Operator: Ladies and gentlemen, good day and welcome to United Breweries Limited Q4 and FY 2026 earnings conference call. 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 this 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. Jan Cornelis. Thank you and over to you, sir.

Management: Thank you very much. Good afternoon everyone. Thank you for joining us here on the quarterly results call for Q4 and the full year 2026. Vivek and I are happy to host you once again. We will take a bit more time this time around with the introductory remarks because we think the situation in the market merits that we give a bit more context on the results as well as on the outlook. So please bear with us while we walk you through it.

Let me start with the category, because in the end the category remains the most important anchor for how we look at the business as a whole. We are very happy that in Q4 we saw the category returning to growth, around 10%, with the majority of markets also contributing to growth. This is a big step up from the second half of 2025 and is also widely supported by multiple movements, including regulatory developments, improved affordability, and on-the-ground demand conditions. Overall, we are happy that the structural drivers of the category remain intact and that we see the beer category in India performing really well in the quarter.

At the same time, it is also important to recognize that the market has become significantly more competitive, which means that winning in this environment has an impact on investments behind brands and commercial intensity. As a result, while the category is growing, the cost of participation has gone up. This is an important context for the performance in the quarter, and we will speak more about that when we talk about how intentional choices have impacted the quarterly delivery.

When we look at the quarter, it is very important to note that we believe the fundamentals of the business remain really strong. We delivered around 4% volume growth, and I will come back to that a little bit later regarding the balance between primary and secondary volume. We see that underlying demand is strong. We see that the premium segment continues to outperform in consistency with our strategy, and we also see that the gross margin is moving meaningfully.

In the end, we see that volume, price, and mix, as well as our ability to translate them into margins, are delivering and moving in the right direction. Regarding this volume growth versus the category growth, it is important context to ensure everyone is aware that while our volume has grown 4%, our secondary volume — the demand from the market — has moved mostly in line with the category. There is a slight pressure on market share, but we are also cycling last year's disparity between primary and secondary. In the end, that 4% is muted compared to the actual movement we see in the market.

Of course, we see a material decline in EBIT in the quarter versus last year, largely impacted by deliberate choices we have made. One is very clearly investing behind our brands and behind maintaining our leading position in the market in this intensified environment. We expanded our investments behind the brands by 27% versus the previous year. Of course, the quarter is ahead of the peak season, so it is an important quarter to invest in brand strength, and we see it reflected in the brand power scores we get back from the market. We are very happy and continue to do this in line with our strategy to grow our brands and invest behind both brands and execution on the ground.

We are also advancing in premiumization, where our premium development is ahead of the overall development of the portfolio, and we continue to invest in our network strategy. A large share of the growth in Q4 came from contract manufacturing, which has an impact on accounting. We knew this and it was anticipated, but it has an impact especially on how revenue and margins are being reported.

The last thing I want to highlight here is that we also deliberately invested in bottling infusion, which also relates to the environment in which we operate. On a more macroeconomic scale, we see pressure on supply and tightness for especially packaging material, highly impacted by the energy crisis driven by what is happening in the Middle East. We deliberately ensured that our inventory and our use of bottles and packaging materials are at par to ensure we prioritize continuity of supply.

We need to highlight that the Middle East situation is expected to have a meaningful impact. While we see some fairly minor impact in the quarter, especially driven by the MDIP piece, we see that for the remainder of the year there will be an impact on the market driven mostly by energy and fuel costs impacting packaging material costs. There is currency movement, so the INR performance currently will have an impact on cost, as well as the aluminum price which continues to be extremely high and we do not foresee coming down anytime soon.

The impact we see for the remainder of the year is predominantly cost-led and not demand-led. We still believe in the strong fundamentals of the category and demand will be there, but cost pressure will continue in the second half of the year. In the end, it is very clear that we are operating in a two-speed environment where we see strong category growth and premiumization, and we strongly believe that the opportunity will remain. India is the growth engine for the global beer market. At the same time, we see rising cost pressure on both commercial investments and the cost of production. That will remain, and that is why we highlighted it in our press release.

What we are doing and the clear choices we are making for the future are as follows: first and foremost, we will continue to serve the consumer. We will continue to drive premiumization. We will invest behind the brands and the category and take our role as a category leader. We will also continue to optimize our network and capacity, including contract brewers, because we believe that is what is needed to support the growth of the Indian beer market.

