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February 10, 2023

To,

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**	BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001 Email: corp.relations@bseindia.com **Security Code: 540180**

Sub: Regulation 30: Transcript of Investors & Analysts Conference Call

Dear Sir/Madam,

Transcript of Investors & Analysts Conference Call held on February 6, 2023 post declaration of Audited Financial Results of the Company for the Quarter and Financial Year ended December 31, 2022 is enclosed.

The same is also being uploaded on website of the Company at www.varunpepsi.com.

You are requested to take the above on record.

Yours faithfully,
For Varun Beverages Limited

RAVI BATRA Digitally signed by RAVI BATRA Date: 2023.02.10 17:26:25 +05'30'

Varun Beverages Limited New Delhi

Ravi Batra
Chief Risk Officer & Group Company Secretary

Encl.: As above

Varun Beverages Limited
Q4 & CY2022 Earnings Conference Call Transcript
February 06, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Varun Beverages Limited Earnings Conference Call.

As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal the operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you.

Anoop Poojari: Good afternoon, everyone, and thank you for joining us on Varun Beverages Q4 & CY2022 Earnings Conference Call. We have with us Mr. Ravi Jaipuria – Chairman of the Company; Mr. Varun Jaipuria – Executive Vice Chairman & Whole-Time Director and Mr. Raj Gandhi – Group CFO & Whole-Time Director of the Company.

We will initiate the call with opening remarks from the management, following which we'll have the forum open for a question-and-answer session.

Before we begin, I would like to state that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the results presentation shared with you earlier.

I would now request Mr. Ravi Jaipuria to make his opening remarks.

Ravi Jaipuria: Good afternoon, everyone and thank you for joining us on our earnings conference call. I hope all of you had the opportunity to go through our results presentation that provides details of our operational and financial performance for the fourth quarter and full year ended December 31st, 2022.

We are pleased to close the year on a strong note with exceptional operational and financial performance reported throughout CY2022. The strong recovery in demand post the pandemic and our continued efforts towards expanding the distribution network across markets resulted in a 41% growth in consolidated sales volume. Additionally, we achieved growth in realization per unit through strategic measures such as selective price hikes, rationalized discounts & incentives and improved product mix. This allowed us to deliver revenue growth of 49% and PAT growth of 108% year-on-year on a consolidated basis in CY2022.

We are excited to share that our energy drink Sting had a remarkable year contributing significantly to both volumes and realization growth. As the product is in an expanding category, we anticipate a strong performance to sustain in the coming year. Our recent launches in the value-added dairy segment have also been well received by consumers and we are confident that these products will continue to drive growth in the future.

As a leading beverage, serving over 1.3 billion customers globally through our extensive network of over 3 million retail outlets, we take our responsibility to the environment seriously. We are committed to sustainable & responsible operations and have taken a proactive stance in promoting sustainability in the beverage industry. Our aim is to minimize our impact on the environment and foster sustainable practices throughout our supply chain.

Looking forward we aim to further strengthen our position as a key player in the beverage industry by leveraging our strong presence in fast-growing markets, solid infrastructure, and well-established distribution network. Our focus remains on delivering high quality products, further expanding our reach in key markets and capitalizing on new opportunities to create sustainable long-term value for all stakeholders.

I would now invite Mr. Gandhi to provide the highlights of the operation and financial performance. Thank you very much.

Raj Gandhi: Thank you Mr. Chairman. Good afternoon and a warm welcome to everyone joining us today. Let me provide an overview of the financial performance for the fourth quarter and year ended 31st December 2022.

Revenue from operations adjusted for excise/GST grew by 27.7% year-on-year in Q4 CY2022 to Rs. 22,142 million. Sales volume grew by 17.8% in Q4 CY22 to 132 million cases and for CY2022, total sales volume grew by 40.9% to 802 million cases driven by strong performance in India as well as international territories.

In the CY2022 net realization per case improved by 6% to Rs.164, primarily driven by price hike in select SKUs, rationalized discount & incentives and improvements in mix of smaller SKUs especially the energy drink Sting which has a higher net realization. The mix of Sting in our sales volumes continues to grow exponentially to about 9.6% of total mix in India for the year. This is leading to improvement in net realization as well. On the profit front, despite inflationary pressures on raw material costs, gross margins were minimally impacted during the year due to early stocking of crucial raw materials and an increase in realization.

