November 10, 2023

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| National Stock Exchange of India Ltd.<br>Exchange Plaza, Block G, C/1, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051<br>Email: cmlist@nse.co.in<br>**Symbol: VBL** | BSE Limited<br>Phiroze Jeejeebhoy Towers<br>Dalal Street, Mumbai – 400 001<br>Email: corp.relations@bseindia.com<br>**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 November 6, 2023 i.e. post declaration of Unaudited Financial Results of the Company for the Quarter and Nine Months ended September 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: 2023.11.10 14:07:18 +05'30'

**Ravi Batra**
**Chief Risk Officer & Group Company Secretary**

**Encl.:** As above

# Varun Beverages Limited
## Q3 & 9M CY2023 Earnings Conference Call
## November 06, 2023

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

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

**Anoop Poojari:** Thank you. Good afternoon, everyone and thank you for joining us on Varun Beverages Q3 and 9M CY2023 Earnings Conference Call. We have with us Mr. Ravi Jaipuria, Chairman of the company, Mr. Varun Jaipuria, Executive Vice Chairman and Wholetime Director and Mr. Raj Gandhi, Group CFO and Wholetime 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 for 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 Earnings 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 quarter and nine months ended 30th September 2023. We are pleased to report a robust quarter, achieving a top line growth of 22% and a PAT growth of 30% year on year.

Demonstrating remarkable resilience, our consolidated sales volume registered a solid growth of 15%, making a strong comeback following the unseasonal rain in Q2 CY2023 in India. Both our India and international markets contributed to this achievement with a healthy double-digit growth.

We have achieved notable progress on the operational front by making significant /investments to develop both Greenfield and Brownfield manufacturing facilities throughout India. In addition, our Greenfield facility in DRC is progressing well and is slated to be commissioned in the upcoming months. These strategic efforts are tailored to meet the rising consumption and to capture untapped market opportunities. As part of our commitment to diversifying and enhancing our portfolio, we are also enhancing our capacity for juices and value-added dairy beverages to align with evolving consumer demands.

As part of our long-term vision and in line with PepsiCo's global PEP+ objectives, we remain committed to sustainability and environmental stewardship. We are making investments that emphasize using green energy as well as reuse of PET, which will be instrumental in mitigating environmental impact. These endeavours are aligned with our pledge to the environment and reflect our ambition to nurture a greener future.

Given India's dynamic demographic landscape marked by a burgeoning young population and evolving consumption patterns, we believe the Indian beverage market offers a monumental growth opportunity for the decades ahead. As we intensify our foothold in India and expand our reach in Africa, our strategic initiatives are aimed towards strengthening our position in the global beverage industry.

I would now invite Mr. Gandhi to provide the highlights of the operation and financial performance. Thank you.

**Raj Gandhi:** Thank you, Mr. Chairman. Good afternoon and have a warm welcome to everyone joining us today. Let me provide an overview of the financial performance for the third quarter and the nine months ended 30th September 2023.

Revenue from operations adjusted for excise/GST grew by 21.8% year-on-year in the Q3 of CY2023 to the level of INR 38,705 million. Consolidated sales volume showcased a healthy resurgence, growing at 15.4% to 220 million cases in Q3 of CY2023, up from 190 million cases in the comparable quarter of the previous year. This was driven by growth in both Indian and international markets.

Notably, sales volumes within India demonstrated a strong recovery after facing demand challenges due to unseasonal rains in the preceding quarter. Furthermore, the net realisation per case rose by 5.6% to reach INR 176.3 per case, an upturn primarily driven by the improvement witnessed in the international markets. CSD constituted 72%, juice 5% and packaged drinking water at a level of 23% of total sales volume in Q3 of CY2023.

Our gross margins during the quarter improved by 163 basis points to the level of 55.3% from 53.7%, 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 26.2% to INR 8,821.4 million, with EBITDA margin improving by 79 basis points to 22.8% in the Q3 of CY2023.

Depreciation increased by 11.5% and finance costs increased by 38% in Q3 of CY2023 on account of capitalisation of assets and setting up of new production facilities. PAT increased by 30% to INR 5,140.6 million in Q3 of 2023 from INR 3,954.8 million in Q3 of CY2022, driven by growth in revenue from operations and improvement in margins.

