



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

August 9, 2018

To,

BSE Limited Corporate Relationship Department, 1 st 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	National Stock Exchange of India Ltd. Exchange Plaza, 5 th floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 # 022-2659 8237, 8238, 8347, 8348 cmllist@nse.co.in Symbol : VBL Series : EQ
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Sub: Conference Call with Investors/ Analysts

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In continuation to our earlier letter dated August 7, 2018 regarding the Conference Call with Investors/ Analysts on Thursday, August 9, 2018 at 4.00 P.M. (IST), please find attached a copy of the earning presentation on Unaudited Financial Results for the quarter and six months ended June 30, 2018.

Kindly upload the same on your websites. The same is also being uploaded on the website of the Company.

Yours faithfully,

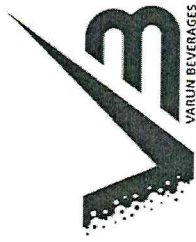
For Varun Beverages Limited


Ravi Batra
Chief Risk Officer &
Group Company Secretary



Encl. As Above

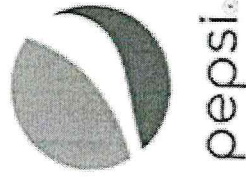
August 09, 2018



(a PepsiCo franchisee)

Varun Beverages Limited

Q2 & H1 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.

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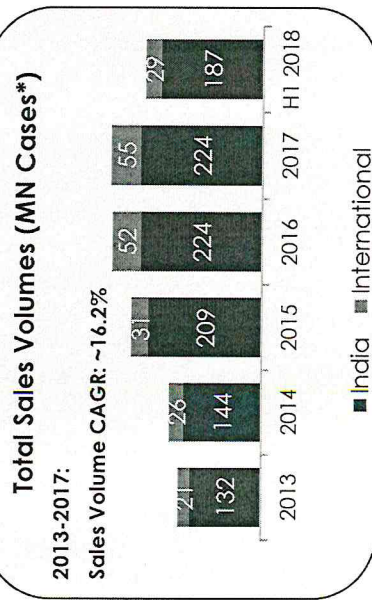
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Company Snapshot

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



Manufacturing & Distribution:

Carbonated Soft Drinks



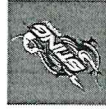
Fruit Pulp / Juice Based Drinks



Carbonated Juice Based Drinks



Energy Drink



Packaged Water



Distribution:

