



“United Breweries Limited
Q2 FY '26 Earnings Conference Call”
October 30, 2025



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UNITED BREWERIES LIMITED**



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Moderator:

Ladies and gentlemen, good day, and welcome to the United Breweries Limited Q2 FY '26 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, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jorn Kersten, CFO. Thank you, and over to you, sir.

Jorn Kersten:

Thank you very much. Good afternoon, everyone, and thank you for joining this update for the second quarter and the first half of full year 2026. Welcome to the call. As you are used to, we'll give a quick introduction, I'll hand over to Vivek for some, a bit more background and then we open up for Q&A. But to start with an opening comment, I think as everybody is very much aware, this past quarter saw an unusually strong monsoon, which dampened consumption across multiple categories and definitely also in beer.

But despite the weather-driven challenges, we have outperformed the broader beer market, where we also remain resilient and on track with our commercial plan and execution. In Q2, you would have seen that our volumes declined versus the previous year by approximately 3%, which is a tale of multiple parts. I think in part of our business, we still see robust growth in states such as Maharashtra and Andhra Pradesh on the back of interventions, Tamil Nadu, Assam also there, we still see growth in the business.

Then there's definitely a part, roughly 1/3 of the business heavily impacted by the weather. I think about, for instance, Rajasthan. And then also, there's a part where we do see an impact from affordability in beer that's also impacting part of our business.

So, all in all, it's a mixed bag where we definitely still see growth, but also a quarter where the overall growth of the category was muted. Now I do want to call out that our premium segment continued to do really well with volumes up 17% and also meaningful market share gains led by the portfolio of Kingfisher Ultra and Ultra Max, but also Heineken Silver doing well.

And we think this really highlights the success of the premiumization strategy that we continue to follow, and it's an ongoing shift in consumer preference towards more high-end offerings. Now we also understand that at face value, the financial results may not seem too exciting, but we want to stress that these also reflect that we continue to believe in the growth for the industry in India, the beer industry in India and that we believe in our role as the market shaper, and we will continue to invest behind our brands accordingly.

Even though net sales declined by 3% in the quarter, nearly full offsetting single-digit price and mix improvements because of an adverse state mix and a source mix. We do see that our year-to-date results remain solid with net sales up by 7%, thanks to favorable volume as well as the pricing that we've been able to take. Now gross margin for the quarter at 42.8% was slightly below last year due to mix effects, but sequentially better than Q1. And our commitment to



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building brands and portfolio was clearly there with brand investments rising by over 20% year-on-year.

However, we do see that the combination of increased spending behind our brands as well as the temporary deleverage from lower volumes has a pronounced impact on profitability, which is reflected in the EBIT number for the quarter. On a half year basis, also EBIT was down 18%, which reflects the pressures that we saw in Q2.

Now we reflect a bit further on the cost base, it's clear that the ongoing and elevated investments behind the brand as well as our strategic initiatives, which we think are essential for long-term brand equity building, alongside with fixed costs that were less absorbed due to the softer top line and softer volumes that weighed in our operating profit and overall profitability for the quarter.

And we do absolutely recognize that optimizing our cost structure is critical, especially in a period where we continue to see costs increasing, where we have limited ability to price, and we see that volume is volatile, even though we still believe that long term, the growth will be there.

To address this, we are accelerating some of our productivity and efficiency measures, which include network optimizations, for instance, like we have announced the closure of our brewery in Mangalore. Also, we will further streamline trade spends and other organizational costs to make sure that we stay on track for the margin trajectory and that we ensure sustainable profit growth going forward.

I further like to highlight that on the capex spend, we continue as well with this quarter seeing the first significant spends on the greenfield brewery in Uttar Pradesh as well as us continuing to spend behind commercial investments such as visi-coolers in the trade.

Now looking ahead, a little bit before I hand over to Vivek. We do anticipate that the category will come back to growth with an improving consumer sentiment towards beer after the rains, and we do remain confident in long-term growth prospects of the beer category in India.

Our commitment to investing behind our brands, our people as well as capabilities will put us in the right position to capture the future opportunities of the market, but we will have to maintain a disciplined approach to cost and profitability to make sure that we build a sustainable business.

I'll hand over to Vivek for his comments before we move to the Q&A.

Vivek Gupta: Thanks, Jorn. I'm assuming moderator, you can hear me?

Moderator: Yes, we can hear you loud and clear, sir.

