



VARUN BEVERAGES LIMITED



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CIN No. : L74899DL1995PLC069839

May 5, 2020

To

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Email: corp.relations@bseindia.com Security Code: 540180	National Stock Exchange of India Ltd. Exchange Plaza, Block G,C/1, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Email: cmlist@nse.co.in Symbol: VBL
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Sub: Regulation 30: Presentation on Unaudited Financial Results of the Company for the Quarter ended March 31, 2020

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith a copy of the Presentation on Unaudited Financial Results of the Company for the Quarter ended March 31, 2020.

The same is also being uploaded on website of the Company at www.varunpepsi.com.

You are requested to take the above on record.

Yours faithfully,
For Varun Beverages Limited

Ravi Batra
Chief Risk Officer & Group Company Secretary

Encl: As above

May 05, 2020



(a PepsiCo franchisee)



Varun Beverages Limited

Q1 CY 2020 Results Presentation



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- 1 Company Overview
- 2 Chairman's Message
- 3 Q1 CY 2020 Results Overview
- 4 Performance Highlights
- 5 Sustainability

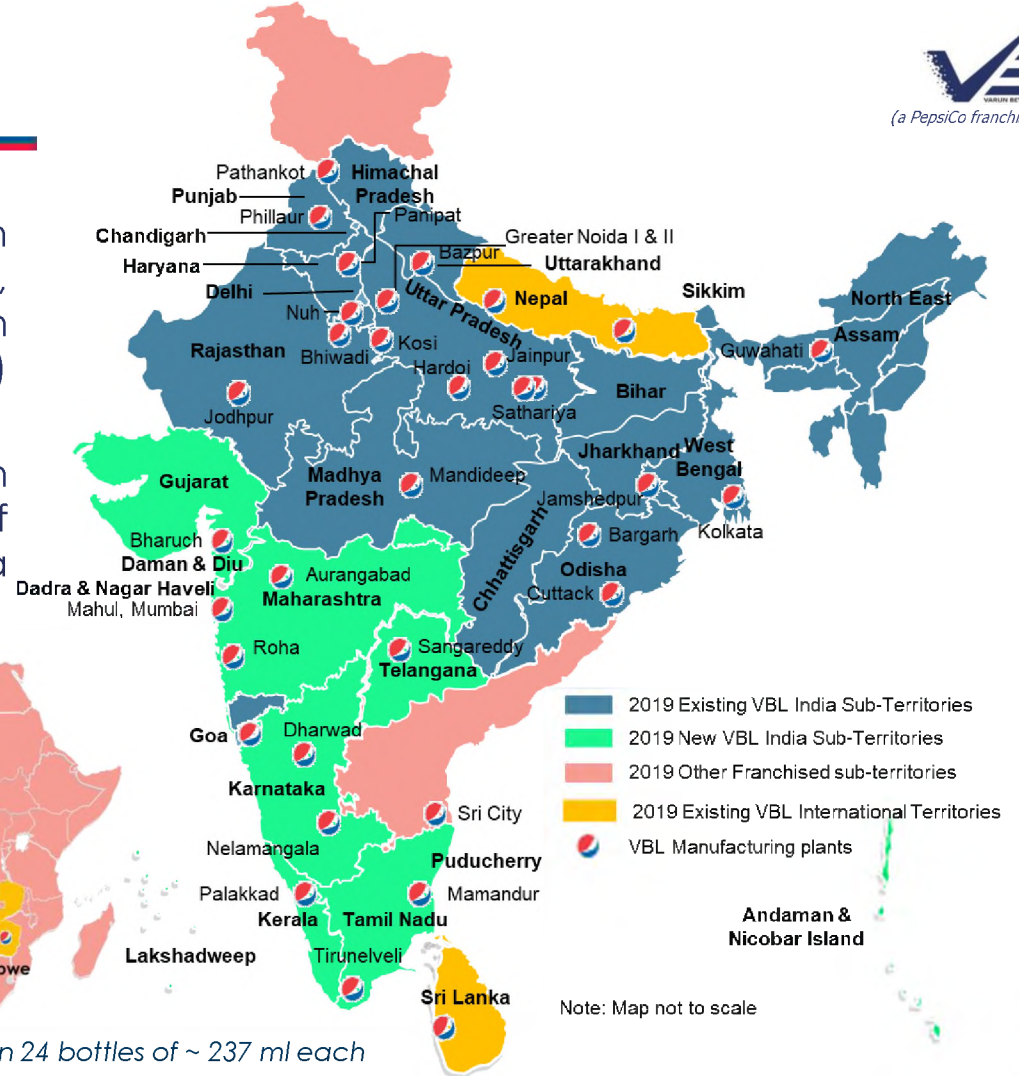
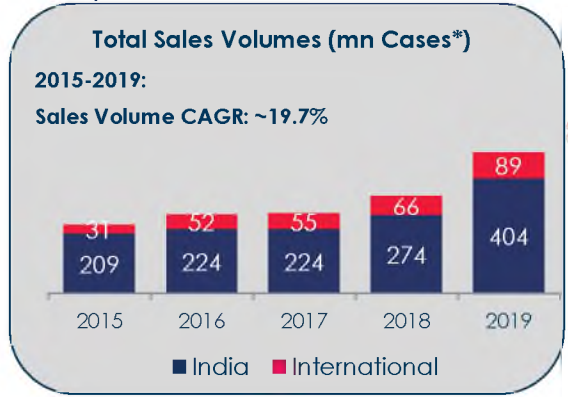
Company Snapshot



