UNITED BREWERIES LIMITED

August 01, 2022

1. Department of Corporate Services,
   BSE Limited,
   Floor 25, P J Towers,
   Dalal Street,
   Mumbai - 400 001

   Scrip Code: 532478

2. Department of Corporate Services,
   National Stock Exchange of India Ltd.,
   Exchange Plaza, Bandra Kurla Complex,
   Bandra (East),
   Mumbai – 400 051

   Scrip Code: UBL

Dear Sir,

Sub: **Written Transcript of Financial Results Earning Conference Call**

Pursuant to Regulation 30(6) read with Para A of Part A of Schedule-III and Regulation 46(2)(o) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attach herewith copy of Written transcript of Quarter1 FY23 Financial Results Earning call, which was held on Friday, July 28, 2022 at 02:00 p.m. IST, by way of conference call with Investors and analysts, hosted by Investec India.

Kindly take the same on record.

Thanking you, we remain,

Yours faithfully,
For UNITED BREWERIES LIMITED

GOVIND IYENGAR
Senior Vice President – Legal &
Company Secretary

Encl: As above

"United Breweries Limited
Q1 FY 23 Earnings Conference Call"

July 28, 2022

MANAGEMENT:	**MR. BEREND ODINK - CFO, UNITED BREWERIES LIMITED** **MR. P.A. POONACHA - HEAD FINANCE AND INVESTOR RELATIONS, UNITED BREWERIES LIMITED**
MODERATOR:	**MR. HARIT KAPOOR - INVESTEC CAPITAL SERVICES (INDIA) PRIVATE IMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '23 Earnings Conference Call of United Breweries Limited 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 now hand the conference over to Mr. Harit Kapoor from Investec Capital Services. Thank you and over to you Mr. Kapoor.

Harit Kapoor: Yes. Thank you, Margret. On behalf of Investec Capital Services would like to welcome all the participants as well as the senior management of United Breweries for the Q1 call of UBL. We have with us from the senior management Mr. Berend Odink CFO, and PA Poonacha, Head Finance, and Investor Relations.

I'd will now hand over the call to Berend for his opening remarks post which we will take the floor for Q&A. Over to you Berend!

Berend Odink: Thank you Harit and good afternoon everybody on the call. Thank you for joining and today we will discuss the results of the first quarter, and it had it set. I'm you have got to listen to Mr. Poonacha. After the opening comments, we will be very happy to take any questions.

So we'll start with the results highlights for the quarter. So the company posted volume growth of 121% in the quarter versus prior year where the prior year was impacted by the Delta variant of COVID, driven by recovery of demand prevalent across all markets. The company posted 42% sequential quarterly volume growth, the quarter manager record sales volume, which also represent a full recovery and 8% ahead of 2019 pre-COVID levels of volume.

The premium segment recorded growth ahead of the total portfolio. Price increases taken in key states with further options are being pursued for further increases. Gross margin was impacted by the commodity price and inflations, a combination of cost and efficiency measures and fixed cost leverage resulted in an EBIT margin of 8.9%, up 480 basis points versus prior year quarter. And the record volumes were achieved despite a number of supply chain restrictions seen in the peak season. Moving to the next space. There's a summary table for the quarter results with net sales up 118% to INR 2,437 core and EBIT up by 370% to INR 218 crore at a margin of 8.9%.

Turning to the regional volume growth we have seen following the record March performance, a good combination of the demands with strong recovery across all markets with volume growth of 121% versus the prior year COVID impacted quarter. North posted 87% growth, particularly in Rajasthan, Harayana, Delhi and UP. West posted 167% growth with higher volumes in Maharashtra, Goa, Madhya Pradesh and Silvasa. In east the company reported 88% growth mainly in the states of Orissa, West Bengal, Assam, and Arunachal. In south, there was 162% growth with the key states being Telangana, Karnataka, Tamil Nadu, Kerala, and Andhra Pradesh.

Turning to the net sales, these were up 118% in the quarter. And as early set driven by 121% in terms of volume, pricing was up 9%, increases have been realized in multiple states, including Harayana, Karnataka, Maharashtra, Madhya Pradesh, Orissa, Rajasthan, Telangana, and UP. And the company continues to pursue options of further price increases wherever possible.

The negative mix variants resulted in a minus 12% due to state mix with different volume growth observed across states with different levels of net revenues.

