



# VARUN BEVERAGES LIMITED



Corporate Off : Plot No.31, Institutional Area, Sec.-44, Gurgaon, Haryana-122002 (India)  
Ph.: +91-124-4643100-500 • Fax: +91-124-4643303/04 • E-mail : info@rjcorp.in • Visit us at : www.varunbeverages.com  
CIN No. : L74899DL1995PLC069839

February 10, 2024

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 <b>Symbol: VBL</b>	BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001 Email: corp.relations@bseindia.com <b>Security Code: 540180</b>
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**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 5, 2024 i.e. post declaration of Audited Financial Results of the Company for the Quarter and Financial Year ended December 31, 2023 is enclosed.

The same is also being uploaded on website of the Company at [www.varunbeverages.com](http://www.varunbeverages.com).

You are requested to take the above on record.

Yours faithfully,  
**For Varun Beverages Limited**

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

**Encl.:** As above



## Varun Beverages Limited

### Q4 & CY2023 Earnings Conference Call Transcript

February 05, 2024

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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, sir.

**Anoop Poojari:** Thank you. Good afternoon, everyone and thank you for joining us on Varun Beverages' Q4 and 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 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 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 31<sup>st</sup> December 2023.

Despite the abnormally high unseasonal rains in the peak season, we are pleased to conclude CY2023 on a strong note. We witnessed a healthy double-digit volume growth in both Indian and international markets. Our consolidated sales volume increased by 13.9% and the net realization per case increased by 7% in CY2023. Both these together contributed to our remarkable revenue growth of 21.8% and an impressive PAT growth of 35.6%.

In line with our strategic objectives, we have successfully commissioned multiple greenfield and brownfield facilities across key geographies during the year. This expansion not only strengthened our manufacturing capabilities but also extended our market reach. Our distribution network and chilling infrastructure have also seen substantial growth, further solidifying our presence in the market.



Marking a key milestone in our growth journey, we are delighted to announce the acquisition of the Beverage Company (BevCo) subject to regulatory and other approvals. BevCo holds franchise rights for PepsiCo beverage products in South Africa, Lesotho and Eswatini, along with distribution rights in Namibia and Botswana. This acquisition which aligns perfectly with our strategic goals offers an excellent opportunity to significantly enhance our presence in the African market - a region known for high demand for soft drinks and favorable demographics. The integration of BevCo into VBL's operations is expected to yield substantial synergy benefits in the future.

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 endeavors are aligned with our pledge to the environment and reflect our ambition to nurture a greener future.

We are also pleased to share that in line with our dividend policy, the board of directors have approved a payment of final dividend of Rs. 1.25 per equity share of the face value of Rs. 5, subject to the approval of equity shareholders in ensuing annual general meeting of the company. With this, total dividend declared for the year December 31<sup>st</sup>, 2023, stands at Rs. 2.50 per equity share of face value of Rs. 5 each.

As we move forward, our strategy is geared towards sustaining our healthy growth momentum. We will continue to focus on strengthening our market position, both in India and internationally and place emphasis on product categories that are aligned with evolving consumer preferences. Our journey through 2023 has set a solid foundation for continued success and we remain confident in our ability to deliver sustainable growth and value 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:**

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 31<sup>st</sup> December 2023.

Revenue from operations adjusted for excise/GST increased by 21.8% to the level of Rs. 1,60,426 million in CY2023. Consolidated sales volume grew by 13.9% to the level of 912.9 million cases in CY2023 from the earlier level of 801.8 million cases in CY2022, led by double-digit growth in both Indian and international markets, with an increase of 12.9% and 18% respectively.

During the year CY2023, the consolidated net realization per case increased by 7% to Rs. 175.7 per case. This is driven by the improvement in the mix of smaller SKUs and the mix of CSD in the Indian markets and high realization per case in the international markets. In CY2023, CSD constituted 72%, Juice contributed 6% and Packaged Drinking Water constituted 22% of the total sales volume.