Vivek Gupta: Okay. Thanks and good afternoon, everyone. I know you'll have a lot of questions on this, but I think Jorn has captured it pretty well. I'll just add a few things. I think, first of all, as we look at



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the overall quarter results, and I think we are already one month into when the results were closed. So, you know, we are already into end of October right now.

I think, you know, there are a few things I would say. First of all, we are absolutely clear and consistent that our strategy is working. The premiumization, despite having a big monsoon issue, we are growing at 17%. Our brand power, which is a true measure of how the consumer is perceiving the brand, has gone up.

We actually have hit the highest ever brand power on Ultra and Kingfisher, which gives us confidence that our brands have become stronger. Our coolers penetration is now around 37,000 stores. We have added 37,000 coolers, which used to be around 15,000. So, we continued the execution of, because we believe in what is cold is going to be get sold. You know, our focus on execution and focus on strategic changes is working.

Maharashtra is a prime example where our business actually grew more than double digit. So as Jorn mentioned, one-third of our business actually grew more than 14% growth rate in the states where we have done strategic interventions. We got impacted by rains because the places which got flooded, we had our own breweries. While we didn't want to create a lot of noise about it, three of our breweries got flooded during this time, which we had to spend money on repair and maintenance to bring them back, safety of our people. In those states, the category also went down by 20%.

So, we got -- UBL got disproportionately impacted because our own breweries got flooded and we had to rely a lot on contract brewers to still serve the market. So, the way we look at this, you know, we had two choices when all of this happened during the quarter. One is to say, okay, let's pull back all the investments because, you know, there is a big crisis or to say, look, let's stay consistent on what we really truly believe in. It's a quarter where we will get impacted because of the deleverage, but we have to do the right thing.

So, I think looking at overall plan, we are a bit disappointed on the overall financial result. But I think it's just a quarter because the way we look at it, we are still on track for our overall plan. We have accelerated our productivity and some of the other initiatives which we are doing to make sure that we overcome some of the big headwinds we are seeing in terms of commodity pricing and other areas.

So, I think, and we have also looked at how we are going to further convert some of our fixed cost into a variable cost. So, we have probably more agility next time when, you know, something like this happens because the momentum on the category was there and the rains this time in many states were very unusual when you see the data.

So, I think overall, I would say, you know, it's a mixed result, but nothing which makes us really worried that the work we are doing, the investments we are doing, we should not continue to make. And that's how we are seeing. I think category did come back in September with almost



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4% to 5% growth after a double-digit sort of decline in July, August. And we are still in October. So, we feel confident that there will be a bounce back.

Having said that, as I mentioned in my two previous calls, the number one concern I continue to have is affordability. We have made a lot of progress in states like Maharashtra, where beer taxes did not go up. Even in Meghalaya, where beer actually taxes went down. We hope it happens in some other states.

We are in deep engagement with the governments of Orissa, Karnataka, Telangana, where the - - and even West Bengal, where through Brewers Association of India and our own corporate affairs effort because this whole cycle of beer taxation increase leading to double-digit category decline is not sustainable. And, but we are in active conversations through the Brewers Association of India and Corporate Affairs.

And we really hope some of the good success stories of Maharashtra and other states and the revenue heard, which government is getting about beer will lead to some kind of a change over due course of time. So, with this, I'll hand over back to the moderator.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to please use handsets while asking a question. Ladies and gentlemen, we will now wait for a moment while the question queue assembles. Our first question comes from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Hi, team. you mentioned you know, potentially you saw September month being a 4% to 5%.

Moderator: Latika, unable to hear the question.

Management: Can you hear her?

Moderator: No, not yet.

Management: No, I can't hear her.

Latika Chopra: Can you hear me?

Moderator: Latika, your line is unmuted. You may proceed with your question.

Latika Chopra: Hi. Can you hear me now? All right.

Moderator: Ladies and gentlemen, we do not seem to be getting a response from the current participant. We will proceed to the next questionnaire. The next question comes from the line of Harit Kapoor from Investec. Please go ahead.



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Harit Kapoor: Yes, hi. Good afternoon. Can you hear me? Hello?

Moderator: Yes, you are audible, sir.

Harit Kapoor: Yes, hi. So I just had a couple of questions. You know, one was there have been certain challenges apart from the season also from a state level perspective. If you could just give us a sense of, you know, the second half of the year in terms of some of the deep declines in certain states, how do you expect that to play out over the next 2, 3 quarters? How much of it comes in the base? How much of it, you know, can take -- be taken care of by a normal season? That will be very helpful.