Moving to the next page and EBIT breakdown. The gross profit growth was driven by volume growth and price increases. Gross profit margin as we earlier state, it was impacted by the commodity price increases in roll and packaging materials. The improved margin was driven by fixed cost leverage and various savings initiatives and the negative cross margin impact was more than offset by the other cost items that show margin improvement, resulting as a 8.9% EBIT margin.

Finally, on the outlook and summary, following the record volumes and recovery beyond 2019 demand levels, the focus remains on building further category penetration while driving the share of premium in the portfolio. CapEx investments during quarter were INR 44 crore with the volume growth during the quarter resulting in an ongoing review of capacity plans to meet future demands. And although commodity prices remain elevated, there are some indications that stock prices are softening. The company has focused on security of supply given the big season and volatile commodity markets. You were aware in the process of pursuing the further price increases in combination with continued cost measures to mitigate the impact. And in light of the strong demand witnessed in the peak season, both the earlier COVID impacted periods, UBL remains optimistic about the long-term growth drivers of the industry on the basis of GDP growth, urbanization, and evolving consumer trends. And UBL is well positioned to leverage and drive these opportunities.

With that I'd like to conclude the opening remarks and let us please move to the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Yes, thanks and congrats on very good volume growth. So, my first question is on your essentially slide number eight, where you're given the minus 12% mixed variant. You have mentioned differential volume growth across state. Now, when I see the previous slide, the Western south India has grown much faster. Now, Western south India is normally seen as the more premium market. So, is the pricing here lower? Could you explain why minus 12 is happening?

Berend Odink: Yes. Thank you for the question. So, it's really about different growth rate state by state plus also the element factoring into this quarter, of course, that we compare to prior year, COVID impacted quarter which was of course in that sense, not a typical quarter. Furthermore, we also have observed let's say supply restrictions that meant sometimes less than optimal sourcing, meaning that where demand was high, some of the states implemented export restrictions, so that meant different supply routes than we would normally use. But to your point, indeed, there are states with higher and lower revenue per case. So, for example, Telangana has a relatively lower realization for case, but outperformed in terms of growth. And that's an example of the negative mix that we have incurred.

Abneesh Roy: Sure, thanks. Given YoY comparison is extremely difficult to draw any conclusions? My question is on the 8% higher volume versus pre-COVID. So here, if you could tell us which states or which regions have grown faster versus pre-COVID the 8% number, which you mentioned which one has been laggard and which has been the outcome?

Berend Odink: Sure. So, we have seen across the board particularly if you compare to 2019 strong world in states, like UP, Harayana, West Bengal, Orissa, and as earlier mentioned, Telangana, coupled with sometimes share increases, states that are marginally lower is for example Maharashtra, Kerala, and of course, Andhra Pradesh where we know that in early 2019, there was a different excise policy than today is in place.

Abneesh Roy: And one follow up here, sir. So, Maharashtra and Kerala the under performance is it because of the general GDP issue there, or the regulations are a bit more favorable in UP, Bengal, Orissa what is the reason for the trend which you mentioned?

Berend Odink: Yes, I think there are various reasons in Maharashtra, for example we know that the differential excise policies versus other alcohol industries are a little bit less favorable. Also, here, we went first with price increase in the state during the quarter. So, there could be sometimes elements of pricing that affected particularly if you compare across three years. But I think overall, if you look at totality across all the states, we see a very consistent recovery and even Yes, demand levels during the quarter above 2019.

Abneesh Roy: And last question, so obviously harsh summer would've benefited you. So, this 8% growth versus COVID, or say quarter on quarter growth of 41%, etcetera, any sense you can give us, is there a market share gain within beer? Is there a market share gain from beer industry from spirit because United Spirits had a much lower number, so any insights you can give us on that?

Berend Odink: So, I think of course we have now witnessed let's say a impacted um, big season for us. I think we're positive about the demands recovery that we have seen given also of course, a limited visibility during two years impacted in the peak season by COVID. So, it's good to note that consumers are back and above 2019 levels. I think, think some of the weather patterns of course also helped in some of the states. So, I think, Yes, it has been a good, good quarter for beer instruments.

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

Nillai Shah: Thank you. Hi, Berend, the first question is on what you've mentioned in terms of the Heineken review in Tamil Nadu and Andhra Pradesh. So, some questions around that, first of all, why is Haineken in kind of taking the initiative to take the review? Shouldn't it be the management? Should we read something into this?

Berend Odink: No, I don't think, that it's very customer in-depth upon, you know, stating majority control that Heineken and UBA have started together a integration review. So, I would say that the very logical step.

