



“United Breweries Limited Q3 FY20 Earnings
Conference Call”

February 07, 2020



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Moderator: Ladies and gentlemen, good day. And welcome to the United Breweries Limited Q3 FY20 Earnings Conference Call, hosted by IDFC Securities Limited. 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. Mehul Desai from IDFC Securities. Thank you and over to you, sir.

Mehul Desai: Thanks, Nirav. Good evening, everyone. On behalf of IDFC Securities, I would like to welcome the management of United Breweries as well as all the participants for the Q3 FY20 earnings call. Today, we have with us Mr. Berend Odink – the CFO of United Breweries and Mr. Poonacha – Investor Relations Head from United Breweries. I will hand over the call to Mr. Berend for the opening remarks. Over to you, sir.

Berend Odink: Thank you, Mehul. And good day, everybody. And thank you for joining the call today. I will start with providing some context on the Q3 and year-to-date results, following which we will be happy to take your questions.

So, on the Q3 performance, the overall volumes in Q3 were somewhat subdued, with volumes declining 7%. Excluding the impact of the state of Andhra Pradesh, the volumes would have been flat. As you might be aware, the government in Andhra has implemented a number of measures from October 1st, including the ownership of retail outlets moving into government hands, reducing the number of outlets by circa 20%, as well as reduced opening hours, and an increase in government duties, resulting in higher MRPs.

As a result, the beer industry volume fell by around 50%. At the same time, we also observed in the market that most orders were given to previously smaller players in the state, instead of being awarded according to prevailing market shares before October 1st. As a result, UBL volume and resulting performance in Q3 was negatively impacted. To provide some context, Andhra Pradesh accounted for around 7% of our volume prior to October 1st.

Commenting on the regional volume performance. In North, UBL volumes were down 4%. Key State performances include Dehli, which posted flat volumes, volume growth in UP and Punjab, and there was a negative growth in State of Rajasthan and Haryana.

In South, UBL volumes were down 13%, largely due to performance in the State of AP, as explained earlier. Positive growth was posted in Tamil Nadu and Telangana, whilst Karnataka and Kerala declined mid-single digits.

In East, UBL volumes were up 19% with volumes in West Bengal and Orissa, both increasing double-digits.



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In the West, UBL volumes declined 7%. Mumbai and Goa declined, while the rest of Maharashtra also saw negative growth, albeit to a lesser extent than Mumbai and Goa.

Touching on the revenue and margins for Q3. Net sales were flat for the quarter. Gross margins declined by 60 basis points year-over-year, which is a lower reduction than the decline on a year-to-date basis, as we started to cycle the higher input costs for mainly barley and glass. Input cost increased largely during Q3 last year with the full impact of the higher costs seen in Q4. EBITDA for the quarter declined by 10%.

Looking at the year-to-date performance, overall performance in terms of volume growth was positive 2%. And on the regional performance:

In the North UBL volumes grew 1%. Volume growth again in Dehli, Punjab, Rajasthan and UP, while volume declined year-to-date in Haryana.

In the South, UBL volumes grew 1%, with growth in the states of Telangana, Tamil Nadu and Kerala, but volume declined in Karnataka and Andhra Pradesh.

In the East, UBL volume grew 28% with volumes in West Bengal, Jharkhand and Orrisa up.

In West, volumes declined 6%. Volume declined in Mumbai, Goa, and volume growth for the rest of Maharashtra.

In terms of revenues and margins, year-to-date, net sales were up 5%. Gross margins declined by 290 basis points on the comparable period, given the higher input cost of barley and glass bottles.

Overall results have been challenging. However, we remain very much committed to our strategy, which includes investing behind our brands, particularly the premium portfolio. Growth in premium remains very positive, despite a lower GDP growth environment overall.

We recently launched Kingfisher Ultra Witbier, in the Wheat beer segment, and initial consumer response has been very positive.

With that, I would like to conclude the opening remarks. And we would like to take your questions.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the questions-and-answer session. The first question is from the line of Krishnan Sambamoorthy from Motilal Oswal. Please go ahead.



