IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

THIS OFFERING OF THE SECURITIES DESCRIBED IN THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT ("ISSUE") IS AVAILABLE ONLY TO INVESTORS WHO ARE QUALIFIED INSTITUTIONAL BUYERS AS DEFINED UNDER REGULATION 2(1)(SS) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED ("SEBI ICDR REGULATIONS").

IMPORTANT: This e-mail is intended for the named recipient(s) only. If you are not an intended recipient, please delete this e-mail from your system immediately. You must read the following disclaimer before continuing. The following disclaimer applies to the pre-numbered preliminary placement document of Varun Beverages Limited (the "**Company**") in relation to the proposed qualified institutions placement of its equity shares by the Company and filed with BSE Limited and National Stock Exchange of India Limited dated September 3, 2019 (the "**Preliminary Placement Document**"). The Preliminary Placement Document is attached to this e-mail, and you are therefore advised to read this disclaimer carefully before reading, accessing, reproducing or making any other use of the attached Preliminary Placement Document. In accessing the Preliminary Placement Document, you agree to be bound by the following terms and conditions, including any modifications to them, from time to time, each time you receive any information from us as a result of such access. The information in the Preliminary Placement Document is confidential and subject to updating, completion, revision, verification, amendment and change without notice. You agree and acknowledge that, none of the Company, CLSA India Private Limited and Kotak Mahindra Capital Company Limited (the "**Lead Managers**") or any person who controls them or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers accepts any liability whatsoever for any loss howsoever arising from any use of this e-mail or the attached Preliminary Placement Document or their respective contents or otherwise arising in connection therewith. **You acknowledge that the Preliminary Placement Document is intended for use by you only and you agree not to forward it to any other person, internal or external to your company, in whole or in part, or otherwise provide access via e-mail or otherwise to any other person.**

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE EQUITY SHARES OF THE COMPANY HAVE NOT BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE U.S. STATE SECURITIES LAWS.

ACCORDINGLY, THE EQUITY SHARES OF THE COMPANY ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES IN 'OFFSHORE TRANSACTIONS' (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("**REGULATION S**")) IN RELIANCE ON REGULATION S AND THE APPLICABLE LAWS OF THE JURISDICTION WHERE THOSE OFFERS AND SALES ARE MADE. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE EQUITY SHARES OF THE COMPANY AND DISTRIBUTION OF THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT, SEE "SELLING RESTRICTIONS", "NOTICE TO INVESTORS", AND "TRANSFER RESTRICTIONS". THE ATTACHED PRE NUMBERED PRELIMINARY PLACEMENT DOCUMENT MAY NOT BE FORWARDED, DOWNLOADED, DELIVERED OR DISTRIBUTED, IN WHOLE OR IN PART, ELECTRONICALLY OR OTHERWISE TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE EQUITY SHARES OF THE COMPANY DESCRIBED IN THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT.

This Issue and the distribution of this Preliminary Placement Document is being done in reliance on SEBI ICDR Regulations and the Companies Act, 2013 read with rules made thereunder, each as amended. This Preliminary Placement Document is personal to each prospective investor and does not constitute an offer or invitation or solicitation of an offer to the public or to any other person or class of investors.

Confirmation of your Representation: You are accessing the attached Preliminary Placement Document on the basis that you have confirmed your representation, agreement and acknowledgement to the Lead Managers that: (1) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and to the extent that you purchase the securities described in the attached Preliminary Placement Document, you will be doing so pursuant to Regulation S; (2) the securities offered hereby have not been registered under the U.S. Securities Act; (3) you consent to delivery of the attached Preliminary Placement Document and any amendments or supplements thereto and the final placement document by electronic transmission; (4) you the intended recipient of the attached Preliminary Placement Document and are a "Qualified Institutional Buyer" as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations and are not restricted from participating in the offering under the SEBI ICDR Regulations and other applicable laws including not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; (5) you agree and acknowledge that if you, together with any other Qualified Institutional Buyers belonging to the same group or under common control, are allotted more than 5% of the equity shares of the Company in the Issue, the Company shall be required to disclose your name, along with the name of such other allottees and the number of equity shares of the Company allotted to you and to such other allottees to the Stock Exchanges, and they will make the same available on their website and you consent to such disclosures; (6) you are aware that if you are circulate the Preliminary Placement Document or are allotted any equity shares of the Company in the Issue, the Company is required to disclose details such as your name, address, PAN, email-id and the number of equity shares of the Company allotted along with other relevant information as may be required, to the Registrar of Companies, National Capital Territory of Delhi and Haryana, at New Delhi and you consent to such disclosures; and (7) that you consent to delivery of the attached Preliminary Placement Document and any amendments or supplements thereto by electronic transmission.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Company or the Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a "general solicitation" or "general advertising" (each as defined in Regulation D under the U.S. Securities Act) or "directed selling efforts" (as defined in Regulation S) in the United States or elsewhere. You are reminded that the attached Preliminary Placement Document has been delivered to you on the basis that you are a person into whose possession the attached Preliminary Placement Document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Preliminary Placement Document to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or invitation or solicitation in any place where offers, invitations or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Lead Managers or any affiliate of the Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Lead Managers or such affiliate on behalf of the Company in such jurisdiction. Further, nothing in this electronic transmission constitutes an offer or an invitation or solicitation of an offer or an offer or invitation to the public under the Companies Act, 2013, or any other applicable law, by or on behalf of either the Company or the Lead Managers to subscribe for or purchase any of the equity shares of the Company described in the attached Preliminary Placement Document. The attached Preliminary Placement Document has not been and will not be registered as a prospectus or a statement in lieu of prospectus with any registrar of companies in India and is not and should not be construed as an offer document under the SEBI ICDR Regulations or any other applicable law. The attached Preliminary Placement Document has not been and will not be reviewed or approved by any regulatory authority in India, including the Securities and Exchange Board of India, the Reserve Bank of India, any registrar of companies in India or any stock exchange in India. The attached Preliminary Placement Document is not and should not be construed as an invitation, offer or sale of any securities to the public in India.

The attached Preliminary Placement Document been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company, Lead Managers or any person who controls any of them or any of their respective director, officer, employee or agent of any of them or affiliate of any of them accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Placement Document distributed to you in electronic format and the hard copy version available to you on request from the Lead Managers. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature. The attached Preliminary Placement Document is intended only for use by the addressee named herein and may contain legally privileged and / or confidential information. If you are not the intended recipient of the attached Preliminary Placement Document, you are hereby notified that any dissemination, distribution or copying of the attached Preliminary Placement Document is strictly prohibited. If you have received the attached Preliminary Placement Document in error, please immediately notify the sender or the Lead Managers by reply email and destroy the email received and any printouts of it.

You are reminded that you have accessed the attached Preliminary Placement Document on the basis that you are a person into whose possession this Preliminary Placement Document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to download, deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the equity shares described therein. The Company, the Lead Managers or their respective affiliates, directors, officers, employees, agenets or representatives do not accept any responsibility or liability with respect to, the fairness, accuracy, completeness or correctness of any information or opinion in the Preliminary Placement Document.

Actions That You May Not Take: You should not reply by e-mail to this announcement, and you may not purchase any of the equity shares of the Company described in the attached pre-numbered Preliminary Placement Document by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) FORWARD, DISTRIBUTE OR DELIVER THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR (2) REPRODUCE SUCH PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISSEMINATION, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The information in this Preliminary Placement Document is not complete and may be changed. The Issue is meant only for Eligible QIBs under Chapter VI of the SEBI ICDR Regulations and is not an offer to the public or to any other class of investors to purchase the Equity Shares. This Preliminary Placement Document is not an offer to sell any Equity Shares and is not soliciting an offer to subscribe to or buy the Equity Shares in any jurisdiction where such offer, sale or subscription is not permitted. This Preliminary Placement Document is being issued for the sole purpose of information or discussion relating to the Equity Shares that may be Allotted pursuant to the Placement Document.

Preliminary Placement Document
Subject to completion
Not for Circulation and Strictly Confidential
Serial Number:_________

(a PepsiCo franchisee)

VARUN BEVERAGES LIMITED

(A public company incorporated under the Companies Act, 1956 on June 16, 1995 and obtained a certificate for commencement of business on July 4, 1995. Our CIN is L74899DL1995PLC069839.)

Registered Office: F-2/7, Okhla Industrial Area, Phase I, New Delhi 110 020; Tel: +91 11 41706720

Corporate Office: Plot No. 31, Institutional Area, Sector – 44, Gurgaon 122 002; Tel: +91 124 4643100

Email: complianceofficer@rjcorp.in; **Website**: www.varunpepsi.com

For further details, see "*General Information*" on page 254.

Varun Beverages Limited (the "**Issuer**" or the "**Company**") is issuing up to [●] equity shares of face value of ₹ 10 each (the "**Equity Shares**") at a price of ₹ [●] per Equity Share (the "**Issue Price**"), including a premium of ₹ [●] per Equity Share, aggregating up to ₹ [●] million (the "**Issue**"). For further details, see "*Summary of the Issue*" on page 33.

THIS ISSUE IS BEING UNDERTAKEN IN RELIANCE UPON CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES") AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND RULES FRAMED THEREUNDER.

Our Company's outstanding Equity Shares are listed on the BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**", and together with BSE, the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on BSE and NSE as on August 30, 2019 was ₹ 641.15 and ₹ 646.25 per Equity Share, respectively. Our Company has received in-principle approvals pursuant to Regulation 28(1)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "**SEBI Listing Regulations**") for listing of the Equity Shares to be issued pursuant to the Issue, from BSE and NSE, both dated September 3, 2019. Our Company shall make applications to the Stock Exchanges for obtaining final listing and trading approvals for the Equity Shares to be issued pursuant to the Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or the Equity Shares.

OUR COMPANY HAS PREPARED THIS PRELIMINARY PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE.

The information on our website or any website directly or indirectly linked to our website (except for this Preliminary Placement Document) or the websites of the BRLMs (as defined hereinafter) and their respective affiliates does not form part of this Preliminary Placement Document, and prospective investors should not rely on such information contained in, or available through, such websites for their investment in this Issue. A copy of this Preliminary Placement Document, which includes disclosures prescribed under Form PAS-4 (as defined hereinafter), has been delivered to the Stock Exchanges. A copy of the Placement Document (which will include disclosures prescribed under Form PAS-4) shall be delivered to the Stock Exchanges. Our Company shall also make the requisite filings with the Registrar of Companies, NCT of Delhi and Haryana ("**RoC**") within the stipulated period as required under the Companies Act, 2013 (as defined hereinafter) and the PAS Rules. This Preliminary Placement Document has not been reviewed by the Securities and Exchange Board of India ("**SEBI**"), the Reserve Bank of India ("**RBI**"), the Stock Exchanges, the RoC or any other regulatory or listing authority, and is intended only for use by Eligible QIBs (as defined hereinafter). This Preliminary Placement Document has not been and shall not be registered as a prospectus with the RoC, shall not be circulated or distributed to the public in India or any other jurisdiction, and the Issue shall not constitute a public offer in India or any other jurisdiction. The placement of Equity Shares proposed to be made pursuant to this Preliminary Placement Document is meant solely for Eligible QIBs on a private placement basis and is not an offer to the public or to any other class of investors.

THE ISSUE AND DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE TO ELIGIBLE QIBS IN RELIANCE UPON CHAPTER VI OF THE SEBI ICDR REGULATIONS AND SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES FRAMED THEREUNDER. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PROSPECTIVE INVESTOR OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN ELIGIBLE QIBS. THIS PRELIMINARY PLACEMENT DOCUMENT SHALL BE CIRCULATED ONLY TO SUCH ELIGIBLE QIBS WHOSE NAMES ARE RECORDED BY OUR COMPANY PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO THE EQUITY SHARES AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC, OR TO ANY OTHER PERSON OR CLASS OF INVESTORS, WITHIN OR OUTSIDE INDIA, OTHER THAN TO ELIGIBLE QIBs.

YOU MAY NOT AND ARE NOT AUTHORISED TO: (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON, OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER, OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILISE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE COMPANIES ACT, 2013, SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OF OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "RISK FACTORS" ON PAGE 54 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT AND THE PLACEMENT DOCUMENT. PROSPECTIVE INVESTORS SHALL CONDUCT THEIR OWN DUE DILIGENCE ON THE EQUITY SHARES AND OUR COMPANY. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS PRELIMINARY PLACEMENT DOCUMENT AND THE PLACEMENT DOCUMENT, YOU SHOULD CONSULT AN AUTHORIZED FINANCIAL ADVISOR.

Invitations, offers and sales of Equity Shares to be issued pursuant to the Issue shall only be made pursuant to this Preliminary Placement Document, together with the Application Form, the Placement Document and the Confirmation of Allocation Note (each as defined herein). For further details, see "*Issue Procedure*" on page 207. The distribution of this Preliminary Placement Document or the disclosure of its contents without our Company's prior consent to any person other than Eligible QIBs and persons retained by Eligible QIBs to advise them with respect to their purchase of Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold only outside the United States in 'offshore transactions' (as defined in Regulation S under the Securities Act ("**Regulation S**")) in reliance on Regulations S and the applicable laws of the jurisdiction where those offers and sales are made. For a description of the selling restrictions in certain other jurisdictions, see "*Selling Restrictions*" on page 221. The Equity Shares are transferrable only in accordance with the restrictions described in "*Transfer Restrictions*" on page 231.

This Preliminary Placement Document is dated September 3, 2019.

BOOK RUNNING LEAD MANAGERS

CLSA INDIA PRIVATE LIMITED	**KOTAK MAHINDRA CAPITAL COMPANY LIMITED**

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NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for the information contained in this Preliminary Placement Document and to the best of our knowledge and belief, having made all reasonable enquiries, we confirm that this Preliminary Placement Document contains all information with respect to our Company and the Equity Shares, which we consider material in the context of this Issue. The statements contained in this Preliminary Placement Document relating to our Company and the Equity Shares are, in all material respects, true and accurate and not misleading, the opinions and intentions expressed in this Preliminary Placement Document with regard to our Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to us and are based on reasonable assumptions. There are no other facts in relation to our Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements.

