



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.varunpepsi.com
CIN No. : L74899DL1995PLC069839

August 2, 2021

To,

National Stock Exchange of India Ltd. Exchange Plaza, Block G, C/1, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Email: cmlist@nse.co.in Symbol: VBL	BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001 Email: corp.relations@bseindia.com Security Code: 540180
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Sub: Regulation 30: Presentation on Unaudited Financial Results of the Company for the Quarter and Half Year ended June 30, 2021

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith a copy of the Presentation on Unaudited Financial Results of the Company for the Quarter and Half Year ended June 30, 2021.

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

You are requested to take the above on record.

Yours faithfully,
For Varun Beverages Limited

Ravi Batra
Chief Risk Officer & Group Company Secretary

Encl.: As above



August 02, 2021



(a PepsiCo franchisee)

Varun Beverages Limited

Q2&H1 CY2021 Results Presentation



Disclaimer



This communication contains certain forward-looking statements relating to the business, financial performance, strategy and results of Varun Beverages Limited (“VBL” or the “Company”) and/ or the industry in which it operates. Such forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These include, among other factors, changes in economic, political, regulatory, business or other market conditions. Neither the Company nor its affiliates or advisors or representatives nor any of its or their parent or subsidiary undertakings or any such person’s officers or employees guarantees that the assumptions underlying such forward-looking statements are free from errors nor does either accept any responsibility for the future accuracy of the forward-looking statements contained in this presentation or the actual occurrence of the forecasted developments. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events, or otherwise. Given these uncertainties and other factors, viewers of this communication are cautioned not to place undue reliance on these forward-looking statements.

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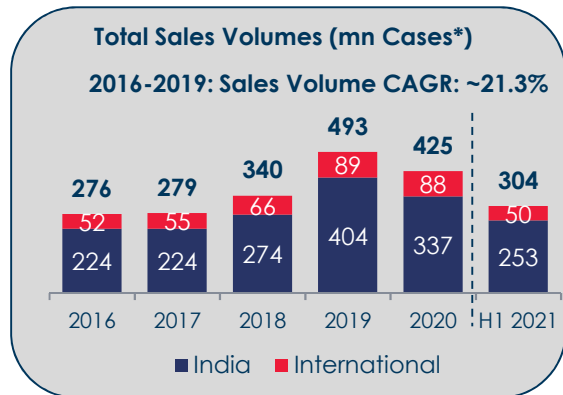
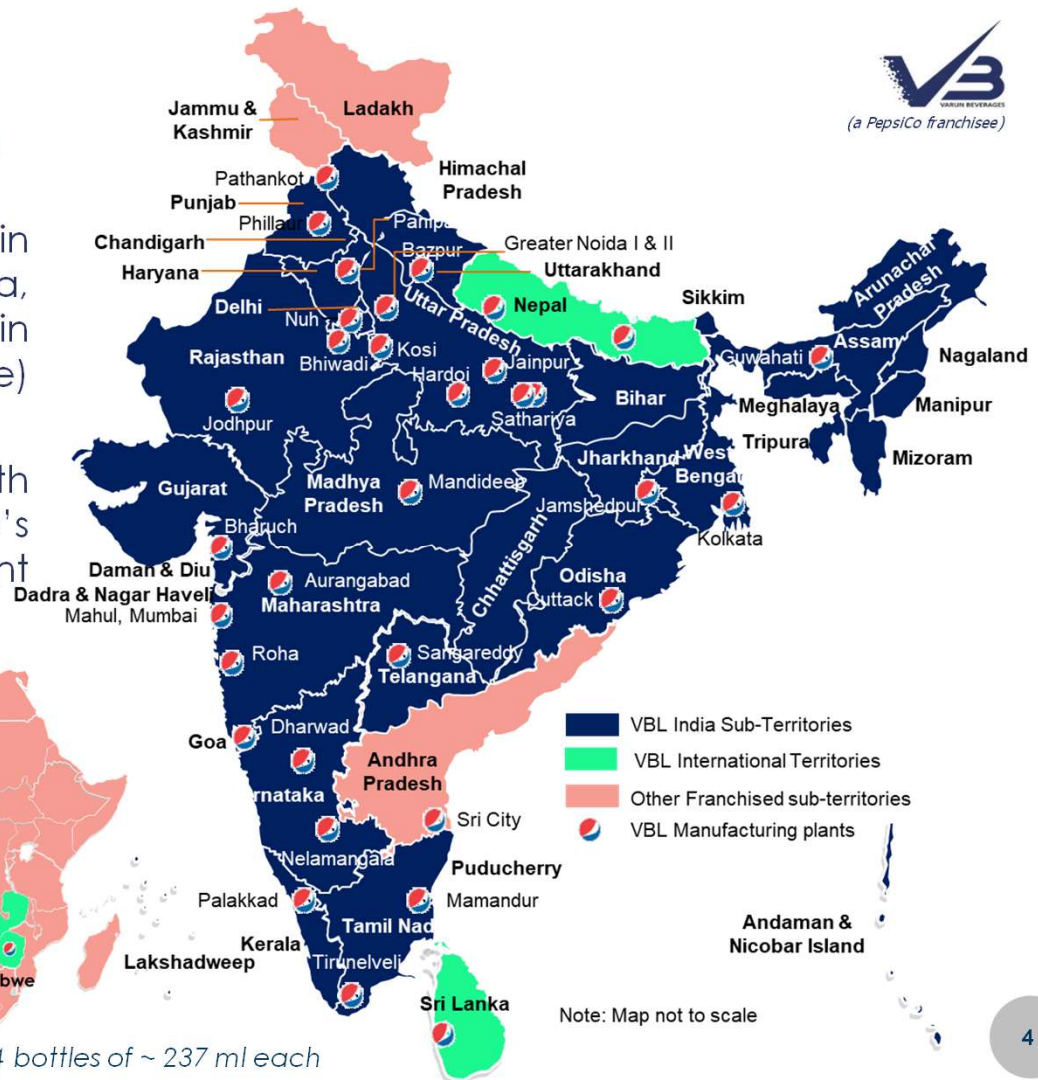


