

United Spirits Limited
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Moderator: Good afternoon ladies and gentlemen. I am Sandhya, the moderator for this conference. Welcome to the UBS post results conference call of United Spirits. 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 international bridge. After than, the question and answer session will be conducted for participants in India. Now, I would like to hand over to Ms. Sunita Sachdev. Thank you and over to you ma'am.

Ms. Sunita Sachdev: Thank you Sandhya. It is my pleasure in UBS to be welcoming the entire team at United Spirits for this post results conference call. We have with us Mr. Ravi Nedungadi, Group President and Chief Financial Office of the UB Group; Mr. Vijay Rekhi, Managing Director and President, United Spirits; Mr. P. A. Murali, CFO of United Spirits; Mr. Suresh Menon, Head of Planning and Control, United Spirits; and Mr. Prasad, VP Finance and Accounts for the company. May I please request Mr. Ndeungadi to start off with some comments.

Mr. A. K. Ravi
Nedungadi:

Thank you Sunita. Thank you ladies and gentlemen for joining in this United Spirits results call. I will just sort of lay the background and then we will move quickly into question and answer mode. I think that we did put up an analysis of the results and the circumstances in which the operations took place in the last quarter. Two or three overriding points. Number one is as you have seen there has been extremely strong growth in the volumes during the quarter. We believe that there are multiplicity of factors that have contributed to this. The basic underlying feature is the secular trend of youngsters coming into first-time consumption of alcohol when they reach the legal drinking age. Some of you may recall that we as a company have been talking for some years or for some time about this that there is a demographic window where we expect several tens of millions of new potential consumers coming in starting somewhere around last year and going ahead also for the next year or two. Now, Mr. Rekhi will in his comments give you some analysis of the recent survey we did of consumers of this class, the first time new entrants and where he sees the opportunity for growth coming in, in the future. The second factor that I think has also hurt United Spirits specifically is this unprecedented aberration in raw material costs in Q3 where the stand-off between sugarcane growers, sugar mills, and state governments had resulted in a substantial drop off in the

availability of spirit. I think it would be fair to say that beyond question United Spirits has the first claim on any molasses-based spirit in the country and therefore has been able to secure supplies which may not have necessarily been available to some of the smaller manufacturers. Also, the unprecedented spike which happened in Q3 meant that some of the smaller manufacturers who were selling on price rather than on brands like United Spirits would have also had to fall by the wayside because it would not have made economic sense for them to continue manufacturing, their low-end near commodity products at that kind of raw material pricing. So, I think that has also helped us. We expect that the secular trend of growth led by first-time consumers and market expansion will continue to our benefit. In the short-term, we will tactically take advantage of any opportunities in the market caused by competitive activities and competitive pressures. So, that is one overarching comment I have.

The second is relating to input costs. As you all know, Q3 was a particularly bad quarter for the industry when the crushing got delayed and as you know historically since crushing starts around early to mid October, the industry runs down its inventories in that pre-October period with the intention of stocking up when crushing starts and the prices are the lowest. This year because of the delay in that crushing there was an acute scarcity and then the kind of stand-off that took place which we have already talked about had resulted in the average cost spiking up to unprecedented levels. In Q4, it has certainly come off those highs. So, while the raw material prices remain higher than in the first half of the year, it came off significantly from those Q3 levels.

It is probably fair to remind everybody that the pricing of sugarcane and sugarcane molasses, historically follows a cyclical pattern. So, we typically have about three or four good years followed by two or three bad years, and these years would anyway would have been cyclically also at the high end of the cost equation. So, we have budgeted for a higher input cost during last year, and we will continue to budget for a firm raw material input cost scenario for the current financial year 2009-2010.

Many of you who follow the sugar industry, etc., would be aware that there is widespread expectation that the acreage of the sugarcane cultivation this year has actually reduced consequent to this political stand-off in Q3. We have examined this closely. We do not believe that the position will be alarming for two reasons. Number one is that at the current levels of international fuel or petroleum prices, the pressure for the use of alcohol to blend into petroleum has dropped considerably and the prices that the oil marketing companies are prepared to pay to buy alcohol for this purpose has also softened and consequently we think that there is going to be less demand coming from that source.

Secondly, because of the general slowdown in industrial activities, it has been estimated, there are media reports about this as well, that the industrial uses of alcohol may come down by as much as 20 plus percent. So, overall, scenario one of restricted supply but also mitigated by constraints or restraints in the demand position, we would generally say a firm pricing, not spectacularly high and therefore we budgeted that already and we go into this year with that. Also, Untied Sprits has and Mr. Rekhi is going to talk about this in a minute is that apart from the molasses-based spirit, United Spirits has also tied up sufficient capacity as a backup plan from grain distilleries. So, overall, the company should certainly not face any constraints in supply.

So, that is the background in which the results have happened, the operations have happened. We have been able to claw back our EBITDA margin from about 10% in the previous quarter, that is Q3, to close to 18% in Q4, and that 18% is comparable to Q4 of the previous financial year. With this, I am now going to request Mr. Rekhi to share with you his insights into the demand and also the arrangements that have been made for the uninterrupted supply of spirit. Mr. Rekhi....

Mr. Vijay K. Rekhi: Good morning everybody. I think Ravi Nedungadi has already touched on the two important issues, one is the key factors of demand and I would like to supplement to what he has said. You know, the premiumization of our product franchise is continuing and that is basically coming on account of rich and consuming classes as a category moving up. If we take the last ten years' swipe, the information we have, in terms of million household, rich have moved from one million to six million households and the consuming classes have moved from 29 to 75 million households, and these are the households or the individuals within these households who have driven the consumption of premium products. So, this over the last ten years have been a very redeeming feature and an important factor as to the off-take of premium products which is where the margins are significantly better than they are for the lower-end price spectrum.

Then, the second one he has spoken about is with regards to the demographic dividend which is a reality. 40%, as we know, of the population is below 21 years of age, but that is a macro view that more and more drinkers from the total population base is becoming into drinking age and our estimate is that 100 million youths will attain legal drinking age over the next year. So, this is yet another important driver of demand as far as spirits are concerned.

The third important factor is that the first-timers from within these 100 million who will be coming into the drinking age, while the division between the first-time initiated people who would like to experience beverage alcohol is equally divided between beer and

spirit, within the spirit category, most of the people, 70% to 75% of the consumers experience whisky consumption, and therefore, spirits is important and within spirits 60% to 70% of the first-timers will be experiencing a beverage alcohol through whisky and that we believe is yet a very important driver for our business, and we have seen the results of these three drivers in our sales performance, which has also resulted in the margins which have been on the up in the recent past.