The BRLMs have not separately verified the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the BRLMs nor any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the BRLMs or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates, as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Issue of Equity Shares or their distribution. Each person receiving this Preliminary Placement Document acknowledges that such person has neither relied on the BRLMs nor on any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of our Company and the merits and risks involved in investing in the Equity Shares issued pursuant to the Issue.

No person is authorised to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Company, or by or on behalf of the BRLMs. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary may be a criminal offense in other jurisdictions.

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold by our Company only outside the United States in 'offshore transactions' in reliance on Regulations S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales are made. For further information, see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 221 and 231, respectively.

The information contained in this Preliminary Placement Document has been provided by our Company and other sources identified herein. The distribution of this Preliminary Placement Document or the disclosure of its contents without the prior consent of our Company to any person, other than Eligible QIBs specified by the BRLMs or their representatives, and those retained by Eligible QIBs to advise them with respect to their subscription of the Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document. Any reproduction or distribution of this Preliminary Placement Document, in whole or in part, and any disclosure of its contents to any other person is prohibited.

The distribution of this Preliminary Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company and the BRLMs which would permit an issue of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares in the Issue may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, investors must rely on their own examination of our Company and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, investment, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the BRLMs are making any representation to any investor, purchaser or subscriber of the Equity Shares in relation to this Issue regarding the legality of an investment in the Equity Shares in this Issue by such investor, subscriber or purchaser under applicable legal, investment or similar laws or regulations. Each investor of the Equity Shares should conduct their own due diligence on the Equity Shares and our Company.

Each such investor, subscriber or purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Indian law, including under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013, read with Rule 14 of the PAS Rules and that is not prohibited by SEBI or any other statutory, regulatory or judicial authority in India or any other jurisdiction from buying, selling or dealing in securities including the Equity Shares or otherwise accessing the capital markets in India.

This Preliminary Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

The information on our Company's website, www.varunpepsi.com, any website directly and indirectly linked to the website of our Company or on the respective websites of the BRLMs and of their affiliates, does not constitute nor form part of this Preliminary Placement Document. Prospective investors should not rely on any such information contained in, or available through, any such websites.

NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

For information to investors in certain other jurisdictions, see the sections "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 221 and 231, respectively.

REPRESENTATIONS BY INVESTORS

All references to "you" and "your" in this section are to the prospective investors in the Issue. By Bidding for and/or subscribing to any Equity Shares under the Issue, you are deemed to have represented, warranted, acknowledged and agreed to our Company and the BRLMs, as follows:

- you (i) are a QIB, as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations, not excluded under Regulation 179(2)(b) of the SEBI ICDR Regulations, (ii) have a valid and existing registration under applicable laws and regulations of India, (iii) undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to you in accordance with Chapter VI of the SEBI ICDR Regulations, Companies Act, 2013 and all other applicable laws, and (iv) undertake to comply with the SEBI ICDR Regulations, the Companies Act and all other applicable laws, including in respect of reporting requirements and , requirements/ making necessary filings, if any, in connection with the Issue, if any;

- you confirm that if you are Allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment (hereinafter defined), sell the Equity Shares so acquired, except on the floor of the Stock Exchanges. For details on further transfer restrictions, see "*Transfer Restrictions*" on page 231;

- That you are eligible to invest in India under applicable law, including the FEMA Regulations, and have not been prohibited by SEBI or any other regulatory authority, statutory authority or otherwise, from buying, selling or dealing in securities or otherwise accessing capital markets in India;

- you will make all necessary filings with appropriate regulatory authorities, including the RBI, as required under applicable laws;

- you are aware that the Equity Shares have not been and will not be registered through a prospectus under the Companies Act, the SEBI ICDR Regulations or under any other law in force in India. This Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4) has not been reviewed, verified or affirmed by SEBI, the Stock Exchanges or any other regulatory or listing authority and is intended only for use by Eligible QIBs and that this Preliminary Placement Document will not be registered as a prospectus under the Companies Act. This Preliminary Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of our Company and the Stock Exchanges;

- You will provide the information as required under the Companies Act, 2013 and the PAS Rules for record keeping by our Company, including your name, complete address, phone number, e-mail address, permanent account number and bank account details. Further, you agree and understand that, we shall file the return of allotment along with a complete list of Allottees, along with other particulars with the RoC within 15 days of the of Allotment, in addition to making other filings required under the Companies Act, 2013;

- you are aware that additional requirements would be applicable if you are in jurisdictions other than India, as set forth under "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 221 and 231, respectively. You are permitted to subscribe to the Equity Shares under the laws of all relevant jurisdictions which are applicable to you and that you have fully observed such laws and have all necessary capacity and have obtained all necessary consents and authorisations as may be required and complied with all necessary formalities, to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorisations to agree to the terms set out or referred to in this Preliminary Placement Document) and complied with all the necessary formalities and that you will honour such obligations;

- none of our Company, any of the BRLMs or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates is making any recommendations to you, or advising you regarding the suitability of any transactions they may enter into in connection with the Issue, and that your participation in the Issue is on the basis that you are not and will not, up to the Allotment of Equity Shares, be a client of the BRLMs and that the BRLMs have no duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are in no way acting in a fiduciary capacity;

- all statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding our Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our Company's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performances or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Company's present and future business strategies and environment in which our Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of this Preliminary Placement Document. Our Company, the BRLMs or any of our shareholders, Directors, officers, employees, counsel, advisors, representatives, agents or affiliates assume no responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

- you are aware and understand that the Equity Shares are being offered only to Eligible QIBs and are not being offered to the general public or any other category of investors other than Eligible QIBs and the Allotment of the same shall be on a discretionary basis, at the discretion of our Company in consultation with the BRLMs;

- you have made, or been deemed to have made, as applicable, the representations, warranties, acknowledgements and undertakings as set forth under the sections "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 221 and 231 of this Preliminary Placement Document, respectively;

- you have been provided a serially numbered copy of this Preliminary Placement Document and have read this Preliminary Placement Document in its entirety in particular the "*Risk Factors*", on page 54;

- in making your investment decision, (i) you have relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) you have made and will continue to make your own assessment of our Company, our Subsidiaries, the Equity Shares and the terms of the Issue, on such information as is publicly available (iii) you have relied upon your own investigations and resources in deciding to invest in the Equity Shares, (iv) you have consulted your own independent advisors (including tax advisors) or otherwise have satisfied yourself concerning, without limitation, the effects of local laws and taxation matters, (v) you have relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Company or any other party and (vi) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares;

- none of the BRLMs or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates has provided you with any tax advice or otherwise made any representations regarding the tax consequences of the Equity Shares (including, but not limited to, the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the BRLMs when evaluating the tax consequences in relation to the Equity Shares (including, but not limited to, the Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against any of our BRLMs or any of their respective shareholders, directors, officers, employees, counsel, advisors, representatives, agents or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

- you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares, and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Company or any of the BRLMs or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, and (iv) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;

- that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing by each such managed account to acquire the Equity Shares for each such managed account and to make (and you hereby make) the representations, warranties, acknowledgements and undertakings herein for and on behalf of each such managed account, reading the reference to "you" to include such accounts;

- you are not a 'promoter' (as defined under the SEBI ICDR Regulations) of our Company or any of its affiliates and are not a person related to the 'promoters', either directly or indirectly, and your Bid does not directly or indirectly represent the 'promoter', or 'promoter group', (as defined under the SEBI ICDR Regulations) of our Company or persons related to the 'promoters'.

  For the purposes of this representation, a QIB who has any rights under a shareholders' agreement or voting agreement entered into with 'promoters' or 'promoter group', veto rights or right to appoint any nominee director on our Board will be deemed to be a person related to the promoters of our Company. However, a QIB who not hold any shares in our Company and who has acquired such rights in the capacity of a lender shall not be deemed to be a person related to the promoter;

- you will have no right to withdraw your Bid or revise your Bid downwards after the Bid Closing Date;

- you are eligible to Bid and hold the Equity Shares so Allotted to you pursuant to this Issue, together with any Equity Shares held by you prior to the Issue. You further confirm that your equity holding, upon the issue of the Equity Shares, shall not exceed the level permissible as per any applicable law;

- the Bid submitted by you would not eventually result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Code**");

- you are aware of and acknowledge and represent the following in respect of your shareholding in our Company:

  a. if you are Allotted more than 5% of the total number of Equity Shares Allotted in this Issue, we shall be required to disclose your name, the number of Equity Shares Allotted to you, the pre and post issue shareholding pattern of our Company, to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosure being made by us.

  b. to the best of your knowledge and belief, your aggregate holding, together with other Eligible QIBs in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under this Issue to you shall not exceed 50% of the Issue.

     For the purposes of this representation: (i) Eligible QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; or (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and independent directors, amongst an Eligible QIB, its subsidiary or holding company and any other Eligible QIB; and (ii) 'control' shall have the same meaning as is assigned to it by clause (e) of sub-regulation 1 of regulation 2 of the Takeover Regulations.

- you are aware that if our Company decides to allocate Equity Shares to you in the Issue, your name and your post-Issue shareholding as a percentage of post-Issue share capital (assuming full subscription in the Issue) will be included as a "proposed allottee" in the Issue in the Placement Document and you consent to such disclosure by our Company. However, disclosure of such details in relation to the proposed Allottees in the Placement Document will not guarantee Allotment, as Allotment in the Issue shall continue to be at the sole discretion of our Company, in consultation with the BRLMs;

- you are aware that applications for in-principle approvals, in terms of Regulation 28 of the SEBI Listing Regulations, for listing and admission of the Equity Shares and for trading on the Stock

Exchanges, were made and such approval has been received from each of the Stock Exchanges

- you are aware that pursuant to the Allotment of the Equity Shares in the Issue, applications shall be made by our Company to the Stock Exchanges for listing approvals and that the applications for obtaining the final listing and trading approvals will be made to the Stock Exchanges only after the credit of the Equity Shares to the beneficiary account with the Depository Participant, and that there can be no assurance that such approvals will be obtained on time or at all. There can be assurance that the final approvals for listing and trading of the Equity Shares will be obtained in time or at all. Neither our Company and the BRLMs nor their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates shall be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

- you shall not undertake any trade in the Equity Shares credited to your beneficiary account with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares under this Issue are granted by the Stock Exchanges;

- you are aware and understand that the BRLMs will have entered into a Placement Agreement with our Company whereby the BRLMs have, subject to the satisfaction of certain conditions set out therein, undertaken severally and not jointly to use their reasonable endeavours to seek to procure subscription for the Equity Shares on the terms and conditions set forth therein;

- the contents of this Preliminary Placement Document are exclusively the responsibility of our Company and none of the BRLMs nor any person acting on their behalf or any of the counsel, advisors, to the Issue has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the BRLMs or our Company or any other person and that none of the BRLMs nor our Company nor any other person including their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by any of the BRLMs (including any view, statement, opinion or representation expressed in any research published or distributed by any of the BRLMs or their respective affiliates or any view, statement, opinion or representation expressed by any staff (including research staff) of any of the BRLMs or their respective affiliates) or our Company or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates and neither the BRLMs nor our Company or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty, statement or opinion;

- you agree to indemnify and hold our Company and the BRLMs and their directors, officers, employees, controlling persons and affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements and undertakings in this section and the sections "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 221 and 231, respectively. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares Allotted under this Issue by or on behalf of the managed accounts;

- you understand that none of the BRLMs or their affiliates have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses, directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Company of any of our respective obligations or any breach of any representations or warranties by our Company, whether to you or otherwise;

- you understand and agree that the Equity Shares are transferable only in accordance with the restrictions described in "*Transfer Restrictions*" on page 231 and you warrant that you will comply with those restrictions;

- that you are eligible to invest in India under applicable law, including the FEMA Regulations, as amended from time to time, and have not been prohibited by the SEBI or any other regulatory authority, statutory authority or otherwise, from buying, selling or dealing in securities;

- any dispute arising in connection with the Issue will be governed and construed in accordance with the laws of the Republic of India, and the courts in Mumbai, Maharashtra, India shall have the exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document and the Placement Document;

- you are a sophisticated investor, and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares, you and any accounts for which you are subscribing to the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Company or the BRLMs or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered, including losses arising out of non-performance by our Company of any of its respective obligations or any breach of any representations and warranties by our Company, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares.

- you are subscribing to the Equity Shares to be issued pursuant to the Issue in accordance with applicable laws and by participating in this Issue, you are not in violation of any applicable law, including but not limited to the SEBI Insider Trading Regulations, the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, as amended, and the Companies Act;

- you confirm that either (i) you have not participated in or attended any investor meetings or presentations by our Company or our agents with regard to our Company or this Issue ("**Company Presentations**"); or (ii) if you have participated in or attended any Company Presentations, (a) you understand and acknowledge that the BRLMs may not have the knowledge of the statements that our Company or our agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such Company Presentation may have included any material misstatements or omissions, and, accordingly you acknowledge that the BRLMs have advised you not to rely in any way on any such information that was provided to you at such Company Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information relating to our Company or our Subsidiaries and the Issue that was not made publicly available by our Company;

- that each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment of the Equity Shares in the Issue; and

- that our Company, the BRLMs, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements which are given to the BRLMs on their own behalf and on behalf of our Company and are irrevocable.

