November 4, 2026

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| National Stock Exchange of India Ltd.<br>Exchange Plaza, Block G, C/1, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051<br>Email: cmlist@nse.co.in<br>**Symbol: VBL** | BSE Limited<br>Phiroze Jeejeebhoy Towers<br>Dalal Street, Mumbai – 400 001<br>Email: corp.relations@bseindia.com<br>**Security Code: 540180** |

**Sub: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: Transcript of Investors & Analysts Conference Call**

Dear Sir/Madam,

Transcript of Investors & Analysts Conference Call held on October 30, 2026 i.e. post declaration of Unaudited Financial Results of the Company for the Quarter and Nine Months ended September 30, 2026 is enclosed.

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

You are requested to take the above on record.

Yours faithfully,
**For Varun Beverages Limited**

Ravi Batra
Digitally signed by Ravi Batra
Date: 2026.11.04 16:02:51 +05'30'

**Ravi Batra**
**Chief Risk Officer & Group Company Secretary**

**Encl.:** As above

# Varun Beverages Limited
## Q3 & 9M CY2026 Earnings Conference Call Transcript
## October 30, 2026

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**Moderator:** Ladies and gentlemen, good day, and welcome to Varun Beverages Limited's Earnings Conference Call.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you, Mr. Poojari.

**Anoop Poojari:** Thank you. Good afternoon, everyone, and thank you for joining us on Varun Beverages Q3 CY2026 earnings conference call. We have with us Mr. Varun Jaipuria, Executive Vice Chairman and Whole-Time Director, and Mr. Raj Gandhi, President and Whole-Time Director of the company. Mr. Ravi Jaipuria, Chairman of the company, has had to excuse himself from today's call due to personal reasons.

We will begin the call with opening remarks from the management, following which we will have the forum open for a question-and-answer session. Before we proceed, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the results presentation shared with you earlier.

I will now request Mr. Varun Jaipuria to make his opening remarks.

**Varun Jaipuria:** Good afternoon, everyone, and thank you for joining us on our earnings conference call. I hope you have had a good chance to review our results presentation for the third quarter and nine months ended September 30, 2026.

We are pleased to report a strong performance in the third quarter of CY2026. Consolidated sales volume revenue grew 28.7% with a volume growth of 22.5% in India and 39.9% in international markets. Revenue from operations increased by 33.2% year-on-year to Rs. 66,075.6 million, while EBITDA grew 25.1% to Rs. 14,267.1 million. Higher packaging costs weighed on margins during the quarter,

although improved realizations and operating leverage from strong volume growth helped partially offset these pressures.

In India, we continue to witness healthy volume growth during the quarter, extending the positive trend seen since May. This performance was supported by our extensive distribution network, expanded manufacturing capacities and ongoing investments in chilling infrastructure. We also saw improved realizations supported by growth in higher-value categories such as dairy and the introduction of premium offerings including ‘Ad Rush’ and the ‘Evervess’ mixers range.

Our international business continued to make strong progress during the quarter with Africa remaining a key continent for expansion. With effect from 1st August 2026, the merger of Twizza with BevCo has been completed, and we expect to unlock significant operational synergies in the coming quarters. During the quarter, we have also started beverage operations in Kenya and introduced two new beverage brands, ‘BOLT UP’ and ‘XTREME FIZZ’, marking another step towards strengthening our footprint in the fast-growing African region. We also entered into an exclusive distribution agreement with Mondelez in Zimbabwe, further broadening our product offering in the market.

We are also taking measured steps towards diversifying our business into adjacent categories. The incorporation of KIVA Spirits and Company Limited marks an important step in exploring opportunities in ready-to-drink beverages, alcoholic beverages and allied products. Our approach will remain focused on pursuing opportunities that leverage our execution capabilities and offer attractive long-term growth potential.

In line with our dividend policy, the Board of Directors have approved an interim dividend of 25% of the face value, Rs. 0.50 per share, resulting in total cash outflow of Rs. 1,691 million.

Looking ahead, our focus will remain on driving growth across our existing markets, supported by investments we have already made over the recent years. Alongside this, we will selectively pursue opportunities to broaden our business while maintaining a clear emphasis on profitability and long-term value creation.

I would now like to invite Mr. Gandhi to share the key highlights of our operational and financial performance. Thank you.

**Raj Gandhi:** Thank you, Mr. Vice Chairman. Good afternoon, and a warm welcome to everyone joining us today. Let me take you through the financial and operational performance of the third quarter and nine months ended 30th September 2026.

Revenue from operations net of excise duty and GST increased by 33.2% year-on-year to the level of Rs. 66,076 million in Q3 CY2026. For 9M CY2026, revenue grew by 23.3% to the level of Rs. 218,146 million. Growth during the quarter was primarily driven by a 28.7% increase in consolidated sales volume to the level of 354.4 million cases in India. Volume grew by a strong 22.5% during the quarter, while international territories recorded robust growth of 39.9%.

Consolidated net realization per case for beverages improved by 2.2% year-on-year, supported by a 0.5% increase in India on account of growth in high-value categories and further launch of premium categories like Ad Rush, Evervess mixers range, calibrated discounting and efficient price-pack architecture.

