Varun Beverages Limited
Q4 & CY2021 Earnings Conference Call Transcript
February 03, 2022

Moderator: Ladies and gentlemen, good day, and welcome to Varun Beverages Limited - Earnings Conference Call. As a reminder, all participant 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 conference 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: Good afternoon, everyone, and thank you for joining us on Varun Beverages' Q4 & CY2021 earnings conference call. We have with us Mr. Ravi Jaipuria, Chairman of the Company; Mr. Varun Jaipuria, Whole-Time Director; Mr. Raj Gandhi, Group CFO and Whole-time Director; and Mr. Kapil Agarwal, CEO and Whole-Time Director of the Company. We will initiate the call with opening remarks from the management following which will have a forum open for a question-and-answer session.

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

I would now like to 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 have the opportunity to go through our results presentation. This provides details of our operational and financial performance for the fourth quarter and year ended December 31, 2021.

We delivered a strong and resilient performance in the calendar year 2021, registering a top line growth of 37% and a PAT growth of 109%. Our performance was driven by a robust volume growth of 34%. While the year started on a healthy note, short-term disruptions due to second wave of the pandemic severely affected our domestic business in the seasonally strong month of May. Given the learnings from the first wave of the pandemic in 2020, our team was able to handle and mitigate the business impact due to these disruptions to a large extent in 2021. As restrictions started easing from June onwards, we saw a fast recovery in demand that brought back the growth momentum in which we started the year. Improved offtake across our international territories further aided growth during the year.

We continue to sustain the cost optimization measures that we had undertaken during the pandemic period. Despite a decline in our gross margins due to higher pet prices, our cost optimization measures in combination, with higher operation leverage on the back of strong volume growth has translated to enhanced operating profits in 2021. I am pleased to share that even a seasonally soft quarter we have reported profits for the first time ever in Q4 on account of these factors, along with the improvement in profitability of international operations and lower financing cost.

On the whole, we have delivered an encouraging performance during the year. The third wave of COVID has not had any significant impact on our business and we will continue to further strengthen our distribution network in under penetrated territories, enhancing volumes and increasing our market share. We are confident of delivering a much stronger performance going forward.

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 the overview of the financial performance for the fourth quarter and the year ended December 31, 2021.

Revenue from operations adjusted for excise/GST, grew up by 30.3% year-on-year in Q4 CY2021 to Rs. 17,343.4 million. For CY2021, revenue from operations grew by 36.8% over the CY2020 to Rs. 88,232.3 million. Consolidated sales volume for the Q4 CY2021 registered a solid growth of 28.5% to 112 million cases and for the CY2021total sales volume grew up by 33.8% to the level of 569.1 million cases driven by a strong recovery in demand and low base of the CY2020.

In the year 2021, CSD constituted 70.3%, juice 6.4% and packaged drinking water 23.3% of the total sales volumes. Realization per case for the 2021 increased by 2.2% year-on-year, driven by improvement in realizations in international operations.

On the profitability front, EBITDA increased by 20.5% to Rs. 2,075.7 million in Q4 CY2021. For the full year CY2021, EBIDTA grew by 37.7% to Rs. 16,546.5 million year-on-year. Gross margins in CY2021 declined by 288 basis point and by 476 in Q4 CY2021 primarily because of the higher PET prices, which increased by almost 18% in the year. Despite the decline in gross margins, the Company was able to improve its EBITDA margin to 18.8% during the year because of higher operating leverage, driven by strong volume growth and on account of cost optimization measures.

Finance costs declined by 39.8% during the Q4 CY2021 and by 34.3% in CY2021 primarily because of the lower cost of borrowing.

This is the first time the Company has reported a positive PAT at Rs. 325.9 million in a seasonally weak quarter such as Q4. This is primarily led by improvement in profitability of international operations and lower financing costs. For CY2021, PAT grew by 108.8% to Rs. 7,460.5 million, as along with India, most of the international territories also reported healthy profitability.

