"United Breweries Limited
Q4 FY '24 Earnings Conference Call"
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MODERATOR: **MR. HARIT KAPOOR – INVESTEC CAPITAL SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to United Breweries Limited Q4 FY '24 Earnings Conference Call hosted by Investec Capital Services Private 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harit Kapoor from Investec. Thank you, and over to you, sir.

Harit Kapoor: Yes. Thank you, Muskan. Good afternoon, everybody, and I would like to welcome you all to the United Breweries Q4 Earnings Call hosted by Investec. On the call today from the senior management team of United Breweries, we have Mr. Vivek Gupta, MD, CEO; Mr. Radovan Sikorsky, Director and CFO; and Mr. Robin Achten, Business Control and Investor Relations. I'll now hand over the call to Mr. Radovan Sikorsky for his opening comments. Over to you, Rado.

Radovan Sikorsky: Thank you. Yes. So good afternoon, everyone, and thank you for joining the call. I'll start off with highlights of Q4, YTD and then we will open up for questions. So as you could see, our volume reflects an 11% increase in the quarter, driven by strong underlying demand. So it was nice to see such a strong quarter in terms of volume growth.

This was also supported by nice growth in premium volumes, which continued to be strong at 21%. And this is really driven by Kingfisher Ultra, Ultra Max and of course, Heineken playing some role there as well. Net sales rose by 21% driven across a number of states, including Tamil Nadu, Telangana, Andhra Pradesh, Odisha, Rajasthan and slightly offset in some markets like Haryana and Rajasthan as well.

There was also some pricing coming through that we were starting from last year. So you can see that in our bridge overviews in the slides. But the pricing that we had taken in '23, we are cycling that and that is nicely coming through. Our gross margins during the quarter were up 312 basis points compared to the prior year, this is really driven by revenue management initiatives, primarily pricing, but also other initiatives that we are doing and some of the cost initiatives as well.

If we look at the year-to-date results for the full year, let me call it, volumes were up close to 2%, with net sales up 8%, driven by the pricing and the mix. So it's really -- it was a year of 2 halves, where it was a difficult, if you recall, at the beginning of the year, but we started getting some nice momentum going into the two, three quarters at the end.

In the quarter 4, as we mentioned, the 11% strong underlying demand was notably observed in the South driven by the performance of Telangana and Tamil Nadu and some in Andhra Pradesh, and East was around 10%, driven by -- mainly by Odisha.

Over the past two quarters, as I've mentioned, we have demonstrated a gradual recovery signaling a real positive momentum in the business. And it's also very nice to see the premium volumes continue to accelerate with a 21% growth in the quarter.

What you've also probably seen in the media, and it's nice to see the Kingfisher -- Queenfisher launch in terms of celebration of International Women's Day. We've had a great response from the market with that. And also, we launched London Pilsner in Karnataka. And of course, we also mentioned in the past, Heineken Silver Draught in Maharashtra, which is really doing very well and has really been appreciated.

Vivek Gupta: I think Rado already talked about the results. I just wanted to take this opportunity to thank Rado. As you know that we have announced that Rado is going to move to a regional CFO role for the APAC region and we also announced yesterday that Jorn Kersten, who is currently CFO for Heineken Ethiopia is going to be our CFO from August 1. So I also wanted to take this opportunity to thank Rado as he shared the result as well.

Radovan Sikorsky: Thank you, Vivek.

Vivek Gupta: Yes, over to you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. First question is from the line of Abneesh Roy from Nuvama Wealth.

Abneesh Roy: This is Abneesh Roy. Congrats on good volume growth. So my first question is on that only. So South and East India have been doing a lot of heavy lifting for you in terms of volume growth. So how is the base now in FY '25, given in most quarters, these two geographies have done well? And specific on the other side, North and South India, some of the states have been quite challenging. So if you could discuss in Haryana and Goa, when do you see recovery happening?

Radovan Sikorsky: Vivek, you will take that one?

Vivek Gupta: Yes, sure. Thanks, Abneesh, for asking the question. See, as you know, this business is state-by-state business. There are many factors which are impacting the business, right from the regulatory environment, go-to-market, our proposition there. I would say we had a very good growth in Maharashtra and Goa last quarter. And what we understand is in Goa, it has been a weak category trend in the first quarter itself because there was a lot of stock up by the retail in the last quarter during the Christmas and it was not as good as season. So fundamentally, we feel very, very good about Goa. Our shares are strong. Our proposition is strong. So I see that recovery is going to happen even in this quarter.

