Varun Beverages Ltd.
Q4 & 2020 Earnings Conference Call
February 16, 2021

Moderator: Ladies and gentlemen, good day and welcome to Varun Beverages Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you, sir.

Anoop Poojari: Thank you. Good afternoon, everyone, and thank you for joining us on Varun Beverages Q4 & 2020 Earnings Conference Call. We have with us Mr. Ravi Jaipuria, Chairman of the company; Mr. Raj Gandhi, Group CFO and Whole Time Director; Mr. Kapil Agarwal, CEO and Whole Time Director, and Mr. Vikas Bhatia, CFO 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 detailed statement in this regard is available 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 earning conference call. I trust that you and your families are well and safe. I hope all of you have the opportunity to go through our results presentation which provides details of our operational and financial performance for the fourth quarter and year ended 31st December, 2020.

We have ended the year 2020 on a steady note, despite an unprecedented and challenging macroeconomic environment. The spread of COVID-19 pandemic in early March 2020 caused significant disruptions in our production levels, supply chain and overall business operations, which significantly impacted our performance during the seasonally strong period of April to June quarter. However, with staggered unlock announcement from May onwards, we saw a faster than anticipated recovery across key markets in the second half of the year. This, combined with our operational efficiencies enabled us to restrict our total revenue de-growth at 9.5% year-on-year for the full year. For CY 2020, total sales volumes stood at 425.3 million cases.

On the profitability front, we were able to largely sustain some of the cost optimization measures implemented during the pandemic period that enabled us to report steady profitability in Q3 and Q4. I would also like to highlight here, that even in a seasonally soft quarter our losses in Q4 2020 were significantly lower in comparison to Q4 2019. This was mainly on account of better business efficiencies, cost rationalization strategies and healthy recovery in international territories.

From an operational standpoint, I'm happy to share that we have recently introduced a new product variant under the powerful brand - Mountain Dew. It is a lemon fruit juice-based drink, namely Mountain Dew Ice. We are encouraged with the initial response that these products have received and we remain highly confident of the long-term growth prospect of this new variant, especially in the upcoming season.

As we look forward, we are seeing sharp economic recovery across our key territories with an improved consumption trend being witnessed on a month over month basis. This bodes well for our product categories over the medium to long term.

On the whole, we believe we are on a strong footing operationally and financially and remain confident that further stabilization of the macro-economic environment will translate to gradual and sustainable growth across our business model going forward. On that note, I would now invite Mr. Gandhi to provide highlights of the operational and financial performance. Thank you.

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 2020. Revenue from operations adjusted for excise and GST grew by 9.1% year-on-year in Q4, 2020 to the level of Rs. 13,308.9 million. With faster-than-expected recovery witnessed across our territories, we managed to close the pandemic-hit year with a decline of 9.5% in revenue from operations to the level of Rs. 64,501.4 million in CY 2020.

Total organic sales volumes were up 5.7% on year-on-year at 87.1 million cases in Q4 2020. For CY 2020, total sales volume declined by 13.7% year-on-year to 425.3 million cases, and organic sales volume declined by 20.8% primarily because of a significant decline in volume in Q2 2020 due to lockdown restrictions.

Realizations per case has improved by ~4.8% in 2020, essentially on account of favorable mix and improvement in realizations in the international markets. CSD reconstituted 72.6%, juice constituted 6.3% and packaged drinking water constituted 21.1% of the total sales volume CY 2020.

On the profitability front, we were able to sustain certain cost optimization measures implemented during the pandemic that enabled us to report improved profitability in Q3 and Q4. Gross margins improved by 472 bps during Q4 2020 and by 231 bps in CY 2020, led by favorable PET chip prices, which saw ~12.5% decline, and a higher mix of CSD in total revenues. EBITDA increased by 48.8% to Rs. 1,722.3 million in Q4 2020. Our EBITDA margins improved by 346 bps in Q4 2020. For CY 2020, EBITDA decreased by 17% to Rs.12,018.7 million from the level of Rs. 14,476.5 million in CY 2019.

Depreciation decreased by 1.6% during the quarter however, it increased by 8.2% in CY 2020 as the effect of acquisition of South and West India sub-territories was with effect from 1st May 2019 in the base year. Our finance costs declined by 21.6% during the Q4 2020 and by 9.2% in CY2020 due to repayment of debt as well as the lower average cost of borrowing.