On the balance sheet front, net debt stood at the level of Rs. 30,053 million as on December 31, 2021 as against Rs. 30,158 million as of December 31, 2020. Net debt reduced marginally despite increase in capital work in progress of by Rs. 4,300 million and incremental stocking of Pet chips/performs of Rs. 2,000 million as on December 31, 2021 for the next season in order to mitigate against logistics and pricing risks.

Our debt-to-equity ratio stood at a healthy level of 0.72x and the debt to EBITDA ratio stood at 1.82x as on December 31, 2021. Working capital days increased to 35 on December 31, 2021, primarily because of higher stocking of pet chips/performs.

During CY2021, net Capex stood at Rs. 3,500 million. Out of which approximately Rs. 1,300 million is primarily towards brownfield expansion in certain plants in India and approximately Rs. 2,200 million is primarily towards brownfield expansion in Morocco and Zimbabwe. As on December 31, 2021, capital working progress stood at approximate level of Rs. 5,000 million primarily for setting up of new greenfield production facilities in Bihar & Jammu and brownfield expansion at Sandila facility.

In line with the guidelines of dividend policy, the Board of Directors recommended an interim/final dividend of Rs. 2.50 per share during CY2021. Total cash outflow for dividend pay-out was Rs. 1,082.6 million.

On the whole, the company's financial position remains strong. We have seen a healthy month on month trend in sales and consumption and the outlook remains positive for all our product categories over the medium to long term. Overall, the focus remains on generating strong free cash flows over the ensuing quarters and coming years.

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 Chirag Shah from CLSA. Please go ahead.

Chirag Shah: Thank you for taking my question. At the outset, congratulations on reporting profit in Q4, a difficult task to achieve Mr. Gandhi, you mentioned that the focus going ahead would remain on generating strong free cash flows. Can you just touch upon what would be the capex trends in the next couple of years or what will be the investments in some of the newer geographies that we are planning to enter? And then finally, what is the plan to improve on the working capital cycle?

Raj Gandhi: Thank you Chirag, for asking this detailed question. As mentioned, this year the capex planning was for two greenfield facilities and one brownfield facility. Out of the total capex of Rs. 700 crore, about Rs. 500 crore is already incurred. Over the longer term and even in the past, we always have given guidance on capex that it will be around the depreciation figure. This capex of two plants is coming after two years where there was no expansion and secondly no new territories or new geographies were acquired. So as of now, there is no capex planned for new geographies. And as and when some in-organic opportunity comes in, we will share it with you all.

With regards to working capital, on a standard basis, working capital is about 14 days in June and about 31 days at the year-end since the volume in December is lower. However, this got accelerated because of our conscious decision of de-risking the Company by stocking preforms as well as the PET resin to de-risk against the logistic and pricing issues. Luckily, the third wave is subsiding fast, but initially it was not possible to predict, and we wanted to protect ourselves.

Chirag Shah: I understand the one offs that we have on the inventory days, but on a structural basis, as the juices capacity also gets spread across India, is there a scope to reduce the normalised inventory days that we have in the system?

Ravi Jaipuria: I think 14 days in season is very optimum with very little change of reducing further.

Chirag Shah: Mr. Jaipuria, can you also talk about dairy expansion plans now, and secondly, the expansion plans on the visi-cooler rollout please?

Ravi Jaipuria: Since the covid hit in the peak season during last two years, not much of our dairy expansion has happened. We have a large plant in Pathankot and co-packing in Asansol, where we are producing dairy products. So this year hopefully if things work out well, we are expecting good volume growth. So once we achieve that then we would be looking at putting up another unit.

Chirag Shah: Understand. And on the visi-coolers?

Ravi Jaipuria: We are normally putting about 40,000 Visi-coolers every year and in the current year also, we did the same figure.

Chirag Shah: Sure, sure. Thank you. I'll join the queue. I've few more questions, but I'll join the queue. Thank you.