Our gross margins during the year improved by 137 bps, taking it to the level of 53.8% from the earlier level of 52.5%, primarily due to the softening of PET chip prices although sugar prices increased slightly during the year. As a result of improved realization per case and enhanced gross margins, EBITDA increased by 29.5% to the level of Rs. 36,094.9 million, with EBITDA margins improving by 133 bps to the level of 22.5% in CY2023. In other words, the company had been able to

achieve flow through of the 137 bps improvement in gross margins into the EBITDA margin improvement.

Depreciation increased by 10.3% in CY2023 on account of capitalization of assets and setting up of new production facilities. Finance cost increased by 44% which was primarily led by the increase in the average cost of borrowing by about 30% to the level of 7.95% p.a. from the earlier ~6% in the last year. This is in-line with the increasing rate of interest in India. PAT increased by 35.6% to the level of Rs. 21,018 million in CY2023 from the level of Rs 15,501 million in CY2022 on account of growth in revenue from operations and improved profit margins.

On the balance sheet front, our net CAPEX stood at approximately Rs. 21,000 million at the end of CY2023 reflecting our commitment to growth and expansion. Out of the total CAPEX around Rs. 8,500 million was spent on setting up of 2 new greenfield production facilities in Bundi, Rajasthan and Jabalpur, Madhya Pradesh, ~ Rs. 8,000 million on brownfield expansion at 6 of our existing facilities in India and the balance was for brownfield expansion in the international markets, assets written-off and forex fluctuation all taken together. Furthermore, as part of our growth strategy we have invested approximately Rs.1,500 million towards land acquisition including Buxar in Bihar, Kangra in Himachal Pradesh in anticipation of construction of plants in the future years. Once commissioned, the combined capex for CY2023 and CY2024 season will increase the peak month capacity in India by ~45% over the base year of CY2022.

Our net debt stood at the level of Rs. 47,345 million as on 31<sup>st</sup> December, 2023 as against Rs. 34,096 million as on 31<sup>st</sup> December 2022. We would like to highlight that major reason for the increase in net debt is due to increase in CWIP and capital advances incrementally by Rs. 12,000 million which is the composition of closing CWIP of Rs. 24,000 million minus the opening CWIP of Rs. 12,000 million. This is due to Supa plant in Maharashtra which was near about implemented by the year end and came in production with effect from 25<sup>th</sup> January, 2024. Further, we expect to additionally incur approximately Rs. 12,000 million towards capex for the season of CY2024, that is the balance CAPEX for the next year. Our debt-to-equity ratio remained healthy at a level of 0.67x and the debt to EBITDA ratio was at 1.31x as on 31<sup>st</sup> December, 2023.

To summarize our journey of last 5 years, while our net revenues have grown at a CAGR of 22.5%, our PAT has grown with a CAGR of 45.2% which is led by improved EBITDA margins, higher asset utilization to depreciation as a % of revenue reducing from 6.9% to 4.2% in the corresponding period of 5 years and the tax rates coming down from 32.2% to 23.3% average, primarily because of improved profitability of international operations and the lower corporate income tax in India. All these factors have led to PAT margins improving from 6.6% to 13.1% over the last 5 years.

As we close CY2023 we are immensely proud of our progress we have made at VBL. Our robust operational and financial performance and significant expansion in manufacturing capabilities have all contributed to a remarkable year. Our growth-focused CAPEX for the year highlights our commitment in creating a long-term sustainable value. Looking-forward, our strategic investments combined with our proven execution capabilities and demonstrated operational excellence should enable us to sustain our growth outlook in the forthcoming years.

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.

**Vivek Maheshwari:** A few questions. First, is on the CWIP and CAPEX for 2024. So, Mr. Gandhi I would imagine Rs. 1,900 crore, bulk of this will be for the capacity that you commissioned in Maharashtra, right? The CWIP what is lying as on 31<sup>st</sup> December?

