VARUN BEVERAGES LIMITED

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CIN No. : L74899DL1995PLC069839

February 17, 2025

To,

National Stock Exchange of India Ltd.	BSE Limited
Exchange Plaza, Block G, C/1, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001
Email: cmlist@nse.co.in	Email: corp.relations@bseindia.com
Symbol: VBL	**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 February 10, 2025 i.e. post declaration of Audited Financial Results of the Company for the Quarter and Financial Year ended December 31, 2024 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: 2025.02.17 12:37:46 +05'30'

Ravi Batra
Chief Risk Officer & Group Company Secretary

Encl.: As above

Varun Beverages
Q4 & CY2024 Earnings Conference Call
February 10, 2025

Moderator: Ladies and gentlemen, good day and welcome to Varun Beverages Earnings Conference call.

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

Anoop Poojari: Thank you. Good afternoon, everyone and thank you for joining us on Varun Beverages Q4 and CY 2024 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, President and Whole - Time Director of the Company. We will initiate the call with opening remarks from the management, following which we will 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 request 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 have had the opportunity to go through our results presentation that provides details of our operational and financial performance for the fourth quarter and year-ended 31st December 2024.

We are pleased to conclude CY2024 on a strong note through adding geographical presence into new territories of South Africa along with distribution rights in Namibia, Botswana, Mozambique and Madagascar. We also started Greenfield operations into a new country of Democratic Republic of Congo (DRC). The growth has been driven by organic volume growth and improved product mix.

India volumes grew 11.4% reflecting the strength of our distribution network and operational execution. Consolidated volumes increased by 23.2% largely led by new territories resulting in consolidated revenue increase by 24.7%, EBITDA growth of 30.5% and PAT growth of 25.3% for the year.

We are progressing well in South Africa as we grew the sales volume by 12.5% in the very first year of operations. We are consciously reducing our reliance on modern trade channel and enhancing our distribution network in general trade. As an enabler we have placed more visi-coolers in South Africa market in a single year than what was cumulatively placed till date by previous operators. We are working on plans for backward integration in the territory.

We also entered into share purchase agreement to acquire PepsiCo's business in Tanzania and Ghana, pending regulatory and other approvals. Integration of these acquisitions along with our operations in South Africa shall strengthen our presence in key international markets. This, coupled with the commissioning of new Greenfield facilities in India and DRC shall enhance our manufacturing and distribution capabilities ensuring we are well positioned to cater to growing consumer demand.

Additionally, our foray into the snack foods business with PepsiCo in Morocco, Zimbabwe and Zambia marks an important step in enriching our portfolio and leveraging synergies with our existing infrastructure.

In a significant development during the quarter, we successfully raised Rs. 75,000 million through a Qualified Institutional Placement (QIP). We appreciate the confidence and trust placed by leading domestic and foreign institutional investors. In our long-term strategy, business fundamentals and execution capabilities, this capital raise strengthens our financial position providing the flexibility to pursue strategic expansion opportunities, enhance our operational capabilities and reinforce our balance sheet.

Further, in line with our commitment to deliver value to shareholders, we are pleased to share that the board has recommended a final dividend of Rs. 0.50 per equity share subject to shareholders' approval.

Looking ahead, we remain focused on sustaining healthy growth in both Indian and international markets through deeper market penetration, strategic capacity expansion and continued investments in technology and sustainability. Our focused efforts in strengthening last mile distribution and deploying visi-coolers in under penetrated regions will enable us to reach a broader consumer base with a stronger foundation in place. We are confident in our ability to drive long term value creation for our stakeholders in the years to come.

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 a warm welcome to everyone joining us today. Let me provide an overview of the financial performance for the fourth Quarter and the year-ended 31st December 2024.