Nillai Shah: Okay. And does this review also cover the purview of perceived corporate governance risks of operating in certain markets? Or is this just a pure financial and portfolio review?

Berend Odink: No, it's a pretty broad review. And again, it's very customary. As I said, after the obtaining majority control in the company, it's across all kind of, functions, portfolio, processes, etc. So that's I would say fairly standard.

Nillai Shah: And could you throw some light on what exactly, Heineken is trying to achieve out here, because United Spirits had a similar sort of shift. And when that happened, we saw that there was a major dip in volumes in the state of Tamil Nadu when they basically were changing what is, I think, effectively the same distributor that you guys also have. So, should we expect you know, a major dip in the volumes, at least in the near term as you may go alone or solo in that market without an agency partner?

Berend Odink: No, I think as with any change in operating model, one cannot predict exactly the impact of such a change. So, and operations will be monitored closely, but as we stated, there has not been an impact on the sales of the quarter June ended. So, I think that's also clear.

Nillai Shah: And over the course of the next two, three quarter, should we expect some disruption?

Berend Odink: Yes, what have we said, we will closely monitor that, but we cannot predict exactly, how that future will look like, of course.

Nillai Shah: Okay. Could you tell us how much of your total volumes comes from Tamil Nadu and Andhra?

Berend Odink: So, combine those two states are around 10% of our volume.

Nillai Shah: 10% of volumes. Okay, great. The second bit is on pricing. You mentioned 9% pricing, how is this calculated? Is this just simply the net revenues minus your volume growth? You know, the net revenue growth less the volume growth. Would you say that is this on net sales pricing or has the consumer price on an average across the country gone up by 9% when they buy the UBL brands?

Berend Odink: No, it's slightly different. So, it's been calculated as the price realization for us as a manufacturer that would not necessarily correspond exactly to consumer prices because there could be differences in the value chain with excise of course, being your key component. So hence we also separated the volume impact, and the mix varies from that. But just to give some context is 9% is really what has been let's say realized year over year for the quarter. In the quarter itself we've increased prices in the states that where we increased those states represent around two-third of our volume, so just to give you perspective of the impact of pricing.

Nillai Shah: Could you just kind of give us some view on how much has been the price increase in, let's say states like Karnataka or Maharashtra where it's been relatively free pricing for the company?

Berend Odink: Yes. So, if you look at the consumer price levels for example, then you talk about ranges, I would say between 3% to 7%. So, it's relatively, I would say benign given the overall context of inflation. And of course, that reflects a balanced approach looking at the competitive situation of the beer category, but also the total alcohol category. Also, the possibilities to increase prices, yes or no. So that's the elements that go into the mix when we look at the options for price.

Nillai Shah: Sure. And finally, on you know, barley prices, it's been trading in a very, very tight range since the big uptick which we saw in March. Have you guys been tracking what the global barley sourcing or the view on global pricing is, let's say for, you know, out six months or something of that. Just to get a sense of how this commodity is likely to behave into the next season in India?

Berend Odink: Yes, we continuously monitor not only domestic prices, but of course also international barley prices. So, we continue to review our buying strategy, the quantities sourcing, et cetera. The domestic buying season has been pretty much completed, of course there can be quantities brought to the market and be traded in the month to come, but for the majority it's typically completed. So, as you said, the prices that have been quite up. So last time we spoke about close to 70% and we will have to see next year, of course the new pricing for the new crop. And that we continue to monitor also respectively of course, what's happening in international barley prices in terms of not only the pricing level, but also the quantities.

Nillai Shah: But no sense at this stage on, say for example, the source you know, the sowing of the crop in Ukraine and how that is going along, because there's really a lack of visibility on that front.

Berend Odink: Yes, you're right. The international situation remains of course, very dynamic. There are of course some developments of potential exports out of Ukraine, but Yes, I think we will see week by week that remains I would say relatively uncertain, hence, Yes, even further, more important to follow the international contract, the international availability. So that one has always has the various options on the constant monitoring. But as you say, Yes, the overall market, particularly with the situation on the macroeconomic level remains quite answered.

Nillai Shah: Sure. Sorry, just one last question on volumes while the recovery has been from pre-COVID levels now, and I think even Budweiser reported a similar number, the question really is that, you know, a 2.5% percent volume CAGR versus pre-COVID is not really great. Would you expect an acceleration in volume growth over the course of the next few quarters or do you think the macro environment restricts that particular acceleration at this point in time?

