



“United Breweries Limited Q1 FY 2018  
Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the United Breweries Q1 FY 2018 Earnings Conference Call hosted by IDFC Securities. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harit Kapoor from IDFC Securities. Thank you and over to you Sir!

**Harit Kapoor:** Thanks. On behalf of IDFC Securities, I would like to welcome you all to the call. I will now handover the call to Steven Bosch – CFO to make his opening remarks. Steven over to you!

**Steven Bosch:** Thank you Harit. Thanks for organizing the call and welcome to everybody on the call. Good afternoon, good morning. I am here with Poonacha as well. Let me start as usual with a short introduction and then we can open the floor for questions.

First we were pleased to announce that despite the highway ban coming into effect on 1 April, we have been able to keep our volumes for the quarter flat versus the comparable quarter last year and we have increased our market share by about 1.5%. Our gross revenue grew by 17% and adjusting for the increase in the excise duties, our net revenue grew by 7%.

Our gross profit was up 3% as we are yet to see a softening of import prices including sugar and rice and as a result of cost control, phasing of the marketing investments and also some one-offs including a provision reversal in our employee benefit expenses, our EBITDA grew by 7% to Rs 325 Crores. Looking at the regional performance for the quarter both the industry and the company witnessed volume growth in all regions except in the west, where the largest drop was in Maharashtra excluding Mumbai which was strongly impacted by the highway ban. There you will see that about 60% of the universe of all the outlets were shut leading to an industry decline of more than 20% in Q1 in Maharashtra excluding Mumbai.

In the south we saw some volume growth for UBL which was driven by the State of Karnataka, AP and Telangana and in these three markets the highway ban was not yet applicable in Q1. Kerala however the market was down the most in the country, it declined by 40% as in that state around 50% of total universe of outlets had to stop operations due to the ban and on top of that beer parlours in Kerala were allowed by state government to sell IMFL to boost the business, hence there was a negative result or negative effect on the share of the beers sold in those remaining outlets.

In the north industry was flat where as UBL’s volume grew by about 10% resulting in a big market share gain. UBL’s volume grew double digit in all major markets including Delhi, Haryana, Rajasthan and Uttar Pradesh and in the east, both the industry and UBL grew by low

double digits, Orissa in particular we outperformed the markets growing by almost 30% against an industry growth of approximately 12%.

In West Bengal, there was gradual change towards with some areas coming under State run Corporation as their volume declined by about 10%. Then on the super premium segment I want to highlight that Heineken as well as Ultra Max are doing well and showing strong double digit growth and also the newly launched Kingfisher Storm has been successful. The brand has been rolled out to three markets with more to come and then the imported brands at the more higher end of the market including Sol and Affligem from Belgium and Edelweiss a wheat beer from Austria, all have had a solid start with the launches across the country and then as a last point though not yet applicable for Q1 we are fully prepared for GST, we successfully introduced several tax planning measures both internally as well as with government advocacy and we will be able to see the exact impact of GST in the coming quarters.

I think that is what we had to share with you as an introduction and happy to take any questions.

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

**Krishnan Sambamoorthy:** Hi Steven and Poonacha, congratulations for a good set of numbers. See first of all in the Q4 conference call, you shared that April sales had declined between 10% to 15% so what transpired in May and June that you reported fairly strong numbers for the quarter and does that momentum seem to be continuing in the subsequent quarter?

**Steven Bosch:** Yes, so the April month, two things that I can comment on, one April was a very strong month in the preceding year so that was a stiff comparable, second is of course April was the first month of the highway ban, so there was lot of disruption and a lot of de-stockings, outlets selling to other outlets in some markets, and not from us, transferring stocks and that disruption settled towards the end of April. In May and June both the number of outlets were up as well as more orders coming in from the remaining universe.

**Krishnan Sambamoorthy:** Okay and does the momentum seem to be continuing in the subsequent quarter, how was the sales in July?

**Steven Bosch:** Yes. In the recent weeks we saw some good momentum, that is the trend in the market, it is yet to see in Karnataka which has also now been part of the highway ban, it has also been made effective in July in Andhra Pradesh where we are seeing the effect, so it is too early to be bullish but we are happy with the good Q1, where we have seen good momentum in May and June.

**Krishna Sambamoorthy:** Okay and from what we gather the integration of AB InBev and SABMiller. I know you may not comment on this one but I will just try, has not been as smooth as expected, your thoughts on that and how they are doing?