Vivek Gupta: Yes. Thanks, Harit. I think you are probably asking about the states where category is declining big time, right?

Harit Kapoor: That's right. That's right. That's right.

Vivek Gupta: So, I would say -- so let me focus on the -- let me focus on four states. It's primarily where we are seeing a significant decline. The number one is Karnataka. So, we are seeing a double-digit decline in Karnataka in the category.

I think what we are seeing is because in July this year, the pricing came back on economy brands because there was a taxation where the economy brands cannot be sold below a certain price. Now that was revised in July. We think that we will start cycling that, you know, very soon. And there was another tax revision, which happened in October or September last year, which we'll be cycling on.

Second is I also, we also believe that the whole dispute which was there with the retailers because duty is completely going up, you know, will also stabilize. And we start seeing Karnataka actually in a positive territory sometime in -- from March next year. Also, there is the impact of rains in Karnataka, which has been significant this year, continues going, but we are discounting that at this stage.

Second category -- the second place where the category is declining is Orissa. And there has been a weather impact there and also a taxation impact versus spirit. We know that Brewers Association of India and myself, we have been clearly communicating to the government the loss of revenue and impact on the beer industry. We are hoping that the government will look at it positively. When will they do the policy? Anyone's guess. We have to, you know, we have to wait for, at least, you know, for them to make a call.

At the same time, we have made a very strategic intervention towards the end of this quarter. We actually have launched the economy brand, London Pilsner in Orissa. And we have already started getting very good distribution and initial offtake. It happened towards the end of the quarter. So, we should also start seeing that mobilizing the category growth.



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In West Bengal, the category is declining double-digit. I don't expect much to change there. Other than there also, we have launched a very, very prominent local beer Kalyani Black Label, which is actually the number one beer in Singapore of Indian beer. But it used to be a big beer brand in West Bengal pre-COVID. And during COVID simplification, it was removed.

Now we have actually launched it, and we are also getting very good response. So, what will that do to the category, we have to still see, but we feel positive about that. But structurally, I'm not very hopeful in West Bengal because the policy was already declared recently.

The fourth one is Telangana, where we are seeing a double-digit decline, but some of it is exaggerated because of the licensing of the retailer because the government has auctioned the retail for 3 years now. Yesterday or day before, that process is completed and that new transition to retail will happen in December. So, we will expect some disruption in Telangana in November, but then we will have a pipeline over December, January.

So, I would say that a lot of work being done there. But we are not only relying, at least as a UBL, we are not relying only on the government. We are making our portfolio interventions to really drive the affordability in the market and give consumers what they are looking for. So that's the update there.

Harit Kapoor:

Great. That's very helpful. I just had one more question, which was on the stepping up of the productivity initiatives. So, maybe if you could just give a, maybe if Jorn or yourself could just give a little bit of a sense of, you know, what are you kind of, what are the areas in which you are actually stepping this up before time? And what do you expect as the likely outcome in terms of output on account of this, either qualitatively or quantitatively, that will help. Thank you.

Vivek Gupta:

You're talking about productivity initiatives?

Harit Kapoor:

That's right. That's right. That's right.

Vivek Gupta:

Yes. Jorn, do you want to answer that first?

Jorn Kersten:

Yes. No, I'll go first. Look, I think it's very evident in the industry that we are in and the context that we are in with limited ability to price. This is always top of our mind. As you know, we have been investing behind the organization, behind capabilities, behind the brands over the past quarters, 18 months. And now we also need to streamline some of these things, which means that we also look at our, for instance, our network footprint.

So, how can we streamline that? The example of the closure of our Mangalore brewery is one example. In the future organization, we're also looking into it, which doesn't mean that we take overnight action. But as we further expand the business and as the business continues to grow, we really look at how do we do that in the right way. And I think it's also across items like, for instance, the bottle returns, where we have been making considerable progress, and we see that there's still headroom there.



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So, we're also setting up a separate project to make sure that we accelerate the speed of returns. So, I think in the end, across the P&L, we continue to look for upsides to make sure that we increase the productivity, better it's based on output, better returns on investment or better ratios on volumes or financials, doesn't really matter. It's across the board.

Harit Kapoor:

Good. Good. Thanks for this. I'll get back in the queue. Thank you very much. Wish you all the best.

Jorn Kersten:

Thank you.

Moderator:

Thank you. Our next question comes from the line of Avnish Roy from Nuvama. Please go ahead.