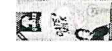
Fruit Pulp / Juice Based Drinks



Sports Drink



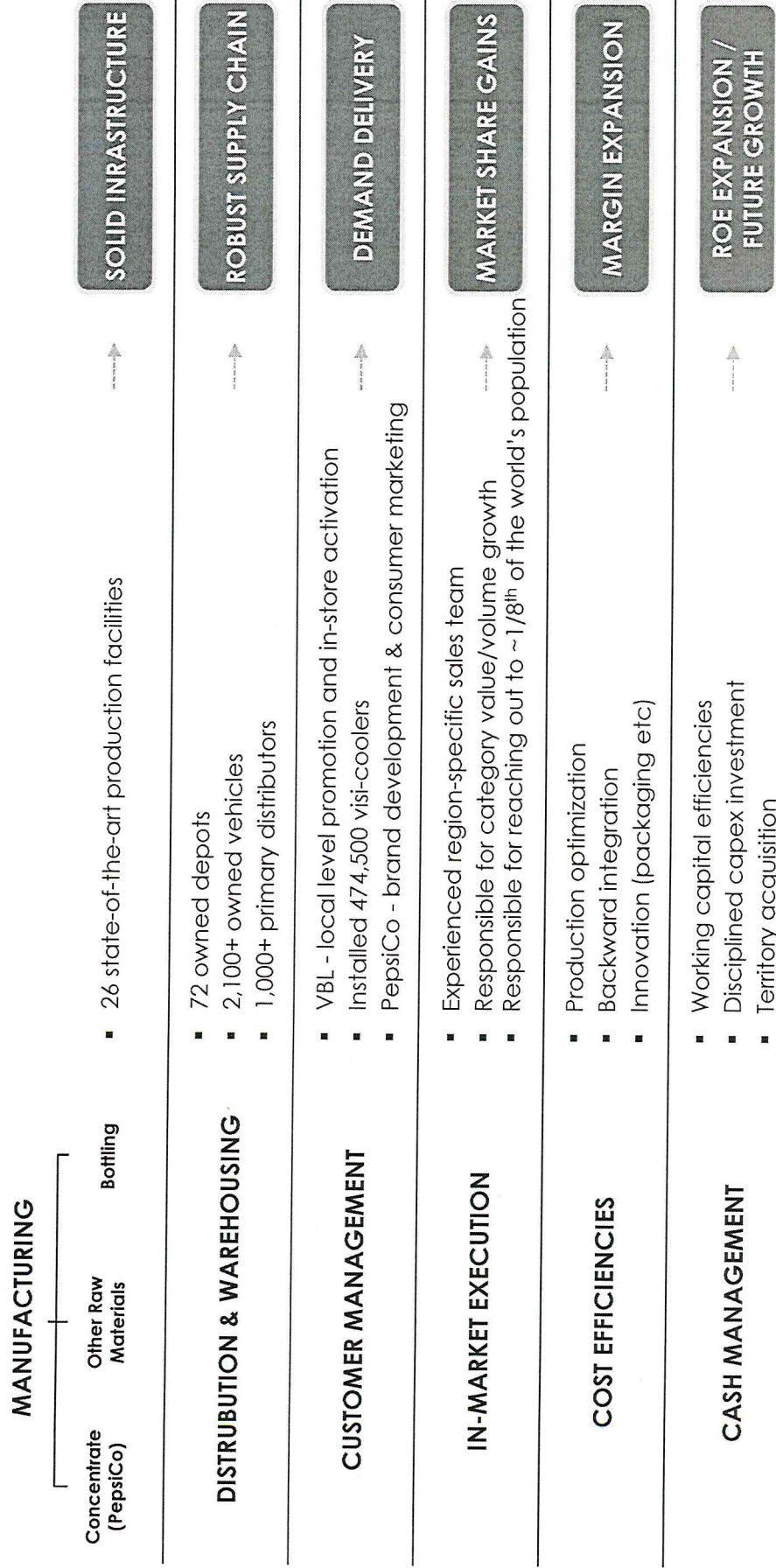
Dairy



Key Player in the Beverage Industry – Business Model



VBL- END-TO-END EXECUTION ACROSS VALUE CHAIN

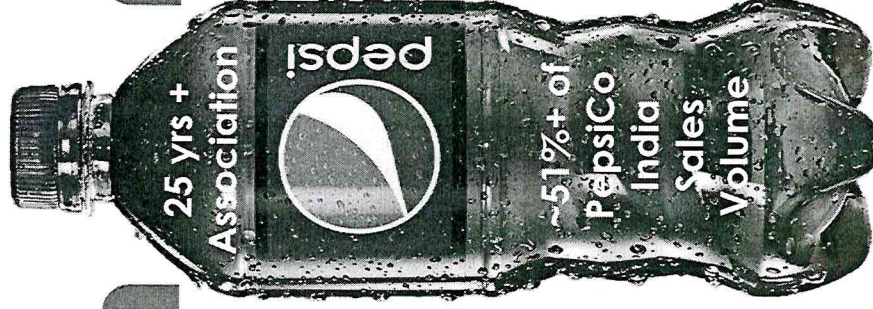


Symbiotic Relationship with PepsiCo



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



Commenting on the performance for Q2 & H1 2018, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

"We are pleased to announce that we have delivered a strong performance in the second quarter, the peak season for our products, delivering a robust topline growth of 26.1% and net profit growth of 24.9%. What is encouraging is that volume growth has reverted to double digits in line with historical trends of the last 25 years. Organic volume growth in India was robust at 12.6% in Q2 2018. The introduction of new product categories, like Tropicana and Sting, has resulted in better portfolio mix and improved our realizations during the quarter.