We do have challenges in a couple of other markets like in Haryana, we actually last year, rationalized our investments in that model. And I think we are still cycling through that change, which had an impact on our margins in a positive manner, but we are also working through that. So I think what we -- and we also had impact in a couple of other states in North because in Punjab, they stopped shipping after 15th of March because of their registration and label changes, which is also a learning that there are a lot of processes, which actually are -- need changes in regulation, where the category actually gets impacted significantly during the transition. So I don't think any major structural issues in most of these markets, but it is -- Haryana is quite intentional, and I think Goa is just the matter of time.

Abneesh Roy: Right. Understood. So if I see the premium volume growth that has been accelerating very strongly last 3 quarters from 10% became 14% and 21% now, that's a very strong growth. So if you could tell us what's working here? Is it broad-based across all the top key cities this growth is there or some cities are standing out? And any change needed? It's strong growth, I understand, but any change needed in FY '25 to maintain the momentum?

Vivek Gupta: Yes. I think there are 3 factors which are driving premium growth. I think the first is very, very sharp understanding on consumers. I think I know we talk about it, but I must say that in the last few months, we have actually really sharpened our understanding on each of the consumer cohort, and we are actually -- built our premium propositions accordingly. So we are seeing that positive momentum on that, like Queenfisher is a good example what Rado shared earlier, and we saw the similar in Heineken Silver Draught in Mumbai, where the repeat rates are very high.

The second big one is we also are able to really plan well from an execution perspective with the on-trade on-premise customers because we go with full portfolio approach versus a brand approach now. So we have a portfolio in mainstream with Kingfisher. We have a portfolio with premium. We have a domestic premium with Ultra, Ultra Max.

We have an international premium with Heineken, wherever it is available. On your question, will this momentum continue? I think we are doing a lot of work to ensure that we have our supply chain footprint to serve premium. One of the challenge has been that we have been doing a lot of interstate exports and that has been challenging in the regulatory environment.

It can actually lead to, unreliability in many cases. And especially in the election, we know that there's a lot of bands at all, which does not give consistency to consumers. So one of our focus area is to expand our footprint of premium manufacturing in our own breweries and with some of the partners. We have already taken some actions. We are hoping that in Karnataka, for example, we will get the approval after the elections to start manufacturing Heineken where we already have facilities, which will also give us excess. So it is primarily increasing our manufacturing footprint and playing the portfolio again.

Abneesh Roy: Sure. That's helpful. Vivek, last question. Q1, the summer is very harsh. What we are picking up is ice creams, talcum powder and cola players and other beverages are seeing very strong numbers currently. In your case, base is extremely favorable. You had a 12% dip in Q1 last year in overall and 21% dip in the premium. So I know the base is quite soft, but I also wanted to understand if you could give a holistic picture. Because Q1 elections are also there, and we know in election, Alcobev faces a lot of different kind of challenges in terms of the number of shapes and dry days, etcetera. Overall, how are you seeing -- I'm not asking for a guidance, it's still very early days for the Q1. But overall, if you could give us some sense on harsh summer-related benefit and then the challenges of the election.

Vivek Gupta: Yes. I think harsh summer is in front of all of us. I think it is very hot. I'm in Chennai. Right now, it's very hot also. I would say that there are 2 learnings I have. And I think as a company, we have, I think the first is as a market leader, you get most impacted by the positive or the negative change.

So election impact, while it is very broad, but I think the impact on us is slightly higher because we need actually 3 shifts, for example, in some of these states to just beat the demand because we have 50%, 60%, 70% market share in various states. And for a smaller player or a local player, they can still manage their demand within 1 or 2 shifts.

So I have seen that in some of the states, the impact on us because of restrictions is much higher. The second thing is, as I mentioned, for us, the compliance journey is super, super, super critical. So we are actually going -- making sure that we are meeting very high standard of compliance during this whole part.

The third thing is I do think that there is an increase in demand and in some places, like government corporations are not able to manage the inventory situations, like the number of days of inventory, for example, in Karnataka is very, very low. But the consumption is high, what you see in the papers and all.

So I think it's a combination of various things. It's very, very volatile right now. The states where elections are over we are seeing some recovery. The state where elections are in 7 phases, we continue to see disruption. So I think right now, we are waiting for this thing to get over, and I'm hoping that this will be an extended summer and we'll try to recover whatever we can.

Abneesh Roy: Just 1 clarification there. For example, UP, I think, has got elections in 7 stages. So does the state get impacted in all 7 stages or is it stage-wise, geography-wise? How does it work? If you could clarify on that?