Our losses reduced significantly to the level of Rs. 72.4 million in Q4 2020 from the level of Rs. 539.5 million in Q4, 2019 led by sustained cost control initiatives and strong performance in international territories. I would also like to highlight here that in Q1 2020, we had an exceptional item component of Rs. 665.3 million representing provision of impairment in the value of certain plant and equipment, glass bottles and plastic shells, etc. In addition, during Q1 2020, the company had revisited the outstanding deferred tax balances and written back an amount of Rs. 731.85 million through the statement of profit and loss. On the whole for 2020, PAT stood at a level of Rs. 3,572.7 million

. On the balance sheet front, net debt stood at the level of Rs. 30,158 million as on 31st December 2020 as against Rs. 32,461 million as on 31st December 2019. Our debt-to-equity ratio stood at a healthy level of 0.84x and the debt to EBITDA ratio stood at 2.51x as on 31st December 2020. I would like to add here that CRISIL has reaffirmed the credit rating for our long-term debt as CRISIL AA and for short-term debt as CRISIL A1+. Working capital days increased marginally from ~26 to ~31 days as on 31st December due to lower sales volumes, which affected the denominator in this case.

On the capex front, our net capex included Rs. ~3,200 million towards the brownfield expansion at certain plants in India, Zimbabwe and acquisition of assets for value added dairy beverages in Zambia plus Rs. ~2,000 million for expansion, primarily at Bharuch, Sricity and Tirunelveli plants from investment fund received from PepsiCo in CY2019 and Rs. 400 million towards capitalization of implementation of Ind-AS 116, accounting standard for leases.

Overall, even in the challenging year, we have reported a resilient and steady performance. Our operational and financial profile remains solid and stable and our focus remains on generating strong free cash flows over the coming years. On the whole, we look forward to delivering a sustainable operational and financial performance, going ahead. 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: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vivek Maheshwari from Jefferies.

Vivek Maheshwari: On the volume trajectory, say CSD, if I read out just the previous three quarters number, so that is minus 40 plus 3 to plus 6, whereas juice minus 50 to minus 14 to minus 20 and water is minus 77 to minus 23 to plus 12. Can you just elaborate on why there is such a big a difference in the growth rate for these three segments and why juices, on a YOY basis, has declined more?

Ravi Jaipuria: Water is mainly consumed on-the-go. Very few Indian customers or families actually consume packaged water at home. So in the second quarter of April to June, when the complete lockdown was there, there was no on-the-go consumption. This made water sales to decline drastically, however, it recovered gradually as the market started opening up and in the October to December quarter, which is Q4, water had completely recovered except from some hotels and restaurants. That is the reason you see significant changes in water numbers quarter on quarter. In Juice category, fundamentally again, the majority of consumption happens on-the-go, which again, in Q2 2020, the April to June quarter, was very bad as there was no on-the-go consumption. And then we recovered a reasonable portion of it in the third quarter, when it came down to 14%. Unfortunately in the last quarter, we could not cover up completely, but it is doing well in the current quarter.

Vivek Maheshwari: CSD volumes of plus 3 to plus 6 in the context of how water has done in terms of on-the-go consumption.

Ravi Jaipuria: When the market was completely shut, in-home consumption increased and people were consuming only CSD, not water. So, water sales went down much more than CSD sales. So that is what made a big change in the sales mix. Sales mix in the last quarter is back to close-to-normal and juices are also coming back to normal now.

Raj Gandhi: In addition, the movement of goods in North India was also affected by the farmer's protests during the quarter.

Ravi Jaipuria: So if you see, due to the pandemic, on-the-go consumption reduced from 60% in CY19 to 44% in CY20 and in-home consumption which was 40% in CY19, went up to 56% in CY20 and this increase was mainly in CSD category.

Vivek Maheshwari: On the gross margins, although Mr. Gandhi did mention about the packaging cost, but is mix also playing an important role because the gross margins are comfortably high and is the highest in last eight quarters.

Ravi Jaipuria: The volume mix is clearly playing a part because glass volumes have reduced quite a bit and most of the growth is coming from PET. Due to pandemic, people are not feeling comfortable drinking from glass bottles, as they are recycled. Whereas PET is one-way packaging and it makes a difference and people are very much more comfortable with PET than glass, so essentially, glass volumes have declined.

