SANSCO SERVICES - Annual Reports Library Services - www.sansco.net



UB

United Breweries Limited

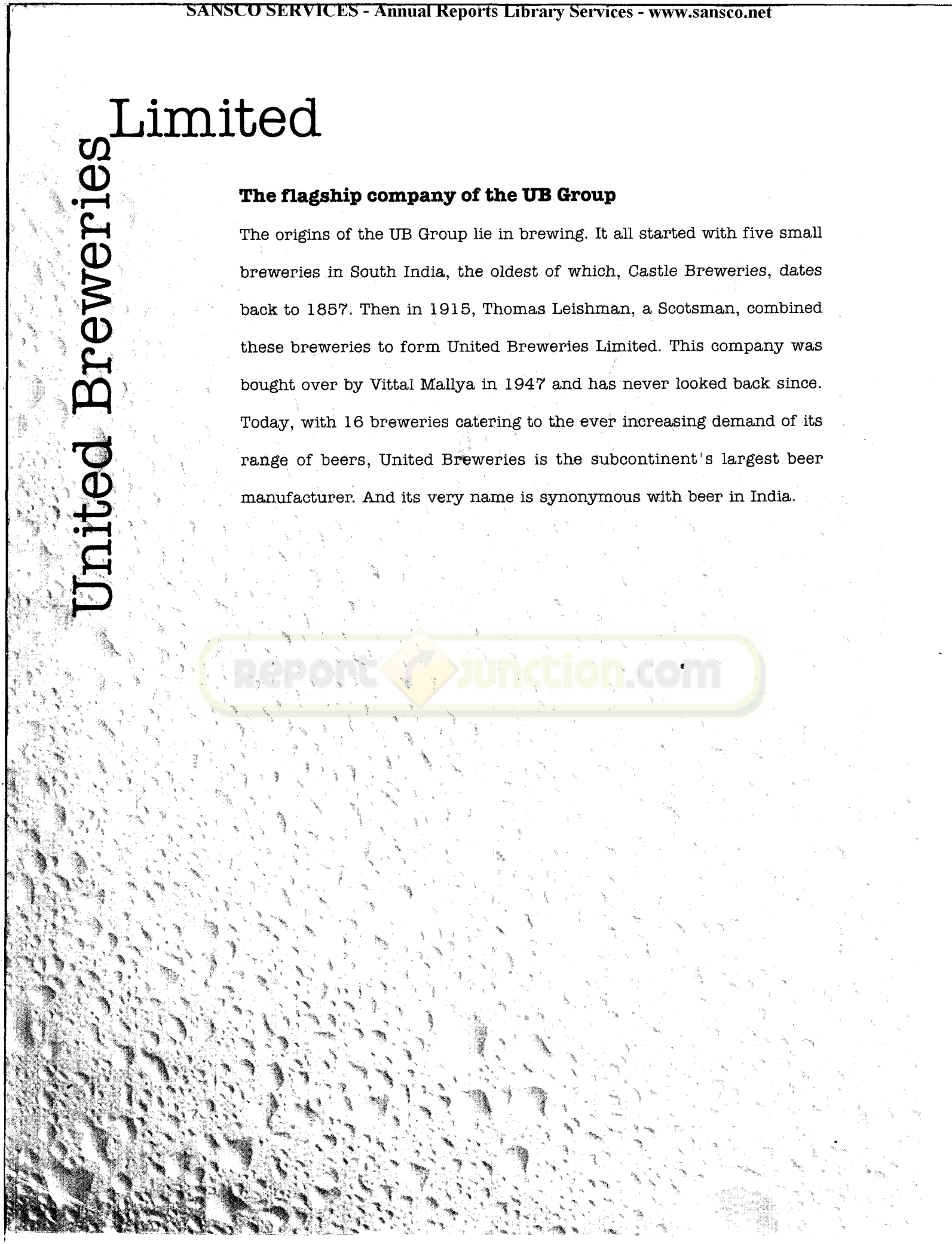
www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