Avnish Roy:

Yes. Thanks. My first question is on the competition, etcetera. So the craft player is facing a lot of crisis currently, almost like an existential crisis. So if you could tell us, last few quarters anyway, the results of that craft player has been quite weak. My specific question is, in which markets do you see more opportunity to get share from this specific player? Anyway, you are taking market share, I understand that. But from this specific player, are you able to get a specific market share in which place? That was the first question.

Vivek Gupta:

Yes. Avnish, like in Andhra Pradesh, where the specific player you are referring to, we have been able to gain good share. We're also able to gain the shares across. Actually, if you actually think about it, we never look at our business versus one specific player, but our premium business is actually growing 17% and we are growing shares on that premium business. In some of the states, our premium business is up 40%, 60%.

I would also say our Heineken brand, Heineken Silver expansion, which we did is now up 34% at the country level. So, I would say that we are growing shares of premium from all the brands. We are taking from this particular brand. We are taking from the previous brands or the other market-leading brands on the premium business.

I'm also happy to share that, Avnish, that we have been talking about that improving our margins on premium business through the return bottles. But by end of September, we have actually significantly improved localization of production on large part of our premium portfolio, especially Ultra, Ultra Max, and we are, actually, one of the acceleration project we have done is to further accelerate that by end of this quarter so that from at least new year, we will see a good increase in our gross margins on our premium portfolio as well.

So, I think it's a combination of both. I don't want to comment specifically on the states where we don't have data on this particular brand. But yes, we are gaining share from all the other brands as well on premium.



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Avnish Roy:

Sure. My second question was on your more promising states currently. So, Maharashtra and Meghalaya, there was some audio issue, and so I could not fully capture what you said on Maharashtra. So, what we have picked up is in Maharashtra, spirits industry is seeing mid-single-digit kind of a -- mid-teens kind of a volume decline, so around, say, 13%, 14%.

So, is your growth in Maharashtra also similar mid-teens kind of growth, if you could clarify? And do you see that sustaining if everything remains same in terms of, say, the winter, etcetera, Anyway, Maharashtra winter is not much of a challenge. Similarly, for Meghalaya, where you spoke of some cut, what has been the growth there?

Vivek Gupta:

Yes, Avnish, on Maharashtra, we actually had, I would say, mid-teens growth in the quarter itself. We believe that growth will accelerate not only sustain. We have invested as UBL significant on distributary design, on in-store fundamentals, on coverage, on resources and we kept the foot -- feet on the accelerator.

We, in fact, also have improved the capacity of our brewing and our canning lines in Maharashtra by actually investing in repair and maintenance so that we can actually get more output for those breweries as well. So we actually are pretty confident that if there's no change in taxation, we will continue this momentum and we are in the best position to not only continue the momentum, but also grow shares in Maharashtra, Mumbai belt.

On Meghalaya, the change happened recently, very early on October. And I think it's too early to give data, but I think we have taken a price reduction on our Kingfisher brand based on the duty reduction to offer best value to the consumer. We know the last time when we did it in Assam, our business has doubled there. So, we will see what happens once the implementation happen over the next few months.

Avnish Roy:

Sure. A quick last question. You did discuss on Karnataka and Telangana. So specific question here is in Karnataka, when I combine the beer tax hike and the beer double-digit decline, the government tax collection from beer industry, is it a good increase? So, if it is a good increase, then the political, the policy advocacy may not be that relevant for government. So, I wanted to understand that part.

Second is on Telangana, you got a very good price hike. So now you also discussed on some of the changes which are happening in terms of distribution, licensing, etcetera. But purely from a price hike perspective, in hindsight, yes, margins improved. But in terms of volume, was it a challenge? Clearly, ultimately, customer in India is very, very price focused, which we saw in Maharashtra. So, if you could discuss that also. Thank you.

Vivek Gupta:

Yes. Avnish, I'll start with the second one. Absolutely, I think the consumer price went much more than the price we got in our EBP increase. And that's why our consistent message in Telangana is they need to reduce taxes, because the net realization, what we get as a manufacturer and the price increase what consumer had to pay has been significantly high.



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So, there has been a negative category trend because of the volume increase, which got exaggerated in last quarter because of the monsoons. Many of the Telangana had a higher range and also because of now retail licensing. So, our business actually -- the category actually went down, I think, almost 20% in Telangana during July, August, September.

Despite that decline, we grew shares in Telangana because our brand power is very strong and we continue to invest in brand. So, we are consistently representing again to the government that beer is a big part of Telangana and the math won't work if the category declines high double digits despite the increase. But so there is -- there are -- they still see some revenue growth, but I think we have to consistently work on consumer value and getting the taxation. In case of Karnataka...

