November 06, 2017

VARUN BEVERAGES

(a PepsiCo franchisee)

Varun Beverages Limited

Q3 & 9M CY2017 Results Presentation

Fizzy

Juicy

Packaged Water

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)

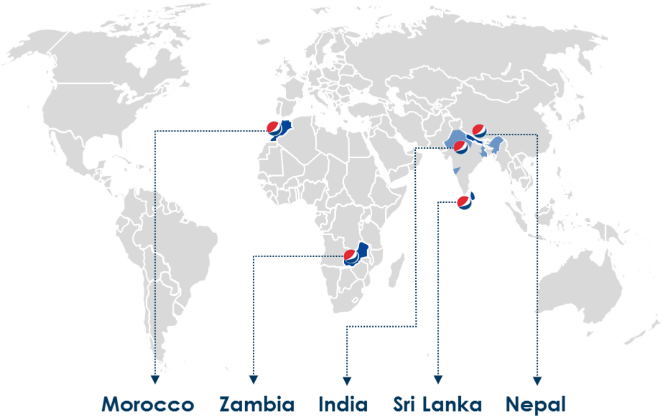
Company Snapshot

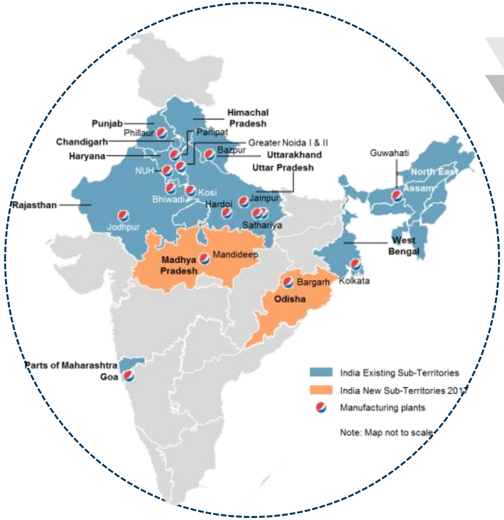
(a PepsiCo franchisee)

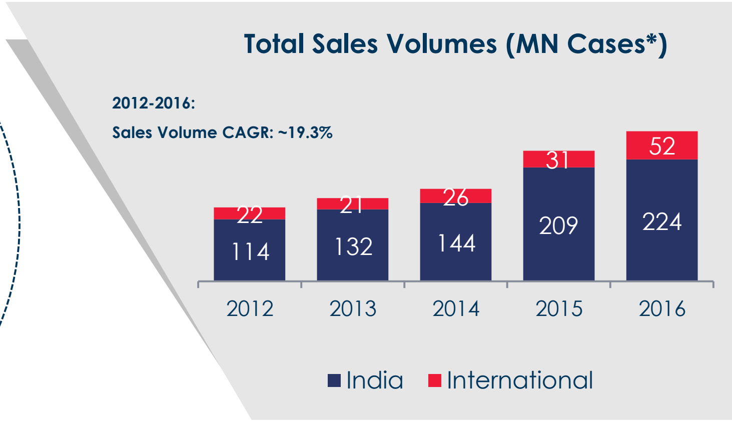
Key player in the beverage industry

Operations spanning across **5 countries** – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contribute ~**90%** to revenues; 2 in Africa (Morocco and Zambia) contribute ~10%

Over **25** years strategic association with PepsiCo – accounting for ~ **47%** of PepsiCo's beverage sales volume in India







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

Key Player in the Beverage Industry – Business Model

(a PepsiCo franchisee)

VBL- END-TO-END EXECUTION ACROSS VALUE CHAIN

MANUFACTURING Concentrate (PepsiCo) / Other Raw Materials / Bottling	▪ 22 state-of-the-art production facilities	**SOLID INRASTRUCTURE**
DISTRUBUTION & WAREHOUSING	▪ 74 owned depots ▪ 2,024 owned vehicles ▪ 1,211 primary distributors	**ROBUST SUPPLY CHAIN**
CUSTOMER MANAGEMENT	▪ VBL - local level promotion and in-store activation ▪ Installed 469,500 visi-coolers ▪ PepsiCo - brand development & consumer marketing	**DEMAND DELIVERY**
IN-MARKET EXECUTION	▪ Experienced region-specific sales team ▪ Responsible for category value/volume growth	**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
- Concentrate Supply
- Brand Development – Consumer Pull Management

Chairman’s Message

(a PepsiCo franchisee)

Commenting on the performance for Q3 CY2017, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

“We have delivered a strong performance in the first nine months of the year recording a profit growth of 79.2% YoY to Rs. 2,861.9 million. EBITDA margins have improved 65 bps YoY to 23.1% driven by the operational efficiencies and consolidation of contiguous territories.

