



VARUN BEVERAGES LIMITED



Corporate Off : Plot No.31, Institutional Area, Sec.-44, Gurgaon, Haryana-122002 (India)
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CIN No. : L74899DL1995PLC069839

February 16, 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 Audited Financial Results of the Company for the Financial Year ended December 31, 2020

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 Audited Financial Results of the Company for the Financial Year ended December 31, 2020.

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

February 16, 2021



(a PepsiCo franchisee)

Varun Beverages Limited

Q4 & CY 2020 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.

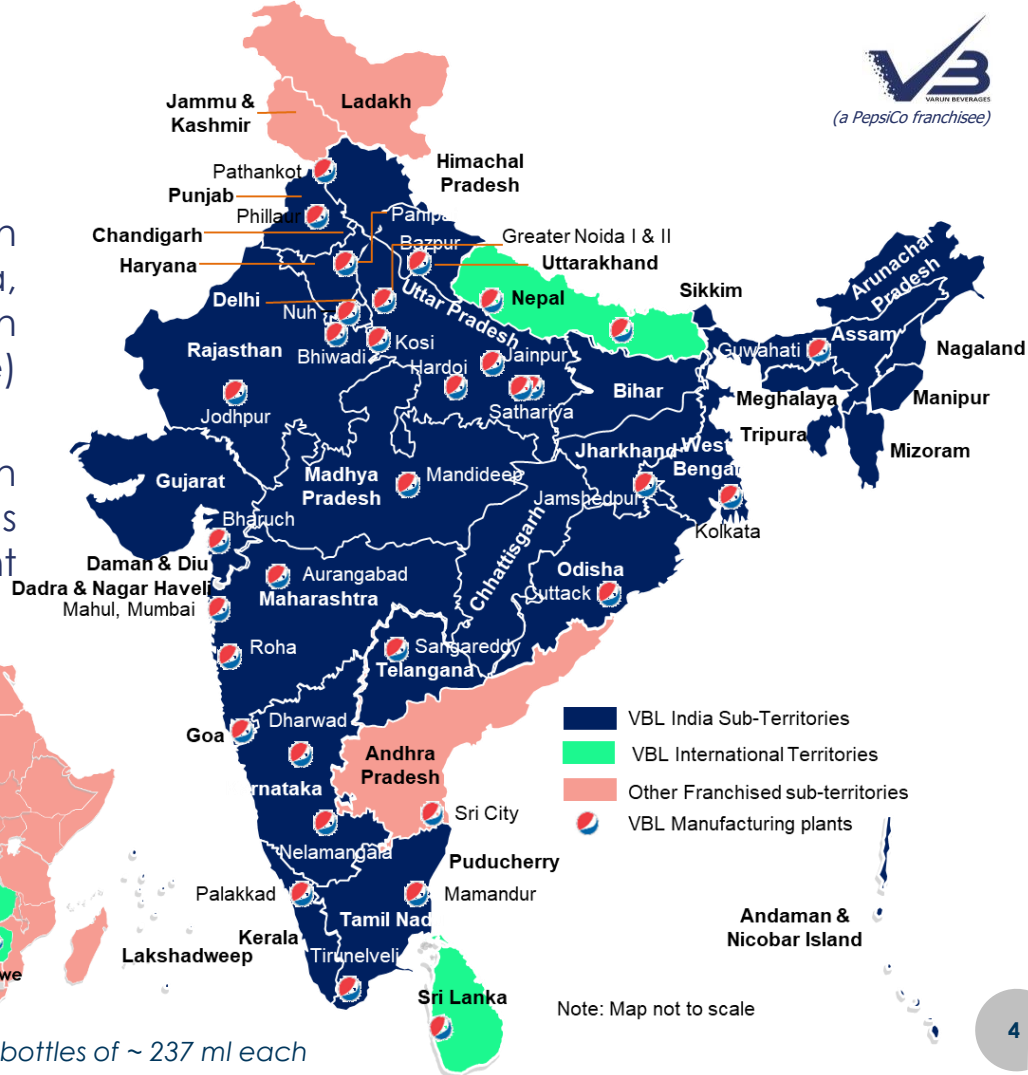
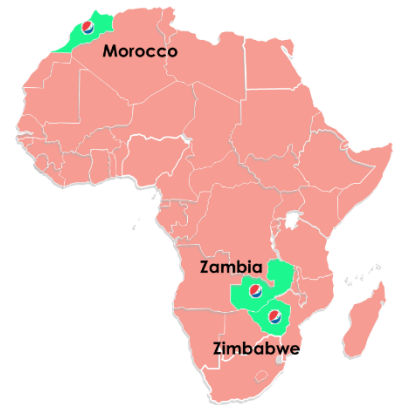
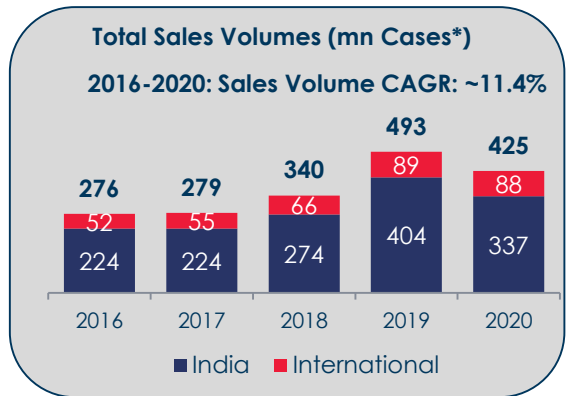


