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August 10, 2023

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**

Sub: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: Transcript of Investors & Analysts Conference Call

Dear Sir / Madam,

Transcript of Investors & Analysts Conference Call held on August 3, 2023 i.e. post declaration of Unaudited Financial Results of the Company for the Quarter and Half Year ended June 30, 2023 is enclosed.

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

You are requested to take the above on record.

Yours faithfully,
For Varun Beverages Limited

RAVI BATRA
Digitally signed by RAVI BATRA
Date: 2023.08.10 13:56:40 +05'30'

Ravi Batra
Chief Risk Officer & Group Company Secretary

Encl.: As above

Varun Beverages Limited

Q2 & H1 CY2023 Earning Conference Call

August 03, 2023

Moderator: Ladies and gentlemen, good day, and welcome to Varun Beverages Limited - Earning Conference Call.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Anoop Poojari from CDR India. Thank you.

Anoop Poojari: Good afternoon, everyone and thank you for joining us on Varun Beverages- Q2 CY2023 earnings conference call.

We have with us Mr. Ravi Jaipuria – Chairman of the Company, Mr. Varun Jaipuria – Executive Vice Chairman and Whole-time Director, and Mr. Raj Gandhi – Group CFO and Whole-time Director of the Company.

We will initiate the call with opening remarks from the management, following which we'll have the forum open for a question-and-answer session. Before we begin, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the results presentation shared with you earlier.

I would now like to invite Mr. Ravi Jaipuria to make his opening remarks.

Ravi Jaipuria: Good afternoon, everyone and thank you for joining us on our earning conference call. I hope all of you had the opportunity to go through our results presentation that provides details of our operational and financial performance for the second quarter and full year ended June 30, 2023.

We have delivered a resilient performance in the quarter despite facing a soft demand environment in India due to abnormally high unseasonal rain throughout the quarter. Our consolidated revenue grew by 13.3% during the quarter, with our international territory showing strong momentum. Furthermore, sales volume growth and improvement in realization per case contributed to 20.8% and 25.3% improvement in our EBITDA and PAT performance during Q2, respectively.

Our newly established greenfield plants and brownfield manufacturing lines have become operational in line with our commitment to meet the increasing demand.

Especially for our juice and value-added dairy products, we are currently in the process of establishing greenfield facilities in the states of Uttar Pradesh, Maharashtra, and Odisha. These new facilities, along with the upcoming facility in DRC, are expected to be fully operational before the next season. Further, we have incorporated a new subsidiary in South Africa to explore the business of manufacturing and distribution of beverages.

We remain firmly committed to minimizing our environmental impact and promoting a greener, more sustainable future. In line with our sustainability mission, we are pleased to share that we have recently introduced 100% recycled PET bottles for Pepsi Black in certain sub-territories. As a partner of PepsiCo, we take immense pride in actively participating in the transformative initiative and collaborating to build a greener future for generations to come. Moreover, we are delighted to share that VBL has recently received esteemed recognition of "PepsiCo's International Bottler of the Year 2022". This outstanding accomplishment further validates VBL's commitment to operational excellence, strong governance principles, and sustainability endeavors. We are pleased to share that in line with our dividend policy, the Board of Directors has approved an intrinsic dividend @ 25% of the face value, Rs. 1.25 per share.

While we witnessed slower than anticipated demand due to unseasonal rains, we remain optimistic about our full-year performance, especially considering the low seasonality in our business following the integration of west and south territories. As we move forward, we will continue to capitalize on our position as a key player in the beverage industry and focus on strengthening our capabilities in line with customer performance. We are confident this approach will translate into sustainable value for all stakeholders.

I would now invite Mr. Gandhi to provide the highlights of the operational and financial performance.

Raj Gandhi: Thank you, Mr. Chairman. Good afternoon and a warm welcome to everyone joining us today. Let me provide an overview of the financial performance for the second quarter and half year ended June 30, 2023.

Revenue from operations adjusted for excise/GST grew up 13.3% year-on-year in Q2 CY2023 to Rs.56,114 million. Sales volume grew by 4.6% to 314 million cases in Q2 CY2023 from 300 million cases in Q2 CY2022, driven by growth in international markets. Sales volume in India got affected due to abnormally high unseasonal rains throughout the quarter.

CSD constituted 73.9%, Juice based drinks 7.3% and packaged drinking water 18.8% of total sales volume in Q2 CY2023. In the Q2 CY2023, there was a notable improvement in net realization per case which increased by 8.3% to reach Rs. 179 per case. This improvement can be attributed to the continued increase in the proportion of smaller SKUs such as 250 ml in our portfolio compared to the corresponding quarter last year.

