



# 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

November 3, 2020

To

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Email: corp.relations@bseindia.com <b>Security Code: 540180</b>	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 <b>Symbol: VBL</b>
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**Sub: Regulation 30: Presentation on Unaudited Financial Results of the Company for the Quarter and Nine Months ended September 30, 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 Unaudited Financial Results of the Company for the Quarter and Nine Months ended September 30, 2020.

The same is also being uploaded on website of the Company at [www.varunpepsi.com](http://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

November 03, 2020



*(a PepsiCo franchisee)*



# Varun Beverages Limited


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Q3 & 9M 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) 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.



- 1 Company Overview
- 2 Chairman's Message
- 3 Q3 & 9M CY 2020 Results Overview
- 4 Sustainability Initiatives
- 5 Performance Highlights

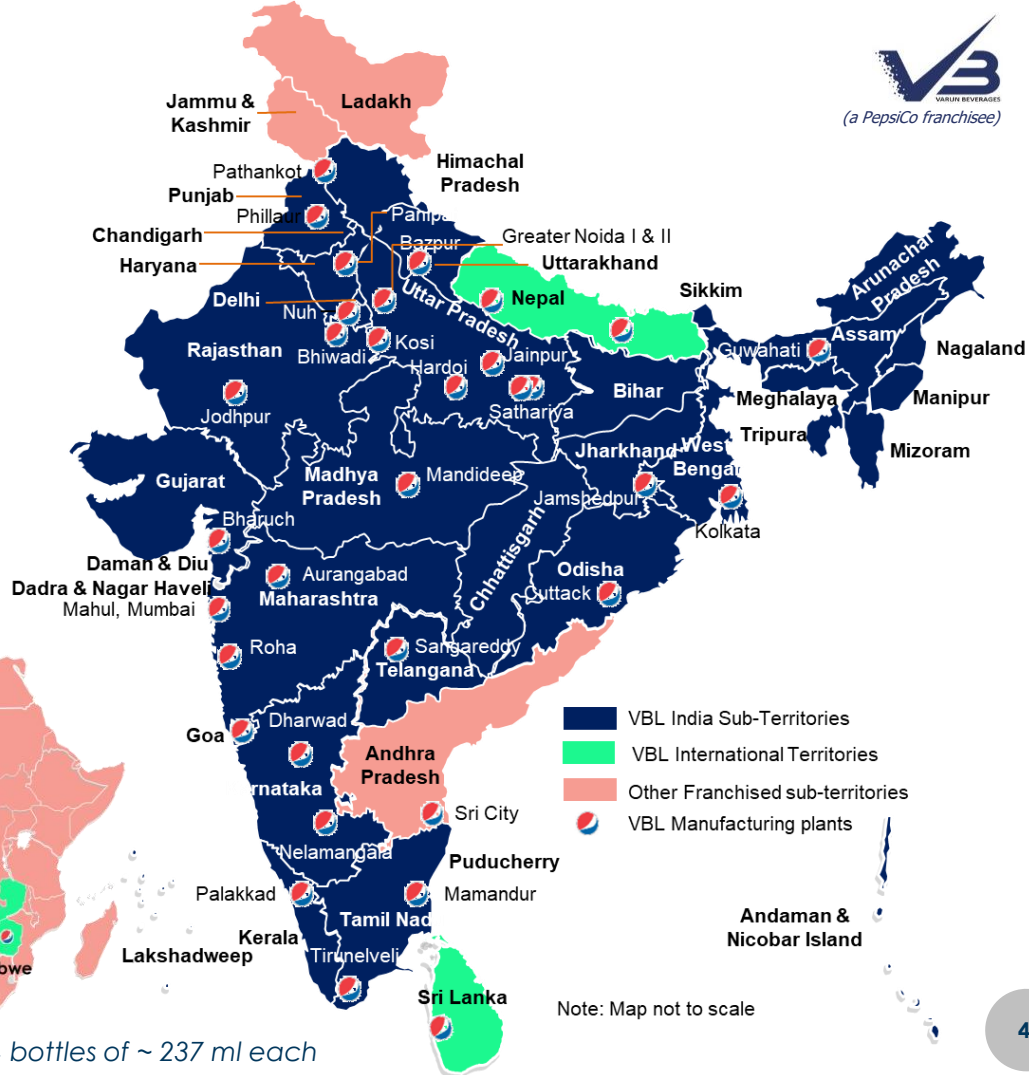
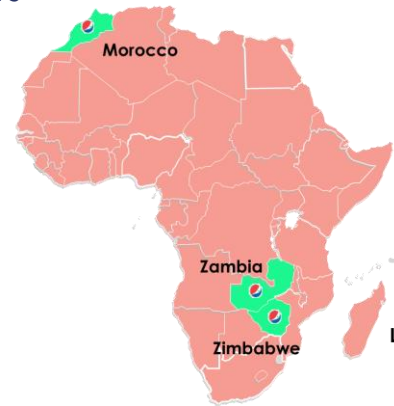
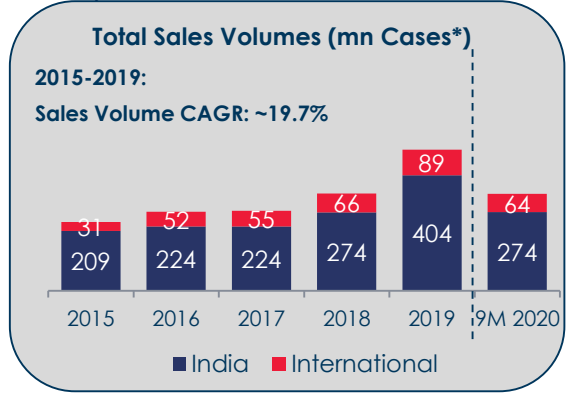
# Company Snapshot



