



VARUN BEVERAGES LIMITED



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

October 29, 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 Nine Months ended September 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 Nine Months ended September 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



October 29, 2021



(a PepsiCo franchisee)


Varun Beverages Limited

Q3 & 9M 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.

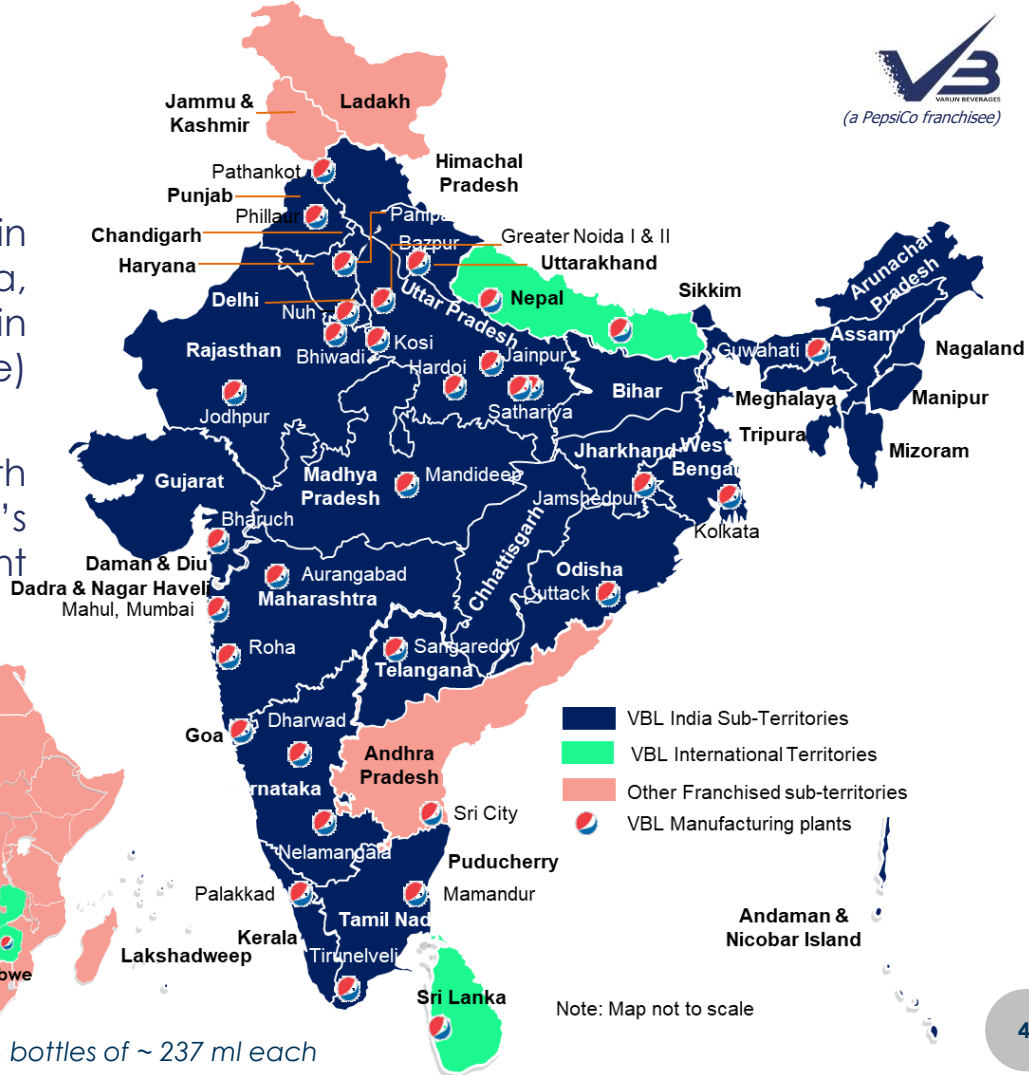
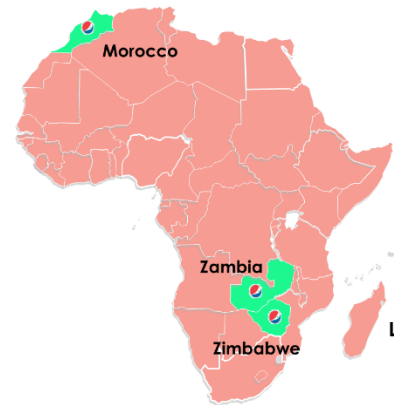
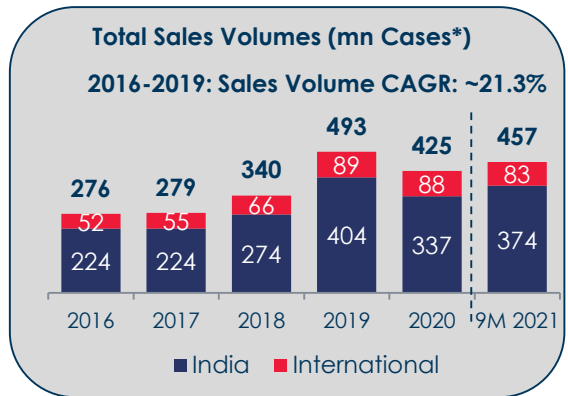