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Company Snapshot



- * **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

<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"> ▪ 37 state-of-the-art production facilities 	<p style="text-align: center; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">SOLID INRASTRUCTURE</p>
<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; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">ROBUST SUPPLY CHAIN</p>
<p style="text-align: center;">CUSTOMER MANAGEMENT</p>	<ul style="list-style-type: none"> ▪ Installed 800,000+ visi-coolers ▪ VBL - local level promotion and in-store activation ▪ PepsiCo - brand development & consumer marketing 	<p style="text-align: center; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">DEMAND DELIVERY</p>
<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; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">MARKET SHARE GAINS</p>
<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; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">MARGIN EXPANSION</p>
<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; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">ROE EXPANSION / FUTURE GROWTH</p>

Commenting on the performance for Q4 & CY 2020, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

"We have ended the year 2020 on a steady note despite unprecedented macro-economic challenges. The spread of the COVID-19 pandemic in early March 2020 caused significant disruptions in our business operations, particularly during the seasonally strong period of April to June quarter. However, a faster-than-anticipated recovery across key markets in the second half of the year combined with our operational efficiencies enabled us to restrict revenue de-growth at 9.5% YoY for the full year.

On the profitability front, we were able to largely sustain some of the cost-optimization measures implemented during the pandemic that enabled us to report steady profitability in Q3 and Q4. It is also encouraging that even in seasonally soft quarter, the losses in Q4 2020 were significantly lower in comparison to Q4 2019 on account of better business efficiencies, cost rationalization strategies and healthy recovery in international territories.

I am also happy to share that in the month of Feb 2021, we introduced a new product variant - Mountain Dew Ice, which is lemon fruit juice-based drink. The initial response for these products has been positive and we remain highly confident of the long-term growth prospects of this new variant, especially in the upcoming season.

With overall economic activity picking-up sharply across the country, there is an improved consumption trend being witnessed on a month-over-month basis. This bodes well for all our product categories over the medium-to-longer term. On the whole, we are on a strong footing, operationally and financially, and remain confident that further stabilization of the macro-economic environment will translate into strong growth for us going forward"



Awards & Accolades

Varun Beverages Ltd. – **Bottler of the year, 2019** by **PepsiCo** in **AMESA sector** (Africa, Middle East and South Asia) received in 2020

Varun Beverages Ltd. – Winner of **Best FMCG Corporate Governance India 2020** awarded by CFI



OUR MOST POWERFUL BRAND GETS A NEW WEAPON!

NEW MOUNTAIN DEW ICE
HIMMAT KA EK JOSHILA HIT!