Raj Gandhi: In the last quarter also, the mix of water was higher, where there is no concentrate and no sugar. So, although profitability at EBITDA level is the same across categories, there is some difference at gross margin level.

Vivek Maheshwari: About this introduction of the new Mountain Dew Lemon, you already have a product - Nimbooz Masala Soda, so is it kind of competing under the 7Up umbrella or is it like a pitched against Limca?

Ravi Jaipuria: It is a Mountain Dew variant. We have added a product under the Lemon & Lime category, which is the largest category in India with estimated 600 million cases of volume being sold in India. Although we have recently launched it. It has got real lemon juice in it instead of synthetic flavours and we feel this should become a sizable part of this important category. Similarly, like we had launched energy drink a couple of years back and even with the lockdowns, we have close to 250% growth from 2019 to 2020 in our energy drink, which is Sting.

Vivek Maheshwari: You have Nimbooz Masala Soda and 7Up, so is it just about strengthening the brand Mountain Dew?

Ravi Jaipuria: Nimbooz Masala Soda is a different product. It has got masala or spices in it. There's no masala in this, so it's a different product altogether. Obviously each brand name has its own equity. When you put the name Nimbooz, it's basically looked at only as a summer drink, so that's a different category altogether.

Moderator: The next question is from the line of Chirag Shah from CLSA.

Chirag Shah: Do you think that capex for CY20 was a bit higher than what we initially estimated? I think it ended at about Rs. 560 crore, if I am reading the number right from the cash flows and there was some value added dairy beverage acquisition in Zambia, which

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(a PepsiCo franchisee)

is included in capex. If you can just elaborate on that and then the capex, going ahead into the next couple of years,

Ravi Jaipuria: Part of it, about Rs. 200 crore, we had received from PepsiCo in CY19 and another about Rs. 40 crore was due to IND-AS accounting adjustment, so if you take out these two categories, it comes down to Rs. 320 crore which is not higher than what we had planned.

Chirag Shah: If I'm right minus the juices, we don't really have too much of capex going forward, is that still true and what will be the capex number?

Ravi Jaipuria: It is still true except if the growth happens in certain territories, which is higher than what the plant capacity of that territory is, then we will have to go into brownfield plant expansion. So, we will have to add one line or just add some production capabilities in that area. The only one additional plant we will be getting, which is Greenfield, would be basically in Bihar, which was a territory, which we had taken and didn't had a plant, but it's not going to be this year. It is going to be for next year.

Chirag Shah: And, just on the dairy side, what is the plan going forward now that things seem to be settling. What is the plan to roll out a dairy drink?

Ravi Jaipuria: Value added dairy beverages are doing well for us but what has happened is because of pandemic last year, we slowed it down and now it is back on track. The products are liked but it will be still a very small part of our business.

Chirag Shah: So is it fair to assume that CY21 will not see large investments happening on the dairy side?

Ravi Jaipuria: Yes. CY21 won't have a large investment in dairy side.

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

Percy Panthaki: My first question is on the recovery in sales, the trajectory. So, if I look at your India business, you had done a minus 2% sales growth in Q3 2020 and now we are at 0%. There is not much of recovery here and we've seen across all other FMCG segments and even consumer discretionary also that the recovery in Q4 2020 has been much sharper than Q3 2020, so what is the reason for this in your view?

Ravi Jaipuria: We think the numbers are not correct because in Q3, we were close to negative 7% in India and in Q4, we are positive by 1.2%.

Percy Panthaki: You're talking about the volume. I was talking about the value, that is the difference.

Ravi Jaipuria: We are taking about volume. In Q4, water sales picked up and in general also, water has a higher mix in Q4, so the value comes down.

Percy Panthaki: The second question is on the capex, going ahead. For juices, we had put a capex of about Rs. 550 crore in Pathankot and typically in the past, at seasonally adjusted peak capacity, we are able to do sales turnover of about two times, which would mean that the Pathankot plant should support about Rs.1000+ crore kind of turnover in usage. We are nowhere close to that. We are actually less than half of that right now. Why are we even thinking about or talking about putting up a second plant now in juices?

Ravi Jaipuria: We have not mentioned that we're putting it up. First of all, ~ Rs.550 crore was for an integrated plant with Tropicana juices / dairy, carbonated soft drinks (PET as well as Can) and water. It was not only for juices. We are producing all categories there and our turnover this year should be very close to the optimum levels which you're talking for the investment.