**Raj Gandhi:** Absolutely. About Rs. 900 crore out of the incremental Rs. 1,200 crore CWIP and capital advances was for the Supa, Maharashtra manufacturing facility, which got implemented on 25<sup>th</sup> January 2024.

**Vivek Maheshwari:** What will be for rest of the year? You said Rs. 1,200 crore cash outflow on CAPEX is that correct?

**Raj Gandhi:** The plan for the year CY2024 is Rs. 3,600 crore CAPEX, out of which approx. Rs. 3,000 crore in India and approx. Rs. 600 crore internationally. Out of this, Rs. 2,400 crore as CWIP, as we are carrying on 31<sup>st</sup> December 2023. The Rs. 1,200 crore balance is to be spent in the next year plus any CWIP for the CY2025 season.

**Vivek Maheshwari:** For CY2024, actual cash outflow can be higher than Rs. 1,200 crore, right?

**Raj Gandhi:** That is right.

**Vivek Maheshwari:** On the debt side Rs. 4,700 crore roughly and Rs. 1,300 crore will go for the acquisition. Where do you think, at what level Mr. Gandhi the debt peaks?

**Raj Gandhi:** I think the best way will be to look at it as a percentage because we have given a percentage debt to equity of 0.67. It will remain under that because all these CAPEX is ahead of the season and capacity which is being created will generate enough profits to pay for itself. If you notice in the last few years our debt to equity and debt to EBITDA is improving in spite of doing all this CAPEX. I think that is the biggest indicator and we should draw comfort from there.

**Vivek Maheshwari:** There is obviously a comfort but specifically on debt given the acquisitions. I understand balance sheet is strong, cash flows are strong and the new capacities will add to operating cash. But at what level do you think the absolute debt level peaks?

**Raj Gandhi:** We think it is already peaked because Rs. 1,300 crore for acquisition is equivalent to 2-3 months cash profit once the season starts, that is not a challenge. Look at last year, as the Chairman stated, last year the season was a partial washout. In spite of that, we are so comfortable and even Rs. 1,200 crore increase in CWIP was funded very easily and without debt to equity ratio going up. Further, this year, we are hopeful the season will be much better than last year, and with new plants already executed, resulting in capacity going up by ~45% over CY2022, we expect things should be much more comfortable.

**Vivek Maheshwari:** Moving to P&L, 2 questions. First on the realization you have explained in the past also and on this call, as we look into 7% growth this year, 6% last year. I know last year as in 2022 had a bit of a base issue but India's realization as well as international did quite well. Do you think that low-hanging fruit in terms of the mix change has played out and therefore the number should be more moderate as we head into 2024, on the unit realization bit?

**Ravi Jaipuria:** It could be slightly moderate, but we think if you really look at it in our industry, our peak season is March to July and those whole 4 months were a complete washout

in 2023. If we have done a growth of 13.9% with a complete washout peak season, we cannot predict the rain gods, otherwise, we do not see any reason why it should not be much better.

**Vivek Maheshwari:** Sorry Mr. Jaipuria, that comment was on Rs. per case realization you are talking about?

**Ravi Jaipuria:** Rupees per case would automatically be better because in peak season the small pack always sells more and in the small pack, our realization is much higher.

**Raj Gandhi:** Vivek, in the past we have given a guidance that over a larger period realization increase in a year is about 2%, if you see a longer period of 10-20-30 year. So, it will never be as sharp, but lot of juice is left because of energy drink category, Gatorade and other value-added dairy products, etc.

**Ravi Jaipuria:** Our other two plants are also starting, which will have Value-added Dairy, which is high value products. Our Tropicana sales will go up. We think with the volumes going up, you will see slightly more improvements.

**Vivek Maheshwari:** The last bit is on EBITDA margins, in the past 2023, you have ended just around 23% which is higher than what you have historically given ballpark. Do you think that the margin range will be better than what you historically thought or we should see margins going down as we go forward?