United Breweries Limited

The flagship company of the UB Group

The origins of the UB Group lie in brewing. It all started with five small breweries in South India, the oldest of which, Castle Breweries, dates back to 1857. Then in 1915, Thomas Leishman, a Scotsman, combined these breweries to form United Breweries Limited. This company was bought over by Vittal Mallya in 1947 and has never looked back since. Today, with 16 breweries catering to the ever increasing demand of its range of beers, United Breweries is the subcontinent's largest beer manufacturer. And its very name is synonymous with beer in India.



www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Service

DIRECTORS

Vijay Mallya, Chairman

Morris Mathias

Shrikant Gordhandas Ruparel

Mani Narayanaswami

N. Srinivasan

T. S. Narayana Rao

COMPANY SECRETARY

P. Subramani

AUDITORS

Fraser & Ross

Chartered Accountants

Bangalore

LEGAL ADVISORS

Crawford Bayley & Co.

Solicitors, Advocates & Notaries

Mumbai

REGISTERED OFFICE

1/1 Vittal Mallya Road

Bangalore 560 001



www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Chairman's Statement

Dear Shareholders,

We meet at this Annual General Meeting in the aftermath of a "war like situation" with Pakistan and the third general elections in the country in five years. Uncertainty has dogged the country's footsteps both politically and economically over the last several years, which had resulted in a recession cutting across all segments of the economy. Despite an unprecedented (eleventh) consecutive year of good monsoons and broad consensus on the need for the economic integration of our country with the rest of the world, political vagaries have repeatedly nipped the buds of economic resurgence.

The first wave of liberalization opened the doors of the economy to foreign competition, but the lack of long term political stability has prevented the institution of desirable checks and balances and the establishment of required infrastructure to make the Indian industry resilient enough to face emerging competition.

In every industrial sector, the largest business houses embraced joint ventures with foreign multinationals a few years ago. Today a mere handful remain and the majority of such "joint" ventures have been bought out by the foreign multinationals, who, along with their deep pockets, have brought international brands and cutting edge technology into the country.

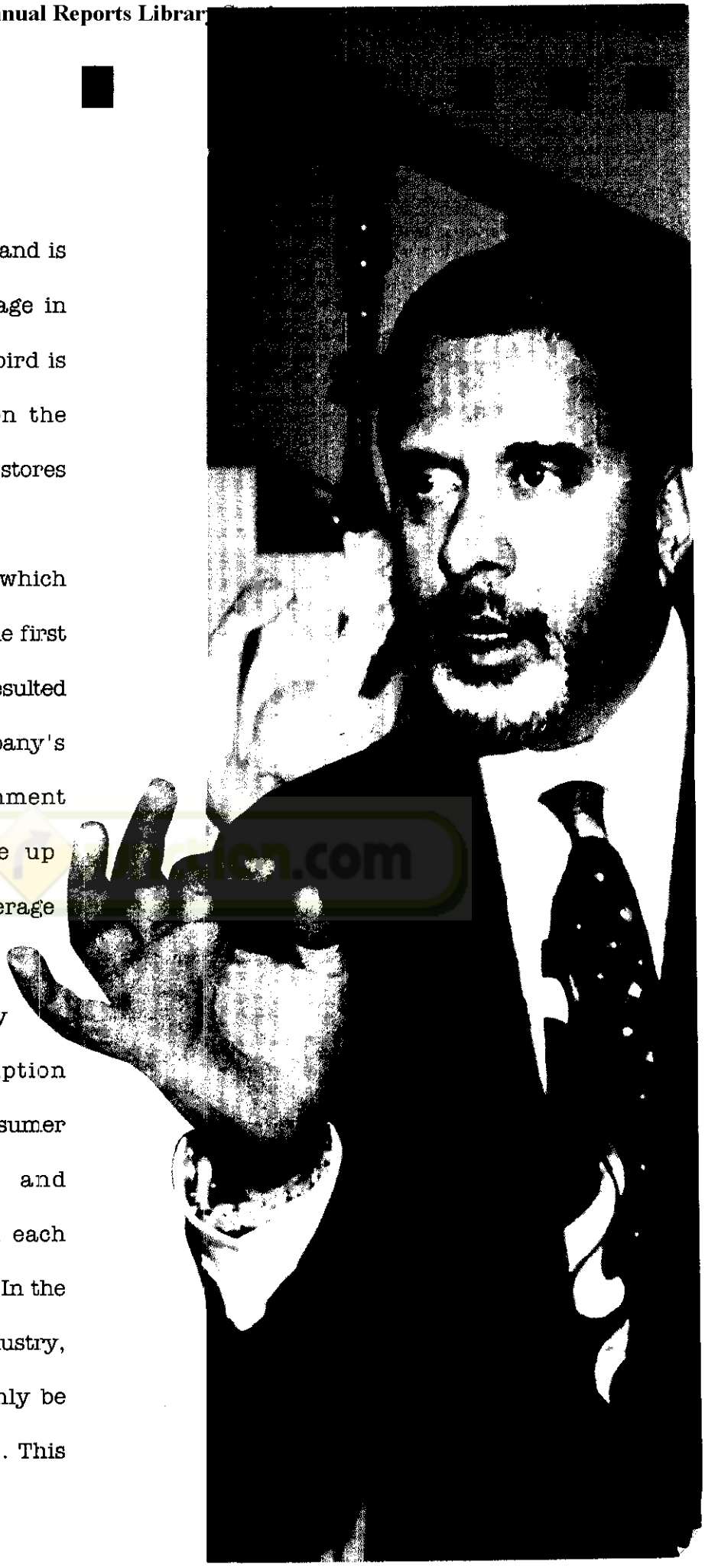
Over this landscape, Kingfisher flies proud as an Indian brand, which has now become truly global in its character and presence. Not only is Kingfisher, which alone accounts for a quarter of all beer sold in India, the first choice in its home country but is also preferred in nearly forty countries around the world. Kingfisher remains one of the