- if you are a foreign portfolio investor, you are an Eligible FPI as defined in this Preliminary Placement Document and have a valid and existing registration with SEBI under the applicable laws in India, and can participate in the Issue under applicable laws including Schedule 2 of the FEMA Regulations.;

- you have made, or are deemed to have made, as applicable, the representations set forth in this section titled "*Representations by Investors*";

- that our Company, the BRLMs, their respective directors, officers, employees, controlling persons, affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements which are given to the BRLMs on their own behalf and on behalf of our Company and are irrevocable. You agree that the terms and provisions of the foregoing representations, warranties, acknowledgements and undertakings, shall inure to the benefit of and any document incorporating such acknowledgements, representations and agreements shall be enforceable by the BRLMs and our Company, their respective successors and permitted assigns, and the terms and provisions hereof shall be binding on our permitted successors in title, permitted assigns and permitted transferees.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended ("**SEBI FPI Regulations**"), FPIs (other than a Category III foreign portfolio investors and unregulated broad based funds which are classified as Category II FPI by virtue of their investment manager being appropriately regulated) may issue, subscribe or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an Eligible FPI against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India or unlisted debt securities or securitized debt instruments, as its underlying) (all such offshore derivative instruments are referred to herein as "**P-Notes**"), for which they may receive compensation from the purchasers of such instruments. Further, in accordance with SEBI circular (bearing number CIR/IMD/FIIC/20/2014) dated November 24, 2014, Eligible FPIs are permitted to issue P-Notes to only those subscribers which meet the eligibility criteria as laid down in Regulation 4 of the SEBI FPI Regulations and which do not have any opaque structure(s), as defined under the SEBI FPI Regulations. Two or more subscribers of P-Notes having a common beneficial owner shall be considered together as a single subscriber of the P-Notes. In the event a prospective investor has investments as a FPI and as a subscriber of P-Notes, these investment restrictions shall apply on the aggregate of the FPI and P-Notes investments held in the underlying company. For further details relating to investment limits of FPIs, see "*Issue Procedure*" on page 207. P-Notes may be issued only in favour of those entities which meet the eligibility criteria as laid down in Regulation 4 of the SEBI FPI Regulations. Pursuant to its circular dated June 10, 2016, SEBI has introduced additional requirements applicable to P-Notes, including (i) KYC norms for issuers of P-Notes which require identification and verification of beneficial owners of entities subscribing to the P-Note holding more than a prescribed threshold; (ii) the requirement for issuers to file suspicious transaction reports with the Indian Financial Intelligence Unit; and (iii) the requirement for the issuer to report details of intermediate transfers in the monthly reports on P-Notes submitted to SEBI. An Eligible FPI shall also ensure that no further issue or transfer of any instrument referred to above is made by or on behalf of it to any person other than such entities regulated by appropriate foreign regulatory authorities. P-Notes have not been, and are not being offered, or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claims on or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company and the BRLMs do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the BRLMs and do not constitute any obligations of or claims on the BRLMs. Respective affiliates of the BRLMs which are Eligible FPIs may purchase the Equity Shares in the Issue, and may issue P-Notes in respect thereof, in each case to the extent permitted by applicable law.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Preliminary Placement Document;

2. warrant that the Equity Shares issued pursuant to this Issue will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company,

and it should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Preliminary Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors" and "potential investor" are to the Eligible QIBs pursuant to the Issue, references to "our Company", the "Company", or the "Issuer" are to Varun Beverages Limited and references to "our", "us", or "we" are to Varun Beverages Limited together with our Subsidiaries and Associates.

In this Preliminary Placement Document, references to (a) "Rs.", "Rupees", "INR", "Indian Rupees" or "₹" are to the legal currency of the Republic of India and (b) "USD", "US$" and "U.S. Dollars" are to the legal currency of the United States. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions and all references to "India" are to the Republic of India and its territories and possessions. All references herein to the "Central Government", "Government", "Government of India" or "State Government" are to the Government of India, central or state, as applicable. All the numbers in this document, have been presented in million or in whole numbers where the numbers have been too small to present in million, unless stated otherwise.

Our fiscal year ends on December 31 of each year, and references to a particular Fiscal are to the twelve-month period ended December 31 of that year. Our Financial Year ending of December 31 was approved pursuant to an order dated December 15, 2015 issued by the Company Law Board, New Delhi.

Our Company was required to prepare standalone and consolidated financial statements in accordance with Ind AS for Fiscal 2017 (together with the corresponding standalone and consolidated financial statements under Ind AS for Fiscal 2016) under applicable regulations. Our historical standalone and consolidated financial statements for Fiscal 2016 and any period prior to Fiscal 2016 were originally prepared in accordance with Indian GAAP.

Ind AS varies in many respects from Indian GAAP, and accordingly our Ind AS financial statements for Fiscal 2017, Fiscal 2018 and the six months ended June 30, 2019 are not directly comparable with our historical Indian GAAP financial statements. See "*Financial Statements*" and "*Risk Factors - We were required to prepare and present our financial statements under Ind AS with effect from January 1, 2017 (with January 1, 2016 as the transition date). Our Ind AS financial statements for Fiscal 2017 and Fiscal 2018 and for the six months ended June 30, 2019 are not directly comparable with the historical Indian GAAP financial statements for Fiscal 2016 included in this Preliminary Placement Document.*" on pages 255 and 72, respectively.

Pursuant to a meeting of our Board of Directors on August 1, 2019, we have adopted and filed with the stock exchanges on August 1, 2019, the Ind AS unaudited consolidated and standalone interim financial results for the quarter and half year ended June 30, 2019, (with Ind AS unaudited comparative consolidated and standalone interim financial statements for the quarter and half year ended June 30, 2018), comprising the unaudited consolidated and standalone interim balance sheet as at June 30, 2019, the unaudited consolidated and standalone interim statement of profit and loss and the unaudited consolidated and standalone interim statement of cash flows for the quarter and half year ended June 30, 2019, which was subjected to a limited review by our statutory auditors in accordance with the Standard on Review Engagements ('SRE') 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity', prepared by our Company in accordance with the recognition and measurement principles of Ind AS 34, "Interim Financial Reporting", prescribed under Section 133 of the Companies Act, 2013, SEBI circular CIR/CFD/FAC/62/2016 dated 5 July 2016 ('SEBI Circular') and other accounting principles generally accepted in India and submitted by our Company pursuant to the requirements of Regulation 33 of the SEBI Listing Regulations with the Stock Exchanges ("**Stock Exchanges Interim Financial Results**").

We have included in this Preliminary Placement Document we have included: (i) the Indian GAAP audited consolidated financial statements for Fiscal 2016 comprising the audited consolidated balance sheet and the audited consolidated statement of profit and loss, the audited consolidated statement of cash flow and the audited consolidated statement of changes in equity read along with the notes thereto (the "**Fiscal 2016 Indian GAAP Audited Consolidated Financial Statements**"); (ii) the Ind AS audited consolidated financial statements for Fiscal 2017 (which includes the audited consolidated financial statements for Fiscal 2016 prepared under Ind AS for the purposes of inclusion as comparative consolidated financial statements for Fiscal 2016) comprising the audited consolidated balance sheet and the audited consolidated statement of profit and loss, the audited consolidated statement of cash flow and the audited consolidated statement of changes in equity read along with the notes thereto (the "**Fiscal 2017 Ind AS Audited Consolidated Financial Statements**")**;** (iii) the Ind AS audited consolidated financial statements for Fiscal 2018 comprising the audited consolidated balance sheet and the audited consolidated statement of profit and loss, the audited consolidated statement of cash flow and the audited consolidated statement of changes in equity read along with the notes thereto (the "**Fiscal 2018 Ind AS Audited Consolidated Financial Statements**" and collectively with Fiscal 2017 Ind AS Audited Consolidated Financial Statements, the "**Ind AS Audited Consolidated Financial Statements**"); and (iv) the Ind AS Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019. The Fiscal 2016 Indian GAAP Audited Consolidated Financial Statements and the Ind AS Audited Consolidated Financial Statements are collectively referred to as "**Audited Consolidated Financial Statements**". Unless otherwise specified or the context requires otherwise, the financial information contained in this Preliminary Placement Document is based on our Ind AS Audited Consolidated Financial Statements and our Ind AS consolidated Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019. For further information, see "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 255 and 98, respectively.

Unless otherwise stated, references in this Preliminary Placement Document to a particular year are to the calendar year ended on December 31 and to a particular "Financial Year", "Calendar Year", "Fiscal", "FY" or "CY" are to the financial year of our Company ending on December 31 of a particular year.

Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding off.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to the businesses of our Company contained in this Preliminary Placement Document consists of estimates based on data reports compiled by government bodies, professional organizations and analysts, data from other external sources and knowledge of the markets in which our Company competes. The statistical information included in this Preliminary Placement Document relating to the various sectors in which our Company operates has been reproduced from various trade, industry and regulatory/government publications and websites. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so our Company has relied on internally developed estimates.

Neither our Company nor any of the BRLMs have independently verified this data and neither our Company nor any of the BRLMs makes any representation regarding the accuracy or completeness of such data. Similarly, while we believe that our internal estimates are reasonable, such estimates have not been verified by any independent sources, and neither our Company nor the BRLMs can assure potential investors as to their accuracy or completeness.

Information has been included in this Preliminary Placement Document from the report titled "India Soft Drinks Market Insights 2019" dated July 2019 (the "*GlobalData Report*") prepared and released by GlobalData Plc and commissioned by us and other publicly available information.

Industry publications generally state that the information contained in such publications has been obtained from publicly available documents from various sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe the industry and market data used in this Preliminary Placement Document is reliable, it has not been independently verified by us or the BRLMs or any of their affiliates or advisors. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in "*Risk Factors*" on page 54.

The extent to which the market and industry data used in this Preliminary Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which business of our Company is conducted, and methodologies and assumptions may vary widely among different industry sources. Accordingly, investment decisions should not be based solely on such information.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical fact constitute "forward-looking statements." Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Company are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

The forward-looking statements appear in a number of places throughout this Preliminary Placement Document and include statements regarding the intentions, beliefs or current expectations of our Company concerning, amongst other things, the expected results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of our Company and the industry in which we operate. In addition even if the result of operations, financial conditions, liquidity and dividend policy of our Company, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Preliminary Placement Document, those results or developments may not be indicative of results or developments in subsequent periods.

All statements regarding our expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Company's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Preliminary Placement Document that are not historical facts. These forward-looking statements contained in this Preliminary Placement Document (whether made by our Company or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of our Company to be materially different from any of the forward-looking statements include, among others:

1. Termination or non-renewal of the our agreements with PepsiCo;
2. Obligations under the agreements with PepsiCo are set in a manner adverse to our business interest;
3. Failure to integrate businesses we have acquired, including the 2019 New India Sub-Territories, with our existing operations;
4. Adverse weather conditions during peak sales seasons;
5. Interruption in the supply or significant increase in the price of raw materials or packaging materials;
6. Changes in consumer preferences leading to reduction in demand of our products;
7. Contamination or deterioration of our beverages resulting in legal liability;
8. Significant interruption in production at our production facilities;
9. An inability to repay our substantial indebtedness in a timely manner or comply with various financial and other covenants;
10. Scarcity or non-availability of quality water;
11. Any withdrawal, or termination of, or unavailability of direct/ in-direct tax benefits we currently avail;
12. Failure to maintain sufficient insurance coverage to cover all possible losses and liabilities associated with our business; and
13. General economic and business conditions in India and other countries.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited, to those discussed under "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry Overview*" and "*Our Business*" on pages 54, 98, 146 and 163, respectively.

By their nature, market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, any future gains, losses or impact on net income and net income could materially differ from those that have been estimated, expressed or implied by such forward-looking statements or other projections. The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of our Company. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure the prospective investors that such expectations will prove to be correct. Given these uncertainties, the prospective investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Preliminary Placement Document or the respective dates indicated in this Preliminary Placement Document, and our Company or the BRLMs undertake no obligation to update or revise any of them, whether as a result of new information, future events, changes in assumptions or changes in factors affecting these forward looking statements or otherwise. If any of these risks and uncertainties materialise, or if any of our Company's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Company could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability company incorporated under the laws of India. Except Ravi Kant Jaipuria, our Promoter and Chairman, all our Directors, Key Managerial Personnel and senior management personnels are residents of India. A substantial portion of our assets are located in India. As a result, it may be difficult for the investors to affect service of process upon our Company or such persons, outside India or to enforce judgments obtained against such parties outside India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, recognition and enforcement of foreign judgments and execution of a foreign judgment is provided for under Sections 13 and 44A respectively, of the Code of Civil Procedure, 1908 (the "**Civil Procedure Code**") on a statutory basis.

Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud, or (vi) where the judgment sustains a claim founded on a breach of any law in force in India. Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a district court in India.

Under Section 14 of the Civil Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the foreign judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards. The execution of a foreign decree under Section 44A of the Civil Procedure Code is also subject to the exception under Section 13 of the Civil Procedure Code as mentioned above.

Each of the United Kingdom, Singapore and Hong Kong, amongst others has been declared by the Government to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A foreign judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit upon the foreign judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the foreign judgment and not by proceedings in execution.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy, and it is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currency of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rates between the Rupee and the U.S. dollar (in Rupees per U.S. dollar), based on the reference rates released by the RBI/FBIL, which are available on the website of the RBI/FBIL. No representation is made that any Rupee amounts actually represent such amounts in U.S. dollars or could have been, or could be converted into, U.S. dollars at any particular rate, the rates indicated, any other rates or at all.