## 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.

# 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;"><b>MANUFACTURING</b></p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4; text-align: center;">Concentrate (PepsiCo)</div> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4; text-align: center;">Other Raw Materials</div> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4; text-align: center;">Bottling</div> </div>	<ul style="list-style-type: none"> <li>▪ 37 state-of-the-art production facilities</li> </ul>	<p style="text-align: center;">----&gt;</p> <div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center; font-weight: bold;">SOLID INRASTRUCTURE</div>
<p style="text-align: center;"><b>DISTRUBUTION &amp; WAREHOUSING</b></p>	<ul style="list-style-type: none"> <li>▪ 90+ depots</li> <li>▪ 2,500+ owned vehicles</li> <li>▪ 1,500+ primary distributors</li> </ul>	<p style="text-align: center;">----&gt;</p> <div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center; font-weight: bold;">ROBUST SUPPLY CHAIN</div>
<p style="text-align: center;"><b>CUSTOMER MANAGEMENT</b></p>	<ul style="list-style-type: none"> <li>▪ Installed 775,000+ visi-coolers</li> <li>▪ VBL - local level promotion and in-store activation</li> <li>▪ PepsiCo - brand development &amp; consumer marketing</li> </ul>	<p style="text-align: center;">----&gt;</p> <div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center; font-weight: bold;">DEMAND DELIVERY</div>
<p style="text-align: center;"><b>IN-MARKET EXECUTION</b></p>	<ul style="list-style-type: none"> <li>▪ Experienced region-specific sales team</li> <li>▪ Responsible for category value/volume growth</li> <li>▪ Responsible for reaching out to every 6<sup>th</sup> person in the world</li> </ul>	<p style="text-align: center;">----&gt;</p> <div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center; font-weight: bold;">MARKET SHARE GAINS</div>
<p style="text-align: center;"><b>COST EFFICIENCIES</b></p>	<ul style="list-style-type: none"> <li>▪ Production optimization</li> <li>▪ Backward integration</li> <li>▪ Innovation (packaging etc.)</li> </ul>	<p style="text-align: center;">----&gt;</p> <div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center; font-weight: bold;">MARGIN EXPANSION</div>
<p style="text-align: center;"><b>CASH MANAGEMENT</b></p>	<ul style="list-style-type: none"> <li>▪ Working capital efficiencies</li> <li>▪ Disciplined capex investment</li> <li>▪ Territory acquisition</li> </ul>	<p style="text-align: center;">----&gt;</p> <div style="background-color: #e53935; color: white; padding: 10px; border-radius: 10px; text-align: center; font-weight: bold;">ROE EXPANSION / FUTURE GROWTH</div>



