



VARUN BEVERAGES LIMITED



Corporate Off : Plot No.31, Institutional Area, Sec.-44, Gurgaon, Haryana-122002 (India)
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CIN No. : U74899DL1995PLC069839

May 12, 2017

To,

<p>The BSE Limited Corporate Relationship Department, 1st Floor, New Trading Ring, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai – 400 001 022-2272 3121, 2037, 2061 corp.relations@bseindia.com</p> <p>Security Code No. 540180</p>	<p>The National Stock Exchange of India Ltd. Exchange Plaza, 5th floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 # 022-2659 8237, 8238, 8347, 8348 cmlist@nse.co.in</p> <p>Symbol : VBL Series : EQ</p>
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Dear Sir/Madam,

Sub: Press Release

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Pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations and such other Regulations as may be applicable, please find attached a copy of the press release on the unaudited financial results for the 1st quarter ended March 31, 2017. Kindly upload the same in your websites. The same is also being uploaded in the website of the Company.

Thanking you.

Yours faithfully,

For Varun Beverages Limited

Ravi Batra
Chief Risk Officer &
Group Company Secretary





(a PepsiCo franchisee)

Varun Beverages Ltd. Q1 CY2017 Financial Results

EBITDA expands 15% YoY to Rs. 1,372 million

Net Profit Rises to Rs. 29.8 million

Gurgaon, May 12, 2017: 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, 2017.

Financial Performance Highlights*

Performance Review for Q1 CY2017 vs. Q1 CY2016

- Revenue from operations grew by 1.8% YoY to Rs. 10,509 million in Q1 CY2017 from Rs. 10,327 million in Q1 CY2016
- EBITDA increased by 14.9% YoY to Rs. 1,372 million in Q1 CY2017 from Rs. 1,195 million in Q1 CY2016
- Reported a profit of Rs. 30 million in Q1 CY2017 as compared to a loss of Rs. 541 million in Q1 CY2016

***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 for Q1 2016 have been restated in compliance with Ind-AS for a meaningful comparison.

Commenting on the performance for Q1 CY2017, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said, “We have made a healthy start to the year with steady operational performance. Going into the second quarter, we are happy to share that the summer has kicked off on a strong note and we have recorded reasonable numbers in the month of April over a high base last year. This is the peak season for our products which accounts for majority of our sales and entire profit. We are confident of sustaining the momentum into the next two months if the summer continues to be strong.

In the quarter gone by, we have increased our stake in our Zambia subsidiary which is highly profitable with strong free cash flow generation. It is a fast growing emerging market and we are confident of our ability to drive sales and profitability higher in the future.

Another big positive for us is the CRISIL rating upgrade for our long term debt facilities to AA-/Stable from A+/Positive. This marks the second upgrade in under six months testimony to the strength of the operations and cash flow generation.

We are well-positioned to strengthen our position as a key player in the beverage industry on the back of our robust business model with end-to-end execution capabilities and presence across the entire value chain. We have a solid infrastructure and well-entrenched distribution network in place and along with PepsiCo will constantly innovate to launch new products to stay attuned to the changing consumer preferences."

Key Developments

Stake Increase in Zambia Subsidiary

- Increased stake in its Zambia subsidiary, Varun Beverages (Zambia) Limited, to 90% from 60%
- Acquisition comes at a very reasonable valuation with an attractive payback given growth prospects and promising earnings potential
- Enables VBL to consolidate a higher share of profits from the subsidiary going forward (2016 sales volumes of 10.7 million cases; 2016 EBITDA of Rs. 467 million)

Divestment

- Divested 41% stake in its Mozambique subsidiary, Varun Beverages Mozambique Limitada in view of limited opportunity to scale-up operations to turnaround the loss making subsidiary
- Subsidiary contributed only 0.6% to the net revenues from operations in 2016 and recorded a loss of Rs. 99 million in 2016

Rating Upgrade / NCD Issuance

- Credit rating for long term debt has been upgraded from CRISIL A+/Positive to CRISIL AA-/Stable. Company had already secured top rating for short term debt i.e. CRISIL A1+.
- Raised Rs. 3,000 million by issue of Non-Convertible Debentures (NCD). The NCD have been listed on WDM segment of the National Stock Exchange of India.
- Repaid annual installment of Rs. 3,235 million towards interest free deferred acquisition payment to PepsiCo during the quarter. The last installment of Rs. 3,000 million is pending which is due in Feb, 2018.

Capacity Expansion / Consolidation

- Set up a new unit for manufacturing of Pepsi range of products at District Hardoi, Uttar Pradesh; commercial production / operation has started with effect from May 3, 2017
- Capex to be in line with depreciation in 2017 and to substantially reduce going forward
- Goa operations are consolidated into a single larger facility to bring in operational efficiencies.

New Products

- Launched Pepsi Black, a zero calorie cola flavor CSD product currently available in 250ml cans priced similar to the other flavors
- Launch is part of PepsiCo's plan to intensify focus on health and nutrition, reduce sugar content in beverages

Promotional Campaigns

- As part of its summer promotions, labels of Pepsi cans and bottles have popular and colloquial words in eight different Indian languages. Words like Muah, Dhaakad (for north Indian market), Jhakaas (for Mumbai market), Adipoli (for Kerala) and Fatafati, Ghyaam, Fullbawaal (for Bengal market) are now printed on the labels of Pepsi cans and bottles as part of Pepsi's new 'Moments' campaign conceptualised by J. Walter Thompson.

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 March 31, 2016, VBL has been granted franchises for various PepsiCo products across 17 States and two Union Territories in India. India is the largest market and contributed 80% 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, Mozambique and Zambia.

For further information, please contact:

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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.