all the initiatives to be in the right direction.

Arkopratim Pal: Okay. So we hope that the -- in coming quarter it will be a positive growth, right?

Vivek Gupta: We hope so. It's hard for us to situation like this – positive note.

Vivek Gupta: Yes.

Moderator: The next question is from the line of Karan Taurani from Elara Capital. Please go ahead.

Karan Taurani: My first question is on the investment plan, right? So I think beer that way as a category, Kingfisher has been the market leader since so many years. So what exactly has happened in terms of strategically or in terms of your thought process that has led to more investments in terms of growing this category? Because UBL is the market leader, right? So is this investment more panning out to growing the premium beer category? Or is it going to be equally split between Kingfisher and Heineken assets?

Vivek Gupta: I think this year, we have already invested almost INR140 crores of capital behind supply chain initiatives to do that. I think when we say category growth, I think the investment has been in the 4 key buckets. I think the first bucket is to really make sure we are supplying for both Kingfisher and premium, which is going to be available as the market continues to grow. And I think that's the number one important one in the stand on the supply chain.

And of course, this is -- there is 2 parts. One is just ensuring they need more supply. And second is, where we have supplied, ensuring the supply of more portfolio both premium and others, which needs investment. Like we made an investment in Karnataka, where we are bidding for an approval over the next 3, 4 weeks, where we have got a significant investment on our Heineken line, so we can start producing local manufacturing. But we have been waiting for some label approval there, and we're waiting on that.

I think the second big investment in category growth is with consumer. Because as we invest -- if we need to invest in superior packaging, superior products, also communication, as we said, our advertising and production side will increase, and we need to continue to do that because there are more brands in the category now.

And we need to sell by a better beer, why our beer is better. I think that's the second area. And you know that we can't do too much about the line in this category. So you have to rely a lot on -- in beyond execution, outlet-by-outlet, bar-by-bar to actually get their experience.

So the third investment because of that is in execution in terms of our ability to execute more big events as well as in-store execution in an outlet-to-outlet level. So there is an investment which is required here as well.

And I think the fourth is, of course, as we are doing this -- as I talk about technology and digitization because that will need investment because as we start working on it. I would say that we will continue to invest on both -- and premium and, in some cases, also on economy. But -- and it would be quite -- because Kingfisher is a large part of our business, so it will be very difficult to give approximately -- but I would say we will try to be sufficient in a plan across the years. And that is difficult to be sufficient on what is needed to get this brand power results and get those goals on category growth and penetration.

Karan Taurani: Right. But in that case, our volume growth should also see acceleration given the kind of investments that you are planning because your volume growth of mid- to high single digit doesn't kind of match up with the kind of investments you are doing. So are you trying -- where is the visibility that you will see that you'll probably beat market outlook in terms of broader beer volume growth or any kind of visibility over there because of these initiatives?

Vivek Gupta: Yes, I think you are right. If you add up everything, I will say, you will have a very exclusive growth. I think the reason we are also being cautiously optimistic in some of the regulatory changes which happened in this category. We talked about how the taxation went up in Karnataka. We talked about there's elections ahead, which we don't know -- we know that there will be disruptions. There will be dry days.

In some markets, there'll be issues around having a second shift of the beer or third shift of beer to do that. So I think we are cautiously optimistic. So the way we are working on is -- just work on what is in our control and do that. And as we continue to improve, we will continue to change our outlook.

Karan Taurani: Got it. And just one last bit on the investment front again. On gross margins, I see a cool-off going ahead because of -- commodity prices cooling off going ahead. If that were to be the case, you think that benefit will be passed on to EBITDA margin or there'll be further investment? Some point I'm trying to make here is that our investments kind of right now at a plateau level or to increase further, if at all, there is more benefit from gross margin?

Robin Achten: Sorry, apologies, we were very clear in letting only 2 questions per person. We just have 2 minutes left for the last question.

Moderator: The last question is from the line of Harit Kapoor from Investec.

Harit Kapoor: I'll limit mine to one. Just wanted to get your sense on 2 states; one, Tamil Nadu; and the second is Haryana. So in Tamil Nadu, what is the extent of kind of recovery that we've seen vis-à-vis when we did our change in the route-to-market. We're obviously seeing growth from the low basis, but in terms of recovery to original levels, where are we? And the second one was on Haryana, if you could just give us some sense on why that market is under some pressure. So those are my questions.

Radovan Sikorsky: So Harit, I'll touch on Tamil Nadu. I mean we've spoken about this market for quite a few months now at the moment. And like we said, we did some changes there. We are cautiously optimistic about the volumes. We are seeing recovery, which is nice to see. And we will see how it progresses over the coming months. And so there is a potential MRP increase. We will see how that pans out. And that's where we are in the market.

I think we are operating in, I don't know, 25, 28 markets. And this -- we have attention on the various markets. But often, we always bought back to the Tamil Nadu discussion. And like I said, cautiously optimistic on it, and we'll see how we progress on that.

On the Haryana market, yes, we took some decisions there in terms of our profitability. We reviewed some of our financial terms, and there was some volume impact. But we see some nice recovery coming through there again. So again, we see some dips, and then we see opportunities coming through again. So yes, let's see how that goes forward.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Harit Kapoor for closing comments.

Harit Kapoor: Yes. Thanks, Manuja. On behalf of Investec Capital, I would like to thank all the participants who joined on this call as well as like to thank the senior management of United Breweries for giving us this opportunity. I now hand the call over to Vivek for his closing remarks.

Vivek Gupta: Yes. Thanks, Harit, and thank you, everyone, for asking questions. I know we could not do all of it to do that. I really appreciate, as I said, that as a company, as a leadership team, we feel very good about the progress which we are making. We are making some structural calls. None of the results, I would say, are too surprising for us like everything like to be better. And I think we'll keep you posted on the progress of the company. Thank you very much.

Radovan Sikorsky: Thank you.

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