Jorn Kersten:

Yes. It's...

Vivek Gupta:

That there is a revenue, sorry, go ahead, Avnish.

Jorn Kersten:

Yes. Vivek, before you go to Karnataka and Telangana, if I can just add one thing. We got a price hike earlier this year. But I just want to remind everyone that, that price hike was roughly half of the price hike that we did ask, because this was the first price increase in close to five years in Telangana, which makes the business more feasible, but definitely not where we want to be.

So, the combination of fact is still that business is tough in Telangana. But we also think that both the consumer is not getting to where we want them to be in terms of affordability. The category is under pressure, but also from a feasibility of the business, still things need to happen in Telangana. So, we will continue to have that conversation as well on pricing -- on further pricing in Telangana. Sorry to interrupt you Vivek, I just wanted to make sure that...

Vivek Gupta:

No. No. I think it's a great point, absolutely. I think on Karnataka, look, our data suggests that government is actually losing revenue on beer, and they are not able to make up that full loss through spirits also. So we are, again, through Brewers Association of India, we are consistently representing that Karnataka has been capital -- the beer capital of India that consistent increase in taxation since 2020 -- late 2023 has impacted the beer category significantly.

It was growing 8% CAGR. Now it is down, we estimate to be down around 14%, 15%. And this needs a significant review. So, we are in a consistent conversation on this. But on your point, government is seeing a revenue loss now.

Avnish Roy:

Understood. That's all from my side. Thanks a lot.

Moderator:

Thank you. We have our next question from the line of Latika Chopra from JPMorgan. Please go ahead.

Latika Chopra:

Hi. I hope you can hear me now.



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Jorn Kersten: Yes. We can.

Vivek Gupta: Yes, Latika.

Latika Chopra: All right. A couple of questions. The first one was on your comment that in the September month, you saw volume growth reviving to 4% to 5%. Just wanted to get a check -- sense check from you. Do you expect this to be a level of more normalized volume growth for you or do you think depending on what we've seen in October, that the second half would fare better than this range? What's your confidence level? I know there are different state mixes, but what's your best guess?

Vivek Gupta: I think structurally, we think that the beer category should grow again, there's no reason why it should not grow 5% to 6%. If you look at the last two years CAGR is 5%. I think we had a weather anomaly this time and affordability in certain markets. As I said that in certain markets, the category is picking pace like Maharashtra is a good example. We have to wait and see in Meghalaya.

Recently, there is an announcement that Manipur is opening up. So, hopefully, that will also add to new consumers, new category to do that. We are working our plans assuming the category will grow. But as I said, we have to work a lot harder to get that category growth.

So, in no way we are saying it is a dead game and it's going to be 1% or 2%. But weather this time has been a problem. I think there have been talks about the winter is going to be severe. We don't know the impact of that, but we think that it is cyclical, not structural. But getting into next year, for example, if I fast forward a quarter, we expect the category growth to be in the range of 5.5%, 6%.

Latika Chopra: Sure, Thank you. The second question was around competitive dynamics. You know your two key peers have also reported September quarter performance. And it seems, you know, they probably fared a little better than you. One registered 1% decline in volume and the other mentioned double-digit growth in the quarter. Any possible reasons for the growth divergence? Is it largely attributed to the different state mix or do you see any structural risk on competitive aspects? I'm talking about the mainstream portfolio included here?

Jorn Kersten: Yes. Let me take up this one.

Vivek Gupta: I understand that. Yes Jorn, Why don't you answer that, yes?

Jorn Kersten: Yes, yes. I think -- there's, I mean, there will always be some differences in states and which states are reported and which not. I think here we also need to make sure that we look at it like-for-like because if we look at our Heineken reporting, we also reported mid single-digit revenue growth. So, we would have to look at that on a like-for-like basis.



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What we do know, however, is that we did gain share in the quarter based on sellout, so on secondary sales, where we have been broadly flat. And we did have in our case, we did have a difference between sell-in and sell-out. And here, we're looking at sell-in data because of stock building post the election last year, which impacted UBL disproportionately.

So, our Q2 last year was high on sell-in to pick up after elections. So, we're cycling that disproportionately versus comparable numbers. So, I think those are the main items that, that impact the quarter in terms of our comparables.