During the year gross margins declined by 180 basis points to the level of 52.5% primarily due to a surge in preform prices by more than 30%. However, EBITDA still increased by 68.5% to reach Rs. 27,881 million year-on-year. This improvement was driven by a rise in realization and operating leverage from increased sales volume which resulted in an improvement in EBITDA margin by 241 basis points to 21.2% in CY2022.

Depreciation increased by 16.2% to Rs. 61,72 million as compared to Rs. 5,313 million in CY21. This is on account of capitalization of assets. Finance costs remained almost flat in CY22. PAT increased by 150.2% to Rs. 815 million in Q4 CY 2022 from Rs. 326 million in Q4 CY21. For the CY22, PAT grew by 107.8% to Rs.15,501 million driven by high growth in revenue from operations, improvement in margin, and transition to lower tax rate in India.

On the balance sheet front, net debt stood at Rs. 34,096 million as on 31st December 2022 as against Rs. 30,053 million as on 31st December, 2021. This increase was due to a greenfield expansion in the States of Rajasthan and Madhya Pradesh as well as brownfield expansion at six plants in India for CY23. Our debt-to-equity ratio stood at a healthy level of 0.65x and the Debt to EBITDA ratio stood at 1.23x times as on 31st December 2022.

Working capital days have remained stable at ~36 days as on 31st December 2022. The inventory of finished goods has increased in preparation for the next season in order to avoid any stock-out situations.

During CY22 the Company invested in various expansion projects including Rs. 6,300 million primarily for greenfield expansion in Bihar and Jammu and brownfield expansions in India and Rs. 2,500 million in brownfield expansion in Morocco and Zimbabwe.

Additionally, Rs. 3,700 million for purchasing land for future capacity expansions for the year 2024-25. As of 31st December 2022, the Company had a CWIP of approximately Rs. 6,066 million for further greenfield expansion in Rajasthan and Madhya Pradesh and for CY23 brownfield expansion at six existing plants in India. The total net CAPEX estimated for CY23 is around 15,000 million. This growth-oriented CAPEX will be primarily funded through internal accruals, further reinforcing our financial position.

In line with the guidelines of our dividend policy the Board of Directors recommended a final dividend of Rs. 1 per equity share. With this total dividend declared for CY22 stands at Rs. 3.50 per equity share. The total cash outflow for dividend payout would be ~Rs.2,273 million for CY22. This includes the interim dividend already paid.

In continuation we are pleased to report a successful year for Varun Beverages marked by a robust balance sheet, strong cash flow generation, solid growth momentum. Our commitment to delivering value to all stakeholders and capitalizing on our opportunities will continue to drive sustainable long-term growth for the Company.

On that note, I come to an end of the opening remarks and would like to now ask the moderator to open the forum for any questions or suggestions that you may have. Thank you.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Chirag Shah from CLSA.

Chirag Shah: Sir it's good to hear about the development of the snacks business. Can you elaborate on our vision and the broader terms of the snacks business relationship with Pepsi in Morocco, where we are, also taking over the distribution responsibility? Would you say that we are incrementally getting more confident in managing the snacks business that we've just started? Will we be looking at setting up manufacturing capabilities in these markets? Lastly, in India where Pepsi already has a distribution set up for snacks, can Pepsi consider giving us distribution rights in these markets as well?

Ravi Jaipuria: We don't think right now in India they are looking for any distribution partner. Maybe we can expand by the setting up plants, but for only co-packing and supplying back to PepsiCo. In Morocco we have started the operations in January for distribution of the complete range of products. We want to stabilize that business in the next 3 to 6 months and maybe once we stabilize it, we will talk to PepsiCo if we can start manufacturing there.

Chirag Shah: As of now it will be imports which will go into the Morocco market?

Ravi Jaipuria: That's right. It's already being imported. Now it's under us and we are importing from two countries Egypt and Portugal.

Chirag Shah: I see that even India the manufacturing facility has started. Obviously, it's early days but are there any learnings from that? Are we now looking at further expanding that business?

Ravi Jaipuria: Yes, we think we've had a good start. Our production started in early December, and we are producing to full capacity.

Chirag Shah: There's been a very sharp increase in inventory for the quarter. Of course, you explained by saying that you are preparing for the peak season but typically we use Q1 to prepare for the peak season but this time around we have done that in December itself suggesting that there could be serious capacity constraint that maybe we are facing. Is that understanding, correct?