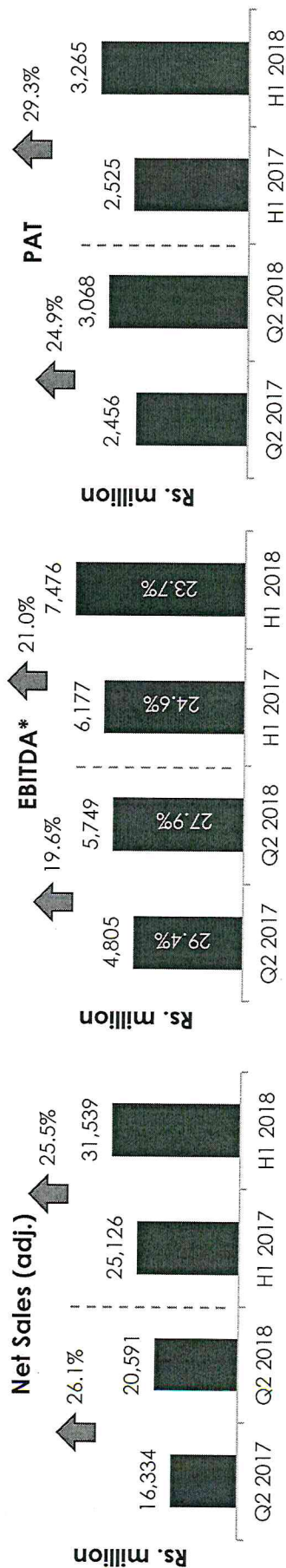
Over the last 12 months we have undertaken several business strengthening initiatives including the acquisition of 5 new sub-territories in India, setup a greenfield plant in Nepal as well as made a very successful foray into the Zimbabwean market, recording strong volumes. Even after these investments, we have been able to drive a reduction in our overall debt levels on the back of healthy cash flows.

Despite the robust volume growth, our capacity utilization during the peak month has remained under 70%, providing significant scope for growth on existing investments. Further, the territories acquired are highly under-penetrated and provide huge opportunity for increasing volumes and gaining market share.

We have enhanced our portfolio mix over the last few months with new product additions with ethnic flavours in the fast growing juice segment. We will leverage our existing distribution network and chilling infrastructure to help expand volumes in the Tropicana juice business in the North and East regions by growing its availability in these regions. These initiatives augur well for our long term growth prospects and also will reduce seasonality, enhance profitability and augment return ratios.

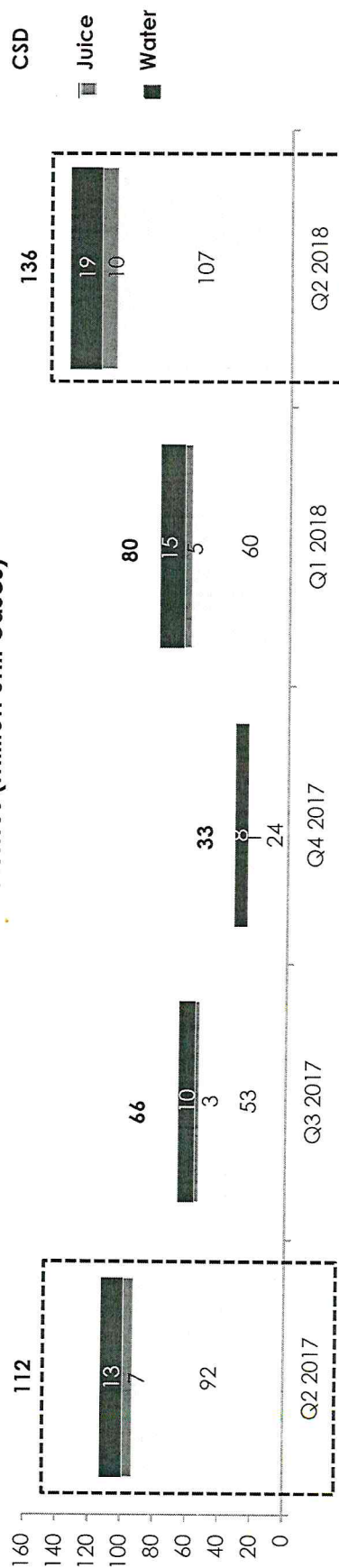
We are focused on strengthening our reach and increasing availability in line with customer preferences and are confident that the efficient execution of our strategy will translate into profitable, sustainable and responsible growth."

Performance Highlights



Note: * Underlying margins have improved in existing as well as recently acquired territories. Blended EBITDA margins declined 150 bps YoY to 27.9% 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

Sales Volumes (million unit cases)



Discussion on Financial & Operational Performance



Net Revenues / Sales Volumes

- Revenue from operations (net of excise / GST) grew 26.1% YoY in Q2 2018 to Rs. 20,591 million led by robust volume growth of 21.3% and value growth of ~ 4.8%. Introduction of higher realization products (Sting, Tropicana, etc.), MRP increase in select SKUs and reclassification of freight cost (instead of netting off from revenue) have resulted in value growth
- Total sales volumes were up 21.3% YoY at 136.4 million cases in Q2 2018 as compared to 112.5 million unit cases in Q2 2017
- Strong organic volume growth trend has continued in India at 12.6% in Q2 2018 and organic volume growth of 9.8% on a consolidated basis. CSD constituted 78%, Juice – 8% and Packaged Drinking water – 14% of total sales volumes in Q2 2018

