“United Breweries Limited
Q2 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the United Breweries Limited Q2 FY2022 Earnings Conference Call hosted by Investec Capital Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Harit Kapoor from Investec Capital Services. Thank you and over to you Sir!

Harit Kapoor: Thank you Janice. On behalf of Investec Capital Services, I would like to welcome everybody on to this call. This is the Q2 earnings call for United Breweries. We would like to welcome the management team from United Breweries onto this call. We have with us the senior management represented by Mr. Berend Odink, CFO and Mr. P.A. Poonacha from Finance and Investor Relations. I will hand over the call for to Berend Odink for opening remarks post which we will open the call for Q&A. So over to you Berend.

Berend Odink: Thank you Harit and good morning everybody on today's call. Thank you very much for joining. Today we will discuss the Q2 results of UBL after the usual opening comments, Poonacha and I will be happy to take any questions. So let me first start with the results highlights of the second quarter. We posted a volume growth of 49% versus prior year driven by strong recovery of demands prevalent across nearly all the markets. The volumes were up 23% versus the first quarter. If we compare to pre-COVID period of 2019, the quarter volumes were up at 78% with continued month-on-month recovery during the quarter. The September volumes were at 88% versus September 2019.

We posted a strong EBITDA results at Rs.170 Crores contributed by volume growth and the lower impact of COVID in the current year versus last year and further cost efficiency. The EBITDA margin increased to 11.9% up from 8.1% last year. We posted free operating cash flows of Rs.227 Crores year to date up from Rs.95 Crores prior year. The company has a strong liquidity position with Rs.600 Crores bank balances. The company received the CCI order with the imposition of Rs.752 Crores as penalty. The company is in the process of preparing the grounds of appeal and the field will be filed within the time frame of two months from the date of the order and based on its legal advice the company believes that it has a strong case on merits for successful appeal on this matter, accordingly no provision is considered necessary.

If you move to the next few slides, depicts the Q2 and the year-to-date results with Q2 net sales growth of 58% and strong EBITDA growth at 132%. The year-to-date EBITDA is Rs.272 Crores compared to last year negative Rs.21 Crores. If we move to slide 5, it shows the volume performance for the key regions. Like last year and last quarter, the growth differs by region, by states to the different impacts and timing of the second COVID-19 wave and differences in markets opening up both this year and prior year. We posted a good growth particularly in UP and Rajasthan. Delhi is undergoing a policy change and as such going through transition, but at the moment low stocks in the market. West saw recovery in all four markets, each posted the highest growth also due to a lower base, south again showed growth recovery but Telangana recovery is impacted by still higher taxation levels versus pre-COVID.

On the net sales, it was up to Rs.1426 Crores driven by 49% volume and 9% favorable price mix. On page 8, it shows the EBITDA breakdown, gross profit improvements driven by better volume performance, the GP margin down 52 basis points versus last year top 341 basis points versus Q1. With continued focus on costs, management and the leverage effect of revenue growth coming through both employee expenses and other expenses enabled margin, expansion of respectively 280-basis points and 154-basis points. The resulting EBITDA margin for the quarter is 11.9% up from 8.1% last year and broadly equal to the pre-COVID Q2 2019 of 12.3% despite the lower volumes compared to that quarter.

Free operating cash flow were robust at Rs.227 Crores up Rs.133 Crores versus last year. Working capital changes were Rs.104 Crores positive and investment and interest cash out were both below prior year. Finally turning to the slide on outlook and summary, UBL has observed progressive recovery of underlying consumer demands post first and second COVID-19 wave. Although the trajectory and future impact of the pandemic remains uncertain, the company has adapted its operations accordingly and will continue to manage the business with agility. The company is optimistic about the long-term growth drivers of the industry on the basis of GDP growth, urbanization, and evolving consumer trends. We are all positioned to leverage and drive these opportunities with leading market positions portfolio brands and healthy balance sheets. With that I would like to conclude the opening comments and let us move to the Q&A. Thank you.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question answer session. The first question is from the line of Avnish Roy from Edelweiss. Please go ahead.

Avnish Roy: Thanks and congrats for a very good recovery. So you have given the Y-o-Y growth in different states, so that will look really good because of the base. My question is on a two-year basis which states you are the most happy and which are the laggard states and if you could share some outlook I do understand Bengal and Rajasthan, beer taxes were cut it was made a bit more easier which you could comment on the outlook also?