Our gross margins during the quarter improved by 196 basis points to 52.5% from 50.5%, mainly due to the softening of PET chip prices. As a result of higher gross margins and operational efficiencies, EBITDA also saw a notable increase of 20.8% to Rs. 15,110 million with EBITDA margin improving by 169 basis points to the level of 26.9% in Q2 CY2023.

Depreciation increased by 12.3% and finance cost increased by 49.5% in Q2 CY2023 on account of capitalization of assets and setting up of new production facilities. PAT increased by 25.4% to Rs.10,054 million in Q2 CY2023 from Rs. 8,020 million in Q2 CY2022, driven by growth in revenue from operations and improvement in margin.

As of June 30th, 2023, our net debt to Rs. 31,716 million showing a decrease from Rs. 34,096 million reported in December 31, 2022.

It's worth noting that the net debt figure includes approximately Rs. 9,000 million for CWIP and Capital Advances allocated for the CAPEX planned in Maharashtra, Uttar Pradesh, and Odisha for the CY2024 season. These investments are expected to drive our growth and expansion in key regions.

Our financial leverage remains solid and a debt-equity and debt EBITDA ratio stands at 0.48x and 0.96x respectively as of June 30th, 2023.

In H1 CY2023, the net CAPEX amounted to ~Rs. 19,000 million primarily for setting up new greenfield production facilities at Bundi, Kota, (Rajasthan), and Jabalpur, (MP) for approximately Rs. 8,500 million brownfield expansion at our six existing facilities in India for approximately Rs. 6,500 million and brownfield expansion in international markets of approximately Rs. 3,000 million and approximately Rs. 100 million towards land purchase for CAPEX in future years.

The net CAPEX includes capitalization of CWIP and Capital Advances amounting to Rs. 12,000 million which was outstanding as of December 2022. As of June 30th 2023, the CWIP and Capital Advances of Rs. 9,000 million are towards business expansion as stated in Maharashtra, UP, and Odisha. Working capital days increased to ~21 days as on 30th June 2023 from ~17 days as on June 30th 2022 due to untimely rains.

Overall, we are committed to maintaining a strong financial position and continuing to focus on our growth initiatives. At the same time, we are dedicated to optimizing our operational efficiencies, which we believe will ensure long-term sustainability and create value for our stakeholders.

On that note, I come to an end of the opening remarks and would like to now ask the moderator to open the forum for any questions or suggestions that you may have. Thank you.

Moderator: The first question is from the line of Vivek M from Jefferies.

Vivek M: First on international business, can you just highlight how different businesses have grown in this quarter?

Raj Gandhi: Internationally the growth is good in all our territories, like in the past. Luckily, they were not affected by the unseasonal rains. Anything specific you want to know, we can tell you, but otherwise, the progress is similar as in the past.

Vivek M: So, let's say the 27% volume growth is these geographies, let's say Morocco or others which have grown way faster than the others. Can you just highlight that piece?

Ravi Jaipuria: Our bigger territories, which are Morocco and Zimbabwe have grown faster.

Vivek M: And on South Africa, can you just elaborate on the next steps?

Ravi Jaipuria: South Africa, we have just formed a Company there. We are looking at what are the possibilities. I think it's a bit too early to say what is going to happen, but we are evaluating and seeing if this is a market, we would like to go in.

Vivek M: The other bit is on the CAPEX. Mr. Gandhi, what will be the second half or full year CAPEX number that we should work with?

Raj Gandhi: Basically, our endeavor will be that out of the three plants, which we have initiated for next season, at least one plant gets completed by December itself. Because in a normalized year when rains do not affect, we would not like to be in a situation where we are struggling for capacity. Moreover, there are certain products like Tropicana or milk-based value added dairy beverages, which are still to be launched in rest of India. So, we would like at least one out of the three plants to be operational in December. We have already completed capex for CY23 season which is ~ Rs. 1900 million. For the next year, we have already spent ~ Rs. 900 crore and we may spend 500-700 crore more in CY23 itself. The total capitalization for CY24 should be ~ Rs. 2,400-2,500 crore.

Vivek M: So, just to get it right, so let's say the first half you have done just under Rs. 1,800 crore. You are saying the second-half cash outflow on CAPEX will be about Rs. 500-600 crore from a cash flow perspective.

Raj Gandhi: Maybe ~ Rs.800-900 crore.

Vivek M: Where do you think Mr. Gandhi, where the peak debt settles at?

Raj Gandhi: In fact, the debts in the H1 have come down and may come back closer to the last year's debt by year end. With this we will have four incremental plants with us, three in India and one in DRC. So, basically, you see on an overall basis, all these four plants will be funded out of internal accruals.