**Steven Bosch:** No. I have no particular thoughts to that. I wish them well and we just observe. I am not a part of that.

**Krishna Sambamoorthy:** Okay. Thanks a lot.

**Moderator:** Thank you. The next question is from Sonali Salgoankar from Bank of Baroda Capital Markets. Please go ahead.

**Sonali Salgoankar:** Good afternoon Sir and thank you for the opportunity. Sir my first question is again with respect to the highway ban, which of your key markets where the highway ban was not applicable in the Q1 and are all your outlets relocated or rather most of it are relocated in the other states where the ban was applicable?

**Steven Bosch:** Yes. So first part of your question, there are three big markets where we are yet to see the effects of highway ban, Karnataka, Andhra Pradesh as well as in Telangana. So there even though people were preparing for the highway ban, it was not yet effective as of 30th June. Look at the total number of outlets in the market just before the 1 April, we counted around 83,000 outlets and if you look at the end of June that was down to some 58 almost 59,000 outlets. However over last weeks, new outlets have opened so we do see some improvement there. I think we are now looking at around 62000 outlets. So there is a little bit of an improvement but not yet that much. So clearly there was a higher throughput for each of the outlets on an average.

**Sonali Salgoankar:** Okay so you are saying that of your 83,000 outlets at the outset of the highway ban almost 62,000 have been re-located?

**Steven Bosch:** So 62,000 are now functioning so of course large numbers of these were either not affected by the ban or the balance was moved or relocated. This 83,000 I am referring is the whole outlet universe in the country.

**Sonali Salgoankar:** Sure. Sir my second question is you mentioned in your initial remarks that there were certain one offs in this quarter which led to a high or rather the firm EBITDA margin so could you please quantify the one off?

**Steven Bosch:** So I will also give Poonacha a chance to react to it, is in our notes, we have commented on the reversal employee benefits expenses around about Rs. 6 Crore.....

**P. A. Poonacha:** Yes, we have made a provision for a likely impact of a service tax on contract manpower which did not fructify so that reversal approximately Rs. 6 Crores has come in this quarter so that is the one off and the other one off was, Steven was talking about in his initial comments was on

account of timing of our brand building expense. So these are two things which have given us a positive upward push in the Q1.

**Sonali Salgoankar:** Okay Sir and any capex guidance going ahead and what would be the current utilization of your capacities?

**P. A. Poonacha:** Currently between 65% and 70% is our capacity utilization, well this is very seasonal. The number I have given you is on an annual basis. If you look at it Q1 it will be close to 90%-95% because that is the season wherein most breweries run to capacity, so we cannot give capacity for the quarter alone, so it will give a wrong indication. On an annual basis it will be between 65% and 70%. Capex would be in line with the last financial year. It is not that we have slowed down our process of expanding or having commissioned capacity to be prepared well in time in the event things are better with the respect to volumes.

**Sonali Salgoankar:** Sure Sir and so you highlighted the reason for dip in gross margins as high input cost but you also mentioned that the prices of barley remained almost at similar levels as compared to last year. Sir is there any further reason in terms of a product mix or kind of highway liquor ban which also contributed to the dip in gross margins?

**P. A. Poonacha:** Because the comparative is to the comparative of the Q1 last year. So input cost compared to the Q1 last year is higher but input cost when we met last financial year means the last quarter of last financial year.

**Sonali Salgoankar:** Okay, alright Sir. Sir my last question any quantification you would like to give at this point in time regarding the impact of GST on your margins?

**Steven Bosch:** Margins, we are taking a little bit of a cautious stance so we are expecting further measures and so further effects in the coming quarters, therefore we will just wait and see how things evolve after which we can make some further quantification and...

**Sonali Salgoankar:** Sure Sir, this is helpful thank you and that is it from my side.

**Moderator:** The next question is from Ashit Desai from SBI CAP Securities. Please go ahead.

**Ashit Desai:** Hi Steven and Poonacha. Thanks for taking my question. So on GST again you mentioned that you are taking some cost mitigating initiatives what are these and if you could highlight what can be the savings out of these?