EBITDA / Gross Margins

- Gross margins expanded 137 bps YoY to 53.4% on account of benefits realized from reduction in sugar prices which is partially offset by increase in resin prices. There is no change in concentrate cost during the current period
- EBITDA increased by 19.6% to Rs. 5,749 million in Q2 2018 from Rs. 4,805 million in Q2 2017; underlying margins have improved in existing and recently acquired territories
- Blended EBITDA margins declined 150 bps YoY to 27.9% 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 24.9% to Rs. 3,068 million in Q2 2018 from Rs. 2,456 million in Q2 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 quarter on account of in-organic expansion and finance cost has remained stagnant with marginal reduction in net debt
- Increase in organic volumes and consolidation of contiguous territories are gradually bringing in operational efficiencies

Discussion on Financial & Operational Performance



Debt / Credit Rating

- Net debt stood at Rs. 20,947 million as on June 30, 2018 as against Rs. 22,225 million as on June 30, 2017 resulting in net reduction of Rs. 1,278 mn. Debt : Equity ratio stood at 1.0x and Debt : EBITDA ratio stood at 2.1x as on June 30, 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

- During the period Jul'17 – Jun'18, acquisition of 5 new sub-territories in India (~ Rs. 2,900 mn), new plant set-up in Nepal (~ Rs. 1,300 mn), entry into new geography – Zimbabwe (~ Rs. 1,400 mn) and organic capex (~ Rs. 2,000 mn) 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 ~ 13 days as on June 30, 2018 on account of efficient working capital management even after consolidation of 5 new sub-territories in India during the period
- Inventory and debtor days have remained stable even with increase in net revenues and number of production facilities.

Dividend

- In line with the guidelines of dividend policy, the Board of Director's have recommended an interim dividend of Rs. 2.5 per share. Total cash outflow would be ~ Rs. 550.5 mn (inclusive of statutory taxes payable).

Balance Sheet



Particulars (Rs. million)		30-Jun-18	31-Dec-17	30-Jun-17
Equity and liabilities		Particulars (Rs. million)		
Equity		Assets		
		Non-current assets		
(a) Equity share capital	1,826.15	1,825.87	1,825.10	
(b) Other equity	19,199.80	15,868.41	16,717.39	
(c) Non-controlling interest	30.20	(14.32)	(12.95)	
Total equity	21,056.15	17,679.96	18,529.54	
Liabilities				
Non-current liabilities				
(a) Financial liabilities				
(i) Borrowings	15,515.34	16,869.95	13,951.64	
(ii) Other financial liabilities	45.27	45.98	555.53	
(b) Provisions	966.65	732.64	732.70	
(c) Deferred tax liabilities (Net)	1,749.79	1,501.51	241.35	
(d) Other non-current liabilities	73.83	73.83	1,316.30	
Total non-current liabilities	18,350.88	19,223.91	16,797.52	
Current liabilities				
(a) Financial liabilities				
(i) Borrowings	3,487.44	3,533.65	3,712.56	
(ii) Trade Payables	4,149.79	1,909.46	3,040.58	
(iii) Other financial liabilities	6,593.35	8,781.33	8,922.15	
(b) Other current liabilities	3,045.05	1,471.92	1,822.24	
(c) Provisions	278.01	167.50	147.45	
(d) Current tax liability	920.54	68.35	705.09	
Total current liabilities	18,474.18	15,932.21	18,350.07	
Total liabilities	36,825.06	35,156.12	35,147.59	
Total Equity and liabilities	57,881.21	52,836.08	53,677.13	
		Total current assets		
		11,826.80	9,302.23	11,549.51
		359.32	384.95	359.32
		57,881.21	52,836.08	53,677.13
		Assets held for sale		
		57,881.21	52,836.08	53,677.13