After a subdued first half, impacted by de-stocking by the trade ahead of the GST implementation, we have seen a partial recovery in Q3 with an uptick in sales volumes in India. We believe that the worst is behind us and have successfully navigated the challenges related to demonetization and GST implementation which will bring in enhanced efficiencies, smoothen business operations and will benefit large, organized players like us going forward. Our international operations continue to register healthy growth rates.

We are happy to have concluded the acquisition of PepsiCo India’s previously franchised territories in the State of Odisha and parts of Madhya Pradesh along with two manufacturing units. The acquisition comes at reasonable valuations and offers healthy growth opportunities given the under-penetration of the market, whilst helping us drive better operating leverage and asset utilization through economies of scale.

We have a robust ecosystem, created and enhanced over decades, making it difficult to replicate. We are well-positioned to drive growth and garner market share by increasing our penetration further and through the continuous introduction of new product categories, staying in the path of relevance of our customers.”

Dividend Policy

(a PepsiCo franchisee)

With the listing of the Company in November 2016, the Board of Directors of the Company has decided to formalize a dividend policy, in line with good Corporate Governance practices.

Salient Features:-

- Endeavor to maintain a dividend payout in the range of 10-30% of annual profit after tax on standalone financials
- Certain financial parameters to be considered include earnings outlook, future capex requirements, organic growth plans, capital restructuring, debt reduction, cash flows, etc
- Certain external parameters to be considered include macro-economic environment, regulatory changes, technological changes, statutory and contractual restrictions, etc
- For a detailed perspective, please refer to the following link: Dividend Distribution Policy

Interim Dividend: The Board of Director's have recommended an interim dividend of Rs. 2.5/share in Q2 CY2017.

- Resulted in a cash outflow of ~ Rs. 549.2 million (including dividend distribution tax payable)

Acquisition Guidelines

(a PepsiCo franchisee)

Varun Beverages effectively utilizes retained earnings for inorganic growth through acquisition of new territories. Acquisitions have been a key component of the Group's growth strategy for many years and substantially accelerated our revenue growth rate, and made a significantly positive contribution to our net income and cash flow. VBL applies stringent strategic and financial criteria to any potential acquisition or partnership. Further, to enhance transparency, the Board has decided to set few guidelines to further its M&A activities.

Acquisition Criteria:-

- The consideration for the target territory/sub-territory shall be upto 1.0x revenue(net of GST) ± 20%
- The investment will be made such that the consolidated Debt/EBITDA ratio remains under 3x post acquisition
- Acquisition of any territory/sub-territory shall be at an EV of under 6x
    - EV = Volume X EBITDA X 6
    - Volume = last one year proforma volumes of target territory/sub-territory
    - EBITDA = VBL's last one year EBITDA per unit case
- Any M&A related to PepsiCo franchise in the target territory/sub-territory shall be through VBL only
- For a detailed perspective, please refer to the following link: VBL-Guidelines for Acquisition in India

Key Development

(a PepsiCo franchisee)

Acquisition of new territories

- VBL concluded the acquisition of PepsiCo India's previously franchised territories of the State of Odisha and parts of Madhya Pradesh along with two manufacturing units at Bargarh (Odisha) and Bhopal (Mandideep, MP) on slump sale basis at a derived EV of Rs. 1,302 million
- These are highly under-penetrated regions and provide huge opportunity for increasing volumes and gaining market share
- The acquisition is in line with the Company's strategy to expand into contiguous territories to garner better operating leverage and asset utilization through economies of scale
- VBL is now a franchisee for PepsiCo products across 18 States and 2 Union Territories and accounts for ~47% of PepsiCo's beverage sales volumes in India

New Products Launches

(a PepsiCo franchisee)

PEPSI BLACK

- Launched Pepsi Black, a zero calorie cola flavor CSD product currently available in 250ml cans and 250 ml non-returnable glass bottles
- Launch is part of PepsiCo's plan to intensify focus on health and nutrition, reduce sugar content in beverages

"We are investing to reduce sugars in our global beverages in line with our 'portfolio with purpose 2025' goal. We are looking forward to bringing more variants of existing products in zero calories or no-sugar category. We'll keep rolling out products every 2-3 months" said Vipul Prakash, Senior Vice-President (beverages category), PepsiCo India.