**P. A. Poonacha:** Like we responded to Sonali's query, what the quantification would be, we would not answer as of now, the mitigating actions that we are taking is, we have spoken or we have initiated the process with all our vendors. In the past, the input VAT, or MODVAT credit that our vendors got was limited to input material, now they get input GST credit for input services also. In addition now the taxes have gone down and also savings with respect to logistic costs, so we have sat with

the vendors, we have identified where the savings are and we have initiated the process of re-negotiating our procurement prices. So these would be some mitigating actions that we are taking. The quantification was same, we cannot tell you as of now because it is still in initial stages. It will be an ongoing process through the financial year.

- Ashit Desai:** Okay the savings will be on which input items if you can tell us about that, is it malt, the bottles.
- P. A. Poonacha:** Every input item. We are working with our vendors and our suppliers or be it services, I am trying to see what the impact of GST is and wherever they is any benefit to the supplier or vendors, we are negotiating for a pass on.
- Steven Bosch:** And to add to that, I think it is still clear that our starting position is that input prices including GST will go up of course. So any savings or any effort to bring it down is to mitigate that impact it is not a saving net-net in essence.
- Ashit Desai:** Okay and secondly on volumes if you could give some colours on how the worst affected states are doing sequentially month by month and also what is the kind of impact of the highway ban since effective in Karnataka and Andhra Pradesh from 1 July ?
- Steven Bosch:** The two key markets where, were we have seen biggest impact of the highway ban has been Kerala and Maharashtra. There we see double digit around 20% decline in volume for the industry in Maharashtra and about 40% in Kerala, that is what we had for the Q1 as a whole. I think if you look at Karnataka, it is of course people had a little bit more time to prepare and study the notification of highway ban and to add new locations or shift existing locations that has helped a little bit so I think that impact in Karnataka is much less than in those markets I just referred to, so it is largely in line with the full quarter that we have just reported that the impact on the beer industry as a whole does not seem to be that is material as possibly initially thought.
- Ashit Desai:** Okay and lastly if I look at your realization 7% growth, I think there is 1 to 2% volume growth in that so what is driving this 5% to 6% realization growth and you may even quantify how much is mix and how much is pricing?
- P. A. Poonacha:** Volume is flat.
- Ashit Desai:** So 7% realization growth what is driving that?
- P. A. Poonacha:** Like Steven has said in his opening remarks at the gross profit level, it has been only 3%. We have got 7% because of our control of other fixed cost.
- Steven Bosch:** I mean that is indeed going as a mix of better state mix or better brand mix, our super premium is doing well and we had had some price increases in markets where we could apply for those including in our key states. So it is a combination of those effects, brand mix, state mix as well as marked price increases.

- Ashit Desai:** Okay, would it be fair to assume that bulk of this could be price increases because one of your highest realization markets, Maharashtra has declined so I would believe state mix would not have changed much?
- P. A. Poonacha:** State mix Ashit because higher than Maharashtra is Karnataka and Karnataka for the Q1 was not affected.
- Ashit Desai:** Okay got it. Thanks I will come back for more questions.
- Moderator:** Thank you. The next question is from the line of Naveen Kulkarni from PhillipCapital. Please go ahead.
- Naveen Kulkarni:** Yes, thanks for taking my question, I just wanted to understand a little bit more on the state mix and the price increases that you have been able to take. So is it possible to provide anymore color, the price increases that you have managed in the states where you had applied for and how do you see this faring for the full year?
- Steven Bosch:** The prices are typically set for a year so we have taken price increases in Karnataka, Maharashtra, West Bengal, Goa and Madhya Pradesh as examples of bigger and more important states, so that is something that will also be involved for the further quarter to come.
- Naveen Kulkarni:** Okay. So going ahead with GST impact coming through and probably some bit of VAT hike increases also, so do you think that you will be need to take more price hikes in some of the other markets where you have not been able to take to manage the margins better?
- Steven Bosch:** We look at our market from a demand and a competitive view so it is not so much saying look if GST comes in we now aggressively take a different view on prices.
- Naveen Kulkarni:** Okay Sir, thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Abhishek Banerjee from UBS. Please go ahead.
- Abhishek Banerjee:** Hello, just wanted to have some elaboration on the market share gain 1.54% market share gain is this Y-o-Y or Q-o-Q?
- P. A. Poonacha:** Sorry market share... what is the detailing on market share?
- Abhishek Banerjee:** Sir is this Y-o-Y or Q-o-Q?
- P. A. Poonacha:** It is for the quarter.
- Steven Bosch:** Compared to last year.