During nine months of CY2023, the net capitalisation is ~ INR 20,000 million primarily for setting up of new greenfield production facilities in Bundi, Rajasthan and Jabalpur, MP at a cost of ~ INR 8,500 million and the balance for brownfield expansion in India and international markets. The total cash outflow on account of above capitalisation of ~ INR 20,000 million during the year was ~ INR 8,000 million. The balance ~ INR 12,000 million was paid during CY2022 in advance itself. Further, we have invested ~ INR 16,000 million during nine months of CY2023 for the next year primarily for the three greenfield plants in India at Gorakhpur - UP, Supa Partner - Maharashtra and Khorda - Odisha and one in DRC - Africa. Once commissioned, the combined capex for 2023 and 2024 taken together will increase the peak month capacity in India at a level of ~ 45% over 2022 capacity.

In conclusion, the company maintains a robust financial position supported by our well-funded strategic capex plans that are set to drive growth and enhance our position in the global beverage industry. We remain confident that it will lead to sustained strong performance and will continue to generate value for all our stakeholders going forward.

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:** We have a first question from the line of Vivek Maheshwari from Jefferies. Please go ahead.

**Vivek M:** Hi, Good afternoon, team. A few questions. First is on the gross margins, there is a sequential pickup. There is also a Y-o-Y, expansion quite a bit. And I heard your clarification and also saw the release where you mentioned about pet chips. What is your outlook for the next few quarters on gross margins? Do you think the current run rate, considering adjustments for mix, is expected to continue in the next few quarters?

**Ravi Jaipuria:** We feel so. Our key raw materials are pet chips and sugar. So between one of the two, one keeps on going up or down. So we expect our margins to be around 21%, which we have been maintaining regularly. And little bit up and down it keeps happening. But we are quite confident to maintain around this level going forward.

**Vivek M:** The second thing is on the volume growth. And, last quarter was a bit soft. This quarter again, growth is looking very strong. Mr. Jaipuria, when we look at and maybe may not necessarily be Apple to Apple comparison, but, generally speaking, FMCG companies are complaining about slowdown and, whole host of issues, whereas you have reported very strong growth and it's not that the base is low. What is differentiating your category vs most of the FMCG categories, in your view, because of which, you are still reporting a double digit growth, whereas most of the FMCG peers are struggling, to go past, let's say, 5%?

**Ravi Jaipuria:** We think there are two reasons for it. One, we are expanding our go-to market very aggressively, which maybe everybody is not doing as fast as we are doing. Secondly, with the power situation improving in the country, we have been able to penetrate much deeper into the rural. A lot of the other FMCG companies have said that rural is not growing fast enough for them and rural is rather stagnating for them, this is not the case with us because we've been able to penetrate further deeper because of better power supply. We've been able to put much more visi-coolers, this maybe relevant to our industry and not relevant to other industries.

**Varun Jaipuria:** I'll just add to that a little bit as well. There are ~ 12 million FMCG outlets out there in the country today and roughly we are going to about 3.5 million outlets. So, the scope to improve in terms of numeric distribution, as Mr. Jaipuria was mentioning, as electricity and the road gets better, that's one of the big reasons whereas, other FMCG companies are already at a higher distribution.

Secondly, a big unlock for us has been a price pack architecture, which we've played in the market very aggressively, giving more advantage to the consumer, where consumers can come and consume more at a similar value or pay a slightly higher value and get more quantity. India is a very value-conscious country, if you give the right value to the consumer and the right volume, you can really get some numbers going. So, all those have really helped us propel the growth as well.

**Vivek M:** Very interesting. I've never asked you this question in the past, but this time around, given there was so much of noise around these comments from Coke that they have their market share in India at a three-year high, does that mean that their growth is even faster than yours?

**Ravi Jaipuria:** Well, we can't comment on that, but we leave it to you guys to judge, there are numbers available from independent research agencies to check, but we don't get into that. We think they are doing a great job and we are trying to do a better job.

