



VARUN BEVERAGES LIMITED



Corporate Off : Plot No.31, Institutional Area, Sec.-44, Gurgaon, Haryana-122002 (India)
Ph.: +91-124-4643100-500 • Fax: +91-124-4643303/04 E-mail : info@rjcorp.in • Visit us at : www.varunpepsi.com
CIN No. : L74899DL1995PLC069839

May 9, 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 the Quarter ended March 31, 2019.

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attach herewith a copy of the Presentation on Unaudited Financial Results of the Company for the Quarter ended March 31, 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

May 09, 2019



(a PepsiCo franchisee)


Varun Beverages Limited

Q1 2019 Results Presentation



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.



- 1 Company Overview
- 2 Chairman's Message
- 3 Performance Highlights
- 4 Q1 2019 Results Overview
- 5 Annexure

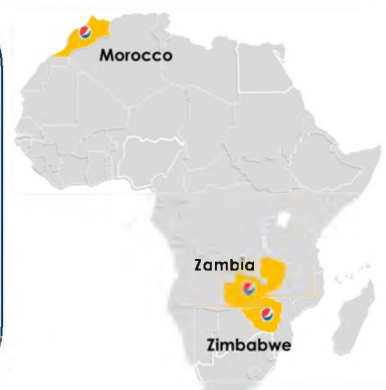
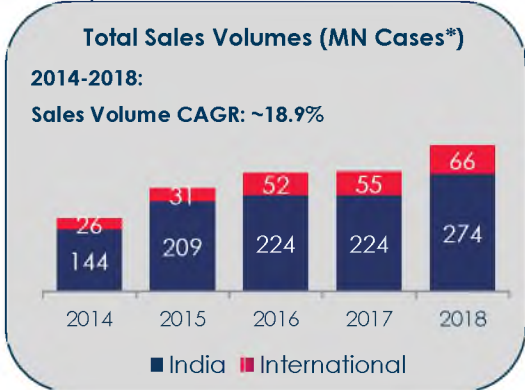
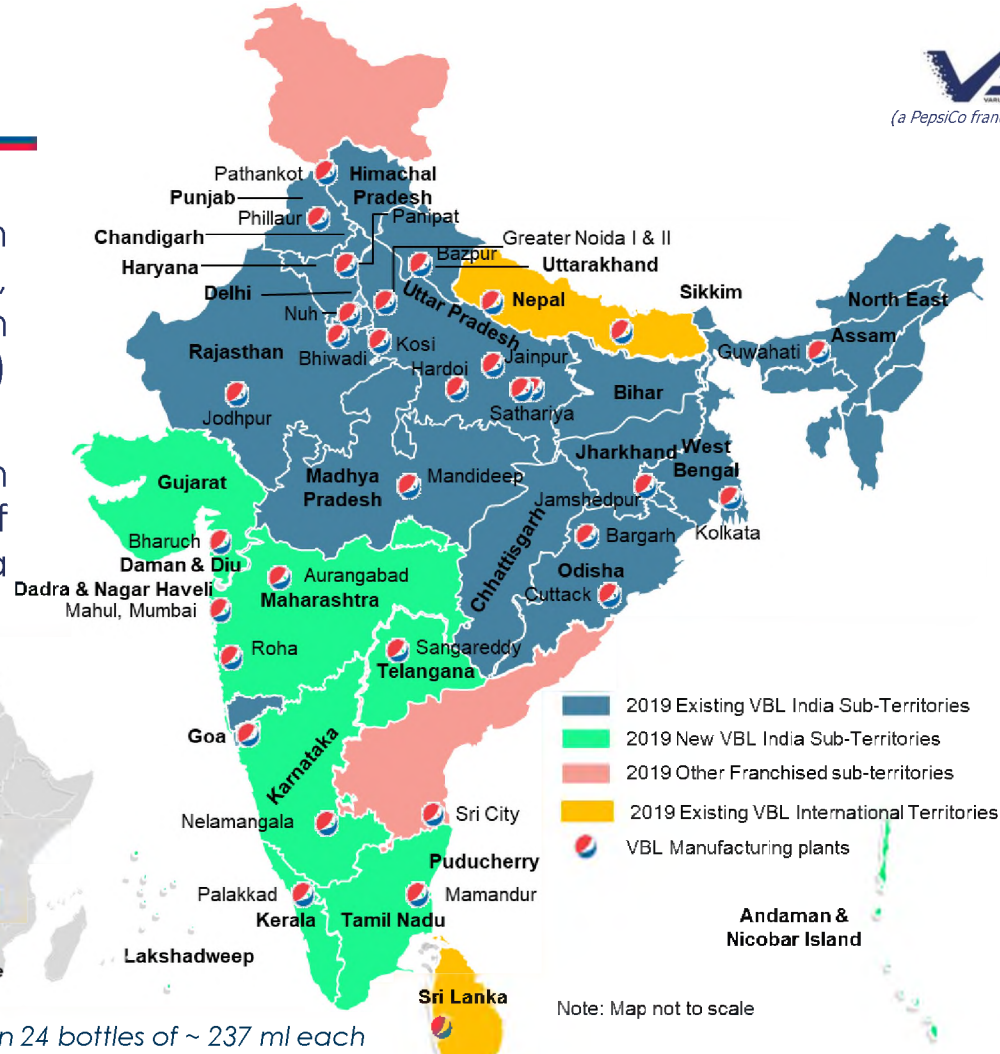
Company Snapshot