Berend Odink: Yes, I think if you compare to 2019, well we've reported 8%. I think we would exclude the state of Andhra that went into a complete different excise policy, in the meantime, then you talk about the 14% volume growth. Again, I don't think you can year over year expect the same trend given the disturbance that happened due to COVID, but as I said we are I think optimistic about the start of this year, we have a good peak season and we of course calibrate our plans, our capacity plans in particular as to the next year peak season. And, Yes, hopefully we can continue on a good momentum.

Moderator: Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Yes. Hi, Berend. My questions were around the cost and margins. We talked about barley already. I wanted to check you know, what are the -- incrementally getting on plus and aluminum prices and how should we think about gross margins? Did Q1 basically account for the peak inflation being reflected or do you sense there's going to be further higher inflation that you anticipate in Q2 and with incremental pricing that you are hoping for, where do you see you know, gross margins will likely balanced out versus what you've reported in Q1?

Berend Odink: Yes, Latika let me start with the gross margin let's say, in general. So, we would expect that compared to this quarter that we going forward, we see some improvements in gross margin. So, we've always said it will take a bit of time, given the nature of the industry where pricing is of course quite restricted so that we'll take a couple of quarters, but on the one hand the higher barley and some of the higher glass that is now coming into the full quarter it's relevant on the other hand, at the same time, the pricing realizations and increases during this last quarter, loss of course that count for full quarter. So, net-net, we would expect some improvement versus for the gross margin reported in this quarter. On glass it remains quite inflationary driven by the underlying input cost of soda ash and energy. The collections on glass have actually been very good on a normative level for the peak season. Aluminum, I think that's, one area where stock markets have been trading down recently now, we look at the risk management approach to hedging that element for future periods. So that it's something we look to tap into those opportunities as well. So, all in all, Yes, what we said, high commodity price environment also seems quite volatile but hopefully step by step, you know, we're passing through the to the low point, so to say.

Latika Chopra: Sure. And if I look at the other costs, you know, employee costs moved up sequentially wanted to understand what's the kind of run rate one should anticipate given you saw some restructuring, right? So, you saw one thought that there's gonna be some benefits of that flowing in. So, what should be the quarterly run rate once you anticipate on employee costs? And also, if you could flag anything very substantial sitting in other expenses, which also, you know, moved up significantly you know, on a sequential basis and what are the sustainable levels there as well? Thank you.

Berend Odink: Yep. So, for every expense you mainly have to factor in that during this peak season, we hire more contractual labor to cater the higher volumes one would compare to a prior quarter. I think that gives you a sense of some of the differences in growth. On the other expenses, this includes, for example our commercial spend, which have been around a hundred basis points higher versus prior year, which was for COVID impacted, but there are also other expenses, which is for example, freight or sales promotion expenses, or the related fuel costs. So those force have been impacted to a certain extent due to commodities and the -- and the volume growth seen in the quarter.

Latika Chopra: Sure. And last bit was on CapEx. You talked about you're reevaluating or reviewing your CapEx plan. So, if you could share some color on what kind of capacity additions you know, you are looking at and what amount you intend to spend, thank you.

Berend Odink: Yes, for the current financial year, we continue the guidance of CapEx towards some range of around INR 250 crore. But beyond that as we indicated then we would probably beyond a higher level, given the utilization rates observed in the current quarter and Yes, we will then proceed basically on a region-by-region basis as to where expansions will take place. And how do we go about that in terms of own breweries or working with partners, et cetera. So that will be part of the evaluation, but again, in the current financial year the guidance on CapEX remains the same.

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

Krishnan Sambamoorthy: Yes. Thank you. One clarification in two questions, when you said consumer pricing piece of 3% to 6%, were you specifically referring to Maharashtra and Karnataka or what are you talking about that… In response to one of the previous questions you had mentioned that there was consumer pricings of between 3% to 6%. I just wanted a clarification, whether you are referring specifically to Maharashtra and Karnataka, which are free pricing markets, or you're talking about pricing increases at a blended level.

Berend Odink: Yes. So, the 3% to 7% range already is kind of the range for those states where we implemented that those are the more typical impacts on consumer price levels, but for the states of Karnataka, Maharashtra you would have to think of the lower end. So, some towards the 3% in terms of consumer price change.

Krishnan Sambamoorthy: Sure. That's useful. Perhaps not coincidentally, you mentioned UP, Haryana, and West Bengal are the markets where you have done better compared to 2019 levels given the decent markets where there is a differential access between beer and spirits. I mean are the volumes far better than expected, and we are you seeing any cannibalization, of Spirit demand beer growing significantly higher than Spirits in these markets?