Moderator: Thank you. The next question is from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: Thank you so much and congratulations to the management for the strong performance Considering that you mentioned that this quarter you did not see any impact coming in from COVID, is it safe to assume that the out-of-home and in-home split is similar to what it was pre-COVID?

Ravi Jaipuria: Yeah, fundamentally, from last quarter, we started coming back to pre-COVID levels. Out-of-home consumption was 65% and 35% from in- home consumption during normal working days.

Nihal Jham: That is helpful. And then just to understand any specific product categories would want to know about Sting's performance, and if possible, to share the contribution for this year now that we've seen decent time period since it has been launched.

Ravi Jaipuria: So, Sting has done extremely well for us and it's already close to 5% of our mix and the volume growth has been phenomenal. So, 5% of our mix itself is a large volume and still growing at a good pace. On a Y-o-Y basis, the growth has been about 440%.

Nihal Jham: The share of this last year would have been less than say, 1% to 2%, is that correct?

Ravi Jaipuria: Absolutely. I don't have the exact number what mix was last year, but this has really gone up and it is still doing extremely well. We hope this share will further go up in the coming year.

Nihal Jham: This is very helpful. Mr. Jaipuria, the second question was in terms of, you didn't mention about the visi-cooler. We ended last year at ~2 million retail touch points, what was that number at the end of this year?

Raj Gandhi: The retail outlets remained more or less the same, due to the pandemic. The visi-cooler infrastructure stood at about 840,000 in those outlets.

Ravi Jaipuria: This is because a lot of outlets got temporarily shut down, which have still not opened.

Nihal Jham: Right. So, for the coming year, what are we building in? Would we like to say catch up, given the miss in the COVID year, would we want to add say

300,000 to 400,000 outlets higher than past run rate or are there any internal targets on this one?

Ravi Jaipuria: Well, we hope to add about at least 10% to 12% more outlets every year. And if the outlets which have shut down also open up, then it will be much higher. We are not sure if a lot of restaurants will open up or not. So, we are still in wait and watch mode. Unfortunately, January had a COVID wave again so it's still too early to say. Luckily it has not impacted us this time because the lockdowns were not severe. So as long as we don't have any severe lockdowns going ahead, then it's not a problem for us.

Raj Gandhi: Moreover, in the last two years, COVID wave was during the peak months. However, this year, the third COVID wave was in our weakest month of the year.

Nihal Jham: Sir, just one last question from my side. This quarter towards December you did mention about entering Congo, which is a bit of a different setup than what you traditionally have in other geographies. So, if you could just comment on that, and could that be a way of entering some of the other African markets and also setting up of the subsidiary in Dubai if that has anything you may want to highlight to us.

Ravi Jaipuria: Basically, we are just at the finalization stage of entering Congo. Initially for a year or year and a half at least we will be distributing products there. We have capacity in our plants at Morocco and Zambia. So, we would be supplying to two parts of Congo, one from Zambia and one from Morocco. This will help both these countries optimally utilize their capacities.

Raj Gandhi: We will just be testing the market and will be importing and supplying. While importing in one of the territories of Congo, which will be supplied out of Morocco, the offseason of Morocco coincides with the busy season in the DRC. So, we want to leverage our existing facilities without any capex initially. If it turns out to be promising, we will not shy away from considering capex. The office in UAE, which you were mentioning, is only for coordination because DRC is not going to have any manufacturing facility and will be supplied from two countries. So, the coordination becomes easier from a place like UAE and that’s the only objective.

Moderator: Thank you. The next question is from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

Kashyap Javeri: Yeah. Thank you very much. Sir, two questions from my side. One, if I look at our standalone numbers, there is about 30% revenue growth and barely any EBITDA growth on Y-on-Y basis. So, in standalone, if you could throw some light on the margins as well as the volume growth. And in India operations, how will the growth be split between the three product lines in this particular quarter?

Raj Gandhi: In India, the volume growth over CY2020 was 27.2% and then we had PAT growth of 61.9%, while in the international market, volume growth was 32% and PAT growth was 17.2%.