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
Transfer of manufacturing facilities in 2019 New VBL India Sub-territories is in process and shall be completed in due course.

Brands licensed by PepsiCo

Manufacturing & Distribution: Carbonated Soft Drinks



Fruit Pulp / Juice Based Drinks



Carbonated Juice Based Drinks



Energy Drink



Sports Drink



Club Soda



Packaged Water



Distribution:

Fruit Pulp / Juice Based Drinks



Dairy Beverage



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"> 36 state-of-the-art production facilities (transfer of 9 production facilities in South and West region is in process and shall be completed in due course.) 	<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 ~1/6th of the world's population 	<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
- Market Share Gains – Consumer Push Management
- Sales & Distribution – Vehicles
- In-outlet Management – Visi-Coolers



PepsiCo – Demand Creation

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

Commenting on the performance for Q1 2019, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,



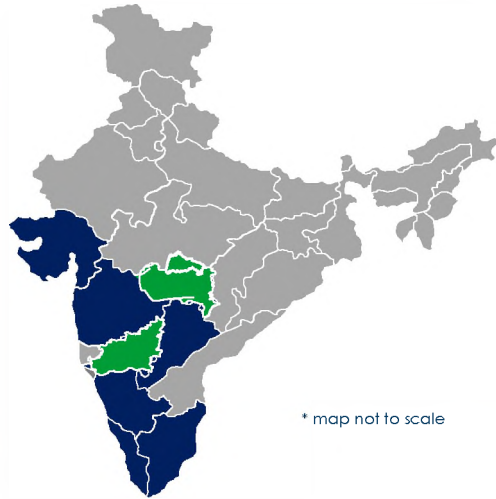
"We have started the year on a strong note delivering a robust performance on all fronts with topline growth of 24%, EBITDA growth of 26% and PAT growth of 103% in Q1. We have recorded robust volume growth of 12.3% in Q1 2019 driven by strong growth in our international operations, especially in Morocco and Zimbabwe. Better product mix and higher realizations in international operations drove value growth. India volume growth came in lower at 4.6% on account of the extended winter and late onset of the season with Holi in the end of March. However, the summer season has kicked off on a strong note and we are confident of seeing acceleration in our sales trajectory in India as we enter the peak season.

We have also been able to drive expansion in our gross margins and EBITDA margins in Q1 on the back of benefits realized from consolidation of sub-territories acquired in 2018. This demonstrates our strong execution capabilities and ability to successfully replicate and leverage the learning, knowledge and mastery over the process that we have attained in one territory to expand into other territories.

We are happy to report that we have 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. This consolidates our dominant position as a key player in the beverage industry. VBL now accounts for 80%+ of PepsiCo India's beverage sales volumes in India from 51% earlier, and has expanded its presence to 27 States and 7 Union Territories across India. We are confident that this development will help us acquire greater scale, operational productivity and efficiency leading to higher revenues and profitable growth. We should also generate better asset usage as the seasonality in these regions is relatively lower. Further, we are pleased to share that the bottling appointment and trademark license agreement for India with PepsiCo India has been extended till April 30, 2039, further strengthening our close to three-decade long partnership.

