



VARUN BEVERAGES LIMITED



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CIN No. : L74899DL1995PLC069839

November 4, 2019

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
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Subject: Regulation 30: Presentation on Unaudited Financial Results of the Company for Quarter and Nine Months ended on September 30, 2019

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith a copy of the Presentation on Unaudited Financial Results of the Company for the Quarter and Nine Months ended on September 30, 2019.

The same is also being uploaded on the 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
Chief Risk Officer & Group Company Secretary



Encl: As above

November 04, 2019



(a PepsiCo franchisee)



Varun Beverages Limited

Q3 & 9M 2019 Results Presentation



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- 1 Company Overview
- 2 Chairman's Message
- 3 Performance Highlights
- 4 Q3 & 9M 2019 Results Overview
- 5 Annexure

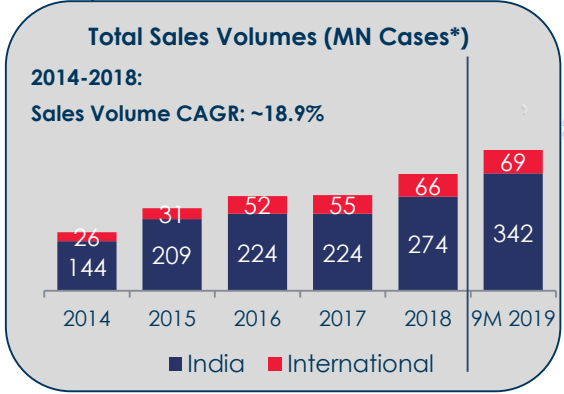
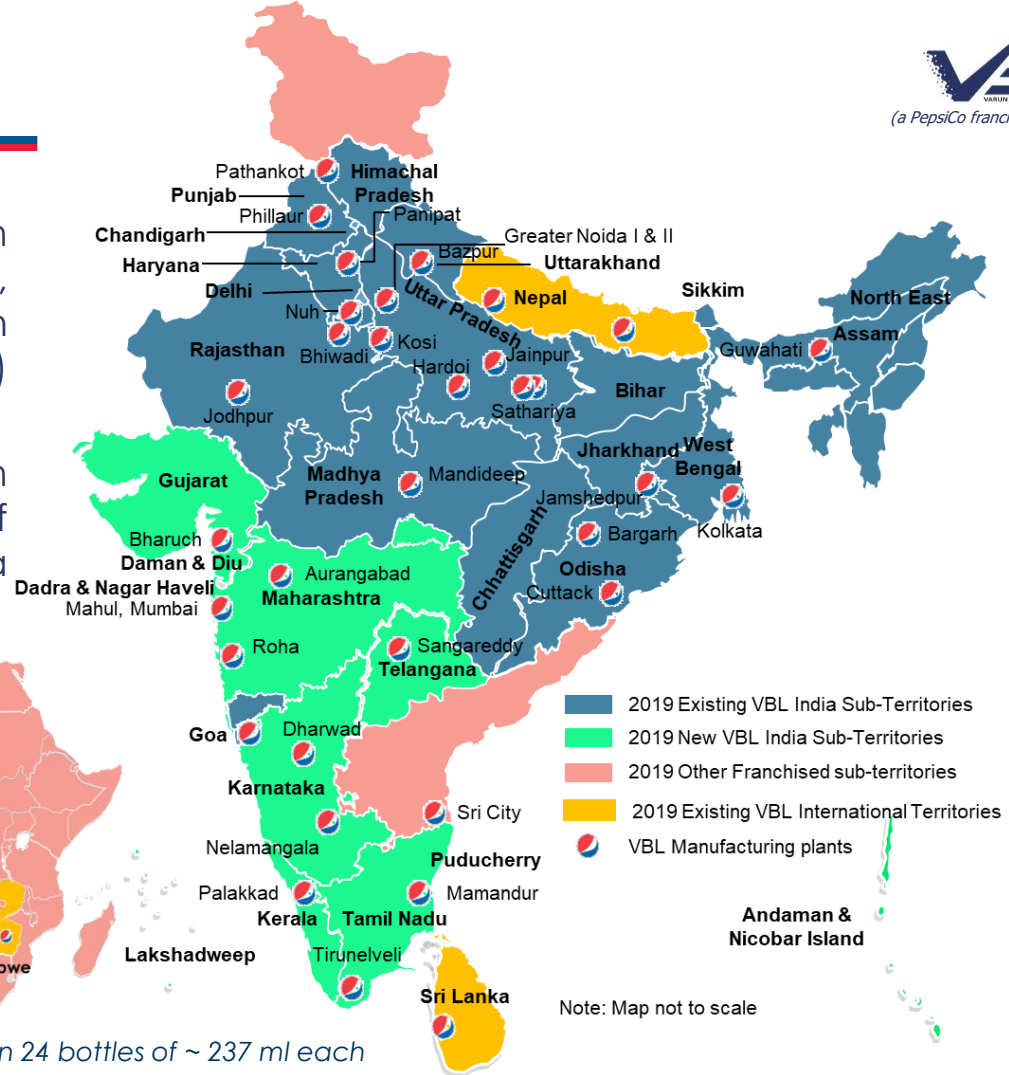
Company Snapshot



