



“United Breweries Limited Conference Call”

August 9, 2011



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Moderator

Ladies and gentlemen good day and welcome to United Breweries Q1 FY12 results conference call hosted by UBS Securities India Private Limited. As a remainder all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Ms. Sunita Sachdev. Thank you and over to you Ma'am.

Sunita Sachdev

Good evening all participants and thank you so much for joining in. We have with us the management of United Breweries for their Q1 FY12 results call. We have with us Mr. Ravi Nedungadi, President and Chief Financial Officer of the UB Group. We have Mr. Guido De Boer, Director and CFO of United Breweries and we have with us Mr. Poonacha, the AVP Finance for the company. Over to you guys. Thank you.

Ravi Nedungadi

Good evening everybody. This is Ravi Nedungadi here. Just to set the context for this a little bit, and then Guido and Poonacha will take you to the details. This quarter has been characterized by somewhat an unusual environment. We have had elections in a number of states including some large ones like Tamil Nadu and this has resulted to some extent in disruption of supplies into these states. That has affected volumes. The Maharashtra government has experimented with a very sharp increase in its taxation of beer and that has resulted in a steep increase in the end consumer price. The industry was yet to recover completely from the reduction in demand caused by the increase in taxation at Delhi at the time of the Common Wealth Games. Typically after government increased the taxes very sharply and end consumer prices go up by more than 10-15%, historically we have seen that volumes do come back but it takes 3-4 quarters for them to really go back to what they were pre price increase and then it stabilizes. So in many ways the industry after following on a year of extraordinary growth, last year I think the industry grew by close to 20%. This quarter, it has been flat or indeed marginally declining. In this environment, Guido is going to tell you how not only have United Breweries been able to increase market share by 4 and a half percentage points to more than 53% of the total beer market today. But also that we have been able to take substantial price increases in the markets where we are able to set prices but those have been significant enough to offset all the cost push that is very much part of the inflationary environment in which we are operating.

The one other comment I have is that during the period and in the coming days you are going to see a somewhat structural change in the way that you need to view the results of United Breweries because all beverage companies as you know and part UB with its historical relationships used to brew a lot of its products outside the company through toll manufacturers, through associates and subsidiaries. We are as you are all aware in the process of simplifying the structure merging these companies into United Breweries but historically as you know, the profits of the brands have always been retained by United Breweries. So over the next several



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quarters you are going to see that more assets will come on to the balance sheet of United Breweries. More top line revenue will come in because sales were booked historically in the books of these third party manufacturers but the incremental profits would be disproportionately lower because they have always been captured by United Breweries historically. So we have in the past shared with you the level of third party sales, so I am sure you have been doing those calculations on a presumed top line. But more and more you are going to see those top lines come into United Breweries and very shortly we will have a single unified entity that encapsulates within itself all manufacturing, all brands, all distribution etc which will be extremely I think its path breaking because most Indian companies have tended to be quite complicated organizationally. The underline growth continues to be strong. The company is investing for the future both in terms of capacity enhancement and Guido will be giving you details of some of the CapEx plans that we have during the year and also we are investing behind the brand, the recent launch of Ultra has been extremely successful. We are now busy on the launch of Heineken which also promises to be a spectacular success for UB. With this I will ask Guido and Poonacha to take you through the numbers and I am here as well to respond to any queries. Thank you.

Guido De Boer

Thank you Ravi for making these opening remarks. I think if we go to the performance for this quarter, it is best summarized as solid performance given the high base of last year in which had showed a 90% of growth in EBITDA. Amidst regulatory constraints, like Ravi said, we did grow at 6% in a market that was down overall, and increased our market share by over 4%. This 6% volume growth is for the combined operations. After our best quarter ever last year which saw a 32% growth in volumes, it's I think an achievement. We saw good growth in the states of Andhra Pradesh, Rajasthan, Uttar Pradesh, Goa as well as Karnataka. Specifically Uttar Pradesh and Andhra showed strong growth. Andhra government announced a possible change in their government ordering policy from September 2011 onwards which might have some impact going forward. But we expect to maintain our market share at significantly higher levels. Some markets saw decline these were most notably Punjab, Bihar, West Bengal, Delhi as well as Tamil Nadu.