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Company Snapshot



- * **Key player** in the beverage industry
- * Operations spanning across **6 countries** – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contribute ~**81%** to revenues; 3 in Africa (Morocco, Zambia, Zimbabwe) contribute ~19% for fiscal year 2020
- * Over **29** years strategic association with PepsiCo – accounting for **85%+** of PepsiCo's beverage sales volume in India and present in 27 States and 7 UTs



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

Brands licensed to VBL

Brands licensed by PepsiCo:

Carbonated Soft Drinks



Carbonated Juice Based Drinks



Energy Drink



Club Soda



Ice Tea



Fruit Pulp / Juice Based Drinks



Sports Drink



Packaged Water



Dairy Based Drinks *

Mango Shake



Cold Coffee

Belgian Choco Shake



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

Symbiotic Relationship with PepsiCo

VBL – Demand Delivery

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



PepsiCo – Demand Creation

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

Key Player in the Beverage Industry – Business Model



VBL- END-TO-END EXECUTION ACROSS VALUE CHAIN

MANUFACTURING		
<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4;">Concentrate (PepsiCo)</div> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4;">Other Raw Materials</div> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4;">Bottling</div> </div>	<ul style="list-style-type: none"> 37 state-of-the-art production facilities 	<div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center;">SOLID INRASTRUCTURE</div>
DISTRUBUTION & WAREHOUSING	<ul style="list-style-type: none"> 90+ depots 2,500+ owned vehicles 1,500+ primary distributors 	<div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center;">ROBUST SUPPLY CHAIN</div>
CUSTOMER MANAGEMENT	<ul style="list-style-type: none"> Installed 800,000+ visi-coolers VBL - local level promotion and in-store activation PepsiCo - brand development & consumer marketing 	<div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center;">DEMAND DELIVERY</div>
IN-MARKET EXECUTION	<ul style="list-style-type: none"> Experienced region-specific sales team Responsible for category value/volume growth Responsible for reaching out to every 6th person in the world 	<div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center;">MARKET SHARE GAINS</div>
COST EFFICIENCIES	<ul style="list-style-type: none"> Production optimization Backward integration Innovation (packaging etc.) 	<div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center;">MARGIN EXPANSION</div>
CASH MANAGEMENT	<ul style="list-style-type: none"> Working capital efficiencies Disciplined capex investment Territory acquisition 	<div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center;">ROE EXPANSION / FUTURE GROWTH</div>