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Krishnan Sambamoorthy: Yes. In your press release you talked about a delay in payment from the Andhra Government. Did this start in the third quarter or did this start in the fourth quarter?

Berend Odink: We have seen this in the current quarter, and also in the prior quarter.

Krishnan Sambamoorthy: Okay. And you also mentioned that there is advanced duty that have been asked by several states. Now putting the delay in payment in Andhra as well as the advanced duty, can you just quantify in terms of number of days, how much there has been an increase on a Y-o-Y basis? If you could do that.

Poonacha P.A.: Yes. Andhra Pradesh currently in days is around 150 days, collectibles. And the amount is in the region of Rs. 140 crores. And you want to know the quantum of...

Krishnan Sambamoorthy: Yes. How much was it earlier, right? It is currently 150 days, how much was it earlier?

Poonacha P.A.: Value wise it has come down, reason being our turnover also has come down in the quarter. So both the no. of days and the value has come down. There are times where the outstanding was even higher at Rs. 200 crores.

Krishnan Sambamoorthy: Okay. I will put it the other way. You mentioned that the interest costs have increased because of higher receivables. Now at a net company level, how much of the receivable days has gone up?

Poonacha P.A.: Receivable days has gone up by four days, just let me confirm. Yes, it has gone up by five days.

Krishnan Sambamoorthy: And the other thing is, from your CAPEX, given the relatively muted outlook, would you be deferring some of your CAPEX? And if so, what is the CAPEX number for 2020 and 2021?

Berend Odink: For next year we have not yet published the outlook. But the total CAPEX that we see for the current financial year has been brought down versus earlier budgets. So, what we mentioned in the press release is around Rs. 300 crores year-to-date. That would be the run rate for the full year as well.

Krishnan Sambamoorthy: So Rs. 400 crores for the full year?

Berend Odink: Yes

Moderator: Thank you. Next question is from the line of Himanshu S from Dolat Capital. Please go ahead.

Himanshu S: Sir, our price mix has improved quite materially in this quarter, while the volumes were down 7%, the revenues were flat. So I am assuming that the price mix was very positive. You have



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called out that you have taken price increase in four states. So was the price increase taken in Q3 itself or it was taken in earlier quarters?

Berend Odink: The price increases have been taken in earlier quarters. But obviously, as we progress through the year, year-over-year impact becomes bigger.

Himanshu S: Okay. So Q3 has had a full benefit of the price increase that was taken in quarters prior to that. There was nothing that was taken in Q3 per se, from prices increase perspective? Because last quarter our price mix was negative in Q2.

Berend Odink: No. So in Q3 there has not been any significant price changes as such. But we have seen, of course, year-to-year impact coming through.

Himanshu S: Okay. And sir, because the contribution of AP has also gone down and I am assuming AP might be a lower realization per case market, and that should have also led to improvement in realization per case, optically?

Berend Odink: Yes, absolutely. So AP in terms of price levels, is below the average, given that the volume declined, purely from AP perspective, there is a positive state mix.

Himanshu S: Okay. Sir, so like how you have informed in volumes that without AP, the volumes would have been flat, what would have been the realization improvement ex of AP in Q3 on a Y-o-Y basis?

Berend Odink: Well, we don't break that out separately. But as I commented earlier, the realization in AP is below the company average.

Himanshu S: Sir, second question is on other expense line item. First, just want a clarification. Is there any one-off write-backs or anything? One-off provision, write-backs either for receivables or any other line items in that, a significant number or anything? Because other expenses on a Y-o-Y basis has gone down very significantly. I mean, since last trailing five, six quarters the other expenses were up by 15% to 20% on a Y-o-Y basis, and suddenly that came off. So anything, if you can just provide color on that line item?

Berend Odink: Yes. So in Q3, we have an income of around Rs. 15 crores from a reversal of service tax and GST on brewery license fees, so that has been booked in Q3 as a positive one-off. And you might recall from last call, the first six months there were a few things we called out in terms of one-off costs, so that the impact was the other way around.