I'll take you through each of these markets and the reasons for their decline. Punjab had a significant hike in excise and on top of that the retail formed cartels and the maximum selling price was removed in the state. So in addition to the increase in excise retailers are selling beer at significantly higher prices. Bihar had been affected by bad weather as well as destocking in the government depots where according to the Bihar States Beverage Corporation, they have to first liquidate stocks of other brands. Now we expect to go back to growth.

West Bengal was affected by lower sales on account of the election and there after the demands as well remained relatively soft.



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Delhi showed a similar trend as we had in previous quarter, which was slow growth after an excise increase of about 30% which we saw in Q2 last year. In the coming quarters the high base effect would be gone and we should go back to growth.

Tamil Nadu which is an important market was also affected by elections. And because of the elections, the government did not allow imports from other states even though there was a significant demand. So we as well as other brewers could not supply for outside TN. But now we are back to growth as well.

The good news in Maharashtra, which saw a price hike from Rs.65-70 to Rs.95 per bottle, our brands were only marginally down. We were able to cut down on the retail margins as well as reduce discounts. We actually were able to substantially increase our realization levels. So that's all on volumes.

Moving on to revenue and per case realizations, our revenues for UBL stand alone was up 22% while UBL stand alone volumes were up 16%. This higher growth is based partially on the intra group sourcing as well as good growth of the Kingfisher brand which is very promising even in the relatively weak market. So this translated into per case price increase of about 5% which was a mix of price increases and also some positive mix on account of people consuming more of our higher priced brands as well.

On cost of goods sold and gross margin, our gross margin went down about 1.5% which is partly on account of what Ravi said, consolidating financials of toll manufacturers with lower margins which basically accounts for half of this impact and the other half is on account of higher input cost. The key item in cost was malt and barley cost, on which I indicated last quarter I update you on that. We have now procured the majority of our barley requirements for this year and prices there have gone up by about 27% which would translate into a per case increase of about Rs. 4. The bottle cost was up 6% overall in this quarter, which is primarily because of 17% increase in new bottle prices, as well as 50% increase in the old AIBA industry bottle. And this is actually good news, we haven't been injecting AIBA bottles into the market. There was a significant shortage of these bottles and only after the season the AIBA bottle prices have declined. That shouldn't be an issue going forward, as by the year end we expect to use a very minimal percentage of AIBA bottles. Moving to our own propriety patented bottles, there we procured them at slightly over Rs.3.5 per bottle which is actually 20% lower than what we were paying for AIBA bottles last year. Normally AIBA bottles go up with 10% year-on-year. So the actual benefit of patented bottles amounts to about 30% when we take into account inflation. So, going forward bottle prices should ease.

Then if you move to fixed cost, A&SP up from 18% of revenue to about 20%, which is mainly due to an increase in ATL where on IPL we spent a significant amount on TV advertising. Last year we were doing the same but our TV advertisements got pulled of the air, whereas this year that was not the case and we spent a significant amount there, in addition some timing



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differences between this year and last year. And also the launch of Heineken beer, which we announced today has increased the spend on advertising.

On the state by state basis, BTL is similar or slightly lower. There is a slight increase because the state mix. Other costs have largely been in line. If we move to the interest on debt, interest costs have gone up by 10 crores since last year. This is due to the repayment of preference shares of 173 crores which we did in start of the quarter as well as rising interest rates. So the end of the quarter net debt stood at about 800 crores. This would significantly drop, as after the quarter we monetized our treasury stock and realized an amount of 283 crores, which we have utilized to bring down debt and will reduce our interest cost going forward.

On the CapEx we have made significant progress in acquiring land in Bihar as well as with the building of new Greenfield in Karnataka. We also did expansions in our breweries in Orissa as well as in Bombay. In Bombay, spend has been for expansion of capacity as well as for the launch of Heineken. So far for my introduction, you can move on to any questions that are there.

Moderator

Thank you very much sir. Ladies and gentleman, we will now begin with the question and answer session. Anyone who wishes to ask a question, may press * and then 1 on your touchtone telephone. Participants are requested to use handsets while asking a question. Anyone who has a question may press * and 1 now. The first question is from the line of Abneesh Roy from Edelweiss, please go ahead.