Berend Odink: Thank you for the question indeed we see differences state by state I think where we see full recovery or even higher volumes versus pre-COVID levels are a number of important states like as you mentioned UP, Rajasthan, West Bengal but also Karnataka, Tamil Nadu, Goa where we saw still some recovery in Delhi due to the new policy that is introduced. In Telangana as excise levels are higher and also for example Maharashtra and if we compare the numbers of recovery so this 88%, we also compare to September 2019 where we have to recall that the state of Andhra had at that point in time a different policy which was much more favorable to the beer industry, but from a bigger picture perspective, we see good month-on-month recovery also very important of all of the ontrade during the quarter we see progressive opening up, for example in Kerala opened only in September which also a couple of states where limited opening hours were in place for example up to 10 pm in the evening so all this will over time I think support further recoveries beyond pre-COVID levels as usual we do not really give outlooks or guidance on that but I think the trend hopefully indicates the direction, the volumes are progressing.

Avnish Roy: One followup on the Delhi new policy, do you see Q3 any big impact negative and medium long term would you say because of this policy, Delhi will be one of your highest growth states in two to three years?

Berend Odink: I think we have to see exactly how the policy will pan out I think there is still quite a bit of kind of uncertainty on how it will be implemented, but from many of the elements I would say it is a positive, it is much more about consumer choice, it is about removing some of the restrictions, about enabling longer opening hours, moving retail into private hands so I think there are many positives, but too early to say whether this will be a large volume shift let us say in that market.

Avnish Roy: Sure and last question on gross margins, you have kept it quite stable which is a good achievement. Now glass prices in the last one or two quarters has gone up so if you could tell us how you have been impacted on that and in terms of output both on glass and the liquid how do you see next one year?

Berend Odink: Overall the commodity markets in many areas what you talk about oil, energy, or other input costs like some of the glass input materials or things like carton we see very high stock markets at the moment which is actually a challenge for many companies. With the current contracting position, for example for next quarter we do expect a kind of lower level of inflation as we have been guiding previous quarter, but definitely compared to stock rate that will over time, as contract expire or as price adjustment formulas kick in that will be really a watch out area. On barley, we are having the current stocks from last year crops still in hand so that is all done in terms of procurement, but we have to look to next season and of course it is an agricultural crop so it is very difficult to forecast, what the pricing the quality the quantity will be I think so far kind of the rain and the acreages are looking okay but in terms of pricing, we have to wait a bit till we have further clarity on that.

Avnish Roy: That is helpful that is all from my side. Thank you.

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

Aditya Soman: Couple of questions. Firstly, what would you say would be a normalized EBITDA margin for you just assuming revenues are normal as things stand today and secondly in terms of the wheat beer launch, has it been launched in any more states and any numbers you can share in terms of volumes or just in terms of response?

Berend Odink: Thank you Aditya for the questions, so first on the EBITDA margin we have always said first we need the volume to fully recover to enable the potential with P&L, we do not give guidance on that but if you look at the past years I think an important milestone is again get that volume back. Secondly, in this quarter despite the lower volumes, we posted EBITDA margins equal to two years ago, so that shows to some of the cost measures that we have taken and once we get better volume throwing through that should enable the margin expansion. On the wheat beer, we are having activities and market presence in some eight, nine states, there we continue to build the segment, we have very competitive shares in that segment in some of the states, leading shares, so we are happy with that consumer traction, but of course it is just one signal and one proposition or a lot of development, particularly the premium area like new flavors with new segments emerging so that there will be much more activity and developments in years to come.

Aditya Soman: I understand just a follow-up on that EBITDA margin obviously compared with two years ago, the margins now seem to be back where they were on lower volumes but if I compare with FY2019 or even FY2018 I think the volumes are still somewhat weaker if you compare it Q2 FY2018 or FY2019, so I am just trying to understand if once volumes go back to a normalized level, would 15% be a satisfactory margin for you, would a 13% be a satisfactory margin or would it be 20%, I am just trying to understand from where you would think of the margin as being optimal?