Kashyap Javeri: And the second question is that in India operations, what would be the volume growth across three categories?

Raj Gandhi: On overall basis for CY2021, split is as follows, CSD is 70.3%, juice 6.4% and water 23.3%. These are combined numbers.

Moderator: Thank you. The next question is from the line of Dhruv Bhimrajka from Monarch AIF. Please go ahead.

Dhruv Bhimrajka: Yeah, thank you sir. What has contributed mainly to the jump in India and international PAT?

Ravi Jaipuria: The volumes have grown up primarily.

Raj Gandhi: Volumes have grown, on a year-on-year basis, and over the last year PAT growth in international is 96% and in India it is 116%.

Dhruv Bhimrajka: If I see the realization per case in the international market, so last year it was Rs. 179 per case and in this year it was Rs. 193.7 per case. So, what is the volume mix for us in the international market that we are generating this kind of realization, which is better than India?

Ravi Jaipuria: We have taken some price increases internationally. Since there has been PET price increase, we have passed it on to the consumer. So that's the reason.

Dhruv Bhimrajka: For the India business, do you have the absolute million cases number for CSD, NCB and for Water?

Raj Gandhi: For India, 316 million cases for CSD, Juice is 33 million cases, and water 105 million cases.

Moderator: Thank you. The next question is from the line of Sanjaya Satapathy from Ampersand Capital. Please go ahead.

Sanjaya Satapathy: Yes, sir. Sir, thanks a lot for the opportunity and congratulation on the great set of number. Can you give us some colour on market share trend?

Ravi Jaipuria: I think the industry as a whole is doing well. Both the companies are growing at a reasonably fast pace. We are definitely not losing any market share.

Sanjaya Satapathy: And my second question is that in opening remarks, you mentioned that going ahead, there would be better performance. Is there any way to quantify it or are you looking at better volume growth or margin expansion? What really are the drivers of your optimism for next year?

Ravi Jaipuria: As you all know, the last two peak seasons of the last two years had the impact of pandemic and we hope that this year, the case would not be the same. So, we expect a major growth in the second quarter of the coming year and that itself will give us a bump in our overall volumes. With the volume growth, our margins as well as our PAT and EBITDA will go up. So, we expect a very healthy growth this year. We have also been able to mitigate most of our costs, which has increased because of increase in PET prices, by light weighting the preforms and also partly passing the price increase to consumer. We have also got enough resin for this year so I don't see any further challenges for us as far as the cost escalation is concerned.

Sanjaya Satapathy: I believe that earlier you were looking at some 20%- 21% kind of EBITDA margin as a sustainable margin, is that something which one can look to?

Ravi Jaipuria: Yes, I think we can definitely look at something in that range going forward.

Sanjaya Satapathy: You are getting into Bihar and couple of other markets, so I thought that you might be gaining market share.

Ravi Jaipuria: We are trying, but I don't have full numbers to say that we are. I think we are doing reasonably well. I think the other companies are also doing quite well. That's all I can tell you.

Sanjaya Satapathy: And there is no impact of Omicron wave on this latest quarter?

Ravi Jaipuria: There was no effect in the October to December quarter.

Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global Financial Services. Please go ahead.

Devanshu Bansal: Thanks for the opportunity, and congrats on a really good set of numbers. How have the trends been in January because this was a relatively more impacted month due to Covid?

Ravi Jaipuria: As I said before, unless and until there are major lockdowns, we are not getting affected. We are back to our pre- covid levels and going ahead we are looking at a very positive year.

Devanshu Bansal: In December quarter, we have seen about 17% volume CAGR on a two-year basis. And in previous quarters also, as we have indicated that the volume growth in non-impacted months has been upwards of double-digit. So, are we assuming that CY22 is going to be a normal year? Can we base this growth into assumptions for the coming years as well?

