corp **VARUN BEVERAGES LIMITED**

Corporate Off : Plot No.31, Institutional Area, Sec.-44, Gurgaon, Haryana-122002 (India)
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CIN No. : L74899DL1995PLC069839

October 25, 2018

To,

BSE Limited Phiroze Jeejeebhoy Towers , Dalal Street, Mumbai – 400 001 **Email:** corp.relations@bseindia.com **Security Code: 540180**	National Stock Exchange of India Ltd. Exchange Plaza, Block G, C/1, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 **Email** :cmlist@nse.co.in **Symbol : VBL**

Sub: Conference Call with Investors/ Analysts

In continuation of our earlier letter dated October 22, 2018 regarding the Conference Call with Investors/ Analysts on Thursday, October 25, 2018 at 4.00 P.M. (IST), please find attached a copy of the Results Presentation on Unaudited Financial Results for the Quarter ended September 30, 2018.

Kindly upload the same on your websites. The same is also being uploaded on website of the Company.

Yours faithfully,
For Varun Beverages Limited

VARUN BEVERAGES LIMITED ★ NEW DELHI

Ravi Batra
Chief Risk Officer &
Group Company Secretary

Encl. As Above

October 25, 2018

(a PepsiCo franchisee)

Varun Beverages Limited

Q3 & 9M 2018 Results Presentation

Disclaimer

(a PepsiCo franchisee)

Certain statements in this communication may be 'forward looking statements' within the meaning of applicable laws and regulations. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India and overseas, tax laws, import duties, litigation and labour relations.

Varun Beverages Limited (VBL) will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

Table of Content

(a PepsiCo franchisee)

Company Snapshot

(a PepsiCo franchisee)

Key player in the beverage industry

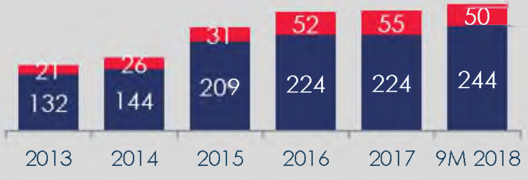
Operations spanning across **6 countries** – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contribute ~**90%** to revenues; 3 in Africa (Morocco, Zambia, Zimbabwe) contribute ~10% for fiscal year 2017