**Moderator:** We'll take our next question from the line of Percy Panthaki from IIFL. Please go ahead.

**Percy Panthaki:** Hi, congrats team on a good set of numbers. A couple of questions from my side. Firstly, I see that you have formed a subsidiary in Mozambique. Now, Mozambique is a geography which we were in earlier and exited, I think, in 2016 or 2017. So, what is the thought process here in terms of trying to get into a geography which we had earlier thought it is better to get out of? That's my first question, sir.

**Ravi Jaipuria:** The markets have changed in the last 6-7 years, and the markets have substantially grown in some of these African region territories. We have some surplus capacity in Zambia, and Mozambique is bordering Zambia. Borders are open and there is no duty between them.

So, what we are going to do is part of Mozambique which is near the borders of Zambia, we are going to start only a distribution system and use the additional capacity of Zambia that we have. And we have some can capacity excess in Zimbabwe. So, we are going to combine both of them and use this and get advantage of incremental volumes.

**Percy Panthaki:** My second question is on juices. So, our three drivers for growth which we had sort of articulated one quarter or two quarters back going ahead would be Gatorade, juices, and value added dairy beverages. So, if I look at juices, which is an important pillar in your future growth strategy, the volumes here on a Y-o-Y basis are flat. So, what is the reason for that performance right now? Is it something macro? And how do you think that this situation will improve and you will drive better growth going ahead?

**Ravi Jaipuria:** This situation has already started improving in the last quarter. But our biggest issue was juice, for which the second quarter which is April to June is a very big. Unfortunately, we had seen unseasonal rain and that whole quarter was a washout for us. And that affects the juice category comparatively higher. And if you see in Q3, Nimbooz, we have grown practically at ~100% even though we had a bad season this year. Gatorade has also grown at ~50% in Q3. For value added dairy, we didn't have additional capacity. So, we couldn't grow and hopefully in January when we'll have our other two plants ready, that's when the value added dairy's real growth will start coming.

**Percy Panthaki:** Sir, for juices, my question was pertaining to this quarter alone, not the April to June. I understand there was a seasonality there and therefore the growth did not come. But this quarter you have done very well in carbonated soft drinks but not so in juices. So, I just wanted to understand the reason for the difference in performance?

**Ravi Jaipuria:** Majority of juice sales occur between March and June, representing the largest percentage of our sales. Sales are not evenly skewed throughout the year. Unfortunately, these four months were a washout for us this year.

**Varun Jaipuria:** We think juices has seen a softer growth quarter-on-quarter at both industry and the retail level, whereas CSDs is growing much faster.

As a phenomenon, people start drinking juices much more in Q2 and they prolong to drink in Q3. The decline in juices sale during Q2 CY2023 might have affected the sales of Q3 in CY2023.

**Percy Panthaki:** Right. Understood. That's all from me. Thanks and all the best.

**Moderator:** We have our next question from the line of Nihal Mahesh Jham from Nuvama. Please go ahead.

**Nihal Jham:** Thank you so much and congratulations to the management. Sir, my first question was that in the international operations, we are seeing an improvement in realizations. Whereas domestic, I think because maybe the share of sting is flat, is maybe not seen as an increment. So, what is driving the improvement in the realization in the international business? Is there a product mix change that is happening there also?

**Ravi Jaipuria:** Well, in international markets, there is a slight product mix change, but basically our go-to market is improving. And lot of these markets which we have entered were very low share markets. And as we are capturing these markets with our go-to market, it is all helping us out. And with our share improving, our realization is also improving. And the mix is slightly improving in some of the categories.

**Nihal Jham:** The second question was that we had obviously given a guidance on the capex part of it that the second half of the year, our cash capex will be around INR 5,000 mn for the remaining part of CY2023. Just wanted to confirm that, where the expected outlook is or there is a revision to that?

**Raj Gandhi:** No, there is negligible capex for CY2023 in H2. It was around INR 1,000 million or even less than INR 1,000 million for the second part of the year. However, for CY2024, we have already expedited implementation of our projects. Out of the projected ~INR 25,000 million capex for CY2024, we've already spent ~INR 16,000 million this year so to be ready well ahead of time because seasonality keeps on changing. We now need to be prepared for the season from April to June due to increased demand from South and West regions, shifts in product mix, and an expanded territory. Therefore, we've expedited our plans. The guidance for CY2023, however, remains the same.

