



VARUN BEVERAGES LIMITED



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CIN No. : L74899DL1995PLC069839

February 7, 2020

To,

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Email: corp.relations@bseindia.com Security Code: 540180	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
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Sub: Regulation 30: Presentation on Audited Financial Results of the Company for the Financial Year ended December 31, 2019

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith a copy of the Presentation on Audited Financial Results of the Company for the Financial Year ended December 31, 2019.

The same is also being uploaded on the 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

February 07, 2020



(a PepsiCo franchisee)



Varun Beverages Limited

Q4 & CY 2019 Results Presentation



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- 1 Company Overview
- 2 Chairman's Message
- 3 Q4 & CY 2019 Results Overview
- 4 Performance Highlights
- 5 Awards, Sustainability

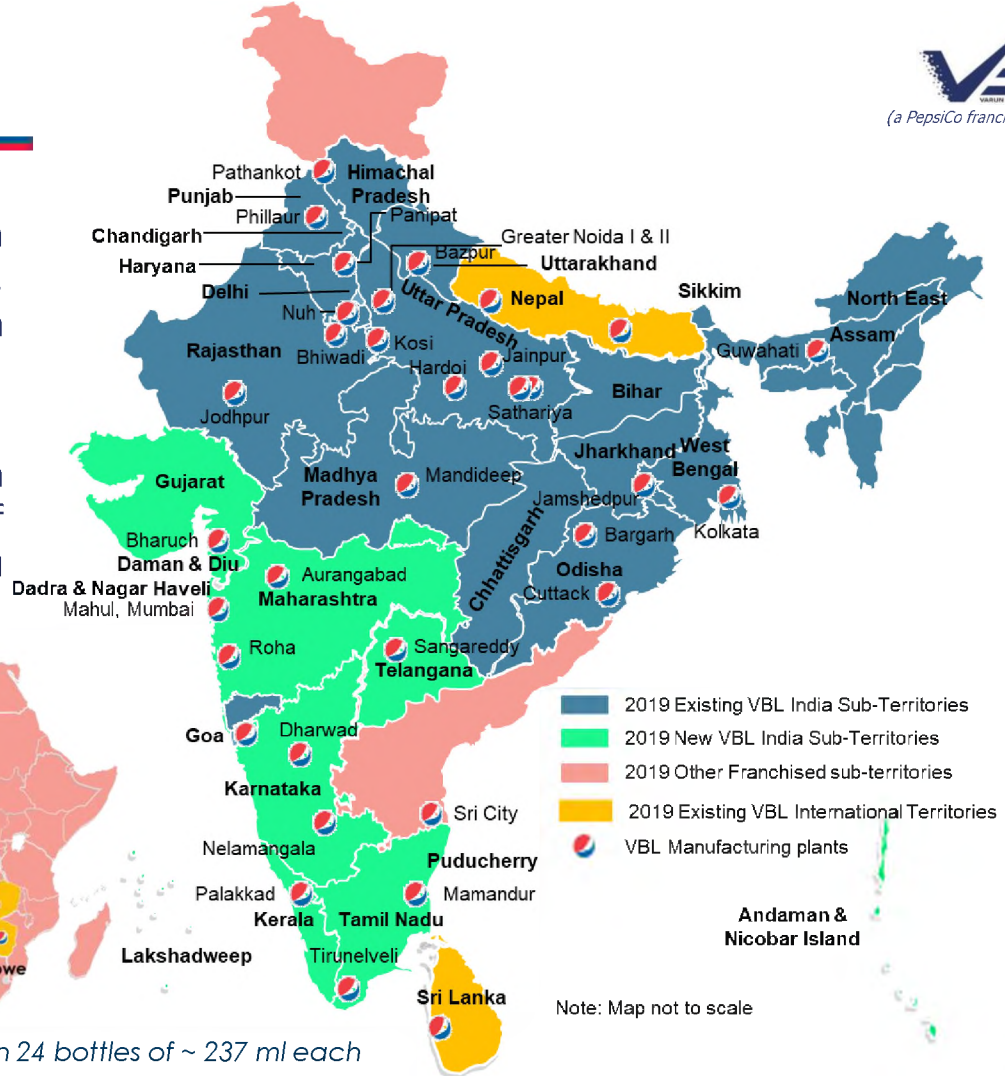
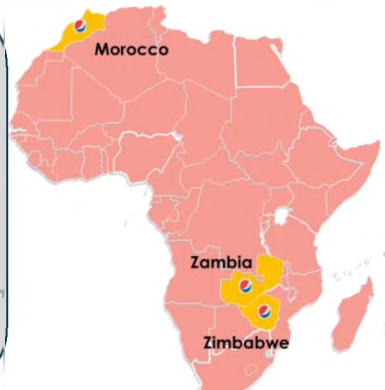
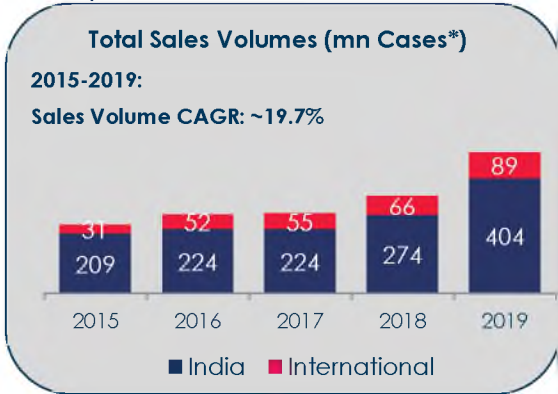
Company Snapshot