Abneesh Roy

Thanks for the opportunity. Coming to volume demand, we have seen significant slow down due to high base and regulatory action. Wanted to understand how much of it is temporary, 4 or 5 cases like Delhi Tamil Nadu Maharashtra, Punjab Bihar also in many cases you said that the problem is temporary. So wanted to understand for the balance 3 quarters, what's the expectation in terms of volumes. Because earlier guidance was 15% volume growth CAGR for the next 5 years. So obviously that looks difficult. So what's the volume guidance?

Guido De Boer

No our volume guidance is for exactly this purpose 15% CAGR for 5 years. Because the market is volatile last year we had 32% growth in this quarter so this year its lower. And on an average for 5 years we will achieve the 15% CAGR.

Abneesh Roy

But some sense you can give for the balance 3 quarters?

Guido De Boer

We specifically give guidance for a longer horizon given the volatility of the market. So that's the volume guidance that we give. On your question on which of the markets see continued issues on growth, Delhi for example there is a high base effect and it will be gone so should go back to growth, similarly for Tamil Nadu. Also Bihar we expect to pick up. Punjab, West Bengal, is still to be seen. Maharashtra has gone down slightly and it will take some time for consumers to get used to the price increases but shouldn't take too long. Andhra Pradesh, it is still to be seen how the market will develop under expected changes.



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- Abneesh Roy** Sir what's the theme specifically Andhra you said, there is some change out there. In terms of regulatory but you said you will maintain the kind of market shares.
- Guido De Boer** The government corporation is set to change its ordering policy back to the ordering policy that they had about a year and 3 months ago. From an ordering pattern which is based on the national market share, it will go back to the old ordering pattern based on secondary sale, but we expect to hold shares as we have been in the market with the consumer being used to our brands for over a year, this will contain our market shares.
- Abneesh Roy** But last time, you had lost market shares because of the change now we are going back to that earlier formula, so don't you think there is high risk that market share loss can happen?
- Guido De Boer** I think it won't be that easy for them to gain that market share, definitely not to go back to levels where they were at.
- Abneesh Roy** Sir my last question is on the glass, you really explained it quite well but my question is going forward with AIBA bottles kind of declining in terms of sourcing, how does the balance 3 quarter look for glass and also for malt, what's the margin expectation going ahead?
- Guido De Boer** Yes for bottles, especially in the off season Q2-Q3, there is not much competition. So there will be softer pricing led mainly by patent bottles which will be at significantly lower prices and the lower percentage injection of new bottles. So we expect a lower cost of bottles compared to last year. Malt, we now basically purchased our barley requirement for the rest of the year. So the 27% increase in barley prices that I mentioned earlier will be there for whole of the year, which translates into about Rs.4 per case.
- Ravi Nedungadi** I just want to make one observation on your question on Andhra Pradesh. This is Ravi Nedungadi here. There is the experience of United Spirits where some years ago we decided to withdraw some of our brands in order to hold of for a price increase. That brand, that was ruling the roost with something like 10-12 million cases a year, we actually came down to a fraction of that. And then when we re introduced it took us 3 or 4 years to get back to the volume. So the point that Guido is making is that we have been replacing volume of other brands in the market with Kingfisher which is a superior product and the fact that we have also enhanced capacities thereby improved our ability to supply to the market. This means that we will continue to have an upper hand in that market.
- Abneesh Roy** But sir sourcing doesn't depend upon formula, it depends upon brand pull only or on the national market share formula?
- Ravi Nedungadi** It is a combination of many things.
- Abneesh Roy** Okay sir. I'll come back for further questions. Thanks a lot.



