February 20, 2019

VARUN BEVERAGES

(a PepsiCo franchisee)

Varun Beverages Limited

Q4 & 2018 Results Presentation

Disclaimer

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.

Table of Content

(a PepsiCo franchisee)

1 Company Overview

2 Chairman's Message

3 Performance Highlights

4 Q4 & 2018 Results Overview

5 Annexure

Company Snapshot

(a PepsiCo franchisee)

Key player in the beverage industry

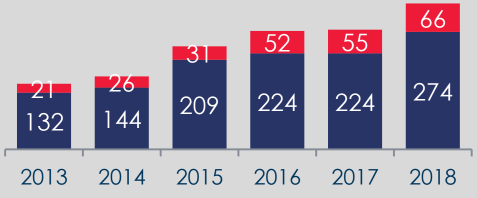
Operations spanning across **6 countries** – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contribute ~**80%** to revenues; 3 in Africa (Morocco, Zambia, Zimbabwe) contribute ~20% for fiscal year 2018

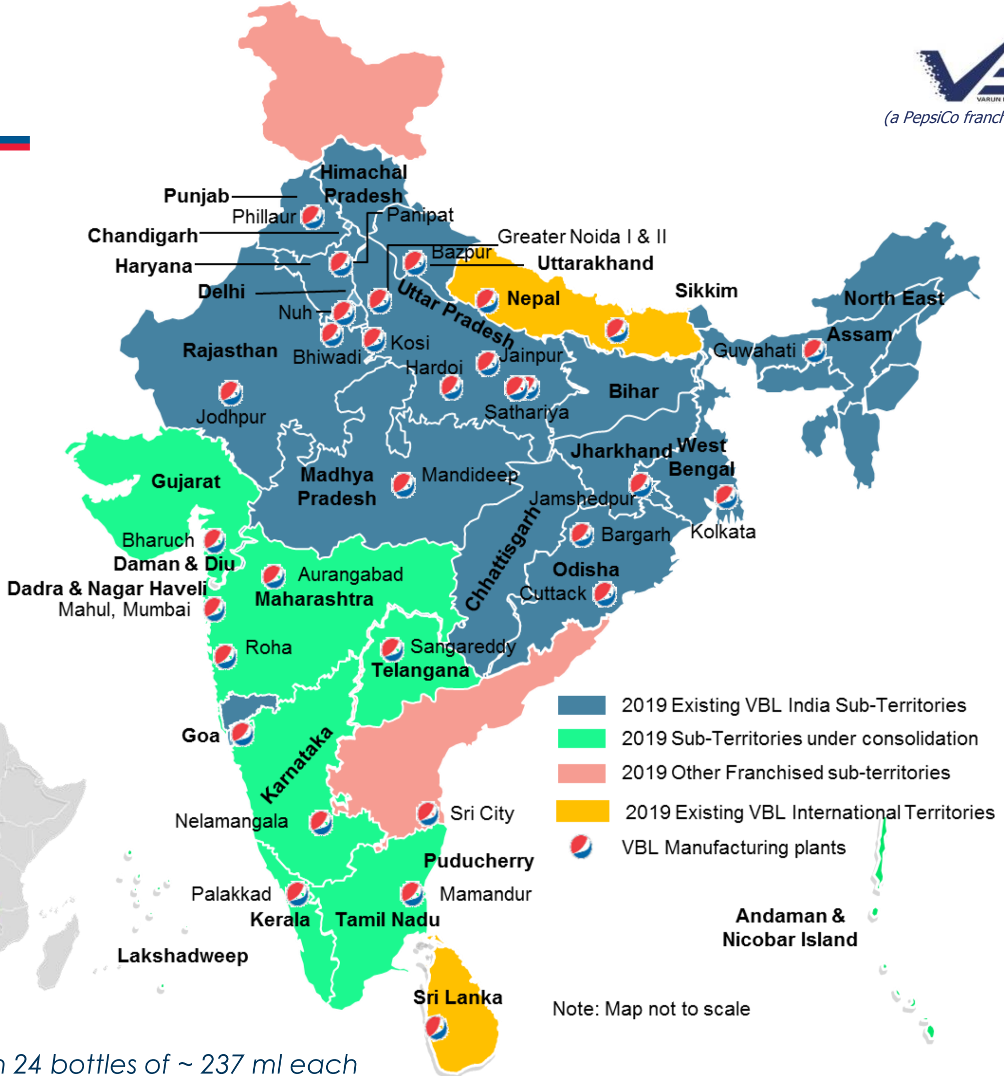
Over **25** years strategic association with PepsiCo – accounting for ~ **51%+** of PepsiCo's beverage sales volume in India and present in 22 States and 2 UTs