**Nihal Jham:** Mr. Raj, I just have one question if I could take it. While you were mentioning about depreciation being higher on a Y-o-Y level, despite us capitalizing capex. In Q2, I see that the depreciation on a Q-o-Q basis has not changed. Any certain assets which got written-off and not adding to the depreciation figure, just to clarify?

**Raj Gandhi:** Yes, the capex is marginally up, primarily because of the implementation of one plant in Jabalpur during the first half. The increase, when compared to the previous quarter, is marginal. However, if you compare it to CY2022, where it was at INR 1,111 million and now at INR 1,280 million on a standalone basis, it's in line with expectations due to the implementation of two additional plants.

**Moderator:** We have our next question from the line of Aditya Soman from CLSA. Please go ahead.

**Aditya Soman:** Hi, good afternoon. So just one question on seasonality. We've seen very pronounced seasonality in the business, with Q2 being very strong and the other quarters being somewhat lower. And now I understand Q2 being summer is likely to remain as the most important quarter. But do we expect a meaningful pickup in the other quarters as we see South India become more relevant? And can you just guide us through the timeframe of how that will play out over the next few years?

**Ravi Jaipuria:** If you see the numbers, Q3 and Q1 is becoming more significant than just being Q2, compared to when it used to be only North. So that is why even this year when we had very bad rains in the North, which is our big territory, we are still not negative. So the seasonality curve has already started changing. So going forward, even Q4 will see this shift. The percentage of every quarter is going to keep changing as South and West become more-and-more important to us.

**Aditya Soman:** I understand. So is it fair for us to then model that the other three quarters continue to grow sequentially much faster than the second quarter? Just mathematically.

**Ravi Jaipuria:** Mathematically, yes. But next year might be different because we had a bad summer this year.

**Aditya Soman:** Big base, yes. Yes, I understand for next year. But over the medium term, that would be a fair assumption.

**Ravi Jaipuria:** Yes. Absolutely.

**Moderator:** We have our next question from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

**Sumant Kumar:** So can you talk about how is the growth momentum of new product launches in the past one year? And how is the contribution in the quarter?

**Ravi Jaipuria:** All our new innovations including the newly launched Sting Blue have done phenomenally well for us. Gatorade is growing at ~ 50%. We have started pushing Nimbooz from this year which is also doing quite well. In value added dairy our capacities were a constraint, otherwise we could have grown much faster. However, from next year you will see a major change coming in the value added dairy business.

**Varun Jaipuria**: We have got a lot of innovation in the pipeline, especially in the no sugar portfolio. That has done extremely well for us. As Pepsi is moving towards a healthier portfolio, we are also promoting a lot of products in mid-calorie and no sugar segments. The no sugar portfolio has performed really well for us in the last 3-6 months.

**Sumant Kumar:** How is the performance of Sting?

**Ravi Jaipuria:** Sting has been extremely good. We are growing at a very healthy pace. And even the new Sting has done extremely well, which has added to the growth.

**Moderator:** We have our next question from the line of Jay Doshi from Kotak. Please go ahead.

**Jay Doshi:** Hi, thanks for the opportunity. I just want to clarify one data point that you shared in the opening remarks. Did I hear it correctly that you are going to expand India capacity by about 45% Vs CY22 end by next year?

**Ravi Jaipuria:** That is right.

**Jay Doshi:** This will be up and commissioned before the summer of CY24 or during the course of the year?

**Ravi Jaipuria:** Before the season of CY2024. That's why we have pre-spent this year in CY2023.

**Jay Doshi:** Understood. And could you share a similar number for international business as well, especially the expansion you are doing in Congo?

**Ravi Jaipuria:** In Congo, we are setting up a greenfield plant that will be ready only after next April-May . It's the first plant we are putting in Congo.

**Jay Doshi:** Correct. I meant to ask what would be your capacity in CY24 for international business Vs CY22 end?

**Ravi Jaipuria:** In India we have expanded wherever needed, so that we are not short of capacity for CY2024. In Africa we have already established our presence in Morocco, Zimbabwe and Zambia, where we have sufficient capacities, in both Nepal and Sri Lanka, we have ample capacities to meet our requirements.