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- Moderator** Thank you. The next question is from line of Ashit Desai from B&K Securities, please go ahead.
- Ashit Desai** Hi everyone. I have a couple of questions. Firstly, just one more thing on Andhra Pradesh. If you could give us the current market shares of UB and SAB?
- Guido De Boer** Yes sure. We were slightly above 60% and SAB probably around 30% or so.
- Abneesh Roy** Okay so as per the new policy the government as I understand will procure or source beer in the ratio of this market share which is state market share?
- P. A. Poonacha** I'll just clarify. I mean if you go back to June 2010, it used to be the orders from the corporations usually based on the secondary sale. Now there are certain belts in Andhra Pradesh where SAB for over many years had their distribution in place, and it never allowed us the route to market because the orders would be raised there on the basis of secondary sales. So no new entrant had there route to market in most of the depots. Now over the last 14-15 months we have been having ordering based on the Indian All India market share, all brands had their route to market in all depots. This means consumers have been having a free flow of kingfisher and other products in all the depots and all retails. So considering the brand pull that we have, we have already positioned the brand in most retails. It will be very difficult for them to go back to the old ordering pattern because secondary sale as such is happening of Kingfisher also in all depots. So it can't go back to the original market share which we had prior to the change in June 2010.
- Abneesh Roy** Okay, thank you. Sir, on the volumes, could you give us the volume growth excluding Maharashtra and Tamil Nadu? And if you could also mention what is the mix of Kingfisher versus our other brands in the overall volumes?
- P. A. Poonacha** Kingfisher forms about 75% of our brands.
- Guido De Boer** And I would say if you exclude AP and Maharashtra, we still did slightly better than the market as a whole.
- Abneesh Roy** And what could be the volume growth?
- Guido De Boer** I think then we would be basically flat or so.
- Abneesh Roy** Okay, the impact was more on AP or Tamil Nadu?
- Guido De Boer** Sorry, AP or Maharashtra you asked, right?
- Abneesh Roy** Tamil Nadu.



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Guido De Boer Tamil Nadu was a negative. Andhra Pradesh showed very healthy growth.

Abneesh Roy Okay, I actually asked the volume growth excluding Maharashtra and Tamil Nadu?

Guido De Boer Ex Maharashtra and Tamil Nadu, then we did about 10% growth.

Abneesh Roy Okay. Sir, how do you see volumes in Maharashtra coming up now?

Guido De Boer I think because it was slightly down, the consumer should be getting used to prices relatively easily and we should be back on the growth path quite soon. I remember, last year the strongest performer was actually Maharashtra. I think it will be back to healthy growth quite soon.

Abneesh Roy Okay, with respect to the margins based on this increase in barley prices and lower bottle cost that you have seen in the coming quarters. What is the price hike that you still need to take to cover up your margins?

Guido De Boer I wouldn't know exactly. I think the bottle cost in the coming quarters should more or less assume the increase, I would say.

P. A. Poonacha But if you are looking at UBL results, as Ravi said that you cannot expect anything better because you currently don't have the other entities manufacturing our brands as part of the results but in the coming quarters they will form part of the results, you would not be looking at an increase in EBITDA as a percentage of top-line.

Guido De Boer That would be not on an operating impact. There could be consolidation impact.

Ravi Nedungadi See, already the price increases of the company has taken to offset cost push so there is no change in the gross margin as a result of cost push. What you are seeing is only a perceived change and that perception is because as I said, the manufacturing units are coming in and getting merged into United Breweries.

Abneesh Roy Okay, got it, Sir, lastly if you could give the current debt and cash position after the sale of credit stock?

Guido De Boer At quarter end we were at 800 crores of net debt, from that you subtract 283 crores of treasury stock.

Abneesh Roy I meant, actually including all the entities which are yet to be merged?

Guido De Boer The other entities in total probably have 200 crores of debt.

Abneesh Roy Including preference capital?



