VARUN BEVERAGES LIMITED

GUIDELINES FOR ACQUISITION IN INDIA

(Effective from August 9, 2017)

Guidelines for Acquisition in India

1. **Objective**

Varun Beverages Limited (VBL) effectively utilizes its balance sheet for inorganic growth through acquisition of new territories / product categories. Acquisitions have been a key component of the Group's growth strategy for last many years and substantially accelerated the Company's revenue growth rate, and made a significantly positive contribution to the net income and cash flow. The Company believes it evaluates acquisitions in a measured manner to have conservative acquisition cost and has the experience to drive efficiency and benefits of scale to realize strong value and earnings from its acquisitions.

These guidelines have been approved by the Board of Directors of the Company at its meeting held on August 09, 2017 being the effective date.

2. **Applicability:**

These guidelines shall be applicable to Varun Beverages Limited.

3. **Definitions:**

In these guidelines:

a) "Company" shall mean Varun Beverages Limited and includes its subsidiaries;
b) "EBITDA" shall mean Earnings Before Interest, Taxes, Depreciation and Amortization;
c) "EV" shall mean Enterprise Value
d) "Targeted Territory" shall mean the territory to be acquired or whose acquisition is under consideration;
e) "Unit Case" shall mean 5.678 litres of beverage divided in 24 bottles of ~ 237ml each

4. **Guidelines for acquisition(s):**

VBL always actively explores and evaluates inorganic growth opportunities through additional licensed territory / sub-territory acquisitions. However, such potential acquisition or partnership is as per the pragmatic strategic and financial criterion. Further, to enhance transparency, the Board has decided to disclose certain guidelines / criterion to further M&A activities of the Company for viable acquisitions.

- The consideration for the target territory / sub-territory shall be upto 1.0x of revenue (net of GST) ± 20%
- The investment will be made such that the consolidated Debt/EBITDA ratio remains under 3x post acquisition
- Acquisition of any territory / sub territory shall be at an EV of under 6x EBITDA wherein EV shall be calculated as Volume X EBITDA X 6 and Volume is last one year proforma volumes of target territory / sub-territory and EBITDA is VBL's last one year EBITDA per unit case
- Any M&A related to PepsiCo franchise in the territory / sub territory shall be through VBL only

5. **Review / Amendment:**

The Board of Directors can approve any acquisition on terms beyond the outlined guidelines should there be a case for solid strategic fit / benefit from the acquisition. The Board may also decide to amend the guidelines at any time should there be a case for such revision.

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