- Lemon fruit juice based drink
- Launched in Feb'21
- 2 SKUs
 - 250 ml PET
 - 600 ml PET



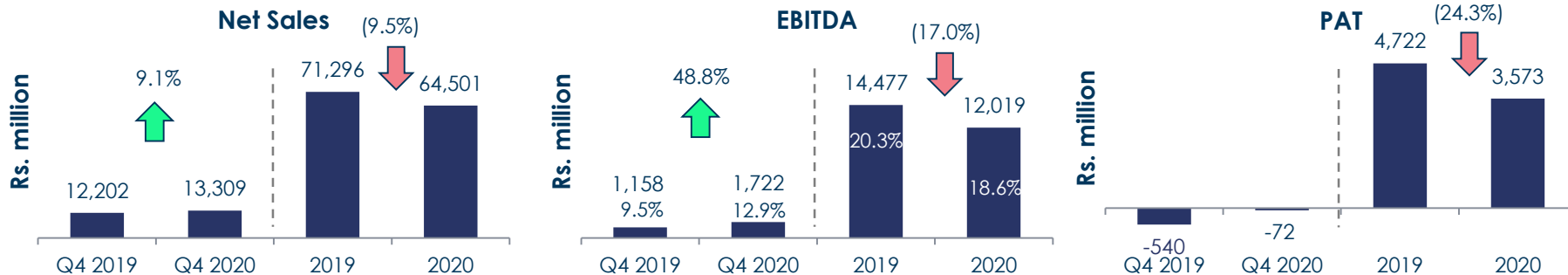
Introduction of new corporate tax rates:

- On 20 September 2019, vide the Taxation Laws (Amendment) Ordinance 2019, the Government of India inserted Section 115BAA 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 has made an assessment of the impact of Ordinance and decided to continue with the existing tax structure until utilization of accumulated minimum alternative tax (MAT) credit and expiry of other tax benefits/holidays are available.
- In accordance with the Ind AS 12 "Income Taxes", the Company is also required to re-measure its deferred tax balances, for amounts that are expected to reverse in future when the Company would migrate to the new tax regime. The Company has re-measured its outstanding deferred tax balances and written back an amount of Rs. 731.85 mn to the Statement of Profit and Loss.

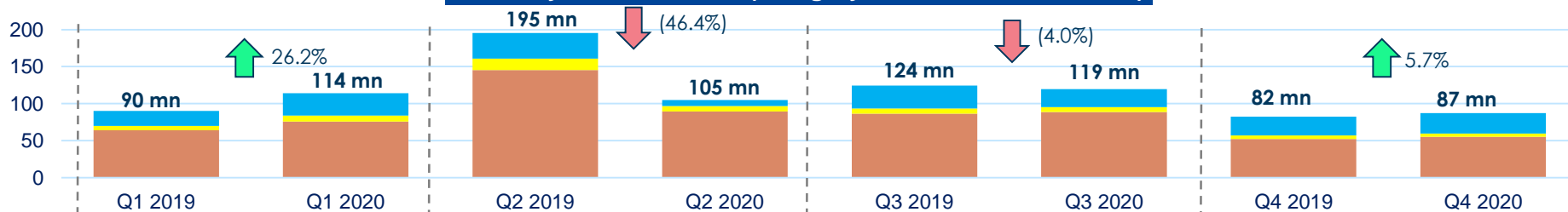
Exceptional items – Impairment of plant and equipment:

- The exceptional items amounting to Rs. 665.29 mn during the year 2020 represents provision for impairment in the value of certain plant and equipment, glass bottles & plastic shells.

Performance Highlights (Q4 & CY 2020 and CY 2019)



Quarterly Sales Volumes (Category-wise million unit cases)



Period	Q1 2019		Q1 2020		Q2 2019		Q2 2020		Q3 2019		Q3 2020		Q4 2019		Q4 2020	
CSD	64	71%	76	67%	145	74%	89	85%	86	69%	89	74%	52	63%	55	63%
Juice	6	6%	8	7%	15	8%	8	7%	7	6%	6	6%	5	6%	4	5%
Water	20	23%	30	26%	35	18%	8	8%	31	25%	24	20%	25	31%	28	32%