Berend Odink: Yes, there are I think force correlations to the improvements in the excise policy, particularly, of course, if you talk about states like West Bengal or the same way some of these states we have seen good share performance from us that helps of course, as well I think the trend is also consistently there, so these are all elements that lead to some of these states outperforming the total and hence, Yes, it remains very important to continue the efficacy and the policy engagement on the in the other states. So, I think these are Yes, clear examples of some of those results.

Krishnan Sambamoorthy: Okay. My last question is on Haryana and at 4% has introduced a lower tax slab for beer with 4% Alcohol, I think West Bengal has also done the same. Have you also addressed the portfolio so that you are introducing products at this particular alcohol class?

Berend Odink: No, not specifically for Haryana, but in general, we continue a lot of consumer research and insights to look at the trends. So, from a perspective of excise policy, I would say that's one angle. But more importantly, I would say from a consumer perspective that is since continuously on the review. And if we feel that Yes, there are sufficient indications that this alcohol slab has a good potential out there. Then of course we will pursue it. So, in that sense, those things are continuously on their consideration, but so far we have not felt that particularly, for example, of Haryana for instance, that you mentioned that we would launch a product there.

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

Alok Shah: Yes. Hi, thank you for the opportunity. My first question was motivated with the 0.8 in the notes to accounts where you mentioned on, you know, the information being received and sort of review of the justification and appropriateness of commercial terms. So, can you elaborate more on this thing as to you know, the requirement to do this, what could be the possible outcomes that we will be evaluating, et cetera, and the timelines for the same? That's my first question.

Berend Odink: So, the timelines, we stated the review was expected to be completed shortly, also important to say that we continued to monitor the operations and the sales in the two states where we have implemented the change had not been impacted. So, I think those are key elements as to how we look at it.

Alok Shah: Okay. So basically, just to get it right this is largely to do with your commercial terms in the state of Tamil Nadu and Andhra Pradesh only.

Berend Odink: Yes, those are the two states where we have said that we wanted to implement, so a tighter and more direct grip on our route to market. As you know, every state is unique, but at this stage Yes, there are no further statements to make on any potential changes let's say in other states.

Alok Shah: Got it. Fairly clear. My second question is on the other expense line item, now, if I were to look at some of the key cost line items you know, be it outward freight, distribution expense and sales promotion expense. Now these three are usually the large pockets, now you know, we have seen some bit of a savings in FY '21 and '22. Now it could be temporary in nature because of low volumes, et cetera but you know, on a sustainable basis say your distribution expense are going down from about 3.5% to sub 3% and sales promotion from over 5.5% to around 4.6%. So, you know, in light of the cost savings that you typically allude to, can we see this ratio settling somewhere between the pre-COVID level and the current level, or you think you know, there's not much leeway in this item will go back to the pre-COVID levels.

Berend Odink: Yes, I think we -- your approach is right to look at it as a percentage of top line. I would point out that for of course in this quarter, we had a negative statement, which impact this ratio to a certain extent, but as to one of the earlier questions, the cost itself -- sales promotion is also driven by the mix in the quarter and freight. Of course, there's an important fuel component commodity related in that as well. So, looking at the commodities and how they will trend, yes, also has a barrier on the fixed cost line item of other expense.

Alok Shah: Okay. So, basically the distribution expenses and sales promotion expense will sort of up enter from your, is that understanding correct as a percent of sales, or unable to comment at the current juncture?

Berend Odink: Yes, I would not directly say it's on a continuous trend or moving back because it's very much dependent on topics, what I mentioned like state mix, but also power and fuel type of rates, freight rate. So, yes, let's see how that trend in terms of the overall marketing.

Alok Shah: Okay, perfect. And this one clarificatory question, so that excise duty rates this quarter was around 53%. you know, just from my understanding, is it largely to do with the3 state mix that you talked about and as the share of premium portfolio goes up, the percentage of excise, would it typically go down a bit? That's the clarification that I want. Thank you.

Berend Odink: The excise duty would be to a large extent also driven by state mix cause the rates of course are different. And directly, I would say that the more premium the product, the higher the excise component as well.

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

Karan Taurani: Hi. Thanks for making the question was I just want to get your understanding in terms of price hikes for more states how confident are you of getting price hikes in more states in the next two to three quarters? And what would be the quantum of that similar about 3% to 6% or higher than that?

