VARUN BEVERAGES LIMITED

Corporate Off : Plot No.31, Institutional Area, Sec.-44, Gurgaon, Haryana-122002 (India)
Ph.: +91-124-4643100-500 • Fax: +91-124-4643303/04 E-mail : info@rjcorp.in • Visit us at : www.rjcorp.in
CIN No. : L74899DL1995PLC069839

May 3, 2018

To,

The BSE Limited Corporate Relationship Department, 1st Floor, New Trading Ring, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai – 400 001 022-2272 3121, 2037, 2061 corp.relations@bseindia.com **Security Code No. 540180**	The National Stock Exchange of India Ltd. Exchange Plaza, 5th floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 # 022-2659 8237, 8238, 8347, 8348 cmlist@nse.co.in **Symbol : VBL** **Series : EQ**

Dear Sir/Madam,

Sub: Presentation on Unaudited Financial Results for the Quarter ended on March 31, 2018.

A copy of the presentation on Unaudited Financial Results for the Quarter ended on March 31, 2018 is attached.

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

You are requested to kindly take the above on records.

Yours Faithfully
For Varun Beverages Limited

VARUN BEVERAGES LIMITED NEW DELHI

Ravi Batra
Chief Risk Officer and Group Company Secretary

Encl: As above

May 03, 2018

VARUN BEVERAGES

(a PepsiCo franchisee)

Varun Beverages Limited

Q1 CY2018 Results Presentation

pepsi. Tropicana. QUAKER

Disclaimer

(a PepsiCo franchisee)

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)

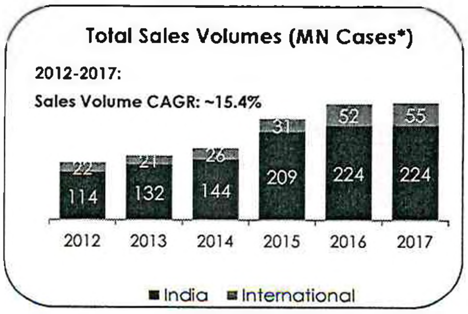
Company Snapshot

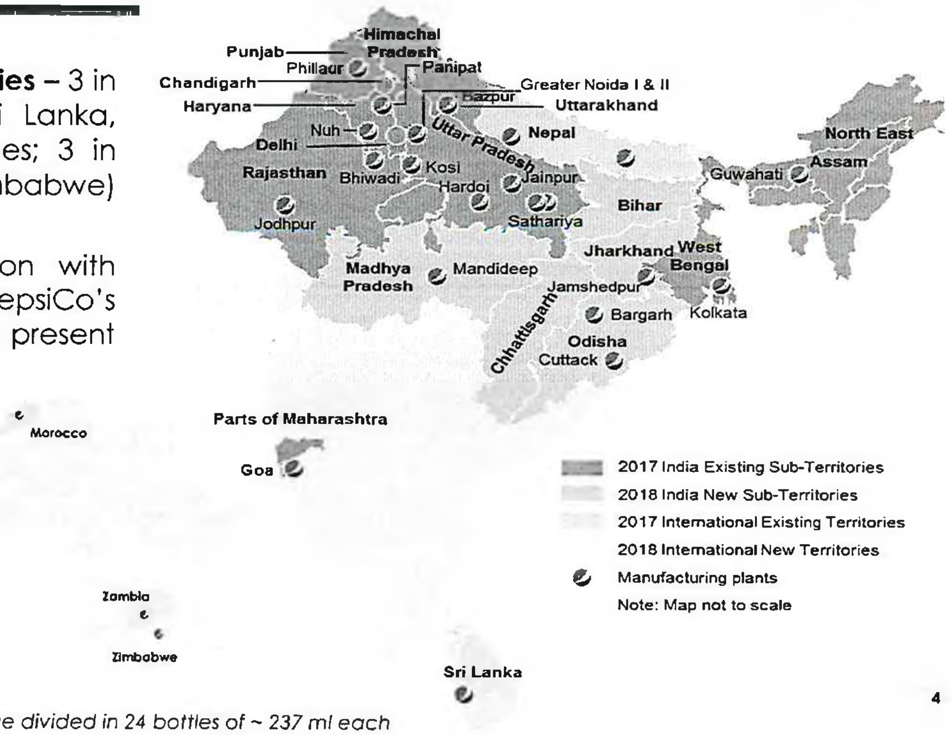
(a PepsiCo franchisee)