Ravi Jaipuria: As the deliveries for most of the equipment are slightly delayed and we didn't want to take any chance by running out of stock, we have pre-stocked much earlier this year than we normally do. We expect most of our lines will become operational in the next month, but still if there are some slight delays, we have safeguarded ourselves. Instead of starting prebuilding in January and February we have started prebuilding in December itself. Secondly, our resin prices are always at the lowest in November and December. We prefer to pre-stock it as much as possible and that is another reason for increase in inventory. This also safeguards us from the price increase and that's how we got partly saved in 2022 also. We have done that again this year to safeguard ourselves.

Raj Gandhi: The season start around Holi and this year Holi is going to be about 10 days prior to last year which necessitated building the stock which we used to start from January, but for this year from December itself we started.

Ravi Jaipuria: Also, Chirag one more reason, now our South and West India markets are becoming more relevant to us as we are consolidating and improving our go to market. There season starts much earlier than North, usually the season starts in February.

Chirag Shah: That brings me to my second question that now do you feel with the South and West territories also growing faster, the seasonality that we have in our business is that structurally coming down?

Ravi Jaipuria: Well, we're seeing that already, the Q4 numbers are much stronger than last year's. It is because the new territories South and West are performing well for us, and the numbers are becoming much better.

Chirag Shah: In terms of distribution, our products are now hitting about 3 million odd outlets. What according to you is the scope for us in terms of further distribution expansion and how do we reach there, both in terms of number of outlets and then the Visi Cooler infrastructure?

Ravi Jaipuria: We are looking at about 10% to 15% expansion in the number of outlets. Our target this year is to try and reach anywhere close to 3.5 million outlets. If we can achieve this number, the expansion of the distribution infrastructure along with the trucks, the distributors, the Visi Coolers will be proportionately to what it is.

Chirag Shah: One last question if I may, on the dairy business is there enough time to at least share the grand plan with us as to when do we do a national rollout and how do we take these products forward?

Ravi Jaipuria: We think the national rollout will only happen in 2024 because our production lines are only going to be ready by the end of this year. We will be tripling our capacity by the end of this year. We think for 2024, we'll be ready to expand in a much bigger way and it will be a national roll out.

Chirag Shah: As we prepare for the national rollout, do you think the sourcing for dairy is pretty much in place for all the regions?

Ravi Jaipuria: Yes, sourcing will not be a problem.

Moderator: Next question is from the line of Nihal Jham from Nuvama.

Nihal Jham: The first is specifically for this quarter what was the contribution of Sting. I think the 10% number was for CY22, so if you could just give the number for this quarter.

Ravi Jaipuria: The Sting contribution during the last quarter was much higher than the full year contribution. It went up to as high as 16%.

Nihal Jham: The second question was that in your presentation you've alluded to the aspect of taking some price hikes in select SKUs and also on reducing discounts. Now historically VBL is a business which has seen significant volume growth and just given the kind of competitive intensity that the beverage business has, wanted to understand the reason of thinking of this as an additional lever for growth in the coming year or maybe years ahead.

Raj Gandhi: We have also grown the market share and the penetration, apart from whatever other opportunity came in terms of reduction of discounts etc. So we have worked on both aspects, more than just price increase on SKUs. Also, the mix was helped by Sting, which is mostly in the smaller packs, as on a blended basis smaller packs contribute towards higher margins.

Nihal Jham: But looking ahead would we want to use this lever or this is just specifically this year that we've tried targeting reducing the discounting?

Ravi Jaipuria: Discounting is a very relevant tool for us, it depends how the competition also behaves. Our job is to keep on expanding the distribution network and keep on making new products available, like Sting for example is a product where we don't find that much competition. And for our dairy products, there is no competition as far as our main competitor is concerned. Wherever we get an opportunity there we try and rationalize discounts, and also single serve margins are much better than large multi serves. Our single-serve business is growing at a much faster pace than the multi serve business.

Raj Gandhi: Moreover, that remark was with reference to the increasing commodity prices leading to higher input costs. So, part of how we retained our margin was by reducing the discounts which you can see from our P&L.

Nihal Jham: Last question was for CY23. Could you highlight which are those six plants are? I think Rajasthan, MP would be two, the other four and debt target for CY23 and if you have one.

Ravi Jaipuria: Rajasthan and Madhya Pradesh are two greenfield projects and there is brownfield expansion at six additional plants spread across India. It will be over and above the two greenfield.

Nihal Jham: On the debt target?