Key player in the beverage industry

Operations spanning across **6 countries** – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contribute ~**85%** to revenues; 3 in Africa (Morocco, Zambia, Zimbabwe) contribute ~15% for fiscal year 2019

Over **28** years strategic association with PepsiCo – accounting for ~ **80%+** 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.

Key Player in the Beverage Industry – Business Model

VBL- END-TO-END EXECUTION ACROSS VALUE CHAIN

<p style="text-align: center;">MANUFACTURING</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <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"> ▪ 38 state-of-the-art production facilities 	<p style="text-align: center;">→</p> <div style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">SOLID INRASTRUCTURE</div>
<p style="text-align: center;">DISTRUBUTION & WAREHOUSING</p>	<ul style="list-style-type: none"> ▪ 90+ depots ▪ 2,500+ owned vehicles ▪ 1,500+ primary distributors 	<p style="text-align: center;">→</p> <div style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">ROBUST SUPPLY CHAIN</div>
<p style="text-align: center;">CUSTOMER MANAGEMENT</p>	<ul style="list-style-type: none"> ▪ Installed 775,000+ visi-coolers ▪ VBL - local level promotion and in-store activation ▪ PepsiCo - brand development & consumer marketing 	<p style="text-align: center;">→</p> <div style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">DEMAND DELIVERY</div>
<p style="text-align: center;">IN-MARKET EXECUTION</p>	<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 	<p style="text-align: center;">→</p> <div style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">MARKET SHARE GAINS</div>
<p style="text-align: center;">COST EFFICIENCIES</p>	<ul style="list-style-type: none"> ▪ Production optimization ▪ Backward integration ▪ Innovation (packaging etc.) 	<p style="text-align: center;">→</p> <div style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">MARGIN EXPANSION</div>
<p style="text-align: center;">CASH MANAGEMENT</p>	<ul style="list-style-type: none"> ▪ Working capital efficiencies ▪ Disciplined capex investment ▪ Territory acquisition 	<p style="text-align: center;">→</p> <div style="background-color: #e91e63; color: white; padding: 10px; border-radius: 10px; text-align: center;">ROE EXPANSION / FUTURE GROWTH</div>

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

Commenting on the performance for Q4 & CY 2019, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