In international markets, realization per case improved on account of improved realization in South Africa and foreign exchange impact. In terms of volume mix, carbonated soft drinks accounted for 73.3%, juice-based drinks for 4.8% and packaged drinking water for 21.9% of total sales volume during the quarter.

Coming to margins, gross margin moderated by 334 basis points year-on-year to 53.1% in Q3 calendar year 2026, primarily due to higher packaging material costs, including preforms, shrink films, closures, cans, arising from geopolitical disruptions. However, packaging cost contributed approximately 300 bps of pressure on gross margin. In addition, sales of non-beverage products such as preforms and caps in India increased by approximately 104% during the quarter. Given their higher COGS, these products had an impact of approximately 100 basis points on gross margin in India.

The impact of around a 16% increase in sugar price was largely offset by a higher proportion of low sugar and no sugar products in India with their share increasing from 44% levels in the corresponding Q3 of 2025 to the level of 88% in the Q3 of the 2026 in India, almost double. This is after accounting for the sharing of sugar reduction benefits with PepsiCo through concentrate cost as part of the transition to a low sugar portfolio.

EBITDA increased by 25.1% year-on-year to the level of Rs. 14,267 million in Q3 CY2026 with EBITDA margin at 21.6%. The margin moderated only by 140 basis points in spite of higher material costs year-on-year, primarily due to the contraction in gross margin, primarily offset by operating leverage from robust volume growth

across India and international territories. Importantly, despite the supply chain disruptions and input cost pressures arising from geopolitical developments, EBITDA margins in India remained broadly stable on a year-to-year basis during 9M CY2026.

PAT increased by 13.5% year-on-year to the level of Rs. 8,306 million in Q3 CY2026, compared with the Rs. 7,315 million in the corresponding quarter last year. Depreciation and finance costs increased by 34.5% and 53.5%, respectively, primarily on account of acquisition of Twizza in South Africa and the associated debt funding. Other income declined by 18.8%, reflecting relatively stable currency movements during the quarter.

For 9M CY2026, EBITDA increased by 19.9% to the level of Rs. 52,746 million, while PAT grew up by 15.5% to Rs. 32,023 million.

Looking ahead, we are encouraged by the strong volume growth, delivered across India and international markets. Our endeavor will be to sustain healthy growth over the longer term, supported by effective utilization of our expanded capacities and market infrastructure. At the same time, we will remain focused on managing input costs and improving operating efficiencies to support profitability as we scale our operations.

On that note, I will come to an end of our opening remarks and would like to now ask the moderator to open the forum for any questions or suggestions that you may have. Thank you.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

**Abneesh Roy:** Thanks and congrats on strong volume growth in India and overseas also. My first question is on the gross margins. What will be the outlook for next quarter and if possible, even the March quarter? And coming specifically to this quarter, earlier the information sharing was that sugar that change has happened. So very low sugar usage is there in terms of the portfolio, plus in terms of the packaging, a lot of the buying has been done for the September quarter. I wanted to understand where things change versus that initial comment. And on your specific comment that non-beverage has grown very sharply, preforms, caps, etc. So what is the reason for that? And could you bifurcate how much is the packaging increase, sugar increase and this non-beverage increase? That can give us more clarity. Thank you.

**Raj Gandhi:** Abneesh, in the opening remarks, we clarified that food costs have not had a significant impact due to the change in our portfolio and innovation. The share of low-sugar or no-sugar products has increased from 44% to 88%, which has been managed very well. However, due to geopolitical factors, packaging costs have increased. Your comment is correct, but that was relevant only until the war started, around 28th February. At that time, we had stated that we were fully covered for the next quarter. As you might have noticed, there was no impact on gross margins last quarter.

However, all purchases going forward were at higher prices. We had not stocked inventory for a period longer than the 2nd quarter, which helped us manage the previous quarters. However, prices are now definitely higher.

**Abneesh Roy:** And how do we see outlook?

**Raj Gandhi:** Outlook, this is a macro factor impacting both food and packaging costs. However, in our case, through innovation, we have been able to manage sugar costs quite well. As far as material costs are concerned, it may not be possible to comment specifically.

However, in terms of mitigating the 3%-4% impact in gross margins, we have already mitigated more than half of it through cost reductions.

**Varun Jaipuria:** Abneesh, looking at the geopolitical situation, nobody really knows when this war is going to end and what is going to happen with the fuel prices. Now the question is that the industry for two quarters has been feeling the pain of the cost going up because of the raw material cost is increasing. We think there is enough chatter within the Beverage Industry, which is all the players who are there in terms of if the prices do remain high, then what are the measures they will take? Because over two quarters, we usually do not act so fast on price-pack architecture. But there is conversation if the pricing stays high, do they downsize certain packs, do they take certain pricing up or will there be a trade margin reduction. So we will have to wait and see what happens on that.

**Raj Gandhi:** Abneesh, just to add to what Mr. Varun Jaipuria stated, we have already reduced the pack size of Sting from 300 ml to 250 ml. So, depending upon the market condition, competitive scenario, etc., the other products in the portfolio will also be reviewed from time to time.