Himanshu S: Okay. And sir, any color you can provide on A&P spend on a Y-o-Y basis on absolute number, Q3 of last year to Q3 of this year?



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- Berend Odink:** In terms of marketing investments, we are slightly up year-over-year. So as I said in the opening comments, we continue to invest, particularly in the premium part of the portfolio. And in that we take a very long-term consistent approach to support the brand building.
- Himanshu S:** Okay. So sir, then which has been the line item which has gone down? Means, if I see on a sequential basis also, we have never seen historically such sharp decline on a sequential basis also. Sequential basis the cost is down almost by Rs. 80 crores. So if you can just provide some bridge or something?
- Poonacha P.A.:** Which cost you are talking about that has gone up by Rs. 80 crores?
- Himanshu S:** Other expenses. Last quarter it was Rs. 507 crores and this quarter it is Rs. 419 crores. How much is the reversal, sorry, you say?
- Poonacha P.A.:** Yes, 15 Crore.
- Himanshu S:** Okay. So sir, Rs. 419 crores would have been Rs. 434 crores or something you are saying?
- Poonacha P.A.:** Perfect.
- Himanshu S:** Still it would have been lower on a Q-o-Q basis versus Rs. 507 crores of last quarter.
- Poonacha P.A.:** So you can't compare the previous quarters because it is a cyclic thing, because you have rates and taxes also in the expense line, which is variable to your volume turnover, which forms part of your other expenses. For example, bottling fees, bottling fees is like a duty which you pay on your dispatches. So if your volume goes up, your bottling fees goes up; your volume comes down, your bottling fees comes down. Other expenses per se, it's not that it is purely business expenses, but it's also has duties included there.
- Moderator:** Thank you. Next question is from the line of Harit Kapoor from Investec. Please go ahead.
- Harit Kapoor:** Just have a few questions. Firstly, if you could give a sense on your volumes have declined by 7%. In your estimate, what would have been the market decline?
- Berend Odink:** For the most recent quarter we don't have the market shares as of yet. But for the 12 months ending September, we do believe we have expanded share by around 2%.
- Harit Kapoor:** Okay. So your absolute share would be in the range of about, 54-odd?
- Berend Odink:** Probably 53%, that kind of level.



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Harit Kapoor: Yes. Sir, this was regarding the material cost question, what is your outlook on that? Did you think the glass and barley costs are now behind you in the base?

Berend Odink: Yes, absolutely. I think the last year Q4 we have seen the major pickup in barley and glass. For barley, we have secured the whole position for the remainder of the year, so there we don't see any significant changes from where we are today. And in terms of glass, again, we will go back to normal kind of inflationary price changes. We have secured additional capacity in the market. And under our normal circumstances, we can source demand without any major price movements within one to two quarters at least.

Harit Kapoor: Good to know. If you look at the issues in Andhra Pradesh that you faced in quarter three. Would you say that as we have come into quarter four, some of those issues are kind of dissolved or there has been a move to normalcy there? How would you kind of assess the situation in Andhra Pradesh going forward?

Berend Odink: Obviously, we closely monitor the situation. It is a bit difficult to predict, but I don't see immediately in the next quarter a major improvement on where we stand today. So we continue to make representations to the government. But there has not been a kind of a major improvement in the quarter so far.

Harit Kapoor: Okay. And from a rest-of-India perspective, markets in the North are down and the West is down. Apart from the East, the balance markets also have shown a bit of lower growth or, in fact, even declined. So how do you look at this, do you see this as a slightly near-term or medium-term demand issue or how are you assessing this impact?

Berend Odink: I think the dynamics are, of course, state-by-state. So Karnataka has seen a challenging environment in the last few months. I think it has to do with the overall slowdown in economics and consumer spending. So we have to see how long that takes to improve. Year-to-date, we obviously also pointed out some of the impacts in terms of capacity issues in Q1, impact of elections in Q1 and even in Q3 in Maharashtra, with a number of dry days that took place. So without AP, I would say, we are cautiously optimistic. But obviously, yes, the consumer spending confidence is somewhat subdued versus prior years.