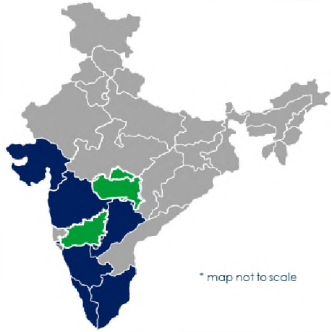


"I am happy to share that 2019 has been a year of solid operational and financial consolidation. We have delivered a topline growth of 40%, EBITDA growth of 44%, and PAT growth of 58% in 2019. The performance was primarily driven by robust volumes reported in both the Indian and International markets. Improved performance in underpenetrated territories acquired in 2017 and early 2018. This resulted in a healthy domestic organic volume growth of 13%. Our international business also registered a solid volume growth of 34%, driven by double digit volume growth in the key markets of Morocco, Zimbabwe and Sri Lanka. In addition, the full year performance also includes the impact of South and West India sub-territories acquisition from May'19 onwards.

While Q4 is typically a seasonally weak quarter, the losses were notably lower in comparison to Q4 2019 on account of better business efficiencies and integration of new territories that are relatively less seasonal. We expect this trend to sustain as we work on further fortifying our core strengths and aim to improve our penetration in the newly acquired territories.

Looking ahead, we will continue to build upon our key position in the beverage industry with presence in the fastest growing markets, solid infrastructure and a well-entrenched distribution network. We are fully focused towards enhancing our presence in the recently acquired territories to garner deeper penetration in the upcoming years. Furthermore, we are constantly looking at opportunities to innovate and upgrade our product portfolio to tap the shift in consumer preferences across existing and new markets. This along with improving demand in our core markets should enable higher and sustained performance in the longer term."

1. Acquisition of sub-territories



February 14, 2019: Concluded the acquisition of PepsiCo India's previously franchised territories of parts of Maharashtra (14 districts), parts of Karnataka (13 districts) and parts of Madhya Pradesh (3 districts).

May 01, 2019: Concluded the acquisition of franchise rights in South and West regions from PepsiCo for a national bottling, sales and distribution footprint in 7 States and 5 Union Territories of India.

2. Bottling Appointment and Trademark License Agreement for India

Particular	Existing	Revised
Franchise Rights (upto)	October 2, 2022	April 30, 2039

3. Bonus Issue of Equity Shares / Dividend payout

- At the start of Silver Jubilee year of the Company, and in appreciation of continuing support from the shareholders of the Company, the Board of Directors recommended and approved Bonus Issue of equity shares in the proportion of 1 equity share for every 2 equity shares held. The shares have been allotted to the eligible shareholders.
- The Board of Director's recommended an interim dividend of Rs. 2.50 per share. Total cash outflow for dividend payout was Rs. 776.69 million (inclusive of net statutory taxes payable).

Key Developments

4. QIP Issue: The Company has raised ~ Rs. 9,000 million through fresh issue of 14,705,882 equity shares of Rs. 10. The QIP proceeds (net of issue expenses) of Rs. 8,836 million have been utilized for repayment of debts during Q3 2019.

5. Credit Rating Upgrade: CRISIL (an S&P Global Company) has upgraded the credit rating for long term debt as CRISIL AA (previously AA-) and reaffirmed for short term debt as CRISIL A1+.

6. Introduction of ambient temperature value added dairy beverages: The Company introduced three variants of ambient temperature value added dairy beverages – Belgian Chocolate, Cold Coffee and Mango shake at a price of Rs. 30 for 200ml PET bottle with a long shelf life of 180 days. These products have been well received in the market.