- 1 Company Overview
- 2 Chairman's Message
- 3 Q3 & 9M CY2021 Results Overview
- 4 Sustainability Initiatives
- 5 Performance Highlights

Company Snapshot



- * **Key player** in the beverage industry
- * Operations spanning across **6 countries** – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contribute ~**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 Q3 & 9M CY2021, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

"We are delighted to share that we have reported a robust performance during the quarter, delivering a top line growth of 33% and a PAT growth of 60% YoY. The results were supported by strong volume growth of 28% driven by uptick in demand across markets. Even on a 2-year CAGR basis, our organic volumes were higher by 11%. Wide vaccination coverage in the country along with resumption in day-to-day activities supported demand momentum in the domestic markets.

On the profitability front, we were able to maintain a healthy EBITDA margin of 21% during the quarter backed by higher operating leverage despite an increase in raw material prices. While the industry practice is that any input cost increase is passed on, we have also worked on our cost efficiencies. For example, we are undertaking measures to light weight PET preforms. This will not only assist us in reducing costs in the near-term, but the benefits would be structural in nature. We are continuously monitoring the input prices to sustain our margin that will enable us to further strengthen our position in the beverage industry.

In addition, we continued to reduce our debt as well as rate of interest which helped us in improving our net profit margin during the quarter.

Following easing of lockdown restrictions and improving macro trends, we witnessed enhanced traction in the domestic demand environment which exceeded pre-pandemic levels. Out-of-home consumption registered an uptick driven by increase in travel and resumption in offices.

On the whole, we remain optimistic on the demand environment, given improving macros, onset of festive season and a growing sense of normalcy across domestic and international markets."

Key Developments

Credit Rating

- CRISIL (an S&P Global Company) has reaffirmed the long term rating for bank loan facilities as CRISIL AA/Positive (Outlook revised from 'Stable' to 'Positive') and reaffirmed for short term instruments as CRISIL A1+.

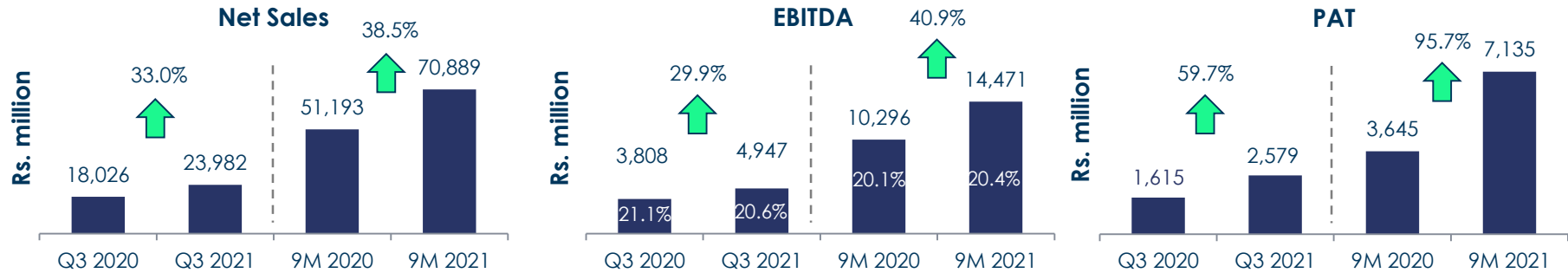
Reversal of Provisions in Zimbabwe

- During the quarter, an amount of Rs. 200 million from the total foreign currency provisions in Zimbabwe was reversed due to corresponding reduction in the total foreign currency liability in Zimbabwe.