Harit Kapoor: Okay. On the premium side, what is the kind of growth that you have seen for the premium portfolio? And if you could just give a sense of which are the brands that are leading this?

Berend Odink: So the whole premium portfolio is growing double-digits, so that's continuing, I would say, quite strongly right where we have one of the cornerstones of our strategy. Again, it's brand-by-brand, state-by-state, the dynamics are a little bit differently. But it's safe to say that the Amstel, Storm and also Ultra are doing quite well.



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

Aditya Soman: Just one question from my end, actually. So next quarter, given that we have had elections in Maharashtra that are now behind us, and even with the Karnataka, there is government now in place and majority of the disruption because of the change in government or the vote confidence, now that is done. Should we expect a volume growth in these two states? Also, we started as in weak pace for these states from Q1 next year, so a related question to that. One, should we see volume growth in these two states? And would volume growth in these two states lead to an improvement in the mix?

Berend Odink: The two states, you mean Maharashtra and Andhra?

Aditya Soman: Maharashtra and Karnataka.

Berend Odink: For Maharashtra, the rest of Maharashtra, obviously, has been performing a little bit better than Mumbai itself. So, without the impact in lieu of state elections that we have seen in Q3, we are cautiously optimistic. Similar for Karnataka, I think Q1 has been positive in terms of industry growth, Q2 and Q3 was negative. So it's too early to tell what Q4 will look like. But I think if the overall economy and the optimism step-by-step comes back, again, we are cautiously optimistic. But in any case, of course, we are ready on our end to supply any pickup in demand.

Aditya Soman: I understand. And just a follow-up on that. I mean, if you see growth, hypothetically, let's say the growth improves in these two states or at least in line with your company growth, would you see an improvement in the mix in the margins?

Berend Odink: Yes. So both states, you called out, are important states in our total business. So they would lead to a positive mix, absolutely.

Moderator: Thank you. Next question is from the line of Ashat Desai from Emkay Global. Please go ahead.

Ashat Desai: Sir, my question is on volumes again. Last quarter you had mentioned that domestic volumes were up 6%, and sales growth was 3.5%. So there was a negative price mix of around 2.5%. This quarter, you have a positive price mix of 7%, with 7% decline and flat volumes. And I think last quarter you had also mentioned some one-offs relating to exports or something. So can you tell us what is the domestic volume growth for this quarter? And are there any one-offs like last quarter in that?

Berend Odink: No. So in terms of the impact of exports this quarter, there is nothing to call out. It has been trending, let's say, as usual. So there's no difference between domestic and total as such.

Ashat Desai: Okay. And last quarter, how much was the export impact?



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- Berend Odink:** Last quarter, I think there were around 2 percentage points difference in terms of total company growth due to exports.
- Ashat Desai:** Okay. And secondly, Telangana has seen some change in the way they collect excise. Could you tell us what is the impact of that?
- Poonacha P.A.:** Working capital wise?
- Ashat Desai:** Telangana, there has been a...
- Poonacha P.A.:** Yes. Working capital, positive working capital improvement.
- Ashat Desai:** Yes. So what is the change and the benefit, if you could elaborate?
- Poonacha P.A.:** Capital wise, anywhere between Rs. 60 crores to Rs. 80 crores, working capital.
- Ashat Desai:** Rs. 16 crores to Rs. 18 crores or Rs. 60 crores to Rs. 80 crores?
- Poonacha P.A.:** Rs. 60 crores to Rs. 80 crores.
- Ashat Desai:** Okay. That is the benefit that you all get.
- Berend Odink:** Yes.
- Ashat Desai:** Okay. And just on volumes, again, I mean, the industry growth also seems to have declined. But overall, if you look at markets which have declined, can you share what has been the consumer price increase for beer in those markets? Is it due to a very steep price increases or it's just because of the economic slowdown? And if you could give some picture on that.
- Poonacha P.A.:** No. I mean, I wouldn't project the state specifically. But largely what has happened with the business in this previous quarter and the year, is, wherever there has been some correction, for example, you see correction in West Bengal with respect to reduction in price, correction in Tamil Nadu with respect to route to market. So wherever there has been correction where in the past there was impediment to demand, those markets have grown. Wherever in the markets there were no impediments, the slowdown in the economy has pulled the volumes down. Am I clear?
- Ashat Desai:** Yes. So how do you see the next few quarters? I mean, are these impediments still there or do you expect these to reverse? Or these will be there for some time?
- Poonacha P.A.:** Since the impediments remain as it is, or at the level where it is today. Then going forward, an upward boost in the economy is going to go take it upwards.