**Abneesh Roy:** Thanks**.** Just one quick follow-up. So this is extreme geopolitical situation, which comes, say, once in 10 years and 20 years. And generally, Pepsi is known to have

discussion on how they can help here, especially given the new Cola player has an in-house, obviously, one of the largest PET supply, so they can absorb this cost while you and the other legacy players will have to face that. So any talks with Pepsi to handhold in this scenario?

**Varun Jaipuria:** We think it is too early. We are all figuring out what price pack can we do. Of course, cost is increasing, not just for us. We are sure for PepsiCo as well, the back-end cost must be increasing. Hence, for the industry, the cost is increasing. So we are going to wait and watch. If you look at this quarter, we have done fairly very well in terms of volume and negating the 400 basis points of cost increase. Now going forward, if we believe that we are not going to be able to negate it, then of course, the whole industry will take some action on price pack for sure to negate it.

**Abneesh Roy:** Sure. Second and last question on this Mondelez relationship in Africa in Zimbabwe. Any numbers you can share from a longer term, 3-5 years, what can be the opportunity here? And do you see more markets getting added, adjacent markets in Africa from Mondelez?

**Varun Jaipuria:** It is very nascent. Mondelez is one of the best brands you can work with. And we are very fortunate to partner up with them. They already have an existing business of about $11 million in Zimbabwe with the local partner they were working with, We are sure he was not able to harness the full potential of the market. Hence, we are partnering up with them. We do understand Zimbabwe very well, it was a greenfield project for us a few years back. At present, we have got a very high market share there and the volumes are growing. With Mondelez we are getting the whole portfolio for distribution, and we are quite hopeful once we understand what the whole market is and once we start the distribution properly, we can come back to you and give you some concrete answers on it.

**Moderator:** Thank you. The next question is from the line of Vivek Maheshwari from Jefferies. Please go ahead.

**Vivek Maheshwari:** Hi, good afternoon. A couple of questions. First is on the competition side. You know, we have had one of the food companies, which did mention that the competition seems to be abating right now. What are your thoughts on the same issue, please?

**Varun Jaipuria:** Sorry, what is your question on the competition exactly?

**Vivek Maheshwari:** So what I am saying is like Tata Consumer on their conference call mentioned that they sounded far more confident on the market structure and how things are

evolving. What is your view on the competition in general, your latest thoughts, please?

**Varun Jaipuria:** So, we think we had subdued quarters last year due to the seasonality as what we had mentioned. If you see our quarter 1, we had performed very well, high double-digit growth is what we had. And then quarter 2 due to unseasonal rains, obviously, has gone down, which we had clarified earlier. Now again, the weather has been very good. The price pack is holding up in the market. The growth is back. So there is no reason why we believe that the growth should not be coming going forward. And we mentioned many times that the per caps in India are still very low right now compared to even our neighbouring countries and the amount of expansion of growth, which is there even for us and our competition today, we all can grow. Hence, if you see today, even if we have grown, We are sure all our competitors are growing, even Tata Consumer has given very good numbers is what we hear in terms of their beverage portfolio. So there is no reason as to why we should all not keep growing.

**Vivek Maheshwari:** Got it. The other thing, Varun, when I look at your India unit realizations, in the last 6-7 quarters, there has been a downward pressure, and we saw that changing in early part of this year, and then we have seen further buildup from there.

I know the raw material trend has been difficult, which is why you explained about the price and the mix and everything. But does that also signal that like December last year, the unit realization was at the bottom, the worst from a competition standpoint, does that also signal from this unit realization in India trend?

**Raj Gandhi:** Vivek, instead of giving a forward statement, we draw your attention to look at this quarter, that trend is already reversed and there is increase in realization per case. We think that is a good indication, and you can build on that.

**Varun Jaipuria:** See, Vivek, one more thing to add. If you remove the raw material pressure, there is so much operational efficiency what we have built in and there is so much operational leverage because of growth what we are getting. And even if you see a 9M trend, we are trailing at 16%-17% growth now largely, right, which is a good double-digit growth. And we think there are a lot of initiatives what we have done internally as well. It could be the mid-cal saving what we have brought in, bigger plant operation is what we brought in, a lot of distributor consolidation is what we have done. So these are routine things what we keep doing, which gives us huge operational flexibility. Now we believe going forward, these are routine things which will keep happening. So if the raw material element goes out and start stabilizing, We think there should be no concerns when it comes to our margins.

**Vivek Maheshwari:** Got it. And the second question is on the international business. Obviously, the volume growth, both organically and reported basis has been very good. Given that it is a geography or the cluster of geographies, which we do not fully understand, can you just talk about your outlook from a next few quarter perspective on the international side? And anything to call out for any of the geographies?

**Varun Jaipuria:** See, we are doing very well in Africa, in most of the places we are out of capacity. We are investing in capex in Morocco now because we do not have enough capacity there. We are investing in Zimbabwe since we do not have capacity. In DRC, we are putting a line up as well. So, we have sold out in most of the places and the outlook is very positive. There is enough and more room to grow in Africa. It is again, a very nascent market. And if you see the last 4-6-8 quarters, there is tremendous growth is what we are seeing, and that is continuing.

**Vivek Maheshwari:** Got it. And anything on the currency side of things because it has moved a bit, but are there any concerns on that front in any of the markets?