We are excited about our prospects going into the peak summer season. We will be focused on consolidating and unlocking value from the recently acquired underpenetrated sub-territories in India by strengthening distribution infrastructure and increasing availability. The acquired sub-territories provide huge opportunity for driving volumes, gaining market share and provide significant operation leverage going forward. We will remain agile by keeping on top of macroeconomic trends and changes in consumer preferences, and adjust our portfolio and processes accordingly, offering innovation and choice."

1. Acquisition of sub-territories



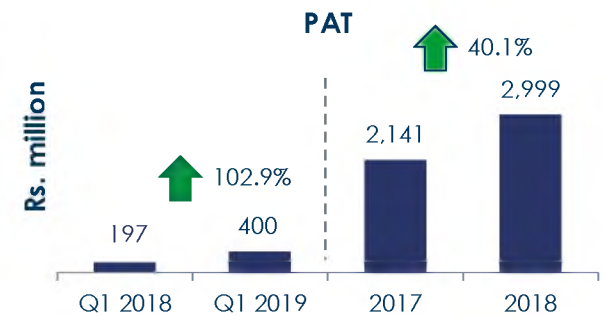
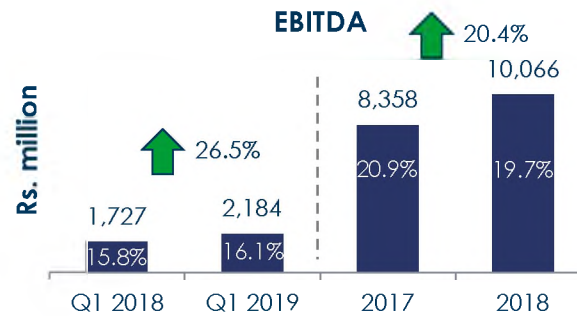
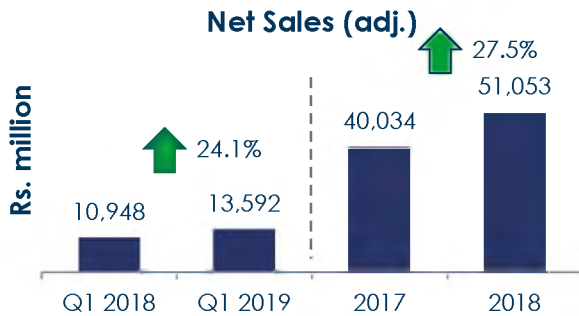
February 14, 2019: Concluded the acquisition of PepsiCo India's previously franchised territories of parts of Maharashtra (14 districts), parts of Karnataka (13 districts) and parts of Madhya Pradesh (3 districts).

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.

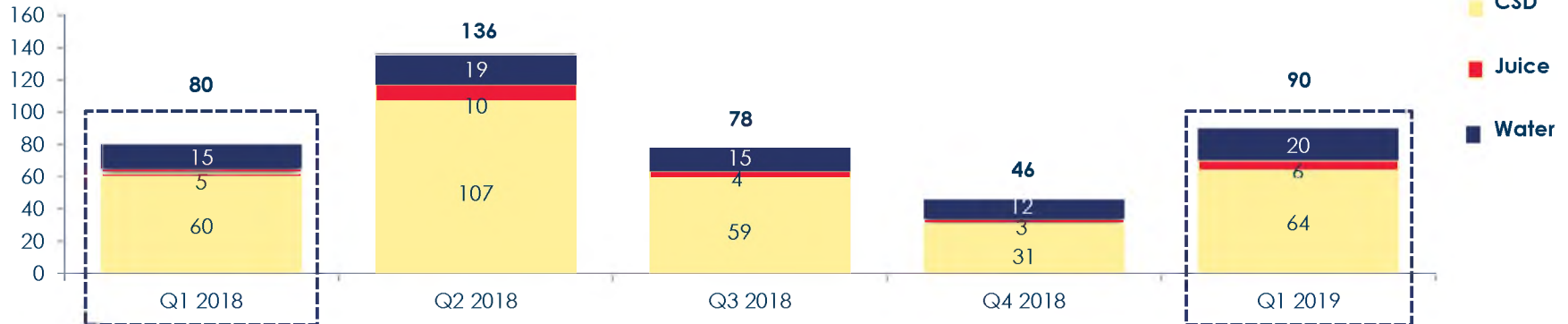
2. Bottling Appointment and Trademark License Agreement for India

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

Performance Highlights (Q1 2019 & 2018)



Sales Volumes (million unit cases)