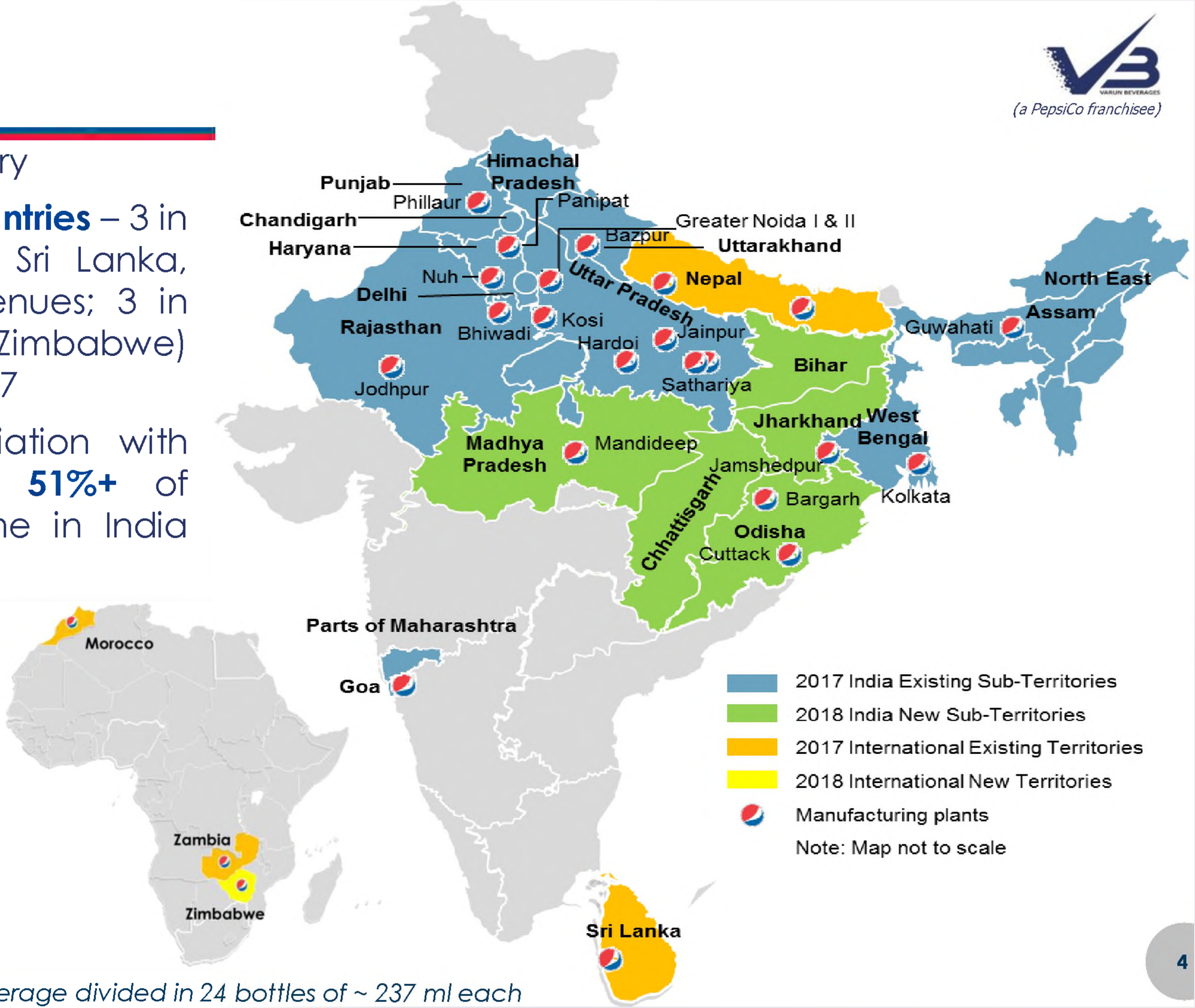
Over **25** years strategic association with PepsiCo – accounting for ~ **51%+** of PepsiCo's beverage sales volume in India and present in 21 States and 2 UTs

Total Sales Volumes (MN Cases*)

2013-2017:

Sales Volume CAGR: ~16.2%





Note: **A unit case is equal to 5.678 liters of beverage divided in 24 bottles of ~ 237 ml each*

Brands licensed by PepsiCo

(a PepsiCo franchisee)

Manufacturing & Distribution:

Carbonated Soft Drinks

Fruit Pulp / Juice Based Drinks

Energy Drink

Packaged Water

Carbonated Juice Based Drinks

Distribution:

Fruit Pulp / Juice Based Drinks

Sports Drink

Dairy

Key Player in the Beverage Industry – Business Model

(a PepsiCo franchisee)

VBL- END-TO-END EXECUTION ACROSS VALUE CHAIN

MANUFACTURING Concentrate (PepsiCo) / Other Raw Materials / Bottling	▪ 26 state-of-the-art production facilities	**SOLID INRASTRUCTURE**
DISTRUBUTION & WAREHOUSING	▪ 72 owned depots ▪ 2,100+ owned vehicles ▪ 1,000+ primary distributors	**ROBUST SUPPLY CHAIN**
CUSTOMER MANAGEMENT	▪ VBL - local level promotion and in-store activation ▪ Installed 474,500 visi-coolers ▪ PepsiCo - brand development & consumer marketing	**DEMAND DELIVERY**
IN-MARKET EXECUTION	▪ Experienced region-specific sales team ▪ Responsible for category value/volume growth ▪ Responsible for reaching out to ~1/8th of the world's population	**MARKET SHARE GAINS**
COST EFFICIENCIES	▪ Production optimization ▪ Backward integration ▪ Innovation (packaging etc)	**MARGIN EXPANSION**
CASH MANAGEMENT	▪ Working capital efficiencies ▪ Disciplined capex investment ▪ Territory acquisition	**ROE EXPANSION / FUTURE GROWTH**

Symbiotic Relationship with PepsiCo

(a PepsiCo franchisee)

