

United Spirits Limited
Quarter One Earnings Conference Call, Financial Year 2008-2009
July 21, 2008

Moderator: Good evening ladies and gentlemen. I am Suresh, the moderator for this conference. Welcome to the UBS Securities Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to WebEx International. After that, the question and answer session will be conducted for participants in India. I would like to hand over to Sunita Sachdev. Thank you and over to you ma'am.

Sunita Sachdev: Yeah. Good evening everybody in India and good afternoon everyone elsewhere. Welcome to the United Group's earnings and conference call hosted by UBS. I am Sunita here, the analyst on the stock and we have here with us Mr. Ravi Nedungadi, CFO of the UB Group and Mr. P. A. Murali, CFO of United Spirits. I will hand over to both of them to take you through the results and all the comments that they would like to make.

Ravi Nedungadi: Sunita, shall we start.

Sunita Sachdev: Pretty much sir.

Ravi Nedungadi: Okay. Thank you everybody for being on this call. We are here in Frankfurt where the Board has just approved the results. We have had a good quarter for the first quarter of the current financial year. We have had volumes looking up quite aggressively at 19% for the quarter. The revenues reported up by 248 crores to just over 1000 crores. That is totally up 32%, but I think it is fair for me to point out that part of this increase in this revenue is also because as you are aware from previous quarters where we have reported to you, we are trying to do more and more of our business through...even the whole manufactured product to buy them as finished goods and sell it on because that helps us on the taxation. So, when we dig a little deeper, I think the sense is that on a 19% increase in volume, we have been able to get a 25% to 26% increase in comparable revenues, although the actual sales figure is up by 32% primarily as a I said the difference being accounted by change in the terms of trade and finished goods being purchased from contract manufacturers and so on. There has been, of course, a lot of focus everywhere including internally within the company on cost put and definitely we must accept that certain cost increases are now structurally there to say at least in the short run. There has been a price impact on agricultural commodity prices across the world. Everybody is familiar with the fact that oil prices have been going through the roof. It has gone up, I believe, in the last six months

by about 60% from about 85 dollars a barrel to 145 dollars a barrel just in the six months of the current calendar year, but despite all this, USL has been able to not only retain its margins but actually marginally improve it because at the EBITDA level by a combination of several things, one is the continuing story of premiumization and I can now share with you that our mainline brands account for 91% of volumes this quarter. The top five brands in the portfolio have grown by 22% and the premium portfolios have added 3 million cases growing at over 17% and this includes brands like Royal Challenge which particularly has benefitted from the association with IPL and the corresponding publicity that that got. So, EBITDA is up 28%, has gone up to 222 crores, an increase of nearly 50 crores, and this I must point out that the current accounting standards required that any advertising and brand promotion expenditure, even if it has a long-term sustained impact on the business needs to be charged off in the quarter in which it has been incurred. So, all the expenses pertaining to IPL for example with cost spends disproportionately during the first quarter has been charged off and you will see from the numbers which I hope you have got by now that the actual advertising and sales promotion figure has grown from 70 crores in the previous financial year same quarter to nearly 109 crores, that is a steep jump. It is largely attributed by the fact that IPL expenditure rather than being spent over the year has been all spent in one quarter. Strong growths across all region, maybe it is worthwhile to pinpoint West Bengal and Karnataka as two states that have contributed to the tactical volume growth that we have taken advantage of. This was _____05:40 in the past, our outlook whereas in the recent past we have been following a policy of saying that we will only sell a brand in market that get us a certain minimum hurdle rate of return, we now see there are tactical opportunities to be exploited and whether it was accounted for by the banning of country liquor in Karnataka which saw the blossoming of a huge demand for cheaper product ranges or in the case of West Bengal where changes to the excise duty structure has also resulted in opportunity that never existed in the past for doing a fair amount of relatively low value products but still profitably. The same is also somewhat true in Tamil Nadu where because they gave across-the-board price increases for all price points, product lines which were here before completely unprofitable have also started making some level of profit and wherever we are able to take advantage of such opportunities without investing our own capital, we have taken advantage and that reflected in this. Really, those are the highlights and we can perhaps answer more specific questions that any of you may have. Two other points, Royal Challenge Sports Limited which is the holder of the franchise has about broken even in the first year. It has not incurred any losses. Whatever expenditure that United Spirits has spent on branding has been charged off in the P&L and the improved increase in the EBITDA is after taking that into account and finally as far as the same period for Whyte & Mackay,