**Ravi Jaipuria:** It is always good to do better than what we say. So, we will stick to what we have said before and hope to do better than that. We think 20-21% is a fairly high EBITDA margin in our industry and we would like to stick to that.

**Vivek Maheshwari:** Absolutely respect that point of view Mr. Jaipuria, but you are at 23% now. Given that business is growing strongly even if we do not build any operating leverage, unlikely that these margins should go down. 2023 margins should be the new level, is that fair?

**Ravi Jaipuria:** We would not like to say that because there are so many things, there are geopolitical factors today, suddenly freight charges have gone up and someday the sugar charges go up. We would not like to comment that we would be more than 21-22%, and God willing if things go well, we could be better. But, we would not like to predict.

**Raj Gandhi:** Vivek, particularly for this year, as we stated, PET prices have softened and the effect of that has been reflected in the bottom line from the gross profit to the EBITDA level.

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

**Aditya Soman:** Firstly, on the India business what is really differentiating Varun Beverages compared with some of the other players that have reported results? Most of them have reported flattish or even declines whereas Varun Beverages continues, especially in this quarter we have seen very strong numbers. What do you think is the big differentiator where in a weak underlying macro environment you are seeing very strong growth? And second question, with regard to the acquisition in South Africa, when do you expect the closure of that acquisition? Any update in terms of timelines?

**Ravi Jaipuria:** First for the growth, we think in every call we have said that we are improving our go to market. We are adding more chilling equipment and the key reason for our growth which maybe some of the other companies are not showing is our go to market. We

are enhancing our go to market. We are adding close to 4,00,000 - 5,00,000 new outlets every year, that is what the main source of our growth is coming. As we had said that electricity is no longer a challenge in this country and because power is now available in villages, we are able to place more chilling equipment's and we are able to go more deeper and deeper into the rural markets. If you would have heard last year most of the companies were saying rural market was not doing well for them. For us rural market has done extremely well because of our penetration and going deeper into the markets. Secondly, as far as South Africa is concerned, we are hoping that by February end we should get the approval. We have already got approval for Botswana from their Competition Commission, and we are waiting for the approval for Namibia and South Africa which we hope we should get it before the end of February.

**Aditya Soman:** Just a couple of follow-ups. So, on the first bit in terms of improving go-to market, how much of that process is done or do you feel there is still a long runway?

**Ravi Jaipuria:** We cannot complete it in the next 5 years to be honest. It is a long journey and you can keep on adding and there is a limit to how much we can add because there is lot of CAPEX involved, there is a lot of people involved. We think if we can keep on adding even 4,00,000 to 5,00,000 outlets, we should be very happy.

**Aditya Soman:** Sir, just on that, you were talking about manufacturing your own visi-coolers and where are we on that process now?

**Ravi Jaipuria:** We are in the process. We have not finalized it yet. As soon as we do it then we will let you know.

**Moderator:** We have a next question from the line of Devanshu Bansal from Emkay Global.

**Devanshu Bansal:** Sir, you mentioned 45% increase in capacity. So, if you could provide the absolute peak month capacity ahead of this CY2024 summer season it would be helpful.

**Ravi Jaipuria:** It is very difficult Devanshu to give you because our capacities depend on the product mix and the sizing. But if we look at comparative to what we had done in 2022, we can do 45% more than that.

**Devanshu Bansal:** Secondly, there was some news flow around the competition, Coca Cola also sort of transferring bottling operations to its partners in North and East regions. So, wanted to check, do you foresee some increase in competition or competitive intensity because of this?

**Ravi Jaipuria:** I think you cannot have a more formidable competitor than the parent company. We wish them all luck and they are a very strong competitor. We will keep on fighting in the market and the best one will win.