Chairman's Message



Commenting on the performance for Q2&H1 CY2021, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

"We have delivered an encouraging set of results during the quarter, despite a soft operating environment due to pandemic-induced lockdowns and restrictions. While we registered strong sales in the month of April, May witnessed moderate sales on account of the disruptions. I am happy to share that our team efficiently outlined and executed a set of SOPs and work flows to secure our business model and ensure continuity across operations during this time. With last year's learnings, we had all the necessary protocols in place to handle and mitigate the business impact to a certain extent. Further, as lockdowns and curbs started easing from June onwards, we saw faster recovery in demand, which assisted growth in the quarter.

Overall, we have delivered a healthy performance, with a topline growth of 49.4% YoY. The higher growth rate is on account of robust volume growth over a lower base of previous year as well as marginal increase in realizations. On the profitability front, we were able to maintain most of the cost-optimization measures that we had undertaken last year, allowing us to report stable EBITDA margin at 23.3%. PAT increased by 123.0%, primarily driven by lower finance cost on account of lowering of average cost of borrowing and reduction in total debt. We are also pleased to share that in-line with our dividend policy the Board of Director's have recommended an interim dividend of Rs. 2.5 per share.

As we look ahead, momentum in demand and consumption should further strengthen with higher vaccination drives, improving economic indicators and supportive macros such as good monsoons. We remain confident of reporting robust performance in the quarters ahead."

Key Developments

COVID-19 Second Wave Impact:

- The resurgence of Covid 19 pandemic caused significant disturbance and led to slowdown in economic activity and business operations of the Company in the month of May. As covid cases declined the business operations of the Company have shown significant growth during the month of June. The impact assessment of COVID 19 is a continuous process given the uncertainties associated with its nature and duration. Hence, the management will continue to monitor changes to the future economic conditions which may have an impact on the operations of the Company.

Reversal of Provisions in Zimbabwe

- During the quarter, an amount of Rs. 114.4 million from the total foreign currency provisions in Zimbabwe was reversed due to corresponding reduction in the total foreign currency liability in Zimbabwe

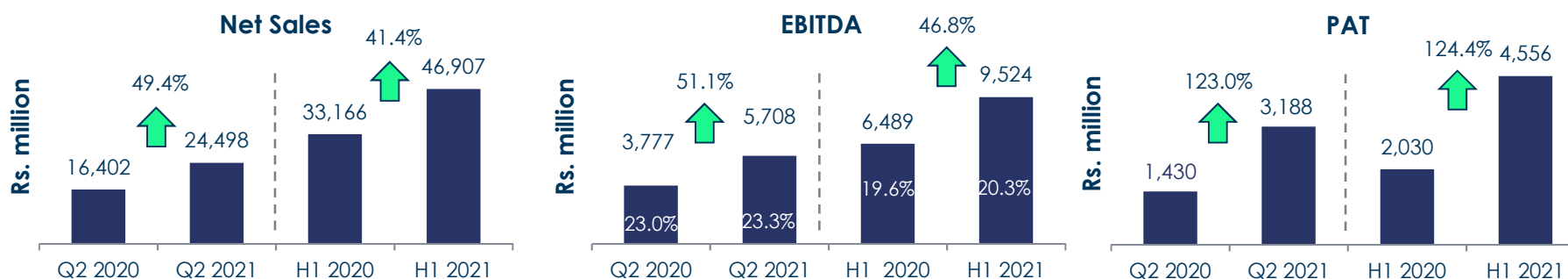
GST Provision

- During the previous year, Directorate General of Goods and Services Tax Intelligence ("DGGI"), Ahmedabad, visited Jodhpur plant, Bharuch Plant and corporate office and issued summons to few officials of the Company. During visits and summons, DGGI primarily sought information around nature of sale discounts given on Invoices. Further, during the current quarter, fresh summon were received by Company officials. Till date, no show cause notice or demand has been received by the Company. However, during the current quarter, the Company on conservative basis, considered a provision of Rs. 250 million towards any future liability.