Consolidated Profit & Loss Statement

Particulars (Rs. million)	Q1 2019	Q1 2018	YoY(%)	2018	2017	YoY (%)
1. Income						
(a) Revenue from operations	13,806.1	11,223.7	23.0%	52,281.3	45,162.4	15.8%
(b) Excise Duty	214.6	276.0	-22.2%	1,228.7	5,128.4	-76.0%
Net Revenues	13,591.5	10,947.7	24.1%	51,052.6	40,034.0	27.5%
(c) Other income	14.0	81.6	-82.8%	218.2	126.5	72.5%
2. Expenses						
(a) Cost of materials consumed	5,898.2	5,788.2	1.9%	21,122.8	18,555.1	13.8%
(b) Purchase of stock-in-trade	897.4	399.9	124.4%	1,942.2	277.7	599.4%
(c) Changes in inventories of FG, WIP and stock-in-trade	(807.4)	(1,272.1)	NA	(624.0)	(732.2)	NA
(d) Employee benefits expense	1,583.6	1,386.2	14.2%	5,829.5	4,628.4	25.9%
(e) Finance costs	590.3	599.2	-1.5%	2,125.6	2,121.8	0.2%
(f) Depreciation and amortisation expense	990.3	910.6	8.8%	3,850.7	3,466.4	11.1%
(g) Other expenses	3,835.9	2,918.6	31.4%	12,716.2	8,947.3	42.1%
Total expenses	13,202.9	11,006.6	20.0%	46,963.0	37,263.5	26.0%
EBITDA	2,183.8	1,726.9	26.5%	10,065.9	8,357.7	20.4%
3. Profit/(loss) before tax and share of profit in associate (1-2)	617.2	298.8	106.6%	4,307.8	2,896.0	48.7%
4. Share of profit in associate	7.9	10.9	-27.7%	30.2	13.5	123.7%
5. Profit/(loss) before tax (3+4)	625.1	309.7	101.8%	4,338.0	2,909.5	49.1%
6. Tax expense	224.7	112.4	100.0%	1,339.4	769.0	74.2%
7. Net profit/(loss) for the period (5-6)	400.4	197.4	102.9%	2,998.6	2,140.6	40.1%

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

- Revenue from operations (net of excise / GST) grew 24.1% YoY in Q1 2019 to Rs. 13,591.5 million led by robust volume growth of 12.3% and value growth of ~ 11.8%. Better product mix (Sting, Tropicana, etc.) and higher realizations in International territories have resulted in value growth.
- Total sales volumes were up 12.3% YoY at 90.3 million cases in Q1 2019 as compared to 80.4 million cases in Q1 2018. Due to the extended winters in Q1 2019, India sales volumes grew by 4.6%.
- CSD constituted 71%, Juice 6% and Packaged Drinking water 23% of total sales volumes in Q1 2019.