Berend Odink: I think a couple of things that are very important for the margins. First, we continue with cost efficiency so as we always said that it has not been done we have taken a lot of measures during COVID, but we are actually continuing to look at further efficiencies as we move on and particularly, if we look at the commodity market at the moment I think it only shows that we will need to take further steps. When I said earlier the volume coming through first and hopefully we have now a period of less interruption in front of us, it is very important but I do not think we can say that at a certain margin level we are kind of satisfied of that, we will always be dynamic of competitive position market shares and presence in key states. The commodity cycle as to where is it at a certain point in time and finally the investment behind brands existing, but also innovations in terms of mid to long-term competitive market position, so we cannot look at isolation and target one single number as an EBITDA margin I think we have to see it as a component of competitive market share and some of the other cost items I mentioned and then that will be an outcome.

Aditya Soman: Okay I understand just one last follow up. On this in terms of that margin then coming down from 21% in fiscal 2019 Q2 17% Q2 FY2018, would that be a function of just obviously one is your input cost structure and secondly the volumes but would you also say that competitive intensity compared with that time is significantly higher or that is not that big of a part that is not that big a driver of margin at this point?

Berend Odink: I think competitive intensity always is quite high, it will move over segments and move over states so that is not structurally very different. I think what is of course for the industry is that there is a lot of drive on the per capita consumption and driving the category penetration and within that a lot of effort on the premium side where you will see a lot of new brand launches and a lot of new segments coming up and I think that will only increase for the years to come and that will come with its investments which on the short term will impact maybe margins but overall I think from the mid to long term it is very positive because it attracts new consumers to the category drives a lot of value and generation as well so I think it is a very important phase for let us say the beer industry in India in terms of the development.

Aditya Soman: Fair enough. Thank you much for that.

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

Arnab Mitra: Thanks for taking my question. My first question was on this 9% realization growth year-on-year, so if you could just help us understand how much of this is actual pricing, how much of this is mixed and do you expect realization growth to continue at this level or there was some exceptionally big changes in the mix on a Y-o-Y basis given how disrupted the base was which is why it is 9% and it may not continue at this level as you go ahead for the next two quarters?

Berend Odink: Yes, primarily driven by some of the pricing we have taken that is not only of course current quarter, but also prior quarters where it will just continue with the rolling effect, so in terms of what is the outlook on that of course some of the pricing will then be coming into the base figures and we will have to look next quarters at a new pricing where the possibilities are, where as we all know normally this is more period of kind of March, April, May where most of the price revisions are done, but good to conclude that so far I think that pricing has been relatively robust.

Arnab Mitra: And how much of this 9% is actual pricing versus being mixed if you could give a ballpark split of this 9%?

Berend Odink: We do not really want to break that out but I would say the majority has been on pricing.

Arnab Mitra: Got it and the second question was that your volumes are back to 88% of pre-COVID in the September month, what we have seen in even premium spirits is that volumes are much higher than pre-COVID so going ahead would you say that the reopening now in terms of on-premises kind of completely open and therefore the gap should really converge now given that there is no further restrictions in any states or do you think there are still some restrictions which affect beer a little bit more than the broader alco-bev industry?

Berend Odink: For example September, we saw the couple of restrictions being lifted I think normally you expect a bit of time for consumers to kind of stabilize and go back to their behaviors with the new opening hours, restrictions being lifted, so as of that looks all very positive so we are optimistic about continued recovery from here on.

Arnab Mitra: Sure and one last question on barley you mentioned that now going ahead it will depend on how the next crop is, so in terms of barley is the domestic production the main driver of the price of barley or is there a lot of interaction with the international barley prices in terms of how your own barley procurement price plays out?

Berend Odink: I would say it is relatively domestic of course there is some linkages and there is some opportunity for some import; however, from a longer term perspective we also want to give a very strong signal to barley growers that this is UB that we would require to be continuously invested in, so we have an active program with contract farming with support on trainings and varieties etc, so we continue to pursue that and unless there are structural price differences or other considerations our preference would be to buy domestically.

Arnab Mitra: That is quite clear. Thanks so much. That is it from me. All the best.

Moderator: Thank you. The next question is from the line of Krishnan Sambamoorthy from Motilal Oswal AMC. Please go ahead.

K Sambamoorthy: What proportion of volumes use is coming from cans other than bottles and any issue there because of lack of availability of aluminium or higher prices?