Key player in the beverage industry

Operations spanning across **6 countries** – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contribute ~**90%** to revenues; 3 in Africa (Morocco, Zambia, Zimbabwe) contribute ~10%

Over **25** years strategic association with PepsiCo – accounting for ~ **51%** of PepsiCo's beverage sales volume in India and present in 21 States and 2 UTs





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

Brands licensed by PepsiCo

(a PepsiCo franchisee)

Manufacturing & Distribution:

Carbonated Soft Drinks

pepsi | pepsi black | diet pepsi | Mountain Dew | Mirinda | 7UP | EVERVESS Club Soda

Fruit Pulp / Juice Based Drinks

Tropicana Slice | 7UP Nimbooz | Tropicana frutz

Energy Drink

Sting

Packaged Water

AQUAFINA

Carbonated Juice Based Drinks

7UP Nimbooz masala soda | Slice Fizzy Clear Lemon Flavour | Slice Fizzy Guava Chilli Flavour | Slice Fizzy Cream Soda Flavour | Slice Fizzy Apple Flavour | Slice Fizzy Lemon & Lime Flavour | Slice Fizzy Jeera Flavour | Slice Fizzy Orange Flavour

Distribution:

Fruit Pulp / Juice Based Drinks

Tropicana | Tropicana Essentials | Tropicana Delight

Sports Drink

Gatorade

Dairy

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	▪ 26 state-of-the-art production facilities	--->	SOLID INRASTRUCTURE
DISTRUBUTION & WAREHOUSING	▪ 72 owned depots ▪ 2,100+ owned vehicles ▪ 1,000+ primary distributors	--->	ROBUST SUPPLY CHAIN
CUSTOMER MANAGEMENT	▪ VBL - local level promotion and in-store activation ▪ Installed 474,500 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
- Formulation through Concentrate
- Brand Development – Consumer Pull Management

Chairman's Message

(a PepsiCo franchisee)

Commenting on the performance for Q1 CY2018, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

"We are pleased to report that we have made a strong start to the year with a robust revenue growth of 24.5% and profit growth of 186.3%. This was led by strong volume growth of 19.7% on consolidation of recently acquired territories. The volume growth in India on an organic basis was strong at 12% which is highly encouraging. Further, the introduction of new product categories, like Tropicana and Sting, has resulted in better portfolio mix and improved our realizations.

We have strengthened our presence in fast growing categories during last year. We entered into a strategic partnership for selling and distribution of the larger Tropicana portfolio that includes Tropicana Juices (100%, Delight, Essentials), as well as Gatorade in the Sports drink category and Quaker Value-Added Dairy in territories across North and East India. With VBL already holding manufacturing, sales and distribution rights for Tropicana Slice and Tropicana Frutz in North and East, we are confident that we can leverage our knowledge of the supply chain process, existing distribution network and chilling infrastructure to help expand the franchise for Brand Tropicana in these territories.

During the quarter, we have further expanded our juice portfolio with the launch of fizzy drinks in seven different flavours under the 'Slice' brand, having lower calories and zero sugar content, in line with PepsiCo's plan to intensify focus on health and nutrition. All flavours are available in 250 ml PET bottles at an attractive price point of Rs. 12, and have ~11% juice content. The introduction of all these product categories not only augurs well for our long term growth prospects but also will reduce seasonality, enhance profitability and augment return ratios.