Total Sales Volumes (MN Cases*)

2013-2018:

Sales Volume CAGR: ~17.3%





Note: **A unit case is equal to 5.678 liters of beverage divided in 24 bottles of ~ 237 ml each*

Brands licensed by PepsiCo

Manufacturing & Distribution:

Carbonated Soft Drinks

Fruit Pulp / Juice Based Drinks

Energy Drink

Packaged Water

Carbonated Juice Based Drinks

Distribution:

Fruit Pulp / Juice Based Drinks

Sports Drink

Dairy

Key Player in the Beverage Industry – Business Model

(a PepsiCo franchisee)

VBL- END-TO-END EXECUTION ACROSS VALUE CHAIN

	EXISTING	UNDER CONSOLIDATION	
MANUFACTURING: Concentrate (PepsiCo); Other Raw Materials; Bottling	26 state-of-the-art production facilities	9 production facilities under consolidation	SOLID INRASTRUCTURE
DISTRUBUTION & WAREHOUSING	80+ depots 2,400+ owned vehicles 1,100+ primary distributors	10+ depots 100+ owned vehicles 300+ primary distributors	ROBUST SUPPLY CHAIN
CUSTOMER MANAGEMENT	Installed 550,000+ visi-coolers VBL - local level promotion and in-store activation PepsiCo - brand development & consumer marketing	Installed 275,000+ visi-coolers	DEMAND DELIVERY
IN-MARKET EXECUTION	Experienced region-specific sales team Responsible for category value/volume growth Responsible for reaching out to ~1/8th of the world's population		MARKET SHARE GAINS
COST EFFICIENCIES	Production optimization Backward integration Innovation (packaging etc.)		MARGIN EXPANSION
CASH MANAGEMENT	Working capital efficiencies Disciplined capex investment Territory acquisition		ROE EXPANSION / FUTURE GROWTH

Symbiotic Relationship with PepsiCo

(a PepsiCo franchisee)

VBL – Demand Delivery

- Investment in Production Facilities – Manufacturing plants
- Sales & Distribution – Vehicles
- In-outlet Management – Visi-Coolers
- Market Share Gains – Consumer Push Management

PepsiCo – Demand Creation

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

Chairman's Message

(a PepsiCo franchisee)

Commenting on the performance for Q4 & 2018, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

"We have ended the year on a strong note delivering a robust topline growth of 49% and EBITDA growth of 47% in Q4. Organic volume growth in India was robust at 28% on the back of a strong festive season. The trends for the full year have also been encouraging as we have reverted to our historical growth trends with revenue growth of 28%. This was led by robust volume growth of 21.9% and value growth of ~5.6%, driven by the introduction of higher realization products. Our India business has delivered organic volume growth of 13.3% for 2018. PAT increased by 40% YoY driven by strong volumes in India as well as Zimbabwe, where we have recorded ~15 million cases in only 10 months since we commenced operations.

Further, we are excited to share that VBL and PepsiCo India are further strengthening their close to three-decade long partnership. We recently concluded the acquisition of PepsiCo India's previously franchised territories of parts of Maharashtra, parts of Karnataka and parts of Madhya Pradesh. We have also entered into a binding agreement with PepsiCo India to acquire franchise rights in South and West regions from PepsiCo for a national bottling, sales and distribution footprint, subject to receipt of necessary statutory approvals.

Acquisitions have been a key component of the Group's growth strategy for many years and substantially accelerated our revenue growth rate, profitability and cash flow. We are confident that this development will help us acquire greater scale, operational productivity and efficiency leading to higher revenues and profitable growth and should generate better asset usage as the seasonality in these regions is relatively lower. This comes as a welcome force multiplier to our efforts to aggressively expand our beverage business across geographies. This consolidates our dominant position as a key player in the beverage industry and post the proposed acquisition, VBL will account for 80%+ of PepsiCo India's beverage sales volumes in India from 51% earlier, and expand presence to 27 States and 7 Union Territories. The acquisitions have been made in line with the guidelines that have been laid out by the Board.