(₹ per US$)

Period	Period End(1)	Average(2)	High(3)	Low(4)
	US$	US$	US$	US$
Calendar:				
2018	69.79	68.36	74.39	63.35
2017	63.93	65.12	68.23	63.63
2016	67.95	67.21	68.78	66.18
Quarter ended:				
March 31, 2019	69.17	70.49	71.75	68.58
June 30, 2019	68.92	69.56	70.42	68.49
Month ended:				
August 31, 2019	71.76	71.15	72.18	69.06
July 31, 2019	68.86	68.81	69.06	68.37
June 30, 2019	68.92	69.44	69.84	68.92
May 31, 2019	69.81	69.77	70.42	69.27
April 30, 2019	69.84	69.43	70.14	68.49
March 31, 2019	69.17	69.48	70.97	68.58

(Source: www.rbi.org.in and www.fbil.org.in)

1. *The price for the period end refers to the price as on the last trading day of the respective calendar, quarterly or monthly periods.*
2. *Average of the official rate for each Working Day of the relevant period.*
3. *Maximum of the official rate for each Working Day of the relevant period.*
4. *Minimum of the official rate for each Working Day of the relevant period.*

Notes:

- *If the reference rate is not available on particular date due to a public holiday, exchange rates of the previous Working Day have been disclosed.*
- *The reference rates are rounded off to two decimal places.*
- *The RBI reference rate on August 30, 2019 was US$ 1 = ₹ 71.76.*

CERTAIN DEFINITIONS AND ABBREVIATIONS

This Preliminary Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein. The following list of certain capitalised terms used in this Preliminary Placement Document is intended for the convenience of the reader/ prospective investor only and is not exhaustive.

Unless otherwise specified, the capitalised terms used in this Preliminary Placement Document shall have the meaning as defined hereunder. Further any references to any agreement, document, statute, rules, guidelines, regulations or policies shall include amendments made thereto, from time to time.

The words and expressions used in this Preliminary Placement Document but not defined herein, shall have, to the extent applicable, the meanings ascribed to such terms under the Companies Act, the SEBI ICDR Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in "Taxation", "Industry Overview", "Financial Statements" and "Legal Proceedings" beginning on pages 239, 146, 255 and 244, respectively, shall have the meaning ascribed to such terms in these respective sections.

Terms Related to our Company

Term	Description
"2019 Existing India Sub-Territories"	Arunachal Pradesh, Assam, Chandigarh UT, Bihar, Chhattisgarh, Delhi UT, Goa, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Punjab, Rajasthan, Uttarakhand, Uttar Pradesh, Sikkim, Tripura, West Bengal as well as certain designated parts of the following sub-territories: Maharashtra and Karnataka.
"2019 New India Sub-Territories"	Andaman and Nicobar Islands UT, Daman and Diu UT, Dadra & Nagar Haveli UT, Gujarat, Kerala, Lakshadweep UT, Tamil Nadu, Telangana (except district of Khammam), Puducherry UT (except Yanam), as well as the remaining parts of Maharashtra and Karnataka, and certain designated parts of Andhra Pradesh.
"Articles" or "Articles of Association"	The articles of association of our Company, as amended from time to time.
"Audited Consolidated Financial Statements"	Refers collectively to the Fiscal 2016 Indian GAAP Audited Consolidated Financial Statements and the Ind AS Audited Consolidated Financial Statements.
"Audit, Risk Management and Ethics Committee"	Audit, risk management and ethics committee of our Company, as disclosed in "*Board of Directors and Senior Management*" on page 189.
"Board of Directors" or "Board"	Our board of directors or any duly constituted committee thereof.
"Corporate Social Responsibility Committee"	Corporate social responsibility committee of our Company, as disclosed in "*Board of Directors and Senior Management*" on page 189.
"Directors"	Directors of our Company.
"Equity Shares"	Equity shares of our Company of face value of ₹ 10 each.
"ESOS 2013"	Varun Beverages Limited Employees Stock Option Scheme 2013.
"ESOS 2016"	Varun Beverages Limited Employees Stock Option Scheme 2016.
"ESOS Schemes"	The employees stock options of our Company, namely Varun Beverages Limited Employees Stock Option Scheme 2013 and Varun Beverages Limited Employees Stock Option Scheme 2016.
"Financial Statements"	Collectively, the Audited Consolidated Financial Statements for the fiscal years ended on December 31, 2018, December 31, 2017 and December 31, 2016 and our Unaudited Consolidated Financial Results for the six months ended June 30, 2019.
"Fiscal 2016 Indian GAAP Audited Consolidated Financial Statements"	The Indian GAAP audited consolidated financial statements for Fiscal 2016 comprising the audited consolidated balance sheet and the audited consolidated statement of profit and loss, the audited consolidated statement of cash flow and the audited consolidated statement of changes in equity read along with the notes thereto.
"Fiscal 2017 Ind AS Audited Consolidated Financial Statements"	The Ind AS audited consolidated financial statements for Fiscal 2017 (which includes the audited consolidated financial statements for Fiscal 2016 prepared under Ind AS for the purposes of inclusion as comparative consolidated financial statements for Fiscal 2016) comprising the audited consolidated balance sheet and the audited consolidated statement of profit and loss, the audited consolidated statement of cash flow and the audited consolidated statement of changes in equity read along with the notes thereto.
"Fiscal 2018 Ind AS Audited Consolidated Financial Statements"	The Ind AS audited consolidated financial statements for Fiscal 2018 comprising the audited consolidated balance sheet and the audited consolidated statement of profit and loss, the audited consolidated statement of cash flow and the audited consolidated statement of changes in equity read along with the notes thereto.

Term	Description
"Ind AS Audited Consolidated Financial Statements"	Refers collectively to the Fiscal 2018 Ind AS Audited Consolidated Financial Statements and Fiscal 2017 Ind AS Audited Consolidated Financial Statements.
"Independent Director"	A non-executive and independent director of our Company as per the Companies Act and the SEBI Listing Regulations.
"Key Managerial Personnel" or "KMP"	The key managerial personnel of our Company as per the Companies Act, as disclosed in "*Board of Directors and Senior Management*" on page 189.
"Memorandum" or "MoA" or "Memorandum of Association"	The memorandum of association of our Company, as amended.
"Nomination and Remuneration Committee"	Nomination and remuneration committee of our Company, as disclosed in "*Board of Directors and Senior Management*" on page 189.
"Non-Executive Director"	A Director not being an Executive Director or an Independent Director.
"Our Company", "the Company" or "Issuer"	Varun Beverages Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at F-2/7, Okhla Industrial Area, Phase I, New Delhi 110 020 and corporate office at Plot No. 31, Institutional Area, Sector – 44, Gurgaon 122 002.
"PepsiCo"	Refers to PepsiCo Inc., PepsiCo India, Stokely-Van Camp, Inc., Tropicana Products Inc. and/ or their affiliates.
"PepsiCo India"	PepsiCo India Holdings Private Limited.
"PepsiCo India BTA"	Business transfer agreement dated February 18, 2019 entered into between our Company, PepsiCo India and RJ Corp Limited.
"PepsiCo India Agreements"	Refers collectively, to the three bottling appointment and trademark license agreements: (i) dated May 1, 2019 executed with PepsiCo India; (ii) dated May 1, 2019 executed with PepsiCo Inc.; and (iii) dated May 1, 2019 executed with SVC, specifically for Gatorade.
"PepsiCo International Agreements"	Refers collectively, to 11 specific bottling agreements in relation to our international operations and specifically, the (i) exclusive bottling appointment agreement dated November 7, 2013 between PepsiCo Inc. and VBL Lanka; (ii) exclusive bottling appointment agreement dated August 1, 2011 between PepsiCo Inc. and VBL Lanka; (iii) exclusive bottling appointment agreement dated August 1, 2011 between Portfolio Concentrate Solutions Unlimited Company and VBL Lanka; (iv) bottling appointment and trademark license agreement dated October 30, 2013 between TPI and VBL Lanka; (v) exclusive bottling appointment agreement dated December 1, 2011 between PepsiCo Inc. and VBNPL, (vi) exclusive bottling appointment agreement dated December 1, 2011 between Portfolio Concentrate Solutions Unlimited Company and VBNPL; (vii) exclusive bottling appointment agreement dated September 1, 2010 between Portfolio Concentrate Solutions Unlimited Company and VBZL; (viii) exclusive bottling appointment agreement dated September 1, 2010 between PepsiCo Inc. and VBZL; (ix) exclusive bottling appointment agreement dated February 1, 2011 between PepsiCo Inc. and VBM; (x) exclusive bottling appointment agreement dated February 1, 2011 between Portfolio Concentrate Solutions Unlimited Company and VBM; and (xi) exclusive bottling appointment agreement dated February 19, 2018 between PepsiCo Inc. and VBZPL.
"PepsiCo International Entities"	Refers to PepsiCo Inc., Portfolio Concentrate Solutions Unlimited Company, Tropicana Products Inc. and/ or their affiliates, as applicable, with whom our Company through its Subsidiaries has entered into the PepsiCo International Agreements.
"Preference Shares"	Preference shares of our Company of face value of ₹ 100 each.
"Promoters"	The promoters of our Company, in accordance with SEBI ICDR Regulations, namely, Ravi Kant Jaipuria, Varun Jaipuria, Ravi Kant Jaipuria & Sons (HUF) and RJ Corp Limited.
"Promoter Group"	Unless the context requires otherwise, the promoter group of our Company as determined in accordance with Regulation 2(1)(pp) of the SEBI ICDR Regulations.
"Registered Office"	The registered office of our Company located at F-2/7, Okhla Industrial Area, Phase I, New Delhi 110 020.
"Registrar of Companies" or "RoC"	Registrar of Companies, NCT of Delhi and Haryana.
"Risk Management Committee"	Risk management committee of our Company, as disclosed in "*Board of Directors and Senior Management*" on page 189.
"Sales Volume(s)"	Represents sales volume (in million unit cases) of our PepsiCo products to our customers but does not include any sales to PepsiCo and/or any other franchisees of PepsiCo. Further, the Sales Volume is calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case.
"Shareholders"	The equity shareholders of our Company.
"Stakeholders' Relationship Committee"	"Stakeholders' relationship committee of our Company, as disclosed in "*Board of Directors and Senior Management*" on page 189.

Term	Description
"Statutory Auditors"	The current joint statutory auditors of our Company, Walker Chandiok & Co LLP, Chartered Accountants and APAS & Co., Chartered Accountants.
"Stock Exchanges Interim Financial Results"	The Ind AS unaudited consolidated and standalone interim financial results for the quarter and half year ended June 30, 2019, (with Ind AS unaudited comparative consolidated and standalone interim financial results for the quarter and half year ended June 30, 2018), comprising the unaudited consolidated and standalone interim balance sheet as at June 30, 2019, the unaudited consolidated and standalone interim statement of profit and loss and the unaudited consolidated and standalone interim statement of cash flows for the quarter and half year ended June 30, 2019, which was subjected to a limited review by our statutory auditors in accordance with the Standard on Review Engagements ('SRE') 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity', prepared by our Company in accordance with the recognition and measurement principles of Ind AS 34, "Interim Financial Reporting", prescribed under Section 133 of the Companies Act, 2013, SEBI circular CIR/CFD/FAC/62/2016 dated 5 July 2016 ('SEBI Circular') and other accounting principles generally accepted in India and submitted by our Company pursuant to the requirements of Regulation 33 of the SEBI Listing Regulations with the Stock Exchanges.
"Subsidiaries"	Subsidiaries of our Company (including any step-down subsidiary) being, Varun Beverages (Nepal) Private Limited, Varun Beverages Morocco SA, Varun Beverages Lanka (Private) Limited, Ole Spring Bottlers (Private) Limited, Varun Beverages (Zambia) Limited, Varun Beverages (Zimbabwe) (Private) Limited and Varun Beverages (Botswana) (Proprietary) Limited.
"SVC"	Stokely-Van Camp, Inc.
"TPI"	Tropicana Products Inc.
"Tropicana India Agreement"	Refers to the bottling appointment and trademark license agreement effective from June 13, 2016 executed with TPI, as amended from time to time, specifically for Tropicana Frutz (Lychee, Apple and Mango).
"Tropicana India TSDA"	Refers to the temporary sales and distribution authorization letter dated May 1, 2019 issued by PepsiCo India, specifically for Tropicana Juices (100%, Delight and Essentials).

Issue Related Terms

Term	Description
"Allocated" or "Allocation"	The allocation of Equity Shares, in consultation with the BRLMs, following the determination of the Issue Price to Eligible QIBs on the basis of the Application Forms submitted by them in compliance with Chapter VI of the SEBI ICDR Regulations.
"Allotment" or "Allotted" or "Allot"	Allotment and issue of Equity Shares pursuant to the Issue.
"Allottees"	Eligible QIBs to whom Equity Shares are issued pursuant to the Issue.
"Application Form"	The form, including any revisions thereof, pursuant to which an Eligible QIB shall submit a bid for Equity Shares in the Issue.
"Bid(s)"	Indication of an Eligible QIB's interest, including all revisions and modifications of interest, as provided in the Application Form, to subscribe for the Equity Shares pursuant to the Issue. The term "Bidding" shall be construed accordingly.
"Bid Amount"	The price per Equity Share indicated in the Bid multiplied by the number of Equity Shares Bid for by a Eligible QIBs and payable by the Eligible QIBs on the submission of the Application Form.
"Bidder(s)"	Any prospective investor, being an Eligible QIB, who makes a Bid pursuant to the terms of this Preliminary Placement Document and the Application Form.
"Bidding Period"	The period between the Bid Opening Date and Bid Closing Date, inclusive of both dates, during which Eligible QIBs can submit their Bids.
"Bid Closing Date"	[●], which is the date on which our Company (or the BRLMs on behalf of our Company) shall cease acceptance of the Application Forms.
"Bid Opening Date"	September 3, 2019, which is the date on which our Company (or the BRLMs on behalf of our Company) shall commence acceptance of the Application Forms.
"Book Running Lead Managers" or "BRLMs"	CLSA India Private Limited and Kotak Mahindra Capital Company Limited.
"CAN" or "Confirmation of Allocation Note"	Note or advice or intimation to the successful Bidders confirming the Allocation of Equity Shares after discovery of the Issue Price.
"Closing Date"	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, *i.e.*, on or about [●].
"Designated Date"	The date of credit of Equity Shares pursuant to the Issue to the Allottees' demat accounts, as applicable to the relevant Allottees.
"Eligible QIBs" or "Eligible Qualified Institutional	A QIB which is not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations or other applicable law from Bidding in the Issue, or from holding Equity