Key player in the beverage industry

Operations spanning across **6 countries** – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contribute ~**85%** to revenues; 3 in Africa (Morocco, Zambia, Zimbabwe) contribute ~15% for fiscal year 2019

Over **28** years strategic association with PepsiCo – accounting for ~ **80%+** of PepsiCo's beverage sales volume in India and present in 27 States and 7 UTs



Note: *A unit case is equal to 5,678 liters of beverage divided in 24 bottles of ~ 237 ml each

Brands licensed to VBL

Brands licensed by PepsiCo:

Carbonated Soft Drinks



Carbonated Juice Based Drinks



Energy Drink



Club Soda



Ice Tea



Fruit Pulp / Juice Based Drinks



Sports Drink



Packaged Water



Dairy Based Drinks *

Mango Shake



Cold Coffee

Belgian Choco Shake



* Note: "Creambell" trademark, an established brand, has been licensed to be used by VBL for ambient temperature value added dairy based beverages.

Key Player in the Beverage Industry – Business Model

VBL- END-TO-END EXECUTION ACROSS VALUE CHAIN

<p style="text-align: center;">MANUFACTURING</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">Concentrate (PepsiCo)</div> <div style="border: 1px solid black; padding: 5px; text-align: center;">Other Raw Materials</div> <div style="border: 1px solid black; padding: 5px; text-align: center;">Bottling</div> </div>	<ul style="list-style-type: none"> 38 state-of-the-art production facilities 	<p style="text-align: center;">SOLID INRASTRUCTURE</p>
<p style="text-align: center;">DISTRUBUTION & WAREHOUSING</p>	<ul style="list-style-type: none"> 90+ depots 2,500+ owned vehicles 1,500+ primary distributors 	<p style="text-align: center;">ROBUST SUPPLY CHAIN</p>
<p style="text-align: center;">CUSTOMER MANAGEMENT</p>	<ul style="list-style-type: none"> Installed 775,000+ visi-coolers VBL - local level promotion and in-store activation PepsiCo - brand development & consumer marketing 	<p style="text-align: center;">DEMAND DELIVERY</p>
<p style="text-align: center;">IN-MARKET EXECUTION</p>	<ul style="list-style-type: none"> Experienced region-specific sales team Responsible for category value/volume growth Responsible for reaching out to every 6th person in the world 	<p style="text-align: center;">MARKET SHARE GAINS</p>
<p style="text-align: center;">COST EFFICIENCIES</p>	<ul style="list-style-type: none"> Production optimization Backward integration Innovation (packaging etc.) 	<p style="text-align: center;">MARGIN EXPANSION</p>
<p style="text-align: center;">CASH MANAGEMENT</p>	<ul style="list-style-type: none"> Working capital efficiencies Disciplined capex investment Territory acquisition 	<p style="text-align: center;">ROE EXPANSION / FUTURE GROWTH</p>

VBL – Demand Delivery

- Production Facilities
- Sales & Distribution – GTM & Logistics
- In-outlet Management – Visi-Coolers
- Consumer Push Management (BTL)
- Market Share Gains



PepsiCo – Demand Creation

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

Commenting on the performance for Q1 CY 2020, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

"We started the new fiscal year on a strong note with healthy demand and robust volume growth across our domestic and International markets. This enabled us to deliver a topline growth of 23.3%, EBITDA growth of 24.2%, and PAT growth of 50.0% during the quarter. In the last 10 days of March, a country-wide lockdown and similar restrictions in many of our international geographies moderated our performance for the period which would have otherwise been even better.