Vivek M: So, what you're saying essentially let's say Rs. 3,600-3,700 crore is where the debt will peak at?

Raj Gandhi: Should be around that.

Vivek M: And the next one is on energy drinks. How was the quarter for energy drinks in Q2?

Raj Gandhi: Well, Vivek, as stated in the earlier calls, the exact numbers we will not be giving but trend-wise, the journey is continuing.

Vivek M: And lastly on the standalone business, if I look at there is no real operating leverage this time around, despite which let's say the margins are at about 28% or so and we have seen the past where we have done let's say 28.5%. So, had it not been for this poor volume growth, the margins could have been far better, probably let's say 30% ballpark. Is that a fair assessment?

Raj Gandhi: In EBITDA, there is a positive shift of 169 basis points at a consolidated level, this progress is primarily attributed to the reduction in commodity prices, particularly in PET, and the operating leverage during this quarter. If this upward trend had continued, as you rightly pointed out, potentially by an additional half a percentage point or its equivalent, we could have observed further enhancement.

Vivek M: What I was referring to was, let's say the standalone number. So, because your revenue growth is 7%, there is a gross margin expansion, for sure, but the growth has been somewhat lower than what I'm sure you would have been eyeing.

Ravi Jaipuria: You are correct. If the growth had been usual and the season had unfolded normally, we would have enjoyed a considerably improved margin. However, such outcomes cannot be precisely planned, and it's important to note that we do not assert this as a consistent long-term scenario. Our EBITDA margin guidance has consistently been in the range of 21%-22%, and we maintain that stance. Nevertheless, it's evident that a favorable season coupled with improved commodity prices can lead to a blip in margins.

Vivek M: If I can just follow up on that? That's exactly my point. So, if I extrapolate seasonality and full year number, your guidance is, I get a sense if we look at what your growth targets are, etc., the margins can be higher than what your guidance is.

Ravi Jaipuria: You're not missing anything. It's just that we don't like to give guidance better than that. If we have a good season and this Q2 is our biggest quarter, this margin will always be higher in this. On an annualized basis, 21%-22% EBITDA margin is reasonably high and that's what we'd like to say. Beyond that, we don't like to say. If we get a good commodity advantage or something better happens or a special season comes, we can do better.

Moderator: The next question is from the line of Percy Panthaki from IIFL.

Percy Panthaki: On Zimbabwe, now, for many years we have seen very robust, healthy growth in this market. So, can you help us understand that market a little bit in terms of what is industry growth? Who are the main players there and if you are growing faster than the industry who is really sort of growing at a slower pace to balance the equation out some flavor on that?

Ravi Jaipuria: Well, we think Percy, it's very difficult to understand that country given the high inflation and currency volatility. But it's a great country. We are seeing huge growth, very positive, and obviously, our main competition is the Red and we are growing faster in the market.

Percy Panthaki: But like anything that you are doing there which you would attribute your success to, I'm sure that you are gaining market share and you would have probably crossed the 50% kind of mark by now. So, is it that the other players are not very focused on that geography or something like that or are we doing something right which we can replicate in the other geographies maybe because we are not getting the same kind of market share gain in the other geographies also?

Ravi Jaipuria: We don't want to say they are not focused. We think, we are more focused.

Percy Panthaki: Just wanted to understand the CAPEX part, in the last call we had mentioned that on a full-year basis the CAPEX would be about Rs.1,500 crore and now that number is sort of going up by more than Rs.1,000 crore. It seems to be like on a cash flow basis the CAPEX will be more than Rs. 2,500 crore. So, what has really changed in this one quarter period for such a big difference?

Raj Gandhi: Percy, when we compare the numbers apples to apples, the Rs. 1,500 crore figure becomes Rs. 1,900 crore. The Rs. 2,500 crore figure we discussed pertains to the 2024 season. So, for this current year, the number is Rs. 1,900 crore. There's a difference of Rs. 400 crore due to the slightly higher capex in international subsidiaries and the land purchased in India for future projects.

Percy Panthaki: So, is this just a preponement of CAPEX that you would have planned over CY23 plus CY24 or is it that the total CAPEX of CY23 plus CY24 also will go up and not just this year's CAPEX?

Ravi Jaipuria: Every year there will be a CAPEX. What we are saying is we had said about Rs. 1,500 crore for CY2023 and Rs. 400 crore additional has happened which we just explained. Next year's CAPEX will be there again.

Percy Panthaki: And versus that Rs. 1,900 it seems more like this year will be Rs. 2,500-2,600 crore. So, that difference of about Rs. 500 to 600 crore what is the reason for that?