We are excited about our prospects going into the peak summer season. We will be focused on consolidation of the recent territories that we have acquired. We are confident that the learning, knowledge and mastery over the process that we have attained will help us garner market share in these territories as we increase our penetration further. We will continue to innovate and work with PepsiCo to roll-out new products, staying in the path of relevance of our customers, to push our strategic intent of driving profitable growth. "

Key Developments - New Product Launches (1/2)

(a PepsiCo franchisee)

STING	PEPSI BLACK		GATORADE*	QUAKER MILK*


Energy Drink	Zero Calorie Drink	Fruit Pulp / Juice Based Drink	Sports Drink	Oats Milk based Drink
Available in 250ml cans and 250 ml PET bottles	Available in 250ml cans and 250 ml non-returnable glass bottles	Tropicana Juices (100%, Delight, Essentials) available in 1 litre and 200 ml tetra packs	Available in 3 flavours (Orange, Lemon and Blue Bolt) in 500 ml PET bottles	Available in two flavours (Almond and Mango) in 180 ml tetra Packs

Sales & Distribution only

Key Developments - New Product Launches (2/2)

(a PepsiCo franchisee)

SLICE FIZZY DRINKS

Carbonated Juice based Drinks

Lemon & Lime	Orange	Clear Lemon	Jeera	Apple	Guava Chilli	Cream Soda

All flavours are available in 250 ml PET bottles at a MRP of Rs. 12

Key Developments – Capacity Expansion

(a PepsiCo franchisee)

For CY2018:

- Set up a new unit for manufacturing of Pepsi range of products at Harare, Zimbabwe; commercial production / operation has started with effect from February 19, 2018
- Company has set up a new unit for manufacturing of Pepsi range of products at Nepal; commercial production / operation has started with effect from May 02, 2018

Key Developments – PepsiCo in news

(a PepsiCo franchisee)

"Tropicana is one of the fastest growing brands in our beverages portfolio. Due to growing per capita consumption of juices in India, the overall juices segment is also witnessing high growth rates. So we felt the time is right to expand the distribution of the brand in the country" said **Deepika Warrier, Vice-President (Nutrition category), PepsiCo India** (1)

"This strategic distribution alliance with VBL will help us to more than double the distribution of the brand in the North and East region with a strong focus on smaller towns and rural region. This will also enable the brand to get access to our chilling infrastructure that has already been set up for our carbonated beverages" said **Deepika Warrier, Vice-President (Nutrition category), PepsiCo India** (2)

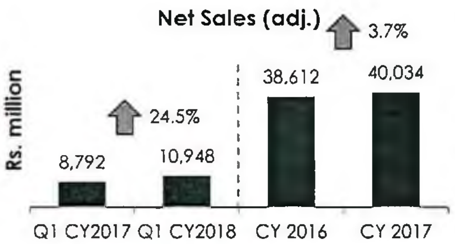
"We continue to transform our portfolio to offer healthier options and meet consumers' increasing interest in health and wellness. Hydration, dairy and juices are three categories that are growing faster," & "Our plan is at the global vision two-thirds of global beverage portfolio will contain 100 calories by 2025, for India we are looking at 2021" said **Vipul Prakash, senior vice president (beverage category), PepsiCo India.** (3)

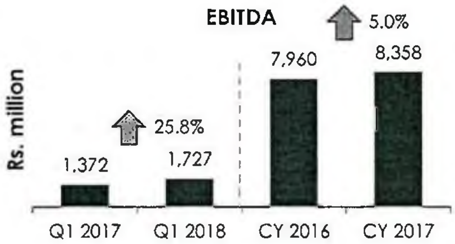
"Internationally, when we find a very good bottler and we believe that they can run the business better than us, we will refranchise the business. We look across our portfolio internationally to see where it makes sense" said **Indra Nooyi, Chief Executive, PepsiCo Inc.** in response to an analyst query on whether the company would refranchise its bottling operations further in India. (4)

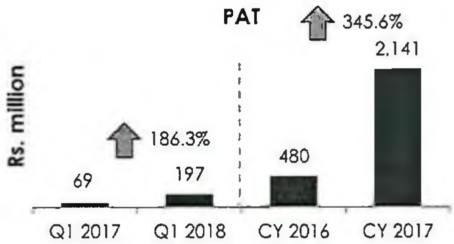
Source:
(1) https://www.thehindubusinessline.com/economy/in-tropicana-push-pepsico-india-eyes-small-towns-and-rural-areas/article23384869.ece
(2) https://www.livemint.com/Companies/LZIXINCVUWmnpLitNkc2vK/PepsiCo-India-aims-to-double-Tropicana-business-by-2020.html
(3) https://economictimes.indiatimes.com/industry/cons-products/food/two-thirds-of-beverages-will-contain-less-than-100-calories-pepsico/articleshow/61851808.cms
(4) https://economictimes.indiatimes.com/industry/cons-products/food/pepsico-open-to-refranchising-indra-nooyi/articleshow/62919246.cms