Profit & Loss Statement



Particulars (Rs. million)	Q2 2018	Q2 2017	YoY (%)	H1 2018	H1 2017	YoY (%)
1. Income						
(a) Revenue from operations (refer slide-14)	20,971.46	19,340.07	8.4%	32,195.19	29,848.94	7.9%
(b) Other income	3.47	46.71	-92.6%	85.11	182.03	-53.2%
Total income	20,974.93	19,386.78	8.2%	32,280.30	30,030.97	7.5%
2. Expenses						
(a) Cost of materials consumed	8,163.95	7,302.34	11.8%	13,952.19	12,066.23	15.6%
(b) Excise duty	380.15	3,006.12	-87.4%	656.18	4,723.02	-86.1%
(c) Purchase of stock-in-trade	563.22	110.68	408.9%	963.07	180.87	432.5%
(d) Changes in inventories of FG, WIP and stock-in-trade	861.28	416.51	106.8%	(410.85)	(416.51)	-1.4%
(e) Employee benefits expense	1,510.65	1,171.18	29.0%	2,896.86	2,271.16	27.5%
(f) Finance costs	517.64	513.37	0.8%	1,116.81	1,079.48	3.5%
(g) Depreciation and amortisation expense	1,000.43	907.04	10.3%	1,911.03	1,707.85	11.9%
(h) Other expenses	3,743.63	2,528.24	48.1%	6,662.22	4,846.81	37.5%
Total expenses	16,740.95	15,955.48	4.9%	27,747.51	26,458.91	4.9%
3. Profit/(loss) before tax and share of profit in associate (1-2)	4,233.98	3,431.30	23.4%	4,532.79	3,572.06	26.8%
4. Share of profit in associate	6.65	5.78	15.0%	17.59	7.93	121.8%
5. Profit/(loss) before tax (3+4)	4,240.63	3,437.08	23.4%	4,550.38	3,579.99	27.1%
6. Tax expense	1,172.74	981.24	19.5%	1,285.11	1,055.21	21.8%
7. Net profit/(loss) for the period (5-6)	3,067.89	2,455.84	24.9%	3,265.27	2,524.78	29.3%

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



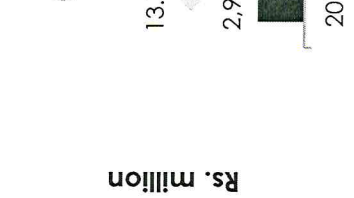
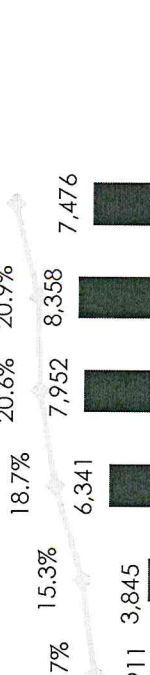
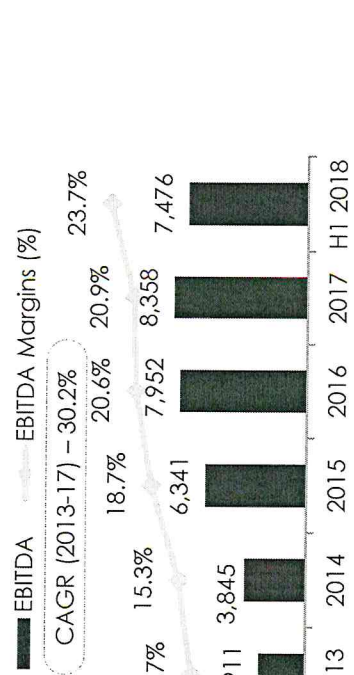
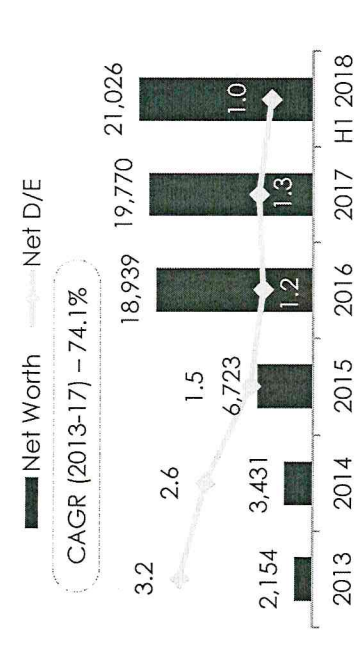
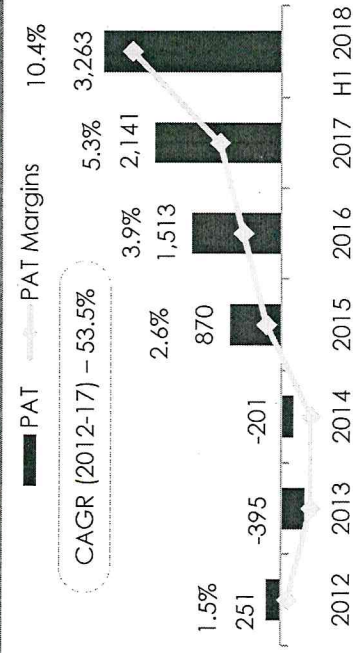
Consequent to the introduction of Goods and Service Tax (GST) with effect from July 01, 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, unlike Excise Duties, levies 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:

(Rs. million)	Q2 2018*	Q2 2017	Change	H1 2018*	H1 2017	Change
Gross sales/income from operations (A)	20,971.5	19,340.1	8.4%	32,195.2	29,848.9	7.9%
Excise duty on sale (B)	380.2	3,006.1	-87.4%	656.2	4,723.0	-86.1%
Net sales from operations (A-B)	20,591.3	16,334.0	26.1%	31,539.0	25,125.9	25.5%
EBITDA	5,748.6	4,805.0	19.6%	7,475.5	6,177.4	21.0%
Net profit for the period	3,067.9	2,455.8	24.9%	3,265.3	2,524.8	29.3%

Note: *Excise duty has been merged with GST from Q3 2017 onwards in India. Current number is pertaining to excise duty and other similar taxes in jurisdiction other than India

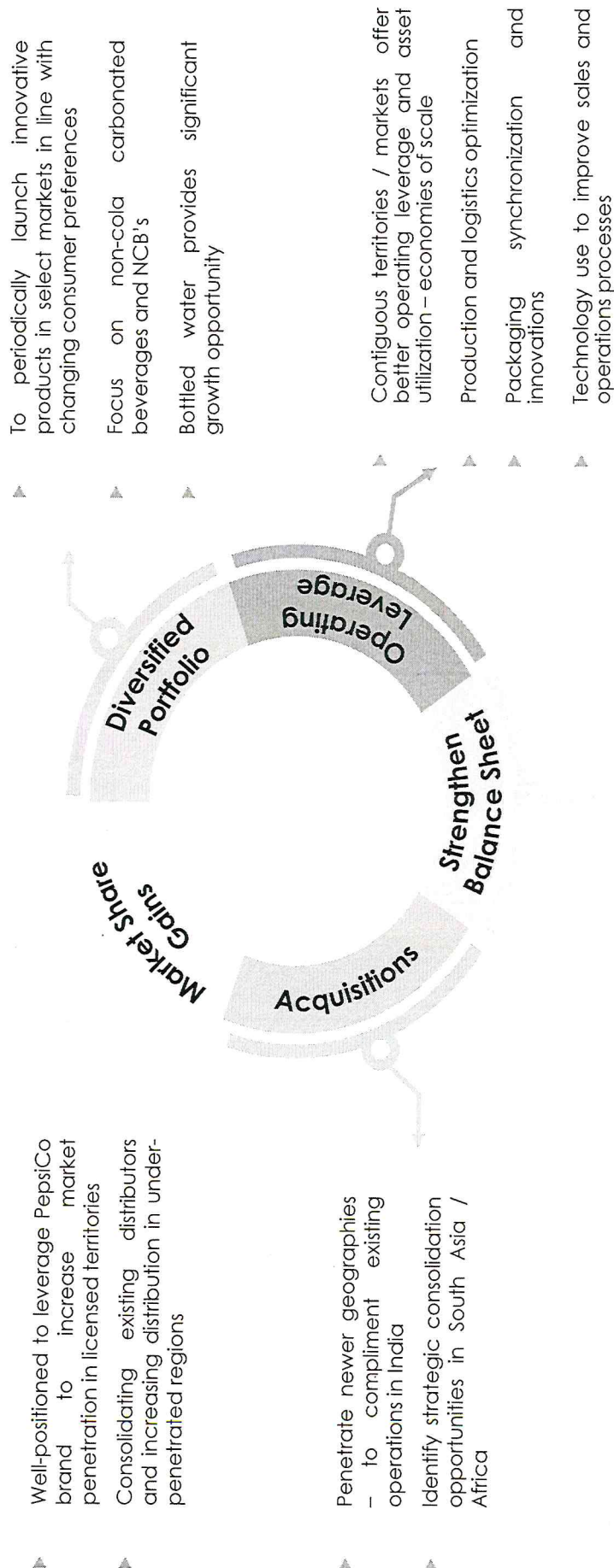
Financial Highlights (2013 - H1 2018)



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

Outlook



Conference Call Details



Varun Beverages Limited (VBL) Q2 & H1 CY2018 Earnings Conference Call

Time • 4:00 pm IST on Thursday, August 09, 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



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:

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!