Vivek Gupta: Yes, it gets impacted in various forms because the UP elections are happening from west to east. So if the central UP gets closed, then the movement of trucks gets impacted to East UP and all. So it's -- and also, there is a manpower and availability. So there is an impact, not to that -- the massive extent where we say that, but there is definitely more impact in phase-wise election versus a state which is going in 1 phase and over.

Moderator: The next question is from the line of Krishnan Sambamoorthy from Nirmal Bang Institutional Equities.

Krishnan Sambamoorthy: My question is regarding gross margins. In your presentation, you have indicated that there is a positive mix of about 5% on price and about 4% on state mix. In addition to that, you are lower -- the quarter last year had the big trough from a gross margin perspective to the worst in 20 years that I have data for, yet despite that -- despite the fact that barley prices have also come up significantly and despite positive price -- significant positive price and state mix, why is the gross margin improvement being only about 300 basis points?

Is It the fact that a positive price realization mix can also be negative from a margin perspective in those states and also whether there was higher proportion of -- from a bottling perspective, new bottles versus last year?

Vivek Gupta: Rado, maybe you can answer in detail.

Radovan Sikorsky: Yes. Look, there's obviously a number of factors that impact our gross margins. I mean we are happy that our gross margins have improved. And you can see that's a nice trend compared to the previous quarter 4, right? So that's clear there. And like you said, it's a combination of pricing and mix. With a strong growth in our volumes, right, that we had and you've seen that in the quarter 4, does imply a higher injection of new bottles also into the market.

So on the positive side, it's fantastic for our top line, but it does have some negative impact in total gross margins. And therefore, I would also like to mention this comparing sequentially quarter-to-quarter is not always the right way to go because you can't really compare the quarters. In certain quarters, once we move into summer and there starts to be growth in the volumes, it has an impact on the margins, and there's some leveraging of scale as well in those perspectives.

So, therefore, I prefer when we compare quarter 4 to quarter 4. So there's a number of these factors. So gross margins are growing nicely. Do we want them to grow even quicker? Yes, we would. But like I said in the past, there's a lot of things that we are working on, which are starting to bear fruit, also on variable costs that I believe will ensure that over time, our markets grow nicely into the future.

Krishnan Sambamoorthy: Could you -- so we are not looking at the comparing quarter on a sequential basis. But even on a Y-o-Y basis, could you just clarify what effect? Is the proportion of new bottles significantly higher in Q4 this year versus Q4 last year because of the strong demand? Is that what you're indicating?

Radovan Sikorsky: Yes. Versus last quarter, yes, the new bottle injection was a bit higher because of the volume growth as well. So when we had -- if you remember, last quarter, it was quite a bad quarter. We had a decline. So effectively, we're not pushing so much in behind into the market.

Krishnan Sambamoorthy: Okay. And given that your response to the previous question was also indicating that you are hopeful of strong volume growth for Q1, are you better prepared from this quarter perspective, from a Q1 perspective as to the proportion of old returnable bottles that you have in the system?

Radovan Sikorsky: So we've put a lot of things in place in terms of bottle returns. At the beginning of the year, we've introduced a new scheme. We've also increased the pricing of old bottles in the market. We've standardized pricing in the market as well, and we're also running some incentive schemes. So we feel that new bottle injection should be much better managed this year to the issues that we had last year. So we are hopeful that some of these initiatives will be coming through. And of course, again, like I mentioned, with strong volume growth, the bottle injection does go higher, but that's fine. I mean it's great to see the volume growth coming through. So that growth in revenue and pricing will compensate for some of that new bottle injection.

Moderator: The next question is from the line of Jay Doshi from Kotak.

Jay Doshi: My question is for Vivek. Vivek, could you give us some kind of guidance of how we should think about the road map or on margin improvement? And internally, do you have a target of EBITDA margin in next 1 year, 2 year or do you think of it on EBITDA per case basis? The challenge that we are facing is that you probably would have done 50 million cases in this quarter.

If someone would have asked me 2 years back or even a year back that when they do 50 -- when United Breweries does 50 million cases, what should be the margin? I wouldn't have expected it to be in single digits or like 6%, 7%. I think it is a broader sort of struggle that I think most of us face is that is there a structural problem in profitability or this is a temporary issue that we are not able to appreciate better? So if you could give us some guidance, a band, a margin band, it will be of great help.