**Abhishek Banerjee:** Which?

**P. A. Poonacha:** 30 June, 2017 versus three months ended 30 June, 2016.

**Abhishek Banerjee:** Okay great. Sir is it possible to provide some clarity on which part of the market you have gained share as on strong beer or mild beer and which premium segment or which segment?

**P. A. Poonacha:** We have gained market share in strong. We have held on to market share in mild or lager and I mean if we were to hold our market and grow market share, it is basically because of your main product, bread and butter brand, i.e. KFS, because we are nearly 51% of the market share. I mean by your premium brands you do not gain market share. Premium brand is a very small sale in terms of our entire volume so it is basically the largest brand.

**Abhishek Banerjee:** Okay so Sir if we were to I would assume that some of this market share gain is also because of some supply side issues for maybe some of your competitors because it is seriously 1.5% is a lot and so do you think this is sustainable into maybe the next three, four quarters?

**P. A. Poonacha:** I mean as we always says that we aspire to hold onto our market share at least. If there is a quarter where we do gain that is a bonus.

**Abhishek Banerjee:** Okay and Sir just one more question, could you please give us some idea of ad spends because you have stopped giving it in the P&L and I was trying to understand there was any promotions which is aiding your volumes, I could not seem to find any promotions of these from your gross margins, so could you just give us some flavor of what the ad spends are like or how much they were higher than?

**P. A. Poonacha:** We continue to do brand building spends and our brand building spends as a percentage of top line is in line with all previous years.

**Abhishek Banerjee:** Okay, so no appreciable change there?

**P. A. Poonacha:** No no...

**Abhishek Banerjee:** Okay great. So basically if you were to decipher the holding onto the volumes, you would basically say re-allocation of demand that is how this has happened, no other reason per se that you can pinpoint?

**P. A. Poonacha:** No other reason.

**Abhishek Banerjee:** Okay Sir, thanks very helpful. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Anuj Bansal from Ambit Capital. Please go ahead.

- Anuj Bansal:** I just had one question, I want to understand how has your mix changed for on-premise sales versus off-premise sales during the quarter? Has there been an impact of highway ban which has led to change in this mix?
- P. A. Poonacha:** No the mix remains the same because I mean as a mix of what you had on the highways was also there elsewhere, so it is not a very big change where in your percentage of off-premise to on-premise has changed.
- Anuj Bansal:** Sir the reason that I asked is because out of 20,000-odd outlets which are still closed or may be 30,000 which are closed at the peak, assumption is that the impact as a percentage of stores would have been a lot higher on the on-premises, your restaurant bars and pubs are probably closed a lot more as a proportion of their original number as compared to the stores so is that a fair assessment because...?
- P. A. Poonacha:** That was what the situation was initially when the highway ban came up but you must have heard of certain mitigating actions taken by a lot of large bar chains, where the entry to the bars were changed and the state highways were de-notified, in some states even the national highways have been de-notified. So as we stand the overall impact on both off and on should be the same.
- Steven Bosch:** The split off vs on, if you make an estimate to date 60% off and 40% is on premise, which is including retail permit rooms where you may also have a bar on the premises.
- Anuj Bansal:** And that has not changed during this whole highway ban issue.
- Steven Bosch:** It does not change much, No.
- Anuj Bansal:** Okay alright. Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from Aditya Seth from Batlivala & Karani Securities. Please go ahead.
- Aditya Seth:** Hi Sir, thank you for taking my question. Sir you said that Karnataka you are seeing much less impact, how about Kerala and Maharashtra in the month of July? Has it improved and how do you see it in the next couple of months?
- Steven Bosch:** As we commented in our press release we see with coming Q2 and Q3 greater improvement so that is clearly underway, so it is a gradual and slow process of people re-moving or re-locating as per the actions taken by the governments to give some relief. So it is a gradual transition into the post highway ban reality.
- Aditya Seth:** Okay and Sir one more question regarding EBITDA one off. Sir there was...one was the reversal of Rs. 6 Crores and what was the other one?