Berend Odink: The cans are specific to a certain number of markets for historical reasons. For example mainly in the north, preference of consumers is more towards cans to maybe bottles, the share of cans is around 15% in our portfolio, but there are no shortages of aluminium or any of the materials I would say it is more the pricing of course where some of those commodity trade quite high at the moment but then it is a combination of positions that we have had in the past and open positions that we will need to hedge going forward but there is no shortage let us say of cans itself.

K Sambamoorthy: Okay just to clarify you said 15% is the can?

Berend Odink: Yes.

K Sambamoorthy: Thank you.

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

Alok Shah: Thank you very much. My first question is on the ad spend, so would it be possible to give a ballpark as to ad spends versus the Q2 FY2020, we are back to what percentage now?

Berend Odink: Could you repeat the question, the line was not very clear.

Alok Shah: Sure. My question is the ad spends, in the current quarter versus Q2 FY2020, we would be back at what percentage?

Berend Odink: Yes, we have tailored ad spends to the activity that we think is appropriate for the market so it would not be at the level of two years ago, but as a percentage of the top line I think you would say it is broadly equal, the mix of ad spends also has changed much more to digital, for example also much more consumer-facing etc, so there has been some shifts in of course what is possible and how we have activate the brands and reach the consumers, for example two years ago we will probably have a bit more on sponsorships and events that is obviously not possible in today's environment, so that mix has changed, but broadly as a percent of the top line that would be similar.

Alok Shah: Got it and my second question is in terms of your premium portfolio so firstly can you give us a ballpark number as to what your share of premium portfolio volume to the overall volume and secondly in terms of manufacturing capacity, what would that percentage be? That is it from my side.

Berend Odink: The share of premium stands around the high mid single digits in the portfolio. We have seen consistently quarter-on-quarter that continues to grow of course also in line with the overall market trends and we continue to invest in the capabilities in the various ways to produce more and more premium on the various breweries, so as such there is not a shortage or any considerations I would say on the production side that we continue to invest and enable the supply to the market for more and more over time so that program continues.

Alok Shah: Got it. Thank you very much. Best of luck.

Moderator: Thank you. The next question is from the line of Vishal Punmiya from Nirmal Bang. Please go ahead.

Vishal Punmiya: Thank you for the opportunity, I have two questions. Firstly in terms of getting a clarity on the realization comment that you mentioned for the earlier question so when I see it from when I compare the volumes with beer revenues so there is a negative realization for the quarter compared to the positive that the earlier comment was made on, so what is that led by and secondly in terms of demand environment during the quarter obviously on trade basically improved on a sequential basis, was there any benefit in terms of inventory stocking by trade if you can give us some sense on that front? Thank you.

Berend Odink: Thank you. Let me start with your second question. On the inventory impact I would say it is relatively small I think the duration of the lockdown of course this time around luckily a bit shorter so a lot of the inventory actually got sold out so I did not think there is a great shift in stock decline or build up for example, Delhi where the market is going through a policy change and hence those kind of events I think make a bigger impact than on trade itself in the various states that have closed and subsequently opened up. On your first question I did not fully understand it in the sense that which figure have you been looking at when you say there is a negative realization.

Vishal Punmiya: So basically I was hinting at beer sales growth versus beer volume growth of 49%, so 47% versus 49% volume growth, but at the top line level I do understand that because of lower excise duty on a Y-o-Y basis, the realization might look slightly higher, but when I just see from a beer sale versus beer volumes, the realization would be a negative 1.3% so just wanted to get a sense on that front or am I looking it at a wrong way?

Berend Odink: What we what we have highlighted is more on the net basis so the growth revenues deducting the excise and then I think that is for us the most meaningful figure in the sense of how much do we realize after the duties and an excise payment, so we compared that to prior year Q2 on the per case basis that is up 9%.

Vishal Punmiya: Okay. Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Ashit Desai from Emkay Global. Please go ahead.

Ashit Desai: Couple of questions. Firstly on staff cost is this the normalized run rate that you will see or are there some one-offs over here?

Berend Odink: No there are no one off in staff cost.

Ashit Desai: Okay and secondly could you share what is the ratio of returnable bottles versus new bottles this quarter and has it come back to a normalized level because when we look at your realization improvement of 9% and 51%, 52% kind of a gross margin, it seems that the cost of materials per case is more or less still similar to Q1, so there is a high single digit kind of inflation that we get on Y-o-Y basis?