## Commenting on the performance for Q3 & 9M CY 2020, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

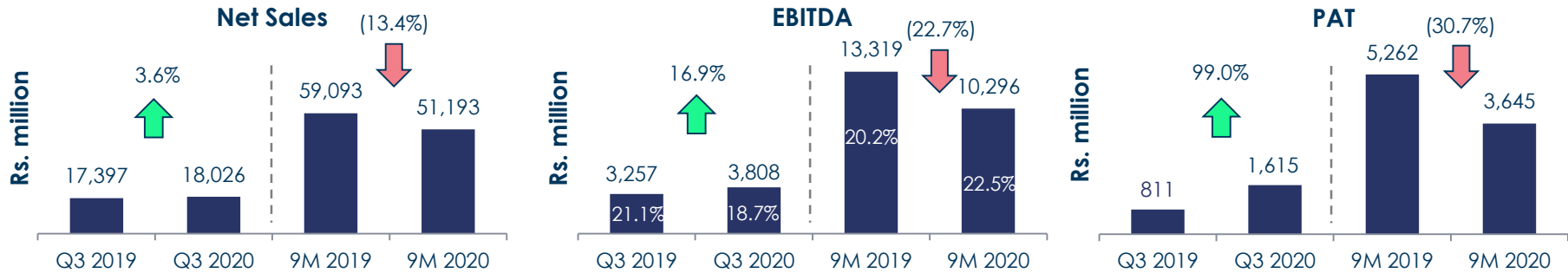


We are pleased to report steady results during the quarter supported by higher mix of better realization products and rationalized trade promotions leading to 3.6% growth in Net Revenues. As the country moved into the unlock phase, we witnessed healthy recovery in demand in the second half of the quarter, especially from rural & semi-urban areas. This enabled us to restrict sales volume de-growth at 6.7% YoY in India. Our international territories saw faster than expected recovery in consumption and registered a 5.8% YoY volume growth during the quarter. So on a consolidated basis, we reported a marginal de-growth of 3.6% in volumes. In addition, we were able to sustain certain cost-optimisation measures implemented during the pandemic that enabled us to report improved profitability in Q3.

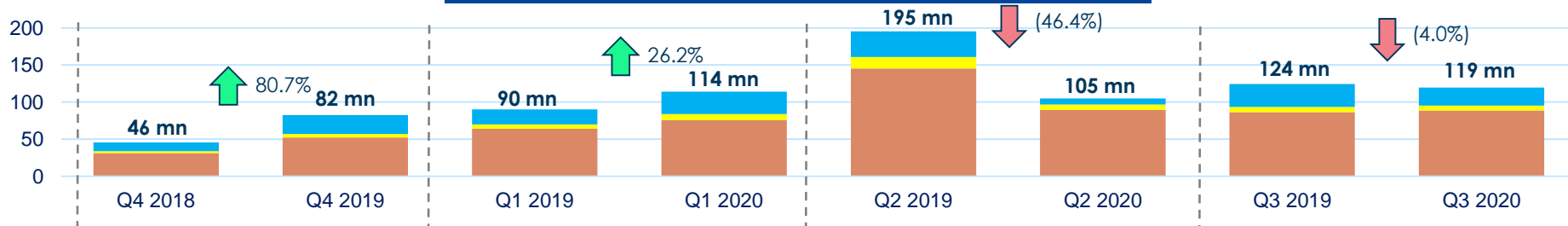
Our well-oiled distribution model consisting of owned-logistics supply chain and end-to-end infrastructure facilities has held us in good stead in such challenging times. During the quarter, we have further fortified this strength across sub-territories. With the reopening of theatres, restaurants, mass transportation and outdoor facilities, we are seeing an encouraging revival in demand on a month-to-month basis. On the back of our solid distribution network, we believe, we are well-positioned to address this growth in consumption.