Coming to the second concern, which may be there, as Ravi has rightly summarized, there has been a softening of prices in Q4. That is evident from our margins of Q4, and going forward, yes, there is an issue with regard to the acreage of sugarcane in this country, but that is behind us. Going forward from 4.5 million hectares, our estimates are that more than 5 million hectares is under sugarcane cultivation and the availability of sugarcane will improve from October of 2009 onwards, and hopefully, in fact, the availability of molasses will improve and we might even see that the prices of molasses and therefore extra neutral alcohol will go down, but we are not speculating on that. We believe that prices will be firm in the next six months or so and we are bracing for that and we are budgeting for that and we have got mitigation plan as well and on the quantity availability of molasses, there is a softening of demand from other sectors who use molasses for their purposes, let us say industrial purposes. That is softening, so that is improving the availability to some extent and what is more redeeming is that there is a convergence between a molasses substrate and grain-based substrate spirit, and the availability of grain spirit has increased dramatically and we can give you estimates for that. Additionally, some governments like that of UP as well as Maharashtra, they are in fact incentivizing the production of grain spirit and that further improves the competitiveness of the grain spirit vis-à-vis that of molasses. As it is there is convergence, molasses spirit is likely to improve in supply and there is a lot of supply from grain; therefore, the quantities are assured. We would not have any problems with regard to quantities of spirit available, and we should be able to hump over the next three months firm prices before they soften from October-November of this financial year. So, that is as far as the demand factors as well as the supply of and the outlook on the supply of spirit and the outlook for the rates for spirit are concerned. Any clarifications on this, we are open to questions.

Moderator:

Thank you very much sir. We will now begin the Q&A interactive session. At this moment, I would like to hand over the proceedings to international moderator to conduct the Q&A for participants connected to the International bridge. After this, we will have a question and answer session for participants at India bridge. Thank you and over to you Amina.

International
Moderator:

Thank you Sandhya. We will now begin the Q&A session for participants connected to the International bridge. Please press 01 to ask a question. Once again, please press 01 to pose your question. Participants connected to the international bridge, please press 01 to pose your question. Thank you. First question, we have Mr. Sridhar from __, Singapore.

Mr. Sridhar:

Hi good afternoon Mr. Rekhi, Ravi, Murali, and everybody. You know, you talked a lot about the raw material side, I want to talk a bit about, you know, the pricing side because everyone... I mean if you have mentioned stats you know raw material cost will likely be higher till at least the first couple of quarters. So, what sort of pricing action do you think is possible or is under discussion right now, that you can take and for the fourth quarter specifically I just wanted to know I mean what are the key reasons why, you know, the EBITDA margin has improved so dramatically from the third quarter of last year?

Mr. A. K. Ravi
Nedungadi:

Okay, I will just answer the last bit first, which clearly and driven by the dropping in the average cost of raw material of spirit that the EBITDA has improved. Q3 was an aberration. If you see historically the last three or four years, right up to Q2, we had a much higher EBITDA. In fact, we were at near 20%. It dropped to 10% in Q3. I do not think that we should use that Q3 results as a benchmark at all. We are now ploughing back to the historical average of the last several years. Coming to the question of pricing, as you are well aware, we are selling close to 70% of our products to parastatal monopolies, who more or less set the price at which they will procure alcohol. So, in comparison to other FMCG products, the alcoholic beverage industry has virtually no pricing power in the majority of markets. What we therefore do is to skin this cat differently and try to introduce variance. So, for example, I think Mr. Rekhi can share with you the example of a state like Andhra Pradesh, where we have not had a price increase. It is a big market accounting of what percentage.....it is a nearly 20% of our total volume.....sorry....

Mr. P. A. Murali:

16.

Mr. A. K. Ravi
Nedungadi:

...16% of our total volume sales. They have not given us a formal price increase for how many years now Murali? Seven years?

Mr. P. A. Murali:

Six years.

Mr. A. K. Ravi
Nedungadi:

Six years, we have not had a price increase, but that does not mean that USL rests on its laurels and I will request Mr. Rekhi to

explain how we use variance as a way around this to sort of address that pricing and therefore on average get a better yield by circumventing the bureaucratic difficulty. Mr. Rekhi....

Mr. Vijay K. Rekhi: Yeah, case in point of Andhra, for example, which has not given us a price increase for a long time. What we have negotiated successfully is to introduce a variant of let us say our lead products particularly Bagpiper Whisky as well as Celebration Rum, which has given us more than 10% better pricing than was the industry headed to by introducing a product variant and by product variant basically what is meant is while the branding remains the same, the descriptor whether it is Deluxe or Prestige or a fine whisky, you know, that descriptor changes and bureaucracy is not resisting, you know, the changing of the nomenclature and they accept that this is a new product and we also supported with any change in formula if they so insist on being told about it. So, this part is muster as far as bureaucratic scrutiny is concerned and does not have any major impact on the cost, but allows us to pull back from the market increased prices and in this particular case more than 10% of the price increase. So, this improves the margins of the company and we have been successfully doing it, not only in Andhra Pradesh but in other markets as well. That is one way of getting around the bureaucratic outlook with regard to reticence to the price increases. There are some markets who are parastatal like Karnataka for example, who will allow you a price increase if you were to make a formal application and that can be done on a monthly basis, if you wanted to change the prices on a monthly basis, but obviously in the case of consumers products like ours, we cannot change or we do not want to change prices every month. We take a timely outlook. Prices in all the other three markets like Maharashtra and Bengal, Assam, and some of the northern markets like UP where we can negotiate prices with the thekedars, or the people in-charge of distribution of products in Punjab, etc., we have pushed the prices and we have gotten the price increases because our brand has a good franchise and the _ that sort of the price increase. As far as parastatals are concerned, as we said, we either go through the variant route or we wait it out and we get a price increase.

Mr. Sridhar: Right, okay. So, can you just tell me in the states where you do have pricing power, I mean, what sort of price increases have you taken if at all during the fourth quarter. This is number one. Secondly, on the raw material cost, can you give me a sense of what the average cost of spirits and molasses was in fourth quarter for yourself compared to where it was in third quarter and where you expect it to be for the next couple of quarters?

Mr. A. K. Ravi
Nedungadi:

Murali, you can take that. Yeah, one moment...

Mr. Sridhar: Hello?

Mr. A. K. Ravi Nedungadi: Okay, yeah, I mean, we can give you the details which you have requested for. One moment, Murali will address that.

Mr. Sridhar: Yeah.

Mr. P. A. Murali: With respect to specifically the average cost of wet goods, which you have seen above, I mean the prices were around, I mean, if you remember the last time around when we looked at the third quarter results, it was about 160 rupees in the first two months and it fell off to about 148 or 149 rupees a case in October, November, and December, and January, February, and March, it was around 133 to 135 rupees in the first two months and then it firmed up to around 145 rupees levels in the month of March. So, that on an average basis, really helped us to push up, I mean, the margins at the gross margin levels.

Mr. Sridhar: Okay and do you expect this sort of level to sustain or do you think will go down....

Mr. P. A. Murali: We expect, I mean, the levels to remain between 145 to 150 through to October-November.

Mr. Sridhar: Okay.

Mr. P. A. Murali: That is when we expect the crushing to start, and therefore, it will ease out at that point in time.

Mr. Sridhar: Right and first half of last year was around what 110 or 115?

Mr. P. A. Murali: Last year, it was around 112 to 116.

Mr. Sridhar: Right, okay. Okay, and the question on the price increases in the states where you do have pricing power, have you taken any price increases?

Mr. Vijay K. Rekhi: Yeah, we have moved up the prices wherever we can move; in Maharashtra, in West Bengal, in Assam, in UP, Delhi, canteen stores. So, wherever we could move up the prices, we have moved up, and wherever we are to tender, we have asked for higher prices. I think no sooner the elections are over, the state governments also realizing that there is an acute cost push, will be sympathetically considering the tender prices which we have given and we have also spoken just now about how we are able to get increased prices in states like Andhra Pradesh, who are absolutely dogged and not giving price increases formally.

Mr. Sridhar: Right, so what would be the magnitude of these price increases?