also we had some seasonal opportunities to sell what are called fresh _____ 07:50 which are young scotch consequent to taking advantage of this seasonal and tactical opportunity, the sales are approximately 40% as compared to the previous corresponding quarter and EBITA for this quarter has nearly doubled to 8.5 million pounds as opposed to something under 5 in the same period last year. I must point out that this is not an extrapolatable number. Certainly we are on track to do what we set out to do which is to have something like a 15% to 20% growth in the absolute EBITDA taking it to round about 60 million pounds, but the first quarter here once again has been good, cost prices have been positive, continue to show upward movement, some other changes of ownership of the distilleries mean that some distilleries which were catering to certain segments of the market are now not catering to those segments and this may throw up opportunities which we will evaluate as the year goes along. So, all around, whether it is United Spirits domestic business and in Whyte & Mackay, strong performance everywhere. We have anticipated cost push, we have been able to manage our business in a way as to improve profitability despite that cost push. We are now open to questions.

Sunita Sachdev: Moderator, you can open up for the questions.

Moderator: Thank you very much ma'am. At this moment, I would like to hand over the proceedings to WebEx International moderator to conduct the Q&A for participants connected to WebEx International. After this, we will have a question and answer session for participants at India bridge. Thank you and over to you Crystal.

International Moderator: Thank you. We will now begin the Q&A session for participants connected to the WebEx International bridge. Please press *1 to ask a question. Once again, if you would like to ask a question on the international bridge, please press *1. You have a question from Arya _____10:19 with Mirae Asset Management.

Male Speaker: Hello...

International Moderator: Sir, your line is open. Arya, your line is open. I am sorry, there was no response from that line. Once again, if you would like to ask a question, please press *1. You have a question from Joe _____10:50 with Hunter Global.

Male Speaker: Hi. I had a question regarding the premium brands, could you talk about apart from Royal Challenge, what you think might be the factors that led to the 17% volume growth and then should one extrapolate the volume growth that you...overall and for the

premium brands that you have demonstrated in the first quarter, do you see that continuing in for the rest of the year? Thank you.

Ravi Nedungadi: Yeah, I think in terms of the premiumization story, it is certainly our effort to sustain and if possible improve the momentum across. Royal Challenge, of course, I just took that up as one because it is already growing on a significant base of over a million cases, but all our brands in that category have grown very well. The Scotches I see have actually grown at 71% and Black Dog, not only the 12-year-old which has been always the market leader in the category but the introduction of the Black Dog Centenary which is the 8-year-old has really found favor. The heritage of Black Dog with the affordability of a slightly lower pricing being a more younger age profiled whisky is bringing a lot of people to the table. Antiquity is growing very quickly, it is done 30%. Signature has grown 36% and even the No. 1 reserve has grown by 32%. So, everywhere, I think we are looking at strong growth and this is what is really under-fitting our entire philosophy as a outlook. I think there has also been in our premium vodkas and here you should expect to see more action with the introduction of what is the new label which is Red Romanov which has come in a...been introduced in an extremely attractive and catchy packaging meant particularly to appeal to consumers who have the international outlook. It is priced I believe cross-lined to Smirnoff and it is very early stages, it has just been introduced, but it has very good response in the market as well.

Male Speaker: So, apart from, you know, I guess in Karnataka you mentioned the lower end brands, is there anything, just anything, the guess that volume growth might not continue for the rest of the year?

Ravi Nedungadi: See, Karnataka should sustain. As I said that we are looking at the lower end brands purely tactically. So, if we see an opportunity in a particular state, in a particular month or in a quarter, we will just take that into account, but our core expectation of growing at somewhere round about 12% to 13% remains and whenever the opportunities present themselves, we will accelerate that growth.

Male Speaker: Okay and then just on the...could you provide some color on, you know, what kind of molasses price increase you saw in the past quarter, how is your positioning different to what we see in the general market place and just generally how you are managing the whole situation?

Ravi Nedungadi: Well, I think it is primarily...first of all, I think you should understand that molasses as a percentage of our cost is in single digits. What percentage of it Murali...

Mr. P. A. Murali: No, total....no, molasses is just about 12% of the total. Otherwise, it is almost about 70%.

Ravi Nedungadi: Yeah, so what is our raw material as a percentage of percentage sales?

Mr. P. A. Murali: Almost about 25%.