**Jay Doshi:** Right. Just one final, could you give us some color on the opportunity that you see in Congo? How does it compare vs let's say Zimbabwe where you have seen phenomenal success and thousand crore plus top line last year? How big is the market opportunity in terms of the current capacity you are setting up? And I'm assuming Pepsi's market share in the market would be negligible today. So what are the dynamics in terms of market share?

**Ravi Jaipuria:** We think it's too early. Congo is geographically a very different country. It's a large market and with one plant, we can only serve around 55%-60% of Congo. If we want to serve the other part of Congo, we'll have to set up another plant.

Also Congo is a large market with more than 100 million population as compared to Zimbabwe with a population of 16 million people. Congo is near the equator and has much warmer climate. So the market is large, much larger than Zimbabwe.

**Jay Doshi:** One final one, if I may, and if you can share. Could you let us know the capacity at the greenfield plant, capacity that you're setting up in Congo? How big in terms of million cases?

**Ravi Jaipuria:** So it can do about between 35 to 40 million cases.

**Moderator:** We have our next question from the line of Onkar Ghugardare from Shree Investments. Please go ahead.

**Onkar Ghugardare:** Good afternoon. My question was regarding the volume growth. If you look at the Q3 2021 growth to Q3 2022 growth, it was around 24%. And in this year, the Q3 2022 to Q3 2023, it's around 15%. So is it largely because of the base effect or the markets haven't recovered fully because of the unseasonal rains?

**Ravi Jaipuria:** In Q3 CY2023, July was a reasonably bad washout for us, as the rains started much earlier than it normally starts. There were much heavier rains than normal, as a result it didn't recover in July. However, in August and September recoupment started well, we were able to come back with a 15% growth for the full quarter. Also, we were lapping over a high growth in CY2022 where we had a much larger growth. Both the things put together and if we had a decent July, we would have had a much better and a healthier growth.

**Onkar Ghugardare:** That's the combination of both you are saying?

**Ravi Jaipuria:** Both the things, yes.

**Onkar Ghugardare:** Okay, the second question is on the production. You just mentioned that before season you will be ready. So if you look at all the plants which you are setting up currently, may I know when they will be commencing the production?

**Ravi Jaipuria:** So, we said before next year season, which is March we expect all our plants to be in production.

**Onkar Ghugardare:** So whatever capex you are doing for those particular plants, all the plants will be ready before season. That's what you are saying, right?

**Ravi Jaipuria:** Yes, that's what we are hoping and expecting.

**Onkar Ghugardare:** Okay, just a small question. What is the current penetration level if you can see or tell in all three categories? I know it is very small as compared to other FMCG kind of products. But still, if you can give a number to that?

**Raj Gandhi:** In fact, as Varun mentioned, our reach today is up to ~3.5 million dealers out of the base of ~12 million. And also to increase the penetration every year, we are increasing the visi-cooler base. That's the starting point to reach to an outlet and make them agreeable to carry and sell our product. We got a big runway after the Sting, where we added 400,000 exclusive dealers. These dealers were never purchasing the goods from us earlier, and now after Sting, they have also started carrying our other products. Our reach is increasing by 200,000 - 300,000 stores year after year which is helping us in increasing our share. We have about 925,000 visi-coolers at present and are increasing our efforts to put more visi-coolers in coming years.

**Onkar Ghugardare:** Okay, one clarification which I need is that last time you mentioned that if you are doing around INR 29,000 million of capex, then you will be doing around 1.8 to 1.9 times asset turn that will be. So that's what we are expecting, right?

**Raj Gandhi:** Yes, it's INR 25,000 million. Once the plants reach full maturity and operate at full capacity, they will achieve a turnover of 1.8 – 1.9 times to fully utilize their capacity.

**Moderator:** We have a next question from the line of Sanjaya Satapathy from Ampersand Capital Investment Advisors, LLP. Please go ahead.

**Sanjaya Satapathy:** So my question is that your India business, the average selling price has not really grown like the way it used to. Like it used to go up like 5%, 7%.

**Varun Jaipuria:** At the pricing side we have dropped prices for a lot of our major packs, this in turn has resulted in a huge growth in terms of volumes as well as net revenue. However, That's why our revenue growth, if you're seeing, is in a high double digit.