Vivek Gupta: Yes, thanks Jay for asking question. Look, first of all, I don't think your expectations are wrong. I would say a few things. I think, first of all, I would really say that we have to be a little bit more patient on margins because we are performing but also transforming as a company. I think the -- we were mostly a single-brand company a few years back. We are trying to be a multi-brand portfolio company, bringing innovation, bringing the right thing from the consumer perspective. We are in a very competitive environment as well. We have very good international competitors who are there. We have local players in many states who are expanding their capacity and doing the brewery part of it.

Third is we are investing in organization and our capabilities, both in terms of -- I would say we have a largest brewery network, but many of our breweries are also old brewery very practically. And they need repair, maintenance so that we can maintain higher standard of quality. We are revisiting our recipes in some of the cases to make it even better for consumer experience because at times the things need to improve the quality of malt we use, the quality of ingredients we are using in the part of it. So we are absolutely focused on sequential margin improvement, but we are not -- I'm not going to shy away to invest in actually growing the category and growing the revenue growth.

So our focus, as Rado said, that we are looking for high single digit, closer to double-digit revenue growth. Also, at the same time, please understand that this year has been difficult in the beginning because in the quarter 4 of the last year, the quarter 1 of this year, most of the states did not give the pricing due to elections. So usually where we used to get the pricing and there is all delay post elections, so there is a lot of volatility and uncertainty based on the regulatory environment, which is there right now.

There are a few issues, for example, and which is -- which are important, I'm sorry, I'm giving this commentary. For example, Telangana, for example, the government has not paid at least us almost INR700 crores to INR800 crores for the last 5 months, and there is a big issue there. So there is -- there are other issues also we are dealing with. But having said that, I think there is a plan to sequentially improve margins, but our focus is on to drive categories, to fix our portfolio, to get us in the next 1 or 2 years ready for, let's say, '28, '29, '30, both in terms of having real good access to supplies of our portfolio from our breweries, investing in repair maintenance in our breweries, ensuring that if we have to drive the category growth and insert new bottles, we will do it. And also working with the suppliers on better negotiation.

So I think we have a comprehensive plan. I would say that there will be a sequential improvement in margins and structural improvement, but sitting here today, I don't see a structural issue if we have to deliver more margins, but I definitely see an issue that how do we grow if we don't invest in the right portfolio. If we don't prepare ourselves for future, I think that is our priorities right now. I don't know, Rado, if you want to add any perspective with the -- because I gave a very general answer, I'm sure this is what you are not looking for. Rado, if you have any more comments.

Jay Doshi: No, no. Just if I may ask a follow-up question here. Is there anything that's short term in nature that's hurting your profitability at gross margin? And when I ask this question, it's largely pertaining to the mix of glass bottles and the cost of new bottles. So is that something that will change meaningfully in the next 3 to 6 months, which -- or should we expect any meaningful improvement there or that is also something which will take time?

Vivek Gupta: Yes, one thing which is definitely having an impact is on the state mix on the margins. I think you guys -- you know that there are some states which are more profitable than the others. I think we are trying to win more broadly and going through, making sure that we are fully compliant and we are going through our journey, which is there. I think in some cases, we continue to work with regulatory to ensure we give them a broader picture.

For example, you see recently Assam took a massive duty hike on beer and the prices have also gone up in the summer to do that, I'm just -- I've just picked up one of the examples. So I think that is one area. I think the second is, of course, we really need to do a better job of procurement and our processes where we are investing a lot to prepare ourselves for the volatility, which is -- which we saw a couple of years back.

Moderator: The next question is from the line of Chirag Jain from Yogya Capital.

Chirag Jain: My questions majorly have been answered. I have just one bookkeeping question. On the previous CEO remuneration, so that seems to be on the higher side for 1 month. So what -- can you give us some light on that?

Chirag Jain: He was paid INR14 crores for working only 1 month for FY '24, for the April month, that's mentioned in the related party transaction of yours. So that was paid previously for the whole year of FY '23. So that's why I was asking?

Radovan Sikorsky: I need to look into that. I can get back to you on that one.

Moderator: The next question is from the line of Karan Taurani from Elara Capital.

Karan Taurani: The question was basically in terms of the brand in terms of Heineken and the overall portfolio that you have. So currently, as we are talking of transformation, you're talking about volume growth and there has been a margin and a lot of investments would have also gone in terms of marketing and branding, kind of spend. So how do you see the situation turning around over the next 4 to 6 quarters?

Can we move from a push brand to a pull brand situation? And if that does come in, I mean, do we have a situation wherein if the investments kind of taper down or come down, the volume growth still will remain to be strong? What's your take on that?