- Launching Sting for the next season, a carbonated energy drink available in 250ml cans and 250 ml PET bottles with a highly competitive price point as compared to other brands in the segment.
- The energy drinks contains approx. 50% less sugar than the regular CSD products and 70 calories per 250ml serving

STING

Sting – "Electrifying energy, Ultimate taste"

Promotional Campaigns

(a PepsiCo franchisee)

Moments Campaign

- As part of its summer promotions, labels of Pepsi cans and bottles had popular and colloquial words in eight different Indian languages. Words like ***Muah, Dhaakad*** (for north Indian market), ***Jhakaas*** (for Mumbai market), ***Adipoli*** (for Kerala) and ***Fatafati, Ghyaam, Fullbawaal*** (for Bengal market) are printed on the labels of Pepsi cans and bottles as part of Pepsi's new 'Moments' campaign conceptualised by JWT.

Liter of Light Campaign

- In a bid to light up Gurugram's darkest streets, PepsiCo extended its Liter of Light initiative to the area.
- The project promises to bring about a huge change by taking used Pepsi bottles and turning them into solar powered light bulbs.
- The lighting solution has been implemented in eight locations across the Gurugram-Sohna Road, Jharsa Road in Fazilpur village, Sector 15, Khansa Road, Bio Diversity Park, Sector 31 and Sector 39.

"PepsiCo is committed to improving the lives of the communities within which we operate. This Diwali, we attempted to make the Gurugram roads safer and helped add more hours to a day. Liter of Light is the truest celebration of PepsiCo's iconic bottles and we look forward to scaling up the programme in the coming years to add more brightness to lives across the nation " said Raj Rishi Singh, Director Marketing, PepsiCo India.

Discussion on Financial & Operational Performance – Q3 & 9M CY2017

(a PepsiCo franchisee)

Revenues

- Revenue from operations (net of excise / GST) grew 7.4% YoY in Q3 CY2017 to Rs. 9,634 million led by volume growth of 5.4% and lower spend on discounts / promotional schemes during the quarter
- Successfully navigated recent difficulties related to demonetization and implementation of GST during H1 CY2017
- Contribution from India is 77.5%; Rest of Indian Subcontinent (Nepal & Sri Lanka) is 13.2%; Africa is 9.3%

Sales Volumes

- Total sales volume were up 5.4% YoY at 66.14 million unit cases as compared to 62.78 million unit cases in Q3 CY2016
- India sales volume grew 4.0% YoY – International sales increased by 9.4% YoY in Q3 CY2017
- During 9M CY2017, CSD constituted 80%, Juice – 5% and Packaged Drinking water – 15% of total sales volumes

Operating Margins

- EBITDA increased by 6.2% to Rs. 1,854 million in Q3 CY2017 from Rs. 1,746 million in Q3 CY2016
- EBITDA increased by 4.3% to Rs. 8,032 million in 9M CY2017 from Rs. 7,698 million in 9M CY2016
- During the 9M CY2017 period, EBITDA margins have improved to 23.1% YoY from 22.5%.
- Increase in volumes, consolidation of contiguous territories, new plants close to demand and robust backward integrated infrastructure has brought in significant cost efficiencies

Profit After Tax

As per IGAAP:

- Reported PAT of Rs. 2,803 million in 9M CY2017 as against PAT of Rs. 2,509 million in 9M CY2016
- Improvement is primarily on account of reduction in finance cost and improved EBITDA

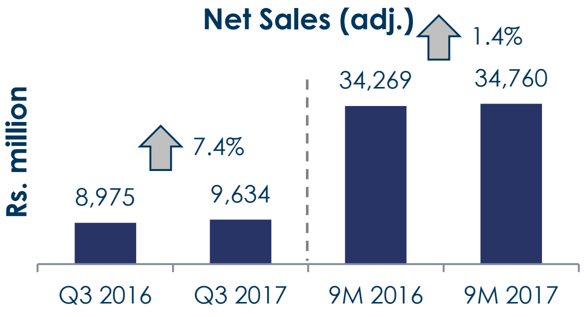
As per IND AS:

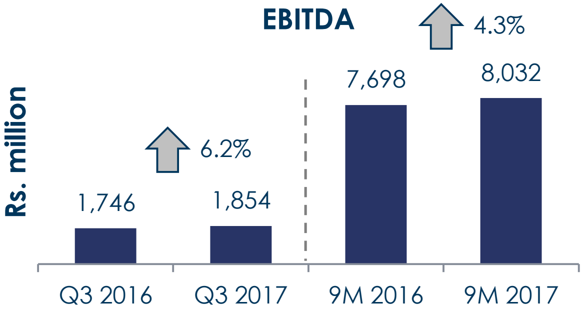
- Reported PAT of Rs. 337 million in Q3 CY2017 as against PAT of Rs. 130 million in Q3 2016 and PAT of Rs. 2,862 million in 9M CY2017 as against PAT of Rs. 1,597 million in 9M CY2016
- Previous year's PAT was suppressed primarily on account of IND AS adjustments as explained on slide 18

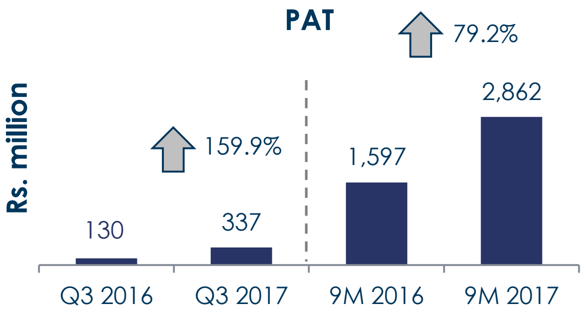
Performance Highlights

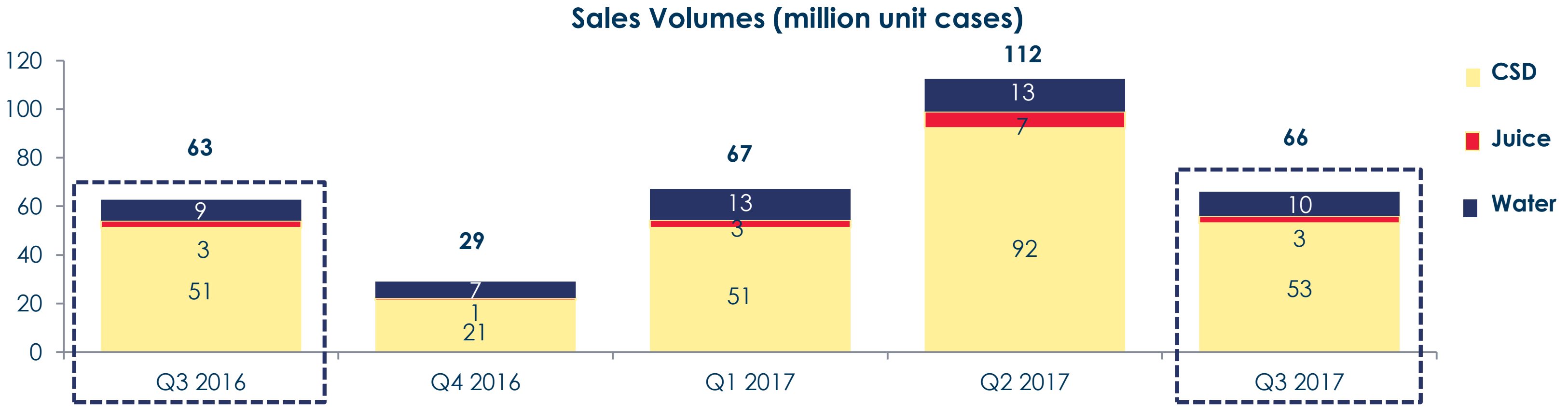
(a PepsiCo franchisee)

VBL has adopted Ind-AS framework starting Q1 CY2017. Prior period numbers for respective periods have been restated in compliance with Ind-AS for a meaningful comparison.