That's why the revenue per case hasn't gone up, but your growth has gone up on an overall basis, which has made your profitability go up. So we've done a lot of pricing correction in Q3 with a lot of major packs. That's why you're not seeing a huge growth in the net realization per case has been similar as compared to what it was last year.

**Sanjaya Satapathy:** Understood. And is it something which is just a tactical and you will go back to a different pricing once business season improves?

**Varun Jaipuria:** The market is very competitive. It is a very agile and very fast-moving market. We hope this will improve going forward and we will increase our pricing. Our focus is how much growth can we drive in the market at a profitable level. And that's what we've been able to do in Q3, and as long we're able to deliver these results, at least in growth and profitability, we'll be pretty happy.

**Sanjaya Satapathy:** Understood. And the last question is that you're expanding this value added dairy and other business in a big way for next season. So will that have a positive bearing on your margin and ASP?

**Ravi Jaipuria:** Well, as we had said earlier, our value added dairy and juice margins are similar to our CSD margins. So with growth in these segments, our total portfolio will also expand. The margins are not going to materially change and are not expected to come down either.

**Sanjaya Satapathy:** The average selling price, will that improve because of change in mix towards dairy?

**Ravi Jaipuria:** As value added dairy is still too small to make a meaningful change in the overall portfolio, it is not going to affect the average selling price of the portfolio.

**Sanjaya Satapathy:** Understood. So if I can just ask the last thing, is there any progress on your South Africa side if you can just give us some update?

**Ravi Jaipuria:** Well, we are always looking forward to new territories, we have set-up a subsidiary in South Africa and let's see what happens in the future.

**Moderator:** Thank you. We have our next question from the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:** Thanks for the opportunity. Sir, we have seen that our Bihar capacity also sort of ran out in the first year itself. And you have talked about this 45% growth in capacity ahead of next year's summer season. So I wanted to check what is your expectation on full utilization of this capacity, as in can it be like we should be running out of this capacity by 2025?

**Ravi Jaipuria:** We want to be prepared for the normal season, however certain events occur because of the weather which plays an important role in our peak season. Therefore, if we experience a normal season, we should be utilizing a reasonable portion of our capacity.

**Devanshu Bansal:** Sir, for India business, gross margins have improved quite significantly. So I wanted to check, is it entirely due to lower PET prices or there is some component of mix change in this also because juice, etc, the mix is lower in this quarter. So is there a benefit coming from that front as well?

**Ravi Jaipuria:** Well, there is slight difference, mainly the mix of Sting which is a little more profitable for us has gone up in the overall portfolio.

**Varun Jaipuria:** Yes, so Sting is obviously a big contributor and is growing very well. But other than that we think our push is always towards more profitable product portfolio, and therefore we are pushing CSD more in the market, we have also done a better job in managing the discounts in the market, the PET prices have softened. All these initiatives have given us better margins.

**Devanshu Bansal:** Great, Varun. That's really encouraging. Actually, it seems more structural then. Also on the international front, the margin performance, the revenue growth has been quite impressive. But from margin perspective, things have been a bit on the volatile side. So I wanted to check the reason for this. And also what are the steps that we are taking for a sustainable margin performance in international operations as well?

**Ravi Jaipuria:** Actually, the margin contraction what you have seen is basically in Zambia because of the currency devaluation. Otherwise, in other places we have done well. It's basically one country where the currency has got devalued, where you are seeing a big gap. So this is part of doing business in the Africa region. It keeps happening, unfortunately, and that's why you go slow in Africa.

**Moderator:** We have our next question from the line of Deepak Singh from Hexaware. Please go ahead?

**Deepak Singh:** Thank you for taking my question. I want to know, like, you have acquired Lunarmech Technologies. So it is basically into computers. So what is the purpose of acquiring that company?

**Ravi Jaipuria:** That company is also making caps for us. It's a backward integration where we already held 55% shares, and from one of the shareholders we have been able to acquire additional 5% equity. So our equity has become 60% now. It's a backward integration to our own system.