Percy Panthaki: I stand corrected in that case. And, lastly on international business, very good performance. Could you give some color on the geography wise performance and also the story behind the numbers? What has led to this robust sales growth?

Ravi Jaipuria: In terms of volume, in Nepal, we have grown at 25% in Q4. In Sri Lanka, we have not grown, we have gone negative because of the lockdowns. In Morocco, we are at par because lockdowns were still very stringent. In Zimbabwe, we have done extremely well as we have grown at 40% and Zambia we have grown at 17%. So the lockdowns were much milder or very little in Zimbabwe & Zambia, whereas Morocco was much more stringent because it was close to Europe and the position was very bad in Europe.

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

Devanshu Bansal: PepsiCo indicated market share gains in beverages segment in India in their earnings call and there has been a healthy Visi-coolers addition for us in Q4 as well as we did take some pricing actions. How should we read this on market share gains in the upcoming season?

Ravi Jaipuria: Well, we hope we can gain market share. We are trying our best of course to gain market share. The year has started off well and we expect healthy growth coming this year.

Devanshu Bansal: But PepsiCo in their last call indicated that, they have gained market share.

Ravi Jaipuria: That is right. Last year, we have gained market share.

Devanshu Bansal: Since we have maintaining the capex guidance of less than 50% depreciation. And, if we are on an improving trajectory, then according to my estimates, we should be generating a healthy amount of cash in the upcoming year. Any sense on the amount of debt reduction that we can see in CY22 since we are going low on the capex side?

Raj Gandhi: Yes, for this year the excess cash will be used for reduction of debt.

Devanshu Bansal: And we will be maintaining a similar amount of dividend pay-out?

Raj Gandhi: Our policy on the dividend is very clear and we have been adopting that consistently over the last 4 years. We will be putting this before the Board to decide at an appropriate time.

Devanshu Bansal: On this new product introduction, since this is a juice-based product, so would it be falling under lower GST slab, is this the right way to think about it?

Ravi Jaipura: Yes, it will be at a lower GST slab of 12%.

Devanshu Bansal: Tax rate was low for us in CY20. What should be the level of tax rate we can assume for CY21?

Raj Gandhi: It should be around 24%. In the current year, we have reported good profitability in the overseas markets, where we had carry-forward losses. Also, in some countries, there is no MAT concept and hence blended tax rate was lower. Going forward, 24% blended tax rate is a fair assumption.

Devanshu Bansal: Can you provide the annual volumes from each of the international territories for CY20?

Ravi Jaipuria: Nepal was close to 16 million cases. Sri Lanka was about 10.5 million cases. Morocco was about 18 million cases, Zimbabwe was 34 million cases and Zambia was 9.2 million cases

Moderator: The next question is from the line of Yogesh Patil from Reliance Securities.

Yogesh Patil: What was your realization in this quarter compared with the last year same period?

Raj Gandhi: It was 3.2% higher than Q4 CY19, from 148 in Q4 CY19 to 152.7 in Q4 CY20.

Yogesh Patil: Second question is related to PET chip prices. As we know the crude prices touched $63 per barrel, do you see increasing product prices and how much impact do you see in Q1 CY21 at EBITDA margin level, if any rough estimate?

Ravi Jaipuria: We don't think we will see much of a change because we are reasonably covered for the major portion of the year.

Moderator: The next question is from the line of Shantanu Basu from SMIFS Limited.

Shantanu Basu: I would like to know your other operating revenue for CY20. The second question is, what plans do you have for further international expansion / inorganic opportunities in CY21 or beyond?

Ravi Jaipuria: We are always looking for expansion, but depends on what opportunities we get. Last year was a year which has been washed off. So, we are not in a rush. We want to reduce our debt this year and also if we get a good opportunity and if PepsiCo offers something to us, we are definitely always open to it. It all depends on the pricing and the territory. There's very little to acquire in India now.

Shantanu Basu: Any special focus on territories, any countries that you would like to mention?

Ravi Jaipuria: Not right now, we are still looking at it. Last year we were keen to make sure that everything went well at home and because of the pandemic year we were not on the prowl. I think this year we'll start looking at it once our debt is reduced.

Shantanu Basu: Would it be fair to assume that it would be in Africa or in Southeast Asia?