As we look ahead, buoyant rural and semi-urban demand owing to widespread monsoons, should lead to a broad-based economic recovery in the months ahead. In addition, the upcoming festivities and various support measures announced by the Government to boost consumption and spending further bode well for our product categories over the medium-to-longer term. On the whole, we are confident of delivering encouraging growth in sales and performance in the quarters ahead.

# Performance Highlights (Q3 & 9M CY 2020 and CY 2019)



## Quarterly Sales Volumes (Category-wise million unit cases)



Period	Q4 2018		Q4 2019		Q1 2019		Q1 2020		Q2 2019		Q2 2020		Q3 2019		Q3 2020	
CSD	31	69%	52	63%	64	71%	76	67%	145	74%	89	85%	86	69%	89	74%
Juice	3	6%	5	6%	6	6%	8	7%	15	8%	8	7%	7	6%	6	6%
Water	12	25%	25	31%	20	23%	30	26%	35	18%	8	8%	31	25%	24	20%

# Consolidated Profit & Loss Statement

Particulars (Rs. million)	Q3 2020	Q3 2019	YoY(%)	9M 2020	9M 2019	YoY (%)
1. Income						
(a) Revenue from operations	18,395.1	17,768.6	3.5%	52,044.5	60,089.2	-13.4%
(b) Excise Duty	368.8	371.2	-0.7%	852.0	995.9	-14.4%
<b>Net Revenues</b>	<b>18,026.3</b>	<b>17,397.4</b>	<b>3.6%</b>	<b>51,192.5</b>	<b>59,093.3</b>	<b>-13.4%</b>
(c) Other income	34.7	18.0	92.8%	314.0	65.4	379.9%
2. Expenses						
(a) Cost of materials consumed	7,618.9	6,676.7	14.1%	21,394.9	23,687.3	-9.7%
(b) Purchase of stock-in-trade	163.5	584.7	-72.0%	762.4	3,817.1	-80.0%
(c) Changes in inventories of FG, WIP and stock-in-trade	227.5	210.2	8.2%	178.2	(749.5)	-123.8%
(d) Employee benefits expense	2,295.7	2,296.5	0.0%	6,580.0	5,871.8	12.1%
(e) Finance costs	579.6	867.4	-33.2%	2,191.2	2,305.8	-5.0%
(f) Depreciation and amortization expense	1,345.9	1,273.4	5.7%	3,940.3	3,517.8	12.0%
(g) Other expenses	3,912.8	4,372.7	-10.5%	11,980.6	13,147.5	-8.9%
<b>Total expenses</b>	<b>16,143.9</b>	<b>16,281.5</b>	<b>-0.8%</b>	<b>47,027.6</b>	<b>51,597.8</b>	<b>-8.9%</b>
<b>EBITDA</b>	<b>3,807.9</b>	<b>3,256.6</b>	<b>16.9%</b>	<b>10,296.4</b>	<b>13,319.2</b>	<b>-22.7%</b>
3. Profit/(loss) before tax and share of profit in associate (1-2)	1,917.1	1,133.9	69.1%	4,478.9	7,561.0	-40.8%
4. Share of profit in associate	-	22.4	-100.0%	-	43.4	-100.0%
5. Exceptional items	-	-	NA	665.3	-	NA
<b>6. Profit before tax (3+4-5)</b>	<b>1,917.1</b>	<b>1,156.2</b>	<b>65.8%</b>	<b>3,813.6</b>	<b>7,604.3</b>	<b>-49.8%</b>
7. Tax expense	302.4	345.0	-12.4%	168.6	2,342.8	-92.8%
<b>8. Net profit for the period (6-7)</b>	<b>1,614.7</b>	<b>811.2</b>	<b>99.0%</b>	<b>3,645.0</b>	<b>5,261.6</b>	<b>-30.7%</b>