Of course, we will tighten our pricing and revenue management. In the current outlook, we are closely collaborating with cross-functional teams to ensure we drive pricing and the right mix decisions. We want to be where the consumer wants us to be in terms of pricing, while also mitigating as much of the cost pressure as we can. As everyone knows, this is a heavily regulated environment, so it requires additional efforts to translate some of that cost pressure into top-line pricing.

Regarding the EBIT outlook, there will be an impact. We are working hard on productivity programs to ensure we convert the healthy gross margin into EBIT margin and to mitigate and anticipate the upcoming cost pressure. That is not only true for the P&L but also for working capital and cash generation. We see in the shape of our P&L that we continue to grow even when looking at our investments. We are making headway on our investments in greenfields as well as in-store investments with a high expansion in the number of coolers, which impacts our depreciation.

Throughout the P&L, we can see that our belief in growth and structural growth is very present and that United Breweries is positioned to capture market growth at least proportionally. The current performance in the quarter is mostly a result of deliberate investment choices, impacted by the local environment as well as the macroeconomic environment. We are confident that the category will remain resilient over time, that our strategy is the right one, and that we are taking the necessary actions for future growth and sustained financial delivery. Before we head to the Q&A, I invite Vivek to give more color on these remarks.

Management: Jan, thanks for this. I know all of you are joining the quarterly call, but I would say that this has been one of the quarters where we really had to step back and think about the structural financials in the category and what is going to happen for the year and the years to come. A lot of it was driven by the Middle East war and its impact, as we are facing a 400-500 crore impact. You know our profitability for last year, and we had to make clear choices.

Before that, I would say a couple of things. First, the great news is that the category is back to growth. In the last two calls, we discussed what would happen to the category and when it would return to growth. The good part is the category has come back to growth at 10%. This has not happened by chance; it is a function of three things. Number one is the deliberate effort with the Brewers Association of India, where UBL is a key participant, along with efforts we have made with regulators regarding excise policies. In the last 9 out of 10 policies released, there has not been any tax increase on beer, while there has been a relative tax increase on spirits.

The number one driver of category growth is the relative pricing of spirits and beer and the gap between them. We have seen that in almost 14 states, which represent 42% of our business, we have grown more than 30% in the quarter. The effort on the policy front is a big driver of category growth, and I am not even talking about Karnataka yet, which is not yet in implementation.

The second big driver is the deliberate investments UBL has made. In some states, the category has almost doubled. We have invested in capacities, quality, innovation, and our brands. Premiumization is a great example where we are back at 16%. We are also investing in the future with the work we are doing with Soufflet on malted barley, and with Crown and others on cans. The investments we have made are leading to category growth. Third is the high competitive intensity.

When all competitors are investing to capture a segment of the market in India, consumers and retailers see more investment. When category investment goes up, it helps category growth. Our data suggests some of our competitors have invested 3-4 times more, but we have not increased our investment to that level. However, we continue to increase our brand power, which means we are investing in the right things. We are not just buying volumes and diluting the category.

The number one thing I want to bring to your attention is that we are extremely delighted with the structural interventions leading to category growth. If the Karnataka policy comes through and we maintain the momentum seen this quarter, the category growth trend will continue.

The second important thing I want to mention is that the work UBL has done over the last few years ensures we do not have a supply issue. We have invested a lot in the last 2 years in building a supplier base for bottles, so we do not have a supply issue there. We also do not have a supply issue on cans because we have a global network and identified suppliers. None of our results are due to supply issues, and we do not expect them to happen. In fact, it will be a competitive advantage for UBL because we have those supplies tied up. We have an inflation issue and a cost issue, not a supply issue. Any disruption would be because we chose not to supply due to prohibitive costs, not because we cannot get the materials.

Third, because we are the only meaningful listed company in this space, I want to say that the impact on the beer industry because of the war is disproportionate. This is a time where we had to make choices on how and where to run the business. For me, at this point, the key focus is the consumer. We need to ensure supplies are available. The focus is to have tough and transparent conversations with all stakeholders, including suppliers and regulators, to create long-term value for the category. UBL is leading that effort consistently because the structural economics of the category must be addressed. We are also working to ensure we continuously invest in the brand responsibly.

There are states where we have seen a lot of trade spend being done even where the category has no profitability. In a state like Telangana, we have seen competitors throwing trade spend that does not make sense and does not encourage regulators to think about long-term sustainability. We are clear that we will follow the right path in those situations.