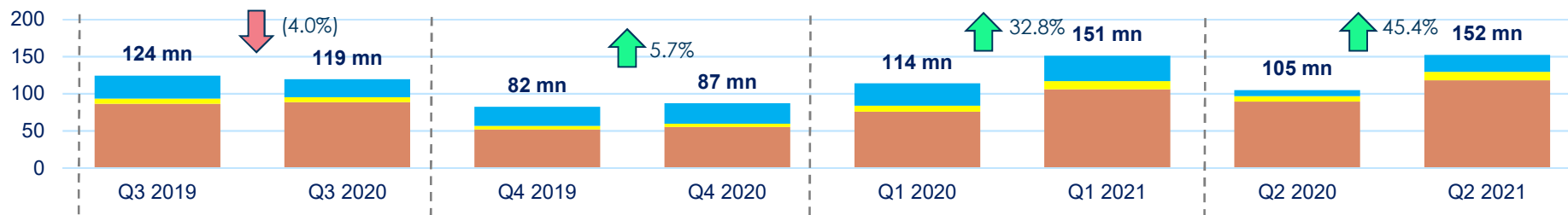
Dividend:

- 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. 1,082.6 million.

Performance Highlights (Q2&H1 CY 2021 and CY 2020)



Quarterly Sales Volumes (Category-wise million unit cases)



Period	Q3 2019		Q3 2020		Q4 2019		Q4 2020		Q1 2020		Q1 2021		Q2 2020		Q2 2021	
CSD	86	69%	89	74%	52	63%	55	63%	76	67%	106	70%	89	85%	118	78%
Juice	7	6%	6	6%	5	6%	4	5%	8	7%	11	7%	8	7%	11	7%
Water	31	25%	24	20%	25	31%	28	32%	30	26%	34	23%	8	8%	23	15%

Consolidated Profit & Loss Statement



Particulars (Rs. million)	Q2 2021	Q2 2020	YoY(%)	H1 2021	H1 2020	YoY (%)
1. Income						
(a) Revenue from operations	24,830.44	16,656.90	49.1%	47,529.21	33,649.38	41.2%
(b) Excise Duty	331.99	255.07	30.2%	621.84	483.21	28.7%
Net Revenues	24,498.45	16,401.83	49.4%	46,907.37	33,166.17	41.4%
(c) Other income	244.08	26.62	816.9%	301.37	279.26	7.9%
2. Expenses						
(a) Cost of materials consumed	9,967.60	6,229.38	60.0%	20,897.54	13,775.92	51.7%
(b) Purchase of stock-in-trade	287.02	148.83	92.9%	865.91	598.97	44.6%
(c) Changes in inventories of FG, WIP and stock-in-trade	1,128.75	1,032.56	9.3%	(478.46)	(49.34)	-869.7%
(d) Employee benefits expense	2,432.48	1,992.91	22.1%	4,816.83	4,284.36	12.4%
(e) Finance costs	467.77	741.87	-36.9%	1,047.18	1,611.56	-35.0%
(f) Depreciation and amortization expense	1,287.76	1,243.11	3.6%	2,634.97	2,594.34	1.6%
(g) Other expenses	4,974.60	3,221.18	54.4%	11,281.33	8,067.73	39.8%
Total expenses	20,545.98	14,609.84	40.6%	41,065.30	30,883.54	33.0%
EBITDA	5,708.00	3,776.97	51.1%	9,524.22	6,488.53	46.8%
3. Profit/(loss) before tax and share of profit in associate (1-2)	4,196.55	1,818.61	130.8%	6,143.44	2,561.89	139.8%
4. Exceptional items	-	-		-	665.29	
5. Profit (Loss) before tax (3-4)	4,196.55	1,818.61	130.8%	6,143.44	1,896.60	223.9%
6. Tax expense	1,008.52	388.83	159.4%	1,587.82	(133.80)	NA
7. Net profit (loss) for the period (5-6)	3,188.03	1,429.78	123.0%	4,555.62	2,030.40	124.4%

