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United Breweries reported a 9.8% drop in quarterly profit.

Higher spending on raw materials, packaging and excise duty outpaced revenue growth during India’s strongest quarter for beer sales.

Wednesday, August 5, 2026



United Breweries, India’s biggest brewer and a company majority-owned by Heineken, reported lower quarterly profit on Tuesday even as revenue rose, as higher spending on raw materials, packaging and excise duty outpaced sales growth during the peak beer season.

Net profit for the quarter ended June 30 fell to 1.66 billion rupees, or about $17.4 million, from 1.84 billion rupees a year earlier. The decline of 180 million rupees amounted to 9.8%, a setback in a period that is usually the strongest of the year for brewers in India because of warmer weather and higher consumption.

Revenue from operations increased 10% to 59.17 billion rupees. The company said sales were helped by price increases and double-digit growth in the beer category. But that rise was not enough to offset a faster increase in costs.

Total expenses climbed 11.7% to 57.43 billion rupees, growing 1.7 percentage points faster than revenue. The cost of materials consumed rose 6.4%, while excise duty increased 13.4%, adding pressure to margins. The company also pointed to higher prices for packaging materials, including glass and aluminum.

United Breweries said those packaging costs were affected by the Middle East crisis, which has raised input prices for manufacturers across several sectors. The company’s latest results show how those pressures are reaching India’s beer market even as demand remains firm.

The figures underline the limits of price-led growth in a business where taxes and commodity costs can move quickly. In India, alcohol is regulated state by state, and brewers have often argued that high taxes and delays in price approvals make it harder to pass on rising costs. For United Breweries, that challenge was visible in the latest quarter: sales expanded, but profit still fell.

Competition also remained a factor. Indian beer demand has been growing, helped by urban consumption and premiumization, but the market has become more contested as brewers push for share in both mainstream and higher-priced brands. That has left companies trying to balance volume growth with pricing, while absorbing higher costs for inputs and distribution.

The results are specific to United Breweries and do not represent the full Indian beer market. Still, the company’s performance is closely watched because of its scale and its link to Heineken, which has used India as an important growth market. A weaker profit outcome in the April-to-June period, usually the most favorable quarter for the industry,

suggests that cost inflation remains a serious concern even when demand is relatively strong.

Vivek Gupta, the company’s chief executive, said inflationary pressure on the cost base was expected to continue over the coming quarters amid an uncertain macroeconomic environment. That outlook suggests the company may continue to rely on price increases and product mix to protect margins, while facing persistent pressure from materials, packaging and taxes.