Key player in the beverage industry

Operations spanning across **6 countries** – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contribute ~**80%** to revenues; 3 in Africa (Morocco, Zambia, Zimbabwe) contribute ~20% for fiscal year 2018

Over **27** years strategic association with PepsiCo – accounting for ~ **80%+** of PepsiCo's beverage sales volume in India and present in 27 States and 7 UTs



Note: *A unit case is equal to 5,678 liters of beverage divided in 24 bottles of ~ 237 ml each

Brands licensed to VBL

Brands licensed by PepsiCo:

Carbonated Soft Drinks



Carbonated Juice Based Drinks



Energy Drink



Club Soda



Ice Tea



Fruit Pulp / Juice Based Drinks



Sports Drink



Packaged Water



Dairy Based Drinks *

Mango Shake



Cold Coffee



Belgian Choco Shake



* Note: "Cream Bell" trademark, an established brand, has been licensed to be used by VBL for ambient temperature value added dairy based beverages.

Key Player in the Beverage Industry – Business Model

VBL- END-TO-END EXECUTION ACROSS VALUE CHAIN

<p style="text-align: center;">MANUFACTURING</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4;">Concentrate (PepsiCo)</div> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4;">Other Raw Materials</div> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4;">Bottling</div> </div>	<ul style="list-style-type: none"> 38 state-of-the-art production facilities 	<p style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">SOLID INRASTRUCTURE</p>
<p style="text-align: center;">DISTRUBUTION & WAREHOUSING</p>	<ul style="list-style-type: none"> 90+ depots 2,500+ owned vehicles 1,400+ primary distributors 	<p style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">ROBUST SUPPLY CHAIN</p>
<p style="text-align: center;">CUSTOMER MANAGEMENT</p>	<ul style="list-style-type: none"> Installed 750,000+ visi-coolers VBL - local level promotion and in-store activation PepsiCo - brand development & consumer marketing 	<p style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">DEMAND DELIVERY</p>
<p style="text-align: center;">IN-MARKET EXECUTION</p>	<ul style="list-style-type: none"> Experienced region-specific sales team Responsible for category value/volume growth Responsible for reaching out to every 6th person in the world 	<p style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">MARKET SHARE GAINS</p>
<p style="text-align: center;">COST EFFICIENCIES</p>	<ul style="list-style-type: none"> Production optimization Backward integration Innovation (packaging etc.) 	<p style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">MARGIN EXPANSION</p>
<p style="text-align: center;">CASH MANAGEMENT</p>	<ul style="list-style-type: none"> Working capital efficiencies Disciplined capex investment Territory acquisition 	<p style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">ROE EXPANSION / FUTURE GROWTH</p>

Symbiotic Relationship with PepsiCo

VBL – Demand Delivery

- Production Facilities
- Sales & Distribution – GTM & Logistics
- In-outlet Management – Visi-Coolers
- Market Share Gains – Consumer Push Management (BTL)



PepsiCo – Demand Creation

- Trademarks
- Formulation through Concentrate
- Product & Packaging innovation through investment in R&D
- Brand Development – Consumer Pull Management (ATL)



Commenting on the performance for Q3 & 9M 2019, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

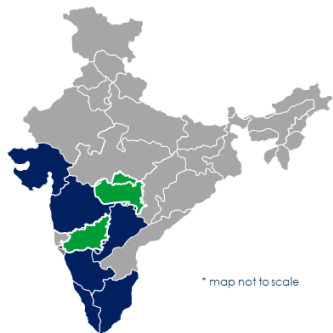
"We are delighted to share that we have reported a robust performance in Q3 2019, delivering a topline growth of 49.2% and a PAT growth of 83.7%. The results were supported by strong volume growth of 60.4%. Encouragingly, our India business has delivered an organic volume growth of 17.5% and our international territories have registered a 27% growth led by exceptional performance in underpenetrated territories acquired in 2017 and early 2018. Moreover, our key markets like Morocco, Zimbabwe, Nepal and Sri Lanka has also reported double digit growth in the current quarter.