**Raj Gandhi:** There is no worry, Vivek. The only thing is last year, local currencies had gone up vis-a-vis dollar. This year, this has stabilized. There are a lot of commodities, minerals, metals and other natural resources, which are in demand and because of which those African currencies are holding on. In fact, the South African currency has become costlier since we acquired BevCo and Twizza.

**Vivek Maheshwari:** Got it. And Mr. Gandhi, last thing, which is in the earlier quarter, you had mentioned about there was some impact of regulatory issues on the energy drink in, I think, June as well as if I recall correctly, you mentioned for July. How things are on the energy drink side in this quarter?

**Varun Jaipuria:** So, the energy is coming back. I am sure you are aware of the whole issue, which happened with FSSAI that they had banned the use of the word energy on labels. Because the registration for most energy brands in India was done under carbonated beverages, not under energy as a category, because energy as a category did not exist in India. So the ruling what they had was you cannot use energy. Of course, that created some turmoil in the market amongst the retailers and the distributors. But we think that is for everybody, and we see Sting holding a very high market share in the energy segment. So, Sting is coming back. The volumes are looking promising, and it is building back.

**Vivek Maheshwari:** Got it. Would you be able to quantify where it is today versus if 100 is the baseline? Because the growth that we have seen, your commentary or comment suggests that

it is still not up to the mark. So is that a fair understanding, which means the rest of the portfolio growth has been faster than what the headline numbers suggest then?

**Varun Jaipuria:** No, of course, that has to be there. Because in the middle, people were not sure if they want to stock up energy or not from every distributor, not just us, competitor products and retailers are not sure if they want to stock up energy. So let us assume the negativity was 25%. Now we can say we are slightly positive. So I think month-on-month on a quarter, we are moving towards a positive range versus where we were at least. So that puts it in the right context for you.

**Moderator:** Thank you. The next question is from the line of Aditya Soman from CLSA. Please go ahead.

**Aditya Soman:** Hi. Good afternoon. Sir, two questions from me. Firstly, can you give us a sense of the volume growth that you are seeing for the noncarbonated business? And second, you indicated that you have taken a price increase or volume cut for Sting. When was this taken? And broadly, the price increase that we are seeing in the portfolio as well for India from a timing perspective, should we expect that to play out fully in the December quarter?

**Varun Jaipuria:** There is no pricing which we have taken on the CSD portfolio, that has come through operational efficiency that we had mentioned. And the consolidation of distributors and bigger plant productions, more operational efficiency, mid-cal sugar savings, some saving in trade spends we did. So there is no pricing on the CSD portfolio or there is no change in the pack size what we have done this quarter. On Sting, the downsize what we did from 300 ml to 250 ml. I think it was May or June, around about that time.

**Moderator:** Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:** Hi, Varun. Thanks for the opportunity and congratulations on the very strong domestic volume growth. Varun, my question is to better understand how unorganized industry is playing out, right? So while the margin is a hit for us, but it is a bigger hit for the smaller unorganized players. We have preserved our magic price points. So I wanted to check if this can lead to better growth for us in the coming quarter or next year. So any views if you could share?

**Varun Jaipuria:** See, the example we give everybody is if you go to the southern markets, the industry mix in the southern market is almost 50% B-brands, whereas if you come to the northern markets, only probably 15%-18%. But if you go there, as per us, we are

growing, and they are also growing. So there is a different market and different consumer who is consuming our price points versus the Rs. 10 plus price points.

Now of course, the margin pressures are high. Our water growth are better because water is where the most amount of pressure is for B-brands and local players due to the increase in availability and the increase in raw material cost. So I think they are growing, we do not have an exact number, and we are looking at a good double-digit growth in terms of what we have delivered.

**Devanshu Bansal:** So my question was more from our growth perspective. So can this turbulent period lead to better growth for us? Because we are not changing our price points. So can we grow faster versus what we were expecting earlier?

**Varun Jaipuria:** See, my only question is when they are selling full sugar at Rs. 10, we are not sure how B-brands are able to sell. We have no idea how they are running their business or what they are doing. We cannot answer that. We know that our growth are coming 20% plus, which we are very happy about. And we are hoping we can deliver better numbers.

**Devanshu Bansal:** I am saying PET is ballpark 10%-15% of your sales. We have indicated a 300 basis points margin impact, which says the raw material increase is only 20%-30%, right? But if you see crude prices, they are up like 50%-odd. So I wanted to check if this entire crude increase is baked in the current P&L or we may see some more sort of impact as we go down the line?

**Raj Gandhi:** The 100% impact of crude price is already built in because all these fresh stocks are being consumed. And the prices, of course, depend on when we time the purchases, which helps us. And, if you remember, we had invested in rPET. With rPET as a backward integration, we have in-house rPET supplies. Around 25% is our rPET, which is much cheaper than the virgin PET and that has helped us to keep this pricing under control.

And yes, we have the cost advantage. And if it is ploughed back in the market, definitely, it can also help in increasing the share. But as Mr. Varun Jaipuria said, we are happy with 20-plus percentage growth. And if any upside to that comes, we will share.