Ravi Nedungadi: See, our entire raw material comprises 25% of our cost of sale. Within that, molasses has seen the sharpest increase which is not reflected, at least not yet, in the supply of rectified spirit and extra neutral alcohol which are processed forms of it. It is of course futile to imagine that the prices of those will not also move up in tandem with molasses prices sooner or later, but it is simply the enormous contribution that United Spirits makes in terms of percentage of utilization that we are able to get better prices than anybody else. I believe if we do not lift RS or molasses in any state for a week, that state will run out of the physical infrastructure to hold the stock. So, we are able to use that cloud in ensuring that we are consistently getting the best prices in the market. What has been the actual trend of pricing of beginning of the quarter to the end of the quarter Murali?

Mr. P. A. Murali: See, in terms of molasses, I mean they in fact driven up sharply to the extent of almost...

Ravi Nedungadi: Why don't you take a blended cost?

Mr. P. A. Murali: On a blended cost, I would say....one moment, I will just give you...

Ravi Nedungadi: Just hang on for one minute, we are just calculating what has been on a blended basis the cost for a liter at the beginning of the quarter and at the end of the quarter.

International Moderator: Once again, if you would like to ask a question, please press *1. Your next question comes from Rahul Chandra with Mirae Asset Management.

Ravi Nedungadi: Go ahead, we will take that question and we will come back.

International Moderator: I think you can go ahead with the question.

Rahul Chandra: ...the price increase you have got in various stage and also regulation, positive or negative, whatever the developments have happened in the last quarter in various stage.

International Moderator: Rahul, could you please repeat your question.

Rahul Chandra: Okay. If you could sir just share with us the price increases you have taken across various states, what has been the extent of price rise.

Ravi Nedungadi: Hello...we can't hear you, can you speak up please.

Rahul Chandra: Yeah. I just wanted to know about the price increases you have taken across various states sir.

Ravi Nedungadi: See, it would be very difficult to give you one sort of number because the price increases taken would be reflective of the different state and the different products in each stage, sufficing to say that across the board as you are well aware, 65% to 70% of the market are controlled by state government, but we have been able to take in terms...we are planning to take the net effect of price increases in different products and different states will be between 130 and 150 crores during the current year and that will be a mix and match of different states and different brands.

Rahul Chandra: Okay. And also wanted to understand in terms of the PLA inventory which we are holding, I mean this will be sufficient for how many months, if you could...

Ravi Nedungadi: No, we are not...United Spirits is historically not and I don't think any of the Indian companies are maintaining huge inventories of ENA, but I think I should share with you for molasses we maintain three to four months of stock, but rectified spirits the DNA is less than one month.

Rahul Chandra: Okay. And just one final thing which I wanted to get a sense from you, if you could just throw more light on any kind of a regulation changes one is witnessing in different states, whether it is positive or negative.

Ravi Nedungadi: Mr. Vijay Rekhi, the MD of the Company has just walked into the room. So, maybe Vijay, you want to address this, regulatory changes that have happened.

Vijay K. Rekhi: Well, as far as regulatory changes which have happened, I believe in the last two days West Bengal has changed their policy with effect from 1st of August. We are awaiting that detail, but whatever changes they have made on 1st of April were very positive for the business and we hope that they haven't taken a positive note of ballooning of the volumes and therefore the velocity of our brand, out of which we are awaiting the details of that, we can fill in those details to you a little later on.

Mr. P. A. Murali: Another positive outcome of the Karnataka budget is to give away licenses for about 1500 points of sale in addition, I mean which is going to increase penetration levels in this particular market.

Ravi Nedungadi: Yeah, that is an important step. The new BJP government in Karnataka has announced in its inaugural budget that the intent to issue 1500 new licenses for points of sale and consumption. So, how many currently in Karnataka...it is about 3,500, so we are talking about nearly a 45% to 50% increase in the total number of outlets and that should be positive, very positive from the point of view of penetration in the market.

Vijay K. Rekhi: And Karnataka earlier this year, they banned arrack. So, what is expected is that after the arrack is banned, there will be migration albeit to the lower end of the I&FL market but that helps to pick up the economic surplus.