Raj Gandhi: That will not be capitalized in this year. Next year capex will be sitting in the balance sheet as CWIP. When we were reconciling the debt figures, that mention comes because out of 2024 CAPEX a part of which will be spent ahead of time.

Percy Panthaki: But this Rs. 1,500-crore number that you had given last quarter was also on a cash flow basis only or was it on a balance sheet basis?

Raj Gandhi: That was on a capitalization basis.

Moderator: The next question is from the line of Nihal Jham from Nuvama.

Nihal Jham: If you could give me the India volume first if that is possible.

Ravi Jaipuria: This quarter the India's volume growth has been very small.

Nihal Jham: The other thing was if I just look at versus the juices segment I see in a contraction, any specific reason for that happening?

Ravi Jaipuria: The primary reason is that our juice plant is located in the North, which primarily caters to the Northern region with Tropicana and dairy products. Due to heavy rains in the North, there was a decrease in demand. Ordinarily, we do not transport products from this plant to the south and west due to the high freight costs. This is precisely why we are establishing plants in Maharashtra and in the Eastern region, specifically in Gorakhpur. The excessive rainfall experienced in the North this year was an abnormal occurrence.

Nihal Jham: The next question was to the earlier questions on margins. We are currently having a flavor of how the raw material prices are playing out and historically we have increased our discounts to distributors ideally to drive volumes when margins have gone up. So, is that also a thought in the coming quarters that we want to say normalize the discounts, which were maybe taken down last year, and maybe that is one of the reasons we don't want to change our margin guidance too much.

Raj Gandhi: Discounts keep on getting adjusted. These are through marketing spends and schemes. Their commission structure doesn't change but over and above that there are a lot of incentives and those are performance based. If the volume goes up, they earn more incentives therefore more commission for them and if the volumes don't go up, they don't earn those extra incentives. Apart from the Company they have also co-invested with us in vehicles and other things. So, we are much better equipped through the distributor's infrastructure to face the next round of growth, maybe in the next quarters this year or in the next year.

Nihal Jham: Just one last question if I may. Given the way we've obviously turned around a lot of the territories and if I look at some of the awards that you've received, we do rank among the top bottlers from Pepsi's perspective. Now, where my question is coming from is that today while we found a subsidiary in South Africa and currently it is still a discussion that is currently happening. Are there other international geographies that we will simultaneously look at entering or it will mainly be that maybe right now we'll see how this discussion goes. Focus on maybe South Africa and Congo for the next few years and then look at whether we incrementally want to go ahead and move into other international territories, or it is as and when the opportunity comes, we look at taking them on.

Ravi Jaipuria: We are constantly discussing this with Pepsi. In India, we have already taken most of the territory and there's very little to grow in this except organically. So, any market which looks good, which is good for us, and Pepsi is willing to work with us on that, we are looking forward to it and expanding our territory.

Moderator: The next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: June quarter was obviously impacted, just wanted to check how is the situation now as there are still evidence of disruption from this part.

Ravi Jaipuria: Even in the disruptive quarter we have done well, so we are sure we'll do well again.

Devanshu Bansal: Second, we have been successful in bringing Gatorade to a very accessible price point of Rs. 20. So, firstly I wanted to check how difficult it is for the competition to bring this offering at this price point. And second if you could share the trends for our new growth drivers Gatorade, dairy and juices.

Ravi Jaipuria: So, our key growth drivers are energy drink and our juice product, which include Nimbooz, Tropicana, our value added dairy beverages, and Gatorade. So, these are the new products and our sugar-free drinks which are doing extremely well, which is 7Up and Pepsi Black. So, I think there are a lot of new categories which we are doing and doing extremely well and that's why we've been able to sustain in a bad quarter like this.

Devanshu Bansal: And from a distribution footprint perspective, all these new growth drivers, to what extent of our network are they currently available and what is the plan going ahead in terms of expansion?

Ravi Jaipuria: Dairy beverages are not available apart from North dairy and Tropicana is also more focused in the North right now because of our capacity being only in north which is going to change from next year's season. We'll have complete capacities available for West and South as well as East. So, there we see a major expansion for our non-carbonated beverages portfolio.

Devanshu Bansal: Lastly, just to understand this CAPEX bit better. So, in H1 we have done 1,900 crore which includes the CWIP that was created of about 1,200 crore. So, cash flow perspective it was about 700 crore in H1 one and then we have created another 900 crore of CWIP which amounts total 1,600 crore of CAPEX. But the amount that you are indicating is about 1,900 crore. For what purpose is this additional 300 crore that is going to be used?