Raj Gandhi: Our target is to always reduce the debt. What happens is, our balance sheet is made in the month of December when the CAPEX is going on and in midway sometime in the H1, you will see that the debt will be at the lowest because then it starts paying off for itself and comes down.

Moderator: We'll take our next question from the line of Vivek M from Jefferies.

Vivek M: Sting for this year was 10%, for the quarter it was about 16% as you mentioned. I'm guessing there will be some seasonality in the rest of the portfolio, so the number may be exaggerated but where do you think this number settles down in the next few years? Do you think that the exaggerated growth over here is going to moderate as we go forward? Can you also respond to this in the context of competition that has also launched a product which is quite similar to yours?

Ravi Jaipuria: Energy drink market is growing, which is becoming between 10% to 15% of the total mix. Sting, our energy drink should be between 10% and 15% in India. Now of the total beverage mix, it would depend on what mix our competitor's energy drink maintains. Our energy drink percentage would differ based on how people perceive their energy drink otherwise between 10% to 15% should be the energy drink market as such.

Vivek M: The other thing is your presentation doesn't talk about it but this India 1 billion volumes which you have had come up or have had given in social media yesterday can you just talk about that number by 2025?

Raj Gandhi: That is basically the internal mission of the Company, because in this year India volumes have already reached 652 million cases out of 802. Making about 50% growth over a period of 3 years, that's the internal mission for our sales team that we have given.

Vivek M: That's very interesting and very strong number. Mr. Gandhi on the CAPEX side I have a doubt, your cash flow shows about Rs. 1800 crore. If you look at the gross block and CWIP changes that number is about Rs.1350 crore. Can you just talk about where is the rest 450 crore?

Raj Gandhi: Capital work in progress is sitting under two heads. One is the capital work in progress, second is the capital advances to the equipment suppliers.

Vivek M: That's the Rs. 450-crore number.

Raj Gandhi: Both together, yes that's right.

Vivek M: Not both together. Rs. 450 crore is the differential. So, that is the capital advance number because CWIP I have adjusted, the delta change in CWIP is about Rs. 600 crore.

Raj Gandhi: Yes, the differential of Rs. 450 crore is sitting under the advances to the equipment suppliers.

Vivek M: Mr. Gandhi when you talk about Rs.1500 crore number for next year. That's the cash outflow or the capitalization?

Raj Gandhi: That's the capitalization.

Vivek M: Of that capitalization of Rs. 1500 crore, Rs. 450 crore capital advances and the Rs. 600 crore in the CWIP, right?

Raj Gandhi: That's right and only the balance of around Rs. 450 cr will be funded in this quarter and then from the next quarter on, like Chairman mentioned, two more lines for the Cream Bell value added dairy beverages launch which will be ready by the year end or January next year which will be one in Maharashtra and another in UP for the national launch of the dairy beverages. So, the CWIP for next year will start.

Vivek M: But going by this math, Rs. 1500 crore capitalization for next year of which Rs. 600 crore right now sitting in CWIP Rs. 450 crore capital advances that makes it Rs. 1050 crore. So, Rs. 450 crore is what needs to be spent on these projects plus you are saying Cream Bell?

Raj Gandhi: Yes, you are right for the current year's CAPEX Rs. 450 crore only is to be funded and the balance will again be built CWIP for the CY24.

Vivek M: Another question is if I look at your growth and in fact you have alluded to that gross margins which have contracted in CY22 and the way in which EBITDA margins have behaved. I mean if we just do the extrapolation of what you are doing in terms of growth and what your guidance is, what you have spoken about billion cases, doesn't it look like that your margins EBITDA level with the operating leverage that you will get and gross margins coming back you can actually end up hitting more like 22.5%-23%. Where is this math wrong?

Ravi Jaipuria: We don't like to give guidance, 21% EBITDA margin already is very high. It depends, sometimes sugar is higher, or the resin is higher. We want to keep that safety and it could be higher but we don't want to guide that because we want to keep some leverage with us.

Vivek M: Lastly on the foods business, what are the commercials on the food business India? When you talk about expansion Mr. Jaipuria will it contribute meaningfully to the base beverage business?

Ravi Jaipuria: We think it will be very small for now. We have just started one line with them and we are co-packing for PepsiCo.. So, it will be very minuscule to the whole thing for now.

Vivek M: I was asking this question because this time around Mr. Jaipuria did mention about more lines?

Ravi Jaipuria: Maybe one more line we are discussing with them.