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- Moderator:** Thank you. Next question is from the line of Harit Kapoor from Investec. Please go ahead.
- Harit Kapoor:** Just one clarification. You have said in the past that there was some supply issues in UP, which you were trying to fix, and you couldn't meet the demand there. So what's the scenario there? Have those things cleared out now?
- Berend Odink:** Yes, we have put in place additional capacity. So we are in a better place to supply the growth in UP, absolutely.
- Moderator:** Thank you. Next question is from the line of question Krishnan Sambamoorthy from Motilal Oswal. Please go ahead.
- Krishnan Sambamoorthy:** Has there been any increase in the excise duty in any of the key states, similar to what Maharashtra witnessed last year?
- Berend Odink:** In Q3 we have seen, to call out two states. So in Telangana, in December there was an increase in excise. So to give you some perspective, that meant the MRP for Kingfisher 650 ML moved up by Rs. 10 a bottle. And then in AP, as part of the overall changes in policy, the excise also moved up, there it was an increase of Rs. 20 per bottle, Kingfisher Strong moved from Rs. 110 MRP to Rs. 130.
- Krishnan Sambamoorthy:** Okay. Any other key state in January so far or nothing?
- Berend Odink:** No.
- Moderator:** Thank you. Next question is from the line of Jatin Chawla from First Voyager. Please go ahead.
- Jatin Chawla:** First question is on the volumes in Mumbai. And I noticed that in terms of the outlook going forward as well, you seemed a lot more confident about growth in rest of Maharashtra coming back, other than Mumbai. So what's the real issue with Mumbai? Because it's been a few years where volumes have either been flattish or kind of declining.
- Poonacha P.A.:** The number of outlets in Mumbai has remained by and large flat. And including the beer only licenses have been largely procured outside Mumbai rather than in Mumbai. So as such, the business has been flat or declining in Mumbai, as you rightly pointed out.
- Jatin Chawla:** Sir, the number of outlets is flattish broadly across the country in most states, but that does not stop growth. So why should it really have that big an impact in Mumbai?
- Poonacha P.A.:** I mean, if you look at Mumbai, it stops at the octroi zone. So consumption is going higher in the outlets outside the octroi zone.



