



(a PepsiCo franchisee)

Varun Beverages Ltd. Q3 & 9M CY2017 Financial Results

9M CY2017

EBITDA improves 4% YoY to Rs. 8,032 million

Net Profit expands 79% to Rs. 2,862 million

Gurgaon, November 06, 2017: Varun Beverages Limited (BSE: 540180, NSE: VBL), a key player in the beverage industry, announced its financial results for the third quarter and nine months ended September 30, 2017.

Financial Performance Highlights*

Performance Review for 9M CY2017 vs. 9M CY2016

- Revenue from operations (net of excise / GST) grew 1.4% YoY to Rs. 34,760 million as compared to Rs. 34,269 million
- EBITDA increased by 4.3% YoY to Rs. 8,032 million from Rs. 7,698 million
- PAT improved by 79.2% to Rs. 2,862 million from Rs. 1,597 million

Performance Review for Q3 CY2017 vs. Q3 CY2016

- Revenue from operations (net of excise / GST) grew 7.4% YoY to Rs. 9,634 million as compared to Rs. 8,975 million
- EBITDA increased by 6.2% YoY to Rs. 1,854 million from Rs. 1,746 million
- PAT improved by 159.9% to Rs. 337 million from Rs. 130 million

***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; **Note 3:** VBL has adopted IND-AS framework starting Q1 CY2017. Prior period numbers have been restated in compliance with Ind-AS for a meaningful comparison.

Commenting on the performance for Q3 & 9M CY2017 Mr. Ravi Jaipuria, Chairman, Varun Beverages Limited said, “We have delivered a strong performance in the first nine months of the year recording a profit growth of 79.2% YoY to Rs. 2,861.9 million. EBITDA margins have improved 65 bps YoY to 23.1% driven by the operational efficiencies and consolidation of contiguous territories.

After a subdued first half, impacted by de-stocking by the trade ahead of the GST implementation, we have seen a partial recovery in Q3 with an uptick in sales volumes in India. We believe that the worst is behind us and have successfully navigated the challenges related to demonetization and GST implementation which will bring in enhanced efficiencies, smoothen business operations and will benefit large, organized players like us going forward. Our international operations continue to register healthy growth rates.

We are happy to have concluded the acquisition of PepsiCo India's previously franchised territories in the State of Odisha and parts of Madhya Pradesh along with two manufacturing units. The acquisition comes at reasonable valuations and offers healthy growth opportunities given the under-penetration of the market, whilst helping us drive better operating leverage and asset utilization through economies of scale.

We have a robust ecosystem, created and enhanced over decades, making it difficult to replicate. We are well-positioned to drive growth and garner market share by increasing our penetration further and through the continuous introduction of new product categories, staying in the path of relevance of our customers.”

Key Developments

Acquisition of new territories

- VBL concluded the acquisition of PepsiCo India's previously franchised territories of the State of Odisha and parts of Madhya Pradesh along with two manufacturing units at Bargarh (Odisha) and Bhopal (Mandideep, MP) on slump sale basis at a derived EV of Rs. 1,302 million
- These are highly under-penetrated regions and provide huge opportunity for increasing volumes and gaining market share
- The acquisition is in line with the Company's strategy to expand into contiguous territories to garner better operating leverage and asset utilization through economies of scale
- VBL is now a franchisee for PepsiCo products across 18 States and 2 Union Territories and accounts for ~47% of PepsiCo's beverage sales volumes in India

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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, Seven-Up Revive and Evervess. PepsiCo NCB brands produced and sold by the Company include Tropicana Slice, Tropicana Frutz, 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 of September 30, 2017, VBL has been granted franchises for various PepsiCo products across 18 States and two Union Territories in India. India is the largest market and contributed 76% of revenues from operations (net) in Fiscal 2016. VBL has also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco and Zambia.

For further information, please contact:

Raj Gandhi / Deepak Dabas

Varun Beverages Ltd
Tel: +91 124 464 3100
Email: raj.gandhi@rjcorp.in /
deepak.dabas@rjcorp.in

Anoop Poojari / Varun Divadkar

CDR India
Tel: +91 22 6645 1211 / 1222
Email: anoop@cdr-india.com / varun@cdr-india.com

Safe Harbor

Certain statements in this communication may be 'forward looking statements' within the meaning of applicable laws and regulations. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India and overseas, tax laws, import duties, litigation and labour relations.

Varun Beverages Ltd (VBL) will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.