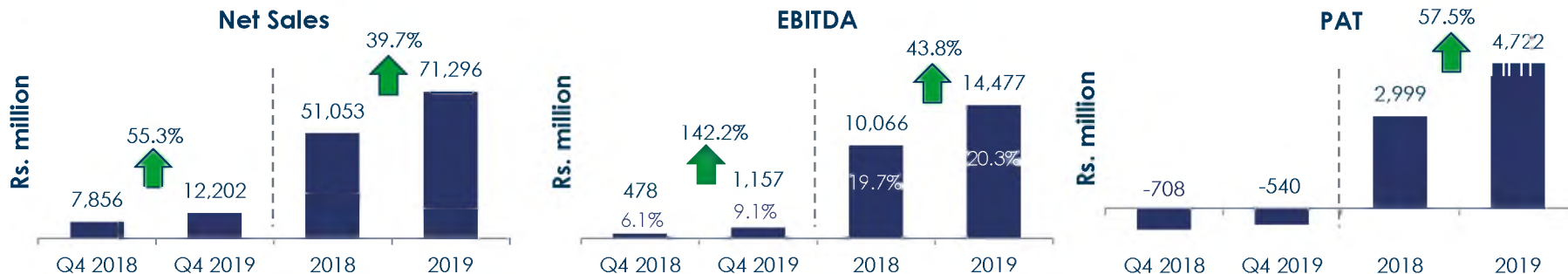
7. Increased shareholding in Lunarmech Technologies Pvt. Ltd.: The Company has acquired 20% shareholding (200,000 equity shares) in Lunarmech Technologies Pvt. Ltd. (LTPL) for a purchase consideration of Rs.150 million which has lead to increase in effective shareholding of VBL in LTPL to 55%. Consequently, LTPL has become subsidiary of VBL w.e.f. 4th Nov, 2019 through board control.

8. Purchase of production facilities: The Company has concluded acquisition of two production facilities - one situated in Dharwad, Karnataka for a total consideration of Rs. 747.27 million and second situated at Tirunelveli, Tamil Nadu for a total consideration of Rs. 200 million.

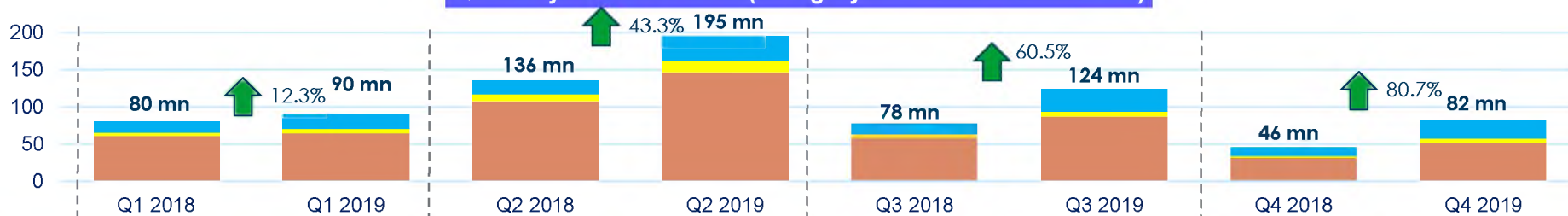
9. Introduction of new corporate tax rates: On 20 September 2019, vide the Taxation Laws (Amendment) Ordinance 2019, the Government of India inserted Section 115BAB in the Income Tax Act, 1961 which provides domestic companies a non-reversible option to pay corporate tax at reduced rates effective 01 April 2019 subject to certain conditions. The Company carries unutilized minimum alternative tax credit and has other tax benefits/holidays available. The management plans to conclude its evaluation of this option in conjunction with its tax year end of 31 March 2020.

The Company has availed the benefit of lower MAT resulting in a net saving in cashflow of Rs. 194.3 million.