Raj Gandhi: The breakdown of this has already been provided: Rs. 1,900 crore in total. Among these, Rs. 850 crore is allocated for the Rajasthan and Jabalpur plants, as detailed on slide 15. The brownfield expansion accounts for Rs. 650 crore, while Rs. 300 crore pertains to international subsidiaries. Additionally, Rs. 100 crore has been allocated for prepayment of lands intended for future plant constructions, because the acquisition of land takes a lot of time

Devanshu Bansal: I get that. I'm on that sheet itself. I wanted to understand the cash outgo for CY2023, so these mentions that in H1 we have done a CAPEX of Rs. 1,900 crore of which the cash outgo of 1,200 crore has already been done in CY2022. So, the actual cash outgo is Rs.700 crore in H1 and then we have additionally created the CWIP of Rs.900 crore. So, the total is Rs.1,600 crore but the number that we are giving is about Rs.1,900 crore. So, just wanted to in the second half what is this additional Rs. 300 crore

Raj Gandhi: CAPEX is defined on both capitalization basis as well as on the cash flow basis. Capitalization in H1 CY23 is Rs.1,900 crore and the cash outflow in H1 is Rs.1,600 crore.

Devanshu Bansal: These working capital days have increased to about 21 days. So, what is this, is this largely raw material or finished goods?

Ravi Jaipuria: It is partly both, finished as well as raw material because the season was not as planned and normally, we get rid of our goods by the end of June, this time we had to take it to July.

Moderator: The next question is from the line of Vatsal Dujari from CLSA.

Vatsal Dujari: My question is on the line of distribution reach, what is the progress in terms of number of outlets and Visi-Cooler infrastructure?

Raj Gandhi: We revise our presentation at year-end. The most recent number provided is 925,000+ for visi-coolers. We perform an annual update on this figure at the close of each year. Concerning the distributors network, we are reaching out to approximately 3.3 million retail outlets.

Vatsal Dujari: And in terms of the South Africa expansion, could you give us some sense of the size of the opportunity there in terms of how does it stack up versus the other international geographies you are currently present in?

Ravi Jaipuria: For now, we would only like to say that we are looking at the market and it's a bit too early. As soon as we have something concrete, we will get back to you.

Raj Gandhi: Otherwise, the industry size is approximately 50% of carved out share between us and our key competitor in India.

Moderator: The next question is from the line of Omkar Ghongade from Sri Investments.

Omkar Ghongade: My question was regarding once the entire CAPEX is done and all the new facilities are commenced, what kind of total revenue potential it can generate?

Raj Gandhi: With these new plants coming up, the thumb rule is whatever CAPEX we do, we can do revenue equivalent to ~1.8x – 2x of that once the plants are stabilized. So, if we do Rs. 2,900 cr capex, we can expect Rs. 5,500 or 5,800 cr revenue.

Omkar Ghongade: Around 2x asset turn you are expecting on this.

Raj Gandhi: That's right. The thumb rule is 1.8-1.9 times.

Omkar Ghongade: And a rough figure of how many million cases that would be servicing.

Raj Gandhi: Last year we did about 800 mn cases. This year in H1, we had 11% growth and if we are able to maintain same, we will reach around 900 mn cases.

Ravi Jaipuria: The capability is much more, but of course depends on the season and how it works because this quarter was very subdued. That's why it's not showing in the numbers. But otherwise, the capability of production is much higher than this.

Omkar Ghongade: So, that's what I'm asking. With the full capacity, how much is revenue potential?

Ravi Jaipuria: We won't be able to give you exact numbers. But we can produce reasonably high double-digit numbers.

Omkar Ghongade: With the expanded facilities, right?

Ravi Jaipuria: Absolutely.

Omkar Ghongade: Another question is on the product categories. If we look at the international markets where Pepsi Wild Cherry, Pepsi Mango, Pepsi without caffeine, these products are available. How do you decide to bring a new product to Indian markets or other markets?

Ravi Jaipuria: That depends. We work with Pepsi, and we bring products one by one what we think are going to work and the market is tested and after that we choose one product at a time because it must be marketed, it must be distributed. So, there are thousands of products available in the international market. It depends on what suits the Indian palette.

Omkar Ghongade: But any deciding factor on that? How do you choose it or what stops us from doing it?

Ravi Jaipuria: We test the products in smaller markets, see the feedback from the people before we put it across all markets. So, test markets are done and then after getting feedback from the reasonable quantum, then we decide what product will work in this market.

Omkar Ghongade: So, let's say out of 100% how many percent is currently available?

Ravi Jaipuria: There are hundreds of products. Every market has different products. Apart from the key product, which is Pepsi, Mirinda, 7-Up, and Mountain Dew, those are your basic key products. Otherwise, there are thousands of variants. Pepsi itself might have many variants.