Mr. A. K. Ravi
Nedungadi: I think Sridhar that will require us to sit with you. We are talking about....

Mr. Sridhar: Individually, okay no worries...

Mr. A. K. Ravi
Nedungadi: Ha...ha..ha...

Mr. Sridhar: No worries. If it is too complicated no worries, no problem. Thanks.

Mr. A. K. Ravi
Nedungadi: Okay.

International
Moderator: Thank you sir. Please press 01 to pose your question. Once again, please press 01 to pose your question. Thank you. At this moment, there are no further questions from participants at International. I would like to hand over the proceedings back to Sandhya.

Moderator: Thank you very much Amina. 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 questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. First in line, we have Mr. Avnish Roy from Edelweiss. Over to you sir.

Mr. Avnish Roy: Hi sir, congratulations on the good volume growth and expansion in margins quarter-on-quarter. Sir, my question is on the higher volume growth. Is there a one-off item in this because earlier we were seeing around 20% or lesser volume growth. This time it is 24%. So, is this elections related and can it be sustained going forward?

Mr. A. K. Ravi
Nedungadi: I do not think it is election related.

Mr. Vijay K. Rekhi: No because elections has not stated in the first quarter essentially, but I can put it this way that we are brand builders and we are putting all the money behind brands and our brands get preference over those of competition and therefore we are not surprised that the consumer is franchising our brands over competition. There is no particular reason which I can pick up and attribute to the buoyancy in the franchising of our brands, I think it is the general buoyancy in the market place as well as preference for our brand.

Mr. A. K. Ravi
Nedungadi:

Plus I also mentioned in my introductory remark that the pressure on spirit prices has met with a lot of..... people are by the way are falling by the wayside. So, any kind of market distortion usually acts to the benefit of the leader, especially a dominant leader like USL.

Mr. Avnish Roy:

Sir, is that the reason why your A&P spends have dropped by 8% YoY because on the one hand you are saying your brand investments are strong and on the other hand you are saying the other players are not spending.

Mr. A. K. Ravi
Nedungadi:

See, that line includes even the below-the-line spends. So, where we have scaled down is on the spends on below the line, but the investment behind the brands continue and therefore there is a healthy re-mix of the proportions of spends meaning we are spending more and more behind brand building exercises than to discount the products from the shelves.

Mr. Avnish Roy:

Okay.

Mr. A. K. Ravi
Nedungadi:

Therefore, you find this, and if the volumes are not to your expectations in the first quarter of this year, then you can attribute it to elections next time.

Mr. Avnish Roy:

Okay. Sir, my second question is on the raw material side, molasses. I spoke to my sugar analyst. He is clearly saying next six months will be under pressure, which you also mentioned. Sir, my question was dual-based distilleries, that is grain based and molasses based, are we working on this more aggressively now and my second question is glass prices have also corrected because it is slightly indirectly linked to crude oil prices. So, any benefit from that sir, glass prices?

Mr. A. K. Ravi
Nedungadi:

Well, Rekhi here. The glass prices have not moved up beyond whatever corrections were in place in Q3 and we believe they will actually soften because the crude oil prices have come down from the high of whatever rate at which these people were buying from the Indian companies, Indian oil companies....sorry....and there has been an excise duty reduction of 2% which has gone straight into the, you know, margins.....sorry, 4% which has gone into the purchase price reduction. I suppose that answers your questions?

Mr. Avnish Roy:

No sir, it does not. If you can give us any value, how much can be the reduction in glass prices YoY based on both the factors?

Mr. A. K. Ravi
Nedungadi: Well, we are negotiating with the glass manufacturers. Once we are in a position to....we will see to, you know, that there is a need to or rather than there is an agreement with regard to prices, then we will be able to give an outlook on that. At the moment, the glass prices are sitting firm.

Mr. Avnish Roy: Okay.

Mr. A. K. Ravi
Nedungadi: And as far as your other question with regard to dual feed is concerned, there are some plants which can take both molasses and grain feed, but mostly the plants are either molasses based feed or grain based feed. We have one plant in Udaipur which can take both, but are at the moment only doing grain there because of the availability of molasses in Rajasthan is very poor.

Mr. Avnish Roy: Sure. Sir, coming to your gross sales, only 1% increase has come from prices while in the previous quarters, the price component was higher. So, is some down-turning happening or the prices have come-off in some states sir?

Mr. P. A. Murali: No, no price increase....see when you look at my revenue line Avnish, I mean, you should understand that I take only the economic surplus out of the contract units into my topline.

Mr. Avnish Roy: Okay.

Mr. P. A. Murali: Right, so the economic surplus is affected by cost push, and therefore, the topline increase out of the 45% of the volume that I get on the topline, gets subdued, and therefore a comparison with the corresponding period of last year, you will always get a lower value growth on comparison, but if I were to, I mean, actualize that and on an effective basis, we have always had about 3% to 4% of value uplift over the volume.

Mr. Avnish Roy: No, this time it is only 1% sir.

Mr. P. A. Murali: No, I am saying that because of the cost push in various contract units, the values that I get out of the economic surplus is far lower than my real-time sales value that they would have booked in their books.

Mr. Avnish Roy: Okay.

Mr. P. A. Murali: That the reason.....

Mr. A. K. Ravi
Nedungadi: A short answer, this is Nedungadi here.

Mr. Avnish Roy: Okay.

Mr. A. K. Ravi
Nedungadi:

A short answer is that no, we are not seeing any visible signs of down trading. There has been a lot of growth happening at various segments of the market and when we talk about growth coming in from firstly, from one time for the first-time consumer, obviously one would not expect that first-time consumer to straight away start franchising the higher end brands. They are young people, so while they are not, the survey shows and our experience shows, that they are not going to the bottom of the pyramid and starting in the middle, certainly we will see and will continue to see a lot of growth happening in the regular and prestige segment of the market. Secondly, I also told you that there are a number of small players who are falling by the wayside as a result of cost push. Obviously, people trading up from there will also trade up to somewhat the lower end of our product mix. So, these are tactical decisions....

Mr. Avnish Roy:

Sure.

Mr. A. K. Ravi
Nedungadi:

....that we take to take advantage of the market conditions.

Mr. Avnish Roy:

Okay and sir my last question will be on your Whyte & Mackay, if you can share some numbers on that sir?

Mr. A. K. Ravi
Nedungadi:

Actually, there was a presentation for your benefit....I mean....Whyte and Mackay ended the year with about 176 million pounds of net sales. It is about 70 million pounds of contribution and about 57 million pounds of EBITDA.

Mr. Avnish Roy:

Okay.

Mr. A. K. Ravi
Nedungadi:

And about 31.7 million pounds of PBT as against about 9 million pounds last year.

Mr. Avnish Roy:

Sir, is it slightly lower than the guidance of 60 sir or....

Mr. A. K. Ravi
Nedungadi:

We expected anywhere between 58 and 60. We are at about 57 at this point of time.

Mr. Avnish Roy:

Okay sir, that is all from my side. Thanks.

Moderator:

Thank you very much sir.

Ms. Sunita Sachdev:

Sandhya, can you ask participants to just ask one question each because there must be a long queue.

Moderator: Sure ma'am. Participants are requested to restrict their question up to one and after that they can come back for the followup question. Next in line, we have Mr. Amar from HDFC Mutual Fund. Over to you sir.