Berend Odink: Yes, so the price increase is what tend to realize in the first quarter of course for the majority in the sense that once excise policies are known, then it's a logical moment to apply for any changes or any adjustments also coming from an excise change perspective. But it's another, let's say a full Q1 activity only way continue to represent in other states throughout the year. So, we do think there are further opportunities, maybe not to the same extent as quarter one, because as I said earlier in two third of our volume base, we have realized the price increase, which I think is a pretty good outcome. Having said that, it also means that are other states without price increase. So that is something we continue to pursue. And even there's a possibility of course, that other states we might revisit within one year potentially for increases as well. So that's all on the on the review by the company.

Karan Taurani: So basically, one cannot not, see potentially in more price hikes, from the balance states for this year, at least next year, whatever comes can come that correct.

Berend Odink: Yes. So, the realizations for the Q1 of course, are now known further steps can be taken later in the year. But I think you're right, the majority normally takes place in Q1, that's what we published in the results.

Karan Taurani: Correct. And the second question was around Barley. So apparently the procurement for Barley generally happens in the month of April to June, those three months. So, in terms of, you know your preferring barley have you preferred that for the entire year, or you been doing it in phase because the price was so high? You'll probably wait for the prices to come down and do that. I mean, what's the barley procurement thing?

Berend Odink: Right. We're looking at that not from a 12-month perspective. So of course, the first priority is to make sure there's continuity of supply. So that has been the focus during the peak season, also for the coming for the coming months that is secured. But as the year progresses, we continue to look at availability, at pricing and looking at domestic markets, even international markets. So as to hopefully optimally procure at the right price levels throughout the year.

Karan Taurani: Right. So, there could be a positive impact of lower prices on Barley in coming quarters.

Berend Odink: No, the coming quarter is already secured. But if you will extend the horizon up to next year peak season, Yes there are still open positions, so indeed if prices move down or hopefully not, but adversely go up then that could still be an impact.

Karan Taurani: Right. Just one last squeezing specifically, you know, in terms of the distribution we've been hearing that, you know, many states are going easy for beer as a product and you know, a lot of the solution now taking place through a lot of premium outlets. Can kind of highlight, which are the key states here who are doing these kind of moves and what is the possible impact on volume?

Berend Odink: Yes. So we have seen I think a couple of states in their policies also, kind of prescribing the type of outlets and in general minimum square footage, a minimum set of display of stock, walk in sometimes even other elements of, of convenience for consumer. So I think in general, this is very positive for the consumer experience where, Yes, there are clearly opportunities to improve that. And to your question, it helps the premium portfolio course as well. So I think it's a good step and something also, we support with our trade programs and in terms of Yes, in shop display and activations and Yes, Delhi is the one example where we've seen of course, a lot of change in the last 12 months. And yes, we support that.

Moderator: Thank you. The next question is from the line of Trilok Agarwal from Dymon Asia. Please go ahead.

Trilok Agarwal: Yes. Hi, good afternoon. When I was looking at the cost particularly other effects, you know, prior versus pre-COVID that seemed to be a little on a higher side. Could you beyond enough freight and fuel cost, which you just alluded in one of the previous participant’s response, is there anything which you think has taken the cost very high or that's pretty normal, like, way of looking the business?

Berend Odink: No, really the elements lined out earlier. So it's about freight fuel sales promotion. Those are really the bigger categories in the other expenses. And what I said, that's partly mixed driven. It's partly commodity driven it's of course the volume component of the quarter and whatever's around a hundred basis point impact also compared to prior year of higher advertising spent. So that it.

Trilok Agarwal: So the sales promotion expenditure should, what's the -- you know, percentage to you know, or do you like to continue given the fact that the momentum may continue?

Berend Odink: Yes, we have been relatively active in support and of course yes, with, I would say, good volume outcomes now that we move into couple of months of lower demands. We would also expect this to tape down a bit

Moderator: Thank you. The next question is from the line of Chinmay Gandre from Reliance Nippon Life Insurance. Please go ahead.

Chinmay Gandre: Yes, thanks for taking my question. So, I just wanted to understand, like during the peak season, what are our cap utilizing that was and coming to the next peak season, which will be next year. So if peak utilizing in the current season, and we have not yet embarked on any major addition, what kind of evaluating state by state. So how should we look at the next season from the capacity point of view?