Omkar Ghongade: So, as far as India is concerned, you would say that you have just scratched the surface. You can say that.

Ravi Jaipuria: You can say that.

Omkar Ghongade: Just wanted to know what's the progress on the dairy products, and what kind of growth you will be looking at there. As you said that it would be the next category that would lead to growth for the Company.

Ravi Jaipuria: It would be one of the categories that would bring growth because we are setting up new capacity, and it will be available in the West and South as well as East. But we are doing the same for some other categories also. So, production-wise next year we will have no shortfall like we had in 2022.

Omkar Ghongade: Any ballpark figure which you can give about the growth in the international markets, how much it was in volume terms?

Ravi Jaipuria: Again, these markets have done well. We are further enhancing some capacities where it is needed, and the markets are doing well. So, all our international markets are growing and doing well. We expect the same to continue.

Omkar Ghongade: Just one final question, the earlier participants have already asked about South African things, but just wanted to know what made you form the Company in South Africa then.

Ravi Jaipuria: South Africa looks like another big market after India. So, we are looking at it very seriously. But till we have something planned we can't tell you.

Omkar Ghongade: As Mr. Gandhi said, it's 50% bigger than India, right?

Ravi Jaipuria: No. We said it is approx. 50% of carved out share between us and our key competitor in India. It is not bigger than India but it's a large market and per cap consumption is much higher than India.

Omkar Ghongade: But what could be the size of the market if you compare with India?

Ravi Jaipuria: It is more than a billion-case market, so it's a large market.

Moderator: The next question is from the line of Satadru Chakraborty from Chakraborty Family Office.

Satadru Chakraborty: I first want to start with the bookkeeping question. What I see in the balance sheet, both for the consolidated and the standalone results, is that the trade receivables have almost doubled. I was curious what color you could paint around this. And is this happening because of international operations? Is this just the seasonality effect or am I putting emphasis on something which is not really a thing for you?

Raj Gandhi: Please note you are comparing Jun'23 receivables with Dec'22 receivables and as you rightly mentioned there is some effect of seasonality between these two periods. Also, looks like in the international market, the currency play may also be one of the reasons because international markets have performed well in this quarter. If you need more details, we can get back to you.

Satadru Chakraborty: The second question is, I think, a continuation of the question the previous participant asked. So, I'm more interested in the dairy based beverages field. I mean, you guys spoke on the manufacturing side, so that is good to hear. I was just curious on the physical distribution of this because I imagine that the life cycle for dairy based products is much shorter than carbonated drinks. And I also know that the competitive intensity specifically for dairy waste beverages are already high. So, what can you add to us around how your physical distribution model is and what do you see in the competition in the market going forward?

Ravi Jaipuria: Firstly, shelf-life is the same. Dairy-based products have rather longer shelf life than soft drinks. Our dairy-based products have six months shelf life, and there is no carbonation so there is no dilution of gas also. So shelf life is longer than soft drinks. Secondly, our distribution is the same as what we do, same trucks, the same distributors, and some people carry the product. And we have close to a million visi coolers, which are very easily accessible, and our dairy products go in that which nobody else in the dairy industry has. So, that's our biggest strength and that's what makes it easy for us to put our products on the market.

Satadru Chakraborty: So, you're saying the physical infrastructure for supply chain distribution is the same? There is no additional modification.

Ravi Jaipuria: There's no change at all.

Satadru Chakraborty: And the last question on this one is anything you can add on in terms of volume growth and realization specifically for this dairy-based product?

Ravi Jaipuria: Realization is higher. And what else did you want to know?

Satadru Chakraborty: Volume growth.

Ravi Jaipuria: We've already told you, we don't have capacity. Now we are tripling our capacity. So, we expect a good run next year.

Satadru Chakraborty: And how high is the realization? Are we speaking like 20-25, 50%?

Ravi Jaipuria: About 15% to 20% higher.

Moderator: The next question is from the line of Sanjaya Satapathy from Ampersand Capital.

Sanjaya Satapathy: A couple of questions. The first one is that the slower growth that we saw in quarter one is essentially because of the weather. But your commentary suggests that the weather is not particularly a factor for the rest of the year. So, should one assume that your double-digit growth will come back from quarter two?

Ravi Jaipuria: Well, we can't say. We have done well in most of the territories where the weather was not affected. So, hopefully, we see no reason why not, if the weather does not play spoil sport.

Sanjaya Satapathy: My second question is that you have taken so many steps to push better growth in Gatorade. Can you just give us some sense of how things are there and what are the outlook?