- P. A. Poonacha:** The timing of our marketing expense.
- Aditya Seth:** Sir how much was that?
- P. A. Poonacha:** I cannot quantify it directly.
- Aditya Seth:** Okay, so the reversal was around Rs. 6 Crores right?
- P. A. Poonacha:** Yes, the reversal is Rs. 6 Crores. When we say the one off means mean to say that there were certain ad spends which used to initially at the Q1 which has now shifted to the subsequent quarter that is...So the timing difference.
- Aditya Seth:** Okay Alright. Thank you very much.
- Moderator:** Thank you. Next question is a follow up from the line of Ashit Desai from SBI CAP Securities. Please go ahead.
- Ashit Desai:** Hello, just wanted to know any major changes on excise or additional taxes by any states post GST?
- P. A. Poonacha:** No.
- Ashit Desai:** Nothing that we have seen. Yes, thanks that is it from my side.
- Moderator:** Thank you. The next question is a followup from the line of Abhishek Banerjee from UBS. Please go ahead.
- Abhishek Banerjee:** Hi Sir, just one more thing, there was some news article regarding you are using the Bihar factory for selling some other kinds of beverages, any clarity on that?
- P. A. Poonacha:** We have obtained a central excise registration for bottling and sale of non-alcoholic beverages that is obtained but we are still in the process of seeing what to do and how big the market is basically you just cannot start without having sufficient demand forecasting, so we are in the process of seeing what we can do out of this new opportunity.
- Abhishek Banerjee:** Okay Sir. Thank you.
- Moderator:** Thank you. The next question is a follow up from the line of Sonali Salgoankar from Bank of Baroda Capital Market. Please go ahead.
- Sonali Salgoankar:** Sir just one point in the press release you mentioned that the revenue growth was also led by price increases in several open markets so which would be these?

- P. A. Poonacha:** Karnataka, Maharashtra, West Bengal, Goa Daman.
- Sonali Salgoankar:** Okay and sorry West Bengal and Goa Daman?
- P. A. Poonacha:** Goa Daman.
- Sonali Salgoankar:** Sir and one clarification earlier you mentioned that of the 83,000 outlets almost 62,000 are now functional, so these are overall industry outlets or pertaining only to UBL?
- P. A. Poonacha:** We are available in all industry outlets.
- Sonali Salgoankar:** Okay alright Sir. Thanks for the clarification and all the best.
- Moderator:** Thank you. The next question is from Harit Kapoor from IDFC. Please go ahead.
- Harit Kapoor:** Hi just a couple of questions from my end, firstly the share gains you said that there is a 10% growth in North and the industry there is flat just wanted to get a sense of competitive intensity, is this share loss coming from only the one particular player or is it across the board I mean what is your sense?
- P. A. Poonacha:** We have gained market share as one of the analyst had pointed out that there has been a decline in the SAB brands and with a market like this opportunities are better grabbed, so we have gained some share so as Carlsberg.
- Harit Kapoor:** Understood. Second thing was on the brand building part, for the last two quarters, the other expenses have been lower because of possibly lower ad brand cost. I just wanted to get a sense where apart from No.2, the other players, probably the No.3 player onward they have been reasonably competitive so is there... over the last two-odd quarters the industry brand spends overall have been a little over or ad spends have been little over. What is your thought on that?
- P. A. Poonacha:** I mean if you see our ad spends for the full financial year 2016-2017 as a percentage of our top line is in line with all our previous years, it is only that the timing has been different, first two quarters would have been higher and the next two quarters would have been better. The effect of these brand building activities is beyond the quarter in which the expense is booked.
- Harit Kapoor:** Okay the next thing was on the top line growth so the 7% growth you said is also a brand mix and if there in terms of premium brands doing better so whatever you classify as the premium brand which is ultra and above, how much percentage of your mix would that be now?
- P. A. Poonacha:** 2% of our overall sale in this super premium that is Ultra, Max and Heineken.
- Harit Kapoor:** Right and that category would be growing in double digits?