Ravi Jaipuria: Well, definitely this year we are expecting that the growth rate will be much higher, provided there is no pandemic impact and there are no lockdowns. We expect a healthy growth and healthy margins in the range of 20%-21%. Because last two years, we had a bad second quarter, which is our main quarter, so if we don't have pandemic this year, we should have a very healthy quarter and going forward for full year basis, it will be a great year.

Devanshu Bansal: If things remain normal, can we see sort of a 10%-12% sort of a CAGR relative to pre-pandemic levels and also in the June quarter?

Raj Gandhi: Let me give you one data point and rest we will leave for you to extrapolate. In 2021, when delta wave was at its peak in May 2021, the volume was 66% lower than 2019, however on overall basis we had grown on consolidated basis. So, we feel, it will be higher than 2019.

Devanshu Bansal: There has been a change in revenue mix as well as improved international realizations that have led to overall realizations to improve. As this revenue mix normalizes, should we see our overall portfolio level realizations to moderate slightly in the coming years?

Raj Gandhi: This is a continuous process, we will keep on growing as and when new packs, new sizes and new products are introduced. Some premium products like Sting, which is 5% of mix, adds a good premium in realizations.

Ravi Jaipuria: If you look at our premium products like Sting, Dairy products and Tropicana, they all are growing at a faster rate. And we expect a much better year this year. So that will all bring in healthier top line as well as bottom line.

Devanshu Bansal: We indicated that this Zimbabwe currency reversal provision should continue for five-six quarters and this quarter, I think we have not reversed about $2 million of this provision. Is that right?

Raj Gandhi: Out of Rs. 130 crore, Rs. 50 – Rs. 52 crore, we have already reversed and the balance as and when based upon that quarter's currency rates will keep on getting amortized. This quarter currency movement was such that, there was no reversal.

Devanshu Bansal: And what is this Rs. 33 crore other income in standalone financials?

Raj Gandhi: VBL India gets dividend from its subsidiaries, mainly from Nepal, that is recorded as other income.

Moderator: Thank you. The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: How much price hike have you taken in this quarter?

Ravi Jaipuria: Not much. On couple of packs wherever there was room, there we have taken. In order to mitigate our PET resin input cost, we have replaced it by light weighting, and the second by taking the price increase. So, this year, we will not have much impact and that's why I said we will still be able to maintain our 20% EBITDA margins.

Deepak Lalwani: How does the company think about price hike, like does it depend on competition or do we need to take a pre-approval from Pepsi?

Ravi Jaipuria: No, we don't need a pre-approval. It depends on how the competition is behaving and whenever we feel the market can accept the price increase we increase the prices.

Deepak Lalwani: What is the debt reduction target for CY22?

Raj Gandhi: As of now our debt stands at Rs.3,000 crore, we should reduce it by about 40% or so.

Deepak Lalwani: If you could share the percentage of revenues coming from Tropicana and the Dairy segment and what is the growth rate in this year?

Raj Gandhi: Tropicana volume mix is 2.3% and Sting is 5%. For the Dairy segment, we could not launch it the proper way because of COVID, so the contribution is negligible. But it's promising for the current year.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: Can you talk about the overall growth in rural and urban market for our products?

Raj Gandhi: Urban has grown slightly better than rural, otherwise, there had not been much of a change between the two. It was broadly in line with the overall growth levels. Rural is growing slightly lower than the urban.

Ravi Jaipuria: Urban has been growing slightly faster, mainly because of COVID happening in the peak season, which is when the rural is much more buoyant.

Sumant Kumar: The rural has a lesser impact in Q4CY21 because of base year effect?

Ravi Jaipuria: During Q4, volume contribution from rural is very low. The majority volumes which come from rural markets is in the peak season which is April, May, June and because of COVID being in the end of April and May, that got affected quite badly.

Sumant Kumar: So, particularly this quarter also rural is lagging urban growth?

Ravi Jaipuria: Not this quarter but if you look at the year, that's where there is a lag. So, hopefully this year, rural growth will be much faster than urban.