Consolidated Balance Sheet



Particulars (Rs. million)	30-Jun-21	31-Dec-20	30-Jun-20	Particulars (Rs. million)	30-Jun-21	31-Dec-20	30-Jun-20
Equity and liabilities				Assets			
Equity				Non-current assets			
(a) Equity share capital	4,330.33	2,886.89	2,886.89	(a) Property, plant and equipment	57,565.16	58,271.88	58,793.39
(b) Other equity	35,285.49	32,353.12	31,691.06	(b) Capital work in progress	1,344.83	668.15	669.86
(c) Non-controlling interest	829.36	647.88	380.25	(c) Goodwill	242.30	242.30	242.30
Total equity	40,445.18	35,887.89	34,958.20	(d) Other intangible assets	5,583.33	5,572.01	5,597.12
Liabilities				(e) Financial assets	424.83	419.11	418.00
Non-current liabilities				(f) Deferred Tax Assets (Net)	54.22	110.18	108.36
(a) Financial liabilities				(g) Other non-current assets	1,888.32	1,303.44	1,467.71
(i) Borrowings	13,087.54	19,796.22	19,452.00	Total non-current assets	67,102.99	66,587.07	67,296.74
(ii) Other financial liabilities	288.29	244.39	246.09	Current assets			
(b) Provisions	1,956.03	2,039.06	1,853.46	(a) Inventories	12,746.93	9,288.04	9,845.23
(c) Deferred tax liabilities (Net)	2,867.26	2,259.43	2,106.68	(b) Financial assets			
(d) Other non-current liabilities	6.95	7.34	7.75	(i) Trade receivables	3,238.44	2,417.97	2,375.77
Total non-current liabilities	18,206.07	24,346.44	23,665.98	(ii) Cash and cash equivalents	953.70	1,045.58	1,782.39
Current liabilities				(iii) Other bank balances	529.95	854.92	336.77
(a) Financial liabilities				(iv) Loans	92.94	100.16	107.57
(i) Borrowings	4,251.74	7,138.58	3,556.26	(v) Others	1,680.27	1,670.04	1,105.85
(ii) Trade Payables	5,612.22	5,113.85	5,300.32	(c) Current tax assets (Net)	40.33	102.19	9.22
(iii) Other financial liabilities	12,957.20	8,543.51	12,660.51	(d) Other current assets	1,682.75	2,517.86	2,216.51
(b) Other current liabilities	5,281.93	3,182.92	4,521.22	Total current assets	20,965.31	17,996.76	17,779.31
(c) Provisions	661.66	331.72	304.32	Total assets			
(d) Current tax liability	652.30	38.92	109.24		88,068.30	84,583.83	85,076.05
Total current liabilities	29,417.05	24,349.50	26,451.87				
Total liabilities	47,623.12	48,695.94	50,117.85				
Total Equity and liabilities	88,068.30	84,583.83	85,076.05				

Discussion on Financial & Operational Performance



Net Revenues / Sales Volumes

- Total sales volume increased by 45.4% YoY to 152.3 million cases in Q2 CY2021 as compared to 104.8 million cases in Q2 CY2020, led by strong growth in the month of Apr'21 compared to low base of previous year same month and a steady recovery in the month of Jun'21, despite the second wave of pandemic and related lockdowns, which led to a degrowth in the month of May'21.
- Revenue from operations (net of excise / GST) grew by 49.4% YoY in Q2 CY2021 to Rs. 24,498.5 million primarily because of robust volume growth over last year and marginal increase in realizations per case.
- Realization per case improved marginally by 2.8% to Rs. 160.8 per case in Q2 CY2021 led by higher realizations in international territories partially offset by higher mix of water.
- CSD constituted 78%, Juice 7% and Packaged Drinking water 15% of total sales volumes in Q2 CY2021.