Vivek Gupta: Yes. See, I would say that if you really look at global benchmarking where the categories have grown steadily and significantly, actually, advertising and promotion spends are much higher than what we spent at least in UBL in India. So I think -- and it becomes even more complicated because we are a dark category. It is a state-by-state to really bring together. I would say, but despite that, the focus exactly, as you said, is to really understand the consumer insights, the barriers, demand spaces and really, really be very focused so that we are meeting different consumer needs.

So I think also the way the category today is structured, it is a combination of pulls and push. The push in terms of availability because if many of the business is done by corporations, and if state corporations are not pushing the stocks, whatever consumers say is not going to help to do that. I gave you an example of Telangana where there is a reduction in the shift due to election. So whatever gets produced is getting sold in the market. Whoever produces it, is getting sold in the market right now.

Having said that, our focus is on having a very strong portfolio, which is very meaningful for consumers. We are seeing significant positive response when we do those things. So for example, Heineken Silver Draught in Mumbai, significant repeat rates very, very good equity. We measure our brand power scores for each of the brands, and we actually make interventions.

So for example, this year, you guys would have seen that we have again come back on IPL, which is a big property for Kingfisher, and we are seeing a very, very good response in the markets where we are able to activate. So I think we will continuously do that. But hopefully, as we make these investments, our mix will go up, our top line should compensate for some of these investments. And then also -- there is also an element of, once the capabilities get built up, you get the leverage of scale in certain markets.

So I think it is going to be a longer-term journey. I don't think it's 2 or 3 years. I think the way the beer category needs -- the biggest driver of the change of the category is going to be regulations. Let's be honest about it because as it is -- beer is not affordable today. The taxation in many markets is much higher.

It is not available beyond 95,000 stores, unlike other countries where it will need to be available. In some cases, it is actually very, very controlled on pricing as well, which limits actually the premiumization opportunity to do that. So I think a lot of success in the -- on your question will depend on how we are able to work with the associations that are influenced the regulators to actually bring some meaningful change for the category, which actually help us in a better environment. So I think it's a combination of our effort, but also regulatory changes.

Karan Taurani: Right. Obviously, that was the category part. Now specifically right? I mean the kind of growth you see in the premium portfolio, it's unheard of. I don't think, we see this kind of growth over the last 3, 4 years or maybe it's historical in nature in terms of volume growth. So on that question, so currently, you are spending aggressively, you're kind of going there and you're trying to grow above market average, gain market share. So tomorrow, if at all, say, 2 years down the line, you pull back your spends and try to be more in terms of a focus on efficiency and profitability, would you be able to sustain that market share?

I mean it's a question in the case of Bira. I mean, obviously, Bira is not comparable, but we saw that in the case of Bira, there was aggressive push, they gained market share. But the moment they pulled back, they've seen concerns on volume. So not a compiling case, but just some things you can draw in terms of volumes.

Vivek Gupta: Yes. No, I think it's a great question. Thank you for asking. I would say there are 2 variables which will change in years. One is the local production of many of these premium lines. As I mentioned that today, we don't have a full footprint of our premium brands everywhere in every brewery. If I have to give a number, it is actually less than 30%, 35% where we have a state brand footprint.

So we actually do a lot of interstate transfers to do that. Our focus is on to get that number up significantly over the next 2, 3 years, which definitely will improve in our margins as well because that will give us an ability to invest locally versus spending a lot of money on paying import duties and transportation. So that is one big area of focus.

Second is any expansion we are doing, we are very focused on fundamentals. We are not rushing through it. So we are not in a mode where we are saying, Okay, let's just put this product in a state and forget about it. We are actually incubating many of these innovations like Heineken Silver Draught is a great example, even getting great response, we have not expanded it beyond Mumbai, Maharashtra yet.

And the reason is because we really are learning what is working, what investments we can actually optimize. There's a lot of work happening on defining the key business drivers. So as I said, our goal is to grow the top line, but also sequentially increase margins. So we are working on internal plan to offset some of the expenses, which are incurring with some structural changes being more clear and then scale also gives the benefit both in terms of production as well as marketing spend from a throughput per store perspective.

So -- and we have this model being a part of a global company, I think there are a lot of good models from other markets like Brazil and China, where we know where Heineken is doing extremely well. And we know that what works from a long-term sustainable growth and I think we are on that journey. So absolutely, I think that is our focus area.

Moderator: The next question is from the line of Tejash Shah from Avendus Spark.