Moderator: Our next question is from the line of Percy Panthaki from IIFL.

Percy Panthaki: If you can give some flavor on the geographic growth this quarter as well as for the full year as in which states are clearly growing above your Company average and which are really pulling the overall growth for the Company and also on South and West I think when we had acquired, we had said that the cases are about 135 million cases in that geography but the peak cases were over 200 million cases and the objective was to reach to that as the first marker. So, have we reached that first marker or not?

Ravi Jaipuria: Exact numbers we would not like to give territory wise, but overall as you are seeing the growth, if we have grown 41%, so mostly it's been throughout the territory. Some of the territories which we have acquired where our presence was very low, our growths are higher, and we hope as we are increasing our go to market that the markets where we are lowly penetrated or were lowly penetrated, those markets are going to grow much faster. Which is what is showing the difference in our seasonality also.

Percy Panthaki: I just wanted to understand on Sting, what is the profile of a typical consumer of Sting? Secondly when he is consuming Sting is it a completely new consumption occasion for a soft drink or is he actually just switching from some other type of soft drink into an energy drink?

Ravi Jaipuria: Very difficult to answer this question. Of course, there is some switching and some newcomers coming in as the markets are evolving globally, we are seeing that in the emerging markets energy drinks are becoming close to 15% of the beverage business. This is happening everywhere in the emerging markets you take in Pakistan, Vietnam, Africa.

Percy Panthaki: Is this relatively a new phenomenon in these emerging markets or were energy drinks a decent part of the market even 10-15 years ago?

Ravi Jaipuria: Energy drinks were always a part of the market but they were always very expensive. They used to be like you had Red Bull for example, so there was always a market for it. But it was a very niche market. Now since it's been fine priced, the market has just grown out of proportion and that is what is happening especially in the emerging markets.

Percy Panthaki: So, basically, the salience has increased over the last 10 years or so.

Ravi Jaipuria: I would say it has really taken off in the last 5-7 years.

Percy Panthaki: So, for these markets when this energy drinks explosion has happened over the last 7 years or so, has it resulted in the overall soft drink market growing at an accelerated pace or has there largely been a shift between other types of soft drinks and energy drinks and the overall market has grown at the same rate as before but with a higher energy drink percentage contribution?

Ravi Jaipuria: We have grown at 41%. Sting is only ~10% of our mix in India and our other products have also grown at over 30% so, the whole market is growing.

Percy Panthaki: What in your view is resulting in this breakneck kind of growth? Does this seem like sustainable growth? I mean the ex- Sting growth that you have seen does it seem sustainable?

Ravi Jaipuria: The Sting growth looks sustainable but overall growth, we can only hope. This kind of growth doesn't happen every day, so we don't want to commit anything on it.

Percy Panthaki: What are the reasons when you said that this growth cannot probably sustain for a long period of time, what is the reason that we are seeing this growth right now?

Ravi Jaipuria: We are not saying it won't happen but we are saying that we don't want to predict all that because this is an exceptional growth. We hope to have a decent good year this year also. We believe we'll grow and overall, we should have a decent growth. We don't want to give any numbers on it.

Moderator: Our next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: My question is, we are doing relatively higher CAPEX as well as our working capital seems to be slightly on a higher side versus what we have done in the past. I just wanted to take a sense on the expected growth. So, previously we used to guide around 10%-11% sort of a volume growth but that was obviously on a much lower investor capital. Now since we are also doing a relatively higher amount of CAPEX, so, what is your sense on the expected growth going ahead?

Ravi Jaipuria: Well, we don't want to give numbers but we definitely are looking at very good growth and we hope we can at least do double digit numbers.

Devanshu Bansal: Just qualitatively can we expect that since we are investing relatively higher amount? Can that growth be qualitatively higher than what we were guiding earlier?

Ravi Jaipuria: We are investing but we would not like to commit on any growth number. We are preparing ourselves for higher growth and we are putting investments based on that. But till it happens we would not like to comment.

Devanshu Bansal: Got it. On Visi Cooler addition front, this time around I guess we have added some 85,000 Visi Coolers versus 40,000 which we used to do. In your remarks also mentioned that you expect about 0.5 million increase in the number of outlets as well. Can we expect similar number of Visi Cooler additions this year as well?