**Varun Jaipuria:** We welcome it happily.

**Moderator:** Thank you. The next question is from the line of Anand Shah from Axis Capital. Please go ahead.

**Anand Shah:** Hi team. Just a couple of questions here. Firstly, I mean, anything you can share on this expansion on existing categories and especially KIVA. I mean it is early days, but what kind of capital deployment you are looking at and what kind of plans?

**Varun Jaipuria:** Its very early days. We think Alcobev is an interesting space to get into, especially RTDs, the way they are growing in India and we think there is huge scope to grow them in Africa as well. RTDs, if you see, they are growing at about 13%-15% and we are looking where we can partner up and get into RTDs. That is the first thing.

Secondly, even global brands like PepsiCo, all the other guys, they have entered RTD in the U.S., U.K. and Canada with their core brands, which is Pepsi, Mountain Dew, 7UP because that is what the younger generation is drinking now. Our plans are to enter RTD right now. That is the first thing. We are also looking, which we are in talks with right now with a lot of global players to partner up and bring to India.

See, our idea in alcohol is largely going to do the portfolio, we would like to play the Prestige plus. So we are not looking at margin dilutive portfolios. If we can maintain higher margins, work with international brands, get the right brand and premiumize the portfolio. So it is still a lot of things work in play. And hopefully, in the next call, we will be able to give you more clarity.

**Anand Shah:** Got it. And here, you will be open to inorganic as well?

**Varun Jaipuria:** Of course.

**Anand Shah:** Got it. And lastly, you did call out a little bit of impact on Sting in the interim and now it is coming back. I mean, so while you have some volume impact, it would have also had realization impact, right? I mean, given its higher realizations versus the other portfolio?

**Varun Jaipuria:** Yes, however, it got nullified as well because we had a 300 ml earlier since COGS have gone up, and we did downsize to 250 ml. So there has been obviously some negation of the raw material impact when we did downsize.

**Anand Shah:** Got it. And beyond Sting, any other price pack architecture changes you have done, I mean, like from 300ml to 250 ml, anything that you want to?

**Varun Jaipuria:** No, not as yet. This year which was very important for us was to just maintain and make sure that we get into the high double-digit growth. And a lot of pack price intervention, which we had done were looking at how dynamic the market was. In the earlier question, Vivek or Abneesh has asked, that how it looks going forward with all the raw material pressures. So we are going to see what the industry does,

and it is a rapidly fast-moving industry. It is not like it was earlier, and we are on our toes as well. And our job is to make sure we can maintain our margin as best as we can and offset the costs as much as we can. And we think we have done a good job this quarter. And hopefully, going forward, we will plan in terms of how the industry moves.

**Anand Shah:** Got it. Fairly clear. And just very last, anything you want to call out on October as well? I mean you are seeing similar momentum sort of continue?

**Raj Gandhi:** Quarter is still in progress, Anand. We think we should wait.

**Moderator:** Thank you. The next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

**Arnab Mitra:** Hi, thanks for the opportunity. My first question was on the Africa business. If you could just let us know the constant currency growth and how much was the currency benefit on the top line? And a related question is that as you go into the season in Africa, which is December quarter, March quarter, given the capacity situation, do you think the volume growth can taper off from these very high levels? Or do you think you have enough capacities to be able to sustain growth even in the season in Africa?

**Raj Gandhi:** See, there are two questions. One is about currency. This year, we said that the currency is more stable. So, there is no effect. If there is anything marginal, it gets compensated across one country and another. Last year, yes, we called out there was a good benefit of the currency, which we had duly accounted for.

And the second question is about the capacity. We are preparing ourselves fully because the season in South Africa and DRC is November, December and January. And there, we are already running our plants at full speed. And Morocco, where the season was in August where the capacity is short. And hopefully, before the next season, we will have enough capacity installed at all locations.

As far as South Africa is concerned, with the Twizza acquisition, we have enough capacity. And we do not think we will face a shortage this year. The only little bit of a gap was found in Zimbabwe, where Zambia had overcapacity, and we will be supporting Zimbabwe from there from this month itself.

**Varun Jaipuria:** And for next year, we are anyway adding more capacity in Zimbabwe as well.

**Arnab Mitra:** Got it. My second question was on international business margins. So it seems to have held up better than the standalone in terms of gross margin also. So one is,

has it been easier to pass pricing there? Or is it more to do with your own initiatives on backward integration? And therefore, will the margins be better protected there because they would also have the same inflationary pressures?

**Raj Gandhi:** See, the margin is slightly improved because Twizza has the backward integration and we have started similar initiatives in other places as well. So the improvement in margins is because of that. And rest is due to the economies of scale, which have started playing in. And in the opening remarks, as we stated, Twizza was effectively integrated into BevCo from 1st August 2026. So a lot of synergies there have already started showing up.

**Arnab Mitra:** Just one quick follow-up. So the input cost pressure on PET and cans and all, they are fully reflecting in September quarter, even in the international business?

**Raj Gandhi:** In international, this is 272 basis points as against around 300 basis points in India. India is looking slightly higher.

**Varun Jaipuria:** But it is all been accounted for in the quarter.

**Moderator:** Thank you. The next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.

**Jay Doshi:** Hi. Thanks. Thanks for the opportunity. I have a few questions. First one on international, just continuing. This year, you have managed to sort of deliver 20% plus organic volume growth every single quarter. Can this kind of momentum continue for another couple of years? Is this the new normal run rate we should think of for the international business volume growth?