Performance Highlights (Q4 & CY 2019)

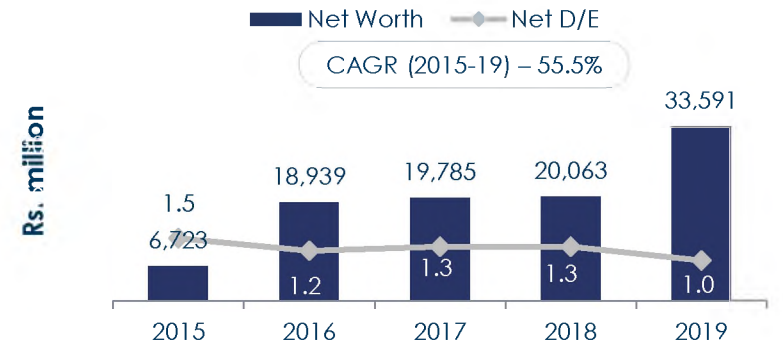
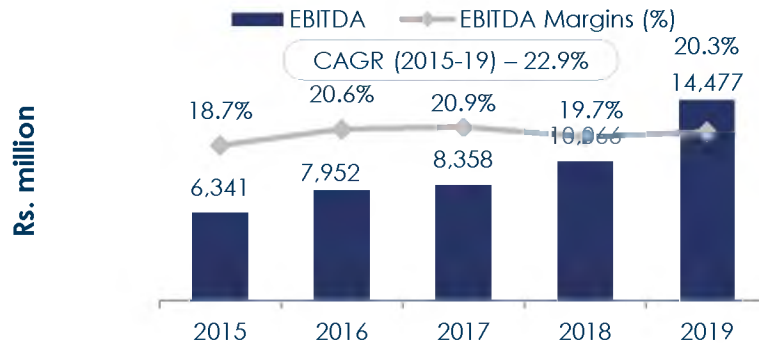
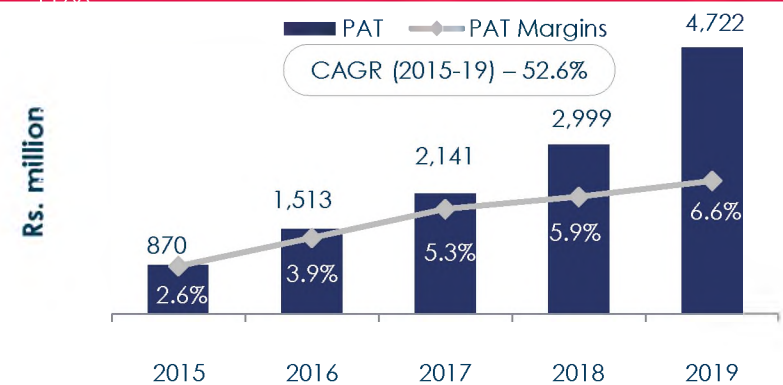
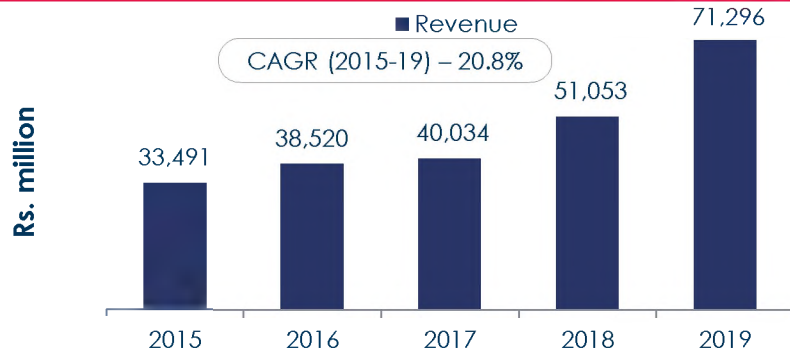


Quarterly Sales Volumes (Category-wise million unit cases)



Period	Q1 2018		Q1 2019		Q2 2018		Q2 2019		Q3 2018		Q3 2019		Q4 2018		Q4 2019	
CSD	60	75%	64	71%	107	79%	145	74%	59	76%	86	69%	31	69%	52	63%
Juice	5	6%	6	6%	10	7%	15	8%	4	5%	7	6%	3	6%	5	6%
Water	15	19%	20	23%	19	14%	35	18%	15	19%	31	25%	12	25%	25	31%