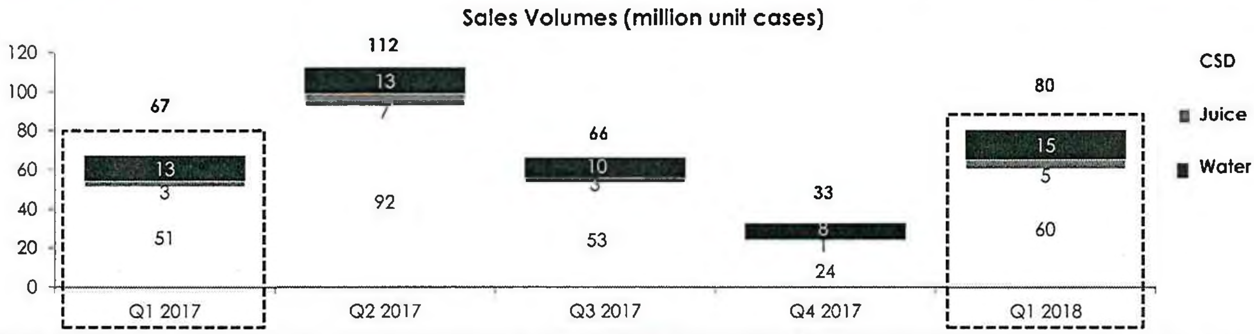
Performance Highlights

(a PepsiCo franchisee)









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

Discussion on Financial & Operational Performance – Q1 CY2018

(a PepsiCo franchisee)

Revenues

- Revenue from operations (net of excise / GST) grew 24.5% YoY in Q1 CY2018 to Rs. 10,948 million led by strong volume growth of 19.7% and value growth of ~ 4.8%
- Introduction of higher realization products (Sting, Tropicana, etc.) has aided value growth during the quarter

Sales Volumes

- Total sales volumes were up 19.7% YoY at 80.4 million cases in Q1 CY2018 as compared to 67.2 million unit cases in Q1 CY2017
- Strong organic volume growth in India at 12.0% in Q1 CY2018 while organic volume growth of 9.8% on a consolidated basis – augurs well for peak season sales
- During Q1 CY2018, CSD constituted 75%, Juice – 6% and Packaged Drinking water – 19% of total sales volumes

Operating Margins

- EBITDA increased by 25.8% to Rs. 1,727 million in Q1 CY2018 from Rs. 1,372 million in Q1 CY2017; EBITDA margins expanded 16 bps YoY to 15.8%
- Gross margins improved 61 bps YoY during the quarter as the increase in PET prices has been offset by moderation of sugar prices. All other raw material costs are stable
- Approvals for commencement of operations in a particular sub-territory received towards end of quarter and new sub-territories without plants lead to rise in freight costs as these territories were being serviced from existing plants in neighbouring States

Profit After Tax

- PAT increased by 186.3% to Rs. 197 million in Q1 CY2018 from Rs. 69 million in Q1 CY2017
- Depreciation and finance costs have increased during the quarter on account of in-organic expansion primarily funded through debt
- PAT has increased on the back of robust volume growth in India and gradual turn-around of loss making foreign subsidiaries
- Increase in volumes, consolidation of contiguous territories and robust backward integrated infrastructure have brought in cost efficiencies

Profit & Loss Statement

(a PepsiCo franchisee)