Vivek Gupta:

Thank you. Kersten just to add -- sorry, Latika, just to add to that, Jorn, on your point. I think, you know, I understand some of our competitors have reported this. But we are also seeing, you know, some of the activities in the market today, which doesn't make sense to us from an economic point of view. We are seeing some pricing or promotions or economy launches, which if you look at from a bottom line, we just cannot see how the math can work.

So, we, I also think that some of it could be a reaction to the decline the category saw in the month where they put the pipeline on the quarter or whatever is there, but it doesn't make sense to me, but why is it happening. But our data clearly suggests and we have quite robust system that we grew almost 100 basis points of share nationally on our total portfolio in this quarter. So, it's -- we are quite okay with that.

Latika Chopra:

And this is Y-o-Y gain in market share, Vivek?

Vivek Gupta:

Sorry.

Latika Chopra:

Is this a Y-o-Y?

Vivek Gupta:

Yes, year-on-year -- year-on-year in this.

Latika Chopra:

Year-on-year. Okay. All right. Thank you. That's.

Vivek Gupta:

And even quarter-on-quarter, we grew the shares. Even quarter-on-quarter, we grew the shares because during season, our shares usually drop because of capacity. So even quarter-on-quarter, we grew the sales.

Latika Chopra:

Understood. And the last piece was on margins. You know I heard you mentioning about some headwinds on commodity prices. I didn't really understand it very clearly. So, I wanted to check with you, you know, what is the sense on your key raw material prices or what is the inflation that you're witnessing on Barley?

Also on glass, if you could give us a little more color on, you know, the new bottle salience as premium continues to grow faster. And any comfort or any guidance you want to share on how are you thinking about building the margin bridge back? You know, when is there a path towards moving to double-digit EBITDA margins, assuming, you know, we work with normalized weather conditions? Thank you.



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Jorn Kersten:

Yes, yes. So, to start with the -- with the new bottle infusion, we're still making progress there. Even though, like you said, it's muted by the growth on premium. And like Vivek mentioned -- earlier in the call, we do see somewhere if we see through towards next year, which we do see that there's options in pockets where we get that scale to also see accretive margins on the premium portfolio, which we've mentioned on previous quarters that is depending on reaching a certain scale of returnable bottles and we see that now picking up.

So, while we still see there's headroom in the overall bottle collection as the continuous progress that we make and we do make considerable progress versus the same quarter last year and we do see that, that's still continuing. If I look at the commodity pricing or other input materials, there's a few items that I would like to call out.

One, first and foremost, I don't think there's a lot of surprises on the short term. We see that cans are in shortage, I think across India, both for beer, but also for adjacent categories and industries, with also an exposure to aluminum pricing. So, we do see a hike in cans as a pricing, but also as a salience, which is something that we need to counter and which we also take into account into our future pricing strategies.

On the hops, we already have seen communicated pricing for next year from a government point of view, which will lead to a high single-digit price increase on Hops, sorry, Malt is that Barley mostly. So, on Barley, we see that there will be a price hike, but that was anticipated. So, no surprises there.

On bottles, it's still looking quite okay in like-for-likes as it has been over the past quarters. So again, that's a bit of a mixed bag, but what I would like to call out here is that there's no surprises that we haven't foreseen. In the margin mix and building it back, bringing it back, I think this is still very much the story of premiumization, which will continue.

And like I said, we see some green shoots there coming our way in the next couple of quarters. There also the localization of premium from a production footprint will start to add some value there as well. That being said, since we also see the economy segment in multiple markets now picking up.

We need to make sure that we balance moving forward between really shaping the market across different segments. So, both on the premium side as well as on the mainstream and the economy side versus building long-term margins. We keep a very close eye on how our gross margins will develop and take whatever action is needed to make sure that we remain on track.

Latika Chopra:

All right. Thank you and all the best.

Jorn Kersten:

Thank you.

Moderator:

Thank you. Our next question comes from the line of Krishnan Sambamoorthy from Nirmal Bang Institutional Equities. Please go ahead.



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Krishnan Sambamoorthy: Hi, Vivek and Jorn. Would it -- would you be able to quantify how significant the value segment is, which is represented by Hunter, LP and Kalyani Black Label, either in terms of annualized number of cases or in terms of category, the subsegment sales to the overall category?

Vivek Gupta: See the -- thanks for asking question. See, the segment is still very small, but in certain states, it's big. So, for example, in Karnataka the segment is actually one-third of the category. It used to be 40% of the category at one stage. So, it is now one-third of the category, significant in Karnataka.