Performance Highlights (2015 – 2019)



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

Consolidated Profit & Loss Statement

Particulars (Rs. million)	Q4 2019	Q4 2018	YoY (%)	2019	2018	YoY (%)
1. Income						
(a) Revenue from operations	12,395.4	8,041.4	54.1%	72,484.6	52,281.3	38.6%
(b) Excise Duty	192.9	185.2	4.2%	1,188.8	1,228.7	-3.2%
Net Revenues	12,202.5	7,856.2	55.3%	71,295.8	51,052.5	39.7%
(c) Other income	359.8	127.4	182.4%	425.3	218.2	94.9%
2. Expenses						
(a) Cost of materials consumed	5,708.2	2,645.3	115.8%	29,395.6	21,122.8	39.2%
(b) Purchase of stock-in-trade	420.2	360.1	16.7%	4,237.3	1,942.2	118.2%
(c) Changes in inventories of FG, WIP and stock-in-trade	(689.1)	(335.8)	105.2%	(1,438.6)	(624.0)	130.6%
(d) Employee benefits expense	2,236.4	1,446.5	54.6%	8,108.2	5,829.5	39.1%
(e) Finance costs	790.6	537.2	47.2%	3,096.4	2,125.6	45.7%
(f) Depreciation and amortisation expense	1,368.5	940.6	45.5%	4,886.3	3,850.7	26.9%
(g) Other expenses	3,369.3	3,262.1	3.3%	16,516.8	12,716.2	29.9%
Total expenses	13,204.1	8,856.1	49.1%	64,802.0	46,963.0	38.0%
EBITDA	1,157.4	477.9	142.2%	14,476.5	10,065.9	43.8%
3. Profit/(loss) before tax and share of profit in associate (1-2)	(641.8)	(872.5)	NA	6,919.1	4,307.8	60.6%
4. Share of profit in associate	0.2	6.6	-96.7%	43.6	30.2	44.4%
5. Profit/(loss) before tax (3+4)	(641.6)	(865.9)	NA	6,962.7	4,338.0	60.5%
6. Tax expense	(102.1)	(157.7)	NA	2,240.7	1,339.3	67.3%
7. Net profit/(loss) for the period (5-6)	(539.5)	(708.2)	NA	4,722.1	2,998.6	57.5%

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

Consolidated Balance Sheet

Particulars (Rs million)	31-Dec-19	31-Dec-18
Equity and liabilities		
Equity		
(a) Equity share capital	2,886.89	1,826.42
(b) Other equity	30,397.33	18,158.62
(c) Non-controlling interest	306.79	77.68
Total equity	33,591.01	20,062.72
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	23,553.76	19,800.69
(b) Provisions	1,703.35	1,052.55
(c) Deferred tax liabilities (Net)	2,825.07	1,921.66
(d) Other non-current liabilities	8.23	67.75
Total non-current liabilities	28,090.41	22,842.65
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	4,671.54	3,776.55
(ii) Trade Payables	4,776.61	3,167.97
(iii) Other financial liabilities	10,258.13	8,512.43
(b) Other current liabilities	2,044.85	1,466.55
(c) Provisions	299.79	160.19
(d) Current tax liability	152.00	325.02
Total current liabilities	22,202.92	17,408.71
Total liabilities	50,293.33	40,251.36
Total Equity and liabilities	83,884.34	60,314.08