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- P. A. Poonacha** Sorry? There is 74 crores of preference cap in the books of UBL which goes on till March 2014.
- Abneesh Roy** Okay, fine. Thanks a lot.
- Moderator** Thank you. The next question is a follow up question from the line of Abneesh Roy from Edelweiss, please go ahead.
- Abneesh Roy** Lot of my questions have been answered. One question was on the regulatory side. Why are we seeing increase in the regulatory action in terms of excise and increasing in EH, for example and what I am seeing is Maharashtra was the best state last year and it saw the maximum regulatory action? So, if the new development that state are just willing to go very aggressive wherever they see good growth happening.
- Guido De Boer** No, absolutely not. Abneesh, this is exactly to your earlier question, why we give a volume estimate of a multiple years because it always happens that the government once in so many years has a stiff hike and it is more logical to come after year very good growth than after poor year. So, I think this is basically par for the course; this is what happens on a regular basis and nothing out of the ordinary.
- Abneesh Roy** Some states are again going into election in the next one, one and half year, UP for example will go. So you are expecting a regulatory action negative in these?
- Guido De Boer** So on elections, it is not regulatory action in the sense of price hikes, but when you have elections, you usually have a lot of dry days. In addition to this the Tamil Nadu the government could not take material decisions so they also do not want to authorize imports from out of the state.
- Ravi Nedungadi** As the trucks are all busy carrying voters into valleys...
- Abneesh Roy** Price hike become very difficult in an election year?
- Ravi Nedungadi** No, in elections anything can happen, these are as Guido says, you can't look at taking a snapshot at a particular point of time. This is a high-intensity industry with a lot of interaction with government, politics, etc., so looking at it in over longer periods makes much more sense. There the trajectory of growth and profitability I think has been well established. The brewing industry is worldwide dependent on economy of scale. The Indian industry is only now reaching a point where individual manufacturing units are becoming economically viable otherwise till now they were all sub optimal sizes. The benefits of all of this will come into play, but it is not a business for the fainthearted to be in. As you have followed both the spirits and the beer, in election time it is a positive rub off for this spirit business and negative rub off for beer.



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- Abneesh Roy** Why is that sir?
- Ravi Nedungadi** Because people find it easier to distribute spirits.
- Abneesh Roy** Sir, the last one, could you update as on Heinekens launch. Currently you are busy, wanted to understand, when in Q2 its been planned and how big is the opportunity, how much spending will go in the launch.
- Guido De Boer** Actually, the good news is that we don't have to speak about this in future tense, it is rather in past tense because we have last week rolled out Heineken and we also mentioned in the press release that we have launched it in Mumbai and Pune and in the coming quarters will start the rollout across the country.
- Abneesh Roy** But it will remain a niche segment for us, sir?
- Guido De Boer** If we look at the Indian beer market, it's predominantly strong beer market and Heineken has its place only in the lager beer segment and only in the top of the market. And in the addressable market that Heineken plays in, its importance is not that the in terms of volumes but in value. It is also crucial for us to cover all the segments and this was one of the only areas where we did not have a full offering. Now we have Kingfisher and Kingfisher Strong offering to the mainstream segment, Ultra for domestic premium and Heineken for international super premium and then obviously our local brands for more the economy segment.
- Abneesh Roy** Which will be the key competitor here, existing competitor in this premium segment?
- Guido De Boer** We actually believe that it plays at a different level than the brand that are locally available though it is priced significantly above other international brands like Budwiser, Carlsberg and all of those. It's really positioned at a super premium. Also if you see the bottle, it has embossed bottle imported from Europe, clear plastic label which is the state-of-the-art in packaging materials which is not available in India yet. I think it plays in a different league than the current league of brands in the system.
- Abneesh Roy** Okay, thanks and all the best.
- Moderator** Thank you. The next question is from the line of Govind Chellappa from Jefferies, please go ahead.
- Govind Chellappa** Hi, I had a couple of questions. One could you talk about the working capital changes that happened during the quarter, how much has it gone up by? And second the more generic question, what percentage of retail price is your net realization and how much does it varies across states?



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- Guido De Boer** Working capital was slightly up for two reasons one because of consolidation of contract brewers and also because we now bought a significant amount of barley for the whole season which was at 27% higher price. Those two things had an upward impact on the working capital.
- Govind Chellappa** Would you be able to quantify the extent of increase?
- Guido De Boer** I think, if you look at it, it would be about half would be consolidation impact and the other half would be higher inventory cost of barley and some finish goods.
- Govind Chellappa** And the total increase would have been about 100 crores or so?
- P. A. Poonacha** Including consolidation our working capital block is merely 60 crores visa-a-vie last June.
- Govind Chellappa** And my second question was on, what is the net realization as a percentage of retail price on an all India basis and how much does it vary across states?
- Guido De Boer** It varies quite significantly across states but if you look at very generically I would say 15 to 20% would be retail and distribution margin. Then another 40% would be excise and then about 40 to 45% would remain for us as ex-breweries price. The significant part of the value change goes to the government and it is far in excess what you see in the other countries.
- Govind Chellappa** And would the realization be lower in the government control states or would be lower in other free states?
- Guido De Boer** Also there you cannot generalize; you have to look at it on a state-by-state market. It differs across states.
- P. A. Poonacha** I think, in the month where, or a year where the government market gives the price increase it can be significantly more profitable but if profitability is hit if they don't give a price increase every year, so step ladder approach I would say in the state control markets.
- Govind Chellappa** I mean from your account, did you say that your net realization per bottle is about Rs. 18- Rs. 19 and if Maharashtra now is at 19 would that be the lowest in terms of net realization to sales?
- Guido De Boer** Actually Maharashtra is one of the higher realization states.
- Govind Chellappa** Okay, understood. Thank you.
- Moderator** Thank you. The next question is from the line of Varun Lohchab from Religare Capital Markets, please go ahead.