Consolidated Profit & Loss Statement

Particulars (Rs. million)	Q4 2020	Q4 2019	YoY(%)	2020	2019	YoY (%)
1. Income						
(a) Revenue from operations	13,513.4	12,395.4	9.0%	65,557.9	72,484.6	-9.6%
(b) Excise Duty	204.5	192.9	6.0%	1,056.5	1,188.8	-11.1%
Net Revenues	13,308.9	12,202.5	9.1%	64,501.4	71,295.8	-9.5%
(c) Other income	55.7	359.8	-84.5%	369.7	425.3	-13.1%
2. Expenses						
(a) Cost of materials consumed	5,490.2	5,708.2	-3.8%	26,885.1	29,395.6	-8.5%
(b) Purchase of stock-in-trade	163.4	420.2	-61.1%	925.9	4,237.3	-78.1%
(c) Changes in inventories of FG, WIP and stock-in-trade	(349.7)	(689.1)	49.2%	(171.6)	(1,438.6)	88.1%
(d) Employee benefits expense	2,317.3	2,236.4	3.6%	8,897.4	8,108.2	9.7%
(e) Finance costs	619.9	790.6	-21.6%	2,811.0	3,096.4	-9.2%
(f) Depreciation and amortization expense	1,346.7	1,368.5	-1.6%	5,287.0	4,886.3	8.2%
(g) Other expenses	3,965.4	3,369.3	17.7%	15,946.0	16,516.8	-3.5%
Total expenses	13,553.3	13,204.1	2.6%	60,580.8	64,802.0	-6.5%
EBITDA	1,722.3	1,157.5	48.8%	12,018.6	14,476.5	-17.0%
3. Profit/(loss) before tax and share of profit in associate (1-2)	(188.6)	(641.8)	70.6%	4,290.3	6,919.1	-38.0%
4. Share of profit in associate	-	0.2		-	43.6	
5. Exceptional items	-	-		665.3	-	
6. Profit (Loss) before tax (3+4-5)	(188.6)	(641.6)	70.6%	3,625.1	6,962.7	-47.9%
7. Tax expense	(116.2)	(102.1)	13.8%	52.3	2,240.7	-97.7%
8. Net profit (loss) for the period (6-7)	(72.4)	(539.5)	86.6%	3,572.7	4,722.1	-24.3%

Consolidated Balance Sheet

Particulars (Rs. million)	31-Dec-20	31-Dec-19
Equity and liabilities		
Equity		
(a) Equity share capital	2,886.9	2,886.9
(b) Other equity	32,353.1	30,397.3
(c) Non-controlling interest	647.9	306.8
Total equity	35,887.9	33,591.0
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	19,796.2	23,553.8
(ii) Other Financial Liabilities	244.4	0.0
(b) Provisions	2,039.1	1,703.4
(c) Deferred tax liabilities (Net)	2,259.4	2,825.1
(d) Other non-current liabilities	7.3	8.2
Total non-current liabilities	24,346.4	28,090.4
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	7,138.6	4,671.5
(ii) Trade Payables	5,113.9	4,776.6
(iii) Other financial liabilities	8,543.5	10,258.1
(b) Other current liabilities	3,182.9	2,044.9
(c) Provisions	331.7	299.8
(d) Current tax liability	38.9	152.0
Total current liabilities	24,349.5	22,202.9
Total liabilities	48,695.9	50,293.3
Total Equity and liabilities	84,583.8	83,884.3

Particulars (Rs. million)	31-Dec-20	31-Dec-19
Assets		
Non-current assets		
(a) Property, plant and equipment	58,271.9	58,925.0
(b) Capital work in progress	668.2	638.2
(c) Goodwill	242.3	242.3
(d) Other intangible assets	5,572.0	5,623.1
(e) Investment in associates		
(f) Financial assets	419.1	454.4
(g) Deferred Tax Assets (Net)	110.2	128.5
(h) Other non-current assets	1,303.4	1,154.0
Total non-current assets	66,587.1	67,165.5
Current assets		
(a) Inventories	9,288.0	8,815.1
(b) Financial assets		
(i) Trade receivables	2,418.0	1,725.6
(ii) Cash and cash equivalents	1,045.6	1,379.7
(iii) Other bank balances	854.9	331.1
(iv) Loans	100.2	69.4
(v) Others	1,670.0	2,189.8
(c) Current tax assets (Net)	102.2	10.2
(d) Other current assets	2,517.9	2,198.0
Total current assets	17,996.8	16,718.8
Total assets	84,583.8	83,884.3