Particulars (Rs million)	31-Dec-19	31-Dec-18
Assets		
Non-current assets		
(a) Property, plant and equipment	58,925.03	38,601.77
(b) Capital work in progress	638.24	3,523.57
(c) Goodwill	242.30	19.40
(d) Other intangible assets	5,623.11	5,248.57
(e) Investment in associates	-	112.43
(f) Financial assets	454.39	209.27
(g) Deferred Tax Assets (Net)	128.48	334.00
(h) Other non-current assets	1,153.96	857.60
Total non-current assets	67,165.50	48,906.61
Current assets		
(a) Inventories	8,815.13	5,783.97
(b) Financial assets		
(i) Trade receivables	1,725.55	1,280.25
(ii) Cash and cash equivalents	1,379.68	429.36
(iii) Other bank balances	331.09	505.44
(iv) Loans	69.37	15.53
(v) Others	2,189.83	1,404.78
(c) Current tax assets (Net)	10.23	4.10
(d) Other current assets	2,197.96	1,984.04
Total current assets	16,718.84	11,407.47
Total assets	83,884.34	60,314.08

Discussion on Financial & Operational Performance

Net Revenues / Sales Volumes

- Total sales volumes were up 80.7% YoY at 82.5 million cases in Q4 2019 as compared to 45.6 million cases in Q4 2018. For CY 2019, total sales volumes were up 44.9% YoY at 492.7 million cases in 2019 as compared to 340.0 million cases in 2018. The organic volume growth for the full year stood at 17.2% supported by robust performance in India (Organic Growth 13.1%) as well as International territories (Organic Growth 34%). Morocco, Zimbabwe and Sri Lanka have all grown in double digits during the year.
- Revenue from operations (net of excise / GST) grew 55.3% YoY in Q4 2019 to Rs. 12,202.5 million and grew by 39.7% in 2019 to Rs. 71,295.8 million. Realization per case has come down by ~3.6% in 2019 essentially on account of change in product mix in India post consolidation of South and West sub-territories, introduction of water in Morocco and lower sales realization in Zimbabwe in USD terms.
- CSD constituted 70.6%, Juice 6.7% and Packaged Drinking water 22.7% of total sales volumes in 2019.

Gross Margins / EBITDA

- EBITDA increased by 142.2% to Rs. 1,157.4 million in Q4 2019 from Rs. 477.9 million in Q4 2018. For CY 2019, EBITDA increased by 43.8% to Rs. 14,476.5 million in 2019 from Rs. 10,065.9 million in 2018.
- Gross margins declined by 120 bps during 2019 due to change in product mix, higher PET prices and higher sales realization in USD terms in Zimbabwe in previous year. EBITDA margins expanded by 59 bps in 2019 to 20.3% on account of operating leverage in the business.

PAT

- Losses reduced to Rs. (539.5) million in Q4 2019 from Rs. (708.2) million in Q4 2018 and consequently PAT increased by 57.5% to Rs. 4,722.2 million in 2019 from Rs. 2,998.6 million in 2018 on the back of robust volume growth.
- Depreciation has increased by 45.5% during the quarter and by 26.9% in 2019 on account of capitalization of Pathankot plant and consolidation of South and West India sub-territories w.e.f. 1st May 2019.
- Finance cost has increased by 47.2% during the quarter and by 45.7% in 2019 as the purchase consideration for acquisition of South and West India sub-territories has been funded through debt. The entire proceeds of the QIP amounting to ~ Rs. 9,000 million, net of issue expenses of Rs. 164.36 million, were utilized for repayment of debts during Q3 2019.

Discussion on Financial & Operational Performance

Debt / Credit Rating

- Net debt stood at Rs. 32,461 million as on Dec 31, 2019 as against Rs. 26,715 million as on Dec 31, 2018. Debt : Equity ratio stood at 0.97x and Debt : EBITDA ratio stood at 2.24x as on Dec 31, 2019.
- CRISIL has upgraded the credit rating for long term debt as CRISIL AA (previously AA-) and reaffirmed for short term debt as CRISIL A1+.