VBL – Demand Delivery

- Investment in Production Facilities – Manufacturing plants
- Sales & Distribution – Vehicles
- In-outlet Management – Visi-Coolers
- Market Share Gains – Consumer Push Management

PepsiCo – Demand Creation

- Owner of Trademarks
- Investment in R&D – Product & Packaging innovation
- Formulation through Concentrate
- Brand Development – Consumer Pull Management

Chairman's Message

(a PepsiCo franchisee)

Commenting on the performance for Q3 & 9M 2018, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

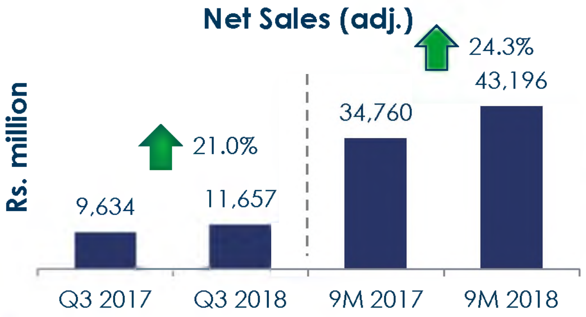
"We are happy to report another strong quarter with revenue growth of 21% YoY and net profit growth of 31% YoY led by robust volume growth of 17.2% and value growth of ~3.8%. Strong organic volume growth trend has continued in India at 9.3% in Q3 2018, despite marginal impact on account of shift of the festive season this year to Q4.

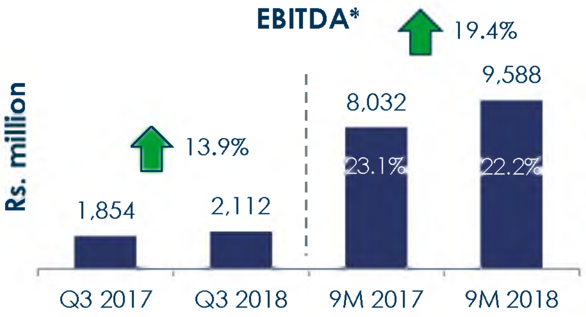
We are enthused by our performance this year as we have reverted to our historical growth trends. For the nine months ended 30th September, 2018, revenue grew 24% YoY led by robust volume growth of 19.8% and value growth of ~4.5%, driven by the introduction of higher realization products like Sting and Tropicana. Our India business has delivered organic volume growth of 11.7% during this period on the back of strong peak season sales. PAT increased by 31% YoY driven by strong volumes in India as well as in international operations.

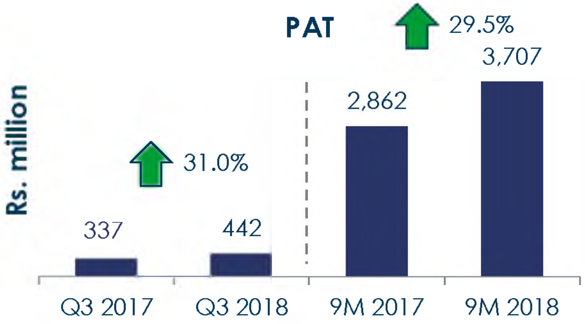
The demand environment continues to be robust. We are on a strong footing and proceeding as per our strategic roadmap of driving profitable growth. We will be focused on un-locking value from the recently acquired, under-penetrated sub-territories in India by strengthening distribution, installing visi-coolers, driving volumes, gaining market share and see significant operating leverage going forward. Further, our customer-centric approach, new product innovations and the Tropicana juice portfolio augur well for our long term prospects."