Ravi Jaipuria: We will have to invest more on Visi Coolers because we are expanding the number of outlets at much larger scale. At least 15% to 20% of the number of outlets we expand, must be with Visi Coolers and the rest can be without Visi Coolers. If we are looking at 400,000 or 500,000 new outlets about 70,000 to 80,000 Visi Coolers need to go in approximately.

Raj Gandhi: In fact, a part of this year's Visi target has been achieved by December last year itself. Therefore, you will find that number slightly higher.

Devanshu Bansal: There has been an increase in the interest rate so what is the expected rising interest rate for our debt?

Raj Gandhi: Still it's not that exceptional increase and moreover our debt will reduce in the next couple of months once the season starts. We don't expect interest payout to go up any substantially. You might have seen already between 2021 and 2022 in spite of new plants and such an expansion, interest cost has not gone up. We expect the same for 2023 also.

Devanshu Bansal: Two bookkeeping questions on my end. If you could provide the carbonate, non-carbonate and water volumes for India specifically for this year.

Raj Gandhi: 71% CSD, 8.1% is juice and 20.9% is packaged water.

Devanshu Bansal: If you could also give me a country wise volume for CY22 or if you could give me numbers for good performing countries like Zimbabwe, Morocco etc.

Ravi Jaipuria: They are all performing well, we would not like to give individual numbers.

Moderator: We'll take a next question that's from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar: Can you talk about the South Market and West Market we acquired? So, how is the distribution growth we have done post the acquisition?

Ravi Jaipuria: We are expanding our distribution in South and West India markets and that is why you are seeing our seasonality changing. Overall we have grown at 41%, our South and West markets are doing as good or better than that. That's a good growth which is coming, we are pleased with our new go-to-market system. We are now trying to slowly get back our market share which we had lost.

Sumant Kumar: So, what work we have done post-acquisition like say the penetration in the rural market or strengthening our distribution channel and upgrading the software system for the newly acquired market?

Ravi Jaipuria: What we basically do is, increase the number of routes, increase the number of people, so if we were theoretically going in a market at 20,000 outlets we have tried to increase it by at least 30% to 40%. If we were going to 20,000 outlets now, we are going to 28,000 outlets and still there is lot of room. We will keep on expanding year after year because earlier we were highly underpenetrated in a lot of these territories.

Sumant Kumar: So, can we assume whatever the existing market we had pre-pandemic, or we can say that prior to the acquisition of West and South market, the newly acquired market is growing at faster pace compared to other territories?

Ravi Jaipuria: That's right. Newly acquired markets, which includes the East, is growing faster.

Moderator: We'll take the next question from the line of Sanjaya Satapathy from Ampersand Capital.

Sanjaya Satapathy: You have given the guidance about this distributor presence going from 3 to 3.5 million in this year 2023. Can you give us a color about what is the split of this distributor across different regions and where the growth will be lot? I mean let us say West and South where you are focusing more what kind of growth will be there?

Ravi Jaipuria: We are not only focusing on the West and the South; we are focusing on the full country, we were weaker in West and South earlier as well as in the East., there is more chances of growth in these areas. North has been our original stronghold, where we were already going to reasonable number of outlets which we were not going in the other three regions. We are expanding our distribution in those territories faster than our expansion in the North territories.

Sanjaya Satapathy: Can we assume that in these territories like western, South and East your distribution is growing at let's say 30%-40% while in the North it is growing at possibly around 6%-7%?

Ravi Jaipuria: No, there's no 6%-7%. The whole country is growing if we are growing at 41%. The North has always been a very strong hold for us. We are growing in the North also, but I would say percentage wise we are putting more focus on East-West and South.

Sanjaya Satapathy: You had talked about this CAPEX plan in your previous quarter. Though you have kind of given some color with the specifics like, the timeline about your fruit juice and all those whether they are coming up in July or they're happening earlier as well as your beverage segment whether the CAPEX is over like you are fully ready, geared for your this year's summer season?

Ravi Jaipuria: Well, we have planned a growth in our CAPEX and the six lines plus Rajasthan and Madhya Pradesh plants will be ready before season. Our juice and dairy expansion is for next year; we will be ready by the end of this year for next year's market.

Sanjaya Satapathy: By end of this year though earlier you were looking at something like July-August types?

Ravi Jaipuria: We'll be ready before the end of the year for next year.

Sanjaya Satapathy: You are more than ready for beverages for this year and for the fruit juices and milk and dairy for next year?

Ravi Jaipuria: That's right.

Moderator: We'll take our next question from the line of Jaykumar Doshi from Kotak.