Worldwide economies are facing an unprecedented situation due to the COVID-19 pandemic. In this environment, our primary focus is towards undertaking all necessary measures to shore up cash flows, ensure safety of our employees, business partners, communities, and to overall safeguard the interests of all our stakeholders. We are also very encouraged that VBL has a healthy balance sheet and strong financial status, which most certainly should see us through these disorderly times.

While we are currently witnessing curtailed demand both in India and in our international geographies as a result of the ongoing macro-situation, we believe, in the near-term there should be a gradual bounce back in volumes. This will be enabled by easing of lockdown restrictions and restoration of consumer sentiment as they will once again have normal access to beverage purchases. Given the increasing demand that we witnessed for all our products prior to the lockdown, we are confident that once things stabilise, we will once again see encouraging growth and we will further strengthen our position as the leading player in the beverage industry."



COVID-19 update

- *The Company is taking all recommended precautions in its operations against the spread of COVID-19, which includes sanitization, closure of corporate office and its plants, following all government directions on the subject and duration of the same shall depend on the Government Policy in this regard.*
- *Organic volumes for the company got severely impacted in the last 10 days of March due to the spread of COVID-19 and the subsequent lockdown restrictions. As per the relaxations provided by the Govt. of India for essential services and particularly packaged food and beverages, VBL has got the permissions from respective State Governments to operate its certain production facilities.*
- *The Company has been able to sell its complete inventory of finished goods that was built up in the month of March in anticipation of the upcoming season. Moreover, the Company has also operated few of its production facilities in April as the demand scenario is improving with the relaxation in the lockdown.*
- *Company has not availed moratorium for its debt repayments and has been timely servicing all its debt obligations.*

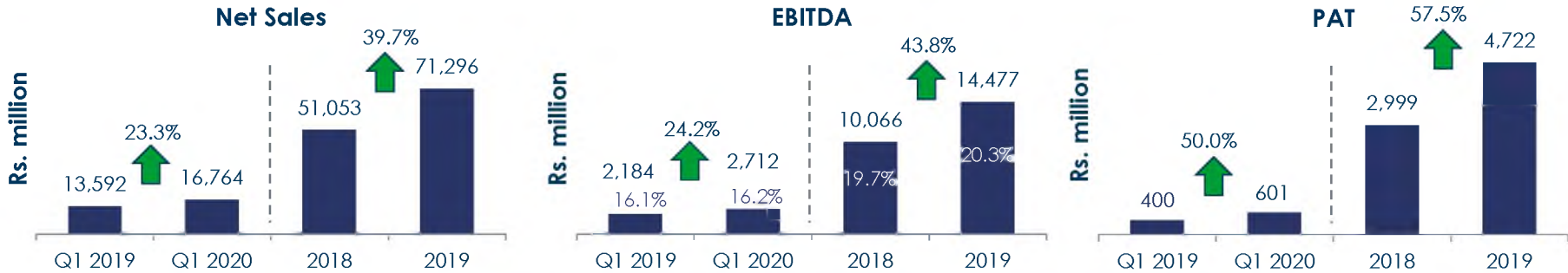
Introduction of new corporate tax rates:

- On 20 September 2019, vide the Taxation Laws (Amendment) Ordinance 2019, the Government of India inserted Section 115BAB in the Income Tax Act, 1961 which provides domestic companies a non-reversible option to pay corporate tax at reduced rates effective 01 April 2019 subject to certain conditions.
- The Company has made an assessment of the impact of Ordinance and decided to continue with the existing tax structure until utilization of accumulated minimum alternative tax (MAT) credit and expiry of other tax benefits/holidays available.
- In accordance with the Ind AS 12 "Income Taxes", the Company is also required to re-measure its deferred tax balances, for amounts that are expected to reverse in future when the Company would migrate to the new tax regime. The Company has re-measured its outstanding deferred tax balances and written back an amount of Rs. 731.85 mn to the Statement of Profit and Loss.