As we enter the new year we are on a strong footing. We have created a stronger business with several value accretive acquisitions, continuously enhanced our product portfolio, and are well-poised to capitalize on the significant growth potential in our target markets for many years to come on the back of our end-to-end execution capabilities and presence across the entire beverage value chain."

Awards & Accolades

Varun Beverages Ltd. - **National Best Employer Brand Award** for 2018, by ET Now in collaboration with World HRD Congress

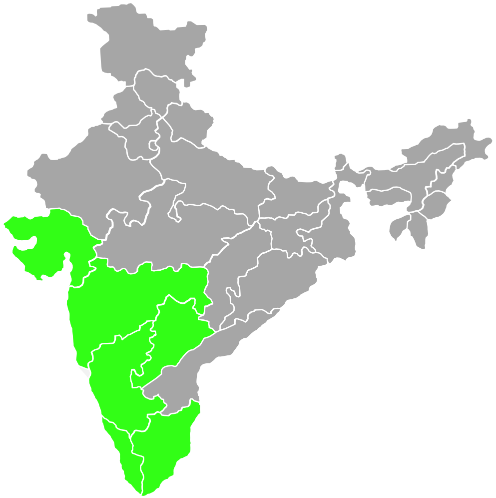
Varun Beverages Ltd. - WINNER of Special Commendation for **Golden Peacock National Quality Award** – 2019

Mr. Ravi Jaipuria - **Distinguished Entrepreneurship Award** in the PHD Annual Awards for Excellence 2018

Mr. Kamlesh Jain – **Recognition of Excellence** at CFO 100 Awards in 2018

Key Developments – Acquisition of sub-territories

(a PepsiCo franchisee)



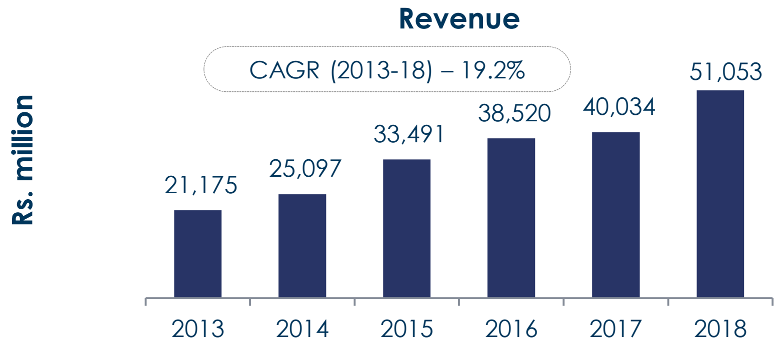
February 14, 2019: Concluded the acquisition of PepsiCo India's previously franchised territories of parts of Maharashtra (14 districts), parts of Karnataka (13 districts) and parts of Madhya Pradesh (3 districts) w.e.f. February 14, 2019

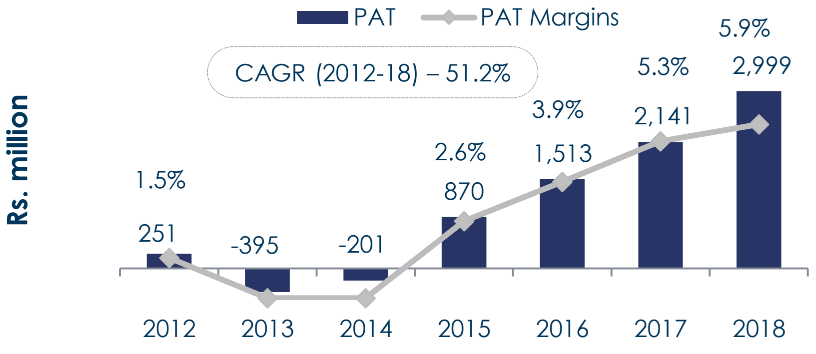
February 18, 2019: Entered into a binding agreement with PepsiCo India Holdings Private Limited ('PepsiCo') to acquire franchise rights in South and West regions from PepsiCo for a national bottling, sales and distribution footprint in 7 States (Gujarat, parts of Maharashtra, parts of Karnataka, Telangana, parts of Andhra Pradesh, Kerala and Tamil Nadu) and 5 Union Territories (Daman & Diu, Dadra & Nagar Haveli, Andaman & Nicobar Islands, Lakshadweep and Puducherry (except Yanam)) (subject to receipt of necessary statutory approvals).