Mr. Amar: Thanks, good afternoon gentlemen. I have one or two accounting questions. Mr. Murali, in the standalone books, loans have gone up by 450 crores and investments by about 700 crores. Can you just throw some light on what is this?

Mr. P. A. Murali: See, 700 crores increase is mainly because there is a merger of Zelinka Limited, which had I mean an investment in its books of Palmer Investment. So, when that Zelinka merger had to be given effect to, the investment in its books comes into my books as investment. So, that is where that 700 crores uplift that you see; otherwise, we were holding Zelinka as an investment and Zelinka was holding, I mean, Palmer at 700 crores, which is part of the Shaw Wallace acquisition in 2005.

Mr. Amar: And the loans?

Mr. P. A. Murali: Loans are I mean, working capital expansion has been there to the extent of almost about 300 to 400 crores during the year. I mean, 24% volume growth is not small, right?

Mr. Amar: Because the balance said that the net current asset growth is just.....

Mr. P. A. Murali: Because the 700 moved from, I mean, loans and advances to investments and therefore you need to net that off if you were to look at the effective increase in net current assets.

Mr. Amar: Okay, that is one, and second a quick one, I will ask is at the consolidated level, due to depreciation of INR versus USD and appreciation versus GBP, I guess the total net effect is about 400 crores, am I right, net increase in loans?

Mr. P. A. Murali: Yes, you are right....on the ballpark.

Mr. Amar: Yeah, and then, can you explain that Note VI of your schedule to notes, you are saying 35 crores unamortized amount, I mean, we couldn't place that 35 crores amount anywhere?

Mr. P. A. Murali: See, Note VI, I mean, pertains to the standalone accounts.

Mr. Amar: Okay.

Mr. P. A. Murali: Which takes into account whatever are the exposures in USL as a standalone in terms of its assets, in terms of advances to subsidiaries which are overseas subsidiaries as well as loans in its books which are I mean foreign currency loans, and the

adjustments that are being done taking into account the notification by the.....I mean the committee on AS11, has been given effect to. Just to explain that in a way, I mean, see last year, we had a gain of almost about 20 crores on foreign exchange fluctuation and this year if you were to do without any adjustments on an assets basis, it would have been about 27 crores.

Mr. Amar: Okay.

Mr. P. A. Murali: All these get amortized over a period of about four years and those amortization affects have been given effect to and 30 crores is what is the remnant gain that has not been considered because of these adjustments, which will get considered over the next three years at about 10 crores a year.

Mr. Amar: Understood sir, and at consolidated level, what would be that number or you would continue to show the loans at full MTM that is about whatever, 7500....

Mr. P. A. Murali: We are debating that with our auditors in terms of the treatment when we do the consolidation, I mean, of accounts, but suffice is to say, as you rightly put it the net effect of about 400, I mean, is there in terms of increase in liability only on foreign exchange fluctuation, but then in the light of the new notification, we are in fact debating the issue with our auditors as to how best to approach that in terms of disclosure and recognition in the accounts.

Mr. Amar: Okay the last two questions. Firstly, what is happening at the pension fund of Whyte & Mackay and secondly, can you give us some update on what is happening in the scotch prices currently? That is it from my side.

Mr. P. A. Murali: See, the pension liability as you know, I mean, it is a phenomena for everybody in UK. I mean, because of market conditions, there has been a hit on the value. Our estimation given the assumption that one has to test, I mean we have still not tested those assumptions because these are put to test once in three years and the test becomes due only in October of 2009, but nevertheless for the recognition of a number as of 31st of March, we have done our own I mean, internal assumptions on which basis, the net deficit would be about 15 million pounds, which has been recognized in the balance sheet which has been put out in our site yesterday.

Mr. Amar: Okay and the scotch prices?

Mr. P. A. Murali: Scotch prices have in fact gone beyond 500 million pound mark, I mean, for about 102 million liters, and therefore, the value of bulk scotch I mean remains very firm. We are not seeing any signs of,

I mean, anything relenting on the bulk scotch side, and nobody is selling bulk scotch even today. I mean, there are not any outwardly any trade that is happening because of market conditions and therefore it remains to be firm as you see it today.

Mr. Amar: No weakening has been seen yet?

Mr. P. A. Murali: Not on the bulk scotch side, but we do see pressures on the branded goods side.

Mr. Amar: Okay, that is it from my side. Thank you so much.

Moderator: Thank you very much sir. Next in line, we have Mr. Jehan Bhadha from Darashaw & Company. Over to you sir.

Mr. Jehan Bhadha: Good afternoon everyone. How many month's of raw material do you stock?

Mr. A. K. Ravi
Nedungadi: Suresh...

Mr. Jehan Bhadha: Hello?

Mr. A. K. Ravi
Nedungadi: Actually, that varies from the unit to unit and also at a particular point of time. Our attempt is always to procure as much as possible during the crushing season and then run the stock down as the year progresses. Currently, what is our stock....

Mr. Suresh Menon: Currently, we are anywhere from about a month.

Mr. A. K. Ravi
Nedungadi: Currently, we are holding a little over a month for the requirements.

Mr. Jehan Bhadha: Okay, so I mean, you do not plan to purchase, you know, whatever quantity you can in the current month because the molasses availability is immense right now, which will go on depleting even with the sugar company, so it becomes a good strategy if you try and you know procure most of the molasses right now, rather than you know waiting.....

Mr. A. K. Ravi
Nedungadi: No, what we are doing, you see, procuring the molasses is easier done, but actually storing it physically is a challenge because molasses as you know is hugely bulky and the spirit is highly inflammable and requires special storage facilities.

Mr. Jehan Bhadha: Okay.

Mr. A. K. Ravi

Nedungadi: What we have done is I think to enter into contracts with suppliers where we have made sure that we have the advantage of the pricing and where necessary we have paid advances as well to secure that.

Mr. Jehan Bhadha: Okay fine.

Mr. A. K. Ravi
Nedungadi: So, we could not look at purely at the physical stock levels.

Mr. Jehan Bhadha: Right.

Mr. Suresh Menon: One month stock means almost about 30 million liters of ENA for your information.

Mr. Jehan Bhadha: Okay, okay, okay, and my second question is on the molasses availability which, I just have the statistics. It is at 12.8 million tonnes, it was at 12.8 million tonnes in March 2008 and currently which has dropped by 40% to 7.7 million tonnes. So, you know, going by that the Q1 and Q2 of this year of FY '10 will face much more, you know, higher raw material costing than what was last year. So, the 20% EBITDA which was there last year will drop, I think, significantly in Q1 and Q2. What do you have to say on that?

Mr. Vijay K. Rekhi: Let me put this, Rekhi here.

Mr. Jehan Bhadha: Yeah.

Mr. Vijay K. Rekhi: You must recognize that while molasses-based spirits are under pressure in terms of availability, one-third of what is the molasses-based spirit capacity is available from grain and there is a convergence in rate.

Mr. Jehan Bhadha: Okay.

Mr. Vijay K. Rekhi: So, there is a relief available from grain spirit.

Mr. A. K. Ravi
Nedungadi: The second thing is that just to clarify as I have mentioned in my opening remark, we have budgeted firm raw material prices at least going through to the October-November this year.

Mr. Jehan Bhadha: Okay.

Mr. A. K. Ravi
Nedungadi: So, we would be looking at margins which are closer to the fourth quarter margin and the first quarter margin.

Mr. Jehan Bhadha: Fine, that is all from my side. Thanks.