Term	Description
Buyer"	Shares in our Company.
"Escrow Account"	Special non-interest bearing, no-lien, current bank account without any cheques or overdraft facilities, opened with the Escrow Bank, subject to the terms of the Escrow Agreement, into which the Bid Amount shall be deposited by Eligible QIBs and refunds, if any, shall be remitted to unsuccessful Bidders.
"Escrow Agreement"	Agreement dated September 3, 2019 amongst the Company, the BRLMs and the Escrow Bank in relation to the Issue.
"Escrow Bank"	Axis Bank Limited
"Floor Price"	The floor price of ₹ 644.08 per Equity Share which has been calculated in accordance with Chapter VI of the SEBI ICDR Regulations. Our Company may offer a discount of not more than 5% on the Floor Price in accordance with the approval of the shareholders of our Company accorded through their resolution dated April 17, 2019 and in terms of Regulation 176(1) of the SEBI ICDR Regulations.
"Indebtedness"	Non-current borrowings plus current borrowings plus current maturities of long-term debts less cash and cash equivalents less bank balances other than cash and cash equivalents.
"Issue"	Offer, issuance and Allotment of the Equity Shares to Eligible QIBs, pursuant to Chapter VI of the SEBI ICDR Regulations and the applicable provisions of the Companies Act, 2013 and the rules made thereunder.
"Issue Price"	₹ [●] per Equity Share.
"Issue Size"	The issue of up to [●] Equity Shares, aggregating up to ₹ [●] million.
"Placement Agreement"	The placement agreement dated September 3, 2019 entered into between our Company and the BRLMs.
"Placement Document"	The placement document to be issued in accordance with Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 and the rules thereunder.
"Preliminary Placement Document"	This preliminary placement document dated September 3, 2019 for the Issue issued in accordance with Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 and the rules thereunder.
"QIBs" or "Qualified Institutional Buyers"	Qualified institutional buyers as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations.
"QIP"	Qualified institutions placement under Chapter VI of the SEBI ICDR Regulations and applicable provisions of the Companies Act, 2013 read with the applicable rules of the PAS Rules.
"Refund Amount"	The aggregate amount to be returned to the Bidders who have not been Allocated Equity Shares for all or part of the Bid Amount submitted by such Bidder pursuant to the Issue.
"Refund Intimation Letter"	Letters from our Company intimating the Bidders on the amount to be refunded, if any, either in part or whole, to their respective bank accounts issued on the date of issuance of CAN.
"Relevant Date"	September 3, 2019.
"Stock Exchanges"	Collectively, the BSE Limited and the National Stock Exchange of India Limited.
"Working Day"	Any day other than second and fourth Saturday of the relevant month or a Sunday or a public holiday or a day on which scheduled commercial banks are authorised or obligated by law to remain closed in Mumbai, India.

Industry related terms

Term	Description
CSD	Carbonated Soft Drinks
GPRS	General Packet Radio Services
NCB	Non-Carbonated Beverages
PET	Polyethylene terephthalate
RGB	Returnable Glass Bottles
RTD	Ready-to-drink
SAMNA	Sales Automation Management for the New Age
SKU	Stock Keeping Unit
Unit Case	Refers to a unit case consisting of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case

Conventional and General Terms/ Abbreviations

Term	Description
AGM	Annual general meeting.
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

Term	Description
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
BSE	BSE Limited.
CCD	Compulsorily Convertible Debenture
CCPS	Compulsorily Convertible Preference Share
CDSL	Central Depository Services (India) Limited.
CEO	Chief executive officer.
CFO	Chief financial officer.
CIN	Corporate identity number.
Civil Procedure Code or Civil Code or CPC	The Code of Civil Procedure, 1908.
Companies Act	The Companies Act, 1956 or the Companies Act, 2013, as applicable.
Cr.P.C.	The Code of Criminal Procedure.
CSR	Corporate social responsibility.
Depositories Act	The Depositories Act, 1996.
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996, as amended.
Depository Participant	A depository participant as defined under the Depositories Act.
EBITDA/ Earnings Before Interest, Taxes, Depreciation and Amortization Expenses	EBITDA, on a consolidated basis, is calculated as profit before tax and share of profit in associate plus finance costs, and depreciation and amortisation expenses less other income.
EGM	Extra-ordinary general meeting.
EPS	Earnings per share.
FDI	Foreign direct investment.
FEMA	The Foreign Exchange Management Act, 1999, as amended, and the regulations issued thereunder.
FEMA Regulations	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, including any notifications, circulars or clarifications issued thereunder.
Financial Year, Calendar Year, Fiscal, FY or CY	Period of 12 months ended December 31 of that particular year, unless otherwise stated.
Form PAS-4	The private placement offer cum application letter in terms of Form PAS-4 as prescribed under Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014.
FIR	First information report.
FSSA	Food Safety and Standards Act, 2006.
FVCI	Foreign venture capital investors (as defined and registered with SEBI under the SEBI (Foreign Venture Capital Investors) Regulations, 2000).
GDP	Gross domestic product.
Government	Government of India, unless otherwise specified.
GST	Goods and services tax.
HUF	Hindu undivided family.
ICAI	The Institute of Chartered Accountants of India.
IPC	Indian Penal Code, 1860.
Ind AS	Indian accounting standards as notified by the MCA vide Companies (Indian Accounting Standards) Rule 2015, as amended.
Legal Metrology Act	Legal Metrology Act, 2009
Legal Metrology Rules	Legal Metrology (Packaged Commodities) Rules, 2011
MCA	The Ministry of Corporate Affairs, Government of India.
NI Act	Negotiable Instruments Act, 1881
NRI	Non-resident Indian.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
PAN	Permanent account number.
PAS Rules	The Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended
PAT	Profit After Tax.
PET	Polyethylene terephthalate
PFA	The Prevention of Food Adulteration Act, 1954.
RBI	The Reserve Bank of India.
Regulation S	Regulation S under the Securities Act.
SCR (SECC) Rules	Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012.
SCRA	Securities Contracts (Regulation) Act, 1956.
SCRR	Securities Contracts (Regulation) Rules, 1957.
SEBI	Securities and Exchange Board of India.

Term	Description
SEBI Act	The Securities and Exchange Board of India Act, 1992.
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014.
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
SEBI Insider Trading Regulations	Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
SEBI Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
Securities Act	United States Securities Act of 1933, as amended.
Stock Exchanges	The BSE and the NSE.
STT	Securities transaction tax.
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations 2011.
U.S. or United States	United States of America.
VAT	Value added tax
VCF	Venture capital fund.

SUMMARY OF BUSINESS

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" on page 14 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting our Results of Operations" on pages 54 and 102, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our fiscal year ends on December 31 of each year, and references to a particular Fiscal are to the twelve-month period ended December 31 of that year. In this section, unless otherwise indicated or the context otherwise requires, a reference to "our Company" is a reference to Varun Beverages Limited on a standalone basis, while any reference to "we", "us", "our" or "Group" is a reference to Varun Beverages Limited, its subsidiaries and its associates on a consolidated basis.

Under applicable regulations, we were required to prepare standalone and consolidated financial statements in accordance with Ind AS for Fiscal 2017 (together with the corresponding standalone and consolidated financial statements under Ind AS for Fiscal 2016). Our historical standalone and consolidated financial statements for Fiscal 2016 and any period prior to Fiscal 2016 were originally prepared in accordance with Indian GAAP. In this Preliminary Placement Document, we have therefore included the Indian GAAP Audited Consolidated Financial Statements for Fiscal 2016, the Ind AS Audited Consolidated Financial Statements for Fiscal 2017 and Fiscal 2018, and the Ind AS Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019. For further information, see "– Presentation of Financial Information - Transition from Indian GAAP to Ind AS Financial Statements" and "Financial Statements" on pages 100 and 255, respectively.

Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on our Ind AS Audited Consolidated Financial Statements, and the Ind AS Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019. For further information, see "Financial Statements" on page 255.

Ind AS varies in many respects from Indian GAAP, and accordingly our Ind AS financial statements for Fiscal 2016, Fiscal 2017, Fiscal 2018 and the six months ended June 30, 2019 are not directly comparable with our historical Indian GAAP financial statements. See "Financial Statements" and "Risk Factors - We were required to prepare and present our financial statements under Ind AS with effect from January 1, 2017 (with January 1, 2016 as the transition date). Our Ind AS financial statements are not directly comparable with the historical Indian GAAP financial statements included in this Preliminary Placement Document." on pages 255 and 72, respectively.

*The Sales Volume information presented in this section represents sales to our customers in our licensed territories but does not include any sales to PepsiCo or any other franchisees of PepsiCo. Sales to PepsiCo and/ or other PepsiCo franchisees are reflected in our revenues from operations. However, such sales have not been significant in the last three Fiscals and in the six months ended June 30, 2019. We do not make any such sales other than in India. Sales Volume information in any Fiscal period included in this section cannot be directly correlated to our revenues from operations in the respective Fiscal. Further, the Sales Volume is calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case ("***Unit Case***").*

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "India Soft Drinks Market Insights 2019" dated July 2019 (the "***GlobalData Report***") prepared and released by GlobalData Plc and commissioned by us and other publicly available information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the GlobalData Report and included herein with respect to any particular year refers to such information for the relevant calendar year.*

Overview

We are one of the largest franchisee in the world (outside USA) of carbonated soft drinks ("**CSDs**") and non-carbonated beverages ("**NCBs**") sold under trademarks owned by PepsiCo Inc., PepsiCo India, Stokely-Van

Camp Inc. ("**SVC**"), Tropicana Products Inc. ("**TPI**") and/ or their affiliates (collectively, "**PepsiCo**"). We produce and distribute a wide range of CSDs, as well as a large selection of NCBs, including packaged drinking water. PepsiCo CSD brands produced and sold by us include Pepsi, Pepsi Black, Diet Pepsi, Pepsi Max, Mirinda Lemon, Mirinda Orange, Mountain Dew, Slice Fizzy, Seven-Up, Seven-Up Nimbooz Masala Soda, Teem, Sting, Duke's and Evervess. PepsiCo NCB brands produced and sold by us include Tropicana Slice, Tropicana Frutz (Lychee, Apple and Mango), Tropicana Juices (100%, Delight and Essentials), Seven-Up Nimbooz, Gatorade, Aquafina flavour splash, Ole, as well as packaged drinking water under the brand Aquafina and Aquavess.

As of June 30, 2019, we have been granted franchises for various PepsiCo products across 27 States and seven Union Territories in India. India is our largest market and contributed 81.45%, 80.49%, 80.54% and 85.19% of our total Sales Volume (in million Unit Cases) in Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, respectively. We have also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. We have been associated with PepsiCo since the 1990s and we have consolidated our business association with PepsiCo over two and half decades, increasing the number of licensed territories and sub-territories covered by us, producing and distributing a wider range of PepsiCo beverages, introducing various SKUs in our portfolio, and expanding our distribution network. For further information on our franchise arrangements with PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities, see "*– Relationship with PepsiCo*" on page 171.

According to the GlobalData Report, the soft drinks industry in India is expected to record the highest volume growth among all commercial beverages at a CAGR of 7.3% from 2019 to 2024. Further, the market share for soft drinks in India was 15% among all commercial beverages in 2018 (*Source: GlobalData Report*). Our demonstrated ability to grow PepsiCo product sales in our territories and sub-territories has led to PepsiCo and/ or the PepsiCo International Entities licensing additional franchises to us, including sub-territories in India that were earlier directly operated by PepsiCo or by third-party bottlers. PepsiCo was the second largest company in the soft drinks industry in India with a value share (in terms of ₹) of 17.6% and volume share (in terms of million litres) of 9.0% in 2018 (*Source: GlobalData Report*). Our Sales Volumes in our sub-territories in India have increased at a CAGR of 10.45% from 224.18 million Unit Cases in Fiscal 2016 to 273.49 million Unit Cases in Fiscal 2018 and was 243.26 million Unit Cases in the six months ended June 30, 2019. Until April 30, 2019, our licensed sub-territories in India included Arunachal Pradesh, Assam, Chandigarh UT, Bihar, Chhattisgarh, Delhi UT, Goa, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Punjab, Rajasthan, Uttarakhand, Uttar Pradesh, Sikkim, Tripura, West Bengal as well as certain designated parts of the following sub-territories: Maharashtra and Karnataka (collectively, the "**2019 Existing India Sub-Territories**"). As part of PepsiCo's strategy of consolidating certain PepsiCo-operated sub-territories in India under long-term bottling partners, pursuant to a business transfer agreement entered into with PepsiCo India on February 18, 2019 ("**PepsiCo India BTA**"), we were granted, with effect from May 1, 2019, franchises for the following additional sub-territories in India: Andaman and Nicobar Islands UT, Daman and Diu UT, Dadra & Nagar Haveli UT, Gujarat, Kerala, Lakshadweep UT, Tamil Nadu, Telangana (except district of Khammam), Puducherry UT (except Yanam), as well as the remaining parts of Maharashtra and Karnataka, and certain designated parts of Andhra Pradesh (collectively, the "**2019 New India Sub-Territories**"). In the two months ended June 30, 2019, Sales Volume from the 2019 New India Sub-Territories were 24.75 million Unit Cases contributing 8.67% of our total Sales Volume in the six months ended June 30, 2019. Post the acquisition of the 2019 New India Sub-Territories, our Company accounted for more than 80% of PepsiCo's beverage sales volume in India. For further information in relation to this recent acquisition, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation of Financial Information - Acquisition of 2019 New India Sub-Territories*" and "*- Recent acquisition of 2019 New India Sub-Territories*" on pages 101 and 171, respectively. We believe that our operational experience, widespread integrated distribution network and market knowledge adds significant value to the distribution and sale of PepsiCo products in India, and we continue to leverage our long association with PepsiCo to evaluate new beverages, packaging, SKUs and markets as consumer preferences evolve.