**Devanshu Bansal:** Lastly, on one hand the PPT sort of mentions a good amount of work that we are doing in terms of water usage reduction and PET weight reduction. Some targets has been mentioned for recycled PET as well. On the other hand, we now see promotional launches in terms of 400 ml SKUs at Rs. 20 in the market. So, just if you could explain how should we see the net impact of both these things on our gross margin?

**Ravi Jaipuria:** For PET recycling, we are putting up a manufacturing facility, we have signed a joint venture with Indorama and we hope to be in production by 2025, which should take care of about 20%-25% of our requirement, and that is what our commitment is. We

have a second plant also which will go into production and should also be ready by the end of 2025. We will be more than covered for the recycling part.

**Raj Gandhi:** Moreover, added by the initiatives taken by the company, in the weight reduction in the preforms and weight reduction in the closers, and as chairman mentioned on rPET, so altogether, we are doing whatever best can be done and target for 2025 is 100% of our plastic waste to be recycled.

**Devanshu Bansal:** These savings are being sort of rooted into these promotional launches. Like I mentioned 400 ml at Rs. 20 which is there in the market.

**Ravi Jaipuria:** These will keep on happening. It is a competitive world. We have to keep competing with our competition. Somewhere we will be ahead, somewhere they will be ahead.

**Devanshu Bansal:** The working capital at CY2023 has sort of increased Vs last year. What is the reason for this? Because last couple of years, there were these advanced purchases that we were doing. This time around what is the reason and is it expected to sustain at current levels?

**Raj Gandhi:** Because the volume has gone up therefore, in absolute terms these things have gone. If you see with the number of days, it has stayed at the same and marginally payables have reduced. Otherwise, there is no change.

**Ravi Jaipuria:** Also, some risk protection we are doing with the geopolitical situation. Suddenly the Suez Canal has got blocked and we do not want to take any chances for any goods, safeguarding ourselves.

**Devanshu Bansal:** These payables level are expected to sustain or they are expected to go back to earlier level, payable days?

**Raj Gandhi:** Well, depends upon the situation but we have made the payments ahead of time. Sometimes if we get a good pricing etc.

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

**Nihal Mahesh Jham:** 3 questions from my side. First is if I look at the strong volume growth of 25% that we have delivered in the CSD segment. Historically we have given a sense that at times Sting and even earlier Nimbooz has done well. Specifically, any products which have stood out in terms of giving a larger share of this growth.

**Ravi Jaipuria:** We think energy drink is still doing well for us and our juice category has started doing extremely well. If you see the last quarter, our growth has been about 20% on juices which has been flat and juices category have a great movement in the peak season. Unfortunately, we lost our peak season last year. We expect a huge growth in the Juice category and our value-added dairy also because till last year we didn't have the capacity, we have tripled our capacity in that for Tropicana and as well as our value-added dairy, our production capabilities have gone up by 200%. We expect the growth in both these categories to be stronger.

**Nihal Mahesh Jham:** I was asking that maybe in the CSD segment, the energy drink would have driven a larger share of the growth if that's fair to understand.

**Ravi Jaipuria:** No, even our core CSD portfolio is growing. So, if you see our water mix has come down and our overall CSD as well as energy has gone up.