Ravi Jaipuria: Well, those are the two most likely regions. It'll be either Southeast Asia or Africa. We are not going to acquire Europe or US.

Shantanu Basu: And the other operating revenue figure for CY20?

Raj Gandhi: It is Rs.89.6 crore.

Moderator: The next question is from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: Just wanted to know about two things, one what is our current market share at the end of December, so definitely it would have got impacted during COVID but now considering the situation is more or less stable, so what is the market share position at December 2020 versus December 2019? And secondly again about the performance of the 1.25 litre product which we had seen good success, so overall how is that product performance in the quarter?

Ravi Jaipuria: COVID equally affected both of us, our competition as well as us. COVID had very little to play with it because market share-wise it effected both the companies and as the earlier participant said PepsiCo has mentioned in their calls that they have gained market share in 2020. Our market share is higher than what it was in 2019. We have done well as far as market share is concerned in 2020.

Aniruddha Joshi: Is it possible to quantify what will be the gain?

Ravi Jaipuria: No, that's very difficult because the last quarter figures are still not out.

Raj Gandhi: Moreover, the basis of this is PepsiCo's statement in their quarterly results presentation and their quarter doesn't coincide with our quarter. That makes it non-comparable. Secondly, we do not have 100% of India, we have 85%+ of India.

Moderator: The next question is from the line of Pavas Pethia from Enam Asset Management.

Pavas Pethia: Can you give some color on the month wise recovery in Q4, how has been October then November and December? How has the months of January-February been so far?

Ravi Jaipuria: October we had a slight growth, November we were minus and December, our growth was close to 34%.

Pavas Pethia: And the months of January and February so far how has that been?

Ravi Jaipuria: I can't give you the exact numbers, but the year has started well for us.

Pavas Pethia: In terms of numbers, Southwest, which we acquired and the rest of the geographies, what is the growth break-up?

Ravi Jaipuria: It is about the same. It's not a major gap between the new territories and the existing territories. I don't have the exact numbers, but it is about the same. About a percent up or down, but nothing much.

Moderator: The next question is from Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda: I wanted to understand, the cost optimization that we have done in the years gone by. How much of the EBITDA per case should benefit versus historical averages that we see at about Rs. 30 to 32 EBITDA per case consistently for the last 4-5 years. This number post cost optimization should move to what number, if you could help us understand it?

Raj Gandhi: In spite of COVID-19 happening in the busy season, when our EBITDA is about 23-24% in peak months of April-May, which got affected, we could retain a major portion of our EBITDA margins with a small decline during the year. So the efficiencies brought us to a reasonable level in spite of the impact. If in those 2-3 months, 23% blended margins came down to 20%, so a 3% miss and less than 1% decline on an overall basis, meaning there was a 2% gain in the balance 6-8 months. So this was a good recovery. Secondly, the mix also has undergone a change on month-to-month basis. For example, in the peak quarter, water was very less and glass was not there. So, it's a combination of various things, but overall cost reduction definitely was there and helped us. We had shut down our Bargarh plant in Q1 and we are planning to shut down one or two more plants, which should lead to Rs. 20 to 30 crore net-benefit in spite of a bit of higher freight, each plant is going to translate into permanent nature of savings in fixed overheads.

Pritesh Chheda: So if there are two plants, that is Rs. 60 crore, which means a percent or as a percentage of sales?

Raj Gandhi: That’s right, 0.5% to 1% of expenses are going to be permanent in nature.

Pritesh Chheda: My second question is, we had partial consolidation of South in the calendar year 20. I just wanted to know, had the full consolidation happened in a normal year. What would have been the extra volumes that could have got added or the other way round, how much volume on annualized basis should happen in CY21 purely on account of full consolidation of South.

Ravi Jaipuria: South and West was acquired in May 2019. So 2020 was a full year for all the territories, it's only that we had a bad quarter which was April-May-June because of the lockdowns, but the complete territory was with us. There is no change in territory from 2020 to 2021.

Raj Gandhi: Basically Pritesh, so you can look at it slightly differently, instead of a normal double digit growth, we ended the year with ~14% volume de-growth.

Pritesh Chheda: Was South not there for 3 months in this year?

Ravi Jaipuria: No full year it was there.

Pritesh Chheda: So 33.7 crore cases includes the full-year consolidation of all the geographies?

Ravi Jaipuria: Yes.