Ravi Nedungadi: And meanwhile if I take this catch-up, Murali has given me some numbers here. The overall cost push on account of wet goods which is our molasses, rectified spirits, and ENA has been just over 10%. Molasses itself which accounts for only 12%...9% of our total input has gone up by over 50% in cost per ton. Rectified spirit comprises of nearly 20% of our total input and that has gone up by about 8% and extra neutral alcohol which we buy it comprises 70% of our total consumption and that has gone up by about 9% as well. So, on a blended basis, we have looked at a 10% increase in the cost of raw material and these raw materials account for about 25% or so of our total, as a percentage of sales, so we are looking net-net on a 2.4% or so increase in the absolute cost of goods. The price increases and the premiumization have resulted actually in our margins improving at the end of the day.

Rahul Chandra: Okay. And just a final question sir, what is your outlook for the margins for the full year...

Ravi Nedungadi: See, what we have held out consistently is that this is a difficult year in terms of input prices, but despite that we will at least be able to maintain our margins at the same level as we had last year.

Rahul Chandra: Okay, thank you sir, thanks for your time.

Ravi Nedungadi: Thank you.

International Moderator: Your next question comes from _____23:27 Somerset Capital.

Female Speaker: Good evening. Thanks for taking my question. I wonder if you could clarify again on raw material prices, from what I understood in your earlier comment, well, many of the raw material prices haven't really come through to the cost of goods that you see. Is this correct and when do you think you will feel the full pressure of raw material price increases coming through towards your margins?

Ravi Nedungadi: Well, as I said we are anticipating a total cost push in the region of about 130 or 140 crores during the year and we expect to make up at least that much from increased sales, from price increases on existing sale volumes.

Female Speaker: Thank you.

Ravi Nedungadi: The acreage under sugar...to go a little further on this, the acreage under sugarcane has in fact gone up the current year, so we may see a slight hardening of prices during this particular quarter that we are in now, but bear in mind that this is the quarter which is the slowest quarter of the year where typically because of monsoons and because of various other factors, all kinds of economic activities, India has come down during this quarter, and as we come towards the festive season, once again the sugarcane crushing season comes and prices will soften then.

Female Speaker: Thank you.

Ravi Nedungadi: As far as the fuel oil is concerned which has an impact on glass, obviously we have already seen some softening from 140 dollars a barrel, we are now looking at something in the 130s which is still significantly higher than what it was six months ago and nobody knows quite where that is headed, but we have been able to substitute other forms of packaging to lightweight some of our glass utilization and as a consequence once again keep a control on the input cost increases on account of packaging.

Female Speaker: Thank you very much. I just have a second question, has your advertising expenditure increased in this sort of high inflationary period where you are increasing your branding, could you give me a sense what percentage of revenue you expect that to be?

Ravi Nedungadi: Well, overall during the year, what is the budget for the year on A&SP...I will just, I will come to you on the full year's outlook. The current quarter has seen a disproportionate increase in advertising and sales promotion expenditure primarily because it has gone up from 70 crores in the previous quarter or the previous corresponding quarter to 103 crores in this quarter...sorry 109 crores I think...

Mr. P. A. Murali: Yeah, yeah, yeah.

Ravi Nedungadi: ...and this is primarily because we have had under the accounting standards to chare off expenditure in the quarter in which it has been incurred rather than spend it evenly. If we had spend it evenly as we would have been able to do in the previous year, then the advertising expenditure would have been lower than what we have shown by close to 20 crores.

Mr. P. A. Murali: Normally it is around 9.5% of net sale, 9.5% to 10%, and this quarter it is close to about 11% because of the facts what Mr. Nedungadi just told about, but we would like, I mean we expect in the year anywhere between 9.5% to 10% in next year's revenue.

Female Speaker: Okay, thank you very much.

International Moderator: At this moment, there are no further questions from participants at WebEx International center. I would like to hand over the proceedings back to India moderator.

Moderator: Thank you Crystal. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their question on a first-in-line basis. Participants are requested to use only handset while asking a question. To ask a question, please press *1 now. I repeat, participants who wish to ask questions, please press *1 on your telephone keypad. First in line, we have Mr. Govind from Credit Suisse.

Mr. Govind: Yeah, hi. I had a question on your debt levels on balance sheet, what is the consolidated debt on balance sheet as of now, could you also give us an idea what was the total consolidated interest cost in the first quarter as well as what it was for FY08, the consolidated interest cost. Thanks.

Ravi Nedungadi: Murali, you start.

Mr. P. A. Murali: See 6,500 crores Govind is the total debt, I mean including that of Whyte and Mackay and the, I mean, subsidiaries and in terms of interest cost, I mean, it would be close to almost about 125 to 130 crores in the first quarter on a consolidated basis and it is not really comparable to last year because the debt was taken in the middle of the year, I mean, in...