**Varun Jaipuria:** In the world we live in today, who knows what is going to happen tomorrow, but we hope we will keep delivering the numbers, which we have been delivering quarter-on-quarter. We believe that per caps in India are very less because the penetration is very low. In Africa, we believe the penetration is even lower. The more investment we are putting in, the more countries we are getting into. The example what my father always gives when we entered Zimbabwe as a market, the whole market was 25 million cases. Now we are doing almost 75 million cases after 6-7 years, and our competition is doing about 40 million. So, it really depends upon how many players you have, what investment you are making. And there is no reason why the growth should not continue.

**Jay Doshi:** Understood. So basically, this is a structural pickup in growth and not season-related or favorable weather or anything.

**Varun Jaipuria:** Jay, if you look at the business quarter-on-quarter, we believe that is not the right way to look at any business of our scale at least because the penetrations are so low, even in India as well. The penetrations are so low in most of our markets. There is population growth happening in all our markets. We compare quarter 1 versus quarter 1 or quarter 2 versus quarter 2 and say it did not go well. We have to look at the business at a long-term consolidated basis. If you see our history over 5-6 years as well, there is a CAGR growth of double-digit profit growth, EBITDA growth. So this is a long-term business. And we are here for the next 5 years, 10 years, 15 years. So this is a story which is going to play out. India consumption story is going to be huge as we know. Africa is going to be huge as well. Hence, we are very bullish, and we are very bullish to keep investing in both Africa and India as well at the same time.

**Raj Gandhi:** And the same rate of growth in the 20s, we have delivered over the last 30 years on CAGR basis.

**Varun Jaipuria:** So you do have the raw material prices going up or the weather going down or the competition doing something, but we think consistent delivery of shareholder return and profitability has been there along with volume. Yes, we do believe and we are very bullish.

**Jay Doshi:** Thank you. My next question is, how has been the consumer acceptance and repeat purchase for low sugar variants of Mountain Dew and Pepsi across markets? I mean, across states in India?

**Varun Jaipuria:** See, it has been accepted, we would say, largely, 85%-90% of the places, there is huge acceptance. Of course, certain places, they have a pallet of high sugar. There, we do have challenges. But then we do not segment into State, into district and see what is happening. As long as the overall brand is growing and doing well, we are very happy with that.

**Jay Doshi:** Third question. You mentioned that Beverage Association is considering price increases if inflation remains elevated. So is the new entrant also a member of this association.

**Varun Jaipuria:** No. When we said Beverage Association it means that there is talk amongst the competition and there is talk amongst the industry that everybody is under pressure, they are figuring out what to do and how do you negate the cost. So there is no common conversation which happens in the room, but I am just telling you this is what the general conversation is because there is margin pressure due to raw material price.

**Jay Doshi:** Understood. And the last one is can you give us some color on what is the level of AI adoption in the organization at this point of time? Do you have any efficiency or productivity targets from a medium-term perspective? Where do you sort of score versus other bottlers of PepsiCo globally and maybe other bottlers of Coca-Cola in India as per your assessment?

**Varun Jaipuria:** We think we have done a lot of work here in the last few years, where we score at least according to PepsiCo, we are doing a pretty good job. We cover more than 4 million outlets. All of the outlets are geo-lat-long mapped now.

All our distributors are mapped across India, all the thousands of them we have, all our route operations, route sizing, time to delivery, all of that speed to delivery is mapped basis the AI tool what we use, which lets us know which distributor should be serving, what sort of outlet base and what the distance should be. Once we put all these in, that has reduced our distributor attrition in the market. We have started having larger scale distributors as well because distribution has become more stable. That is one big thing what we have done.

The second big thing what we have done is that we have our order management system, which we have done with EY. So every single distributor of ours, we have visibility of how many SKUs he is picking up, how often is he taking the trucks, how often the load sizes are going, what brands are going, what we want to push with them. So every day, we get a push report. So that makes it much more easier and clearer as one control tower visibility, which we did not have earlier, and that helped us kind of increase our range and flavor profile as well in the market.

The couple of other things what we have done and which we are working on right now, we have come up with a B2B app, we call it Bandhan. Because sometimes the TSR or sales guy is not there in the market, then how can the retailer place an order. So we have just launched it not even 6 months back. And monthly, we have got 0.5 million retailers ordering from it now.

Now the next goal for us is obviously adoption. Once people do adopt, then we gamify it and see how do we get them hooked on more on the app to give them a personalized service. So that is the other thing what we have done in the big way it seems to be working.

Another thing which is very important for us is that we have got more than 1 million coolers in the market now. We have got an app, which is giving us almost 0.5 million images every month. If we want to know what the purity of the cooler is, how the cooler is performing, we can get all that data now. Now the question is that we are

working with different companies and AI led because the amount of data which is coming out is so huge. And our first task was to clean out the data to make sure the right data is there. We think, a lot of it is benefiting us in terms of increasing our distribution and ensuring that we have a larger range available in the market to the consumer.