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library

fastest growing beers in the UK and is fast becoming a popular beverage in many European countries. The bird is also increasing its presence on the shelves of restaurants and liquor stores across America.

Harsh operating conditions, which prevailed through 1998-99 and the first quarter of the current year has resulted in a temporary blip in your company's performance. Adverse government policies, which seek to drive up revenues from the Alcohol Beverage sector to bridge their fiscal deficits, have resulted in a very perceptible shift in consumption patterns. The average Indian consumer looks at value for money and manufacturers are vying with each other to meet these expectations. In the case of the Alcoholic Beverage industry, this value for money can roughly be translated as 'kick for the buck'. This



www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Chairman's Statement

tendency particularly in the context of an economic recession has led to an increasing shift of mild or regular beer drinkers to strong beer and spirits across all geographical sectors of the country. This is further reinforced by irrational levy structures, which, in several states, make a bottle of beer more expensive than some brands of spirit.

"Kalyani Black Label Strong Beer which was relaunched in 1997-98 has recorded exceptional growth of 54% over the previous year."

A radical rethinking of Government policy towards the brewing industry is called for in order to differentiate beer from the spirits industry. With the worrying trends occasioned by emerging consumption patterns, the Government of India, Ministry of Food Processing Industries has initiated a process of dialogue with industry leaders. Your company is taking the lead in putting together a position paper for the Government's review of licensing and excise policies for the industry. In addition, hectic lobbying efforts are being continued with various State Governments, who have, themselves acknowledged a significant drop in revenue collections as a result of lower beer sales.

Recognizing that strong beer is emerging as a major growth segment of the overall brewing industry, United Breweries has launched a portfolio of strong beers - with a difference. After spending months on research on both the product and the market platform, specially crafted strong beers from the UB stable have been launched and have made significant dents in the competition in this sector within months. Kalyani Black Label Strong Beer which was relaunched in 1997-98 has recorded exceptional growth of 54% over the previous year. Kingfisher Strong Premium beer, with its attractive packing

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

and superior taste, has had a sensational commercial launch from May 1999.