This is the first quarter that includes the full impact of South and West sub-territories acquisition. I am pleased to share that our team has done a tremendous job in seamlessly consolidating such a large region in a compressed time frame. This demonstrates our exceptional execution capabilities and the dedication within our team to deliver results.

In a key development during the quarter, we successfully raised ~ Rs. 900 crore through the qualified institutional placement (QIP) route. We are glad with the confidence reposed by marquee domestic and foreign investors in our business in a challenging market environment. This capital raise considerably strengthens our balance sheet and provides room for sustained future growth. Our growth initiatives continue to be on track including setting up of a Greenfield facility at Pathankot, acquisition of South and West India sub-territories and other investments to drive growth.

On the whole, we continue to build upon our strong position as a key player in the beverage industry with a solid infrastructure and a well-entrenched distribution network across micro territories. We today have a diverse multi-category product portfolio and are constantly innovating and upgrading to tap various consumer preferences and emerging market. We are confident of strengthening our market share across categories and drive volumes to sustain our growth momentum going forward."

1. Acquisition of sub-territories



February 14, 2019: Concluded the acquisition of PepsiCo India's previously franchised territories of parts of Maharashtra (14 districts), parts of Karnataka (13 districts) and parts of Madhya Pradesh (3 districts).

May 01, 2019: Concluded the acquisition of franchise rights in South and West regions from PepsiCo for a national bottling, sales and distribution footprint in 7 States and 5 Union Territories of India.

2. Bottling Appointment and Trademark License Agreement for India

Particular	Existing	Revised
Franchise Rights (upto)	October 2, 2022	April 30, 2039

3. Bonus Issue of Equity Shares / Dividend payout

- At the start of Silver Jubilee year of the Company, and in appreciation of continuing support from the shareholders of the Company, the Board of Directors recommended and approved Bonus Issue of equity shares in the proportion of 1 equity share for every 2 equity shares held. The shares have been allotted to the eligible shareholders.
- The Board of Director's recommended an interim dividend of Rs. 2.50 per share. Total cash outflow for dividend payout was Rs. 776.69 million (inclusive of net statutory taxes payable).

4. QIP Issue

The Company has raised ~ Rs. 9,000 million through fresh issue of 14,705,882 equity shares of Rs. 10. The entire proceeds of the QIP, net of issue expenses of Rs. 164.36 million, were utilized for repayment of debts during Q3 2019.

5. Credit Rating Upgrade

CRISIL (an S&P Global Company) has upgraded the credit rating for long term debt as CRISIL AA (previously AA-) and reaffirmed for short term debt as CRISIL A1+.

6. Introduction of ambient temperature value added dairy beverages

The Company introduced three variants of ambient temperature value added dairy beverages – Belgian Chocolate, Cold Coffee and Mango shake at a price of Rs. 30 for 200ml PET bottle with a long shelf life of 180 days. These products have been well received in the market.

7. Increased shareholding in Lunarmech Technologies Pvt. Ltd.

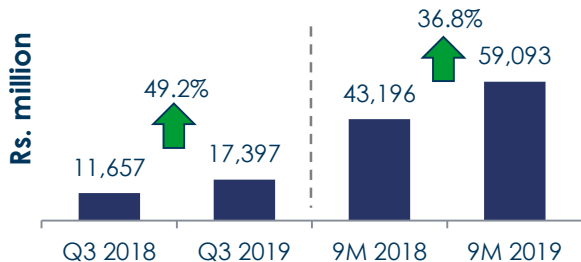
The Company has acquired 20% shareholding (200,000 equity shares) in Lunarmech Technologies Pvt. Ltd. for a purchase consideration of Rs.150 million which has lead to increase in effective shareholding of VBL in Lunarmech Technologies Pvt. Ltd. to 55%.