Sumant Kumar: When talking about the current scenario in Q4 CY21, how is the rural versus urban?

Ravi Jaipuria: So, the growth has been about equal. It has started coming back for rural market.

Moderator: Thank you. The next question is from the line of Sameer Gupta from IIFL. Please go ahead.

Sameer Gupta: Hi, sir. Thank you for taking my question. Just a clarification. So, you mentioned 27% volume growth in the India business and 31% is the revenue growth. Is it okay to assume this is the kind of price hikes taken this quarter?

Ravi Jaipuria: This is because our product mix is changing. Contribution from Sting and Tropicana, which are higher value products, has increased,.

Sameer Gupta: So, this 4% difference is largely on account of mix and that is what is reflected in this number.

Ravi Jaipuria: Yes.

Sameer Gupta: You mentioned Tropicana was 2.3% of sales. This only pertains to the juices and nectars right, doesn't pertain to Slice, or the fruit drinks that are sold under Tropicana, right?

Ravi Jaipuria: It's only for juices and nectar.

Moderator: Thank you. The next question is from the line of Nikhil Parekh for Tamohara Investment Managers. Please go ahead.

Nikhil Parekh: Can you please share with us what is the price hike you would have taken for this calendar year 2021?

Ravi Jaipuria: We had not taken a price hike initially, it's only in the later part of year which is in December where we have taken a minor tweaking in pricing and the balance, we have mitigated by light weighting the preform.

Nikhil Parekh: What would be the contribution of South and West markets to CY21 volume? And if I recollect the numbers, it was about 150 million-160 million cases of market when you bought it from Pepsi. So just wanted to know what numbers you would have done this year? And what are the growth opportunities ahead?

Ravi Jaipuria: Well, south and west is growing quite well for us and it has done about 140 million cases against what we had taken in from Pepsi.

Nikhil Parekh: So, what is the growth we are expecting, because if I'm recollecting the numbers, I think 180 or 190 million cases were our target

Ravi Jaipuria: In the last two years, both the years have been hit by COVID, so we couldn't grow the markets. We have grown at ~33% in south and west over last year in CY21.

Nikhil Parekh: In terms of improving the go-to-market strategy, is that still an ongoing process?

Ravi Jaipuria: We have not had one proper year and our business is skewed to April, May, June quarter. Past two years have got disturbed in these quarters. So, hopefully, after this year, we'll be able to give you a much better answer.

Nikhil Parekh: If you can share the absolute volume numbers for Sting?

Ravi Jaipuria: 5% of our total volume.

Moderator: Thank you. The next question is from the line of Sanam Deep from Edgewest Company. Please go ahead.

Sanam Deep: As I go to any shop in a village or any city, it seems that Mountain Dew is losing its market share in the sense of its taste and coke is gaining market share.

Ravi Jaipuria: That is not true. Mountain Dew is very much doing well and we are quite happy with it and Sting is adding additional volumes to it. That's why you're seeing such large growth.

Raj Gandhi: While Sting and other new products have contributed to growth, Mountain Dew which is a winner for us is also growing and that's why we have grown 33% overall. If Mountain Dew had not grown, we wouldn't have been able to grow.

Moderator: Thank you. The next question is from the line of Kunal Shah from Jefferies. Please go ahead.

Kunal Shah: I understand our debt levels increased because of higher inventory and some part of capex sitting. Any guidance that you would like to give for debt going forward?

Ravi Jaipuria: We expect the debt to come down by at least one-third.

Raj Gandhi: After taking care of organic capex for the next year, at least 40% it should come down.

Moderator: Thank you. The next question is from the line of Abhisar Jain from Monarch AIF. Please go ahead.

Abhisar Jain: Can you give some update on the capex progress in the Bihar location that you have taken up, by when is that expected to get commissioned?

Raj Gandhi: Bihar & Jammu plants are expected to be ready before the beginning of the season. We have always planned putting up the plant ahead of the season so that we can immediately take advantage of that.

Ravi Jaipuria: I think by March we should have both the plants operative.