Berend Odink: Yes, the dynamics here are that on the one hand I think the collections are becoming much better. On the other hand as the volume picks up, we also need to invest to enable that volume growth so with that the injection or the use of new bottles is relatively above the traditional figures of around one third so that is with the market recovery etc of course an investment we think we should fully do so that will take a bit of time to normalize but in itself the collections and the returns are also progressing well.

Ashit Desai: Can you share what is the current ratio?

Berend Odink: I would only say it is little bit than the normal but again this is more a temporary effect after the low volumes that we achieved in last period of two COVID waves and again that normally would stabilize again back when we see the full recovery of markets which of course is now on the way with what we discussed earlier in the call.

Ashit Desai: Okay and for the rise and cost of materials that we are seeing is largely on account of this factor.

Berend Odink: Yes partly it is, we also seeing some pressure in other for example packaging materials like carton quite a bit so from category to category you will see the different dynamics but I think overall we have realized good improvement in gross margin versus prior quarter 1.

Ashit Desai: And lastly what has been the growth in premium volume versus overall 49% volume growth.

Berend Odink: The growth in premium has almost be doubled. First the overall portfolio. Well that is of course on the back of trade opening up and a lot of normalization coming back so again quite a consistent trend on premium what we are seeing in prior quarters in the last few years.

Ashit Desai: Sorry you said growth has been double which is like 100% versus last year which I am assuming is a very low base.

Berend Odink: Yes we had a very low base last year because the opening up last year was much more staggered, much more delayed state by state and this year around of the second wave. Although we have some examples of state where it was opened later due to specific circumstances. For example in Kerala the far majority of states opened up only recently.

P A Poonach: I think it cannot be 100% because the growth is both mainstream and secondary so it is much lesser than that. It is an average right. You can just say 49%.

Ashit Desai: So if you can share what was the share pre COVID and have we reached those levels or we have surpassed those levels now.

Berend Odink: No with the ongoing recovery, we have not yet reached depth of recovery as you would also see in the total.

Ashit Desai: Okay. Yes that is it for me. Thanks Sir.

Moderator: The next question is from the line of Harit Kapoor from Investec Capital. Please go ahead.

Harit Kapoor: Hi good morning team. Just had two questions. Firstly given the fact that you have seen a strong recovery on the premium side as well, just wanted to know whether you would look to say, now front end some of your innovation agenda in the premium space, you also discussed about there is going to be a lot of excitement there. So just wanted to get sense from you know last 18 months has been challenging in terms of lack of new launches etc. So I just want to understand from your end, do you see a pipeline emerging from UBLs end in terms of new product launches etc., and ballpark can we see some of this in the market.

Berend Odink: I think you are right in the sense that there is lot of development still to come in the premium end, I think that is good news of the trajectory of the beer market in India. The consumers are really moving up in terms of the product they prefer, the development of the various category and lot of things happening in the premium end, so within UBL of course we are actively looking to drive that and further develop the premium market with our own product whether existing and also to indicate future innovations but let me come back on that when we launch that and what type of brands and formats at the right moment.

Harit Kapoor: Just a follow up to that. Is the time kind of as right as it ever was because you see some of the craft beer players also having had challenging times over the last 18 months given their smaller size in scale and large dependence on ontrade is the opportunity for large incumbent like you may be even better in the current context?

Berend Odink: Yes I think there are always opportunities but for some place you look at our portfolio even the last few weeks we were still stabilizing some of the draft flowing into the market where you know that was quite disruptive. There was some policy challenges in number of trade so those are few of things we need to make sure that normalcy because we have a very strong leading share in the draft category so those are the couple of things that we of course first want to get right, but definitely the opportunity on premium and what has been discussed earlier on the consumer front interest is there and definitely continue to look at that opportunity and continue to activate that.

Harit Kapoor: Understood. Second question was on the cost side for the last 18 months you have taken several cost rationalization measure to protect the P&L where the revenue was not so robust, just wanted to get a sense from you on the overhead cost size. Now that revenue started to recover to more or less normal level going forward what is the kind of cost saving proportion may be as percentage of sales, maybe 100, 150, 200 bps on the overhead side that we could expect given what you have done over the last say 12 to 18 months while it would only be fully visible once your revenues come back to normal level. So any ways you could kind of quantify it or discuss of how much that could we seen going forward in terms of the actual savings reflecting on the margins.