Performance Highlights

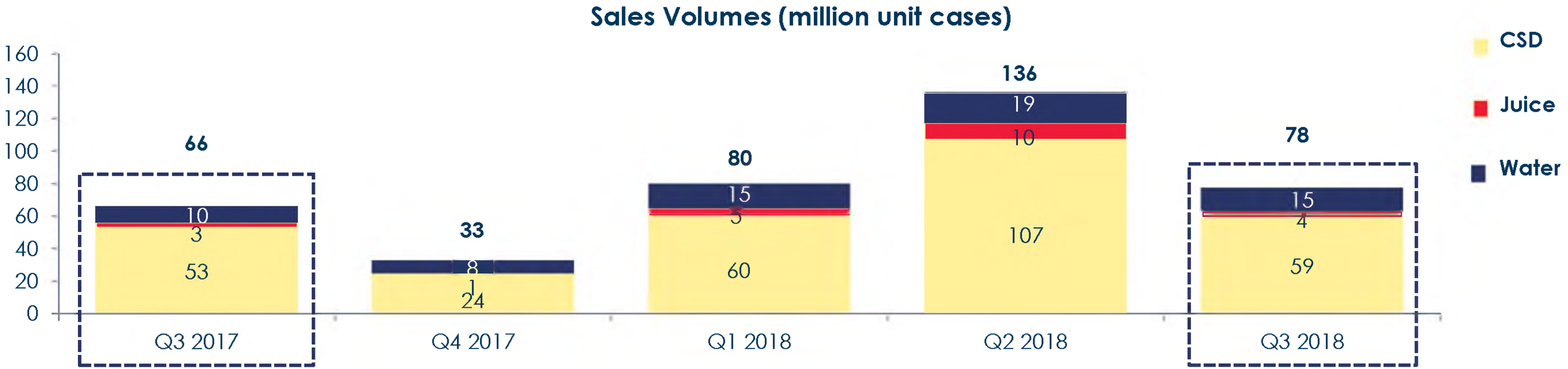
(a PepsiCo franchisee)







Note: *Underlying margins have improved in existing as well as recently acquired territories. Blended EBITDA margins declined 91 bps YoY to 22.2% due to sub-optimal volumes/margins in acquired sub-territories and contribution from the Tropicana juice portfolio, where at present VBL has only a supply and distribution arrangement, and not manufacturing.



Discussion on Financial & Operational Performance – Q3 & 9M CY2018

(a PepsiCo franchisee)

Revenues

- Revenue from operations (net of excise / GST) grew 21.0% YoY in Q3 2018 to Rs. 11,657 million led by volume growth of 17.2% and value growth of ~ 3.8%
- For 9M 2018, Revenue from operations (net of excise / GST) grew 24.3% YoY to Rs. 43,196 million led by robust volume growth of 19.8% and value growth of ~ 4.5%
- Introduction of higher realization products (Sting, Tropicana, etc.) and reclassification of freight cost (instead of netting off from revenue) have resulted in value growth

Sales Volumes

- Total sales volume were up 17.2% YoY at 77.5 million unit cases in Q3 2018 as compared to 66.1 million unit cases in Q3 2017
- Total sales volume were up 19.8% YoY at 294.3 million unit cases in 9M 2018 as compared to 245.8 million unit cases in 9M 2017
- Strong organic volume growth trend has continued in India at 9.3% in Q3 2018 and 11.7% in 9M 2018. The marginal slowdown is due to delayed festive season as compared to last year
- During 9M 2018, CSD constituted 77%, Juice – 6% and Packaged Drinking water – 17% of total sales volumes

Operating Margins

- Gross margins remained stable at 54.8% YoY during Q3 2018 and there is an improvement of 79 bps during 9M 2018 over 9M 2017
- EBITDA increased by 13.9% to Rs. 2,112 million in Q3 2018 from Rs. 1,854 million in Q3 2017; underlying margins have improved in existing and recently acquired territories
- Blended EBITDA margins declined 91 bps YoY during 9M 2018 to 22.2% due to sub-optimal volumes/margins in acquired sub-territories and contribution from the Tropicana juice portfolio, where at present VBL has only a supply and distribution arrangement, and not manufacturing

Profit After Tax

- PAT increased by 31.0% to Rs. 442 million in Q3 2018 from Rs. 337 million in Q3 2017 on the back of robust volume growth in India as well as in International operations
- Depreciation has increased during the quarter on account of in-organic expansion
- Increase in organic volumes and consolidation of contiguous territories are gradually bringing in operational efficiencies

Profit & Loss Statement

(a PepsiCo franchisee)