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- Varun Lohchab** Thanks for taking my question. First was on the industry growth, this time this summer has been quite mild as lot of other companies have pointed out, so do you think that also impacted your volume growth and the industry's volume growth in this quarter?
- Guido De Boer** Yeah absolutely, Varun. Weather plays an important role it was a bit less easy to quantify but I think in line with for example the Coca-Cola producers indicated that month with the rains will impacted, therefore, definitely be the same for us. When it rains or it is colder people move from beer to spirits, so that would definitely have an impact. It's harder to quantify what that was.
- Varun Lohchab** And secondly in terms of the entities which are yet to be merged like MBIL, Ajanta, Nizam and Chennai Breweries, the combined impact of these, roughly if you could tell the EBITDA or PBT level. If I remember correctly, Chennai Breweries would be adding to the PBT but Ajanta, Nizam probably slightly loss making so net-net?
- Guido De Boer** Yeah, I think Ajanta and Nizam together would basically be breakeven and Chennai Breweries would be positive. I think the mergers are progressing well, so at next quarter we hopefully be able to consolidate and then can give you some insight on what's the impact of that consolidation.
- Varun Lohchab** I think you mentioned the number of.....around 200 crore debt of these entities. So is it the combined debt of these three entities which are yet to be merged?
- Guido De Boer** Yeah.
- Varun Lohchab** And sir, lastly on the CapEx for FY12, if you could just give a sense of how much you have spent in the first quarter of say in this quarter what was the CapEx and what is the number for the balance of the year?
- Guido De Boer** We now spent about 65 crores and for the full year we have planned an amount of around 250 to 300 crores.
- Varun Lohchab** Perfect, that is all from my side. Thanks and all the best.
- Guido De Boer** Thank you.
- Moderator** Thank you. The next question is from the line of Vivek Maheshwari from CLSA, please go ahead.
- Vivek Maheshwari** Good evening everyone. My first question is on the revenue growth the underlying volume growth has been 6%, what would be the like-to-like price or realization increase or like to like the revenue growth adjusting for the mergers, etc.?



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- Guido De Boer** Volume growth in the UBL as a legal entity was 16% with an increase of revenue of 22%. So, about 5 to 6% was the increase in the realization.
- Vivek Maheshwari** You said UBL volume growth was 16%, is it?
- Guido De Boer** Yes, as a legal entity for all companies combined gross was around 6%.
- Vivek Maheshwari** So then like to like price increase would be in the range of 5 to 6%, right?
- Guido De Boer** Yes that is right.
- Vivek Maheshwari** The second point on the gross margins you mentioned that like to like gross margins is 150 basis points of which 75 bps because of RM cost increase and another 75 because of the merger. Is that correct?
- Guido De Boer** That is right.
- Vivek Maheshwari** A&SP 18 to 20% what you mentioned, 18% being last year and 20% being this quarter. If I see the number even last year the number was 16.7% for the company, where is the difference?
- Guido De Boer** Okay, we will probably take different revenue denominator; there are basically 128 across versus 160.
- Vivek Maheshwari** And the revenue base is different?
- Guido De Boer** Yes, this may be just our calculation from 128 to 160.
- Vivek Maheshwari** On the like to like basis if we move on to say EBITDA, the decline would be say 75 basis point like to like in the gross margin and another 200 for A&P. Was there any other say cost pressure or anything else or let me put it this way, what would be the light to like EBITDA margin contraction during this quarter if you have that number?
- Guido De Boer** There is no contraction, the downside is on account of the merger of entities which was not part of UBL in June 2010.
- Vivek Maheshwari** On a like to like basis would margins be around the same?
- Guido De Boer** Flat.
- Vivek Maheshwari** Lastly because of these issues in various markets as you pointed out, etc. can there be beneficial impact on the market share or you believe that these market share gains are sustainable as we move forward?