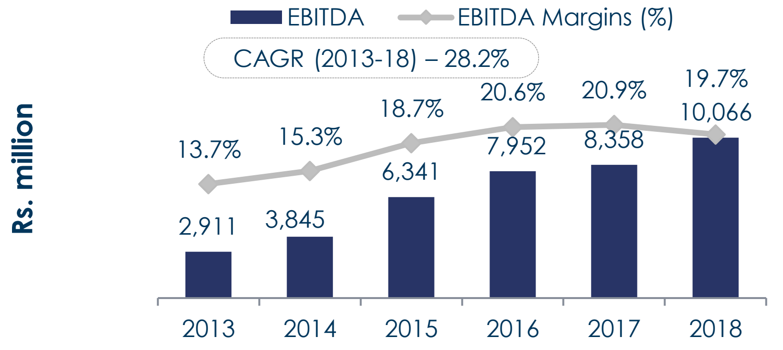
Commenting on the development, Ravi Jaipuria, Chairman, Varun Beverages Ltd said -"We are excited to share that Varun Beverages Limited (VBL) and PepsiCo India are further strengthening their close to three-decade long partnership. Our franchising agreement, subject to receipt of necessary statutory approvals, in South and West regions will enable VBL to acquire a national bottling and sales footprint. We are confident that this development will help us acquire greater scale, operational productivity and efficiency leading to higher revenues and profitable growth. This comes as a welcome force multiplier to our efforts to aggressively expand our beverage business across geographies."

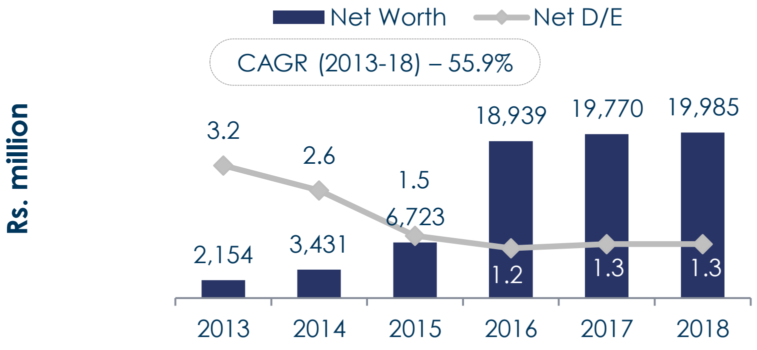
Performance Highlights (2013 – 2018)

(a PepsiCo franchisee)







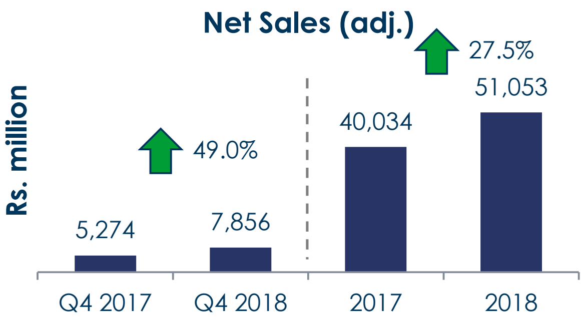


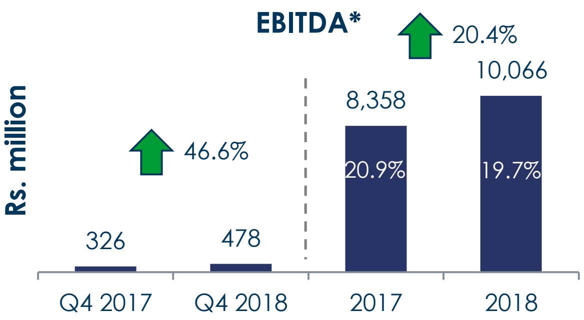
Note:

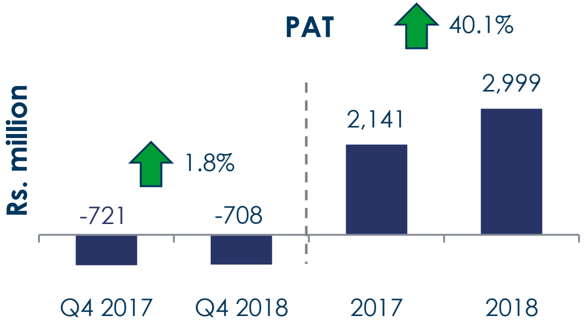
1. *Historically, till 2015, in debt equity ratio calculation, CCD's issued to Private Equity Investors were considered as Equity and deferred acquisition consideration to PepsiCo was excluded from the debt. From the year 2016, CCDs of private equity investors are converted into equity and interest free deferred acquisition consideration to PepsiCo has been considered in total debt.*
2. *2017 onwards financials are as per Ind AS and previous year numbers are as per IGAAP*

Performance Highlights (Q4 & 2018)

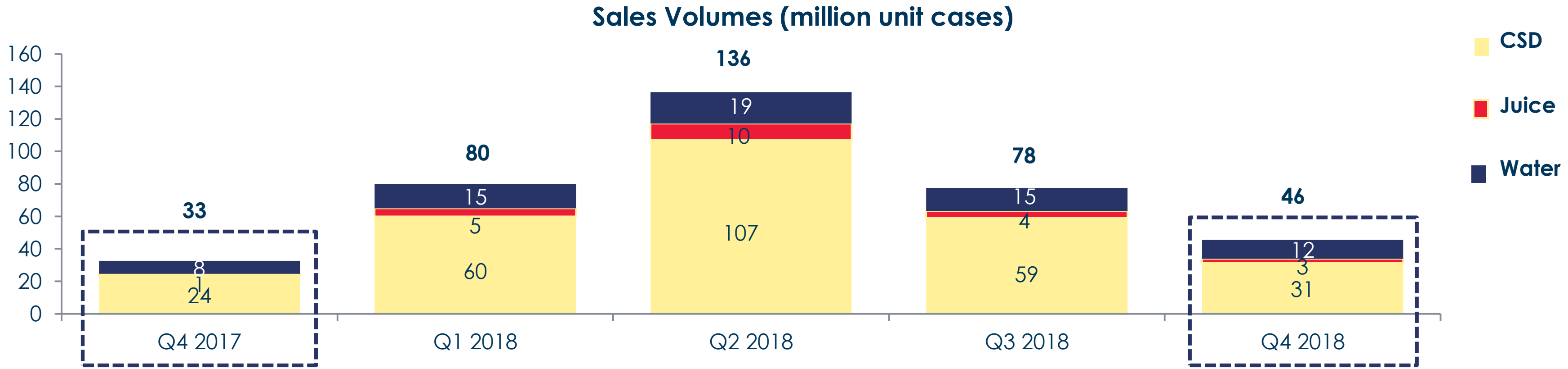
(a PepsiCo franchisee)







Note: *Underlying margins have improved in existing as well as recently acquired territories. Blended EBITDA margins declined 116 bps YoY to 19.7% due to sub-optimal volumes/margins in acquired sub-territories and contribution from the Tropicana juice portfolio, where at present VBL has only a supply and distribution arrangement, and not manufacturing.



Consolidated Profit & Loss Statement

(a PepsiCo franchisee)

Particulars (Rs. million)	Q4 2018	Q4 2017	YoY(%)	2018	2017	YoY (%)
1. Income						
(a) Revenue from operations	8,041.4	5,433.2	48.0%	52,281.3	45,162.4	15.8%
(b) Excise Duty	185.2	159.6	16.0%	1,228.7	5,128.4	-76.0%
Net Revenues	**7,856.2**	**5,273.6**	49.0%	**51,052.5**	**40,034.0**	27.5%
(c) Other income	127.4	16.8	656.6%	218.2	126.5	72.5%
2. Expenses						
(a) Cost of materials consumed	2,645.3	2,485.1	6.5%	21,122.8	18,555.1	13.8%
(b) Purchase of stock-in-trade	360.1	62.2	479.1%	1,942.2	277.7	599.4%
(c) Changes in inventories of FG, WIP and stock-in-trade	(335.8)	(629.5)	NA	(624.0)	(732.2)	NA
(d) Employee benefits expense	1,446.5	1,157.7	24.9%	5,829.5	4,628.4	25.9%
(e) Finance costs	537.2	526.2	2.1%	2,125.6	2,121.8	0.2%
(f) Depreciation and amortisation expense	940.6	880.0	6.9%	3,850.7	3,466.4	11.1%
(g) Other expenses	3,262.1	1,872.2	74.2%	12,716.2	8,947.3	42.1%
Total expenses	**8,856.1**	**6,353.8**	39.4%	**46,963.0**	**37,263.5**	26.0%
EBITDA	**477.9**	**326.0**	46.6%	**10,065.9**	**8,357.7**	20.4%
3. Profit/(loss) before tax and share of profit in associate (1-2)	(872.5)	(1,164.6)	NA	4,307.8	2,896.0	48.7%
4. Share of profit in associate	6.6	4.6	43.4%	30.2	13.5	123.7%
5. Profit/(loss) before tax (3+4)	**(865.9)**	**(1,160.0)**	NA	**4,338.0**	**2,909.5**	49.1%
6. Tax expense	(157.7)	(438.7)	NA	1,339.3	769.0	74.2%
7. Net profit/(loss) for the period (5-6)	**(708.2)**	**(721.3)**	NA	**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

