



Varun Beverages Ltd. Q1 CY2018 Financial Results

Revenue growth of 24.5% YoY to Rs. 10,948 million

EBITDA increases 25.8% YoY to Rs. 1,727 million

Net Profit expands 186.3% to Rs. 197 million

Gurgaon, May 03, 2018: Varun Beverages Limited (BSE: 540180, NSE: VBL), a key player in the beverage industry, announced its financial results for the first quarter ended March 31, 2018.

Financial Performance Highlights*

Performance Review for Q1 CY2018 vs. Q1 CY2017

- Revenue from operations (net of excise / GST) grew 24.5% YoY to Rs. 10,948 million as compared to Rs. 8,792 million
- EBITDA increased by 25.8% to Rs. 1,727 million in Q1 CY2018 from Rs. 1,372 million in Q1 CY2017; EBITDA margins expanded 16 bps YoY to 15.8%
- PAT increased by 186.3% to Rs. 197 million in Q1 CY2018 from Rs. 69 million in Q1 CY2017

***Note 1:** VBL follows a calendar year of reporting (Jan to Dec); **Note 2:** Given the seasonality in the business, it is best to monitor the business on an annual basis as a significant portion of the revenues and entire profits are realized in the Apr-June quarter

Commenting on the performance for Q1 CY2018 Mr. Ravi Jaipuria, Chairman, Varun Beverages Limited said, “We are pleased to report that we have made a strong start to the year with a robust revenue growth of 24.5% and profit growth of 186.3%. This was led by strong volume growth of 19.7% on consolidation of recently acquired territories. The volume growth in India on an organic basis was strong at 12% which is highly encouraging. Further, the introduction of new product categories, like Tropicana and Sting, has resulted in better portfolio mix and improved our realizations.

We have strengthened our presence in fast growing categories during last year. We entered into a strategic partnership for selling and distribution of the larger Tropicana portfolio that includes Tropicana Juices (100%, Delight, Essentials), as well as Gatorade in the Sports drink category and Quaker Value-Added Dairy in territories across North and East India. With VBL already holding manufacturing, sales and distribution rights for Tropicana Slice and Tropicana Frutz in North and East, we are confident that we can leverage our knowledge of the supply chain process, existing distribution network and chilling infrastructure to help expand the franchise for Brand Tropicana in these territories.

During the quarter, we have further expanded our juice portfolio with the launch of fizzy drinks in seven different flavours under the ‘Slice’ brand, having lower calories and zero sugar content, in line with PepsiCo’s plan to intensify focus on health and nutrition. All flavours are available in 250 ml PET bottles at an attractive price point of Rs. 12, and have ~11% juice content. The introduction of all these product categories not only augurs well for our long term growth prospects but also will reduce seasonality, enhance profitability and augment return ratios.

We are excited about our prospects going into the peak summer season. We will be focused on consolidation of the recent territories that we have acquired. We are confident that the learning, knowledge and mastery over the process that we have attained will help us garner market share in these territories as we increase our penetration further. We will continue to innovate and work with PepsiCo to roll-out new products, staying in the path of relevance of our customers, to push our strategic intent of driving profitable growth.”

Key Developments – Q1 CY2018

New product launches

- Expanded juice portfolio with the launch of fizzy drinks in seven different flavours, leveraging the ‘Slice’ brand with wider recognition and strong brand value
- Fizzy Slice will have ~11% juice content and will include both ethnic flavours like Jeera and Guava Chilli as well as mainstream flavours such as Apple, Orange, Lemon & Lime, Clear Lemon and Cream Soda
- All the drinks have lower calories and zero sugar content, in line with PepsiCo’s plan to intensify focus on health and nutrition and reduction in sugar content
- All flavours are available in 250 ml PET bottles at an attractive price point of Rs. 12

- The introduction of all these product categories not only augurs well for long term growth prospects but also will reduce seasonality, enhance profitability and augment return ratios

Capacity expansion

For CY2018:

- Set up a new unit for manufacturing of Pepsi range of products at Harare, Zimbabwe; commercial production / operation has started with effect from February 19, 2018
- Company has set up a new unit for manufacturing of Pepsi range of products at Nepal; commercial production / operation has started with effect from May 02, 2018

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About Varun Beverages Limited:

Varun Beverages Limited (VBL) is a key player in beverage industry and one of the largest franchisee of PepsiCo in the world (outside USA). The Company produces and distributes a wide range of carbonated soft drinks (CSDs), as well as a large selection of non-carbonated beverages (NCBs), including packaged drinking water sold under trademarks owned by PepsiCo. PepsiCo CSD brands produced and sold by VBL include Pepsi, Diet Pepsi, Seven-Up, Mirinda Orange, Mirinda Lemon, Mountain Dew, Seven-Up Nimbooz Masala Soda, Sting and Evervess. PepsiCo NCB brands produced and sold by the Company include Tropicana Slice, Tropicana Frutz, 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 21 States and two Union Territories in India. India is the largest market and contributed 76% of revenues from operations (net) in Fiscal 2017. VBL has also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe.

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