



# VARUN BEVERAGES LIMITED



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CIN No. : L74899DL1995PLC069839

August 4, 2020

To

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Email: corp.relations@bseindia.com <b>Security Code: 540180</b>	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 <b>Symbol: VBL</b>
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**Sub: Regulation 30: Press Release**

Dear Sir/Madam,

Please find attached herewith a copy of the Proposed Press Release to be issued by the Company.

The same is also being uploaded on website of the Company at [www.varunpepsi.com](http://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



## Varun Beverages' Q2 & H1 2020 Financial Results

<u>Q2 2020</u>	<u>H1 2020</u>
<b>Revenue lower by 41.6% YoY to Rs. 16,402 mn</b>	<b>Revenue lower by 20.5% YoY to Rs. 33,166 mn</b>
<b>EBITDA lower by 52.1% YoY to Rs. 3,777 mn</b>	<b>EBITDA lower by 35.5% YoY to Rs. 6,489 mn</b>
<b>PAT lower by 64.7% YoY to Rs. 1,430 mn</b>	<b>PAT lower by 54.4% to Rs. 2,030 mn</b>

**Gurugram, August 04, 2020:** Varun Beverages Limited (BSE: 540180, NSE: VBL), a key player in the beverage industry, announced its financial results for the second quarter and half year ended June 30, 2020.

### Financial Performance Highlights\*

#### Performance Review for Q2 2020 vs. Q2 2019

- Revenue from operations (net of excise / GST) declined by 41.6% YoY to Rs. 16,402 million from Rs. 28,105 million
  - Total sales volumes were down 46.4% YoY at 104.8 million cases as compared to 195.5 million cases in Q2 2019
  - Post lockdown restriction imposed by the Govt. of India due to the COVID-19 pandemic, sales volumes got severely impacted in the last 10 days of March and through-out the second quarter
- EBITDA declined by 52.1% to Rs. 3,777 million from Rs. 7,879 million
  - Gross margins improved by 300 bps during Q2 2020 primarily due to favorable PET chips prices (~12.5% decline) and higher mix of CSD
  - EBITDA margins declined by 501 bps in Q2 2020 as compared to Q2 2019; however, EBITDA margins expanded by 685 bps as compared to Q1 2020 on a similar revenue base on account of cost control measures undertaken during the COVID period and higher gross margin
- PAT stood at Rs. 1,430 million compared to Rs. 4,050 million, a decline of 64.7%

#### Performance Review for H1 2020 vs. H1 2019

- Revenue from operations (net of excise / GST) de-grew by 20.5% YoY to Rs. 33,166 million as compared to Rs. 41,696 million
- EBITDA declined by 35.5% to Rs. 6,489 million from Rs. 10,063 million
- PAT stood at Rs. 2,030 million compared to Rs. 4,450 million, a decline of 54.4%

**\*Note 1:** VBL follows a calendar year of reporting (Jan to Dec); **Note 2:** Given the seasonality in the business, it is best to monitor the business on an annual basis as a significant portion of the revenues and profits are realized in the Apr-June quarter

## **Commenting on the performance for Q2 & H1 2020 Mr. Ravi Jaipuria, Chairman, Varun Beverages**

**Limited said,** "The quarter started amidst an uncertain and unpredictable operating environment with the proliferation of COVID-19 pandemic leading to multiple lockdowns across markets. With this period being a key season for our product portfolio, the operating constraints severely impacted organic volumes and the overall performance throughout the second quarter. On a brighter note, as the Unlock phase started, we witnessed a steady uptick in demand on a month-on-month basis and accordingly we resumed operations at various facilities. The Company has also been able to steadily ramp-up operations across facilities and gradually reverting to near-normal business in the current months.

The overall input cost environment has been favourable as there has been moderation in key raw materials and with sharp focus on cutting non-essential costs, we have been able to report healthy margins in Q2 2020 as compared to Q1 2020 on a similar revenue base. While constraints continue due to restriction in several parts of the country and near-term demand outlook remains uncertain, the decline in out-of-home consumption of beverages was partially offset by increase in in-home demand.

With new phases of Unlock announcements, we are taking measures to scale up the capacity utilisation to pre-COVID-19 levels. Consumers, especially in urban markets, are banking on online channels to buy groceries and essential products, and as recovery in rural demand surges, we should once again see encouraging growth, going forward. With overall macro-economic environment expected to normalize by the end of this calendar year, we remain confident of a strong demand revival in our product category in the coming fiscal, which, we believe, should enable us to deliver a robust operational and financial performance, going ahead."

## **Key Developments**

### **COVID-19 update**

- The Company is taking all recommended precautions in its operations against the COVID-19 infection by following government directions from time to time
- Due to the spread of COVID-19, volumes got severely impacted since Janta curfew of 22nd March, 2020 and the subsequent lockdown restrictions during the second quarter
- As per the relaxations provided by the Govt. of India for essential services and particularly packaged food and beverages, VBL got the permissions from respective State Governments to operate most of its production facilities during the quarter
- Sales volumes started picking up gradually from about 25% in the month of April to about 75% in the month of June as compared to same period previous year
- With the cost control measures undertaken by the Company during this period along with increase in gross margins, EBITDA margins are at 23.0% in Q2 2020 as compared to 20.3% in CY 2019 and 16.2% in Q1 2020

- Company has not availed moratorium for its debt repayments and has already serviced all its debt obligations for CY 2020

## Dividend

- In line with the guidelines of dividend policy, the Board of Director's have recommended an interim dividend of Rs. 2.50/- per share
  - Total cash outflow would be ~ Rs. 721.7 million

– ENDS –

## **About Varun Beverages Limited:**

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 further information, please contact:**

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## **Safe Harbor**

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 Ltd (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.