In West Bengal, it is small, but it is growing there. As I said, affordability is an issue. In many, many states, you can't even have an economy brand because of the taxation structure. So, I think, you know, it is only going to grow if the -- if the excise duties and taxation and affordability issues we are seeing continues and persist.

What we are trying to do is we are trying to cost engineer, reverse engineer here, look at because we have a unique strength of breweries. We have local production in many of these states. So, we at least are in the best position to actually offer consumers a choice wherever possible.

So, in Maharashtra, we offer with London Pilsner, which is growing, which has actually accelerated after the recent duty changes. We are just trying in Odisha off to a good start. We are doing in West Bengal with Kalyani Label. We have Bullet and London Pilsner again in Karnataka. And then we have UB Exports, which is an affordable economy there. So, we are doing where the equation is and the financials make sense and where we can actually design the premium. So, it's a small segment, but it is growing segment because of the affordability issue.

Krishnan Sambamoorthy: Thanks Vivek. Just a follow-up to that. It's been over a year since you've launched LP in Karnataka. I know the category overall broadly has been declining by double digits, but any traction that you've been able to take through LP in Karnataka in the value segment?

Vivek Gupta: So, we, initially when we launched, we got very good traction. But after the category price points increased, we tried to simplify the choices for the consumer because the price band between the brands narrowed down quite a lot. So, I think we are, and this gave us the confidence to expand LP in some of the other states because we have a formula, we have a model which works there.

But Karnataka issue meant that the price in the category increased so much. So, we had to limit our offering, and we got all those consumers in the brands because in Karnataka, we are growing shares. We are not happy about it because we want category to grow in Karnataka. But in the declining category, UBL is growing shares in Karnataka.

Krishnan Sambamoorthy: Okay. Just one clarification on your visi-cooler statement. You said 37,000 visi-coolers now compared to 15,000 earlier or you mentioned 37,000 incremental visi-coolers?

Vivek Gupta: No, no, 37,000 now versus 15,000 earlier.



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Krishnan Sambamoorthy: Okay. And lastly, going through your state commentary, I was slightly surprised that Uttar Pradesh was not a part of the states with healthy volume growth. And given the positive developments that have happened over the last 9, 10 months, anything that you want to highlight here?

Vivek Gupta: No, I think we were in the positive growth last quarter. This quarter, not because we had a challenge in our supplies on cans. You know, and as I mentioned, can supplies was an issue. And we have a national footprint. So, we had to manage that. And I think that did impact our growth rate in Uttar Pradesh. But as I said, that's something we are working on to drive that. But overall, our fundamentals are very strong in Uttar Pradesh.

Our premium shares are increasing. Our premium volume is increasing. And we wish we could have supplied more in the season mode, but that's something we will take the learning and as an opportunity for coming quarters.

Krishnan Sambamoorthy: Understood. Thanks a lot.

Moderator: Thank you. Our next question comes from the line of Dhiraj Mistry from ICICI Securities. Please go ahead.

Dhiraj Mistry: Yes, hi. Good afternoon, sir. Sir, my first question is regarding capex. So, we have done significant capex. Can you quantify what would be the amount of capex in FY '26 and '27? And also related to that, if we see that the capex amount is so high, there should be an increase in cost line item also. So, does that our mid-single-digit volume growth what we have been envisaging is sufficient to mitigate that cost increase at least in the near-term perspective?

Jorn Kersten: Yes. Thanks for the question. I think in line with the plan that we meticulously follow we expect that as a percentage of our sales, capex will go up to high single digit, which is coming from mid-single digit or even a little bit below in previous years. So, we're accelerating capex, both for the footprint as well as behind commercial investments.

We do think that that's needed to support the growth in India. We also think that the impact, which will take a while to materialize, especially on the bigger projects, but we do expect that the combination of volume growth together with price and mix impact on the top line, will be able to sustain the increased asset base.

And we also, of course, in India have the combination of assets and contracted capacity. So overall, while beer is a very asset-heavy industry, in India we do have the flexibility of mix operating models with our contract partners. So that also gives us room to be flexible in how we move forward in terms of building capacity.

Dhiraj Mistry: Okay. Okay. And second question is again related to margin only. So, regarding erstwhile question that we have been increasing our product offering in economy brand to increase the affordability also to, in a way, protect volume. Again, what would be the margin differential



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between our existing product versus economy? Is it materially different? And does it come in line where we want to achieve double-digit EBITDA margin going ahead?

Vivek Gupta:

I don't think we can share the specific margins, yes Jorn.