Revenue from operations adjusted for excise GST increased by 24.7% to the level of Rs. 200,076.5 million in the CY2024 in line with strong volume growth. Consolidated sales volume grew 23.2% to a level of 1,124.4 million cases from the level of 912.9 million cases in calendar year 2023. Organic volume growth in India stood at 11.4% while the international organic growth was 6.3% restricted by the transition to a zero-sugar portfolio following the implementation of a sugar tax in Zimbabwe. Net realization per case increased by 1.3% to the level of Rs. 177.9 in the CY2024.

In Q4 CY2024, consolidated sales volume increased by 38.1% to the level of 215.1 million cases from the level of 155.7 million cases in Q4 CY2023. The growth was supported by expanded international operations with 43 million cases from South Africa and 7.8 million cases from DRC during the quarter. For the full year, CSD contributed 74.2%, non-carbonated beverages to the level of 6.2%, packaged drinking water 19.6% to the total sales volumes.

In 2024, mix of low sugar, no sugar products increased to 53% of our consolidated sales volume from 42% in CY2023, reflecting our commitment to the healthier products. Our gross margin during the year expanded by 165 basis points to the level of 55.5% from 53.8% due to strategic procurement and the storage of PET chips to leverage price benefits along with efforts to reduce sugar content and increase backward integration. Now we have 3 dedicated and 14 integrated manufacturing facilities for backward integration.

Also, approximately 16% of our total energy consumption comes from renewable sources energy as a result, EBITDA increased by 30.5% to the level of Rs. 47,110 million with EBITDA margin improving by 105 basis point to the level of 23.5% in CY2024. This net improvement in EBITDA margins is in spite of consolidation of South African markets with low margin due to 80% mix of own brands and fixed costs associated with new CAPEX which are yet to be fully utilized.

On a standalone basis, our income stood at Rs. 3,539 million supported by a dividend receipt of Rs. 1,316 million from Nepal and a maiden dividend from Sri Lanka, interest on loans to subsidiaries amounting to Rs. 967 million and a foreign currency gain of Rs. 714 million. These items are eliminated in consolidation as they represent intercompany transactions and merely shifts from international to VBL India on standalone basis.

Depreciation increased by 39.1% and finance cost rose by 68% in CY2024 substantially till the QIP proceeds credit date of 21st November 2024. This increase was due to acquisition of BevCo and the establishment of 4 new production facilities in India and DRC. As a result, PAT grew by 25.3% to the level of Rs. 26,342.8 million in CY2024 from a level of Rs. 21,018.1 crore in CY2023 driven by volume growth and improved margins.

On the balance sheet front net CAPEX stood at Rs. 45,000 million at the end of CY2024 of which Rs. 24,000 million was spent in 2023 itself, Rs. 32,000 million was allocated to four Greenfield facilities in Supa, Gorakhpur, Khorda and DRC. Additional Rs. 8,000 million was invested international territories for Brownfield expansion in Nepal, Morocco and Zimbabwe, including backward integration at Morocco, Zambia and Zimbabwe. This balance CAPEX comprises land capitalized for future projects and CAPEX on visi-coolers, glass portals, pallets, vehicles, etc. In fact, some increase in CAPEX is on account of land purchased for future projects as well as CAPEX for South Africa which is added during the year, we have already started improving facilities there.

Investments made over the past 2 years have significantly expanded our production capacity in India with an increase of 45% during the season 2024 over the capacity of season 2022. This expansion reinforces our ability to meet growing demand and drive future growth.

CAPEX of CY2025 season is projected at Rs. 31,000 million out of which as on 31st December 2024, CWIP and capital advances already paid for Rs. 16,500 million, out of total projected CAPEX of Rs. 20,000 million is towards setting up of Greenfield facilities at Prayagraj, Damtal, HP, Buxar and Meghalaya. The balance CAPEX is for snack manufacturing facilities in international territories, Brownfield expansion in India, Sricity, rPET facilities in India and expansion in DRC.

We are pleased to share that during the current quarter the company became net debt free following the prepayment of loans using proceeds from QIP issue. While our financial position has strengthened, we have continued to optimize operations and drive efficiencies despite inorganic expansion into new markets including South Africa and DRC. Our working capital days improved to 31 days as on 31st December 2024 as compared to 34 days in the previous year.