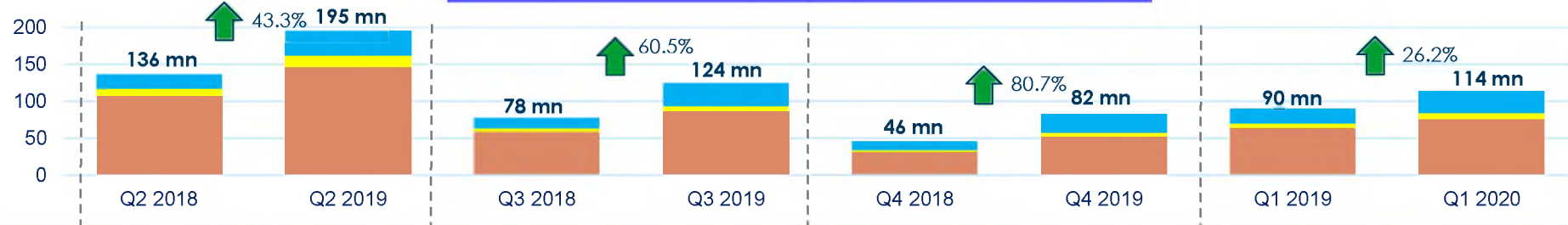
Exceptional items – Impairment of plant and equipment:

- The exceptional items amounting to Rs. 665.29 mn for the current quarter represents provision for impairment in the value of certain plant and equipment, glass bottles & plastic shells.

Performance Highlights (Q1CY 2020, CY 2019 & CY 2018)



Quarterly Sales Volumes (Category-wise million unit cases)



Period	Q2 2018		Q2 2019		Q3 2018		Q3 2019		Q4 2018		Q4 2019		Q1 2019		Q1 2020	
CSD	107	79%	145	74%	59	76%	86	69%	31	69%	52	63%	64	71%	76	67%
Juice	10	7%	15	8%	4	5%	7	6%	3	6%	5	6%	6	6%	8	7%
Water	19	14%	35	18%	15	19%	31	25%	12	25%	25	31%	20	23%	30	26%

Consolidated Profit & Loss Statement

Particulars (Rs. million)	Q1 2020	Q1 2019	YoY(%)	2019	2018	YoY (%)
1. Income						
(a) Revenue from operations	16,992.5	13,806.1	23.1%	72,484.6	52,281.3	38.6%
(b) Excise Duty	228.1	214.6	6.3%	1,188.8	1,228.7	-3.2%
Net Revenues	16,764.4	13,591.5	23.3%	71,295.8	51,052.5	39.7%
(c) Other income	252.6	14.0	1702.0%	425.3	218.2	94.9%
2. Expenses						
(a) Cost of materials consumed	7,546.5	5,898.2	27.9%	29,395.6	21,122.8	39.2%
(b) Purchase of stock-in-trade	450.1	897.4	-49.8%	4,237.3	1,942.2	118.2%
(c) Changes in inventories of FG, WIP and stock-in-trade	(1,081.9)	(807.4)	34.0%	(1,438.6)	(624.0)	130.6%
(d) Employee benefits expense	2,291.5	1,583.6	44.7%	8,108.2	5,829.5	39.1%
(e) Finance costs	869.7	590.3	47.3%	3,096.4	2,125.6	45.7%
(f) Depreciation and amortisation expense	1,351.2	990.3	36.4%	4,886.3	3,850.7	26.9%
(g) Other expenses	4,846.6	3,835.9	26.3%	16,516.8	12,716.2	29.9%
Total expenses	16,273.7	12,988.3	25.3%	64,802.0	46,963.0	38.0%
EBITDA	2,711.6	2,183.8	24.2%	14,476.5	10,065.9	43.8%
3. Profit/(loss) before tax and share of profit in associate (1-2)	743.3	617.2	20.4%	6,919.1	4,307.8	60.6%
4. Share of profit in associate	-	7.9	-100.0%	43.6	30.2	44.4%
5. Exceptional items	665.3	-	NA	-	-	NA
5. Profit before tax (3+4-5)	78.0	625.1	-87.5%	6,962.7	4,338.0	60.5%
6. Tax expense	(522.6)	224.7	NA	2,240.7	1,339.3	67.3%
7. Net profit for the period (5-6)	600.6	400.4	50.0%	4,722.1	2,998.6	57.5%

Discussion on Financial & Operational Performance

Net Revenues / Sales Volumes

- Total sales volumes were up 26.2% YoY at 114.0 million cases in Q1 2020 as compared to 90.3 million cases in Q1 2019.
- Post lockdown restriction imposed by the Govt. of India due to the COVID-19 pandemic, organic sales volumes got severely impacted in the last 10 days of March. Resultantly, organic volumes for the quarter declined by 13.7% in India and 9.3% on a consolidated basis even after double digit organic growth in the months of Jan and Feb.
- Revenue from operations (net of excise / GST) grew 23.3% YoY in Q1 2020 to Rs. 16,764.4 million. Realization per case has come down by ~2.3% in Q1 2020 essentially on account of lower sales realization in Zimbabwe in USD terms.
- CSD constituted 67%, Juice 7% and Packaged Drinking water 26% of total sales volumes in Q1 2020.