# Discussion on Financial & Operational Performance

## Net Revenues / Sales Volumes

- Revenue from operations (net of excise / GST) grew by 3.6% YoY in Q3 2020 to Rs. 18,026.3 million. Realization per case improved by ~8.0% in Q3 2020 essentially on account of higher mix of CSD and rationalized trade promotions.
- With faster than expected recovery happening across the territories, VBL has registered a growth of 5.8% in the International geographies during the quarter. In India also, normalcy has returned back in the business with September month registering a growth of 12.9% as compared to same month last year.
- Total sales volumes were down 4.0% YoY at 119.5 million cases in Q3 2020 as compared to 124.5 million cases in Q3 2019. Sales volumes in India were down 6.7% YoY at 91.5 million cases in Q3 2020 as compared to 98.1 million cases in Q3 2019.
- CSD constituted 74%, Juice 6% and Packaged Drinking water 20% of total sales volumes in Q3 2020.

## EBITDA / Gross Margins

- EBITDA increased by 16.9% to Rs. 3,807.9 million in Q3 2020 from Rs. 3,256.6 million in Q3 2019. EBITDA margins improved by 241 bps in Q3 2020 as compared to Q3 2019. We were able to sustain certain cost-optimisation measures implemented during the pandemic that enabled us to report improved profitability in Q3.
- Gross margins declined by 149 bps during Q3 2020 primarily due to increase in mix of promotional packs like Pepsi PET 1,250 ml, Sting PET 250ml, etc.

## PAT

- Depreciation increased by 5.7% on account of capitalization of Slice 200ml tetra lines and lease accounting under IndAS116.
- Finance Cost declined by 33.2% on account of QIP done by the Company in Sep, 2019, repayment of debt during the year and average cost of borrowing reducing significantly to ~7%.
- PAT increased by 99.0% to Rs. 1,614.7 million in Q3 2020 from Rs. 811.2 million in Q3 2019.

# 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 was recycled. During 9M CY20, 25,000+ MT of used PET has been recycled (~47% of PET resin used).



## 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 TÜV 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 32 manufacturing plants (including 9 plants acquired w.e.f. May 01, 2019) of VBL in India which it operated during the period Jan’19-Dec’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.