Particulars (Rs. million)	Q1 2018	Q1 2017	YoY(%)	CY 2017	CY 2016	YoY (%)
1. Income						
(a) Revenue from operations ***(refer slide-16)***	11,223.73	10,508.87	6.8%	45,162.4	45,314.6	-0.3%
(b) Other income	81.64	135.32	-39.7%	126.5	357.3	-64.6%
Total income	**11,305.37**	**10,644.19**	**6.2%**	**45,288.9**	**45,671.9**	-0.8%
2. Expenses						
(a) Cost of materials consumed	5,788.24	4,763.89	21.5%	18,555.1	16,769.0	10.7%
(b) Excise duty	276.03	1,716.90	-83.9%	5,128.4	6,702.8	-23.5%
(c) Purchase of stock-in-trade	399.85	70.19	469.7%	277.7	928.4	-70.1%
(d) Changes in inventories of FG, WIP and stock-in-trade	(1,272.13)	(833.02)	52.7%	(732.2)	(318.6)	NA
(e) Employee benefits expense	1,386.21	1,099.98	26.0%	4,628.4	4,210.3	9.9%
(f) Finance costs	599.17	566.11	5.8%	2,121.8	4,325.4	-50.9%
(g) Depreciation and amortisation expense	910.60	800.81	13.7%	3,466.4	3,222.1	7.6%
(h) Other expenses	2,918.59	2,318.57	25.9%	8,947.3	9,063.0	-1.3%
Total expenses	**11,006.56**	**10,503.43**	**4.8%**	**42,392.8**	**44,902.4**	-5.6%
3. Profit/(loss) before tax and share of profit in associate (1-2)	298.81	140.76	112.3%	2,896.0	769.6	276.3%
4. Share of profit in associate	10.94	2.15	408.9%	13.5	23.8	-43.2%
5. Profit/(loss) before tax (3+4)	309.75	142.91	116.7%	2,909.5	793.4	266.7%
6. Tax expense	112.37	73.97	51.9%	769.0	313.0	145.7%
7. Net profit/(loss) for the period (5-6)	**197.38**	**68.94**	**186.3%**	**2,140.6**	**480.4**	345.6%

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

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.

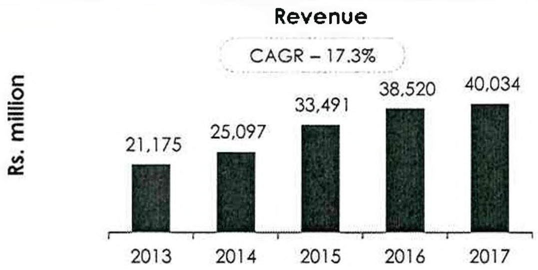
The following additional information is being provided to facilitate such understanding:

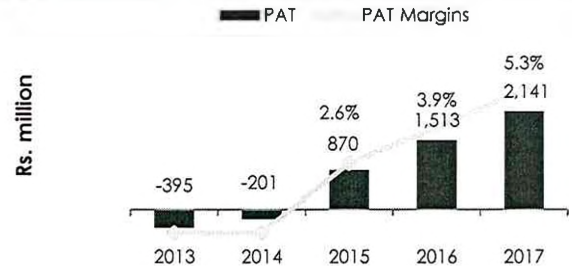
(INR MN)	Q1 CY2018*	Q1 CY2017	Change	CY2017	CY2016	Change
Gross sales/income from operations (A)	11,223.73	10,508.87	6.8%	45162.4	45,314.6	-0.3%
Excise duty on sale (B)	276.03	1,716.90	-83.9%	5,128.4	6,702.8	-23.5%
Net sales from operations (A-B)	**10,947.70**	**8,791.97**	**24.5%**	**40,034.0**	**38,611.8**	**3.7%**
EBITDA	1,726.94	1,372.36	25.8%	8,357.7	7,959.7	5.0%
Net profit for the period	197.38	68.94	186.3%	2,140.6	480.4	345.6%

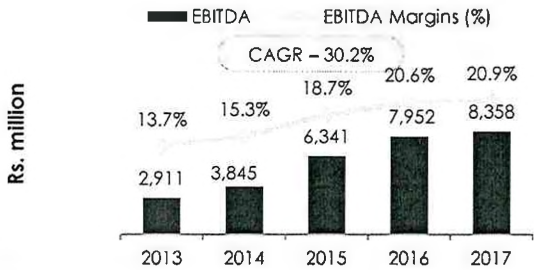
Note: **Excise duty has been merged with GST from Q3 CY2017 onwards in India. Current number is pertaining to excise duty and other similar taxes in jurisdiction other than India*