Jorn Kersten:

No, but I do think it's a very valid question. Look, it's still very small. It depends on state by state. I think the economy has less impact from bottles because we can use similar bottles. So that impact we won't see. So that has a positive impact on the margin that we start with in terms of growing the economy brands.

So overall, I think when we decide state by state to also go into the economy segment, obviously, this is part of the equation. Like I said, it's mainly to be the balance between the growth in India and being, taking our position and shaping the market and being the market leader versus building a sustained business. So, we won't take decisions that incrementally impact our margins from the economy segment point of view.

Dhiraj Mistry:

Okay. Thank you very much and best of luck.

Moderator:

Thank you. The next question comes from the line of Mehul Desai from JM. Please go ahead.

Mehul Desai:

Yes, hi. Good evening. My first question is, you said one-third of your business where interventions were made grew by 14%. Similarly, can you quantify what is the salience of business from the four states which saw double-digit decline, I think the Karnataka, Orissa, West Bengal and Telangana?

Vivek Gupta:

So, it is similar. It's around 33%, 34% business. So, one-third of our business where affordability is a challenge, one-third of the business is really doing well and one-third where we see the temporary because of the rains.

Mehul Desai:

Sure. And can you quantify what was the impact of this adverse source mix in the quarter on the margins?

Vivek Gupta:

Yes, Jorn, on the source mix, you can explain?

Jorn Kersten:

Yes, we have some impact on source mix. I think here, it's also a question of looking like-for-like, if you want to be comparables. And we do think that is, like I mentioned earlier on the call, it is also a conscious choice where we move to contract partners in markets where we see the growth.

All in all, it's a few basis points up and down, but it doesn't have much impact on margins. It does have an impact on price mix and from some interstate sales as well as we see the movements between Andhra Pradesh and Assam. So, it's a bit of a mixed bag, but overall, it's not something that impacts the margins too much in the quarter.



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- Mehul Desai:** Okay. And sequentially, should we assume that while this quarter would be the worst in terms of state mix, source mix and sequentially, should this improve?
- Jorn Kersten:** It improves with the increase of our premium capabilities and the optimization of our footprint and it's something that we focus on. Again, coming back to the continuous focus that we have on improving the margin and making sure that we're in line with the margin track that we've laid out. So yes, we do improve. We do expect that we will be able to improve. Although, again, here, we will also take the case-by-case decisions depending on whether we need to accelerate on volume and share versus going after margin.
- Mehul Desai:** Got it. Thank you so much. That's it from my side.
- Moderator:** Ladies and gentlemen, if you wish to ask questions, you may please press star and one. We have no further questions at this time, ladies and gentlemen, I would now like to hand the conference over to Mr. Vivek Gupta for closing comments. Over to you, sir.
- Vivek Gupta:** No. Thank you, and thank you for joining us, and thank you for your questions. I would just say that, look, I think, as I said, we are extremely confident about the strategy. We are making sharper decisions. We are learning from this quarter. So, we don't want to come across, oh this is life as usual.
- I think we have already taken some actions to further accelerate some of our localization plans, some of the productivity initiatives, being more choiceful, being very agile in turning around some of the products we talked about within a matter of weeks versus the innovation, which takes time.
- We have doubled down on work with consumers as our brand power is going up on our big brands like Ultra and Kingfisher. We are already thinking about, how do we sustain that momentum, what can we really do. We are very focused on, we are also quite buoyant on the success we are seeing where we are trying to do things which are in our control and make the intervention.
- We are trying to expand those projects in other states, the learnings from Maharashtra, learning from UP, learning from other states as well. But the biggest bottleneck, you can call it, will continue to be affordability and taxation. And we have a long way to go there, and we'll continue to put effort through BAI and our resources and the data and some of you also gave us some even thought provokers on that, to continue to engage with the government. But overall, we feel positive about the outlook.
- We feel that the beer category if anyone can create in India, it is going to be UBL, and we'll continue to be consistent in our effort and continue to tweak the plan and try to move, also variabilize our fixed cost, so that we are in better position to take some of the seasons where next time we are hit by some kind of a tragedy or anomaly.



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Thanks, everyone. Jorn, anything from you and then we can close.

Jorn Kersten:

No, I think that's it. I think, yes, as always, it remains a dynamic industry, but we're absolutely in the right position to maintain the market. So, we continue as we've done over the past quarters. Absolutely.

Moderator:

Thank you. On behalf of United Breweries Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.