Ravi Nedungadi: In July last year...

Mr. P. A. Murali: ...in May last year, therefore, I mean, it may not be significant.

Mr. Govind: I wanted to know the full year number for last year, the interest...consolidated interest cost.

Ravi Nedungadi: Well, United Spirits on a standalone basis last year was 127 crores.

Mr. Govind: I wanted the consolidated number.

Mr. P. A. Murali: it will be close to about 520 crores.

Mr. Govind: Okay, is this the number that we can expect this year as well, just wanted to understand what is your strategy of reducing debt, now I know there is fixed repayment schedule for the debt you have taken on for Whyte & Mackay, but how about the debt on United Spirits balance sheet here.

Ravi Nedungadi: There also, both components of the Whyte & Mackay debt had a moratorium on repayment and there is no repayment which is due during the current financial year at all. So, unless we do something to accelerate the repayment and prepay the debt, you should expect somewhat higher interest numbers simply because the previous year the debt was on the books only for 10 months and this year it could potentially be on for 12 months.

Mr. Govind: Sure, thanks a lot.

Ravi Nedungadi: Our strategic approach for that debt reduction, we have already talked about in the past. We know that the treasury stocks are there, but we will announce action only when we are ready to actually go complex with something, but I think it is equally important to say that compared to what the debt service ratio was at the time that we took the debt as a number of EBITDA rotations, it has come down significantly, probably less...

Mr. P. A. Murali: Yeah, it was almost about 8-9 EBITDA to 10 at that point in time and today it is about 5.

Ravi Nedungadi: Yeah. So, there has been a significant improvement simply caused by the improved operating results of the company.

Mr. Govind: Sure, thanks a lot. Just one more thing, we have seen a marginal increase in the interest cost in the standalone results this quarter as well, now considering that you had fairly good cash flows last year and you are free cash flow positive for the domestic operations, any reason why interest cost in the domestic operations is going up as well, it is a small amount, I understand, but just want to understand what is going on there.

Ravi Nedungadi: See, what happens is that as there are more and more states where the state government is the customer, the terms of trade, terms of number of debtor days, receivables that we have to carry is unfortunately impacted by that. So, for example, Tamil Nadu where it is not only the primary sales but even the secondary, the retail sales is controlled by the state government. Volumes have gone up significantly because of the price increase, we have been able to focus more on that, but it has resulted in increased receivables. So, there is an increased working capital deployed.

Mr. Govind: Sure sir, I understand. Thank you sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Mahesh from CLSA.

Mr. Mahesh: Hi. Congrats on good set of numbers. A couple of questions, firstly you mentioned in quite a detail the trend on raw material cost going up vis-à-vis ENA, molasses, etc., and you also mentioned that this is about 25% of the total cost of sales. While on a reported basis, the total material cost is about 50%. So, I am presume bulk of the remaining is on account of packaging material.

Ravi Nedungadi: That is correct.

Mr. Mahesh: And what has been the trend over there?

Ravi Nedungadi: We have given some price increases as we have explained to you, Mahesh, in the past.

Mr. Mahesh: Yeah.

Ravi Nedungadi: With the major glass manufacturers, now we have a fairly transparent see-through mechanism whereby we have to give them quarterly adjustments based on energy indices.

Mr. Mahesh: Right.

Ravi Nedungadi: So, there has been...there has been some increase in the, I think about 10% on average increase in the price that we have paid per ton of glass, but we have been able to pull back some tonnage by moving more volume through tetra or PVC and also by lightweighting of bottles.

Mr. Mahesh: Okay, okay, okay, right.

Ravi Nedungadi: So, in absolute figures, the packaging cost has not gone up very significantly.

Mr. P. A. Murali: But in lieu of the continued, I mean, high prices of fuel, we may see some impact in the forthcoming quarter.

Ravi Nedungadi: It will come down, don't worry.

Mr. Mahesh: Okay. My next question was pertaining to the initial feedback on Whyte & Mackay brands which have been launched in India, I presume we have already kind of seen 7-8 months of that happening, what has been the trend there?

Vijay K. Rekhi: Well, actually...Rekhi here, the brands are still on the roll, they are only available in about 6 to 7 cities. We have got three products under Whyte & Mackay, three products under Jura, and two products under Dalmore. So, nearly packs are available in the

markets and in the first or rather from the time of introduction, we have basically sold 2500 cases in six cities and the plan is to be able to ramp up this figure to over 10,000 cases by the end of this year.