Jaykumar Doshi: A couple of quarters back you indicated that there are about 4,00,000 outlets that sell only Sting and there's an opportunity to cross sell other PepsiCo products in those outlets. Can you give us some qualitative color directionally where that number has moved in terms of 4,00,000? Has it moved to 5,00,000 or has it stayed where it was?

Ravi Jaipuria: We don't have the exact numbers right now but we are definitely moving ahead and that's why if you see 9.6% share is for full year, however, volume has gone to 16% for the last quarter Q4 CY22 that means definitely more outlets are selling Sting than they were selling in the first nine-months. And as we enter new outlets, we always try and cross sell our other products. Once you start going to the outlet, once the salesman is going there then he always tries and cross sell the other products.

Jaykumar Doshi: Second question is more a macro question. Now there are a few categories that we have seen a little bit of slow down especially in discretionary and it includes QSR and other segments as well. At a group level you oversee multiple businesses. Clearly at this point of time we see Varun Beverages doing exceptionally well and your confidence for next year also indicates that. How do you read between these things that there is some slowdown in some discretionary categories and where do you place carbonated beverages?

Ravi Jaipuria: We would like to talk about Varun Beverages, and we think Varun Beverages is doing exceptionally well. When we come for our other business, we will discuss it and we'll give you all the information on that.

Jaykumar Doshi: No, I was just trying to understand. Generally, you get these questions from investors that if there is broad based discretionary slowdown why is it not affecting certain segments?

Ravi Jaipuria: A lot of FMCG companies are saying that rural is not firing for them. We find it slightly different because a lot of the rural territories didn't have power situation. If you are selling a Unilever or a Colgate or a Dabur or most of the other products, they don't require electricity or chilling. For us as the electricity and the power situation is getting better, our Visi Coolers are reaching, and cold drinks are only sold when it's cold, that is what is helping our growth in rural markets.

Moderator: Our next question is from the line of Sparsh Jain from Intrinsic Value Compounding.

Sparsh Jain: My question is regarding your rockstar product Sting. But would this current market share in the energy drink market in India as the main competitor also launched energy drink charged? If you just can give us tentative idea about that?

Ravi Jaipuria: We can give you our numbers and we think we are doing exceptionally well. The competition has also recently launched their product. So, let us give it a few months and let's see what happens, we are quite positive about our drink, and it is expanding and it's doing extremely well.

Sparsh Jain: Do you have a number regarding that?

Ravi Jaipuria: We've given you the numbers in the sense of our overall mix for the year it was 9.6% and in the last quarter it was 16% of our mix.

Sparsh Jain: Just a follow up question that what would be the volume growth of Sting this quarter?

Ravi Jaipuria: The volume for this quarter we don't know and we would not like to predict and 16% of our total volume is Sting so we have given you the total volume numbers for this quarter.

Sparsh Jain: I'm talking about the product volume growth of Sting this quarter?

Ravi Jaipuria: It's about 175%.

Sparsh Jain: And what would be Q-O-Q?

Ravi Jaipuria: It is similar.

Moderator: We'll take our next question from Devanshu Bansal from Emkay Global.

Devanshu Bansal: I just wanted to clarify on your remark when you said the single serves operated a better margin than multi serves. This remark was at the gross margin level or at the EBITDA level as well.

Raj Gandhi: At the gross margin level. The flow through, after we reduce other expenses, leads to better EBITDA margins as well.

Devanshu Bansal: Our understanding was that the smaller packs also entail a higher distribution cost. Are the EBITDA margins still better for smaller packs?

Ravi Jaipuria: We don’t know where you got the information but they don’t entail a higher distribution cost.

Raj Gandhi: We calculate it on standardized 8-ounce case basis. If you take on that basis, the distribution cost and other things will be the same.

Devanshu Bansal: I also wanted to check on Sting. Since the competition has launched it under Thumbs Up brand. Is it that Sting is also able to take some of the consumers which were earlier consuming Thumbs Up and they are also moving towards Sting? Is this a right understanding?

Ravi Jaipuria: To be honest it's very difficult to say because there might be some from Pepsi, some from competition, some from other products but overall Sting is doing extremely well and we are expanding distribution also.

Moderator: As there are no further questions from the participants, I would now like to hand the floor back to the management for closing comments.

Raj Gandhi: Thank you very much. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications or would like to know more about the Company, please feel free to contact our Investor Relations team. Thank you once again.