Note: Given the seasonality in the business, it is best to monitor the business on an annual basis as, significant portion of the revenues are realized in the Apr-June quarter

Profit & Loss Statement (Ind-AS format)

(a PepsiCo franchisee)

Particulars (Rs million)	Q3 2017	Q3 2016	YoY(%)	9M 2017	9M 2016	YoY (%)
Income from operations						
Net Sales from operations *(refer slide 16)*	**9,634.48**	**8,974.53**	**7.4%**	**34,760.40**	**34,269.39**	**1.4%**
Other income	28.92	229.73	-87.4%	210.95	340.47	-38.0%
Total income from operations	**9,663.40**	**9,204.26**	**5.0%**	**34,971.35**	**34,609.86**	**1.0%**
Expenses						
COGS	**4,352.24**	**3,645.24**	**19.4%**	**16,182.83**	**15,623.96**	**3.6%**
Cost of materials consumed	4,003.81	2,846.91	40.6%	16,070.04	14,888.06	7.9%
Purchase of stock-in-trade	34.64	99.83	-65.3%	215.51	783.51	-72.5%
Changes in inventories	313.79	698.50	-55.1%	(102.72)	(47.61)	NA
Employee benefits expense	1,199.60	1,082.59	10.8%	3,470.76	3,175.33	9.3%
Finance costs	516.11	1,112.60	-53.6%	1,595.59	3,316.68	-51.9%
Depreciation and amortization	878.51	777.43	13.0%	2,586.36	2,421.71	6.8%
Other expenses	2,228.33	2,501.16	-10.9%	7,075.14	7,772.37	-9.0%
Total expenses	**9,174.79**	**9,119.02**	**0.6%**	**30.910.68**	**32,310.05**	**-4.3%**
EBITDA	**1,854.31**	**1,745.54**	**6.2%**	**8,031.67**	**7,697.73**	**4.3%**
Profit/(loss) before tax and share of profit in associate	**488.61**	**85.24**	**473.2%**	**4,060.66**	**2,299.81**	**76.6%**
Share of profit in associate	0.97	2.32	-58.2%	8.90	17.95	-50.4%
Profit/(loss) before tax	**489.58**	**87.56**	**459.1%**	**4,069.57**	**2,317.76**	**75.6%**
Tax expense	152.48	(42.16)	NA	1,207.69	720.80	67.5%
Net profit/(loss) for the period	**337.10**	**129.72**	**159.9%**	**2,861.88**	**1,596.96**	**79.2%**

Note:

1. *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*
2. *VBL adopted Ind-AS framework starting Q1CY2017. Prior period numbers for respective periods have been restated in compliance with Ind-AS for a meaningful comparison.*

GST Impact on Sales from Operations

(a PepsiCo franchisee)

Consequent to the introduction of Goods and Service Tax (GST) with effect from July 01, 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, unlike Excise Duties, levies like GST, VAT, etc. do not form part of Revenue. Accordingly, the figures for the period up to June 30, 2017 are not strictly comparable to those thereafter which were gross of excise duty.

The following additional information is being provided to facilitate such understanding:

(INR MN)	Q3 CY2017	Q3 CY2016	Change	9M CY2017	9M CY2016	Change
Gross sales/income from operations (A)	9,843.61	10,243.73	-3.9%	39,575.21	40,215.79	-1.6%
Other operating income (B)	36.59	84.22	-56.6%	153.93	220.39	-30.2%
Excise duty on sale (C)	245.72*	1,353.42	-81.8%	4,968.74	6166.69	-19.4%
Net sales from operations (A+B-C)	**9,634.48**	**8,974.53**	**7.4%**	**34,760.40**	**34,269.39**	**1.4%**
Other income	28.92	229.73	-87.4%	210.95	340.47	-38.0%
EBITDA	1,854.31	1,745.54	6.2%	8,031.67	7,697.73	4.3%
Net profit for the period	337.10	129.72	159.9%	2,861.88	1,596.96	79.2%

Note: **Excise duty has been merged with GST from Q3 CY2017 onwards in India. Current number is pertaining to excise duty and other similar taxes in jurisdiction other than India*

Ind-AS Impact on VBL – Q3 & 9M CY2016 P&L

(a PepsiCo franchisee)