**Jaykumar Doshi:** Thank you so much for the detailed response.

**Moderator:** Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

**Latika Chopra:** Hi. Thank you for the opportunity. My first question was around a bit clarifying on your comments on margins. Given that you are saying that both for the India and international business, the full cost is now reflected in the September quarter and probably you will look for more efficiencies and hopefully pricing as well. Is it fair to assume that given the visibility that you have, the gross margins would have troughed in this quarter?

**Raj Gandhi:** Based upon the present price trends, we can broadly say yes. We hope there are no more surprises on the macro factors. But given the situation as it stands today, the answer is yes. And there may only be upside, as we stated, through price pack architecture, etc., like what we have done with Sting. The extent and pace at which we can roll it down to the other packs will determine the upside. So, that is the correct understanding with you.

**Latika Chopra:** The second question I had was on price pack itself. Ahead of the upcoming season, how are you thinking about the Rs. 10 price point given now the volumes in that pack have come down to 150 ml. Would you take this as a viable opportunity to drive penetration? Or would you shy away from pushing this price point because of the margin perspective?

**Varun Jaipuria:** See, Latika, like we mentioned earlier, that the Rs. 10 pricing was never part of our larger portfolio play, even in this quarter, our Rs. 10 price point would be 0.2-0.3 percentage to our overall volume. We are not focusing on the Rs. 10, not because we believe the pricing and the offering what we have and the consumer profile, which is there right now will still give us very good growth, the way it has this quarter. We are not looking to do it because even though you go down to 150 ml, the price and unit economics, it just does not make sense. And we would not like to build a business which is not sustainable in the long term. And with our current portfolio already, it could be dairy, it could be energy, it could be the CSD portfolio, we see all of them growing strong double digit.

**Latika Chopra:** All right. And the last bit was if you could share some color on your investment plans, capex plans basically for CY27. And where would you see capex for CY26 landing at? And if you could also give us some breakup between India and overseas here? And also clarify if it includes any investments that you planned for the new businesses?

**Raj Gandhi:** Yes, Latika, as far as 2026 is concerned, the capex is already over. Now it is only for 2027. And as we mentioned, international markets, we have to add lines in South Africa, Zimbabwe, Morocco, DRC at all these locations. And the combined capex for all these is under $100 million, maybe anything between $90 million to $100 million for the international markets. And as far as India is concerned, the total capex, including one greenfield plant at Suratgarh, Rajasthan for Visi-coolers and one PET line.

**Varun Jaipuria:** It is about Rs. 1,000 crore in India and about $90 million would be international.

**Moderator:** Thank you. The next question is from the line of Bhavya Gandhi from Bajaj Alternate Investment Management Limited. Please go ahead.

**Bhavya Gandhi:** Yeah. Thanks for the opportunity. Just wanted to understand on the rPET side because you said currently, the cost is lower. So what is the rPET mix in the total packaging as a part of the total volume, if you can provide some number on that? Second question is regarding the gross margins. Structurally, because you are getting into newer products, in the intermittent period, can we expect that the gross margin could be softened in the intermittent period until you scale those brands, newer product categories. So if you can throw some light on that as well?

**Varun Jaipuria:** Our rPET mix, Bhavya, has been about close to 25%, which has helped negate the overall resin cost is what we were mentioning earlier. And to your second question, in terms of the new product launches, within the beverage portfolio, we are not seeing any margin dilution in terms of what the launches we will be doing or we have done or what we will scale up. And the rest of the businesses is too early to answer right now. Once we have a concrete plan, we will come back to you.

**Bhavya Gandhi:** And this entire rPET piece is internally sourced because rPET before the West Asia crisis used to be at a higher rate and because the rPET regulation is in place, can we expect that structurally, assuming that the war ends one day, the packaging cost will be on a higher side on a structural basis?

**Varun Jaipuria:** No. So we are using a large part of it internally, but we are obviously buying some from outside. But at the moment, given the price of oil and virgin PET, it is much cheaper than virgin PET.

**Bhavya Gandhi:** Yes. On a longer-term basis, assuming that the war is not in place because the rPET regulation is in place.

**Raj Gandhi:** Yes, this will definitely go up. The next plant will be operational in 1 or 2 quarters, and this number will definitely go up.

**Moderator:** Thank you. The next question is from the line of Atul Mehra from Motilal Oswal Asset Management. Please go ahead.

**Atul Mehra:** Hi. Good afternoon and thanks for the opportunity. So from a longer-term perspective, like if we look at our history, there has been a great evolution in terms of things we have done. And even at this point in time, you are adding new categories. So from a longer-term perspective, how do you guys envisage like what this company will look like maybe 5-10 years down the line?

**Varun Jaipuria:** See, we think the first starting point is that our core business is the beverage business, what we are already doing. That will be inherently a large part of the group even today, even 5 years, even 10 years. Hence, bringing back growth in this business in our core business has been of the highest priority. And we are very happy to say this quarter has given that result. And at a 9M basis period as well, the performance has been very good. Inherently, the way we are looking at it, largely, we will be an F&B company. Alcobev, again, is what we are trying to enter into. We believe there are synergies in terms of what we do today at a Varun Beverages level versus the Alcobev level in terms of the end number of outlets, which is the off-premise outlets is where VBL goes, would be the restaurants and bars. We do go with the complete portfolio of mixers, CSD, energy. And we think to increase the portfolio as well, if we are able to add in some Alcobev, we go with the consolidated portfolio, and we already do have relationship with most of the outlets where we go. So Alcobev, it does fit into the scheme of things. Secondly, Alcobev is a fast-growing category, as mentioned earlier as well. Apart from that, we are looking at other expansions what we can do in the food and beverage space. So once that is clear, we will come back to you.