Ravi Jaipuria: We are looking very positively for Gatorade, but we think the real push will come from next year. This year we are just getting our products right and we have reduced the price, so now it's a product which a common man can afford, which was mainly for the niche before. So, we expect huge growth in it. But you will really see the traction next year.

Sanjaya Satapathy: What is more to do so that the traction will be there next year.

Ravi Jaipuria: We must plan. This is not produced in every unit of ours. There are specific units which only produce it and our capacities and our moulds, everything must be redone.

Sanjaya Satapathy: My question is that you are getting into not only you are expanding capacity in these two juices and dairy products, but you are also getting new territories. So, what will be your strategy to kind of gain market share?

Ravi Jaipuria: We are not getting any new territories in India. Indian territory is the same. There's no expansion in Indian territory.

Sanjaya Satapathy: States, you are not present in those states.

Ravi Jaipuria: Except these products are being added because we didn't have manufacturing capability to go there, we are not entering new States. We are just going to add these products in the existing territories where we are already in the distribution. We have the whole set up. We just have to add these products.

Sanjaya Satapathy: And no need for any branding or anything there.

Ravi Jaipuria: Of course, there is need for branding and that we will do, that's part of the launch. Whatever we are doing, branding will be there. There is already branding going on for this. Advertisements have started. It will be much more focused because we'll have capacity.

Sanjaya Satapathy: And that is coming by March next year.

Ravi Jaipuria: Next year.

Sanjaya Satapathy: It will be coming by March or a little earlier than that.

Ravi Jaipuria: Maybe a little earlier.

Moderator: The next question is from the line of Rakesh Roy from Omkara Capital.

Rakesh Roy: Sir, my first question is regarding a few years back you said you are not looking to expand your business in Africa but currently you are expanding your business in South Africa. Any reason, any change in strategy?

Ravi Jaipuria: When did we say we are not expanding our business in Africa. We have never said that.

Rakesh Roy: I think two years back you were saying not looking to expand your business in Africa, only we are looking to Zambia, Zimbabwe, and Morocco only.

Ravi Jaipuria: We have never said that. Sorry if there is some misunderstanding. Because after India and how will we inorganically expand otherwise.

Rakesh Roy: The next question regarding are we looking to expand our product portfolio in Africa also like dairy?

Ravi Jaipuria: Each country has a different market, and we must study the market and see what is practical for that category. So, we'll be expanding once we get our distribution there, whatever we can sell there, we will expand. We have the complete portfolio range available.

Rakesh Roy: Next question. Sir, recently PepsiCo declared their result. They increased their guidance from 8% to 10%. Sir, can we assume our second half or H2 will better than H1 or higher growth?

Ravi Jaipuria: During H1, our growth is already 11% in India.

Rakesh Roy: H2, we are looking for same growth 11%-12%?

Ravi Jaipuria: Well, we don't know, as we said, we can’t control weather, otherwise there's no reason why we should not grow. If you just control the rain Gods, we will take care of the rest.

Rakesh Roy: Last question, regarding, apart from Africa, any other territory or geography we are looking at where PepsiCo is doing the work the same as Africa we do?

Ravi Jaipuria: Right now, we are looking for expansion in Africa only and that too, wherever we get a good territory and it makes financial sense for us.

Moderator: The next question is from the line of Amit Purohit from Elara Capital.

Amit Purohit: Just on the international business, wanted to check, have we changed any distribution-led initiatives which is helping us to probably drive the growth even faster from here on? What is driving this very strong growth of almost 30% in volumes? The last two quarters have been slightly lower than this. So, just wanted to know that.

Ravi Jaipuria: Whatever practices work for us in our key country, India, and we feel can help us in other territories, Africa, or other regions, we try and replicate that and try and do the same. So, we are always finding new innovative initiatives, even for countries in Africa which are helping us.

Amit Purohit: And would you be able to share what would say two years back, what would be our reach in those markets compared to now? I understand that those markets are different, but still.

Ravi Jaipuria: Each country is different. It's very difficult to bifurcate between each country.

Amit Purohit: There is no seasonality much in these markets, right?

Ravi Jaipuria: There is seasonality. The only thing is it's a reverse seasonality. Their summers are November, December, and January.

Amit Purohit: And just on the India business juices part, wanted to understand would Tropicana and dairy would still be mid-single-digit of our total volumes. Is that fair right now?

Ravi Jaipuria: Yes, approximately. Maybe a little less, but very close. Juices and dairy should be 7%- 8% at least.

Amit Purohit: And in the international market right now, we are not looking to get into the juices part, right?

Ravi Jaipuria: We might, but right now, there's so much scope to do without that. Once we complete that, then maybe we'll look at it. Because we must also look at how much CAPEX we want to put at one time.