Category growth is strong. Our supply chain is strong. Our localization efforts are working, and our premiumization and gross margins are up 330 basis points. We are making deliberate choices. This quarter, we chose to store more and use more new bottles versus old bottles to replenish the new bottle cycle faster, as old bottles can be used anytime in our brewery. We also corrected some inventories. While our primary growth is 4%, our sell-through is 8-9%. There is not a massive gap between 4% and 10%. It is actually 9.5% and 10% in our books. We also corrected inventories in anticipation so we can have fresher beer.

Overall, our cost program is performing well. Our people cost is much below our growth rate now. We have made the right changes in our structure. Our cooler program and brewery expansion are on track. We have acquired land in Uttar Pradesh and civil work has started. Our can lines in Telangana and Maharashtra will be available before July. We have one greenfield project, two can lines, and cooler investments ongoing. Brand power scores are extremely high. We feel very strong despite the headwinds in the category. We are working to mitigate what we can, though total mitigation depends on the duration of the war impact. Oil, INR, and gas prices are all moving northward. Our focus remains on driving category growth and unlocking the potential of beer. This will not impact our capex plans. I now open the floor for any questions.

Operator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Avnish Roy from Nuama Wealth Management, please go ahead.

Avnish Roy – Nuama Wealth Management: Thanks. Firstly, you mentioned a 400-500 crore cost impact over the next 2-3 quarters. I want to understand the assumption. Glass uses a lot of fuel and fuel costs had gone up. Today it is down about 8% and in the last 3-4 days it is down 15%. If this geopolitical issue gets resolved and crude cools down in the next week or two, does this 400-500 crore cost impact still occur? On the supply side, you confirmed that you have taken care of it. El Niño is also a favorable climate for your category. Are you absolutely sure there is no supply side risk for aluminum cans and glass bottles given the strong demand and the positive Karnataka policy?

Management: I will answer the second question and ask Jan to help with the first one in more detail. We are very sure. We have increased our supplier base and worked on this diligently over the last 2 years. We are ready for the growth.

Management: Regarding the cost impact assumptions, we would applaud it if the issue is solved within the next 2 weeks. However, even if it is, our assumption is that the impact on cost will take much longer to normalize. Our assumption is that crude oil will not be far below $100 even if things stabilize. This is largely due to the impact on gas imports in India and the fact that some capex has been seriously impacted. We assume aluminum stays north of $3,500 and do not expect that to come down quickly. We think the Indian consumer and beer market will be resilient. We are tracking local fuel pricing; if that moves, it may impact discretionary spend as food inflation could reach around 5%. But we think there are enough tailwinds in the category that we only foresee cost pressure for now.

Avnish Roy – Nuama Wealth Management: One follow-up, Vivek. All FMCG companies this quarter are mentioning market share gains from local players. You highlighted that you have tied up sourcing and packaging, which is difficult for local players. Are you already seeing smaller players unable to meet packaging needs, leading to market share gains for you in April?

Management: Actually, no. I do not think they have fully understood the impact yet. Entering the season, volumes and momentum look good. We look at the full-year impact based on seasonality. I have seen some contract brewers stop manufacturing their own brands to ask if we need more supplies because they cannot source material. We are seeing that trend, but I expect you will see it more in a couple of months rather than right now in April.

Avnish Roy – Nuama Wealth Management: My last question is on specific states. Regarding Karnataka, the initial policy seemed positive for beer; the final draft seemed less so but still positive. What is the current understanding? Also, on Telangana, there have been reports of a 12-15% price hike. Any update on that?

Management: On Karnataka, the policy direction is very positive regarding the ease of doing business. Breweries can now dispatch 24 hours a day, license renewals have increased, and labeling will be digital. These are welcome moves as they save time and energy. Moving to taxation linked to ABV is also very positive. It should lead to significant growth in the beer category, though we must wait for the final details. On Telangana, we have not received any price increase notification. We are in a significant conversation there as the government needs to understand this unique situation.

Operator: Thank you. Next question is from the line of Harit Kapoor from Investec India, please go ahead.

Harit Kapoor – Investec India: Good afternoon. Regarding the competitive intensity you mentioned, are you seeing a reduction in increased trade spend from other significant players in April? Do you see overall competitive intensity with the other two large players coming down because they are facing the same costs you are?