Particulars (Rs million)	Q3 CY2016 IGAAP	Q3 CY2016 IND AS adjst.	Q3 CY2016 IND AS	9M CY2016 IGAAP	9M CY2016 IND AS adjst.	9M CY2016 IND AS
Income from operations						
Gross sales/income from operations	10,243.73	-	10,243.73	40,215.79	-	40,215.79
Other operating income	84.22	-	84.22	220.39	-	220.39
Other income	206.58	23.15	229.73	303.53	36.94	340.47
Total income from operations	**10,534.53**	**23.15**	**10,557.68**	**40,739.71**	**36.94**	**40,776.65**
Expenses						
Cost of materials consumed	2,846.91	-	2,846.91	14,888.06	-	14,888.06
Purchase of stock-in-trade	99.83	-	99.83	783.51	-	783.51
Changes in inventories	698.50	-	698.50	(47.61)	-	(47.61)
Excise duty	1,353.42	-	1,353.42	6166.79	-	6,166.79
Employee benefits expense	1,136.19	(53.60)	1,082.59	3,244.54	(69.21)	3,175.33
Finance costs	536.65	575.95	1,112.60	1,648.97	1,667.71	3,316.68
Depreciation and amortization	903.30	(125.87)	777.43	2,797.84	(376.13)	2,421.71
Other expenses	2,482.04	19.12	2,501.16	7,648.41	123.96	7,772.37
Total expenses	**10,056.84**	**415.60**	**10,472.44**	**37,130.51**	**1,346.33**	**38,476.84**
Profit/(loss) before tax and share of profit in associate	**477.69**	**(392.45)**	**85.24**	**3,609.20**	**(1,309.39)**	**2,299.81**
Share of profit in associate	2.20	0.12	2.32	17.59	0.36	17.95
Profit/(loss) before tax	**479.89**	**(392.33)**	**87.56**	**3,626.79**	**(1,309.03)**	**2,317.76**
Tax expense	72.44	(114.60)	(42.16)	1,117.73	(396.93)	720.80
Net profit/(loss) for the period	**407.45**	**(277.73)**	**129.72**	**2,509.06**	**(912.10)**	**1,596.96**

Ind-AS Impact on VBL – Key Adjustments

(a PepsiCo franchisee)

A. NPV calculation of deferred consideration for territory acquisition – As per IND AS, interest free outstanding to PepsiCo is recalculated at its NPV resulting in following –

Balance Sheet:

i. Reduction in outstanding deferred liability
ii. Corresponding reduction in fixed assets acquired on acquisition from PepsiCo

P&L:

i. Notional provision of interest on the deferred consideration for the period available
ii. Reduction in depreciation due to decreased asset block

B. Franchise rights / trademarks under the head Intangible assets arising on territory acquisition – As per IND AS guidelines, the life of such rights is perpetual therefore are put to annual impairment testing instead of amortization at a fixed rate.

C. CCDs/CCPS – As per IND AS guidelines, any difference due to fair valuation on convertible financial instruments is taken through finance cost in P&L. These instruments have already been converted in CY2016 before IPO. Hence, there is no impact in CY2017.

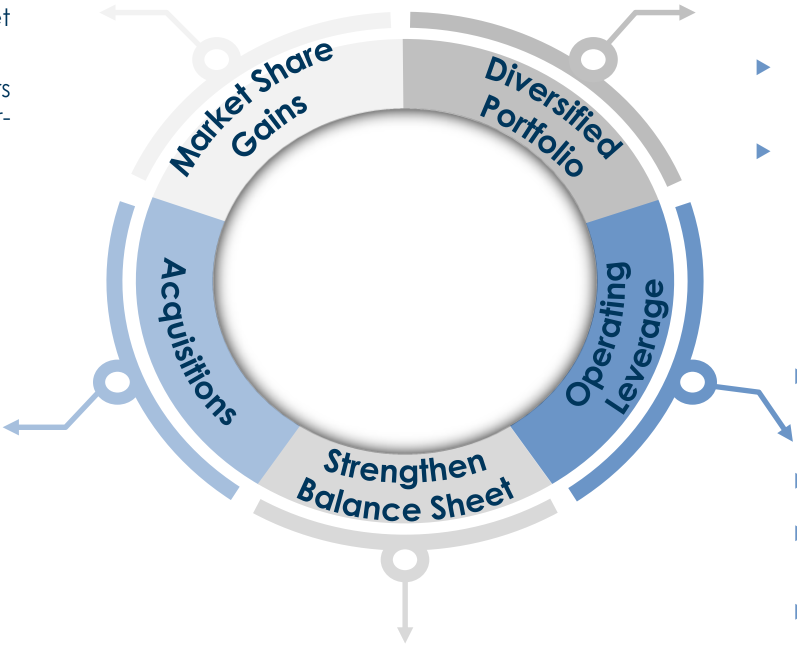
D. NPV calculation of interest free loans - As per IND AS, interest free loans are recalculated at its NPV