Berend Odink: It was difficult to fully understand the question due to the quality of the line, but I think I got the gist of it about capacity utilization. So that was close to 90% for the last peak quarter that we just reported on, number of breweries running at maximum capacity. So, this is part of the review that we spoke about in the release for the next peak season to augment capacity or make sure there's optimal cross sourcing where applicable. And hence Yes, we will continue to look at the at the right investments behind the infrastructure, if I didn't answer part of your question is

Chinmay Gandre: Yes, so my question is basically with next peak season next year. So, because we are still in planning stage with respect to the capacity, so how long will the new capacity take time to come on stream and for the next peak season, would we have to live with the current capacity itself and thereby not much of the major uptick from the volumes?

Berend Odink: Yes, I think the actions are both near term for the next peak season, but also of course, if you talk about, for example putting new bottling lines or potentially complete brew housing in place. Yes. That will take more than more than nine to 12 months. So that is why we look at both avenues in terms of short to long term. And as I said earlier, we also have contract manufacturers in the network. So, we also cooperate and work with them in terms of the investments plan. So that's the broad approach.

Chinmay Gandre: Thank you. The next question is from the line of Vishal Punmiya from Nirmal Bang Institutional Equities. Please go ahead.

Vishal Punmiya: Yes. Thank you for the opportunity and congrats on strong volume growth. Firstly, just a clarification, so when we talk about next peak season, are we talking about 4Q or are we referring to 1Q of next fiscal year?

Berend Odink: It will be next year, let's say March to June.

Vishal Punmiya: Okay. Okay. And secondly if you could highlight the growth trends between on trade and off trade for the current quarter that would give a good insight in terms of how things are planning out across the channels and also the mix between those channels for the quarter.

Berend Odink: Yes. You are looking at on trade and off trade growth vis-a vis April, April, June quarter, last year vis-à-vis this year, right?

Vishal Punmiya: Yes, yes, yes.

Berend Odink: Yes. Here, you will see that the on-trade growth is higher because last year first quarter in many states or almost all states there was a clamp down on locations where beer is consumed at the point of sale, so which is on trade. So, there you see phenomenal growth when the growth in retail, what you call off trade would be less when compared to the growth in, on trade.

Vishal Punmiya: Okay. And what would be the mix now for this quarter? Mix between off trade and on for us?

Berend Odink: It would be inland at pre COVID levels because if you go back to pre COVID is to 2019, it would be in line to that.

Vishal Punmiya: Which would be 25, 30 on trade?

Berend Odink: 70-30, 70 would be off trade and 30 would be on trade.

Vishal Punmiya: Understood. Just lastly so premium segment has done or grown ahead of the overall portfolio for this quarter. What would be the mix of premium for now?

Berend Odink: That will be in the high single digit. So that is also above as we said last, last year quarter, but also 2019.

Moderator: Thank you. The next question is from the line of the Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Yes, sir. Just seeking clarity, you know, there are a lot of changes in the beer as a category from a taxation perspective in lot of states you know, and the distribution touchpoints also seem to be rising specifically for wine plus beer combo outlets. So, I'm just wondering why is then the volume CAGR just about 2% on a, you know, three-year volume CAGR as of now what were the misses and considering these two, three big changes that are happening, how do you see the volume CAGR for beer as a product for us or for the industry, whichever way you want to comment? And my second question was on the pricing side. Did I hear that most states tend to take pricing on an annual basis, which is quarter one and hence there is no large price increases, which are supposed to happen over the next couple of quarters until quarter one of next year? Is that the case that you mentioned?

Berend Odink: Yes, the first on the volume outlook and back look to your question. So generally, I would say that the, outlook in terms of volume would be probably around six to 8% per year, of course that can be skewed higher or lower by policy changes et cetera. But I been underlying there are strong fundamentals that support that. To your question as to the back to earlier to question, explain that one word to take out the state of Andhra in 2019, then this quarter has shown 14% growth versus 2019 and then Yes, one has to factor in a lot of the disruption and trends were impacted two years subsequently from COVID. On the pricing side, I think it's a bit more nuanced in the sense that in Q1 is typically the quarter where most price actions are taken and that's what we want to indicate at the same time, it doesn't mean that nothing else is on the cards for other states, et cetera in the remainder of the year. So, and that's why we indicated that company continues to pursue these options where possible.

Pritesh Chheda: So, this outlook of 6% to 8% volume growth, this is despite all these changes, which we see in the distribution or in the reduced taxation or reduced pricing of this product in lot of states. This is despite that we are calling our 6% to 8%.

Berend Odink: No, so it's more on a constant basis of let's say regulation and policy. And as I said, if there is more support and policies in various states than the number probably be higher and buy the versa.