As of June 30, 2019, we operated 30 production facilities across India and six production facilities in our international licensed territories. These 30 production facilities also include the integrated production facility at Pathankot which recently commenced production in March 2019 and nine production facilities which we recently acquired as part of the PepsiCo India BTA. The peak month production capacity of our production facilities in India and international territories was 107.94 million Unit Cases and 22.14 million Unit Cases, respectively. In addition, our production facilities in Kosi, Hardoi, Pathankot and Guwahati in India, and our production facilities in Nepal, Sri Lanka and Zimbabwe manufacture preforms while two of our production facilities dedicated to backward integration located at Jaipur and Alwar manufacture crowns, shrink-wrap films, plastic shells and corrugated boxes and pads. We have over the years developed a wide-spread, integrated distribution network across our licensed territories and sub-territories. As of June 30, 2019, our distribution network included 2,115 delivery vehicles. Our distribution network covers urban, semi-urban and rural markets, targeting a wide range of consumers. As of June 30, 2019, we had 1,216 primary distributors (*i.e.*, parties to whom sales in excess of 10,000 unit cases of our PepsiCo beverages in month of June 2019 were recorded) in India and 345 distributors in our international territories. The primary distributors in India accounted for 47.43 million Unit Cases, which represented 85.26% of our aggregate Sales Volumes in India in the month of June 2019.

In Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, our CSD Sales Volumes were 222.41 million Unit Cases, 219.52 million Unit Cases, 256.62 million Unit Cases and 209.06 million Unit Cases, respectively, our NCB Sales Volumes were 15.80 million Unit Cases, 13.66 million Unit Cases, 21.18 million Unit Cases, and 20.53 million Unit Cases, respectively, while our packaged drinking water Sales Volumes were 37.01 million Unit Cases, 45.30 million Unit Cases, 61.75 million Unit Cases, and 55.97 million Unit Cases, respectively.

We are part of the RJ Corp Limited group, a diversified business conglomerate with interests in beverages, quick-service restaurants, dairy and healthcare. Our Promoter and Chairman, Mr. Ravi Kant Jaipuria has an established reputation as an entrepreneur and business leader and was awarded the 'Distinguished Entrepreneurship Award' at the PHD Annual Awards for Excellence 2018. He is the only Indian company's promoter to receive PepsiCo's International Bottler of the Year award, which was awarded in 1997.

Our revenue from operations (net) have increased at a CAGR of 14.99% from ₹ 38,611.83 million in Fiscal 2016 to ₹ 51,052.55 million in Fiscal 2018 and was ₹ 41,695.99 million in the six months ended June 30, 2019. In Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, EBITDA was ₹ 7,959.67 million, ₹ 8,359.08 million, ₹ 10,065.87 million and ₹ 10,062.53 million, respectively. We recorded a net profit for the year of ₹ 480.39 million, ₹ 2,140.59 million, ₹ 2,998.63 million and ₹ 4,450.33 million, in Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, respectively.

Our Strengths

Demonstrated ability to achieve scale and volume growth

We have been associated with PepsiCo since the 1990s and have over two and half decades consolidated our business association with PepsiCo, increasing the number of licensed territories and sub-territories covered by us, producing and distributing a wider range of PepsiCo beverages, introducing various SKUs in our portfolio, and expanding our distribution network. As of June 30, 2019, we have been granted franchises for various PepsiCo products across 27 States and seven Union Territories. We have also successfully leveraged our association with PepsiCo to expand our operations internationally and have been granted franchises for PepsiCo products in Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. Our total Sales Volumes have grown at a CAGR of 11.07% from 275.22 million Unit Cases in Fiscal 2016 to 339.55 million Unit Cases in Fiscal 2018 and was 285.56 million Unit Cases in the six months ended June 30, 2019. The Sales Volumes in our 2019 Existing India Sub-Territories grew from 224.18 million Unit Cases in Fiscal 2016 to 273.49 million Unit Cases in Fiscal 2018. Further, in the two months ended June 30, 2019, Sales Volume from the 2019 New India Sub-Territories were 24.75 million Unit Cases contributing 8.67% of our total Sales Volume in the six months ended June 30, 2019.

We work closely with PepsiCo to implement operational best practices, garner supply chain efficiencies from our large production capacities and distribution network, and implement dynamic "push" marketing strategies taking PepsiCo products directly to customers through retailers and point-of-sale displays, and "pull" marketing initiatives through advertisement and promotional offers. According to the GlobalData Report, the soft drinks industry in India is expected to record the highest volume growth among all commercial beverages at a CAGR of 7.3% from 2019 to 2024. Our demonstrated ability to grow PepsiCo product sales has led to PepsiCo and/ or the PepsiCo International Entities licensing additional territories to us, including those that were earlier directly operated by PepsiCo or by third-party bottlers. In particular, as part of PepsiCo strategy of consolidating certain PepsiCo-operated sub-territories in India under long-term bottling partners, we entered into the PepsiCo India BTA pursuant to which we were granted the franchise for the 2019 New India Sub-Territories. As these 2019 New India Sub-Territories are geographically contiguous with the 2019 Existing India Sub-territories, we are able to benefit from cost and operational efficiencies as well as benefits of economies of scale. We are able to optimize the freight, transportation and distribution costs over a larger territory base which helps increase our margins. The increase in scale of our operations provides us with better bargaining power with our suppliers and ensures better working capital management. As an added advantage, we are able to get benefits of operating leverage through improved asset-utilization and are able to amortize head office expenses on a wider base.

Creating value through strategic alignment with PepsiCo

PepsiCo was the second largest company in the soft drinks industry in India with a value share (in terms of ₹) of 17.6% and volume share (in terms of million litres) of 9.0% in 2018 (*Source: GlobalData Report*). PepsiCo has presence in several categories, including carbonated beverages, packaged water and bulk water (*Source: GlobalData Report*). PepsiCo CSD brands produced and sold by us include Pepsi, Pepsi Black, Diet Pepsi, Pepsi Max, Mirinda Lemon, Mirinda Orange, Mountain Dew, Slice Fizzy, Seven-Up, Seven-Up Nimbooz Masala Soda, Teem, Sting and Evervess. PepsiCo NCB brands produced and sold by us include Tropicana Slice, Tropicana Frutz (Lychee, Apple and Mango), Tropicana Juices (100%, Delight and Essentials), Seven-Up Nimbooz, Gatorade, Aquafina flavour splash, Ole, as well as packaged drinking water under the brand Aquafina and Aquavess.

We have been associated with PepsiCo since the 1990s and believe that our strong relationship with PepsiCo is one of our key strengths. Our operations benefit from our long association with PepsiCo, including access to modern technology, marketing leverage, operational know-how, industry best practices, access to key raw materials and equipment at competitive prices as well as access to experienced personnel. We have developed a strategic and operational alignment with PepsiCo across all our functions and organization levels. PepsiCo was the second largest company in the carbonated beverages category in India, with a volume share (in million litres) of 28.1% in 2018 (*Source: GlobalData Report*). In 2018, PepsiCo's total soft drinks volume was 3,030 million litres in India (*Source: GlobalData Report*). Our association with PepsiCo has developed over the years and this strong relationship is reflected in the large number of franchisee territories and sub-territories granted/ transferred to us and in particular, the additional licenses to the 2019 New India Sub-Territories granted in our favour by PepsiCo India with effect from May 1, 2019. In Fiscal 2018, our Sales Volume for CSDs, NCBs and packaged drinking water in our sub-territories in India were 199.25 million Unit Cases, 20.05 million Unit Cases and 54.19 million Unit Cases, respectively, while, in the six months ended June 30, 2019, the Sales Volumes were 175.59 million Unit Cases, 19.74 million Unit Cases and 47.93 million Unit Cases, respectively (reflecting sales for the 2019 New India Sub-Territories only from date of acquisition, *i.e.* for the two month period between May 1, 2019 and June 30, 2019).

We have developed strong sales teams that work closely with PepsiCo to develop and implement local advertising and marketing strategies and special sales schemes. PepsiCo also has an active product development team that we work with to strategize new product launches in India. We believe that our wide consumer base and strong distribution chain relationships enable us to contribute effectively to PepsiCo's marketing strategy and implement these initiatives at the local distribution and consumer level. In addition, we work closely with PepsiCo on production techniques, quality control, environmental matters as well as new packaging and product development initiatives. We source high quality raw materials from reputed suppliers that are pre-approved by PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or PepsiCo International Entities. Our key employees also attend management and staff development programs organized by PepsiCo. For further information relating to our relationship with PepsiCo, see "– *Relationship with PepsiCo*" on page 171.

Established track record of successful acquisition and integration

We have established a track record of acquiring and successfully integrating new territories, additional franchisee rights as well as additional businesses through strategic acquisitions to supplement our business verticals, grow and further strengthen our product portfolio, increase our Sales Volume and increase our market share. We believe that using our experience we were able to improve the performance of majority of these new territories as well as grow our scale of business and operations, achieve economies of scale, increase Sales Volume and increase our operating efficiency, thereby further improving our market position.

The following table below sets forth a list of some of our key acquisitions in Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019:

S. No.	Acquisition	Territory/ Production Facility	Effective Date
1.	PepsiCo India Holdings Private	South and west regions including seven states (Gujarat, parts of Maharashtra, parts of Karnataka, Telangana (except district of	May 1, 2019

S. No.	Acquisition	Territory/ Production Facility	Effective Date
	Limited	Khammam), parts of Andhra Pradesh, Kerala and Tamil Nadu) and five Union Territories (Daman & Diu, Dadra & Nagar Haveli, Andaman & Nicobar Islands, Lakshadweep and Puducherry (except Yanam) (referred to as "**2019 New India Sub-Territories**") as well as nine production facilities (out of which six production facilities were transferred on May 1, 2019 and the remaining three production facilities were transferred subsequently).	
2.	SMV Beverages Private Limited and Nectar Beverages Private Limited	13 districts in Karnataka, 14 districts in Maharashtra and three districts in Madhya Pradesh	February 14, 2019
3.	Steel City Beverages Private Limited	Production facility in Jharkhand	April 5, 2018
4.	SMV Agencies Private Limited	State of Jharkhand including a production facility	March 23, 2018
5.	SMV Beverages Private Limited	Production facility in Odisha	January 18, 2018
6.	Lumbini Beverages Private Limited	State of Bihar	January 17, 2018
7.	SMV Beverages Private Limited	State of Chhattisgarh	January 11, 2018
8.	SMV Beverages, a unit of SMV Agencies Private Limited	Parts of the state of Madhya Pradesh including a production facility	September 27, 2017
9.	SMV Beverages Private Limited	State of Odisha including a production facility	September 26, 2017

We have also successfully leveraged our association with PepsiCo India and PepsiCo Inc. to expand our operations internationally and have been granted franchisees for PepsiCo beverages in Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. We believe that, using our execution expertise, we were able to successfully integrate these acquired businesses in our portfolio by bringing in industry best practices to these acquired businesses including standard operating procedures, in a phased manner, resulting in efficiency and distribution enhancement.

Significant market opportunity with high growth potential

India remains one of the fastest growing economies worldwide, and is set to become the third largest consumer market worldwide in the future due to factors, such as, increasing incomes, rising consumer spending, rapid urbanization, and growing rural consumption along with growth in related industries including retail and e-commerce (*Source: GlobalData Report*). As per the World Bank, India's GDP growth is expected to be approximately between 7.3% and 7.5% during the next three fiscals, which means further growth in consumer spending is likely, which would in turn result in an increase demand for soft drinks (*Source: GlobalData Report*). Further, the Indian soft drinks market volume was 33,559 million litres in 2018 and is expected to record the highest volume growth among all commercial beverages with a CAGR of 6.9% during 2019 and 2014 as well as an incremental volume of 11,890 million litres during 2019 and 2014 (*Source: GlobalData Report*). PepsiCo was the second largest company in the carbonated beverages category in India, with a volume share (in million litres) of 28.1% in 2018 (*Source: GlobalData Report*). In addition, growing internet penetration has increased growth in the e-commerce industry, driving purchases of a range of goods, including, soft drinks, and accordingly, PepsiCo has announced plans to focus on e-commerce as part of its strategy to increase its sales (*Source: GlobalData Report*). PepsiCo has also started printing and labelling Pepsi cans and bottles in popular colloquial words in eight regional languages in order to attract consumers across India and compete with the local and regional brands (*Source: GlobalData Report*). Accordingly, there is significant growth potential for PepsiCo's beverages in India.

With rising health awareness levels prompting consumers to seek healthier variants of beverages, various leading producers, including PepsiCo, are focusing on offering low sugar beverages (*Source: GlobalData Report*). The juice category is expected to grow at a CAGR of 8.8% in terms of volume share during 2019 and 2024 (*Source: GlobalData Report*). PepsiCo is the second largest company in the juice and nectar categories in India, through its brand Tropicana, with a volume share (in million litres) of 20.2% and 19.7%, respectively, in 2018 (*Source: GlobalData Report*). Packaged water category is expected to record a CAGR of 9.0% in terms of volume share during 2019 and 2014 in India, as consumers are expected to prefer packaged water to tap water (*Source: GlobalData Report*). Further, energy drink and sports drinks category were among the leading categories of beverages in terms of volume growth (in million litres) in 2018 (*Source: GlobalData Report*). Gatorade and Sting are among the top five brands in terms of volume and value share in the sports drink and energy drink category, respectively, in India in 2018 (*Source: GlobalData Report*). We expect this trend of seeking healthier variants of beverages to continue as consumer disposable income increases further and we believe we are well positioned to capitalize on the market growth in such categories owing to PepsiCo's presence in several categories of such beverages.