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- Jatin Chawla:** Okay. Second question was, just a clarification, on barley when you said you have secured for the year, that's for this calendar year, for next fiscal year, what was the exact interpretation?
- Berend Odink:** The current financial year. So up to next Q4 we are covered. Come April, the domestic barley harvesting will take place with new buying activities, etc. So then we look into the next financial year in terms of positions.
- Jatin Chawla:** Okay. So broadly, you are covered for this quarter?
- Poonacha P.A.:** Yes, this is after March 2020.
- Jatin Chawla:** Yes. Okay. And the last question is that between the last quarter and this quarter, there is a 10% kind of realization shift and there are various reasons for it. If you could just kind of put them in order? Because there is a price increase, there is a state mix, there is a premium share mix. So which of these would you kind of say are the most relevant ones.
- Poonacha P.A.:** Number one is state mix. And next is the price increases we have taken.
- Jatin Chawla:** Okay. And last question on premium, you said double-digit growth. What is the contribution of premium now to your overall volumes?
- Berend Odink:** We don't split it up, but it is between 5% to 10%.
- Moderator:** Thank you. Next question is from the line of Harit Kapoor from Investec. Please go ahead.
- Harit Kapoor:** Yes. I had just one last follow-up. Any trend that you can call out between mild and strong kind of category growth or your growth in terms of mild and strong, is there any differential that you see there, either for the three months or for the nine months period?
- Poonacha P.A.:** For the quarter, mild has grown by 1%, while strong has declined by 10%. That's for the Q3 alone.
- Harit Kapoor:** And would you attribute this more to the fact that premium is a slightly larger share than mild, that would have driven it or it's largely to do with the state mix?
- Poonacha P.A.:** Perfect.
- Harit Kapoor:** Okay. It would be state mix, is it?
- Poonacha P.A.:** No. It's premium.
- Moderator:** Thank you. Next question is from the line of Ashit Desai from Emkay Global. Please go ahead.



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Ashat Desai: If I look at the non-alcoholic beer segment, sales are pretty flattish over the last four quarters. I mean, are you restricting sales only to a few outlets or if you can tell us something how is the consumer response, why is there no scale up over here?

Berend Odink: So we continue to expand the distribution footprint for non-alcoholic. It comprises basically two elements. One is the Radler portfolio where we have three product offers. And the second element is Heineken 0.0. I think the consumer response is, certainly for Heineken 0.0, quite positive. I think for Radler, we are on a journey that we have to explain the product. People have to try it, people have to get used to it. So this is, I would say, longer-term approach to building that category, which is completely new in India. But if you look internationally, we think it's a very exciting segment that has gotten a lot of traction. So for India, again, it's early days, but we take a phased approach and one, that I would say, is for the long term.

Ashat Desai: And your spend towards this category will be similar to last year or they will also see a step up?

(Technical Difficulty)

Moderator: Participants, please stay connected. The line for the management has dropped. Thank you for your patience. We have the management line connected back to the call. Sir, please go ahead.

Ashat Desai: Yes. So my question was on the investments for the non-alcoholic beverage. Will they be similar to last year or you will see a step-up in that?

Poonacha P.A.: I mean, the large majority of the expenditure there is towards brand building. And as Berend called out before the line dropped, that this is in the launch stage, and we should see this as a percentage of top-line reduce, but quantum wise it would remain.

Ashat Desai: Okay. And lastly, could you share what was the growth in your premium segment in Q3?

Poonacha P.A.: It is double-digits.

Ashat Desai: I mean, could you quantify it?

Poonacha P.A.: Sorry, we will not quantify it. It is a good double-digit.

Ashat Desai: Okay. So should we take it as high teens or its plus 20% or 30% that it used to be?

Poonacha P.A.: Not plus 30%, it is in high-teens.

Moderator: Thank you. The next question is from the line of Mehul Desai from IDFC Securities. Please go ahead.



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- Mehul Desai:** Just wanted to know on the scale-up plans for your wheat beer, by when do you plan to scale it up pan-India? And second thing, similarly, in your premium portfolio...
- Poonacha P.A.:** Mehul, we didn't get the first question.
- Mehul Desai:** Yes. The first question was your plans of scaling up your wheat beer?
- Poonacha P.A.:** Wheat beer, okay.
- Mehul Desai:** Yes. And second is, I understand that some of your premium portfolio is also not available, I think it's not scaled up pan-India. So what are the plans to scale up the same too?
- Berend Odink:** Yes. So specifically on the Witbier, we have launched it in December in Karnataka and Goa. Next expansion will be towards Dehli and Maharashtra. And on the rest of the premium portfolio, indeed for brands like Storm and Amstel will continue to expand that in additional states, mainly towards North where there is a limited presence today for those brands. So still also on the premium side of the portfolio, I think a lot of opportunities are still out there.
- Moderator:** Thank you. The next question is from the line of Vishal Biraia from Aviva Insurance. Please go ahead.
- Vishal Biraia:** Sir, you pointed out in AP some of the smaller players have taken a higher share or they have been granted more preference by the state government. So how are we planning to tackle this?
- Berend Odink:** So we continue to make representations to the state government, we just noticed their ordering pattern is quite different from before October 1st. We see from press coverage that the brands that consumers look out for is not always available in the government-owned retail outlets. But it is something we, of course, try to correct going forward, but it's not fully in our own hands, I would say.
- Vishal Biraia:** Okay. And this problem, I guess, would be faced by some of your peers like Carlsberg and AB InBev as well?
- Berend Odink:** On the ground, yes.
- Moderator:** Thank you. Next question is from the line of Raul Ranade from Goldman Sachs. Please go ahead.
- Rahul Ranade:** So I just wanted to understand, so AP what is the volume decline for us?
- Berend Odink:** So, very steep. So we did supply some primary orders in the quarter. But compared to previous levels, it has reduced dramatically.