Mr. A. K. Ravi
Nedungadi:

Thank you.

Moderator:

Thank you very much sir. Next in line, we have Mr. Ashish Kacholia from Lucky Securities. Over to you sir.

Mr. Ashish Kacholia: Good afternoon sir. Could you talk a little bit about the prospects of scotch whisky in the Indian market given that we have got an access to a huge inventory in Whyte & Mackay?

Mr. A. K. Ravi
Nedungadi:

You are talking of general scotch industry or you want to know our scotch portfolio?

Mr. Ashish Kacholia: Yeah, our scotch portfolio and strategy in the Indian market given that we now have access to lot of scotch in Whyte & Mackay.

Mr. P. A. Murali:

Yeah, it is a good question. In fact, there is lot of shall I say this, there is lot of appreciation for scotch in our country, but in terms of total number of cases, it still is restricted to around 250,000 cases. We have clocked... this year we have clocked over 100,000 cases, which basically would give you the market share position of our brand. If the prices of scotches were to come down and I am only saying, you know, these prices are actually firm, there could be an escalation in demand and we are well covered as far as the supply part is concerned, but the price of the liquid of scotch is not coming down and therefore the prices are likely to remain where they are. Additionally, there is a tariff barrier of 150% as customs duty. So that is also not allowing the prices to come down. Therefore, it will remain in terms of total franchising of scotch, will remain less than 1.5% to 1.25% of the total 200 million cases which are sold and therefore while everybody would like to drink scotch, it is going to be expensive. It is not going to be cheap and therefore one cannot have a very robust outlook with millions and millions of cases as far as scotch is concerned, but we are doing well in whatever market there is.

Mr. Ashish Kacholia: Sir, one more question, what is the percentage of our total volume sales which is under price control by the various state governments?

Mr. A. K. Ravi
Nedungadi:

Roughly between two-thirds at 70% must be sales to the corporates.

Mr. Ashish Kacholia: Okay and this percentage is unlikely to change in the foreseeable future?

Mr. A. K. Ravi
Nedungadi:

No, in fact, you know, until a couple of years ago, there used to be an even worse breed of animals, called the thekedari system in

the north, which was a private monopoly which not only did not give price increase but also did not pay on time. So, from there, I think we have worked with government to actually convert most of those thekedar market into government undertaking market. We do not see them moving in a hurry from there into free pricing.

Mr. Ashish Kacholia: Okay, thank you very much sir. All the best.

Moderator: Thank you very much sir. Next in line, we have Mr. Aniruddha Joshi from Anand Rathi Securities. Over to you sir.

Mr. Aniruddha Joshi: Hello sir, congratulations on excellent revenue growth and quarter-on-quarter margin expansion. Just wanted to know what are our advertisement spends, we have spent somewhere around 340 crores in the last twelve months and what are the probably activities we are doing in advertisement with media rates also falling. Can we see a substantial decline in this number?

Mr. A. K. Ravi
Nedungadi: See, first of all, advertising is of two kinds, one is above the line and the other one is below the line. Above the line everybody understands.....

Moderator: Participants to kindly stay connected.....Sir, you can go ahead. Ms. Sunita's line has been disconnected. Till then, you can go ahead with the questions.

Mr. A. K. Ravi
Nedungadi: So, we answer the same question or.....

Moderator: I will go ahead with the next question sir. The next question comes from Ms. Vandana Luthra from Merrill Lynch. Over to you ma'am.

Ms. Vandana Luthra: Yeah, my question relates to your balance sheet. What are your plans to de-lever the balance sheet. So, what are you looking for doing in FY '10?

Mr. A. K. Ravi
Nedungadi: Vandana, this is Nedungadi here. I think it has been fairly well publicized that we are engaged in active discussions to bring in an investor into the company, which will induce equity in the process. Now, people have asked that these discussions have been going on for quite a bit and why it is not closing out, etc. I can only respond by saying that if I draw parallel with the discussion that we had with industry.....Scottish & NewCastle into United Breweries, it took us well over a year and a half of detailed discussions to actually nail that and have the money in. So, discussions are going on well. We are very clear that the induction of a strategic investor is primarily for strategic reasons and not to meet any short-term cash requirements for meeting any

repayment obligations. Therefore, we have been taking our time to make sure that we get a deal which is right for the company and right for all the stakeholders. As you know, there are no large repayments due immediately. In the next twelve months, we have only about 90 million dollars, which is due for repayment...is that right Murali?

Mr. P. A. Murali: Yeah, full year.

Mr. A. K. Ravi
Nedungadi: Yeah, next twelve months?

Mr. P. A. Murali: Yeah.

Mr. A. K. Ravi
Nedungadi: And we already have such money available in a bank account to meet that obligation, and therefore as I said, the idea is to make sure that we have the right strategic partner and therefore achieve a two-fold objective of getting the strategic synergy benefit as well as de-leveraging.

Ms. Vandana Luthra: Yeah, thanks. Just a followup question on that, how are you doing on your debt covenants. Is everything in line or is there any pressure on that front?

Mr. A. K. Ravi
Nedungadi: Well, obviously, as a consequence of the currency moving, whatever headroom was available to us in terms of the covenants have pretty much...the headroom has disappeared, but I do not think we are in breach of any covenants at all.

Ms. Vandana Luthra: Can I ask you what is your consolidated interest cost for FY '09?

Mr. A. K. Ravi
Nedungadi: Murali....

Mr. P. A. Murali: Two minutes hold on, I will tell you. About 575 crores.

Ms. Vandana Luthra: Okay and when do we expect to see your consolidated results?

Mr. P. A. Murali: By mid-July it should be out. We are expecting it to be before June, but I am saying by mid-July it should definitely be out.

Ms. Vandana Luthra: Okay and the last question is regarding the Whyte & Mackay plans. Sometime back there was a news flow that you were looking to sell 49% stake there. Where are you in terms of that objective?

Mr. A. K. Ravi
Nedungadi: Vandana, Nedungadi again. I think that recent news flow was without any basis from our side. I think at the time that we had

acquired the company, we had stated that it is not our intent to retain 100% forever, but we had also stated very clearly at that time that whenever we look to dilute ourselves over there, it must be in a phased manner giving the company reasonable time to demonstrate the change in the sales pattern of the company from being predominantly a supplier of bulk liquid to being a branded scotch company. So, that trend is already underway. We had not anticipated doing that in a hurry and certainly in the current market conditions once again we do not think that there is an imminent reason to look at that. Having said, which interestingly enough, we have over the last two or three weeks, had some PE investors making some tentative inquiries whether may be picking up the same media reports that you referred to, approaching us. We have not spend any amount of time in detailed discussions so far.

Ms. Vandana Luthra: Thank you so much.

Moderator: Thank you very much ma'am. Next question comes from Mr. Arshad Desai from B&K Securities. Over to you sir.

Mr. Arshad Desai: Good afternoon sir. Sir, firstly on the topline. Could you let us know what percentage of our revenues come from the income from tie-up operations?

Mr. A. K. Ravi
Nedungadi: From what operations?

Mr. Arshad Desai: From the contract manufacturers and what is the decline in that income?

Mr. P. A. Murali: See, in terms of volume I can tell you because in percentage terms, I mean, it will be just about less than 25%, but in volume 45% of volume comes out of tie-up manufacturing, 55% is out of our own.