As we close 2024, we are proud of the progress we have made at VBL. Our investments in Greenfield and brownfield expansions coupled with the expanding global footprint have strengthened our foundation for long-term growth and positioned us to deliver long-term value for all stakeholders.

On that note, I have come to the end of our 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: Thank you very much. We will start with the question-and-answer session. The first question is from the line of from. The first question is from Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: Hi, good afternoon, sir, a few questions. First on the India business, the second half volume growth is let's say about you know, about mid-single digits and with exit also at about 4%. Do you think this is mainly due to the seasonality bit and you still think about industry growth at double digit in the foreseeable future?

Ravi Jaipuria: Well Vivek, we have always guided, we cannot take growth based on 1 quarter. Sometimes it's colder, sometimes it's rainier. But we have always said that we are confident to deliver annual growth in double digits which we've already delivered last year, and we see no reason why we will not deliver that going forward also.

Vivek Maheshwari: Got it sir. And the other bit is given and you have explained in detail in the last quarter also. But the noise has picked up on the competition side from Campa. Anything more you want to add upcoming season? Any low-priced pack from your side?

Ravi Jaipuria: There is a market for lower priced products and will always remain. There have always been regional brands present to the level of about 20% in India which are low priced. Our products are not competing exactly against them and we feel there is enough room for everybody to grow in this market. We are only going to about 4 million outlets out of the 12 million FMCG outlets. Our focus is how we can grow this market and ultimately reach to that 8-10 million outlets going forward. We are adding about 10%-12% additional outlets which is 400,000-500,000 outlets every year, which is making our business grow. We think after a point people will get into the habit of drinking and this is going to enhance the market. The more players there are, the better it will be, as it will increase competition and expand the market. The India market is still very huge, and it's not even being tapped. We don't feel there is any threat to our growth in the market.

Vivek Maheshwari: That's quite interesting. But sir, what we have observed is the end consumer price points are lower, the retail margins are far higher, and we have seen instances and again I admit that these are more anecdotes but there have been instances where retailers are actually pushing Campa given that their margins are far higher. Do you think there needs to be, so B brand logic. I understand, but do you see any risk or you basically having to retaliate with some product which is lower priced than what your current portfolio is?

Ravi Jaipuria: Well, we don't think we need to, at the moment because half of this quarter is already gone and we are not seeing any drop in our growth, rather we are seeing enhanced growth. So, we are very happy if we can grow at this level.

We don't want to do anything different except expand the market and keep on increasing our go-to-market reach.

Vivek Maheshwari: Got it. That's really reassuring. And on your comment on South Africa, what you mentioned about enhancing distribution via general trade. So, would the dynamics be somewhat similar? And when you move from modern trade to general trade, the working capital cycle would be something like India. Can you just talk about the nuances of focusing on general trade in South Africa?

Ravi Jaipuria: South Africa is a very large modern trade market. It's not like India. India is less than 10% modern trade / HORECA for us whereas South Africa is close to 40%- 45% modern trade market. And that is where your margins are diluted and some of the large retailers really squeeze your margins. The go-to-market in general trade is always difficult. It's much easier to go and sell to one customer. So we are expanding our volume in general trade, which is 60%-65% of the market and, where the margins are better and we will not be dependent on 1-2 customers. This is going to give us much better growth and much better margins going forward. Also, in South Africa, we have not even started doing our backward integration. As we said, it takes about a year to understand the market in a new country and another year to consolidate and then move forward. In the first year, we are still looking at double digit growth. We have consolidated part of our business; our margins are getting better and we see no reason why South Africa will not become something close to India. South Africa is a huge market and if we can keep growing at the right pace, it will become a very interesting market for us.

Vivek Maheshwari: Got it. And just a follow up, sir, when you talk about general trade, that includes own brands as well as PepsiCo brands or you're primarily focusing on the PepsiCo brands?

Ravi Jaipuria: All the brands.

Moderator: Next question is from Aditya Soman from CLSA. Please go ahead.