**Atul Mehra:** Sounds good. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

**Harit Kapoor:** Hi. Good afternoon. So just one question was on the ad and marketing spend. You did speak about rationalization of trade spends, etcetera. I just wanted to understand in the current context where costs are high, etcetera, I know a large part of the ad spend does not sit in your book, but how does the ad market spend play out and your relation with Pepsi in terms of how does that play out in times of high inflation does the ad marketing spend, which is Pepsi's piece actually stay at normative levels? My question is from the fact that if those levels are still higher, then that is a source of competitive advantage. I just wanted to just understand how it works in periods of high inflation.

**Varun Jaipuria:** See, it depends how the industry is moving, right? So today, let us say, for us, if there is a trade spend, what we can rationalize by, let us say, Rs. 5 hypothetically, right? We are not doing it if the competition is not doing it because we have got certain price points we cannot move away from. There is a Rs. 10 price point, which we do not play largely, there is a Rs. 20, Rs. 50 and there is a Rs. 100 price point. The inherent price point with which you cannot move away from them.

The only lever you have is because the industry we play in, we give one of the highest margins compared to any other CPG group. We are at 16% to 18% margins in terms of MRP margins. Now I am assuming, which we do not micromanage, even with PepsiCo, they do have a calendar full year in terms of their marketing spend and how they look at the business. If the industry is rationalizing or the growth are not as what they thought, we are sure they will look at their books and their P&L as well, and they will manage it themselves also.

**Harit Kapoor:** Okay. And the second bit was on early part of this year you mentioned that you have done all this distribution in CY25. We did not get the full benefit because it was a tough year. This year, you are going to probably do kind of mid-high-teen kind of volume growth for the year, for India, I am talking about. I just wanted to understand, does your distribution expansion plans start to kick in again from next year? Or do you think there is still significantly in the current 4-plus million outlets, there is still significant amounts of scope. Do you need numeric distribution incrementally? How are you just thinking about that?

**Varun Jaipuria:** So we are looking at both. Post September is when we already start working towards our next distribution plans. Of course, 2025 was not a great year, hence, in 2026 the kind of investment for the distributors that made was less aggressive, because they did have the vehicles and the investment in the warehouses they had built. But looking at 2026 and the performance we have had, again for 2027, we are

aggressively planning numeric distribution. At the same time, we are planning weighted distribution also.

**Harit Kapoor:** So in your opinion, this 4-plus million number still has legs to move forward.

**Varun Jaipuria:** 100%. We are already at about 4.2 million as per our last read, which is there. And we are hoping to add a couple of 100,000 outlets every year.

**Moderator:** Thank you. The next question is from the line of Anurag Dayal from Phillip Capital. Please go ahead.

**Anurag Dayal:** Hi, thanks for the opportunity. One clarification, I just want to understand on the gross margin side. So we had this 100 basis point impact because of sale of non-beverage, including preforms and caps. So do we expect this impact to continue in next quarter as well?

And secondly, I just want to understand that why we are selling it so much? Do we have some agreement with some third party to sell that because if it is inflationary, would not it be good to consume it internally instead of selling it higher outside?

**Raj Gandhi:** This is over and above what we use for ourselves. This is only marginal and helps us to amortize part of our fixed expenses. This is an additional contribution coming to us. If we sacrifice this, that much recovery of this will not come.

**Anurag Dayal:** Okay. Are you saying it is going to stay at 100 basis points or something or will ease from here overall?

**Raj Gandhi:** It depends. If the material is available and we can capture the opportunity, this will help our absolute figure go up. In percentage terms, it may slightly affect margins. But as long as it contributes to the bottom line, We think we should continue to do it. The escalated figure may look similar to the levels up to 28th February, based on pre-war versus post-war prices, or perhaps for another month or two, because we actually had inventory until June.

**Anurag Dayal:** Thank you. And secondly, on this Calpis launch, I mean, we are there, just planning to do it in the second half of the year?

**Varun Jaipuria:** Yes. Calpis, we are still working on the marketing plans, and we will be ready during the December, January and launch the brand.

**Anurag Dayal:** And do we have any initial plan, if you could share how we are going to launch it or it is still under development?

**Varun Jaipuria:** It is pretty much under development because usually, what happens is that we tie it up with our marketing calendar. So even with PepsiCo, the entire marketing calendar usually gets frozen around December. And we are looking to obviously launch some key markets across India where we have production capability and try out different regions to see what is the taste profile of the consumer and how it picks up and then, of course, finalize the marketing calendar. And usually, that kicks in around late February or March. We still have some time.

**Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to the management for closing comments. Thank you, and over to you, sir.

**Raj Gandhi:** Thank you. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications or would like to know more about the company, please feel free to contact our Investor Relations team. Thank you once again for your interest and support and for taking the time to join us on this call. Look forward to interacting with you soon. Thank you.

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