Mr. A. K. Ravi
Nedungadi: See, you must understand that our effort is to manufacture the high-end products in our in-house manufacturing unit and the majority of the contract manufacturing happens for the lower end brand. So, that is more volume-driven business.

Mr. Arshad Desai: Okay. So, are we seeing a decline in that income?

Mr. A. K. Ravi
Nedungadi: Well obviously, what we account for in our books is only the economic surplus, which is a sales value, less the input cost, less the agreed conversion cost. That is what comes into the P&L account of United Spirits. So, where there has been a spike in the input cost, the actual margin would have come down. In line with the way the margin moved in Q3 for the USL direct business as well.

- Mr. Arshad Desai: Okay. Sir, secondly, just wanted to understand how is the sourcing of our raw material inputs for United Spirits as well as a 100% subsidiary Shaw Wallace because if I go by this quarter's results, we see a much lesser margin expansion in Shaw Wallace compared to what we have seen in United Spirits.
- Mr. P. A. Murali: Shaw Wallace, I mean, is mainly because Shaw Wallace operates only in one state, in Andhra, and as Mr. Nedungadi and Mr. Rekhi explained to you earlier in the call, that is a market where we have not had any price increases where at the same time we have been hit by huge price push. Therefore, you would definitely see lot of difference between the margins in Shaw Wallace results as compared to that of USL. If that explains your question.
- Mr. Arshad Desai: Yeah fine. Sir, lastly if you could just give us some outlook on the growth for Whyte & Mackay and domestic volume growth over the next year?
- Mr. P. A. Murali: Whyte & Mackay growth on the topline would be anywhere between 5% to 7%, but then we expect to, I mean, reach that 57 to 60 million pounds of EBITDA, I mean, this year. The guidance has been at a sustainable level of EBITDA at about 60 million pounds. It holds anywhere between 57 to 60 million depending upon the market conditions.
- Mr. Arshad Desai: So, we would look at roughly around 5% to 10% EBITDA growth next year?
- Mr. P. A. Murali: Yeah, at this point in time, yeah.
- Mr. Arshad Desai: Sir, just one more question. On the IPL front, we invested roughly 25 to 30 crores from United Spirits towards A&P last year. Would that continue this year and do we see some increase in that?
- Mr. Vijay K. Rekhi: Yeah, actually what you are referring to is this sponsorship fee paid by United Spirits to Royal Challengers for carrying its name on the jersey and various other opportunities which it provides and that is the going rate for most of the franchisees and we would like to mount not only Royal Challengers as you have seen...Royal Challengers brand as you have seen last year. In addition, we have now put McDowell's, Whyte & Mackay, and White Mischief as you know brand flashes to be captured on the T-shirt as well as the trousers of the players and various other opportunities which we get with other IPL players. For example, we have contracted Rajasthan Royals to display McDowell's brand name. In Deccan Chargers also we have done some tie-up. Likewise, our sister concern, Untied Breweries, they have contracted all the eight teams in fact. So, you know, these are marketing judgment calls and the pricing at which it is determined is basically whatever is the going rate.

Mr. Arshad Desai: Okay. So there has not been any re-negotiations in these prices?

Mr. Vijay K. Rekhi: If there is re-negotiation, I am sure it will not be at any lesser price.

Mr. Arshad Desai: Okay, thanks a lot sir.

Moderator: Thank you very much sir. Next, we have Mr. Aniruddha Joshi from Anand Rathi Securities. Over to you sir.

Mr. Aniruddha Joshi: Hello sir, my line got cut I guess. So, regarding the question on advertisement, I just wanted to know what are the various below the line activities we are doing because it amounts to total of 340 crores?

Mr. Vijay K. Rekhi: Yeah, listen, you know, the total spend of 335 crores which you were referring to are divided into what are known as local activities, regional activities, and head office activities.

Mr. Aniruddha Joshi: Okay.

Mr. Vijay K. Rekhi: And they are a mixture of above the line, below the line, and events. So, I hope that gives you an adequate picture as to how the company approaches the brand building exercises.

Mr. Aniruddha Joshi: No sir, sorry. If you look at a company like probably Nestle whose ads on Nescafe or even chocolates or Magi are so easily visible. They have spent somewhere around just 194 crores. So, I could not get probably, we cannot advertise the way Nestle can do. So, still the expenditure is much, much higher. So.....

Mr. A. K. Ravi
Nedungadi: See, first of all, you cannot advertise beverage alcohol directly.

Mr. Aniruddha Joshi: Right.

Mr. A. K. Ravi
Nedungadi: We have to advertise only.....we can only flash the brand name.

Mr. Aniruddha Joshi: Right.

Mr. A. K. Ravi
Nedungadi: Without being specific about the category.

Mr. Aniruddha Joshi: Okay.

Mr. A. K. Ravi
Nedungadi: We then sponsor various events, for example, the McDowell's Derby in Bombay, which is then leveraged nationwide. Then you bring in various artists like for example, in the past Iglesias has come, Beyonce has come, and Elton John has come. You know,

we try and leverage the event in of these towns nationally. Then we sponsor various events be it the Queen's Birthday by, you know, the UK High Commissioner or the Navy Ball in Bombay or there will be activities in Chennai, in Bangalore, in Delhi, you know all over the metro towns, which are of local or regional type.

Mr. Aniruddha Joshi: Okay.

Mr. A. K. Ravi
Nedungadi:

So, I mean, what we do which is comparable to Nestle's is what you see on the television or in the press or on the billboards.

Mr. Aniruddha Joshi: Okay.

Mr. A. K. Ravi
Nedungadi:

I do not think if I can answer your question in any further detail.

Mr. Aniruddha Joshi: Okay, okay, sir. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Avnish Agarwal from Motilal Oswal Securities. Over to you sir.

Mr. Avnish Agarwal: Hi sir, I have a couple of questions.

Mr. A. K. Ravi
Nedungadi:

Go ahead.

Mr. Avnish Agarwal: My question is with regard to Whyte & Mackay numbers. We have shown PBT of 31.72 million pounds, but just two rows below that we have interest cost at US-GBP. So, I would like to know that if you have to deduct this interest cost on the PBT and secondly what will be the net profit at Whyte & Mackay level, that how much _ will be there.

Mr. P. A. Murali: Avnish, what you see a 31.72 will be at the W&M group level, okay.

Mr. Avnish Agarwal: Okay.

Mr. P. A. Murali:

If I were to I mean consolidate that balance sheet into upstream holding company, that is where we wanted to be visible, that there is another 18 million pound of interest cost residing in a upstream holding company. So, therefore, the total interest on the W&M books up to the holding company, interim holding company, would be about 31 million pounds, which we take advantage of in our tax computations in UK.

Mr. Avnish Agarwal: Okay, okay. So, if you look at the say entire acquisition of Whyte & Mackay, which we have done, so what could be the PAT from it?

Mr. P. A. Murali: What you see in there, I mean, probably you can take about anywhere between I mean, 12% to 17% of tax on the PBT number and I mean....about 7 million in terms of I mean, number is the tax. So, if you are talking of 32 million minus 18, I mean you are talking of 14 minus 7 of tax. It will be about 7 will be the tax.

Mr. Avnish Agarwal: Okay. So, it means that after accounting for the interest on the entire acquisition loan including the holding company, 7 million pounds will be the contribution from Whyte & Mackay?

Mr. P. A. Murali: Come again. Repeat the question, sorry.