Mr. Mahesh: Okay. Cumulative 10,000 cases, right?

Vijay K. Rekhi: Yes, that is right.

Mr. Mahesh: And lastly on the debt repayment, you mentioned that there is moratorium, when is the first tranche of repayment due and how much is that?

Mr. P. A. Murali: May of next year and, I mean, even the repayment is ballooned towards the end. So, I mean, the first year payment is less than 15% and...

Ravi Nedungadi: 75 million dollars May next year.

Mr. Mahesh: 75 million dollar May next year.

Mr. P. A. Murali: No, no, no...it is about, I mean, 7.5...about 35 million dollars in May and about 35 in September.

Ravi Nedungadi: Okay, okay.

Mr. Mahesh: Okay. Thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Mr. Manish Jain from Lehman Brothers.

Manish Jain: Hello...

Moderator: Mr. Manish, may I request you to use the headset.

Manish Jain: Hello...hello...

Mr. P. A. Murali: Yeah Manish.

Manish Jain: Yeah, yes sir, is my voice clear now.

Ravi Nedungadi: Yes.

Manish Jain: Sir, congratulations on a good set of numbers. I just had one small question on your packaging front, the small tetra packs and, you know, PVC packs that we had introduced in Karnataka and other southern regions, how has the response been and have we launched in any new states these packs, have we introduced in any other states?

Vijay K. Rekhi: Well, actually in Karnataka, we started with one machine, then we put the second machine, now we have got three machines, so that is indicative of the popularity and the off-take in the market place. Each machine is capable of producing anywhere between 50,000 to 60,000 cases depending on the number of hours deployed.

Manish Jain: Okay.

Vijay K. Rekhi: And we are two shifts, so the reception to tetra pack in Karnataka has been extraordinary.

Manish Jain: Yeah.

Vijay K. Rekhi: In Maharashtra, we have one machine for the time being...

Manish Jain: Okay.

Vijay K. Rekhi: ...and it is lapping up the whole of 50,000 cases on an average.

Manish Jain: Okay.

Vijay K. Rekhi: And then we have got export enquiries also which we are servicing from Maharashtra into the Middle East. So, that is as far as the tetra is concerned. We have a policy decision to have 90 mL and 60 mL packs only in tetra pack and that will free up a lot of glass for us which we require to pack our, you know, increase volumes in smaller packs and our idea is that or our strategy is that at least 180 mL also we would like to change over to tetra so that it relieves further burden on supply of glass manufacturers to us so that we can do our budgeted numbers of....budgeted number of cases this year.

Manish Jain: No, I think that is an excellent strategy...

Vijay K. Rekhi: Because of that...sorry...

Manish Jain: Yeah, yeah.

Vijay K. Rekhi: The relevance of this is in the glass industry, there is no growth in the capacities.

Manish Jain: Yeah.

Vijay K. Rekhi: So, we are increasing off-take of tetra, pet, so that we can free glass for our more popular products.

Manish Jain: Yeah. Sir, this is an excellent strategy. Just one more followup question on this, eventually what percentage of our volumes do we see coming from these smaller tetra packs, the 180 mL and the lower ones.

Vijay K. Rekhi: Yeah, we can give you that figure, I don't think I can include this right away and give it to you...

Manish Jain: Okay.

Vijay K. Rekhi: ...but we can work out a percentage and let you know.

Manish Jain: Okay, sure.

Moderator: That answers your question Mr. Manish?

Manish Jain: Yeah, it does. Fine, I mean, you probably...yeah, I know it will probably be a little difficult saying it right away, so maybe whenever you can...

Vijay K. Rekhi: This can be answered in yet another way which is what we do.

Manish Jain: Yeah.

Vijay K. Rekhi: How many tons of glass does it free for us for our volume accelerations.

Manish Jain: Okay.

Vijay K. Rekhi: But we can derive at this percentage number and give it to you.

Manish Jain: Sure sir, sure. And sir, just one last question, on the pricing front, are we looking at taking a price increase in Maharashtra sir, particularly because we have been hearing something about this on the ground, like shortly in Maharashtra there might be some price increase or something, a nominal 5% to 7% kind of a thing, is that correct sir or...

Vijay K. Rekhi: Yes, you are right.

Ravi Nedungadi: If you were thinking of stocking up before the price increase, it is too late, we have already taken.