- Nihal Mahesh Jham:** The second question was in the upcoming season, maybe there would be an increase in the competitive intensity with the third larger player coming in. So, what are the changes maybe or the incremental efforts on the go-to market or maybe any thoughts on the advertising side that we are planning to in a way take care of this?
- Ravi Jaipuria:** Well, we cannot talk about the third competitor. We know they are there and we're sure they will do what is right for them and we will keep on enhancing our go-to market and do the best we can in the market. And we think the India market is growing at a reasonably good pace. It can accommodate everyone, so we think there is enough room for everyone.
- Nihal Mahesh Jham:** Final question was on South Africa. If you could give a sense of the current share of Pepsi and what would be the aspiration from our side. Also, if you have a thought of the mix between the share of Pepsi and own brands for BevCo and I will be done.
- Ravi Jaipuria:** The PepsiCo share is about 1.5% and the BevCo share is about 12%. The combined is about 14% and Pepsi's share is only about 1.5%.
- Moderator:** Next question is from the line of Percy Panthaki from IIFL.
- Percy Panthaki:** First question on the CAPEX. A few quarters ago you had guided that the CAPEX on a cash flow basis this year would be about Rs. 2,800-Rs. 2,900 crore. It has come at Rs. 3,200+ crore. So, can you explain the reconciliation of this Rs.350 crore approximately higher than expected CAPEX?
- Raj Gandhi:** Percy, this is as we mentioned. In fact the capitalization of Supa plant which we initially planned for March CY2024 got expedited by couple of months, by 25<sup>th</sup> January we were ready to make it operational. This resulted in incremental cash out flow for CAPEX of Supa Plant in CY2023. Also this was in light of the logistic issues which we were facing, because Gorakhpur plant which we were planning for February may go to March this year. Instead of looking only at the cash flow, we had to ensure that we were fully covered for production for next year.
- Percy Panthaki:** And this year also we are planning a Rs. 1,200 crore CAPEX plus any WIP at the end of the year which is typically around Rs. 500-600 crore. So, we are talking about Rs. 1,700-1,800 crore CAPEX on a cash flow basis for this calendar year as well. So, what are the projects that would be included in this number?
- Raj Gandhi:** The balance capex for 2024 season includes Gorakhpur which we have already announced, next is Khurda, Orissa which we have to complete in another 1-2 months, DRC is the new territory which is about Rs. 400 crore in CAPEX and we have to complete that and maybe certain Brownfield, where another ~ Rs. 200 crores will be spent.
- Percy Panthaki:** Secondly, just wanted to understand your opportunity in the African continent. That is the announcements that have happened till now which is your Congo and South Africa plus a few small countries. I understand that the top line from the South Africa business which you are taking over is about Rs.1,600 crore, is that correct?
- Raj Gandhi:** Yes, around that much. That is right. North of Rs.1,600 crore.
- Percy Panthaki:** And Congo is a completely new territory. So, whatever you generate there will be on your own. So, if basically I have to make an estimate for your first full year of operations that will be CY2025 for the South Africa plus Congo, what kind of very ballpark kind of turnover and what kind of margins should we build in for these

operations? Because there is a certain valuation which is attached to these new opportunities which is already sort of reflecting in the share price. So, for us in order to sort of determine the fair value of the company as a whole, we also have to sort of put some fair value to these opportunities. Although the business has not yet started. So, any kind of flavor that you can give on this will be very helpful.

**Ravi Jaipuria:** Our suggestion would be, you give us 1 more quarter. Let us get onto the driving seat of South Africa which is the big part in this, because DRC will not start before May. So, it won't even reflect in the next quarter also. We think give us a couple of months for us to fully understand that market. We have understood it but before we start saying any numbers, it will be only fair for us to have full clarity. It will be better than what it is currently, that is the only thing we can tell you right now.

**Percy Panthaki:** Lastly, if you can give some idea of your new initiatives. So, you have mentioned three things, Juices, Gatorade and Dairy based beverages. These are the 3 new growth initiatives of the company. So, just wanted to understand how much could these 3 initiatives add or boost your overall growth by? Will it be 200-300 bps? Any kind of rough sort of estimate on that or any kind of way as to how you are thinking on that will be helpful.

**Ravi Jaipuria:** First of all, these are not the only 3 initiatives we are taking. These are some of the categories where we have now got the capacity which will give us the growth where we were constrained with capacity last year. But our core CSD business as well as the energy drink business is doing extremely well and that is growing on its own pace. So, these will be additional growth where the volumes will be much more higher than anticipated.