8. Purchase of production facilities

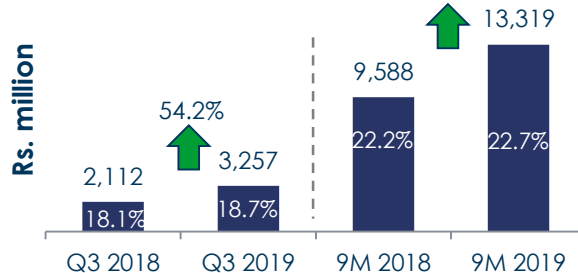
The Company has concluded acquisition of two production facilities - one situated in Dharwad, Karnataka for a total consideration of Rs. 747.27 million and second situated at Tirunelveli, Tamil Nadu for a total consideration of Rs. 200 million.

Performance Highlights (Q3 & 9M 2019)

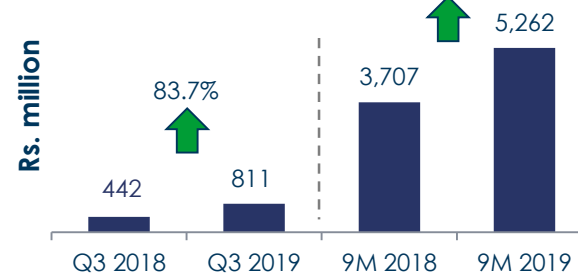
Net Sales



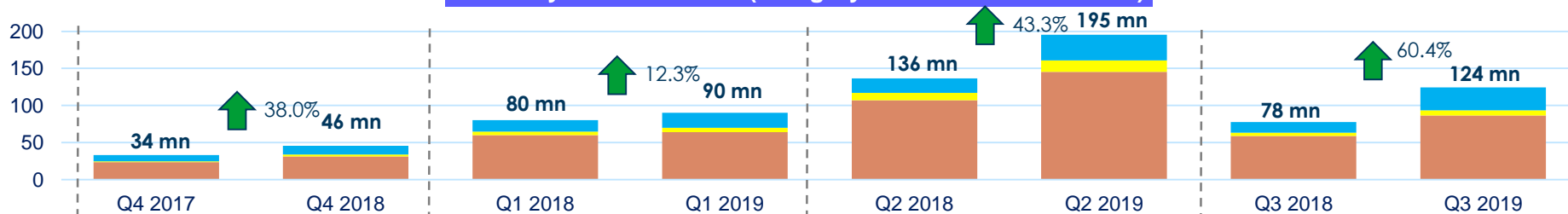
EBITDA



PAT



Quarterly Sales Volumes (Category-wise million unit cases)



Period	Q4 2017		Q4 2018		Q1 2018		Q1 2019		Q2 2018		Q2 2019		Q3 2018		Q3 2019	
CSD	24	71%	31	69%	60	75%	64	71%	107	79%	145	74%	59	76%	86	69%
Juice	1	3%	3	6%	5	6%	6	6%	10	7%	15	8%	4	5%	7	6%
Water	8	26%	12	26%	15	19%	20	23%	19	14%	35	18%	15	19%	31	25%

Consolidated Profit & Loss Statement

Particulars (Rs. million)	Q3 2019	Q3 2018	YoY (%)	9M 2019	9M 2018	YoY (%)
1. Income						
(a) Revenue from operations	17,768.6	12,044.7	47.5%	60,089.2	44,239.9	35.8%
(b) Excise Duty	371.2	387.3	-4.2%	995.9	1,043.5	-4.6%
Net Revenues	17,397.3	11,657.4	49.2%	59,093.3	43,196.4	36.8%
(c) Other income	18.0	5.7	214.7%	65.4	90.8	-28.0%
2. Expenses						
(a) Cost of materials consumed	6,676.7	4,525.3	47.5%	23,687.3	18,477.4	28.2%
(b) Purchase of stock-in-trade	584.7	619.0	-5.6%	3,817.1	1,582.1	141.3%
(c) Changes in inventories of FG, WIP and stock-in-trade	210.2	122.7	71.3%	(749.5)	(288.2)	160.1%
(d) Employee benefits expense	2,296.5	1,486.1	54.5%	5,871.8	4,383.0	34.0%
(e) Finance costs	867.4	471.6	83.9%	2,305.8	1,588.4	45.2%
(f) Depreciation and amortisation expense	1,273.4	999.0	27.5%	3,517.8	2,910.1	20.9%
(g) Other expenses	4,372.7	2,791.9	56.6%	13,147.5	9,454.1	39.1%
Total expenses	16,281.5	11,015.6	47.8%	51,597.8	38,106.9	35.4%
EBITDA	3,256.6	2,112.4	54.2%	13,319.2	9,587.9	38.9%
3. Profit/(loss) before tax and share of profit in associate (1-2)	1,133.9	647.5	75.1%	7,561.0	5,180.3	46.0%
4. Share of profit in associate	22.4	6.0	272.2%	43.4	23.6	83.9%
5. Profit/(loss) before tax (3+4)	1,156.2	653.5	76.9%	7,604.3	5,203.9	46.1%
6. Tax expense	345.0	211.9	62.8%	2,342.8	1,497.1	56.5%
7. Net profit/(loss) for the period (5-6)	811.2	441.6	83.7%	5,261.6	3,706.8	41.9%