Manish Jain: Ha...ha...ha...okay, okay. So, it would be around what, 5% to 7% on an average or is that figure misplaced a little bit?

Vijay K. Rekhi: No, let me clarify. One, price increase has already been taken up by us, but because of this freight hike as well as the potential cost pushes, we are contemplating another price increase some time in the month of August.

Manish Jain: Okay.

Vijay K. Rekhi: But those percentages haven't been firmed up as yet.

Manish Jain: Yeah, okay. That is what I wanted to confirm sir. Thank you so much.

Vijay K. Rekhi: Okay.

Manish Jain: I am through, I am through sir.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1 on your telephone keypad. I repeat, participants who wish to ask questions, please press *1. At this moment, there are no further questions from the participants. I would like to hand the floor back to Ms. Sunita for the final remarks.

Sunita Sachdev: Actually I had a question, can I ask you a question Ravi?

Ravi Nedungadi: Sure, you can Sunita.

Sunita Sachdev: Just wanted to take some help in providing more color into the Whyte & Mackay business and I know you gave us some numbers in terms of EBITDA, but going forward as well.

Ravi Nedungadi: No, Whyte & Mackay as we said that going forward for the year, we stick with our original estimates of an EBITDA in the region of 60 million pounds. The first quarter has been good because there are some...there are, you know, organic changes that are happening in the industry. As a consequence, we are seeing some opportunities. Just before we acquired Whyte & Mackay, this company had invested in a very large bottling plant at a place called Grangemouth which has traditionally been underutilized because it has just come on stream. So, the company has been exploring opportunities to do not branded goods, but not bulk either. It is what we call own label business which is where somebody else where we manufacture and bottle for third parties. So, they have found one or two tactical opportunities during this period and also Whyte & Mackay has sold considerable volumes in terms of literage to United Spirits for its own blending purposes. So, consequently I would say that the first quarter where we have shown a 40% growth in sales and a doubling of EBITDA is reflective of both of these. If we are able to get some long-term contracts for this own label business, we may be able to come back with more positive guidance in terms of that, but for the time being, we are saying let's stick with the idea of a 51 to 51 million pound EBITDA going up around 60 million in the current financial year.

Sunita Sachdev: Thank you Ravi. One more question, high inflation, are you witnessing any kind of down-trading in India?

Ravi Nedungadi: No, we are not seeing any down-trading at all so far. So, in fact, our fastest growth has been in the top end of the product line except as explained that we have decided consciously to look at

some of the tactical opportunities lower down, but those have always been there, we chose not to be there. Let me give you an example, Tamil Nadu, for example, has now mandated that 50% of the capacity of any distilleries must manufacture only the cheap and cheerful products. So, willy-nilly, you have to do that and therefore, there is a volume growth which is happening there at that end of the product, but clearly the uptrading and the premiumization of our sales carries on unabated. But everywhere...I did share some numbers with you, but the Black Dog family which is the Scotch has grown by 71%, Antiquity by 30%, Signature by 36%, McDowell No. 1 26%, DSP Black 46%. So, everywhere it has been...there is strong growth at the top end of the market and we see no reason to believe that that will change.

Sunita Sachdev: So, that is quite a positive way. Do you have some closing remarks Ravi.

Ravi Nedungadi: I think we are quite happy with the way that we have been able to respond to the challenges of the first quarter. We certainly speak, I am hoping that some of the research that recently have shown that first time consumers who are entering the alcoholic beverage space, a few surprises there which are positive for United Spirits. Our latest research shows that among first-time consumers, the expected 53% choose to start with beer which is slightly lower than what I would have personally expected, but the key finding which is very, very positive for us is that of the people who are coming into spirits for the first time, the preponderant preference for brown spirits and whisky in particular which is the heart of USL's competence has been very, very strong, and I think nearly 60% of all first-timers into spirits are coming into whiskeys and their entry points are not at the Bagpiper level, they are at higher levels like the McDowell No. 1 from where there is the opportunity to upgrade. So, the trends...the demographic trends which we have been anticipating and for which we have been investing both in the brands as well as the manufacturing capacity I think are going to be...to turn quite fruitful.

Sunita Sachdev: Thank you very much Ravi, thank you very much Murali, thanks a lot for your time. We can end the call now.

Ravi Nedungadi: Okay, thank you everybody.

Mr. P. A. Murali: Thank you everybody, thank you.

Moderator: Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.

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