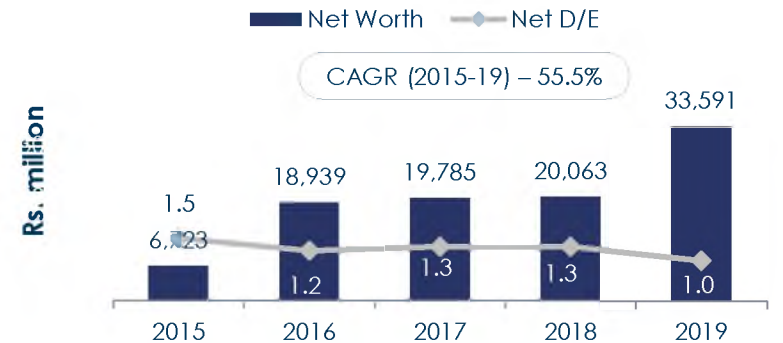
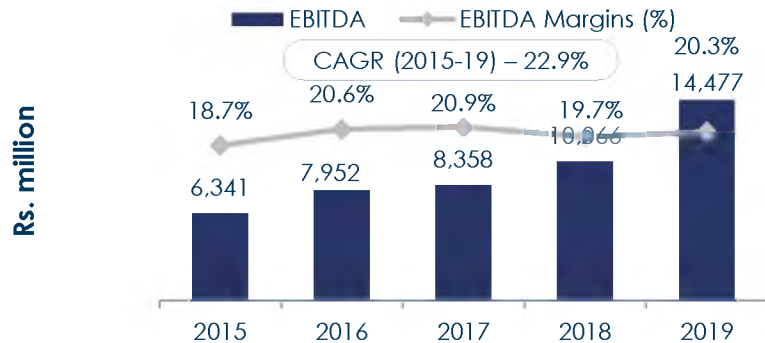
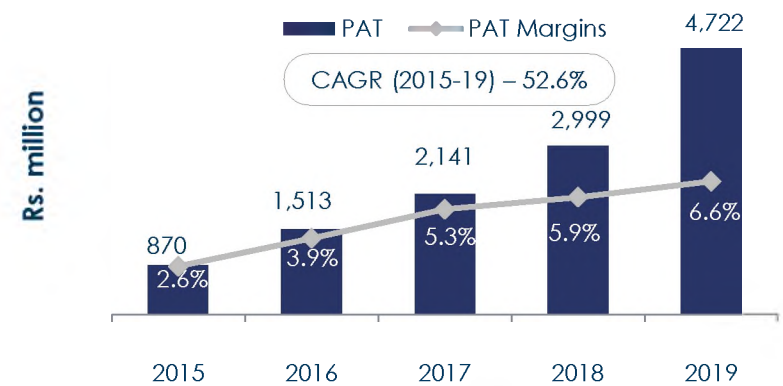
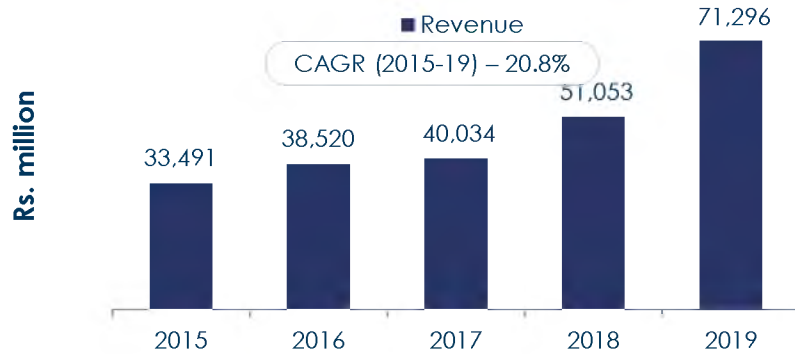
Gross Margins / EBITDA

- Gross margins improved by 300 bps during Q1 2020 primarily due to favorable PET chips prices.
- EBITDA increased by 24.2% to Rs. 2,711.6 million in Q1 2020 from Rs. 2,183.8 million in Q1 2019. EBITDA margins expanded by 11 bps in Q1 2020 as the major part of savings in raw material cost was offset by higher fixed cost amid negligible sales during last 10 days of March.