Mr. Avnish Agarwal: That after accounting for the interest on the entire loan which is around 635 million pounds of loan which was taken at the time of acquisition, 7 million pounds will be the net contribution from Whyte & Mackay to the consolidated profits?

Mr. P. A. Murali: I would say up to the upstream holding company, I mean, which is USL UK Limited....it will be about 7 million pounds.

Mr. Avnish Agarwal: Okay, so after that also there will be some interest deduction which is still there?

Mr. P. A. Murali: Yeah, it will be there.

Mr. Avnish Agarwal: Okay, how much that could be sir?

Mr. P. A. Murali: That could be about 23 million dollars for last year, 23 or 24 million dollars.

Mr. Avnish Agarwal: Okay.

Mr. A. K. Ravi
Nedungadi: See, I would day, if you consolidate it at the EBITDA level....

Mr. Avnish Agarwal: Yeah.

Mr. A. K. Ravi
Nedungadi:the company generates more EBITDA than the cost of and is required to service the entire cost of acquisition.

Mr. Avnish Agarwal: Certainly sir.

Mr. A. K. Ravi
Nedungadi: It is slightly distorted by taxes which may vary from year to year because of some specific provisions. Otherwise, there is no need for example to have a 50% tax rate this year.

Mr. Avnish Agarwal: Yeah, yeah.

Mr. A. K. Ravi

Nedungadi: Which means that we also need to see why that is, but overall, we are talking about 56 million pounds being the EBITDA, sustainable as you said going forward should be somewhere between 58 and 60 million and that will more than pay for the interest cost on the entire 600 odd million pounds of the acquisition cost.

Mr. Avnish Agarwal: Thank you sir. Sir, my second question is, with regard to the gross block can you tell us how much of gross block on a consolidated basis if you have the figures?

Mr. A. K. Ravi
Nedungadi: Can we answer these kind of very specific questions one-on-one because we are really running out of time, and I do not know how many people are waiting in the queue. We are happy to note down these questions, and we will respond to you specifically if that is okay with everybody.

Mr. Avnish Agarwal: Thank you sir.

Mr. A. K. Ravi
Nedungadi: Thank you.

Moderator: Thank you very much sir. Can we go ahead with the next question sir?

Mr. A. K. Ravi
Nedungadi: We have about 15 to 20 minutes....

Moderator: Can I take the next question?

Ms. Sunita Sachdev: How many more questions, do we have in line?

Moderator: We have five more questions in the queue sir.

Mr. A. K. Ravi
Nedungadi: Okay, as we have 15 minutes.

Moderator: Sure sir. I will just go ahead with the next question. Next in line, we have Mr. Nikhil Vora from IDFC-SSKI. Over to you sir.

Mr. Nikhil Vora: Thanks, my question has been answered. Thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Jehan from B&K Securities. Over to you sir.

Mr. Jehan: Hello?

Mr. A. K. Ravi
Nedungadi: Hello.

Mr. Jehan: Yeah, sir, my questions have been answered. Thank you.

Moderator: Thank you very much sir. Next, we have Mr. Vivek Maheshwari from CLSA. Over to you sir.

Mr. Vivek Maheshwari: My questions have been answered. Thank you.
Moderator: Thank you very much sir. Next question is from Mr. Kuldeep from Kotak AMC. Over to you sir.

Mr. Kuldeep: Hi sir, good afternoon. My question is regarding the leverage. You mentioned some of the steps you have taken to de-leverage the balance sheet. I wanted to know what is the kind of or level of leverage as a company you are comfortable with and would be looking after, you know, may be a strategic partner once enter in the company?

Mr. A. K. Ravi Nedungadi: You see, if you see the history of UB Group, we have followed a particular pattern. We have tried to squeeze working capital as much as possible in order to ensure that the capital employed directly in the operations is kept to the minimum.

Mr. Kuldeep: Okay.

Mr. A. K. Ravi Nedungadi: We think that in order to sustain a business of the size of United Spirits domestically, we need something like about 12,000 to 15,000 crores by way of working capital on a sustainable basis, and that is not a problem. Now, whenever we have spotted a strategic opportunity for an acquisition, we have not hesitated to leverage and I would state here that in fact there have been many occasions in the past in UB where the level of leverage both in relation to the EBITDA earnings of the company and also in relation to the market cap had been significantly higher than what it is today, but what we are also clear of is whenever we make this acquisition we are already thinking of an interest plan and we have no occasion at all in the history of the company or of the group where we have had to sort of go through the pain of repaying the loan as per its original repayment schedule which we like to spread over many years.

Mr. Kuldeep: Right.

Mr. A. K. Ravi Nedungadi: So, I think that you would look forward and we are working actively to seeing a position where we would pre-pay a substantial portion of the acquisition debt...

Mr. Kuldeep: Okay.

Mr. A. K. Ravi

Nedungadi: There will be a specific liquidity event which all of you are aware of and I do not want to go into further details.....

Mr. Kuldeep: Yeah.

Mr. A. K. Ravi
Nedungadi:but that would then bring down the debt of the company very significantly and we should be then looking at only the funding that is required for maintenance of the working capital which I mentioned not more than 15,000 crores....

Mr. Kuldeep: Okay.

Mr. A. K. Ravi
Nedungadi:and we are also, there had been several questions about distilleries and about multi-substrate, etc., so we are looking at a medium to long term plan of investing some money into the manufacturing process to build more modern, more efficient plans....

Mr. Kuldeep: Okay.

Mr. A. K. Ravi
Nedungadi: ...to have primary distillation capabilities which can add to the profitability by squeezing some of the margins that we leave with suppliers of the extra neutral alcohol and also to move from single substrate to multi-substrate and that as I said is a two to five year plan that we are working on. So, our outlook generally is to keep leverage low, but I must say if we spot an opportunity, that is when we leverage up but will always have a liquidity event to de-leverage.

Mr. Kuldeep: Sure. Thanks sir. My second is regarding the inventory at Whyte & Mackay. What would be the value of inventory this year, probably I understand is that there are not many deals from the bulk side, but could you give some, you know, number in terms of value of inventory?

Mr. A. K. Ravi
Nedungadi: For 500 million pounds, 102 million liters of alcohol.

Mr. Kuldeep: Okay great. Thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Manish Goyal from Envision Capital. Over to you sir.

Mr. Manish Goyal: Yeah, just one question on the pension liability. You said you have a deficit of 15 million pounds. So, how have you accounted for it?

Mr. P. A. Murali: We have taken it as a liability, I mean, in the net of deferred tax.

Mr. Manish Goyal: Net of deferred tax?

Mr. P. A. Murali: Net of tax sorry....not deferred tax. Net of tax.

Mr. Manish Goyal: So, this we have taken through P&L or directly provided in the.....

Mr. P. A. Murali: No direct, UK GAAP allows it to be adjusted against the results directly.

Mr. Manish Goyal: But last year, you had.....

Mr. P. A. Murali: That is on Indian GAAP and consolidation. It has to come through P&L under Indian GAAP. So, we need to re-do this when we do that.

Mr. Manish Goyal: So, this time when you publish your consolidated numbers, you will probably do the adjustment of last year's gain?

Mr. P. A. Murali: Depending upon whatever is the treatment that we need to give under Indian GAAP, we need to look at it at that time...

Mr. Manish Goyal: No, I am not clear. So, this time, this deficit of 15 million pounds, will it be shown in consolidated P&L or not?