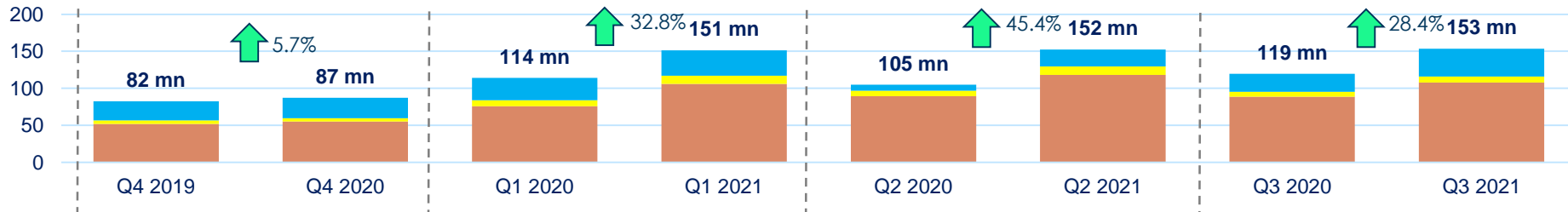
GST Update

- The Directorate General of Goods and Services Tax Intelligence ("DGGI"), Ahmedabad, has concluded their review and determined liability of GST on some of the trade discounts treating them as reimbursements resulting in an incremental impact for the quarter of Rs. 408 million plus Interest etc. Company has decided not to contest this interpretational matter and settle the same.

Performance Highlights (Q3 & 9M CY 2021 and CY 2020)



Quarterly Sales Volumes (Category-wise million unit cases)



Period	Q4 2019		Q4 2020		Q1 2020		Q1 2021		Q2 2020		Q2 2021		Q3 2020		Q3 2021	
CSD	52	63%	55	63%	76	67%	106	70%	89	85%	118	78%	89	74%	108	70%
Juice	5	6%	4	5%	8	7%	11	7%	8	7%	11	7%	6	6%	8	5%
Water	25	31%	28	32%	30	26%	34	23%	8	8%	23	15%	24	20%	37	25%

Consolidated Profit & Loss Statement

Particulars (Rs. million)	Q3 2021	Q3 2020	YoY(%)	9M 2021	9M 2020	YoY (%)
1. Income						
(a) Revenue from operations	24,404.34	18,395.14	32.7%	71,933.55	52,044.52	38.2%
(b) Excise Duty	422.76	368.80	14.6%	1,044.60	852.01	22.6%
Net Revenues	23,981.58	18,026.34	33.0%	70,888.95	51,192.51	38.5%
(c) Other income	369.34	34.77	962.2%	670.71	314.03	113.6%
2. Expenses						
(a) Cost of materials consumed	10,813.98	7,618.93	41.9%	31,711.52	21,394.85	48.2%
(b) Purchase of stock-in-trade	362.74	163.51	121.8%	1,228.65	762.48	61.1%
(c) Changes in inventories of FG, WIP and stock-in-trade	146.79	227.49	-35.5%	(331.67)	178.15	NA
(d) Employee benefits expense	2,662.08	2,295.67	16.0%	7,478.91	6,580.03	13.7%
(e) Finance costs	426.88	579.63	-26.4%	1,474.06	2,191.19	-32.7%
(f) Depreciation and amortization expense	1,384.92	1,345.94	2.9%	4,019.89	3,940.28	2.0%
(g) Other expenses	5,049.44	3,912.84	29.0%	16,330.77	11,980.57	36.3%
Total expenses	20,846.83	16,144.01	29.1%	61,912.13	47,027.55	31.7%
EBITDA	4,946.55	3,807.90	29.9%	14,470.77	10,296.43	40.5%
3. Profit/(loss) before tax and share of profit in associate (1-2)	3,504.09	1,917.10	82.8%	9,647.53	4,478.99	115.4%
4. Exceptional items	-	-		-	665.29	
5. Profit (Loss) before tax (3-4)	3,504.09	1,917.10	82.8%	9,647.53	3,813.70	153.0%
6. Tax expense	925.09	302.37	205.9%	2,512.91	168.57	1390.7%
7. Net profit (loss) for the period (5-6)	2,579.00	1,614.73	59.7%	7,134.62	3,645.13	95.7%

Discussion on Financial & Operational Performance

Sales Volumes / Net Revenues

- Strong volume growth of 28.4% YoY to 153.3 million cases in Q3 CY2021 as compared to 119.5 million cases in Q3 CY2020. Over a 2-year period the organic CAGR was 11.0% for the same quarter.
- Revenue from operations (net of excise / GST) grew by 33.0% YoY in Q3 CY2021 to Rs. 23,981.6 million primarily because of robust volume growth over last year and higher realization on a consolidated basis.
- Realization per case improved by 3.6% to Rs. 156.4 per case in Q3 CY2021 driven by higher realizations in international territories despite increase in share of water in the overall mix.
- CSD constituted 70%, Juice 5% and Packaged Drinking water 25% of total sales volumes in Q3 CY2021.