Berend Odink: I think I would just say that this year numbers we publish them every quarter we also highlight any bigger one off that might be in there particularly the full visibility but we are bit careful to put really numbers on them on what is savings we have a very project team on the savings with the pipeline with realizations and we continue to do that. I think that is important but at the same time we also chose to reinvest behind commercial spend or being part of that. The bottom line or some of it will required just to offset inflation that is there from time to time, so that is how we look at our cost program but in the end of the day it should reflect in the numbers that we publish.

Harit Kapoor: That is it from me.

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

Sunita Sachdev: Hi Berend. Thank you for taking the question. Now that we are aware of the fall out of the price issue that we had and we are going to be obviously submitting our proposal to the courts. My question is more around how does this really affect your capacity expansion plans into the next couple of years assuming that once we get back to normal volumes in the next couple of quarters, we will be needing to start thinking of growth. Where are we again on capacity utilization and how do we think of the new breweries and capacity expansion on back of this fine.

Berend Odink: Thank you Sunita for the question, so for now we have ample capacity because we invested before the peak season when the pandemic impact happened so we first want to of course make sure we have a peak period where we fully utilize that or to a large extent, but I will be very positive again if we look at expansion because we see the future growth close to realization. I think for now we regarded that on capex we are on the frontline like 200 Crores maybe of the next season we will dial it up when we see that growth coming through, but as of yet I think it is bit too early.

Sunita Sachdev: Could you share any capacity utilization numbers?

Berend Odink: I mean that will really depend on the peak season in kind of the quarter one, so for the next quarter if it is kind of normal unimpacted season, Yes hopefully we will go back to usual high rates of 80%, 90% and from there we will continue to look in which state or which source in areas do we see the highest growth and the need to augment capacity in existing breweries and that will be I think the first step of expansion.

Sunita Sachdev: I guess the takeaway is in the next two to three years we are not looking at a large Greenfield expansion.

Berend Odink: I think the only thing that you have to bear in mind it will take anywhere between probably 18 months to 2 years to implement a sizeable expansion, so of course we can do that ahead of the growth, so it could happen of the next peak season. Again it will depend where the growth happen, is it really unimpacted season but that I would say it is positive if we talk about capex for expansion because that is of course the growth we like to pursue.

Sunita Sachdev: Any commentary that you can give around possible outcome of the regulatory change that we are going to see in West Bengal or Delhi. In Delhi I know you mentioned couple of things. West Bengal does it affect us any differently.

Berend Odink: What I said earlier, it is early days how do it actually implement it and done I think the model looks little bit like the Haryana to certain extent. I think the positive again is very much that at the end of the day it is consumer choice and it is about I guess more freedom and more ease of doing business in the state so with that I think it is progressive policy, but a lot of devil is in details as to how we could implement and how the trade will look at, so hopefully on the next call you can withdraw some early conclusion as to how that is going but overall on paper I think it is progressive policy, so let us see how that will be implemented and how that will be structured in the market.

Sunita Sachdev: So even the West Bengal policy will be pretty progressive from your understanding? Basically you know Berend gave us lot of insight on the changes in regulation in Delhi and how it could make a difference to consumer choice and availability. My question was around West Bengal. What are the potential changes in the policy expected and how would it potential affect us?

PA Poonacha: West Bengal the policy, I mean the duty is down and we are seeing a very good growth in West Bengal and now they are looking at making spirits less expensive, but however considering that we are reasonably priced vis-à-vis what it was in the past, our expectation is to continue to grow the way we are doing now. Till such time we come to the what you call, I mean pre duty levels where the increase such that the duty fit the MRP and the volume drop.

Sunita Sachdev: That is helpful. Thank you so much Berend and Poonacha.

Moderator: Ladies and gentlemen that was the last question for today. I would now like to hand the conference back to Mr. Harit Kapoor for closing comments.

Harit Kapoor: Yes thank you Janice. On behalf of Investec Capital Services I would like to thank the management of United Breweries for taking out time and giving us the opportunity to host this call. I would also like to thank all the participants on the call for taking out time and attending this one. I would now like to handover to Berend for closing comments. Over to you Berend.

Berend Odink: Yes. Thank you Harit and thank you Investec for hosting us. I thank all the participants for your interest and questions. We look forward to connect next time. In the meantime if there are any other queries you of course can contact us. Thank you very much,

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