**Percy Panthaki:** Exactly, these additional growth drivers, the other is business as usual and you will obviously every year have some of the other projects and initiatives in all parts of this business but this is relatively sort of new. So, apart from if you are targeting in normal course of business, organic growth of 12%, with these opportunities can it go to 14%-15% is what I just wanted to have a flavor of.

**Ravi Jaipuria:** Well, we cannot predict numbers. Last year, peak season was a washout and still we have done 14%, so we leave it to you to decide.

**Moderator:** We have our next question from the line of Jaykumar Doshi from Kotak.

**Jaykumar Doshi:** I have got a couple of questions. The first one is, a couple of years back you called out that when Sting's salience was about 5% of volumes, you had indicated that the potential can be up to 15% volume salience based on the way it has been in some other markets. I believe that number Sting would be now close to that number or would have crossed that number. So, can you give us some more color now, where can it settle in a normalized salience of Sting for your business in India?

**Ravi Jaipuria:** Well, a lot of markets and especially in the emerging markets, energy drinks are 14%-15% of the mix. Sting has reached around 14%-15% of our portfolio mix and there is still a lot of potential left for the energy drinks industry. We think there is enough room for us to play.

**Jaykumar Doshi:** Industry mix it would be still 6%-7%, is that right understanding, overall energy drink today?

**Ravi Jaipuria:** Yes, that's what it should be around 6%-7% or maybe little lower.

**Raj Gandhi:** This is a ballpark figure. In fact, you asked when we were at 5% and optimistically at that time we envisaged because you insisted upon giving some number. And if you ask today again, we are in a similar situation because if we look at market like Vietnam where the mix for PepsiCo is ~30%, in Pakistan we understand that the mix of energy drink may be ~25% for PepsiCo. So, it all depends, let's keep a watch and keep on doing the go-to market improvements. We can only say this.

**Jaykumar Doshi:** 25%-30% is mix of Sting in PepsiCo's portfolio?

**Ravi Jaipuria:** Yes, PepsiCo portfolio.

**Jaykumar Doshi:** Second, is a bookkeeping question. You mentioned earlier that you add 400,000-500,000 outlets every year. So, at the end of CY2023 what is the total reach in India and international, if you can share both?

**Ravi Jaipuria:** About 3.5 million is our outlet reach in India.

**Jaykumar Doshi:** And international would be. If you have the number handy.

**Ravi Jaipuria:** International, we do not have the exact numbers and we would not like to comment. We are entering new markets. May be next time, if you come offline, we will try and get you the approximate details.

**Moderator:** We have a next question from the line of Amit Purohit from Elara.

**Amit Purohit:** Just on the Juices and Gatorade part. I wanted to understand if this could be the growth drivers would the mix would have a good effect or a better effect on the realization as well as we move forward.

**Ravi Jaipuria:** We think we had mentioned that in value-added Dairy, Tropicana and Gatorade, we have doubled, and added our production capacity by 200%. These products are very significant in our overall growth and these are high value products, so they add to our overall value. But that cannot be the only reason for our growth. Our key growth will still come from energy and our CSD portfolio, these products will be an additional support to the overall growth.

**Amit Purohit:** On the base of that 200% expansion which year should be taken as a base from that?

**Ravi Jaipuria:** It will be from this year onwards. One plant is already commissioned which is Maharashtra and the other one is Gorakhpur which will be commissioned by March or April.

**Amit Purohit:** So, Vs CY2023, CY2024 would have a ~200% higher capacity.

**Ravi Jaipuria:** Yes.

**Amit Purohit:** And just you highlighted on some challenges which may be there because of geopolitical reasons. Any impact that right now you are witnessing in the international market or India market?

**Ravi Jaipuria:** Not really. The only impact we are seeing is some of the freights have become more expensive. The cost of materials has gone up and some of the shipments are getting delayed. We are having to overstock ourselves just for safety reasons. And those

are costing, it is creating some cost but nothing beyond that. So, that is why we are making it very safe for ourselves and not worrying about additional inventory cost.