Pritesh Chheda: And what kind of distribution outlet increase are happening by whatever policies have come through. So, if I go back to a past calls and all the distribution touch points for some 50,000 60,000 for the liquor industry as a whole, is that changing?

Berend Odink: 80,000,

Pritesh Chheda: 80,080. So, is that number changing now with the policy changes?

Berend Odink: **No,** traffic changes as of now.

Pritesh Chheda: So, three years back also it is 80, even today is 80. That's how it is.

Berend Odink: Approximately. Yes.

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

Krishnan Sambamoorthy: Yes, thanks. while you have indicated faster growth in the premium segment this is one area where your market share has been lower than your overall market share. Has there been any evidence, particularly post opening up of gains on market share gains on this trend?

Berend Odink: Yes, they had the overall trends, I think would not comment specifically on one quarter, but, across the everyday COVID aside, I think we have been increasing the share in the premium segment. Hence, it's also one of the key strategic pillars of the company. We do see a lot of consumers force having an appetite for different products for even higher priced products. So, there's all very, very positive. And in sync with the development of the Indian beer market, hence a lot of our attention, a lot of our investments are behind the premium portfolio and the debt we have seen Yes, progressive increase in share in the premium segment. And that's what we continue to pursue.

Krishnan Sambamoorthy: Just to clarification, when you say progressive increase in share, you mean progress increase in share of your sales or progressive increase in share compared to the rest of the marketing segment?

Berend Odink: So, it's our share within the premium segment is increasing.

Krishnan Sambamoorthy: Sure. And just one final question on barley inventory, how many months of inventory do we have currently?

Berend Odink: I don't wanna call that out exactly. But to the earlier question, we have not covered the full position to the next peak season. So, with that, we continue to look at the domestic availability and pricing also internationally. And then yes, under that continuous review, we will take our procurement approach as to how to cover the open month till next year domestic crop becomes available.

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

Harit Kapoor: Yes. Hi, you had two questions. You did mention that, you know, you've seen market improvement in certain states, but at an overall level you know from a YoY basis, have you seen market share improvement at a national level, or it's been consistent? You just share some trends with us.

Berend Odink: Yes. So, our market share for the total portfolio in the quarter has been, let's say on marketed levels that we normally see in quarter one. So that is a little bit below prior quarters where we're at kind of 53%. Now we're closer to the, to the 60% that also has to do not so much, I would say with consumer demand for brands, but more with sourcing and supply. And, and some of the restrictions that we mentioned earlier, that could be your capacity limitations or sourcing let's say banks from various states due to the high demand seen in a couple of the months.

Harit Kapoor: So, this shared reduction would've been more a function of or, or the shared gain that you would've seen in that competitors would've seen in this quarter would basically be regional players in that state would've been able to supply would've, gained at your cost. Would that be the way to think about it?

Berend Odink: Yes, I think of course there are let's say differences state by state, but on an overall level, I would say the majority of this share movement is indeed driven by sourcing and supply and hence at market, participants that had ample capacity or are more direct tool to market of course, there versus some of the restrictions that we sold.

Harit Kapoor: Okay. And my last question is on the state mix now. So how do we kind of look at it is quarter one seeming a little more exceptional in terms of the extent of the negative statements, is it a base effect or is it just structurally some of these states seem to be doing you know, a bit better than what some of the high margin states are doing. I mean, how do you think about it is it is, you know, is it short term fluctuation or is it slightly more medium term that some of the low margin states seem to be kind of driving volumes?

Berend Odink: I think it's a bit of a combination. So, one is base effect of course, well last year was quite impacted. Secondly, number of policy improvements, et cetera are observed the number will these state as well. Thirdly the peak season, for example high temperatures that in Rajasthan and UP also play a role. So a number of these are of course more short term and one would not necessarily expect them to continue in in quarters to come. So the end, it's a combination of more incidental during the quarter impact but also a few elements where it's more policy, policy driven, and course that that element will continue.

Harit Kapoor: Okay. That's it for me, I'll hand the toe to Margaret to close the call.

Moderator: Thank you as then further questions from the participants. I now hand the conference over to Mr. Harit Kapoor for closing comments.

Harit Kapoor: Thanks, Margaret. We just like to thank the management of United Breweries for taking out time for this call, as well as all the participants on the call for taking out their time, and hand over the call for the closing comments.

Berend Odink: Thank you very much. Harit thank you for hosting us and would like to thank everybody for their interest their questions and I wish all a very good day. Thank you.

Moderator: Thank you. On behalf of Investec capital services concludes this country. Thank you for joining us. And you may now disconnect your line.

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