Initial reactions to these moves have been extremely positive and the management aspires to make your company's presence dominant in the strong beer segment similar to Kingfisher in the mild beer segment. It is worth my mentioning that within two months of initial launch, Kingfisher Strong Premium beer has already become the second largest selling strong beer brand in the key states of Maharashtra and Karnataka.

The excitement created by UB Ice in the Mumbai market where it was introduced has encouraged your company to extend the distribution of this premium product into other markets such as Goa, West Bengal and Karnataka. Your company will continue to launch niche products in the marketplace as well as establish itself as the drink of choice among the younger generation.

In the coming year, your company will focus upon refurbishing the flagship Kingfisher brand and simultaneously extend its forays into strong beer on a nationwide basis. New graphics and improved packaging will be the hallmarks of the Kingfisher family in 1999-2000. Simultaneously, a comprehensive communication package has been drawn up for both print and electronic media to enhance the equity of the brand. Kingfisher continues to create waves in cyberspace and your company has bagged the Golden Abby award for the best Indian website at the Advertising Club Awards held in Mumbai recently. Kingfisher continues its sponsorship of various sporting personalities. Ajay Jadeja, Narain

"Kingfisher Strong Premium beer has already become the second largest selling strong beer brand in the key states of Maharashtra and Karnataka."

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Chairman's Statement

Karthikeyan and the Kingfisher East Bengal Football team are all proof that Kingfisher chooses winners as much as winners choose Kingfisher.

Moving on to the non-beer businesses, United Breweries has substantially divested its multifarious operations and proposes to focus increasingly on its core businesses. Your company proposes to direct both finances and managerial talents towards extending its areas of core competence rather than to diversify into unrelated areas of business. During the year under review your company divested its holdings in two of its subsidiaries apart from judiciously selling some of its investment holdings at attractive prices.

"Decisive action by management has helped to bring this company into profits."

You are aware that your company has made a significant investment in National Sorghum Breweries Ltd. South Africa, which is one of the largest majority Black owned enterprises in that country. Decisive action by management has helped to bring this company into profits through the twin approach of improving operations and reducing costs. Current initiatives under progress are likely to result in a further enhancement of National Sorghum Breweries' hold over the market and it is expected that this investment will be a source of continuing profits and cash flows to United Breweries in addition to significant capital appreciation.

"United Breweries has substantially divested its multifarious operations and proposes to focus increasingly on its core businesses."

Your company's investments portfolio has increased significantly from Rs. 2426 million in the previous year to Rs. 5403 million at the time of my report. This directly follows the vastly improved financial performance of some of your affiliated companies noteworthy

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

The Management Team

Vijay Mallya
Chairman



Kalyan Ganguly
President





Brian T. Little,
Executive Vice President - Technical

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

among them being AgrEvo India Ltd., McDowell & Co. Ltd., and Mangalore Chemicals and Fertilisers Ltd.

I have mentioned in the past that your company will seek avenues to unlock value in the business. The large real estate owned by your company at a prime location in Bangalore is an obvious choice for releasing locked up value for the benefit of all shareholders. We have commissioned external consultants to evaluate the modalities of identifying a suitable partner to develop this real estate as a multiuse complex comprising a hotel, commercial and retail space, entertainment and residential/service apartments.

It is not necessary to emphasize the leadership of your company in the brewing industry and through its investments in McDowell and Herbertsons, in the spirits industry as well. As a composite entity, the UB Group is a significant world player in the beverage alcohol industry possessing both brands and technology, which are world class. The somewhat turbulent times that we are presently facing will pass and your company will emerge stronger and more resilient to grasp the opportunities that will be provided to us in the new millennium.

In conclusion, I wish to express my thanks to all my colleagues, the Board and the management team for their support and contribution during the year. Shareholders, suppliers, customers, the financial community and employees have all contributed to UB's leadership position and I would like to thank them all.

Yours sincerely,

VIJAY MALLYA

"As a composite entity, the UB Group is a significant world player in the beverage alcohol industry."

"... your company will emerge stronger and more resilient to grasp the opportunities that will be provided to us in the new millennium."

www.reportjunction.com