PAT

- PAT increased by 50.0% to Rs. 600.6 million in Q1 2020 from Rs. 400.4 million in Q1 2019.
- Depreciation and Finance Cost have increased by 36.4% and 47.3% respectively in-line with the increase in scale of business post consolidation of South and West India sub-territories w.e.f. 1st May 2019.
- The exceptional items amounting to Rs. 665.3 mn for the current quarter represents provision for impairment in the value of certain plant and equipment, glass bottles & plastic shells.

Performance Highlights (2015 – 2019)



Note:

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

Sustainability Initiatives – PET Recycling

VBL uses ~ 66,000 MT PET resin as packaging material for its finished product annually. These are high quality food grade virgin PET chips which can be easily recycled to make various products for diverse industries and end uses.

VBL has engaged with GEM Enviro Management Pvt. Ltd. for phased implementation of 100% recycling of used PET bottles through collection from end users by placing dustbins / reverse vending machines, direct collection from Institutions (Hotels, Banquet Halls, Exhibitions, etc.) and spreading awareness through workshops.

GEM Enviro Management Pvt. Ltd., a Delhi based Central Pollution Control Board (“CPCB”) recognized PRO (Producer Responsible Organization) company specializes in a) collection and recycling of packaging waste & b) promotion of recycled green products like T-Shirts, bags etc. made from recycling of waste material such as used PET bottles.

In the first year of engagement, during the second half of CY19, 24,000+ MT of PET waste has been recycled. During Q1 CY20, 6,000+ MT of used PET has been recycled.



Sample Recycled Products



Sustainability Initiatives – VBL’s Water Positive Balance

VBL engaged TUV India Pvt. Ltd. for company’s water footprint assurance. wherein, water mass balance and its various initiatives towards water conservation and water recharge were verified.

About TUV NORD Group: Founded in the year 1869, during the Industrial Revolution, the TÜV NORD was established as an industrial self-control organization for providing independent, neutral, third party services. With a current workforce of over 14,000 employees across 70 countries globally, the TÜV NORD GROUP is one of the world’s largest Inspection, Certification & Testing organizations.

About TUV India: TUV India Private Limited was established in 1989 as part of the German RWTÜV group’s Indian operations. Being one of the first Certification Bodies to start operations in India, TUV India has been closely associated with the quality revolution in India.

The scope of audit covered 20 manufacturing plants of VBL in India which it operated during the period Apr’18-Mar’19. Key water conservation initiatives included Rain water harvesting, Ponds adoption, development & maintenance, Waste water management on the principles of reduce, reuse and recycle, for optimal water consumption.

Key findings of the report:

Parameter	Quantity
Water consumption	2.91 mn KL
Water recharge	4.96 mn KL
No. of ponds adopted	64
Total area of adopted ponds	0.9 mn sq. m.
No. of trees planted	26,000 +



Varun Beverages Limited (VBL) Q1 CY 2020 Earnings Conference Call

Time • 4:00 pm IST on Tuesday, May 05, 2020

Conference dial-in Primary number • +91 22 6280 1141 / +91 22 7115 8042

Local access number • +91 70456 71221

International Toll Free Number

- Hong Kong: 800 964 448
- Singapore: 800 101 2045
- UK: 0 808 101 1573
- USA: 1 866 746 2133

Varun Beverages Limited (VBL) is a key player in beverage industry and one of the largest franchisee of PepsiCo in the world (outside USA). The Company produces and distributes a wide range of carbonated soft drinks (CSDs), as well as a large selection of non-carbonated beverages (NCBs), including packaged drinking water sold under trademarks owned by PepsiCo. PepsiCo CSD brands produced and sold by VBL include Pepsi, Diet Pepsi, Seven-Up, Mirinda Orange, Mirinda Lemon, Mountain Dew, Seven-Up Nimbooz Masala Soda, Evervess, Sting, Gatorade and Slice Fizzy Drinks. PepsiCo NCB brands produced and sold by the Company include Tropicana Slice, Tropicana Frutz, Tropicana Juices (100%, Delight, Essentials), Nimbooz, Ambient temperature value added dairy beverages 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 27 States and 7 Union Territories in India. India is the largest market and contributed ~78% of revenues from operations (net) in Fiscal 2019. VBL has also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe.

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

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Thank You!