Moderator: The next question is from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar: My question is regarding the new territory you acquired. How is the penetration in that acquired geography? How are we doing there currently?

Ravi Jaipuria: We are doing okay but the real expansion what we had planned and the go-to market which we had planned, we could not do too much last year because of the pandemic. That part we will do in 2021. That's how we plan to expand the territories, which we have acquired in 2019. What work we had to do, which should have been done in 2020 is going to be done now in 2021. We definitely expect growth and expansion of the market.

Sumant Kumar: What we will be doing differently versus what the previous guys were doing?

Ravi Jaipuria: Well, we've said earlier also, our go to market was very weak before. We are strengthening that, expanding our routes, expanding the number of Visi-coolers and basically making sure our reach becomes much better than what it used to be. And, we are adding a number of outlets, which they were not doing and that will make our reach much better and of course we are trying to make sure that our cost doesn't go up simultaneously.

Sumant Kumar: The second question is regarding the margin outlook, assuming that some costs are going to be reversed, what kind of margins are we looking at for CY21 and CY22?

Ravi Jaipuria: As Mr. Gandhi said that we expect about a percentage point saving which we are doing by shutting down one or two plants and by making sure that efficiencies or wherever we could cut costs, we feel that will continue, going forward.

Sumant Kumar: We are going to maintain the margin at what we have currently?

.Ravi Jaipuria: Yes, in a normal year, we will maintain the margin

Sumant Kumar: What we have done in CY20?

Ravi Jaipuria: No, in CY20, we did not have great margins because we lost our peak season. What our margins used to be in CY19 or before we are going to do slightly better hopefully by cutting some costs, which is going to be permanent in nature.

Moderator: The next question is from the line of Nikunj Gala from Principal Asset Management.

Nikunj Gala: My question is with respect to the freight cost, what kind of a pressure we are seeing on account of increasing fuel cost and are we looking at a price increase next year?

Ravi Jaipuria: No we are not looking for a price increase. And the freight cost with slight variance will not make any difference to us. We will manage. That's why we are not saying that the cost cutting will be so high because some of the costs will go up, some come down. So these are all part of the business. We don't think we have to change prices. We expect our margins to sustain.

Nikunj Gala: On the RM side, apart from PET, what kind of inflationary pressure we are seeing?

Ravi Jaipuria: In sugar, we are not seeing any major inflation, so we are okay. Even in PET because we were able to cover certain amount of PET prior to the season, so on an average, we will not see any major issue. So our costs will not be higher.

Moderator: The next question is from the line of Rakesh Roy from Indsec Securities.

Rakesh Roy: My first question is regarding your dairy business, last time you said you will relaunch a product in January-February. Can you give details of this product?

Ravi Jaipuria: We have relaunched our product, the product is doing well and we expect the product to do reasonably well but because one year has been delayed, we are not looking for any expansion in this for the time being.

Rakesh Roy: I am asking because last time you said, you will be relaunching this product

Ravi Jaipuria: We have already relaunched it and product is already in the market again, which we had slowly reduced because of the pandemic, but now we are putting it back in the market and it has started to do well.

Rakesh Roy: Last week, there was an announcement by your Management for new plant in North-east, can you highlight on this specially in Arunachal Pradesh?

Ravi Jaipuria: We never announced anything like that. We are looking at it, but we have not announced anything.

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

Devanshu Bansal: My question is on slow recovery in juices, you mentioned about the demand side aspect of it. We've always maintained that there is a huge scope for penetration improvement, particularly for this category. So were we slow on this part as well because of the pandemic in the last year and we may accelerate our penetration in the coming year?

Ravi Jaipuria: Absolutely, we have already started expanding our penetration and what we were supposed to do last year and we couldn't do, we are doing this year. We will expand our territories going into the smaller villages, going into the rural and which is where the maximum growth is coming.

Devanshu Bansal: And any new SKU launches for juices?

Ravi Jaipuria: We have just launched, we just said Mountain Dew Ice, which is a carbonated juice category, which we have recently launched about 10 days back and we expect it to do well in a reasonably large category.

Moderator: Thank you. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Raj Gandhi: Thank you. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarification or would like to know more about the company, please feel free to contact our Investor Relations team. Thank you once again for your interest and support and for taking the time to join us on this call. Look forward to interacting with you soon, hopefully in person. Thank you.

Moderator: Thank you very much. On behalf of Varun Beverages Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.