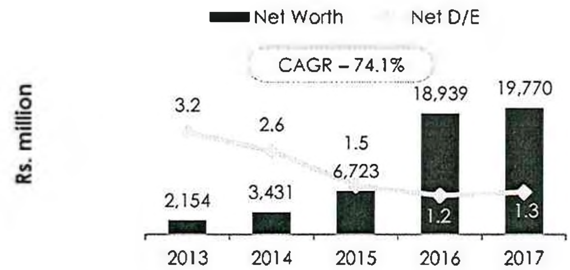
Financial Highlights (2013-17)

(a PepsiCo franchisee)









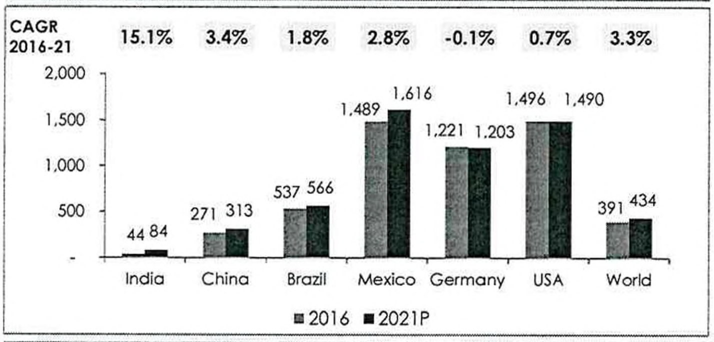
Note:

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. *CY2017 financials are as per Ind AS and previous year numbers are as per IGAAP*

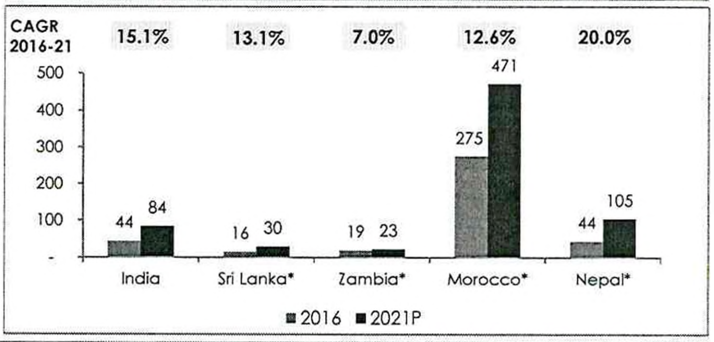
Broad-based Growth To Continue Across Soft Drink Categories in India

(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	2017	2022P	CAGR
Carbonates	919	949	1,122	3.4%
Juice	313	336	495	16.9%
Bottled Water	1,967	2,351	6,006	20.6%
Others**	18	19	25	6.3%
Total	3,217	3,655	7,648	15.9%

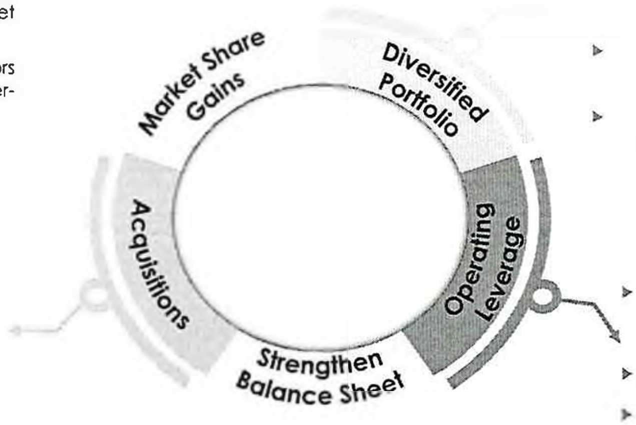
*Source: Euromonitor Report; Note: * denotes Modelled Countries: Data for modelled countries is created by pegging countries outside Euromonitor's research programme to those we do research, linking together those with a similar consumer culture and development level. **Others = Concentrates, RTD Tea,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

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) Q1 CY2018 Earnings Conference Call

Time	• 4:00 pm IST on Friday, May 03, 2018
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 21 States and two Union Territories in India. India is the largest market and contributed 75% of revenues from operations (net) in Fiscal 2017. 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!