Abhisar Jain: Right. So, sir, basically for the season, we should get the positive impact and you had given that those locations have much lower per capita and that's a growth area which you can realize, right?

Ravi Jaipuria: Absolutely. So, both the plants Bihar and J&K and our expansion in Sandila will be all completed before March and it will be in production.

Raj Gandhi: In fact, we did need this plant, because firstly Pepsi's penetration is very low, secondly per cap consumption is low and thirdly territories of Bihar, Orrisa, Chhattisgarh, Jharkhand and MP have the potential to grow at 35%.

Abhisar Jain: I also wanted to understand the company's direction going ahead, since we can enjoy some normal years starting CY22 hopefully. So, between growth and debt reduction, what should be the direction that we should assume? Because if at all, you pursue any other growth opportunities, then the de-leveraging could be lower than what you had just indicated, right?

Ravi Jaipuria: If you look at it, we are not really leveraged that much anyway. We are always looking for new opportunities and as Mr. Gandhi had said, if we find any good opportunity we'll definitely take it because our balance sheet is more than healthy to support it.

Raj Gandhi: And moreover, there has been no M&A after May 2019.

Moderator: Thank you. The next question is from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

Kashyap Javeri: If I look at our revenue growth, it is about 31% on 27% volume growth. But if I look at the EBITDA number, that number is actually sort of flat versus last year. So, was there any EBITDA per case contraction in Indian operations?

Raj Gandhi: This is because of the input costs going up, that was the effect in this quarter.

Ravi Jaipuria: This was a quarter where the all the cost of PET resin actually went up. That is why during this quarter we have light weighted the pet bottles and the effects of that will start showing from January onwards. We have also increased our price in the end of December. So, those effects will also show this year.

Kashyap Javeri: And if I look at your global operations, despite the similar growth in revenues, the margins have sort of held up in those geographies, so would it be product mix?

Ravi Jaipuria: In International market, we increased the prices much earlier and in India, we could only increase at the end of December.

Kashyap Javeri: And that should reflect in the first quarter of this year.

Ravi Jaipuria: Yes.

Kashyap Javeri: And international operations, because we had already taken a price increase that should continue steady state in the first quarter of this calendar year.

Ravi Jaipuria: That will continue.

Moderator: Thank you. The next question is from the line of Anirudh from JM Financial. Please go ahead.

Anirudh: If we look at the volumes that were delivered in 2019, will it be fair to assume that this year, the volumes will be in absolute basis higher given that we are expecting a normal summer season domestically as well as internationally?

Ravi Jaipuria: Domestically more, internationally less, because the lockdowns internationally were much lower. And from timing perspective, it was winter in international markets when it was peak summer here.

Anirudh: And how should those volumes behave?

Ravi Jaipuria: So, internationally, it should be regular normal growth, which we are getting, whereas domestically, we should see major growth.

Anirudh: If we were to say take 5% or 10% price hike, what can be the effect on demand?

Ravi Jaipuria: It's all relative. We have a competition. So, the question is we can take a price increase, but if the competition doesn't take it or match it, then we have a problem. So, we'll have a problem in the market. So, we can't take price increases just like that. So, we have to be very conscious of how we take price increases and the market must be able to accept it.

Anirudh: In the past, how has pricing decisions been playing out?

Ravi Jaipuria: Well, somebody has to take the lead and one of us takes the lead and the other one mostly follows, but there's no hard and fast rule to it. It can be a call by any company what they want to do. And if the other person doesn't increase, then you end up discounting it to match it.

Anirudh: Till now what percentage of the raw material inflation, you would have kind of covered?

Ravi Jaipuria: We have covered most of our raw material requirement. So, we don't see any challenges for 2022. That's why we said our EBITDA margins should be healthy and we are looking at again 20% plus EBITDA margins.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Raj Gandhi: Thank you. 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 for your interest and support, and for taking the time out to join us in this call. Look forward of interacting with you soon. Thank you.