Strategically located large and technologically advanced production capabilities

As of June 30, 2019, we operated 30 production facilities across India and six production facilities in our international licensed territories. The peak month production capacity of our production facilities in India and international territories was 107.94 million Unit Cases and 22.14 million Unit Cases, respectively. These 30 production facilities also include the Pathankot integrated production facility which recently commenced production in March 2019 and nine production facilities which we recently acquired as part of the PepsiCo India BTA. As a result of this acquisition, we have been able to reduce our manufacturing cost by not paying the conversion charges to a co-packer, *i.e* the margin provided to co-packer for manufacturing finished goods. We use advanced machinery and production techniques in our manufacturing process for, amongst others, water treatment and packing, in certain of our production facilities. We have GPRS-enabled handheld devices and systems called SAMNA (Sales Automation Management for the New Age) in certain of our operations to automate field work processes and enable access to real-time sales information from production facilities, warehouses and distribution centers across India. These techniques enable us to improve production efficiencies and reduce personnel costs. In Fiscal 2016, 2017, 2018, and in the six months ended June 30, 2019, we incurred capital expenditure of ₹ 4,487.15 million, ₹ 5,235.33 million, ₹ 7,440.21 million and ₹ 20,423.13 million, respectively, primarily in connection with acquisition of new territories and sub-territories, property, plant and equipment, in order to increase production capacities and modernise our production facilities, as well as on visi-coolers and other chilling equipment placed with retailers and other points of sale.

Our production facilities across India are strategically located in geographical proximity to various target markets, which results in lower transportation and distribution expenses and enable us to leverage economies of scale. In addition, our production facilities in Kosi, Hardoi, Pathankot and Guwahati in India, and our production facilities in Nepal, Sri Lanka and Zimbabwe manufacture preforms while two of our production facilities dedicated to backward integration located at Jaipur and Alwar manufacture crowns, shrink-wrap films, plastic shells and corrugated boxes and pads. Our large and technologically advanced production capabilities provide cost and operational efficiencies, and we comply with quality standards consistent with PepsiCo's global production standards and regulatory compliance policies. Our large scale of operations offers significant synergies including market knowledge operational best practices, economies of scale, optimal investment planning and capital expenditure.

Wide spread and integrated sales and distribution network that ensures effective market penetration

Our wide spread and integrated sales and distribution network enables us to reach a wide range of consumers and ensure effective market penetration. Points of sale for our products include traditional retail points, such as grocery stores, as well as modern retail outlets including e-commerce, supermarkets, hypermarkets, convenience stores, bars and restaurants. As of June 30, 2019, our distribution network included 2,115 delivery vehicles. As of June 30, 2019, we had 1,216 primary distributors (*i.e.*, parties to whom sales in excess of 10,000 unit cases of our PepsiCo beverages in month of June 2019 were recorded) in India and 345 distributors in our international territories. The primary distributors in India accounted for 47.43 million Unit Cases, which represented 85.26% of our aggregate Sales Volumes in India in the month of June 2019. Our distribution network covers urban, semi-urban and rural markets, targeting a wide range of consumers. Our distribution network is strategically located to maximize market penetration across our licensed sub-territories in India, with an increased focus on higher growth markets such as semi-urban and rural sub-territories. We have over the years successfully managed our large distribution network and developed strong supply and distribution chain relationships across our licensed sub-territories in India.

Our production capabilities and distribution network enables us to effectively respond to competitive pressures, market demand and evolving consumer preferences in our territories. Our supply chain management systems enable us to efficiently and cost effectively manage our distribution network and allows us to introduce additional products in our markets and implement marketing campaigns initiated by PepsiCo. We believe that our large production capacities and distribution infrastructure will enable us to address volume growth at a relatively low incremental capital cost.

Experienced management team

We have a qualified and professional management team with significant experience in all operational aspects of our business. We believe that the industry experience of our management team and their ability to deliver consistent sales growth are our significant strengths. Our senior management team has extensive experience in the food and beverage industry in India. Our Promoter and Chairman, Mr. Ravi Kant Jaipuria, has an established reputation as an entrepreneur and business leader and was awarded with the 'Distinguished Entrepreneurship Award' at the PHD Annual Awards for Excellence 2018. He is the only Indian company's promoter to receive PepsiCo's International Bottler of the Year award, in 1997. Mr. Jaipuria provides strategic leadership to our Company and is also closely involved in our operations. We believe that our management team's in-depth understanding of target markets and consumer demand and preferences has enabled us to continue to grow our business and expand our operations internationally. This experience has also enabled us to develop a business model that incorporates aspects of both multinational as well as local beverage company operating structures.

Our Strategy

Grow our business by capitalizing on established brand strength and further diversifying our product portfolio

In 2018, PepsiCo was the second largest company in the soft drinks industry, including in specific categories such as carbonated beverages, packaged drinking water, energy drink and juices categories, in India (*Source: GlobalData Report*). PepsiCo's volume growth in 2018 was primarily driven by its leading brands, Mountain Dew and Aquafina (*Source: GlobalData Report*). We intend to continue to leverage PepsiCo's brand portfolio to increase market penetration in our licensed territories. Mountain Dew and Aquafina were among the leading brands in carbonated beverages and packaged drinking water in India, respectively, and accounted for a volume share (in million litres) of 11% and 5%, respectively, in 2018 (*Source: GlobalData Report*). In Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, Mountain Dew was our largest selling CSD beverage brand by volume and value. We believe that the relative under-penetration of Mountain Dew in certain markets and distribution channels presents significant growth opportunities. In addition, we also aim to continue to focus on growing Aquafina and Aquavess sales as the packaged drinking water segment in India is highly fragmented and provides significant growth opportunities. We have been growing our Sales Volumes across our NCD and packaged drinking water segments and our Sales Volume have increased from 15.80 million Unit Cases and 37.01 million Unit Cases, respectively, in Fiscal 2016 to 21.18 million Unit Cases and 61.75 million Unit Cases, respectively in Fiscal 2018 and was 20.53 million Unit Cases and 55.97 million Unit Cases, respectively, in the six months ended June 30, 2019.

Further, with rising health and weight consciousness along with obesity related diseases prevailing among consumers, the demand for low-calorie, non-alcoholic beverages and sugar-free beverages is increasing in India (*Source: GlobalData Report*). Manufacturers are constantly formulating non-alcoholic beverages with 'sugar free' and 'zero calorie' in order to gain consumer attention towards their brand (*Source: GlobalData Report*). Accordingly, we intend to capitalize on this changing market sentiment by focusing on improving the market share of Pepsi Black, Diet Pepsi, Sting and Seven-Up Nimbooz Masala Soda, and our relatively newer NCB brands, such as Tropicana Juices and Gatorade by expanding our distribution network and increasing production volumes. In this regard, we have recently commenced production in our backward integrated production facility at Pathankot particularly for manufacturing Tropicana juices as well as manufacturing of preforms and CSD products in aluminium cans. As consumer preferences evolve, we intend to continue to leverage our ability to implement new brand and product launches as well as new flavours, packages and SKUs for PepsiCo, particularly in the fast-growing NCB space, to further grow our business. We have recently started manufacturing, selling and distributing Tropicana Juices and Gatorade. In addition, we intend to diversify our product portfolio to include dairy beverages.

We continue to, by expanding our product portfolio and distribution reach, focus on increasing consumption volumes, particularly in markets and demographic segments with relatively low per capita consumption, as well as address changing consumer preferences. We continue to leverage our in-depth understanding of local markets and produce and distribute beverages that address clearly identified market opportunities. In addition, we intend to launch certain of our products and brands in smaller packages to target the semi-urban and rural markets in India. We believe that our increased focus on semi-urban and rural markets, and ability to understand consumer preferences in such markets, will enable us to further increase market penetration in these markets and segments, resulting in organic growth.

Focus on integrating additional franchise rights and businesses along with expansion through strategic inorganic and organic opportunities

In recent years, as part of PepsiCo strategy of consolidating certain PepsiCo-operated territories in India under long-term bottling partners, we have expanded our operations in India through the acquisition of additional territories, with PepsiCo granting license for additional territories to us, including territories operated directly by PepsiCo as well as third-party bottlers. We believe we have successfully integrated such territories and sub-territories into our existing operations. Recently, we entered into the PepsiCo India BTA pursuant to which we were granted the franchise for the 2019 New India Sub-Territories. The 2019 New India Sub-Territories are in most part geographically contiguous with the 2019 Existing India Sub-Territories. Due to this contiguity, we are able to ensure cost and operational efficiencies as well as economies of scale. In particular, the acquisition of franchisees for these 2019 New India Sub-Territories has resulted in significant increase in Sales Volumes, resulting in an increase in revenues and profitability. In the two months ended June 30, 2019, Sales Volume from the 2019 New India Sub-Territories were 24.75 million Unit Cases contributing 8.67% of our total Sales Volume in the six months ended June 30, 2019. We are currently in the process of integrating our operations in the 2019 New India Sub-Territories and intend to continue to focus on the successful integration of operations of any licensed territories or sub-territories we acquire in the future with our existing production and distribution operations to benefit from operational efficiencies and derive business synergies.

In addition, we intend to continue to play a significant role in the consolidation of PepsiCo's production and distribution operations in South Asia and Africa. We believe that the fragmented nature of the industries we operate in will continue to offer consolidation opportunities, and we intend to continue our strategic expansion plans through inorganic and organic growth opportunities in underserved markets and geographies that complement our existing operations. We continue to work closely with PepsiCo to identify such strategic consolidation opportunities. We may also consider acquisition of other third-party bottlers of PepsiCo, which will require PepsiCo's prior consent. We strategically target territories that either have significant growth opportunities for PepsiCo products or are located contiguous or in close proximity to our existing licensed territories and sub-territories such that we can benefit from operating and freight, transportation and distribution cost efficiencies. We also continue to explore expansion opportunities into new geographical markets, licensed territories and jurisdictions, where we can leverage our operational experience or where low per capita consumption levels for beverages present opportunities for volume growth. Through such strategic expansion plans, we intend to increase our market share, enable access to new clients and enter high-growth geographies in a cost effective manner. We believe that strategic acquisitions are effective catalysts for business growth, and take into account strategic considerations to make investments that are complementary to our existing operations, focused on expanding our reach in India and internationally in South Asia and Africa.

Integrate and expand our distribution network as well as optimise distribution operations

We continue to focus on increasing Sales Volumes in our licensed territories and sub-territories by expanding and integrating our distribution network, optimizing our distribution operations and increasing product supply to under-penetrated markets, particularly to semi-urban and rural areas. We are currently in the process of integrating our existing distribution network with the 2019 New India Sub-Territories and believe that we will be able to ensure cost and operational efficiencies as well as economies of scale. We focus on optimal utilization of our existing distribution infrastructure by implementing effective brand and product promotion strategies through intensive interaction with distributors, effective involvement of our sales team at points of sale, and expanding the range of product offerings in certain markets and areas to specifically cater to regional and local consumer preferences. As of June 30, 2019, we had 1,216 primary distributors (*i.e.*, parties to whom sales in excess of 10,000 unit cases of our PepsiCo beverages in month of June 2019 were recorded) in India and 345 distributors in our international territories. The primary distributors in India accounted for 47.43 million Unit Cases, which represented 85.26% of our aggregate Sales Volumes in India in the month of June 2019. We intend to further expand our distribution network by setting up additional distribution centers, consolidating existing distributors and increasing the number of distributors in under-penetrated markets. We believe that these measures will enable us to increase the availability of our beverages across our licensed territories and sub-territories, including the 2019 New India Sub-Territories, which will in turn increase brand awareness and sales of PepsiCo beverages. We seek to develop long-term relationships with our distributors by supporting the growth of their businesses, focusing on exclusive distributor relationships and providing support services for their business such as visi-coolers, delivery vehicles and marketing material.

We continue to focus on increasing retail presence of our licensed PepsiCo products, through increased brand promotion activities, increased in-store product inventory as well as price competitiveness. We continue to evaluate strategic placement of vending machines and visi-coolers at high density consumer areas such as malls, super-markets and large stores, multiplexes and airports. The market for beverages sold from vending machines and visi-coolers for immediate consumption is a fast growing segment, resulting from an emerging on-the-go lifestyle and consumer convenience. Single-serve sales channels typically involve higher margins compared to sales of multi-serve SKUs. Sales in this segment depend on strategic inventory management, rapid inventory deployment, and effective availability and placement of relevant chilling equipment such as vending machines, visi-coolers and fountain dispensers in close proximity to high-density consumer areas. We continuously focus on placement of chilling equipment, and make significant investment annually on chilling equipment to be placed in the market, and intend to continue to make significant investments on such equipment as we expand into new markets and consolidate our position in existing licensed territories and sub-territories.

Continue to focus on cost efficiencies and invest in technology to improve operational efficiency

As an integral part of our continuing efforts targeted at ensuring cost efficiencies, we have undertaken a number of initiatives aimed at reduction of cost of goods sold, effective management of operating expenses and improvement in cash flows. These initiatives include backward integration of production facilities and having a centralised procurement team. We continue to focus on consolidation of our production activities to ensure all components of our products are supplied internally. We have introduced lower weight plastic bottles and decreased size of bottle caps, which has enabled us to reduce polyethylene terephthalate ("**PET**") costs. We also target increased margins through a reduction in freight and distribution costs, for example, consolidation of production facilities and depots post implementation of GST in India. In addition, we have also recently commenced production in our backward integrated production facility at Pathankot which is primarily focused on manufacturing Tropicana juices as well as manufacturing of preforms and CSD products in aluminium cans. We believe this will enable us to increase production volumes and improve operating margins.

We continue to plan our capital expenditure carefully by focusing our investments on more profitable areas of our business, such as chilled equipment for use in immediate-consumption channels. Through strategic capital investments for efficient deployment of assets such as chilled equipment and distribution infrastructure, we intend to optimize the utilization of our capital.

In addition, we continue to introduce advanced technologies in order to improve operational efficiencies and work processes in our operations. We have introduced GPRS-enabled handheld devices and systems called SAMNA (Sales Automation Management for the New Age) in certain of our operations to automate field work processes and enable access to real-time sales information from production facilities, warehouses and distribution centers across India, thereby ensuring integrated operational data from manufacturing, planned procurement and superior tracking of transportation of products from distributors to final delivery to the retail point-of-sale. We continue to evaluate similar technologies targeted at improving operating and cost efficiencies.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information appearing elsewhere in this Preliminary Placement Document, including under "*Risk Factors*", "*Use of Proceeds*", "*Placement*", "*Issue Procedure*" and "*Description of the Equity Shares*" on page 54, 86, 219, 207 and 236, respectively.