- Amit Purohit:** So, that would be both for India as well as international.
- Ravi Jaipuria:** Some markets. Whichever comes under the Suez Canal where the products are coming that's getting more affected, but the freight rates are going up for everyone.
- Amit Purohit:** And this would not force you to take any pricing action, right?
- Ravi Jaipuria:** No, it is not that large. Our imports are not that large.
- Amit Purohit:** Sir, just if you could give some insights on Gatorade how has been the response?
- Ravi Jaipuria:** The response has been very good, but Gatorade is a very small part, it is not even 0.5% or less than 0.5% of our category. We think it is really not relevant right now. It will just add on. It is a good value item. Long term it is a great product and we think we will do well with it. But we think our other product which is doing extremely well is Nimbooz which will be a decent mix for us.
- Moderator:** We have our next question from the line of Anand Shah from Axis Capital.
- Anand Shah:** Can you comment qualitatively on the growth in the international markets? I mean within your core markets how this year has been?
- Raj Gandhi:** It is 16% in this quarter and overall, we think broadly in line with our India's market.
- Anand Shah:** But within this I mean how Zimbabwe, Zambia or Nepal and Sri Lanka would have grown quarterly roughly.
- Ravi Jaipuria:** Overall, we have grown 16% in Q4 CY2023 and 18% in CY2023 for the international markets.
- Anand Shah:** But within this Zimbabwe would have grown how much for the full year not quarterly?
- Ravi Jaipuria:** 23% growth for Zimbabwe in CY2023.
- Anand Shah:** And in international, this year we have seen some margin correction. Normally we have seen that margins were in the range of 21%-23%. They've come down to 18%-19%. So, is there any margin ahead and do you expect this to now stabilize going ahead?
- Ravi Jaipuria:** The currencies are going up and down so much in the international markets, we think on an overall basis, you should look at a margin of 21%-22%, which is very healthy. So, one country will go down, one country will go up. Sri Lanka had 100% devaluation, now it is stabilizing. It is very difficult to base it on each country.
- Anand Shah:** And in Congo at peak capacity what kind of cases would you be sort of targeting?
- Ravi Jaipuria:** It's too early. We are putting two small lines so it's too early to say. Once we see the market developing then we'll keep on adding. But we are looking at maybe about 30 million cases from these lines.
- Moderator:** We have our next question from the line of Sumant Kumar from Motilal Oswal.

**Sumant Kumar:** Can you talk about Dairy-based beverages current contribution and going forward what kind of growth we are looking for and which market we are going?

**Ravi Jaipuria:** It is less than 0.5% at the moment and we hope to double it or maybe even little better than that.

**Sumant Kumar:** In the next year?

**Ravi Jaipuria:** This year 2024.

**Moderator:** We have a next question from the line of Thanekaivel, an individual investor.

**Thanekaivel:** I would like to know what the maintenance CAPEX for the quarter ended December'23 and for the year ended December'23.

**Raj Gandhi:** Mr. Thanekaivel we do not capitalize it. It is a P&L item. So, it is charged to the P&L like earlier years, from the beginning.

**Thanekaivel:** Could you give it, like a percentage?

**Ravi Jaipuria:** It does not work like that. It depends on the utilization of the machines and a lot of other things. We charge 100% of our maintenance to our P&L.

**Thanekaivel:** Just one more question sir on the Dairy products availability. Has the availability come from North to other areas like South and other places?

**Ravi Jaipuria:** This year our only plant was in the North. We have just started our dairy production in the West and we will be starting in the East soon. So, we will be covering the full India region this year. That's why we expect the growth to be quite strong.

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

**Raj Gandhi:** Thank you very much. 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 our company please feel free to contact our Investor Relations Team. Thank you once again for your interest, support and for taking the time out to join us on this call. Look forward to interacting with you very soon. Thank you very much.

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