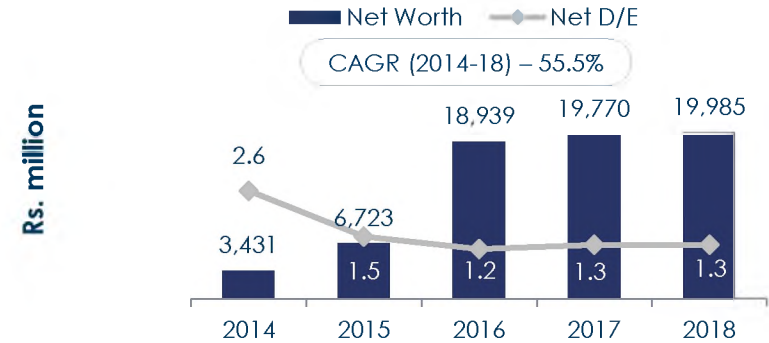
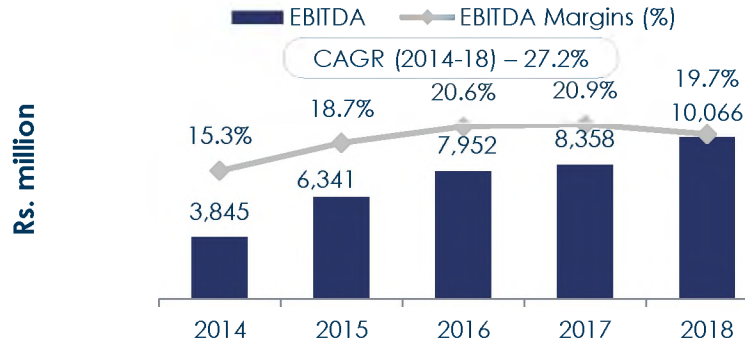
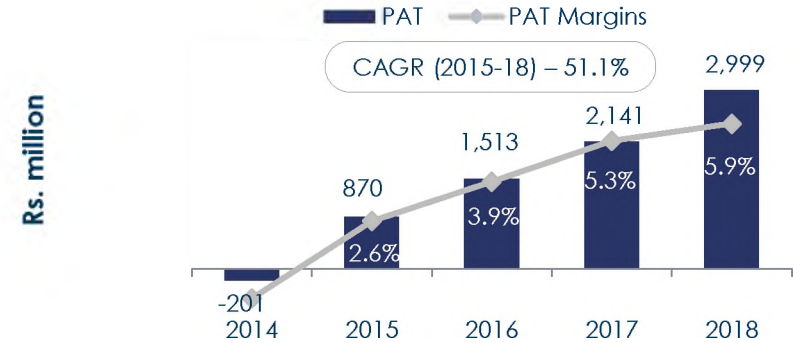
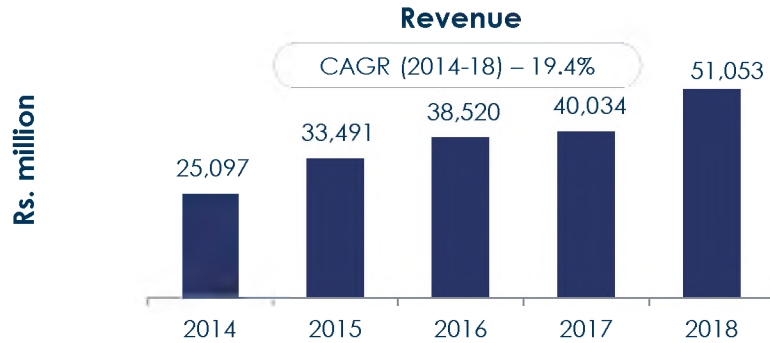
Gross Margins / EBITDA

- EBITDA increased by 26.5% to Rs. 2,183.8 million in Q1 2019 from Rs. 1,726.9 million in Q1 2018.
- Gross margins expanded 85 bps YoY to 55.9% and EBITDA margins expanded 29 bps YoY on account of benefits realized from consolidation of sub-territories acquired in 2018.

PAT

- PAT increased by 102.9% to Rs. 400.4 million in Q1 2019 from Rs. 197.4 million in Q1 2018 on the back of robust volume growth.
- Depreciation has increased during the year on account of in-organic expansion.
- Finance cost has marginally come down even after considerable organic and in-organic expansion during 2018 and Q1 2019.

Performance Highlights (2014 – 2018)

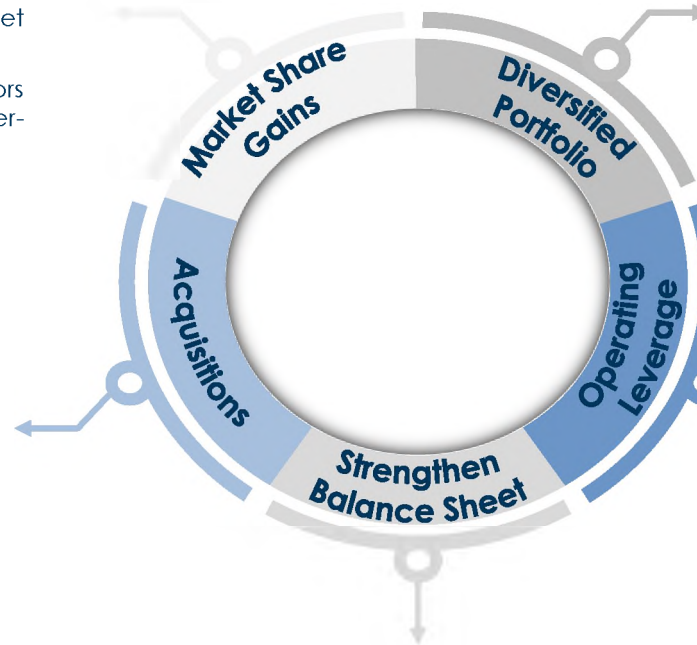


Note:

- 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

- ▶ 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) Q1 2019 Earnings Conference Call

Time • 4:00 pm IST on Thursday, May 09, 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, 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 22 States and 2 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!