Tejash Shah: Vivek, if I compare our numbers versus FY '19, which was in between, we had 2, 3 years of COVID impact and the poor summer. For 5% additional growth on volume for FY '24, we have lost roughly 40% of EBITDA that we had posted in FY '19. So -- and then you called out that many growth factors we are underinvested perhaps that's how at least it sounded today. And we are kind of investing all those factors, and we are correcting to deliver growth. So should we assume that from here on, this is the new baseline margin because if we kind of focus on profitability, we'll have to sacrifice on growth?

Vivek Gupta: In our internal planning, that's how we are focusing on. As Rado said, our aspirations are high, but we're also very realistic because since 2019, the one fundamental change is the return bottom, I think the numbers have significantly dropped from that perspective. We also know the state mix has changed.

The states -- some of the states have not taken pricing for many years, like Telangana is a good example for 2.5, 3 years, we are the largest player in Telangana, and there has not been a pricing there. So I think a lot of factors have changed. And as I said, we consistently look at how do we -- I would I can only tell you the -- our incentives or our performance is measured on both top line growth and bottom line growth and margin expansion.

So it is not that we are just sacrificing one over the other, but we are very clear that the priority #1 is to drive category growth and volume growth and fix our fundamentals. And if it means that in short to medium term, the margin expansion will be slower so be it. But that does not stop us to work the gaps -- those are ideas to fill those gaps on the margin.

Tejash Shah: Perfect. Second, Vivek, you also called out some pressure on receivables. So is it only pertaining to one state? Or is it like -- because election season, we have seen state finances also get stretched? So any other pressure points also building up?

Vivek Gupta: I think the Telangana is a big one. I think it is -- the reason I'm saying it's very in public, and we are engaging with the government significantly. It is a big one. And I think there are some delays in some of the other states, but which we think we have to wait and watch, it's more based on elections. But Rado can help further, I think Telangana is the big one, right, that's Rado?

Radovan Sikorsky: Yes. I think that Telangana is the main impact in terms of what we are talking about, yes. I think I'll just -- just to close a discussion on those margins. I know there's a lot of -- we always have a lot of discussions on this, but I think Vivek has rounded it off very well in terms of managing the quality and the quantity of our earnings. We very much -- we are very much behind category growth and premiumization of the category. That is key for us. And of course, we want and-and, and quality, and quantity of earnings. But I think we need to be a little bit more patient because we will see accretion of margins as we grow scale, as we build productivity as we -- as some of these initiatives that we are doing are coming through, it will come.

But it's a 2 steps forward, 1 step back sometimes because in this regulatory environment, the pricing can sometimes be a little bit tricky in terms of timing. Some of the pricing is quite ad hoc and some of it is quite planned ahead. And therefore, you see some of these movements either quarter-by-quarter or year-on-year on the margins.

And just to finalize, when you compare our margins to 2019, and Vivek also brought that into the discussion. When you look at it, the post-COVID and during COVID, there was a lot of disruption, and I spoke about this in the past, also in the bottle -- total bottle infrastructure and collectibility, but also there was a significant spike in inflation.

And when you look at our ability to take pricing over that period from '19 to '24 now, let's say, it hasn't been able to keep up with a big spike in the inflation, but we managed to do great pricing actually in '23. So we've caught up a lot, and there seems to be a little bit of softening, as we said also in our press release, on inflation on some of these prices.

But then when you see recently, again, aluminum prices have shot up. So there is still volatility, and that's why we say we speak about volatility. But that's basically summarizing. Slowly, there will be an incremental increase in margins, that's what we will aim for. But it's about category growth and premiumization that we want to drive.

Tejash Shah: Perfect. Just 1 follow-up on the Telangana due. So such delays happen on which predicts and in worst case scenario by when we count it as we have to provide for that?

Radovan Sikorsky: Provide for -- sorry, what you mean provide for that -- for payments?

Tejash Shah: Yes, yes, write-offs that it won't come. In fact, we have done it in the past, I remember 4, 5 years back. So...

Radovan Sikorsky: No, we do not believe at this point in time that, that will be an issue. I mean, there is challenges of payments in Telangana. And the team and Vivek has been in many discussions with the state and we are still seeing that these payments will be coming through. That's what we are banking on. So there's no write-offs planned at this stage at all.

Moderator: The next question is from the line of Chinmay Gandre from Canara HSBC Life Insurance.

Chinmay Gandre: So my question is basically, I wanted to understand the premium segment. So with respect to the contribution margin, so -- I mean, is it right to assume that basically premium will have a larger contribution margin versus the rest of the portfolio?