**Moderator:** We have our next question from the line of Chintan Katare, an individual investor. Please go ahead.

**Chintan Katare:** Hello, sir. My only question is, please help me understand the trends of impact on your business from the likes of new entrants like Reliance's carbonated drinks, be it Campa Cola or any other soft drink brands that they are introducing. How do you see the trend of the impact?

**Ravi Jaipuria:** The market is growing at a pace where there is enough room for all the players to come in. We think every new person coming in has a chance to grow the market. Reliance is a formidable competition but they will have to put more investments, more plants, more visi-coolers and we are sure being Reliance, they will do a good job. The market is so large in India, with more investments the market will only grow much faster.

**Moderator:** We have a follow-up question from the line of Onkar Ghugardare from Shree Investments. Please go ahead.

**Onkar Ghugardare:** Can you help me out with the growth in the market, the number which you just mentioned, industry growth?

**Ravi Jaipuria:** We don't have exact percentage for industry growth, we are growing at a healthy double digit, and the market is growing at a similar percentage.

**Moderator:** We have our next question from the line of Ishmohit Arora from SOIC LLP. Please go ahead.

**Ishmohit Arora:** Thank you for taking my question. Just when it comes to our portfolio of energy drinks, do we have any plans of launching any new products like Rockstar or any new variants of things?

**Ravi Jaipuria:** Yes, there is a possibility. We are working with PepsiCo, and maybe next year we will launch another energy drink. We're not sure it will be Rockstar or what, but we are looking to launch one more energy drink next year.

**Ishmohit Arora:** And these products will be like in higher pricing range or will be the pricing similar to Sting?

**Ravi Jaipuria:** Sorry, we can't disclose that at the moment, but as we said, we will be launching another energy drink.

**Moderator:** We have our next question from the line of Sumit Joshi, an individual investor. Please go ahead.

**Sumit Joshi:** Hello, sir, and everyone. Good afternoon, first of all, and congratulations for the great set of numbers. I have just one follow-on question. Like we see Pepsi is growing very heavily in the US from an energy drink perspective. So do we have any plans going forward to launch a similar thing for India and other markets?

**Varun Jaipuria:** Energy drinks is going to be a big play for us in our portfolio going forward.

**Sumit Joshi:** Like Pepsi is working with Celsius brand, in US energy drink market? And they are doing very well there. So do we have any plans going forward to launch in India and other markets also?

**Varun Jaipuria:** Pepsi has a lot of energy brands across the world, where they've acquired or created them. So we do have plans to launch more brands under energy in India and other markets. Which brand we will launch and at what pricing we will launch, we are still working through it.

**Sumit Joshi:** Okay. Thank you. Thank you so much, Varun.

**Moderator:** We have our next question from the line of Jenish Karia from Antique Stock Broking. Please go ahead.

**Jenish Karia:** Yes, thank you for the opportunity. One clarification, we mentioned that out of the INR 25,000 million capex for the Greenfield expansion in next year, INR 16,000 million is already spent in CY 2023. So we expect that around INR 9,000 million will be spent in fourth quarter CY 2023? Or how should we look at that capex also for next year? That is my first question.

**Ravi Jaipuria:** It might be split between quarter four of current year and first quarter of next year.

**Jenish Karia:** Okay. The second question is with regards to energy drinks. So we launched our energy drink at a competitive price point. Now we hear that Tata Consumer Products is launching it at a 50% discount to our MRP. So do we see any competition or market share loss in terms of volume for the energy drink?

**Ravi Jaipuria:** Well, we don't see volume loss, but we can't say exactly what Tata's are going to do and how their product is going to be. So very difficult to say till we see the product and what it does in the market.

**Jenish Karia:** Okay. And lastly, we are using sustainable recycled PET chips going forward. So will that affect any of our gross margin? Will it be gross margin, accretive, neutral, any of that?

**Ravi Jaipuria:** Use of recycled PET is till reasonably small and we don't expect any impact on gross margins. Also, we are ourselves getting into manufacturing recycled PET. So by the time we will be using the reasonable portion of recycled PET, we'll be manufacturing it ourselves. We have a joint venture signed with Indorama, which is going to be in production by 2025.

**Moderator:** Thank you. Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to the management for closing comments.

**Raj Gandhi:** Thank you. 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 and for taking the time to join us on this call. Look forward to interacting with you all soon. Thank you.

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