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

Discussion on Financial & Operational Performance

Net Revenues / Sales Volumes

- Total sales volumes were up 60.4% YoY at 124.5 million cases in Q3 2019 as compared to 77.6 million cases in Q3 2018. The organic volume growth is 20% supported by robust performance in India (Organic Growth 17.5%) as well as International territories (Organic Growth 27%). Morocco, Zimbabwe, Nepal and Sri Lanka have all grown in double digits in the current quarter. South and West India sub-territories got consolidated w.e.f. 1st May 2019 and Q3 is the first quarter which has full impact of consolidation.
- Revenue from operations (net of excise / GST) grew 49.2% YoY in Q3 2019 to Rs. 17,397.3 million. Realization per case has come down by ~7% essentially on account of change in product mix in India post consolidation of South and West sub-territories, introduction of water in Morocco and lower sales realization in Zimbabwe in USD terms.
- CSD constituted 69%, Juice 6% and Packaged Drinking water 25% of total sales volumes in Q3 2019.

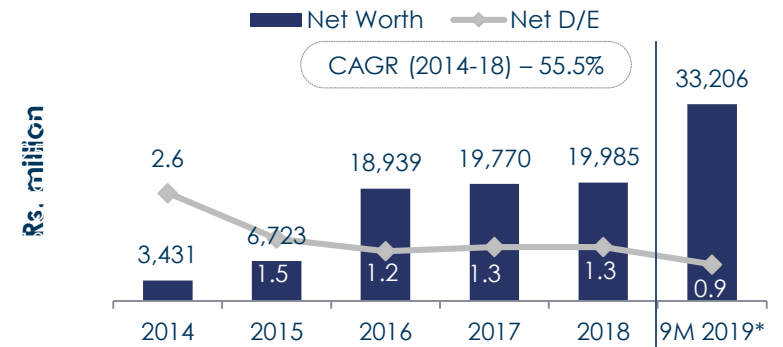
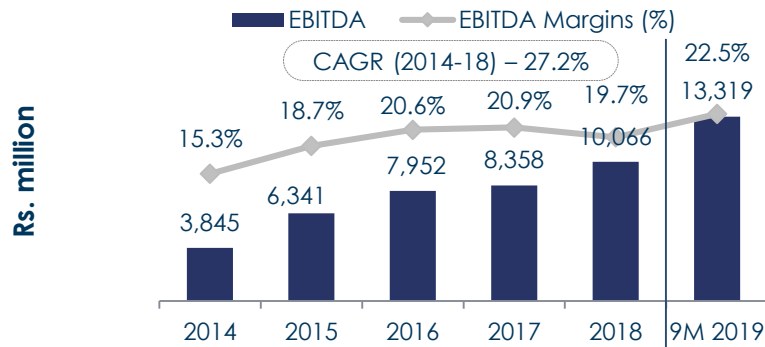
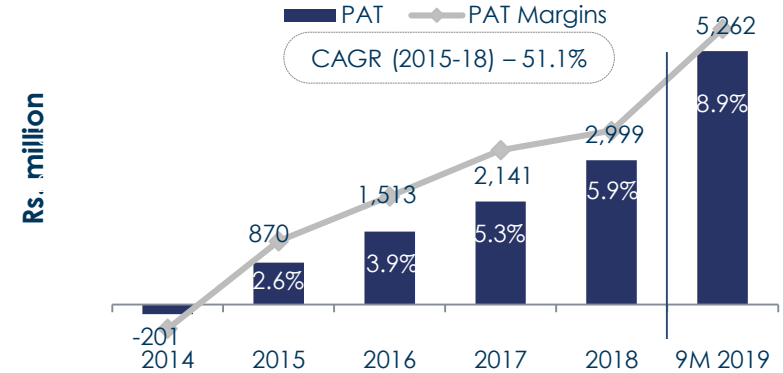
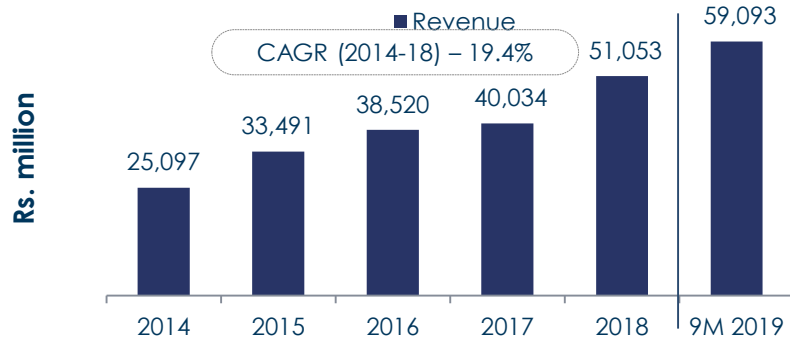
Gross Margins / EBITDA