EBITDA / Gross Margins

- Gross margins declined by 128 bps YoY during Q2 CY2021 primarily due to change in product mix and marginal increase in raw material prices.
- EBITDA increased by 51.1% to Rs. 5,708.0 million in Q2 CY2021 from Rs. 3,777.0 million in Q2 CY2020. EBITDA margin improved marginally YoY to 23.3% in Q2 CY2021 from 23.0% in Q2 CY2020 even after a 128 bps decline in Gross margins as the Company was able to sustain the cost optimization measures implemented last year.

PAT

- PAT increased by 123.0% to Rs. 3,188.0 millions in Q2 CY2021 from Rs. 1,429.8 million in Q2 CY2020. This was driven by lower finance cost in Q2 CY 2021 which declined by 36.9% to Rs. 467.8 million from Rs. 741.9 million in Q2 CY2020. Finance cost declined due to lowering of average cost of borrowing and reduction in total debt.

Discussion on Financial & Operational Performance



Debt / Credit Rating

- Net debt stood at Rs. 25,492 million as on June 30, 2021 as against Rs. 30,158 million as on December 31, 2020. Debt : Equity ratio stood at 0.63x as on June 30, 2021 and Debt : EBITDA ratio stood at 1.69x for the trailing twelve months EBITDA.
- Credit rating from CRISIL (an S&P Global Company) continues to be CRISIL AA for long term debt and CRISIL A1+ for short term debt

Capex

- During H1 CY 2021, the net organic capex of ~Rs. 1,900 mn including forex adjustments was primarily towards expansion in India, Morocco and Zimbabwe

Working Capital

- Working capital days increased marginally to ~ 24 days as on Jun 30, 2021 from 20 days as on Jun 30, 2020 primarily due higher stock of pet resin/preform inventory stocked to take the advantage of lower pricing at the start of the year.

Dividend

- In line with the guidelines of Company's dividend policy, the Board of Director's have recommended an interim dividend of Rs. 2.5 per share. Total cash outflow would be ~Rs. 1,082.6 million.

Sustainability Initiatives – PET Recycling

VBL consumed ~ 66,000 MT PET for its finished product in CY20. These are high quality food grade virgin PET/HDPE chips which can be easily recycled to make various products for diverse industries and end uses.

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

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

During the year CY20, 43,700+MT of PET waste was recycled (~66% of PET resin consumed) and during H1 CY2021, 30,700+ MT of PET waste was recycled (~59% of the PET resin consumed)



Sample Recycled Products



Sustainability Initiatives – VBL’s Water Positive Balance

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

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

The scope of audit covered 31 manufacturing plants of VBL in India. Key water conservation initiatives included Rain water harvesting, Ponds adoption, development & maintenance, Waste water management on the principles of reduce, reuse and recycle, for optimal water consumption.