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- Rahul Ranade:** Okay. Because since we are saying that AP was 7% for us before October and ex of AP we are flat, then it would be like way more than 50%-odd, where you indicated that the industry would have de-grown by 50%, is it?
- Berend Odink:** Absolutely yes.
- Moderator:** Thank you. Next question is from the line of Vishal Biraia from Aviva Insurance. Please go ahead.
- Vishal Biraia:** Sir, my question is on the export side. As to when do you see a pickup in exports? And what will lead to the scale up in exports?
- Berend Odink:** Can you repeat your last part of the question?
- Vishal Biraia:** What will lead to the improvement in exports?
- Berend Odink:** So we have seen in the quarter normal export volumes, and we believe there is no reason to see any change in that pattern going forward. As we called out in the notes in the last quarter that we are changing our export agents, so that is happening. And the good news is that on the consumer end, there is still a healthy appetite for the brands of the company. And we will continue to supply those export pockets going forward in a good way.
- Vishal Biraia:** So next quarter shouldn't see too much of a change, but maybe in the coming few quarters, should there be a significant change? Or any guidance on that front?
- Berend Odink:** I don't expect any wild changes up or down over there. I mean, we have been steadily growing export business in the last few years. And yes, we continue with new partners to pursue that growth. Whether that leads to a significant growth in one quarter or the other, I think that remains to be seen. But generally, I think, yes, it has been a good growth journey, and we will continue to pursue that going forward.
- Vishal Biraia:** Okay. Lastly, anything that you have heard from CCI in terms of their deliberations or incremental input that they will need or by when do you expect a resolution to this?
- Berend Odink:** Yes. So as we stated in our notes to the accounts is that, in December we were communicated the report from the initial findings. So we are now in a phase that we can comment and provide our suggestions and objections to those findings. That is what we will do going forward. And then yes, the CCI get around and make their findings known on the initial phase.
- Moderator:** Thank you. Thanks next question is from the line of Himanshu S from Dolat Capital. Please go ahead.



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- Himanshu S:** Sir, just want to check one thing. If AP would have in status quo, would there have been a significantly a material positive impact on EBITDA or earnings for that matter? Just trying to understand does AP has a significantly better EBITDA per case.
- Berend Odink:** So the pricing level, as I said earlier, is below the average, also profitability of the state is below the average. Obviously, in absolute terms, there is a negative impact in the quarter from the volume drop we have seen in AP. But I will not give the specifics of the profitability of that state.
- Himanshu S:** Fair enough. Sir, but just qualitatively, would have it been material or just a few percentage points, maybe low single-digit or something like that?
- Berend Odink:** No, with 7% of the volume, it would be material for the quarter. That's why we also pointed it out in the press release.
- Moderator:** Thank you. As there are no further questions, I will now hand the conference over to the management for closing comments.
- Berend Odink:** Great. Thank you, everybody, for your interest. Thank you for the questions. I wish you a very good day ahead. And look forward to the next call.
- Moderator:** Thank you very much. On behalf of IDFC Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.