Mr. P. A. Murali: It has to be. If I show it in my accounts in UK, I mean, Whyte & Mackay, I will have to show it in consolidation.

Mr. Manish Goyal: Okay, thanks sir. Thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Mr. Sonu Udasi from Brick Securities. Over to you sir.

Mr. Sonu Udasi: Hi, just you know, my question is more on the volume outlook that you have. This quarter was obviously amazing for you. So, what is your outlook going forward?

Mr. Vijay K. Rekhi: You are talking of volume outlook, correct?

Mr. Sonu Udasi: Yeah, yeah, yeah, volume growth outlook, yeah.

Mr. Vijay K. Rekhi: About 12% to 13%.

Mr. Sonu Udasi: A 12% to 13%, so sir when you say 12% to 13%, you know, on a sustainable basis?

Mr. Vijay K. Rekhi: Are you asking for the current year or on a sustainable how many years?

Mr. Sonu Udasi: I mean over the next couple of years, let me put it this way...

Mr. Vijay K. Rekhi : Double digit growths are definitely possible.

Mr. Sonu Udasi: Okay, thanks, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Mr. Ashish Kacholia from Lucky Securities. Over to you sir.

Mr. Ashish Kacholia: Sir, this was a very informative call, so thanks for that. Are you going to be making available a transcript of this call?

Mr. A. K. Ravi
Nedungadi: Sunita to answer....Sunita....

Mr. Ashish Kacholia: I will just leave that as a request. I mean if you can do it, it will be ideal sir. Thank you very much.

Mr. A. K. Ravi
Nedungadi: Okay, we will take that on-board.

Moderator: Thank you very much sir. Next in line, we have Mr. Nikhil Vora from IDFC-SSKI. Over to you sir.

Mr. Nikhil Vora: Hi, just one question on Whyte & Mackay. We have done around 57 million pound EBITDA for the current year and you have guided for around 60 odd for that with the current fiscal. Why is the growth in EBITDA still not sharper than what possibly one would have envisaged given that closely around 30% of our inventory is still available for free sales when the market for scotch has been getting stronger over the last one and a half year period?

Mr. A. K. Ravi
Nedungadi: Nikhil...

Mr. Nikhil Vora: Yeah.

Mr. A. K. Ravi
Nedungadi: ...in the scotch business it is always possible to sell liquid and prop-up profits in a particular year. We have been saying strategically we want to position the company as more and more of a branded goods player.

Mr. Nikhil Vora: Right.

Mr. A. K. Ravi
Nedungadi: Currently, the principal market for Whyte & Mackay is the UK itself.

Mr. Nikhil Vora: Okay.

Mr. A. K. Ravi

Nedungadi: As you are probably aware, a vast majority of the sales of branded scotch in the UK takes place around Christmas every year. This Christmas has been subdued because of the fallout and the global meltdown and what has been happening in the UK, etc. So, may be we have seen a million, we had guided between 58 and 60, and we have come out with 57. So, it is not... given the overall situation, I think it has done rather well, but we do not want to just throw away our bulk because the basic premise on which we acquired the company, which is the demand emerging in India and the various other places, may have seen a temporary setback because of the economic scenario, but will come back in due course. So, we are conserving the liquid.

Mr. Nikhil Vora: Okay. Sir, secondly are we saying that our 40% growth in the bulk pricing is still possibly not the best that we have seen and possibly over the next couple of years, we see a stronger growth or at least a firmer price from where we are today?

Mr. A. K. Ravi Nedungadi: You see, when you are talking about bulk pricing, again as you are aware, the pricing is very specific to the maturity of the liquid.

Mr. Nikhil Vora: Right.

Mr. A. K. Ravi Nedungadi: So, simply by lying in the barrel there is a geometric progression in the value of it as opposed to the holding cost. So, in that respect, matured scotch assets are in a way, your holding cost is much lower than the value uplift because of the increased maturity.

Mr. Nikhil Vora: Okay. Okay, thanks for this sir.

Moderator: Thank you very much sir. Next in line, we have Ms. Vandana Luthra from Merrill Lynch. Over to you ma'am.

Ms. Vandana Luthra: Yeah, I wanted to understand your volume guidance a little better. You said earlier that your fourth quarter 20% plus volume growth was led because of the sharp increase in input cost because of which the smaller players had to go away from the scene. I guess since the molasses price will remain an issue for a large part of FY '10 also, so we would assume that the smaller players don't come back on to the scene. Why would then your volume growth slow down from as good a 24% rate to just a 12% rate going forward?

Mr. A. K. Ravi Nedungadi: Vandana please also understand that it is easy to look at a percentage but you are talking about growing on and ever expanding base. So, we are looking at in absolute terms an expansion this year of 12 to 15 million cases.

Mr. P. A. Murali: It is more than what the next player sells the whole year.

Ms. Vandana Luthra: Right. Could you throw some light on what is happening at Tamil Nadu, I presume the markets have been opened up for newer competitors to come in. How do you see that market panning out for you?

Mr. P. A. Murali: We are still in Tamil Nadu short of capacity Vandana. If we can get capacity, we can sell more. Therefore, I mean, the Tamil Nadu capacity, I mean, Tamil Nadu market we have huge potential and we are looking at how best to exploit it.

Mr. A. K. Ravi
Nedungadi: In fact, these new entrants are bottlers, they do not have brands, and in fact, we have tied up with more than one of them in order to manufacture for us.

Ms. Vandana Luthra: Alright, thank you so much.

Moderator: Thank you very much ma'am.

Mr. A. K. Ravi
Nedungadi: May be one last question please.

Moderator: Sure sir. At this point of time, we do not have any questions, I will hand over the floor to Ms. Sunita Sachdev for the final remarks.

Ms. Sunita Sachdev: Hi, Ravi, you wanted one last question and I have one.

Mr. A. K. Ravi
Nedungadi: Ha...ha...ha..I knew I shouldn't have spoken.

Ms. Sunita Sachdev: Okay, when do we...do we have any sort of guidance as to net of any event in terms of selling a stake in Whyte & Mackay, when do we see a stern accretive Whyte & Mackay?

Mr. A. K. Ravi
Nedungadi: You are talking on a consolidated basis here?

Ms. Sunita Sachdev: Yes.

Mr. A. K. Ravi
Nedungadi: Sunita, the only way that happens is on de-levering.

Ms. Sunita Sachdev: Okay.

Mr. A. K. Ravi
Nedungadi: And when we acquired this...you please understand that the scotch business particularly is a very long-term business because what you are selling and where the bulk of the demand for companies like ourselves and indeed the principal competitors like

Diageo and Pernod is at the 12-year, 18-year and above kind of market. So, it is never intended that we would be sort of generating money from operations to completely re-pay that acquisition debt. So, it is going to be dependent on a liquidity event. We are working hard on that liquidity event. We just do not want to hurry it through with some irrational or by a time pressure because there is no liquidity pressure on the company for meeting its strategic commitments, but that is not to say that we are slacking off in our efforts. So, I am sure that we will be in a position to make a process announcement in a reasonably short timeframe.

Ms. Sunita Sachdev: Alright. Thanks a lot to you and your entire team. I think this was pretty informative. Have a nice day.

Mr. A. K. Ravi
Nedungadi:

Thank you, thank you all.

Mr. Vijay K. Rekhi: Thank you.

Mr. P. A. Murali: Thank you.

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