Aditya Soman: Hi, good afternoon. Two questions, firstly, on the capacity increase that we are building in the four plants in 2025. Can you give us a sense of how much the capacity will go up? Like you've shown 45% over 2022. So how much would it go up over 2024? And secondly in terms of volumes, can you give us a sense of how much of the volumes are now in India are non-core, so non-Pepsi Mirinda, 7UP. and do we see competition?

Ravi Jaipuria: If you say non-core what do you mean? most of our portfolio is PepsiCo related. Except our dairy products everything is PepsiCo products.

Aditya Soman: No, I meant just a pure Pepsi Cola, Mirinda and 7UP. So outside of that, so energy drinks, Mountain Dew, all of that, how much do they contribute now?

Ravi Jaipuria: CSD is about 59% which includes Mountain Dew, Mirinda, Pepsi Cola, 7UP etc., Energy Drink which includes Sting is about 15% of our market volumes, Juice is about 8% and water is about 18% of the portfolio in India. We have increased about 45% capacity in the last 2 years in India, out of which in last year CY2024 we increased ~ 25% of the capacity.

Aditya Soman: Yes, my question was actually capacity for 2025 that will go up because we are sort of adding.

Ravi Jaipuria: It will go up by about 20% to 25%. What we have expanded already and what we are already expanding for the new plants, which will be in production by March.

Aditya Soman: All right. That's very clear.

Moderator: Next question is from Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: Hi sir. Many consumer companies across different sub segments of consumption have been talking about urban slowdown. Are you seeing any kind of slowdown in soft drinks market in urban India?

Ravi Jaipuria: Percy, this is what we said. As we are expanding, many FMCG companies may not be expanding the market at the same pace as we are. Because the first thing we said is that we are only reaching out to 4 million outlets against the 12 million outlets. We are trying to add as much as 8% - 10% more outlets every year. This will give us growth potential along with our organic growth from the existing outlets. We are confident when we say we can consistently achieve double-digit growths. And we see no challenge in that at least for the next few years. More than that we don't see any challenge even in this quarter, half of the quarter is already over and we are seeing very healthy growth.

Percy Panthaki: Yes, understood. Sir, my question was more on the industry overall rather than Varun beverages or Pepsi.

Ravi Jaipuria: That's what we are saying. Industry wise, we believe the soft drink industry is expanding. We think it is growing much faster than the other FMCG categories.

Percy Panthaki: Got it. Also in South Africa, given that your market shares are extremely low for Pepsi and even including the other brands, the market share is just about, I think close to double digits. What should we expect in terms of the growth over the next 3 years here, if we look at something like a Zimbabwe, Zambia, you've grown like significantly like +30% over 5-7 years. So, is that the same kind of ambition that you have for South Africa or there are some other nuances that we should be aware of?

Ravi Jaipuria: Our ambitions are even higher and we hope to achieve them all. In South Africa we are definitely looking at very healthy growth. As for the 30% growth over three years that you mentioned, we are confident of achieving even better results.

Percy Panthaki: Right sir. And in Ghana and Tanzania, what is going to be the strategy? Like you said in South Africa, the strategy is to expand in general trade. In Ghana, Tanzania is it the same strategy or there are some other priorities which will give a bigger bang for the buck you think?

Ravi Jaipuria: In Tanzania, PepsiCo is already market leader, we just need to enhance our go-to-market and expand capacity. Tanzania is doing extremely well. In Ghana, we need to redevelop the whole market as the PepsiCo portfolio is very small and it's like getting into a new territory.

Percy Panthaki: Understood. Ghana plus Tanzania put together, I think we should be more modest in our growth expectations v/s South Africa. Would that be a right way of looking at it?

Ravi Jaipuria: No, infact we believe that expecting double digit growth in most of the African countries is reasonably realistic.

Moderator: The next question is from Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Yes, sir. Hi, thanks for taking my question. Sir you mentioned that the trends are really interesting so far in the current quarter. I wanted to check if you can quantify either quantitatively or qualitatively what are the kind of trends that we are seeing in the current quarter?