Discussion on Financial & Operational Performance

Net Revenues / Sales Volumes

- Revenue from operations (net of excise / GST) grew by 9.1% YoY in Q4 2020 to Rs. 13,308.9 million. With faster-than-expected recovery witnessed across the territories, VBL managed to close the pandemic-hit year with a decline of 9.5% in revenue from operations to Rs. 64,501.4 million in CY 2020 as against a 41.6% revenue decline during its peak quarter of Q2 2020.
- Total sales volumes (organic) were up by 5.7% YoY at 87.1 million cases in Q4 2020. For CY 2020, total sales volumes declined by 13.7% YoY to 425.3 million cases and organic sales volumes declined by 20.8% primarily because of decline in Q2 2020 where volumes declined by 46.4% due to lockdown restrictions imposed by Govt. of India.
- Realization per case improved by ~4.8% in CY 2020 due to favorable mix and improvement in realization in the international markets. CSD constituted 72.6%, Juice 6.3% and Packaged Drinking water 21.1% of total sales volumes in CY 2020.

EBITDA / Gross Margins

- EBITDA increased by 48.8% to Rs. 1,722.3 million in Q4 2020. EBITDA margins improved by 346 bps in Q4 2020 as compared to Q4 2019. We were able to sustain certain cost-optimisation measures implemented during the pandemic that enabled us to report improved profitability in Q3 & Q4. For CY 2020, EBITDA decreased by 17.0% to Rs. 12,018.7 million from Rs. 14,476.5 million in CY 2019.
- Gross margins improved by 472 bps during Q4 2020 and 231 bps in CY 2020 primarily due to favorable PET chips prices (~12.5% decline) and higher mix of CSD.

PAT

- Losses reduced significantly to Rs. (72.4) million in Q4 2020 from Rs. (539.5) million in Q4 2019 backed by strong performance in International territories. For CY 2020, however, PAT decreased by 24.3% to Rs. 3,572.7 million primarily because of 64.7% decline in Q2 2020 due to lockdown restrictions imposed by Govt. of India.
- Depreciation decreased by 1.6% during the quarter, however it increased by 8.2% in CY 2020 as the effect of acquisition of South & West India sub-territory was w.e.f. 1st May, 2019 in the base year.
- Finance Cost declined by 21.6% during Q4 2020 and by 9.2% in CY 2020 due to repayment of debt as well as lower average cost of borrowing.

Discussion on Financial & Operational Performance

Debt / Credit Rating

- Net debt stood at Rs. 30,158 million as on Dec 31, 2020 as against Rs. 32,461 million as on Dec 31, 2019. Debt : Equity ratio stood at 0.84x and Debt : EBITDA ratio stood at 2.51x as on Dec 31, 2020.
- CRISIL (an S&P Global Company) has reaffirmed the credit rating for long term debt as CRISIL AA and for short term debt as CRISIL A1+

Capex

- During CY 2020, net capex included
 - ~Rs. 3,200 mn primarily towards brownfield expansion at certain plants in India, Zimbabwe and acquisition of assets for value added dairy beverages in Zambia.
 - ~Rs. 2,000 mn for expansion primarily at Bharuch, Sricity and Tirunelveli plants from investment fund received from PepsiCo in CY 2019
 - ~Rs. 400 mn towards capitalization on implementation of Ind AS116 for leases

Working Capital

- Working capital days increased marginally to ~ 31 days as on Dec 31, 2020 due to lower sales volumes.

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 2020. Total cash outflow for dividend payout was Rs. 721.7 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 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).



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.