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

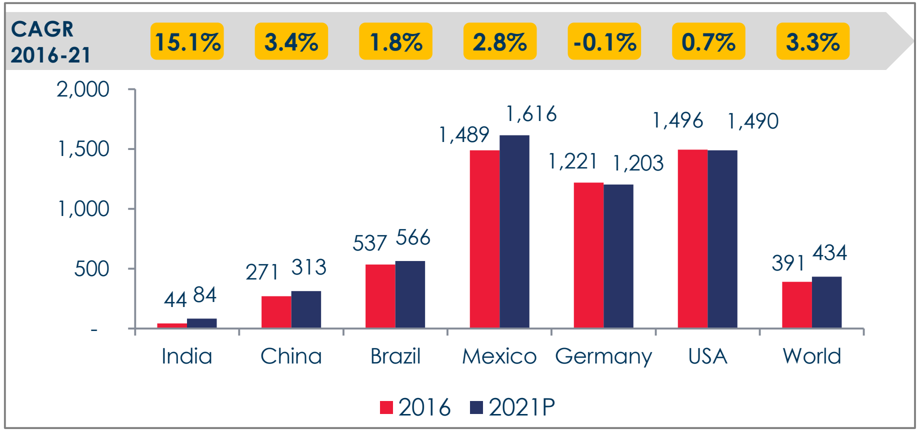
- Contiguous territories/markets offer better operating leverage and asset utilization – economies of scale
- Production and logistics optimization
- Packaging synchronization and innovations
- Technology use to improve sales and operations processes

- Repayment of debt using IPO proceeds and through strong cash generation
- To enable significant interest cost savings

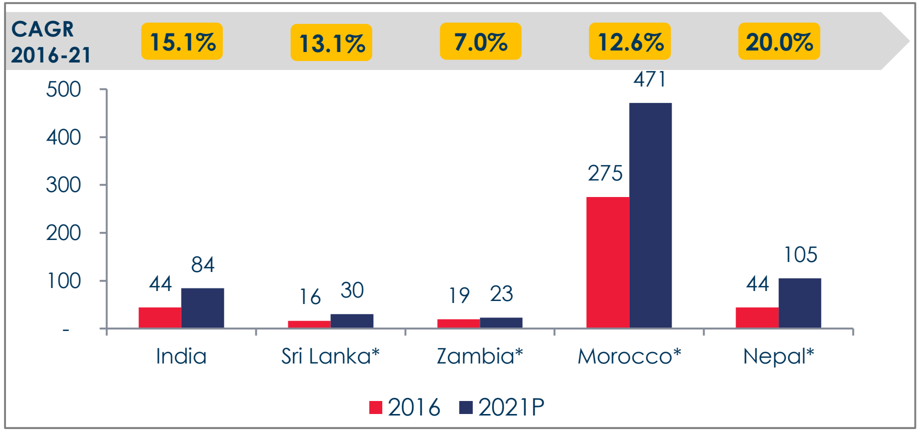
Broad-based Growth To Continue Across Soft Drink Categories in India…

(a PepsiCo franchisee)

Global Markets - Per Capita Soft Drink Consumption (Per Capita bottles)



VBL Markets - Per Capita Soft Drink Consumption (Per Capita bottles)