Ravi Jaipuria: Well, we have always said we'll grow double digits and this is what we are seeing. We feel that is realistic and we'll continue to do that.

Devanshu Bansal: Understood sir. Sir second question is on low sugar and no sugar mix, right. So that has been continuously increasing for us. This year it is about 53% odd. What all is included in this? Is this only Pepsi Black and Sting or can you highlight.

Ravi Jaipuria: We are doing 7UP zero sugar, Mirinda in mid-cal, and every product will slowly start moving towards mid-cal and no sugar.

Devanshu Bansal: Currently we have no sugar or low sugar products across our brands or majority of these 50?

Ravi Jaipuria: We have no sugar for 7UP, Pepsi and Gatorade and we have mid-cal for Mirinda and Sting.

Devanshu Bansal: Understood. And sir, just want to check the traction Pepsi Black. If you could just highlight how has the product been from a consumer reception perspective?

Ravi Jaipuria: Consumers have accepted this well and we are performing extremely well. We think we are at about competition's level of zero sugar, we are doing quite well with Pepsi Black and 7UP Zero.

Devanshu Bansal: Understood. Last question from my end sir. There is distributed opening of food plants in CY25 for foods business. What is the scale of business that we can do in 2025 and over next 2-3 years if you just highlight that?

Ravi Jaipuria: In Morocco, we have already started distribution and expect to close between USD25-30 millions of revenue this year . However, it is difficult to say until our plant gets commissioned in June, as this will give us only six months of production time. Until then, we are relying on imports for sales. In Zimbabwe and Zambia, we have just started importing the goods from South Africa and we have started only in February, it's just few days. The plant will come up in the third quarter of this year, the growth is expected to enhance at that point.

Devanshu Bansal: Is it fair to assume sir, in current year we will be doing revenue but margins may not be very good because we are importing and selling, so is this a fair assumption?

Ravi Jaipuria: Margins are reasonably good because we have agreed with PepsiCo for reasonable margins and they've been kind enough to give us reasonable margins, we don't dilute ourselves while expanding our portfolio.

Devanshu Bansal: Last question, you mentioned that we are working on a Jeera drink for the upcoming season, any update you can provide on that? This is my last question, Thank you sir.

Ravi Jaipuria: Well, we are working on it and we hope PepsiCo could provide us the product very soon and we hope we can come up with the product this season. But we don't have it yet.

Moderator: The next question is from Onkar Ghugardare from Shree Investments. Please go ahead.

Onkar Ghugardare: Sir, if you could briefly elaborate on what has been your learnings in the last 1 year, understanding the South African markets?

Ravi Jaipuria: Well, we can only tell you we are still learning. What we found was that we were very heavily skewed towards modern trade, where the margins are very low and we were not directly reaching the market which is the most important thing. That's where your margins and revenues are, so we have started focusing on that. However, it's a bit too early, it has only been about

6 months since we started. It will take us a year to start gearing up ourselves and hopefully this year we will start seeing the results of that coming. And even when we started, we have already seen double digit growth. Hopefully this year we should do even better.

Onkar Ghugardare: In terms of margin levels so far, what you have seen, the margins are similar to the Indian levels or like how they are?

Ravi Jaipuria: Margins are not as per Indian level, South Africa margins are lower. But once we go into backward integration, which will take us a year. Our margins will significantly improve and once we go to the general trade, which is go-to-market instead of focusing on modern trade, our margins will improve and YoY you'll see improvements coming.

Onkar Ghugardare: How much time it will take for you to like significantly skew towards the general trade?

Ravi Jaipuria: It will take at least another year and hopefully some movement will happen this year and balance will start coming from next year.

Onkar Ghugardare: Okay. The second question is on the capacity expansion, you talked about 25% increase as compared to the current year, the 2024 calendar year. But like all the capacity which you have mentioned will be commissioned from the last quarter March level?

Ravi Jaipuria: It will be commissioned before the season.