- EBITDA increased by 54.2% to Rs. 3,256.6 million in Q3 2019 from Rs. 2,112.4 million in Q3 2018.
- EBITDA margins expanded 60 bps during the quarter to 18.7% on account of operating leverage in the business. Gross margins improved by 223 bps during the quarter due to lower PET prices in India, lower sugar prices in Zimbabwe in USD terms and change in product mix.

PAT

- PAT increased by 83.7% to Rs. 811.2 million in Q3 2019 from Rs. 441.6 million in Q3 2018 on the back of robust volume growth.
- Depreciation has increased by 27.5% during the quarter on account of capitalization of Pathankot plant and consolidation of South and West India sub-territories w.e.f. 1st May 2019.
- Finance cost has increased by 83.9% as the purchase consideration for acquisition of South and West India sub-territories has been funded through debt. The entire proceeds of the QIP amounting to ~ Rs. 9,000 million, net of issue expenses of Rs. 164.36 million, were utilized for repayment of debts during Q3 2019.

Performance Highlights (2014 – 2018)

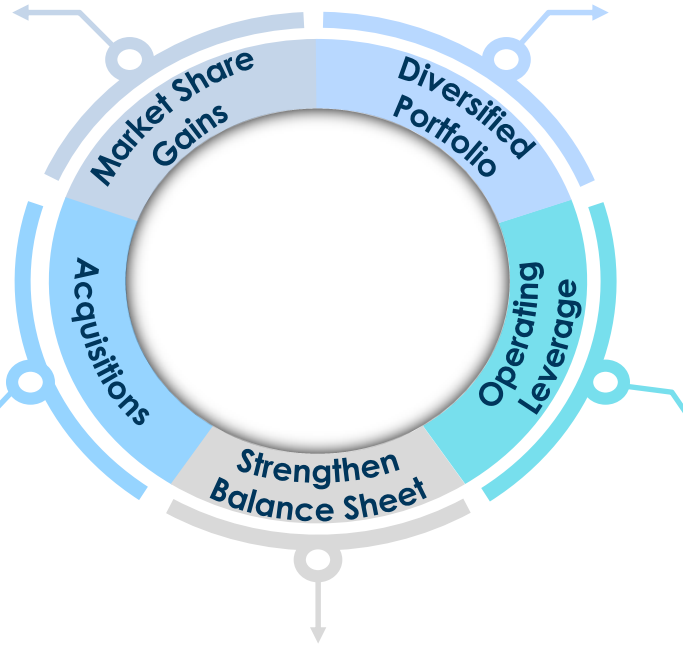


Note:

- 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.
- 2017 onwards financials are as per Ind AS and previous year numbers are as per IGAAP
- Net Worth and Net Debt / Equity for 9M 2019 are calculated as per management estimates.

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

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



- ▶ 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

- ▶ 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

Varun Beverages Limited (VBL) Q3 2019 Earnings Conference Call

Time • 4:00 pm IST on Monday, November 04, 2019

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

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, Ambient temperature value added dairy beverages 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 27 States and 7 Union Territories in India. India is the largest market and contributed ~71% of revenues from operations (net) in Fiscal 2018. 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!