Particulars (Rs. million)	Q3 2018	Q3 2017	YoY(%)	9M 2018	9M 2017	YoY (%)
1. Income						
(a) Revenue from operations ***(refer slide-12)***	12,044.71	9,880.20	21.9%	44,239.90	39,729.14	11.4%
(b) Other income	5.73	28.92	-80.2%	90.84	210.95	-56.9%
Total income	**12,050.44**	**9,909.12**	**21.6%**	**44,330.74**	**39,940.09**	**11.0%**
2. Expenses						
(a) Cost of materials consumed	4,525.25	4,003.81	13.0%	18,477.44	16,070.04	15.0%
(b) Excise duty	387.34	245.72	57.6%	1,043.52	4,968.74	-79.0%
(c) Purchase of stock-in-trade	619.02	34.64	1687.0%	1,582.09	215.51	634.1%
(d) Changes in inventories of FG, WIP and stock-in-trade	122.67	313.79	-60.9%	(288.18)	(102.72)	180.5%
(e) Employee benefits expense	1,486.14	1,199.60	23.9%	4,383.00	3,470.76	26.3%
(f) Finance costs	471.59	516.11	-8.6%	1,588.40	1,595.59	-0.5%
(g) Depreciation and amortisation expense	999.03	878.51	13.7%	2,910.06	2,586.36	12.5%
(h) Other expenses	2,791.88	2,228.33	25.3%	9,454.10	7,075.14	33.6%
Total expenses	**11,402.92**	**9,420.51**	**21.0%**	**39,150.43**	**35,879.42**	**9.1%**
3. Profit/(loss) before tax and share of profit in associate (1-2)	647.52	488.61	32.5%	5,180.31	4,060.67	27.6%
4. Share of profit in associate	6.01	0.97	519.4%	23.60	8.90	165.2%
5. Profit/(loss) before tax (3+4)	653.53	489.58	33.5%	5,203.91	4,069.57	27.9%
6. Tax expense	211.95	152.48	39.0%	1,497.06	1,207.69	24.0%
7. Net profit/(loss) for the period (5-6)	**441.58**	**337.10**	**31.0%**	**3,706.85**	**2,861.88**	**29.5%**

Note: Given the seasonality in the business, it is best to monitor the business on an annual basis as a significant portion of the revenues are realized in the Apr-June quarter

GST Impact on Sales from Operations

(a PepsiCo franchisee)

Consequent to the introduction of Goods and Service Tax (GST) with effect from July 01, 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, unlike Excise Duties, levies like GST, VAT, etc. do not form part of Revenue. Accordingly, the figures for the period up to June 30, 2017 are not strictly comparable to those thereafter which were gross of excise duty.

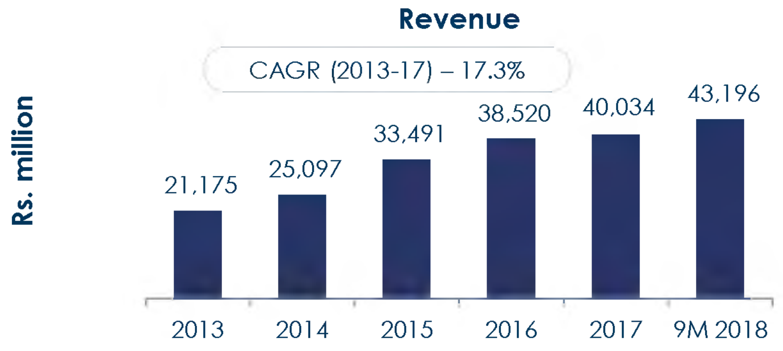
The following additional information is being provided to facilitate such understanding:

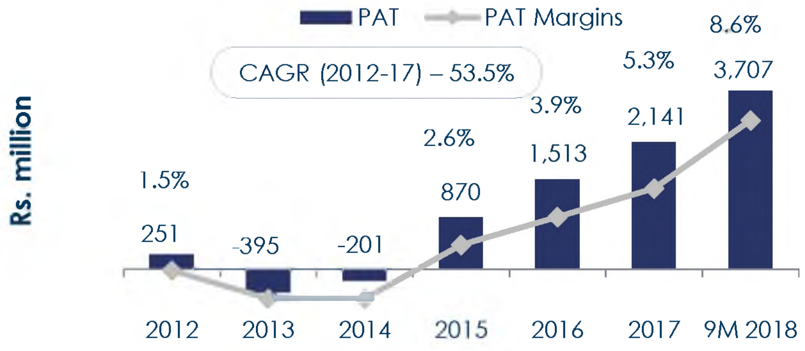
(Rs. million)	Q3 2018*	Q3 2017	Change	9M 2018*	9M 2017	Change
Gross sales/income from operations (A)	12,044.7	9,880.2	21.9%	44,239.9	39,729.1	11.4%
Excise duty on sale (B)	387.3	245.7	57.6%	1,043.5	4,968.7	-79.0%
Net sales from operations (A-B)	**11,657.4**	**9,634.5**	**21.0%**	**43,196.4**	**34,760.4**	**24.3%**
EBITDA	2,112.4	1,854.3	13.9%	9,587.9	8,031.7	19.4%
Net profit for the period	441.6	337.1	31.0%	3,706.9	2,861.9	29.5%

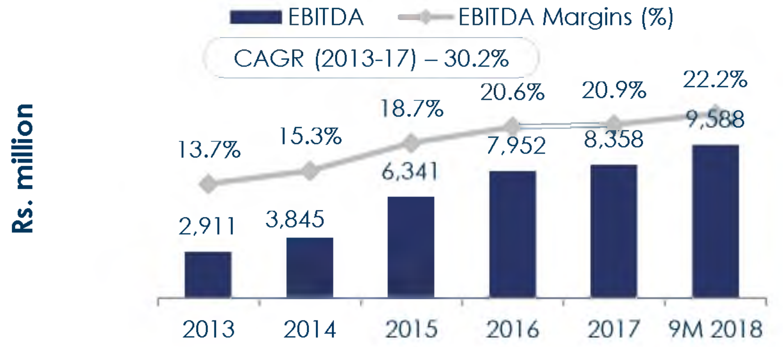
Note: **Excise duty has been merged with GST from Q3 2017 onwards in India. Current number is pertaining to excise duty and other similar taxes in jurisdiction other than India*

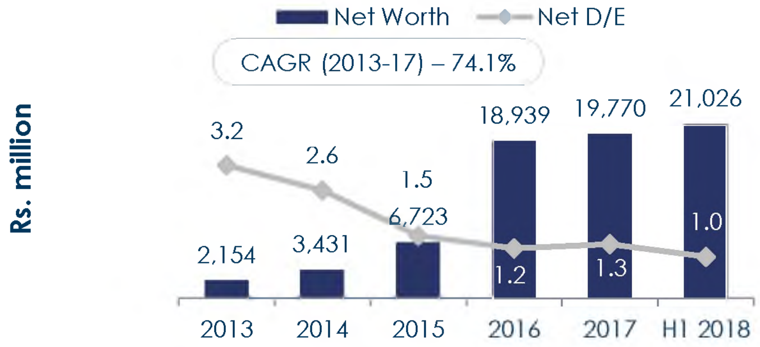
Financial Highlights (2013 – 9M 2018)

(a PepsiCo franchisee)









Note:

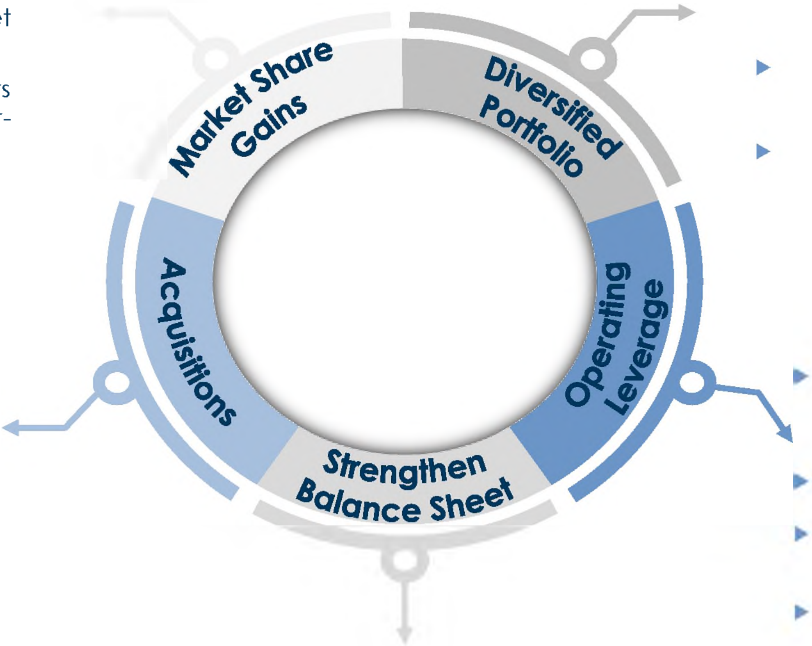
1. *Historically, till 2015, in debt equity ratio calculation, CCD's issued to Private Equity Investors were considered as Equity and deferred acquisition consideration to PepsiCo was excluded from the debt. From the year 2016, CCDs of private equity investors are converted into equity and interest free deferred acquisition consideration to PepsiCo has been considered in total debt.*
2. *2017 onwards financials are as per Ind AS and previous year numbers are as per IGAAP*
3. *All charts are updated till 9M 2018 except the chart for Net Worth and Net D/E as the 9M Balance Sheet numbers are not published*

Outlook

(a PepsiCo franchisee)

- Well-positioned to leverage PepsiCo brand to increase market penetration in licensed territories
- Consolidating existing distributors and increasing distribution in under-penetrated regions

- To periodically launch innovative products in select markets in line with changing consumer preferences
- Focus on non-cola carbonated beverages and NCB's
- Bottled water provides significant growth opportunity



- Penetrate newer geographies – to compliment existing operations in India
- Identify strategic consolidation opportunities in South Asia / Africa

- Contiguous territories / markets offer better operating leverage and asset utilization – economies of scale
- Production and logistics optimization
- Packaging synchronization and innovations
- Technology use to improve sales and operations processes

- Repayment of debt through strong cash generation
- To enable significant interest cost savings

Conference Call Details

(a PepsiCo franchisee)

Varun Beverages Limited (VBL) Q3 & 9M CY2018 Earnings Conference Call

Time	• 4:00 pm IST on Thursday, October 25, 2018
Conference dial-in Primary number	• +91 22 6280 1141 / +91 22 7115 8042
Local access number	• +91 70456 71221
International Toll Free Number	• Hong Kong: 800 964 448 • Singapore: 800 101 2045 • UK: 0 808 101 1573 • USA: 1 866 746 2133

About Us

(a PepsiCo franchisee)

Varun Beverages Limited (VBL) is a key player in beverage industry and one of the largest franchisee of PepsiCo in the world (outside USA). The Company produces and distributes a wide range of carbonated soft drinks (CSDs), as well as a large selection of non-carbonated beverages (NCBs), including packaged drinking water sold under trademarks owned by PepsiCo. PepsiCo CSD brands produced and sold by VBL include Pepsi, Diet Pepsi, Seven-Up, Mirinda Orange, Mirinda Lemon, Mountain Dew, Seven-Up Nimbooz Masala Soda, Evervess, Sting, Gatorade and Slice Fizzy Drinks. PepsiCo NCB brands produced and sold by the Company include Tropicana Slice, Tropicana Frutz, Tropicana Juices (100%, Delight, Essentials), Nimbooz, Quaker Value-Added Dairy as well as packaged drinking water under the brand Aquafina.

VBL has been associated with PepsiCo since the 1990s and have over two and half decades consolidated its business association with PepsiCo, increasing the number of licensed territories and sub-territories covered by the Company, producing and distributing a wider range of PepsiCo beverages, introducing various SKUs in the portfolio, and expanding the distribution network. As on date, VBL has been granted franchises for various PepsiCo products across 21 States and two Union Territories in India. India is the largest market and contributed ~75% of revenues from operations (net) in Fiscal 2017. VBL has also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe.

*For more information about us, please visit **www.varunpepsi.com** or contact:*

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Thank You!