Onkar Ghugardare: Okay. All the capacity you mean, right, whatever you have planned?

Ravi Jaipuria: Yes.

Onkar Ghugardare: Okay. Just a small thing like this year you have kept the dividend levels same as last year, any reason for that in spite of growing profitability?

Ravi Jaipuria: Well, for the moment we have kept it at that. Maybe, if the season is good, we'll improve it and do better.

Moderator: Next question is from Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Hi. Thanks for the opportunity. My first question was on margin front. You know, clearly CY2024 was pretty good in terms of operating margins for you, both on standalone and consolidated basis. And there were a variety of factors which drove this. I wanted to check with you, what is the comfort that you have for sustaining the domestic India margins at the current levels and similarly for the international pickup to happen, given the backward integration investments that you're planning, any thoughts on that?

Ravi Jaipuria: Well, we've always said that we can comfortably remain at 21%. We have never given guidance beyond that and fortunately we've been able to perform better than that. There's no reason why we should not be able to sustain these margins going forward. And internationally, our margins will only improve because we are getting into newer territories and recently, we've got into a large territory. Once we consolidate and do backward integration and as we said that once we start going to the general trade instead of just going to the modern trade, our margins will improve. And we see margins improving this year and will significantly enhance next year after we are backward integrated.

Latika Chopra: Sure. You know, I heard your comments to the earlier question on competition. But clearly, we have seen the new entrant kind of putting out a number of 10% market share in select states. Just wanted to check, are you sensing any geographic variances in terms of need for higher promotions etc. in any of the key states that you operate in?

Ravi Jaipuria: The promotions are always good and we are always looking for more promotions and we keep pushing our parent company. But the question is India market is so large which has not been tapped properly and the opportunity is so huge that there is enough room for enough players and as many players will come in, the market will only grow. We are not seeing any dent on our growth. And that is the key what I wanted to say, we are not saying the other people will not sell or not grow or not compete, but we think the market will grow and there's enough room for everybody.

Latika Chopra: Understood. Any comments on market shares for you?

Ravi Jaipuria: We are doing extremely well right now. We never comment on market share.

Moderator: Next question is from Amit Purohit from Elara Capital. Please go ahead.

Amit Purohit: Yes, sir. Thank you for the opportunity, sir. Just wanted to understand in light of a scenario where competitive intensity rises. In that context, I just wanted to get your perspective of how does the process happen? I mean tomorrow if the competition increases then who would take the decision for any change in pricing, how does that would play out? Just wanted to have your thoughts on that.

Ravi Jaipuria: Fundamentally, we take the decision and of course we discuss with our parent company. However, the question is that the market is large enough. As we mentioned, there were already enough players selling at lower prices. We believe that with lower prices, the market will expand in a huge way creating room for both our pricing and theirs. We see no reason for concern, we believe as the market will grow, people will upgrade themselves.

Amit Purohit: Sure. Okay. And just can you just highlight the couple of launches which probably we could see this year?

Ravi Jaipuria: We are planning to add another flavor in our energy drink, which is going to be Sting Gold, which we hope to launch very soon. And we are looking at some other products as well, which hopefully will be ready before the season.

Moderator: Next question is from Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: Thank you for the opportunity. I had a question on our Indorama JV that we had announced a few quarters ago for fulfilling our recycled PET requirements. Just wanted to understand if that is on track and whether we'll be able to meet 100% of our requirements for FY26 in house?

Ravi Jaipuria: Yes, we should be very close to it. The project is on track and the production will start this year and we feel that we should not be short of our rPET obligation.

Nitesh Dutt: Got it. So, when do you expect the production to start?

Ravi Jaipuria: We are looking at starting early third quarter.

Nitesh Dutt: Early third quarter. Understood. Any details on what kind of investments and whether they will have any financial implication on our numbers once the..?

Ravi Jaipuria: It's not a large investment and we don't think it will have any effect actually on our numbers.

Moderator: Next question is from Ashish Agarwal, who is an individual investor. Please go ahead.