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- P. A. Poonacha** In fact traditionally in the first quarter we have always had lower market share. If you see last June we had 49% and the Indian beer market. This year in the first quarter itself we have achieved close to 53.5%, so which is a substantial gain which we have not seen in the previously.
- Vivek Maheshwari** No my question is because of the disruption in certain markets, is it that you perhaps benefited and competition could not do it and as things start to pick up in these markets, maybe a market share can go down from the current level or you believe...
- Guido De Boer** No I do not think...
- Vivek Maheshwari** These are more like sustainable increases that you have seen in the markets?
- Guido De Boer** Yes.
- P. A. Poonacha** In the summer month people drink any beer that they can get, so that is why UB market share historically over the last 15 years has been lower in the summer months as we go into the leaner season why would they choose to drink something else.
- Vivek Maheshwari** The reason I asked you this question especially was because few markets had seeming supply issues, so that was the reason for asking?
- P. A. Poonacha** That should apply to all companies, the industry as a whole.
- Vivek Maheshwari** Just last question on gross margins again, as we head into 2nd, 3rd, and 4th Quarter on a YOY basis can we expect a positive or a flattish kind of a margin trend, because of the fact that the glass bottle prices should cool off or there would be impact of barley in the?
- Guido De Boer** Yes, I think like I mentioned probably the higher prices of barley which would be coming in from Q2 will be offset by bottle cost. If there is further upside I think there is bit too early to say with all the volatility in oil prices, etc. So I would not expect significant changes either up or down words.
- Vivek Maheshwari** Okay, understood. Thank you very much and all the best.
- Moderator** Thank you. We have a question from the line of Swati Nangalia from IDFC Securities, please go ahead.
- Swati Nangalia** Good evening everyone. I have two questions; the first is actually a follow-up from the previous question. Based on the like-to-like basis you mentioned that 16% volume growth, is that on top of the 32% volume growth in Q1 of FY 11, is that correct?



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- Guido De Boer** I think it is to make the growth sales understandable. We always announced those in our press release. The growth on the combined business, for the whole group and that was 6% this quarter and was 32% last year.
- Swati Nangalia** Yes, Guido I want to understand if we exclude the impact of the mergers in the current quarter and we look at this quarter as against the same quarter last year, how would our volume growth look then because 32% same quarter like last year did not have the impact of mergers?
- Guido De Boer** Then the growth in India will be more or less in line with the growth of the combined group.
- Swati Nangalia** Exactly it will be around 6 to 7%. And the impact of pricing is also a product mix would be again 5 to 6% there?
- Guido De Boer** Yes.
- Swati Nangalia** And the second question, relating to the fact that we are seeing some amount of inflationary pressure in the environment and said some relative cut down discretionary expense by the consumers, so beyond the regulate the issues we are facing in certain states. Are we also sensing some impact on the volumes from the underlying industry?
- Guido De Boer** I do not really know, probably more on weather & regulatory issues have been affected.
- Ravi Nedungadi** With the Inflation at 10% the beer prices are growing 6% to 7% they should be drinking more beer if you ask me, getting cheaper relative to the price of bread and other things.
- Swati Nangalia** Alright. Fair enough. All the best.
- Moderator** Thank you.
- Sunita Sachdev** Should we take any more or should we quit.
- Guido De Boer** If there any more questions, it obviously will be taken. If not we can close.
- Sunita Sachdev** I have one question, what is the price point for the launch Heineken in Mumbai?
- Guido De Boer** Heineken is 330 ml which will be sold as Rs. 100, I hope you will check out tonight if it is actually the case.
- Sunita Sachdev** Thank you so much. I would like to thank the management of United Breweries for the time and any last words.
- Guido De Boer** Thank you for hosting this call. Thank you very much and everyone of dialing in.



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Moderator

Thank you and thank you members of the management. On behalf of UBS Securities India Private Ltd. that concludes this conference call. Thank you for joining us and may now disconnect your lines. Thank you.