Capacity Expansion

- During 2019, net capex of ~Rs. 25,800 million included setting-up of a new plant primarily for Tropicana products at Pathankot (~ Rs. 5,500 million), acquisition of certain parts of Maharashtra, Karnataka and Madhya Pradesh along with plant at Dharwad (~ Rs. 1,250 million), acquisition of South and West India sub-territories (~ Rs. 16,150 million net of investment fund), acquisition of co-packers at Tirunelveli and Sricity (~Rs. 300 million) and organic capex of (~ Rs. 2,600 million).
- Capacity utilization in India during the peak month has come down to ~ 60% post consolidation of South and West India sub-territories, providing significant scope for growth on existing investments.

Working Capital

- Working capital days have remained stable at ~ 26 days as on Dec 31, 2019 on account of efficient working capital management even after consolidation of new sub-territories in India during the period
- Inventory, creditor 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 recommended an interim / final dividend of Rs. 2.50 per share during 2019. Total cash outflow for dividend payout was Rs. 776.69 million (inclusive of net statutory taxes payable).

Varun Beverages Ltd. – Bottler of the year 2019 by PepsiCo in South Asia region



Varun Beverages Ltd. – Winner of Best FMCG Corporate Governance India 2019 awarded by Capital Finance International



Varun Beverages Ltd. - Global Best Employer Brands 2020 (Best HR Strategy in Line with Business) presented by ET Now / National Best Employer Brands Award for 2019, presented by Employer Branding Institute India (second successive year).

Sustainability Initiatives – PET Recycling

VBL uses ~ 66,000 MT PET resin as packaging material for its finished product annually. These are high quality food grade virgin PET 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.

In the first year of engagement, during the second half of CY19, 24,000+ MT of PET waste has been recycled.



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, during the Industrial Revolution, the 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.

About TUV India: TUV India Private Limited was established in 1989 as part of the German RWTÜV group’s Indian operations. Being one of the first Certification Bodies to start operations in India, TUV India has been closely associated with the quality revolution in India.

The scope of audit covered 20 manufacturing plants of VBL in India which it operated during the period Apr’18-Mar’19. 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.

Key findings of the report:

Parameter	Quantity
Water consumption	2.91 mn KL
Water recharge	4.96 mn KL
No. of ponds adopted	64
Total area of adopted ponds	0.9 mn sq. m.
No. of trees planted	26,000 +



Varun Beverages Limited (VBL) Q4 & CY 2019 Earnings Conference Call

Time • 1:00 pm IST on Friday, February 07, 2020

Conference dial-in Primary number • +91 22 6280 1141 / +91 22 7115 8042

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- Hong Kong: 800 964 448
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Varun Beverages Limited (VBL) is a key player in beverage industry and one of the largest franchisee of PepsiCo in the world (outside USA). The Company produces and distributes a wide range of carbonated soft drinks (CSDs), as well as a large selection of non-carbonated beverages (NCBs), including packaged drinking water sold under trademarks owned by PepsiCo. PepsiCo CSD brands produced and sold by VBL include Pepsi, Diet Pepsi, Seven-Up, Mirinda Orange, Mirinda Lemon, Mountain Dew, Seven-Up Nimbooz Masala Soda, Evervess, Sting, Gatorade and Slice Fizzy Drinks. PepsiCo NCB brands produced and sold by the Company include Tropicana Slice, Tropicana Frutz, Tropicana Juices (100%, Delight, Essentials), Nimbooz, Ambient temperature value added dairy beverages as well as packaged drinking water under the brand Aquafina.

VBL has been associated with PepsiCo since the 1990s and have over two and half decades consolidated its business association with PepsiCo, increasing the number of licensed territories and sub-territories covered by the Company, producing and distributing a wider range of PepsiCo beverages, introducing various SKUs in the portfolio, and expanding the distribution network. As on date, VBL has been granted franchises for various PepsiCo products across 27 States and 7 Union Territories in India. India is the largest market and contributed ~78% of revenues from operations (net) in Fiscal 2019. VBL has also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe.

For more information about us, please visit www.varunpepsi.com or contact:

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Thank You!