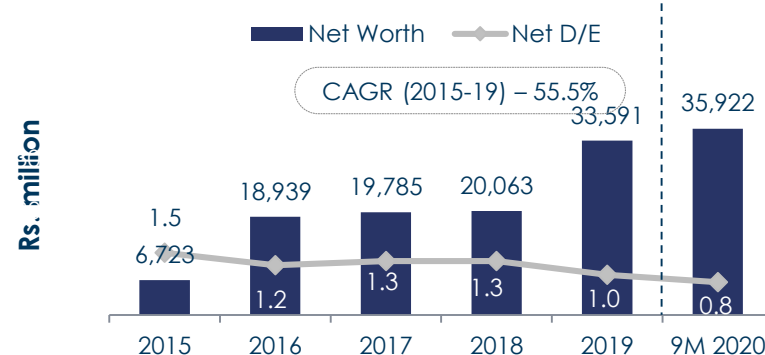
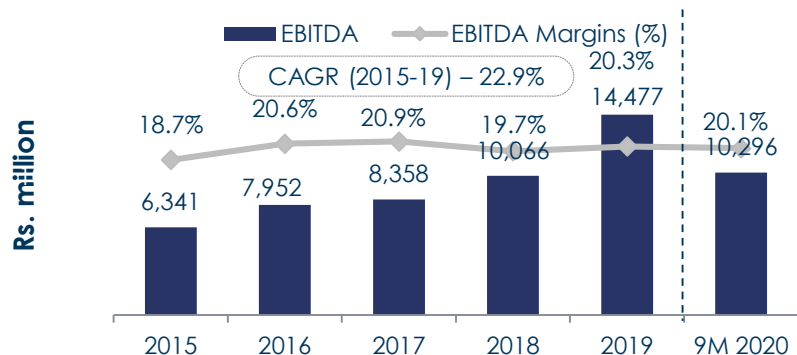
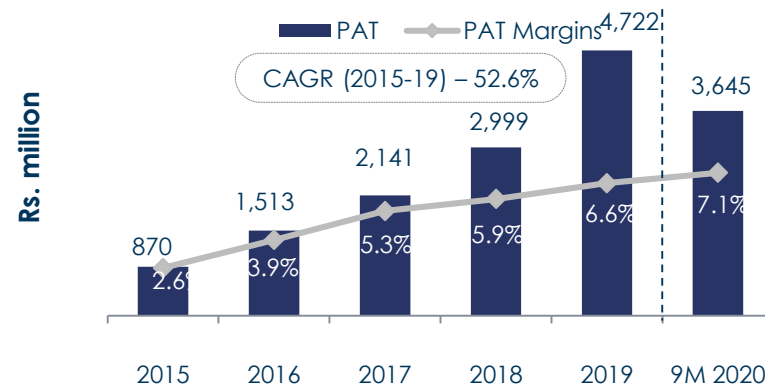
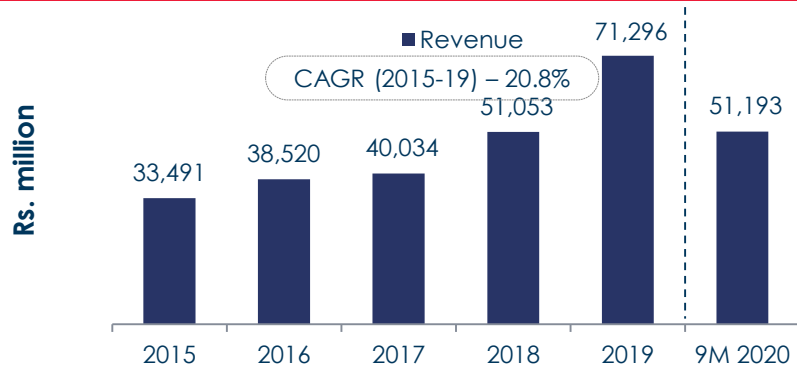
While the water consumption of 9 plants acquired on May 01,2019 has been considered from May’19-Dec’19 in the calculations, the credit of water recharge initiatives related to these plants has not been considered at all as the agreements for such initiatives were entered into prior to the transfer.

## Key findings of the report:

Parameter	Apr’18-Mar’19 (Audited)	Jan’19-Dec’19 (Audited)
Water consumption	2.91 mn KL	4.12 mn KL
Water recharge	4.96 mn KL	7.22 mn KL
Water recharge ratios	1.7 times	1.8 times
No. of ponds adopted	64	103
Total area of adopted ponds	0.9 mn sq. m.	1.51 mn sq. m.
No. of trees planted	26,000 +	26,500 +



# Performance Highlights (2015 – 9M 2020)



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
- Net Worth and Net Debt / Equity for 9M 2020 are calculated as per management estimates.

## Varun Beverages Limited (VBL) Q3 & 9M CY 2020 Earnings Conference Call

**Time** • 4:00 pm IST on Tuesday, November 03, 2020

**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) 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](http://www.varunpepsi.com) or contact:*

Raj Gandhi / Deepak Dabas

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**Thank You!**

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