Management: Making an overall picture is difficult because the business is state-by-state. In the first quarter, we saw overall media spend on surrogate brands in the category increase 4 times. We were not the ones who increased spending to that level, so other significant players are spending much more on media and sponsorships. We have also seen trade spend increasing significantly in certain states, even where there is an opportunity to buy short-term volumes. We have not seen a reduction in that intensity yet. It is important for us to stay competitive while structurally improving the health of the category.

Harit Kapoor – Investec India: Regarding the 400-500 crore number, what are the mitigating factors? You have price increases in open markets, potential increases in government-controlled states, and your own cost-saving initiatives. How much has been actioned?

Management: The team has rallied to see this crisis as an opportunity. At least half of that 400-500 crore impact has firm mitigation plans already. This includes our productivity drive, selective pricing, and reducing trade spend in markets where category profitability is low. For example, in one market, we moved to zero trade spend because the gross margin did not support it. With productivity and production excellence, we have firm plans for 200-250 crores that are already into execution. Other ideas depend on whether we get pricing in Telangana, Tamil Nadu, and other states. We do not want to make beer unaffordable or lose market share, so we will have to absorb some of the shock.

Operator: Next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra – JP Morgan: Thank you. What was the volume in million cases you closed FY 2026 with? Also, what was the split between own and contract breweries? I am trying to gauge the impact on price-mix as price-mix declined 7% this quarter due to the higher salience of contract breweries. How do you see this combination changing in FY 2027 with your supply addition plans?

Management: I will not give the exact details right now but can come back to you. I would not worry too much about the price-mix this quarter as I believe we will have a healthy price-mix. This quarter was affected by sourcing mix because we took an inventory correction in our own breweries. This means primary volume is lower than what we supply to corporations or distributors, which increases the salience of contract brewing units (CBUs). Correcting this ensures we provide fresh beer and prepares us for war-related raw material scenarios. Structured going forward, CBU contribution is around 20-25%. This will vary by month and policy. We have a significant presence with our own breweries which will expand with the Uttar Pradesh plant coming next year and can lines coming by July in Telangana and Maharashtra.

Latika Chopra – JP Morgan: You closed FY 2026 with 3% volume growth. Assuming a normal season and no supply issues, can we aim for mid-to-high single-digit volume growth and mid-single-digit pricing in FY 2027?

Management: Absolutely. We would be disappointed if we did not. We think this should be a high single-digit category growth year. Our own forecast is 6-7% volume growth, which should translate to double-digit revenue growth. We are already seeing that momentum. Barring some structural things we did, categories were up 8-9%, our volume was up 4%, and premium was up 16%.

Management: We are cycling two quarters from last year where demand was muted due to adverse weather. That creates a natural tailwind for category and volume growth in the quarters following the peak season. We are confident. However, I will not hesitate to take tough calls in states where structural profitability is not there due to regulations. We are not going to do charity; if we have to make tough calls, we will.

Operator: Next question is from the line of Mehul Desai from JM Financial Services. Please go ahead.

Mehul Desai – JM Financial Services: Regarding the gross margin expansion, was it purely state mix or other factors? Also, how much of the 400-500 crore impact will be seen in the gross margins?

Management: On the Q4 margin expansion, there is an element of source mix accounting. We are also happy with our premiumization work. Efficiency in operations, procurement, and pricing capability over the last 12 months contributed to margin expansion. For the outlook, cost pressure will affect material costs and increase the cost of production. However, with the pricing we have captured that hits the P&L from April onwards, and potential success in states like Telangana, we can mitigate some of this. We closely monitor the situation. While we are a growth company, we protect our long-term margin. With the current outlook, we do not see too big a drop in margins given the growth seen so far, but the absolute bottom-line impact is our bigger concern.

Operator: Thank you. Next follow-up question is from the line of Swaminathan from Avendus Park. Please go ahead.

Swaminathan – Avendus Park: Regarding the capex announcements in Uttar Pradesh and the other two bottling projects, when will they come online and what are the expected cost savings?

Management: The civil work in Uttar Pradesh has started and we expect the brewery to start before the end of next year. The two can lines should be inaugurated before the end of July this year, depending on the monsoon. This will provide growth potential. In Telangana, we have not been selling our cans due to economics, leading to a market share of less than 2% in a growing segment. Our brands in cans will have a competitive impact. We also invested further in sixteen thousand coolers this year to help consumption. This will help localize some imports and improve margins, though we will invest some of that back to build the market.