Moderator: The next question is from the line of Robert Lee from Cusana Capital.

Robert Lee: Just a question on South Africa. I'm interested in what particularly attracted you to that market and exactly what the CBD kind of market structure is there. I'm aware that has a position with Pepsi. I just wonder whether that's exclusive or whether you have other opportunities related to Pepsi there and how the broader competitive structure is in that market please.

Ravi Jaipuria: As we said, it's a bit too early as we're still looking at the market, talking to PepsiCo and our people are looking at the market. As soon as we have something planned or something happens, then we will come back and tell you what we are doing and when we would be doing it.

Robert Lee: Why South Africa, what's the attraction.

Ravi Jaipuria: That's the other large market in the southern part of Africa, we are in Zambia, Zimbabwe, which are very close to South Africa. So, we are looking at it, but now it's a bit too early nothing has been agreed, nothing has been finalized. So, we're still looking at the market and the conditions as PepsiCo market share is very weak there.

Moderator: The next question is from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar: Can you talk about any operational efficiency left post acquisition of South markets and any benefit of operational efficiency in H1?

Ravi Jaipuria: Absolutely there have been benefits in H1 and that's why you see that even when the North was completely rained out, we have been able to do better than last year, maybe very slightly, and our results have been better. It's because of the South, West and East. The North was completely washed out this quarter, which is the peak season for the North.

Sumant Kumar: But when we see the rainfall in some part of north side, is it still deficient, say Orissa, some pockets of north, Bihar, Odisha.

Ravi Jaipuria: North is no where deficient this year. Bihar is not in North. Bihar is in East.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investment.

Pritesh Chheda: This one thing which I missed in the call I don't know if it was covered this Rs. 1900 crore CAPEX that we are doing in which large part is India so in India how many cases capacity that we are adding and in that how much will flow to juices and water?

Ravi Jaipuria: We would not like to bifurcate it into cases because cases is a very complicated way of putting it as it depends what size of bottle you are making, each size has a different capacity. So, to summarize, the only thing is we will have more than enough capacities to support double digit and even further volume growth.

Pritesh Chheda: And we are constrained whatever, I'm listening to the call, we had limited capacity or constrained by capacity in juices and dairy, right?

Ravi Jaipuria: That's right.

Pritesh Chheda: So, these are specific capacities for juices and dairy and everything else is fungible.

Ravi Jaipuria: The soft drink lines are different and juice and dairy lines are different. So, in these plants we are adding juice and dairy lines also along with the soft drinks lines.

Pritesh Chheda: And this Rs. 1900 crore CAPEX, the asset turn in the CAPEX will be 2x or less than that.

Ravi Jaipuria: This is what we look at, approximately 2x.

Moderator: The next question is from the line of Jenish Karia from Antique Stock Broking.

Jenish Karia: First question is with regards to other income, why is there a sharp increase on a Y-o-Y basis?

Raj Gandhi: There are various components in this, like interest income, foreign exchange gain due to currency movement in subsidiaries, the majority of which we don't have control.

Jenish Karia: And the second question is about the recycled pet that we have started using in some of the products in some geographies. So, two questions about that. Firstly, what is the cost differential perspective for us? And secondly, how much of the product portfolio going ahead we target to use recycled pet?

Ravi Jaipuria: Well, long term we are looking at least 25% of mix from recycled PET. We've just started using it. As of now, the cost difference is very difficult to say because it's a very fluctuating market. It would depend on what's the raw material and fresh price are and depending on that, there will be a cost difference positive or negative.

Jenish Karia: So, any color with regards to the material that we had used in the quarter, with regards to virgin pet, how much premium or discounted we paid?

Ravi Jaipuria: That's what we're saying. We have just started using it. It's not even half a percent. So, it's too early to say. We have just tested it out.

Moderator: The next question is from the line of Onkar Gandurde from Sri Investment.

Onkar Gandurde: In terms of competition with the launch of Campa Cola, what competition and what kind of competition have you seen? What's the initial take on this?

Ravi Jaipuria: We think it's a bit too early. We must first see what they want to do. We are not aware of exactly what they are doing, how they approach the market. We think it's a bit too early.

Onkar Gandurde: You have said that the seasonality factor is no longer because of south and west integration. What exactly do you mean by that?

Ravi Jaipuria: The North seasonality is very skewed towards summer, whereas the rest of the country is not so skewed just in summer because even in the winter the weather is not so harsh. So, that is what we mean by seasonality.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for their closing comments.

Raj Gandhi: I hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications or would like to know more about the Company, please feel free to contact our Investor Relations team. Thank you once again for your interest and support. Look forward to interacting with you all soon

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