Gross Margins / EBITDA

- Gross margins declined by 278 bps YoY during Q3 CY2021 primarily because of increase in pet prices (~18%) and marginal increase in sugar prices (~2%) in India.
- EBITDA increased by 29.9% to Rs. 4,946.6 million in Q3 CY2021 from Rs. 3,807.9 million in Q3 CY2020. The Company was able to maintain a healthy EBITDA margin of 20.6% in Q3 CY2021 despite a decline in gross margin because of operating leverage on account of higher volumes

PAT

- PAT increased by 59.7% to Rs. 2,579.0 millions in Q3 CY2021 from Rs. 1,614.7 million in Q3 CY2020 led by higher volume growth and additional saving in finance cost.
- Finance cost in Q3 CY 2021 declined by 26.4% to Rs. 426.9 million from Rs. 579.6 million in Q3 CY2020 as the Company continued to reduce its debt and lower its average cost of borrowing.

Sustainability Initiatives – PET Recycling

VBL consumed ~ 78,500 MT PET resins for its finished product during 9M CY2021. 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 9M CY2021, 46,700+ MT of PET waste was recycled (~59% of the PET resin consumed) as compared to 25,000+ MT during 9M CY2020 (~47% 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.

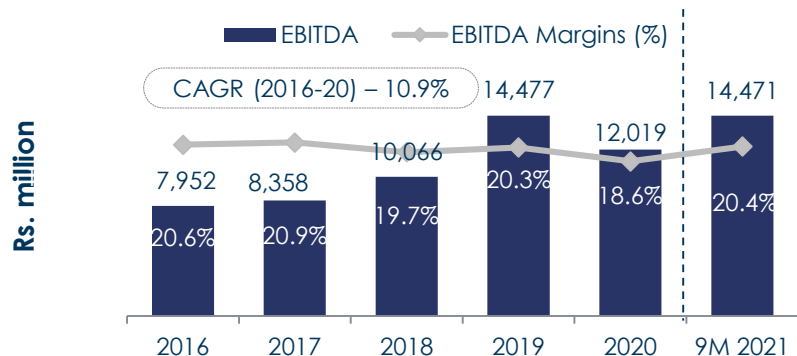
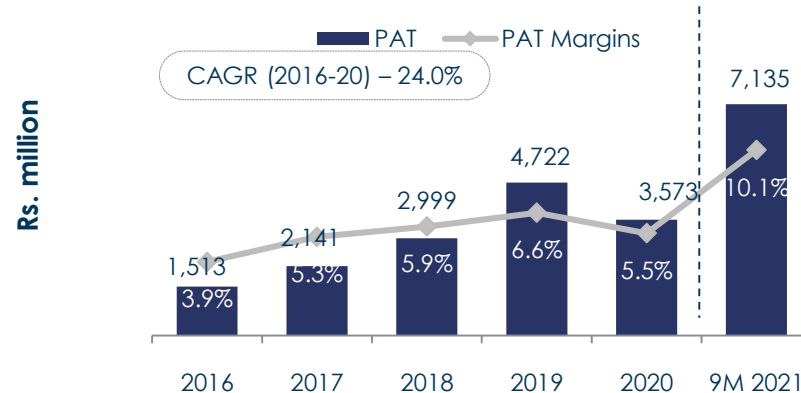
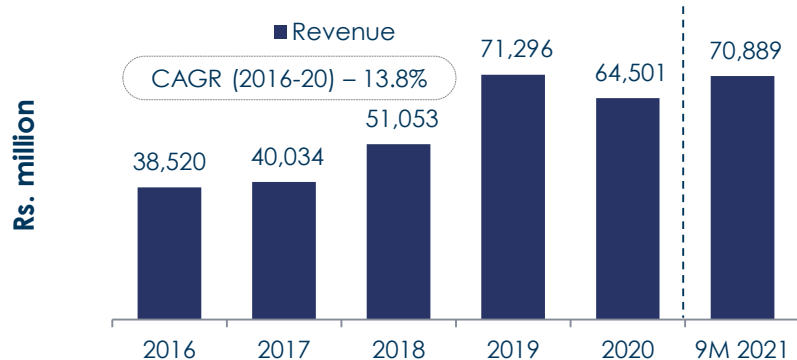
Lockdown restrictions due to COVID-19 pandemic resulted in decline in sales volumes and consequently, the water consumption in CY20 is lower than previous year. Hence, the water recharge ratio is higher than usual.

Key findings of the report:

Parameter	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 – 9M 2021)



Note:

- 2017 onwards financials are as per Ind AS and previous year numbers are as per IGAAP
- Net Worth and Net Debt / Equity for 9M 2021 are calculated as per management estimates.

Varun Beverages Limited (VBL) Q3&9M CY 2021 Earnings Conference Call

Time • Friday, October 29, 2021 at 2:15 PM IST

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

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, Mountain Dew Ice, 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, 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!