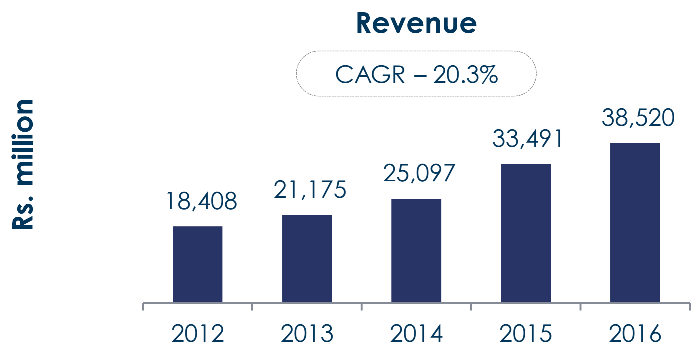
Soft Drinks Industry - India

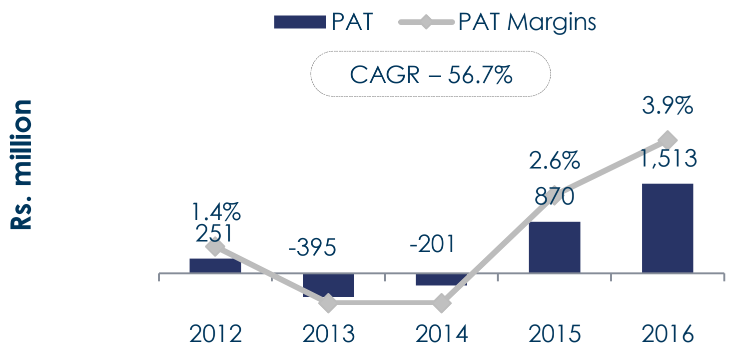
Million Cases	2016	2021P	CAGR
Carbonates	868	1205	6.8%
Juice	373	816	16.9%
Bottled Water	1,132	2,795	19.8%
Others**	18	23	5.1%
Total	**2,391**	**4,839**	**15.1%**

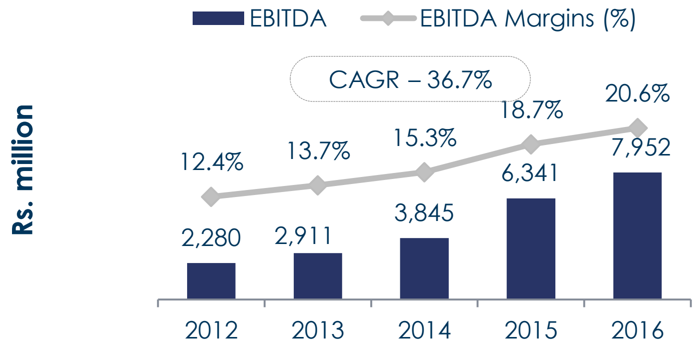
*Source: Euromonitor Report; Note: * denotes Modelled Countries: Data for modelled countries is created by pegging countries outside Euromonitor's research programme to those we do research, linking together those with a similar consumer culture and development level. **Others = Concentrates, RTD Tea, Sports/Energy Drinks*

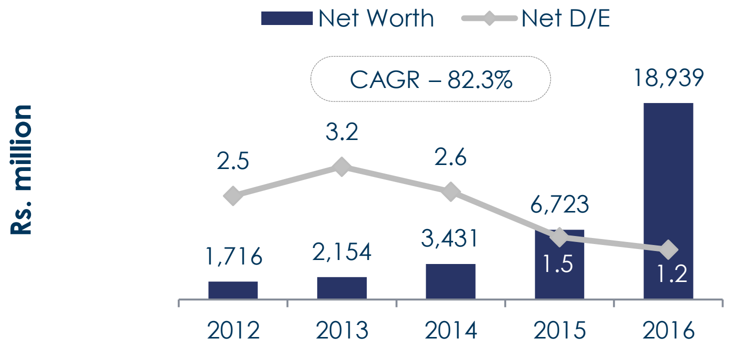
Financial Highlights (2012-16)

(a PepsiCo franchisee)









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.

Conference Call Details

(a PepsiCo franchisee)

Varun Beverages Limited (VBL) Q3 CY2017 Earnings Conference Call

Time	• 4:00 pm IST on Monday, November 06, 2017
Conference dial-in Primary number	• Primary number: +91 22 3938 1071
Local access number	3940 3977 Available in - Gurgaon (NCR), Ahmedabad, Bangalore, Bangalore, Chandigarh, Chennai, Hyderabad, Kochi/Cochin, Kolkata, Lucknow, Pune (Accessible from from all carriers)
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, Seven-Up Revive and Evervess. PepsiCo NCB brands produced and sold by the Company include Tropicana Slice, Tropicana Frutz, Nimbooz 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 of September 30, 2017, VBL has been granted franchises for various PepsiCo products across 18 States and two Union Territories in India. India is the largest market and contributed 80% of revenues from operations (net) in Fiscal 2016. VBL has also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, and Zambia.

*For more information about us, please visit **www.varunpepsi.com** or contact:*

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Thank You!