Vivek Gupta: I think I can help. The question is that because in the premium, you do more new bottle insertion and you're doing more interstate exports, are the margins lower than the main steam or what are the plans to improve those margins? That was the question.

Radovan Sikorsky: Right. So yes, there would be more new bottle injection in premium with the 21% growth, right? So that is happening. And of course, that impacts our margins. If you look at interstate sales for premium, that is margin dilutive. But when you look within the state at premium, then of course, the profitability is better on premium.

So that's why what Vivek was saying as well important for us to work on our footprint so that we can do local for local, if I can call it that, that if we can produce premium locally, our margins definitely improve a lot. But there will be pressure a bit on the premium as it grows because of new bottle injection. But that doesn't mean that there will be a margin dilution to say if it's local for local.

Chinmay Gandre: Second, my question is on barley prices. So this season average sourcing prices would be similar or lower versus last year?

Chinmay Gandre: The question is on barley prices. The average sourcing prices for us for the current -- for the coming season would be similar or lower versus last year?

Radovan Sikorsky: Barley prices, yes. So the barley prices, the barley crop is looking quite good actually this year for us. So that's really nice news. The crop is coming in quite nicely, and there is softening on pricing as well versus last year. So overall, it's looking good. We did import some barley as well, but not to a big extent. But we feel that this should be good for margins going forward as well in terms of the barley prices.

Moderator: The next question is from the line of Vishal Punmiya from Yes Securities.

Vishal Punmiya: Yes, firstly, on the quarter, there is a higher overheads on a year-on-year basis, almost 22% jump. What would be the key drivers for that?

Radovan Sikorsky: I mean in the overhead costs, in total costs we invested more behind the brands and so commercial spend is up. Freight costs went up as well. So those were the really big ones. And then there is some inflationary coming through as well. We've also been investing all behind the organization. So we are strengthening the commercial organization quite a lot in terms of consumer insights, we have a new CMR person in place. We are also strengthening some of the feet on the street, so there is a little bit of increase also in the organizational part as well.

Vishal Punmiya: Understood. And secondly, in terms of FY '24 volumes, if you could help us understand how the industry has done in terms of absolute volumes and what has been the growth for the industry?

Radovan Sikorsky: Vivek, do you want to touch on that?

Vivek Gupta: Yes. Unfortunately, the data is so -- it's not available actually, if you ask me. When we talk about the industry, it's just estimations, the real data you get in this industry is only on 30%, 35% business. But I do think based on the hot summers, based on the news in the category, what we are driving and some of our competitors are driving, I would say that the industry should be growing at, at least closer to 6% to 7%. That's our estimation that for '24, that should be the category growth net of the election impacts and all.

But again, as I said, North will depend on the regulations because a lot of the pricing and some of these work did not happen in the first quarter because of elections. And it really depends on how the regulatory policies of the states come in. Because if some of the states, like if they just take a duty hike on beer, then I don't know how much the category is going to react in some of those states. But yes, I think 6% to 7% would be a good safe number to bet on. Rado, you can add your perspective there.

Vishal Punmiya: And overall -- over that you will be gaining share, so your volume growth would be high single digits, 8% to 9%, would it be right?

Vivek Gupta: I think that is our aim. If you see the last 3 quarters, we have been growing 7%, 8% and 11%. Those are the numbers for the quarter. And of course, we'll see how much election disrupts this quarter, but -- and we'll figure it out. And I think overall, our aim is to grow faster than the market. And I would say in the last quarter, we have actually gained all India market share. Based on our data, we have actually gained more than 100 basis points of market share.

Vishal Punmiya: So what would be that market share number now? Would it be 51%, 52%?

Vivek Gupta: I think, Robin, you can correct me, we are upward of north of 50%, right?

Robin Achten: Overall, according to tour estimates, we were indeed around 50% in Q4-FY23/24.

Vishal Punmiya: Okay. So that number seems to have not improved, right, based on the commentary that we have been getting at the end of every year. But still, we have been gaining market share. So why is there a variance in the commentary and the numbers? Is it just because of the sample that you're taking to calculate the volume market share?

Vivek Gupta: See, as I said that we actually get the real data for 30%, 35%, but my understanding is it is improving because in the last 2 quarters, we were more in 48%, 49% and it is actually going up. But we can go back and double-check it. So the way we do it is, we estimate for the markets where we don't get any data, and we get the data for the cooperation markets where we actually have the data on this.