Ashish Agarwal: Yes, so my question is that given that we are expanding very aggressively in the African countries, especially in South Africa, which is kind of 10% of our revenue at the moment. What is our strategy for risk mitigation of currency volatility? And I am not talking for diversification in multiple countries, if you look only at South Africa, what is our strategy for protecting ourselves from this volatility of currency?

Ravi Jaipuria: Well, we think if you look at the currency devaluation in South Africa, it is less than India right now. We don't think we have to worry too much and if there is a higher devaluation in any country then we pass it on to the consumer. It doesn't affect overall, slight variations obviously happen in different parts of the world, but the market is so large that it will give us so much room to play and enhance our volumes that if there is a minor currency variation it won't make a difference.

Ashish Agarwal: I was talking more from the long-term perspective and especially from South Africa.

Ravi Jaipuria: In the long term all of Africa is like that, as we've been in African market for more than 10-15 years now. When there is a major fluctuation in currency, then we pass it on to the consumer and the consumer accepts it. Unless a country faces a major devaluation, which is a one off situation. In such a case the challenge may persist for 6 months or a year.

Moderator: Next question is from Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Yes sir. Hi, thanks for the follow up opportunity. Sir, you mentioned this expected launch of Sting Gold, so wanted to check does this launch add to some new consumption occasions versus the earlier flavor that is there for Sting. What's the strategic thought behind that?

Ravi Jaipuria: Well, we believe it will give consumers with more choices in taste and products. The energy market is a huge market and it will expand the overall industry. If you look at in the surrounding countries or developing countries energy drinks market is 15%- 20% of the mix and India is still 5%-6% of the mix, so we have a lot of room so we have to keep on enhancing this market with different flavors. People like different flavors and different products.

Devanshu Bansal: Does this also improve this drink in terms of mixing?

Ravi Jaipuria: Consumers have to make that choice. We suggest they can have it directly but if they want to mix it with anything that’s their call but it's a great product and we feel it will do extremely well.

Devanshu Bansal: Understood sir. And last couple of seasons were impacted due to rains or extreme summers. But this time around there are reports of an early summer so what is your sense on capacity utilization for the upcoming season? So, assuming that if the summer season has no interruptions what was the level of capacity utilization that we can see for the upcoming season?

Ravi Jaipuria: We have enough capacity; we have expanded enough capacity and we are seeing healthy growth. We can never be 100% sure with exact capacity utilization. But we are not going to be short of capacity this year for sure and we are seeing very healthy growth and very happy with what is happening.

Devanshu Bansal: Understood. Just a small follow up. If things go well, I am just asking to get the maximum potential. If things go well can we also reach 100% or that's not the case that will happen?

Ravi Jaipuria: 100% growth?

Devanshu Bansal: No, not 100% growth, utilization.

Ravi Jaipuria: We wish we could. We will be very happy if we are able to. We have enhanced our capacity quite a bit, and we believe with the new Greenfield plants coming up this year, we'll have enough capacity. We would be very happy if we are anywhere close to 90%-95% utilization.

Moderator: Next question is from Ayush Sharma, who is an individual investor. Please go ahead.

Ayush Sharma: Hi sir. Previously we have seen the launch of Stink Blue and nowadays we don't see it much. So, any reason why we have sort of left that product?

Ravi Jaipuria: Well sometimes we launch certain products for limited time and that's just to give a different taste and that was what Sting Blue was. So, it was a year of the cricket world cup and we put up a Blue drink which was for the Indian cricket team. It was basically just a limited time flavor. However Sting Gold will be a long-term product like Sting Red.

Ayush Sharma: Okay and will this Sting Gold be the kind of similar product or this will be a permanent?

Ravi Jaipuria: Sting Gold is going to stay and it's a long term.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Raj Gandhi: Thank you very much. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarification or would like to know more about our company, please feel free to contact our investor relations team. Thank you once again for your interest and support and taking time out to join us on our call. Look forward to interacting with you soon. Thank you very much.
