

UB plans to invest more on expansion

Boom in beer sales in north India

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United Breweries, which had earmarked around Rs 300 crore for investment during the second phase of expansion, is looking at increasing its investments further to keep pace with the rapid growth of the beer industry.

The beer major had committed a total investment of around Rs 700 crore spread over a period of seven years.

In the first phase, around Rs 400 crore was earmarked and rest of the investment in the second phase. However, sources in the company told *Business Line* that the entire investment of Rs 700 crore could now collapse into four years. UB had earlier said it was fast-forwarding even the first phase of its investment.

INVESTMENT PLAN

Sources said that the company might go in for further investment because of the boom in beer sales in north India. The recent shareholders' nod for raising the investment level to Rs 1,500 crore will now come in handy as the company mulls further expansion plans, sources said. Beer sales were growing at around 20 per cent with the strong beer growing at least

twice faster than the growth of the mild beer segment.

Sources said that UB is currently studying the market and the additional capacity required before drawing up new investment plan.

The UB Chairman, Mr Vijay Mallya, has, however, ruled out inorganic growth to expand capacity in India claiming that he does not see any such opportunities in the country.

EXPLOSIVE DEMAND

In the first quarter of the current financial year, UB's net profit recorded a 100 per cent increase to Rs 27.53 crore. This was attributed to explosive demand for beer especially from the Northern States, which has lately seen far reaching regulatory changes. While operating margins were up by 26 per cent, volumes grew 23 per cent.

While Kingfisher Strong recorded a growth of 41 per cent, the industry grew at 28.8 per cent. Kingfisher mild recorded an 18 per cent growth compared with the industry growth of 20.4 per cent.

Opening of new outlets and pipeline filling had also resulted in an one-off growth of 77 per cent, as the first quarter results showed.