Consolidated Balance Sheet

(a PepsiCo franchisee)

Particulars (Rs million)	31-Dec-18	31-Dec-17
Equity and liabilities		
Equity		
(a) Equity share capital	1,826.42	1,825.87
(b) Other equity	18,158.62	15,868.41
(c) Non-controlling interest	77.68	(14.32)
Total equity	**20,062.72**	**17,679.96**
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	19,800.69	16,913.68
(b) Provisions	1,052.55	732.64
(c) Deferred tax liabilities (Net)	1,921.66	1,501.51
(d) Other non-current liabilities	67.75	119.81
Total non- current liabilities	**22,842.65**	**19,267.64**
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	3,776.55	3,533.65
(ii)Trade Payables	3,167.97	1,909.46
(iii)Other financial liabilities	8,512.43	8,781.33
(b) Other current liabilities	1,466.55	1,471.92
(c) Provisions	160.19	167.50
(d) Current tax liability	325.02	68.35
Total current liabilities	**17,408.71**	**15,888.48**
Total liabilities	**40,251.36**	**35,156.12**
Total Equity and liabilities	**60,314.08**	**52,836.08**

Particulars (Rs million)	31-Dec-18	31-Dec-17
Assets		
Non-current assets		
(a) Property, plant and equipment	38,601.77	35,411.66
(b) Capital work in progress	3,523.57	1,454.38
(c) Goodwill	19.40	19.40
(d) Other intangible assets	5,248.57	4,374.15
(e) Investment in associates	112.43	82.23
(f) Financial assets	209.27	202.16
(g) Deferred Tax Assets (Net)	334.00	80.04
(h) Other non-current assets	857.60	1,525.85
Total non-current assets	**48,906.61**	**43,149.87**
Current assets		
(a) Inventories	5,783.97	4,388.94
(b) Financial assets		
(i)Trade receivables	1,280.25	1,502.45
(ii)Cash and cash equivalents	429.36	649.46
(iii)Other bank balances	505.44	295.14
(iv) Loans	15.53	0.27
(v) Others	1,404.78	932.39
(c) Current tax assets (Net)	4.10	0.13
(d) Other current assets	1,984.04	1,532.48
Total current assets	**11,407.47**	**9,302.23**
Assets held for sale	-	384.95
Total assets	**60,314.08**	**52,836.08**

Discussion on Financial & Operational Performance

(a PepsiCo franchisee)

Net Revenues / Sales Volumes

- Revenue from operations (net of excise / GST) grew 27.5% YoY in 2018 to Rs. 51,052.5 million led by robust volume growth of 21.9% and value growth of ~ 5.6%. Introduction of higher realization products (Sting, Tropicana, etc.), MRP increase in select SKUs and reclassification of freight cost amounting to Rs. 530.76 (instead of netting off from revenue) have resulted in value growth.
- Total sales volumes were up 21.9% YoY at 340.0 million cases in 2018 as compared to 278.8 million unit cases in 2017.
- India witnessed a strong organic volume growth trend at 13.3% in 2018 and organic volume growth of 9.6% on a consolidated basis. CSD constituted 76%, Juice – 6% and Packaged Drinking water – 18% of total sales volumes in 2018.