Vishal Punmiya: Okay. Understood. Just lastly on the balance sheet. You did mention the receivables from Telangana, which are pending. So that kind of is reflecting in your receivables. But in terms of inventory, is it just because of the expected season in 1Q, is the inventory level high?

Vivek Gupta: Yes, I think because we are also preparing for the season and to manage the volume growth. And for us, it's in various states as well because our -- we don't have large -- we have spread out breweries, and that also has an impact. But we think on inventories, we are quite manageable. So it is not a concern to us.

Moderator: The next question is from the line of Harit Kapoor from Investec.

Harit Kapoor: So one question is on the capacity expansion part or investment in capex. I mean Vivek, you mentioned that there is -- from the payment kind of work also that you're going to take up going forward, I assume there will be pockets in which you will also add line. So I just wanted to, in the context of higher volume growth versus the last few years, just wanted to get your sense on what are the plans in terms of capex for F '25 that we are following.

Vivek Gupta: Yes. See, I think, Harit, in the last couple of calls, I said that probably in this call, we will talk about our strategic plan for future. We had a conversation, I thought the best would be that sometime in August, we actually will do a roadshow in one of our brewery and invite some of you to come and actually because that is the time where we can actually talk a little bit more about our plans I can only say that as you see, we had very, very good traction from our global team.

Our global CEO was in town for a week actually, he's kind of full week in March end and there was a media interview where he talked about the potential of India. We had our global CFO in town in February. Of course, we have a strong plan in India, and we're also very conscious on like what Rado said 2 steps forward, 1 step backward with the regulatory environment and some of the other changes. But I think in August when we do this roadshow, I think we'll be able to talk a bit more details in a very confidential manner because a lot of it is sensitive information on what we are planning.

But needless to say, we are preparing ourselves for growth for years to come, which means that we will need capital investment to increase our capacity and produce premium locally and all of that, but we'll talk more in August. And I think very shortly, we'll send the dates and the venue so that you guys can RSVP on that.

Harit Kapoor: Fantastic, fantastic. And just one last one on the state-wide kind of pull and push. Just wanted to get your sense on markets like Delhi, where the pressure has been there and now it's kind of to lap up. So would it be fair to assume that last 12 to 18 months is not great in that state? And now, I mean, it's probably there in the base. So incrementally, that particular pain point will not be there. Similarly for Haryana, it's been a while. So these 2 Northern states, whether -- at least below base should kind aid things come forward? That was my second question.

Vivek Gupta: Yes. I think we are still working through the Delhi plan. I think I don't know how low is low in Delhi, and we haven't seen any major policy change in Delhi because of whatever is going on. Even this year, they extended the policy, which was going there. On top of that, there has been delays in labeling and all of those things. So I think Delhi is still work in progress. We'll get more clarity on that. So I don't think that the base is set yet on Delhi.

On Haryana, yes, as I said, that as we cycle through those changes, we should see more growth, and we'll have to see how the regulatory environment shape up there with all the changes in the government and the elections as well, but it's still work in progress, I would say. At this stage, I'm -- I don't have a definite plan to tell you that I'm very confident and all, I think it's work in progress.

Moderator: That was the last question for today. I now hand the conference over to Mr. Harit Kapoor for closing comments.

Harit Kapoor: Yes. Thanks, Muskan. On behalf of Investec, would thank all the participants for joining the call as well as thank to senior management of United Breweries for taking out time for this month. I'll now hand over to Rado or Vivek for closing comments. Thank you.

Vivek Gupta: Yes. No, thanks, Harit for organizing. And again, thank you, everyone, for asking great questions and really being patient with us. As I said, that our company is going through both performing and transforming, and we are not only focused on delivering this quarter, next quarter, but we are really focused on how do we grow our -- how do we make sure we continue to grow this category and be the market leader in next 4 year, 5 years.

It's a very capital-intensive business. So you have to plan well in advance and make those choices. I also want to thank Rado, again. I think he has been amazing in this journey over the last 2 years and he'll also continue to support us in the region role. So -- and I will also send the invite for the August and you'll get a chance to walk one of our brewery as well, so look forward to interacting then. Rado, anything to close?

Radovan Sikorsky: No, I would just like to say that it's been great to be in each investor calls, some great questions from all of you. I strongly believe in this business in India and Heineken sees it as well. So I will, of course, be watching it from the region on our progress, and I'll be helping where I can. And yes, just thank you, everyone, for participating in these calls.

Moderator: On behalf of Investec Capital Services Limited, that concludes its conference. Thank you for joining us, and you may now disconnect your lines.