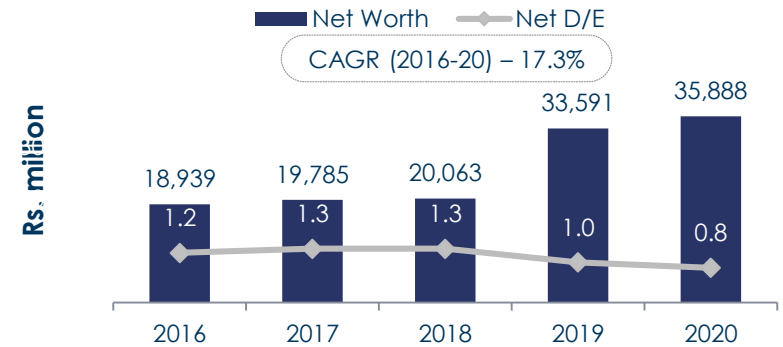
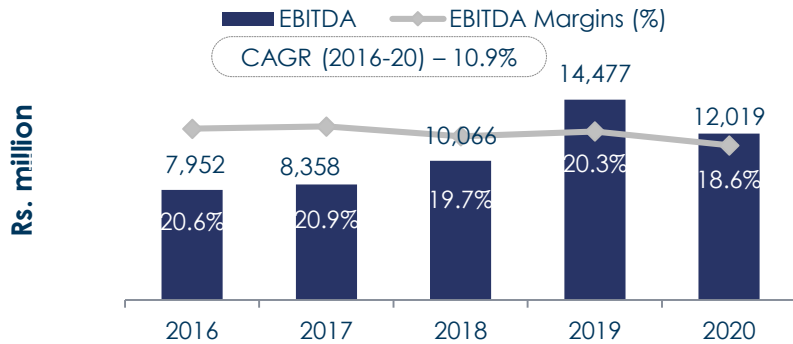
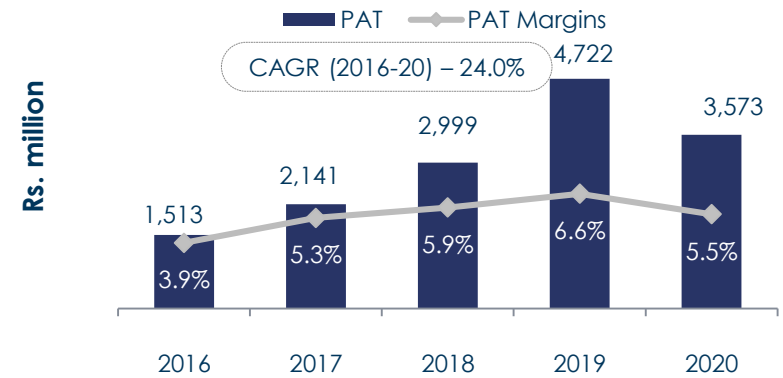
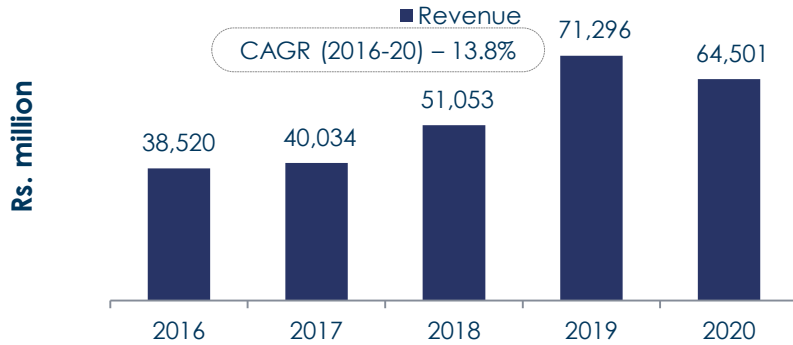
Lockdown restrictions due to COVID-19 pandemic resulted in decline in sales volumes and consequently, the water consumption in CY20 is lower than previous year. Hence, the water recharge ratio is higher than usual.

Key findings of the report:

Parameter	Jan'20-Dec'20 (Provisional)	Jan'19-Dec'19 (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 –2020)



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

Varun Beverages Limited (VBL) Q4 & CY 2020 Earnings Conference Call

Time • 04:00 pm IST on Tuesday, February 16, 2021

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

Local access number • +91 70456 71221

International Toll Free Number

- Hong Kong: 800 964 448
- Singapore: 800 101 2045
- UK: 0 808 101 1573
- USA: 1 866 746 2133

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, 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 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 ~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!