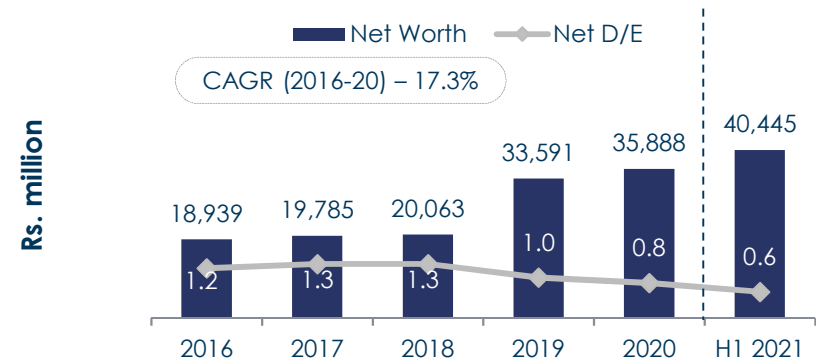
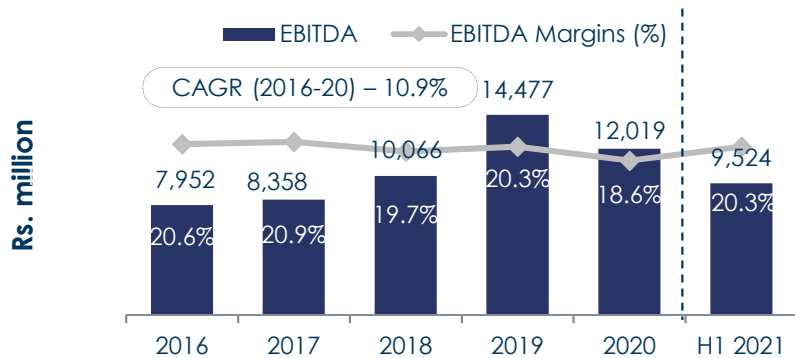
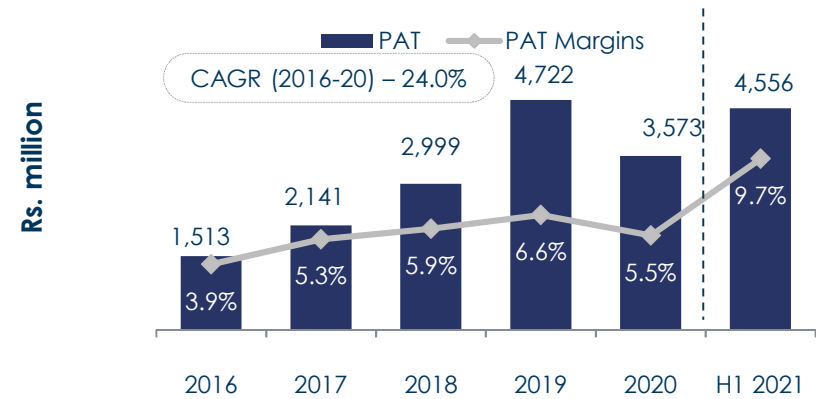
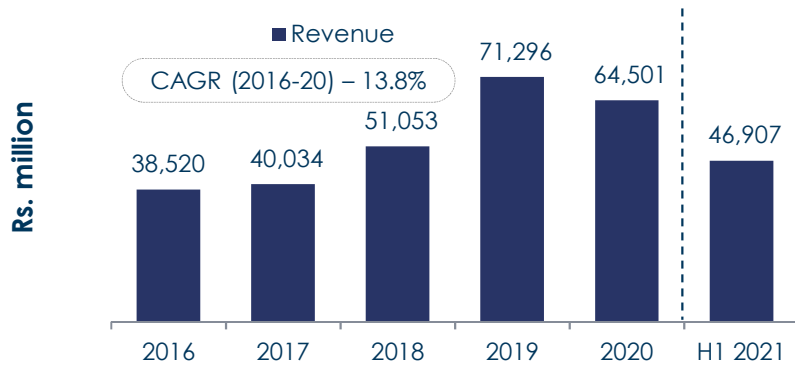
Lockdown restrictions due to COVID-19 pandemic resulted in decline in sales volumes and consequently, the water consumption in CY20 is lower than previous year. Hence, the water recharge ratio is higher than usual.

Key findings of the report:

Parameter	CY2020 (Audited)	CY2019 (Audited)
Water consumption	3.68 mn KL	4.12 mn KL
Water recharge	10.19 mn KL	7.22 mn KL
Water recharge ratio	2.8 times	1.8 times
No. of ponds adopted	108	103
No. of trees planted	29,000+	26,500 +



Performance Highlights (2016 – H1 2021)



Note: 2017 onwards financials are as per Ind AS and previous year numbers are as per IGAAP

Conference Call Details



Varun Beverages Limited (VBL) Q2&H1 CY 2021 Earnings Conference Call

Time • 04:00 pm IST on Aug 2, 2021

Conference dial-in Primary number • +91 22 7194 5709 / +91 22 6629 0018

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" or the "Company") 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, Mountain Dew Ice, Seven-Up Nimbooz Masala Soda, Evvess, Sting, Gatorade and Slice Fizzy Drinks. PepsiCo NCB brands produced and sold by the Company include Tropicana Slice, Tropicana Juices (100%, Delight, Essentials), Nimbooz, 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 ~76% of revenues from operations (net) in Fiscal 2020. 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!