- P. A. Poonacha:** Yes, high double digits.
- Harit Kapoor:** Is there a thought process on what this number can be and the reason why I am asking is because premium in spirits is far higher proportion from the overall mix, so just wanted to understand within your space in beer, is there a thought process that how much this section can be over the next maybe two three years going forward because that will also help you as far as top line as well as on the margin front?
- Steven Bosch:** One can expect strong growth in this segment also as the base volume is quite low. As per Poonacha, the industry percentage that this segment represents may be 2%-3%-4% at max including craft beer and specialties or variety, and that percentage might go up a little bit more. Interestingly especially in the metropolitan areas or bigger cities, interesting from a brand building and a consumer experience point of view, if we take growth of craft, that is an exciting area where we just want to invest and be in with our brands and we see further growth. At the same time of course we make our money largely on Kingfisher strong and other mainstream lager products.
- P. A. Poonacha:** One question, are you are talking about industry or talking about a particular spirit company?
- Harit Kapoor:** No I am saying generally in spirit industry also you are seeing the premium segment growing faster and the top over three companies have a far larger share of the higher-end segment so and overall from an industry perspective beers' share in premium is lower, so the industry as well as you guys where do you see that going forward that is my question? The context was really also on the fact that can you probably see a mix led benefit of probably 1%, 2% every year of growth coming in just on a kind of brand mix going forward because this category is now growing at a much faster pace and you have a large offering there?
- P. A. Poonacha:** You can probably check because I do not think that in the spirit industry the lower end segment has become smaller salient as compared to the higher segment. You are looking at certain spirit companies, yes, some spirit companies are dropping off from the lower segment and concentrating in the higher segment. So it could happen as a spirit company but not as an industry.
- Harit Kapoor:** Sure I mean just wanted to get your sense on whether this can add say maybe 1% every year or 2% every year just on the mix led growth going forward is that a likely possible?
- P. A. Poonacha:** Too small just 2% super premium is a too small sale even if it goes to high double digit.
- Harit Kapoor:** Okay understood. And on the highway ban part just wanted to check so you expect a near normal quarter by Q3 is that something that you are possibly looking at from an industry perspective from Q3 onwards things should be near to normal?

- P. A. Poonacha:** I am hopeful.
- Harit Kapoor:** Okay and is there a mix that you can share in terms of our sales on-premise versus off-premise how much would that be?
- Steven Bosch:** Yes, so I just mentioned the off-premise part is approximately 60% and the balance is on, but of course that covers a whole range of on premise whether it is high-end clubs, bars, and hotels or also retail outlets where there is also a bar connected to it.
- Harit Kapoor:** Okay got it. A last question from my end is on the gross margins, now you said over the last two quarters we have seen that there has been an impact on account of the higher material cost so just wanted your sense on with the price increases now coming in, on the second part are you also seeing these same materials now either have flattened out or now trending a little lower?
- P. A. Poonacha:** No see the Q1 has gone and the Q2 there will be some GST impact and like we mentioned that we are looking at various mitigating measures where we have initiated the dialogue with all our suppliers and ensuring that at least the portion of whatever benefits they have got is passed on.
- Harit Kapoor:** Okay from a commodity price perspective are you seeing any relief there?
- P. A. Poonacha:** Not exactly I mean we do not see it in the immediate next two quarters.
- Harit Kapoor:** Okay. That is it from me Zaid, you can check with the queue.
- Moderator:** Thank you. The next question is from Hitesh Kumar from Aksa Capital, please go ahead.
- Hitesh Kumar:** Hi. Thanks, this is Rishi Maheshwari, I am sorry to persist with this question again. Just to understand your view when the highway ban was imposed I guess you have had some sense in terms of the states where the highway ban was imposed in the Q1 if you have done reasonably well in terms of the volume growth that you have reported in the Q1. Now when the Q2 comes up with three more states of the highway ban, how do you expect the volume to behave? Do you see a perceptible change in terms of your earlier thought versus now?
- P. A. Poonacha:** Each state different and every state's reaction to denotifying highway or how supportive the excise varies from state to state so we really cannot say that these three states will behave similar to how the other states have behaved. We just hope that it follows the same trend but we cannot be sure how the reactions are.
- Hitesh Kumar:** How is your early indication been in these three states Sir, is this too different from what you have seen in the earlier ones?
- Steven Bosch:** There is as Poonacha put it very big difference from state to state, some had really actively denotified highways others have really been very proactive to help outlets relocate and new

locations or issue fresh licences. Telangana is by the way only coming up in October. Karnataka so far as we have seen it is relatively okay and perhaps we need to just wait and see a little bit in terms of coming quarters, how things pan out, but we do expect the disruptions will be more or less done by the end of the calendar year.

**Hitesh Kumar:** Right thank you so much Sir. Thank you so much for your time.

**Moderator:** Thank you. As there are no further questions I now hand the conference over to Mr. Kapoor for closing comments. Over to you!

**Harit Kapoor:** Thanks Zaid. On behalf of IDFC Securities, I would like to thank the management of United Breweries Steven and Poonacha for being on the call as well as all the participants on the call. Steven would you like to close this?

**Steven Bosch:** Thanks everybody for participating and wish you a good weekend. Thank you.

**Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of IDFC Securities Limited that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.