Gross Margins / EBITDA

- Gross margins expanded 126 bps YoY to 56.0% on account of benefits realized from reduction in sugar prices which is partially offset by increase in resin prices.
- EBITDA increased by 20.4% to Rs. 10,065.9 million in 2018 from Rs. 8,357.7 million in 2017; underlying margins have improved in existing and recently acquired territories
- Blended EBITDA margins declined 116 bps YoY to 19.7% due to sub-optimal volumes/margins in acquired sub-territories and contribution from the Tropicana juice portfolio, where at present VBL has only a supply and distribution arrangement, and not manufacturing it.

PAT

- PAT increased by 40.1% to Rs. 2,998.6 million in 2018 from Rs. 2,140.6 million in 2017 on the back of robust volume growth in India and strong volumes in Zimbabwe operations since beginning in March 2018
- Depreciation has increased during the year on account of in-organic expansion. Finance cost has remained stagnant even after considerable organic and in-organic expansion during 2018.

Discussion on Financial & Operational Performance

(a PepsiCo franchisee)

Debt / Credit Rating

- Net debt stood at Rs. 26,715 million as on Dec 31, 2018 as against Rs. 25,572 million as on Dec 31, 2017. Net Debt as on 2018 includes the debt of Rs. 4,000 million availed for Pathankot facility expected to be operational by March 2019.
- Debt : Equity ratio stood at 1.3x and Debt : EBITDA ratio stood at 2.7x as on Dec 31, 2018
- CRISIL *(an S&P Global Company)* has retained the credit rating for long term debt as CRISIL AA- and for short term debt as CRISIL A1+

Capacity Expansion

- Net capex for 2018 stood at Rs. 7,915.2 million. In addition, CWIP of Rs. 3,523.6 million pertains mostly to upcoming Pathankot facility.
- During the period Jul'17 – Jun'18, acquisition of 5 new sub-territories in India (~ Rs. 2,900 million), new plant set-up in Nepal (~ Rs. 1,300 million), entry into new geography – Zimbabwe (~ Rs. 1,400 million) and organic capex (~ Rs. 2,000 million) have all been made through internal accruals
- Despite robust volume growth, capacity utilization during the peak month remained under 70%, providing significant scope for growth on existing investments

Working Capital

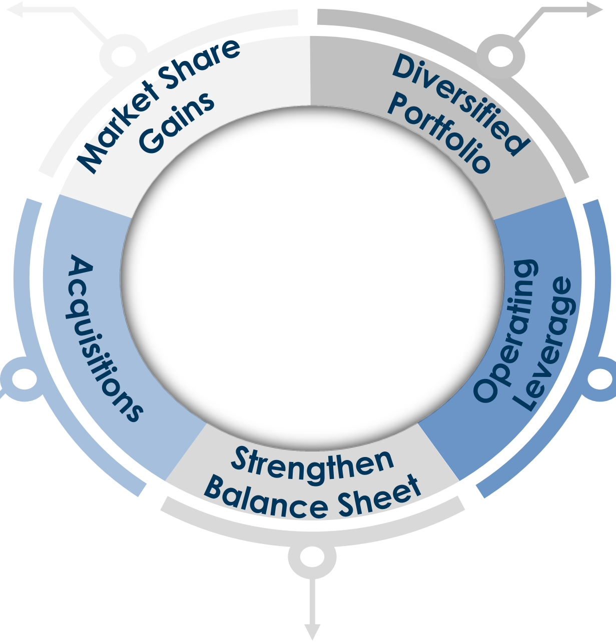
- Working capital days have come down to ~ 26 days as on Dec 31, 2018 from ~ 30 days as on Dec 31, 2017 on account of efficient working capital management even after consolidation of 5 new sub-territories in India during the period
- Net working capital days have reduced even with increase in net revenues and number of production facilities.

Outlook

(a PepsiCo franchisee)

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

- 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



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

- 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

Conference Call Details

(a PepsiCo franchisee)

Varun Beverages Limited (VBL) Q4 & 2018 Earnings Conference Call

Time	• 4:00 pm IST on Wednesday, February 20, 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

About Us

(a PepsiCo franchisee)

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:*

Raj Gandhi / Deepak Dabas
Varun Beverages Ltd
Tel: +91 124 4643100 / +91 124 4643508
E-mail: raj.gandhi@rjcorp.in
deepak.dabas@rjcorp.in

Anoop Poojari / Varun Divadkar
CDR India
Tel: +91 22 6645 1211 / 97637 02204
E-mail: anoop@cdr-india.com
varun@cdr-india.com

Thank You!