Swaminathan – Avendus Park: Does the 200 crore savings you mentioned include potential savings from this new capex?

Management: No, those savings are entirely from operating expenses, extra pricing, efficiency in spends, ROI, and people productivity.

Management: We are taking a close look at the total investment plan and may postpone some smaller investments to manage depreciation and cash flow, but we are going full throttle on large, growth-oriented investments.

Operator: Next follow-up question is from the line of Harit Kapoor from Investec India, please go ahead.

Harit Kapoor – Investec India: Where did we end the year in terms of premium mix in volume and value?

Management: Last year, premium volume growth was 21% for UBL, and we grew market share in that segment. Our premium mix is still less than 10% of our portfolio, but it is a 100 bps improvement in salience. Despite category challenges, 21% volume growth is encouraging. We localized most of our premium portfolio, producing at eight locations now, which reflects in our gross margins.

Operator: Next follow-up question is from the line of Swaminathan from Avendus Park, please go ahead.

Swaminathan – Avendus Park: Has the category seen tailwinds from Maharashtra after the IMFL price increases? Given your initiatives there, is there more benefit left over the next 12-18 months?

Management: In Maharashtra, the category and our business are growing upward of 20%. I think this structural change will continue. We see significant investments in innovation. The economy segment is also expanding. When that happens, consumers often switch from low-end spirits to beer. We view every district in Maharashtra like a separate country now and see a huge category growth opportunity beyond Mumbai and Thane. Maharashtra will be a growth pillar unless there is a dramatic policy shift.

Operator: Next follow-up question is from the line of Avnish Roy from Nuama Wealth Management, please go ahead.

Avnish Roy – Nuama Wealth Management: You have done many new launches like Heineken Silver and London Pilsner. Which are you most happy with? Also, do you plan to locally manufacture Heineken Silver in other markets in the next 2 years?

Management: We are most excited about Heineken Silver. It is a 100% malt beer expanding the category. We had a bump in Karnataka where we could not produce locally, but that is resolved. We will expand Heineken capacity to more places. The Uttar Pradesh greenfield brewery will be a world-class Heineken facility serving the North. We have also started working on a location in the East to have a Heineken facility ready by next year. Kingfisher Smooth is off to a great start in Rajasthan with fantastic repeat rates. Re-launches for Ultra Max and Ultra are also doing well. The big learning is that innovation takes time to build in dark markets. We need to be ahead of trends rather than doing "me-too" innovation, and we need a consistent supply chain with lower minimum order quantities.

Avnish Roy – Nuama Wealth Management: Regarding craft beer, are you competing with local players like Doolally who offer differentiated tastes like guava and mango? Do you have products to compete there or is it too niche?

Management: Flavor is one platform for innovation. We launched Kingfisher flavors in Goa and Daman and had good learnings on product stability and consumer preferences. As a management team, we decided to do fewer, more focused innovations, winning in a few states before expanding. We consistently study local players to understand new trends.

Operator: Next question is from the line of Nitin from HDFC Securities, please go ahead.

Nitin – HDFC Securities: Is it correct that the reduced dependency on your own breweries was a one-time action in Q4 and will normalize going forward?

Management: Yes. There will still be an impact from contract breweries in states that are growing faster where we do not have our own plants, such as Jharkhand. The category there has almost doubled since October due to retail privatization. However, changes in other states where we own breweries should balance that out. Aside from those factors, we intend to utilize our own breweries fully.

Nitin – HDFC Securities: Some disclosures like segment results and regional growth trends were reduced. Can we have the data on regional trends?

Management: It was not an intentional removal. We added slides on the war impact and simplified other parts. It was not a deliberate choice to hide data. We can share that information with you.

Operator: Ladies and gentlemen, we will take that as the last question. I now hand the conference over to Mr. Vivek Gupta for closing comments.

Management: Thanks everyone for joining. I know the results are below expectation, and we understand that. But we are in this game for the long run. We want to play the role of the category maker. Category trends are positive, and our efforts are paying off, though we need more effort on the policy front. This is a difficult time for the category. However, we are committed to growth, brand building, running an efficient organization, and being transparent with you. We gave exact numbers regarding the impact today to show the magnitude, because regulated pricing creates a lag in our ability to mitigate costs compared to other FMCG companies. United Breweries is fully prepared for the growth challenge. We will be aggressive but choiceful while working on structural improvements. Thank you everyone.

Operator: Thank you very much. On behalf of United Breweries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.