Issuer	Varun Beverages Limited
Issue Size	Issue of up to [●] Equity Shares, aggregating up to ₹ [●] million. A minimum of 10 % of the Issue Size, *i.e.* at least [●] Equity Shares, shall be available for Allocation to Mutual Funds only, and the balance [●] Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. In case of under-subscription in the portion available for Allocation to Mutual Funds, such minimum portion or part thereof may be Allotted to other Eligible QIBs. In case of under-subscription in the portion available for Allocation only to Mutual Funds, such portion or part thereof may be Allocated to other QIBs.
Face Value	₹ 10 per Equity Share.
Issue Price	₹ [●] per Equity Share.
Floor Price	The floor price for the Issue, calculated in accordance with Regulation 176 under Chapter VI of the SEBI ICDR Regulations, is ₹ 644.08 per Equity Share. The Company may offer a discount of not more than 5% on the Floor Price in accordance with the approval of the shareholders of our Company accorded through their resolution dated April 17, 2019 and in terms of Regulation 176(1) of the SEBI ICDR Regulations.
Date of Board resolution	February 26, 2019
Date of shareholders' resolution	April 17, 2019
Authority for the Issue	The Issue has been authorised by our Board on February 26, 2019 and the shareholders of our Company pursuant to the resolution dated April 17, 2019.
Eligible Investors	QIBs that are eligible to participate in the Issue and which are not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations. The list of Eligible QIBs to whom this Preliminary Placement Document and Application Form is delivered shall be determined by the BRLMs in consultation with our Company. For further details, see "*Issue Procedure – Qualified Institutional Buyers*" on page 211.
Equity Shares issued and outstanding immediately prior to the Issue	273,982,838 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	[●] Equity Shares
Listing and trading	Our Company has obtained in principle approvals both dated September 3, 2019 from NSE and BSE, under Regulation 28(1)(a) of the SEBI Listing Regulations. Our Company shall apply to the Stock Exchanges for the final listing and trading approvals, after the Allotment and after the credit of Equity Shares to the beneficiary account with the Depository Participant, respectively.
Lock-in	For details in relation to lock-in, see "*Placement - Lock-in*" on page 219 for a description of restrictions on our Company and Promoters in relation to Equity Shares.
Transferability Restriction	The Equity Shares to be issued and Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. For details on further transfer restrictions, see "*Transfer Restrictions*" on page 231.
Use of Proceeds	The gross proceeds from the Issue will be approximately ₹ [●] million. The net proceeds of the Issue, after deduction of fees, commissions and expenses in relation to the Issue, are expected to be approximately ₹ [●] million. For details regarding use of net proceeds of the Issue, see "*Use of Proceeds*" on page 86.
Risk Factors	Please see "*Risk Factors*" on page 54 for a discussion of factors that you should consider before investing in the Equity Shares.
Closing Date	The Allotment of the Equity Shares pursuant to the Issue is expected to be made on or about [●].
Ranking	The Equity Shares being issued pursuant to the Issue shall be subject to the provisions

	of the Memorandum of Association and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares, including rights in respect of dividends and voting rights. The holders of Equity Shares (who hold Equity Shares as on the applicable record date) will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act, 2013, SEBI Listing Regulations and other applicable laws and regulations. The holders of such Equity Shares may attend and vote in shareholders' meetings in accordance with the provisions of the Companies Act, 2013. For further details, see "*Dividend Policy*" and "*Description of the Equity Shares*" on pages 97 and 236, respectively.	
Security Codes for the Equity Shares	ISIN	INE200M01013
	BSE Code	540180
	NSE Code	VBL

SELECTED FINANCIAL INFORMATION

The following tables set forth the summary financial information derived from our Financial Information. The selected financial information presented below should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 98 and 255, respectively.

Summary Consolidated Balance Sheet as at June 30, 2019 (Ind AS)

Particulars	As at June 30, 2019	As at December 31, 2018
	(Unaudited)	(Audited)
	(₹ million) (Ind AS)	
Assets		
Non-current assets		
(a) Property, plant and equipment	59,477.27	38,601.77
(b) Capital work-in-progress	637.41	3,523.57
(c) Goodwill	19.40	19.40
(d) Other intangible assets	5,639.88	5,248.57
(e) Investment in associates	133.46	112.43
(f) Financial assets		
(i) Investments	0.01	0.01
(ii) Loans	555.01	200.92
(iii) Others	8.61	8.34
(g) Deferred tax assets (Net)	159.66	334.00
(h) Other non-current assets	870.59	857.60
Total non-current assets (A)	**67,501.30**	**48,906.61**
Current assets		
(a) Inventories	8,069.56	5,783.97
(b) Financial assets		
(i) Trade receivables	2,679.60	1,280.25
(ii) Cash and cash equivalents	951.70	429.36
(iii) Bank balances other than (ii) above	571.54	505.44
(iv) Loans	164.48	15.53
(v) Others	1,920.03	1,404.78
(c) Current tax assets (Net)	19.46	4.10
(d) Other current assets	2,806.23	1,984.04
Total current assets (B)	**17,182.60**	**11,407.47**
Total assets (A+B)	**84,683.90**	**60,314.08**
Equity and liabilities		
Equity		
(a) Equity share capital	1,826.55	1,826.42
(b) Other equity	23,169.62	18,158.62
Equity attributable to owners of the Company	**24,996.17**	**19,985.04**
(c) Non-controlling interest	52.46	77.68
Total equity (A)	**25,048.63**	**20,062.72**
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	31,017.32	19,800.69
(b) Provisions	1,464.88	1,052.55
(c) Deferred tax liabilities (Net)	2,538.14	1,921.66
(d) Other non-current liabilities	44.01	67.75
Total non-current liabilities (B)	**35,064.35**	**22,842.65**
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	1,515.88	3,776.55
(ii) Trade payables		

Particulars	As at June 30, 2019	As at December 31, 2018
	(Unaudited)	(Audited)
	(₹ million)	
	(Ind AS)	
(a) Total outstanding dues of micro enterprises and small enterprises	0.51	2.47
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	6,373.12	3,165.50
(iii) Other financial liabilities	11,374.01	8,512.43
(b) Other current liabilities	4,104.29	1,466.55
(c) Provisions	251.87	160.19
(d) Current tax liabilities (Net)	951.24	325.02
Total current liabilities (C)	**24,570.92**	**17,408.71**
Total liabilities (D=B+C)	**59,635.27**	**40,251.36**
Total equity and liabilities(A+D)	**84,683.90**	**60,314.08**

Summary Consolidated Statement of Profit and Loss for the half year ended June 30, 2019 (Ind AS)

Particulars	**Six months ended June 30, 2019**	**Six months ended June 30, 2018**
	(Unaudited)	**(Unaudited)**
	(₹ million)	
	(Ind AS)	
Income		
(a) Revenue from operations	42,320.66	32,195.19
(b) Other income	47.41	85.11
Total income	**42,368.07**	**32,280.30**
Expenses		
(a) Cost of materials consumed	17,010.62	13,952.19
(b) Excise duty	624.67	656.18
(c) Purchases of stock-in-trade	3,232.45	963.07
(d) Changes in inventories of finished goods, stock-in-trade and work-in-progress	(959.70)	(410.85)
(e) Employee benefits expense	3,575.28	2,896.86
(f) Finance costs	1,438.45	1,116.81
(g) Depreciation and amortisation expense	2,244.39	1,911.03
(h) Other expenses	8,774.81	6,662.22
Total expenses	**35,940.97**	**27,747.51**
Profit before tax and share of profit in associates	**6,427.10**	**4,532.79**
Share of profit in associate	21.03	17.59
Profit before tax	**6,448.13**	**4,550.38**
Tax expense:		
(a) Current tax	1,142.43	1,350.29
(b) Adjustment of tax relating to earlier periods	2.23	-
(c) Deferred tax	853.14	(65.18)
Total tax expense	**1,997.80**	**1,285.11**
Net Profit for the period	**4,450.33**	**3,265.27**
Other comprehensive income		
Items that will not be reclassified to profit or loss	306.01	(26.08)
Income tax relating to items that will not be reclassified to profit or loss	10.98	10.39
Items that will be reclassified to profit or loss	352.16	23.32
Income tax relating to items that will be reclassified to profit or loss	(82.04)	(5.38)
Total other comprehensive income	**587.11**	**2.25**
Total comprehensive income for the period (including non-controlling interest)	**5,037.44**	**3,267.52**

Summary Consolidated Cash Flow Statement for the half year ended June 30, 2019 (Ind AS) (Indirect Method)

Particulars	Six months ended June 30, 2019	Six months ended June 30, 2018
	(Unaudited)	(Unaudited)
	(₹ million)	
	(Ind AS)	
Operating activities		
Profit before tax and share of profit in associate	6,427.10	4,532.79
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation on property, plant and equipment	2,215.75	1,890.16
Amortisation of intangible assets	28.64	20.87
Interest expense at amortised cost	1,425.36	1,092.31
Interest income at amortised cost	(23.25)	(27.48)
Dividend income from current investment	(0.18)	-
Profit on sale of current investments	(0.09)	-
Excess provisions written back	(1.77)	(3.48)
Property, plant and equipment written off	52.98	52.05
Loss/(gain) on disposal of property, plant and equipment (Net)	2.40	43.61
Bad debts and advances written off	1.71	1.22
Allowance for expected credit loss	89.62	138.41
Unrealised exchange fluctuation	198.35	263.56
Operating profit before working capital changes	10,416.62	8,004.02
Working capital adjustments		
Increase in inventories	(1,208.91)	(1,262.31)
Increase in trade receivables	(1,493.76)	(813.87)
Increase in current and non-current financial assets and other current and non-current assets	(1,609.99)	(443.29)
Increase in current financial liabilities and other current and non-current liabilities and provisions	6,491.00	4,279.05
Total cash from operations	**12,594.96**	**9,763.60**
Income tax paid	(454.33)	(259.48)
Net cash flows from operating activities	**12,140.63**	**9,504.12**
Investing activities		
Purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors)	(4,730.77)	(3,815.22)
Proceeds from disposal of property, plant and equipment and intangible assets	17.01	45.44
Acquisition under business combination	(16,551.47)	(491.80)
Interest received	18.75	34.13
Dividend income from current investment	0.18	-
Proceeds from sale of current investments (Net)	0.09	-
(Increase)/decrease in other bank balances	(66.10)	280.93
Net cash used in investing activities	**(21,312.31)**	**(3,946.52)**
Financing activities		
Proceeds from borrowings	18,229.01	7,540.75
Repayments of borrowings	(4,727.42)	(5,648.24)
Repayment of deferred payment liabilities	(433.87)	(3,020.73)
Proceeds/(repayments) from/(of) short term borrowings (Net)	(2,260.67)	(45.31)
Redemption of non-convertible debentures	-	(3,000.00)
Proceeds from issue of share capital (including share premium thereon)	1.99	3.06
Interest paid	(1,390.77)	(920.08)
Dividends paid to non-controlling shareholers	(5.43)	-
Net cash flows from/(used in) financing activities	**9,412.84**	**(5,090.56)**
Net change in cash and cash equivalents	**241.16**	**467.04**
Cash and cash equivalents at the beginning of year	429.36	649.46
Unrealised exchange loss on translation of cash and cash equivalent in subsidiaries	281.18	-
Cash and cash equivalents at the end of year	**951.70**	**1,116.50**

Summary Standalone Balance Sheet as at June 30, 2019 (Ind AS)

₹ in million

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Assets		
Non-current assets		
(a) Property, plant and equipment	48,865.59	27,983.04
(b) Capital work-in-progress	504.67	3,392.26
(c) Goodwill	19.40	19.40
(d) Other intangible assets	5,611.65	5,215.80
(e) Investment in subsidiaries and associates	8,927.44	7,744.99
(f) Financial assets		
(i) Investments	0.01	0.01
(ii) Loans	6,179.29	6,959.06
(iii) Others	8.61	8.34
(g) Other non-current assets	493.11	523.47
Total non-current assets (A)	**70,609.77**	**51,846.37**
Current assets		
(a) Inventories	5,947.50	4,183.25
(b) Financial assets		
(i) Trade receivables	2,000.09	1,344.74
(ii) Cash and cash equivalents	680.42	17.75
(iii) Bank balances other than (ii) above	0.65	0.65
(iv) Loans	320.88	104.68
(v) Others	2,238.68	1,783.80
(c) Other current assets	2,467.07	1,581.41
Total current assets (B)	**13,655.29**	**9,016.28**
Total assets (A+B)	**84,265.06**	**60,862.65**
Equity and liabilities		
Equity		
(a) Equity share capital	1,826.55	1,826.42
(b) Other equity	28,717.84	24,062.97
Total equity (A)	**30,544.39**	**25,889.39**
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	30,004.22	18,359.13
(b) Provisions	1,379.48	976.50
(c) Deferred tax liabilities (Net)	2,560.71	2,026.27
(d) Other non-current liabilities	44.01	44.33
Total non-current liabilities (B)	**33,988.42**	**21,406.23**
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	870.89	3,188.75
(ii) Trade payables		
(a) Total outstanding dues of micro enterprises and small enterprises	0.51	2.47
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	4,221.55	1,780.71
(iii) Other financial liabilities	9,917.77	6,943.00
(b) Other current liabilities	3,537.18	1,224.09
(c) Provisions	240.88	152.28
(d) Current tax liabilities (Net)	943.47	275.73
Toatl current liabilities (C)	**19,732.25**	**13,567.03**
Total liabilities (D=B+C)	**53,720.67**	**34,973.26**
Total equity and liabilities (A+D)	**84,265.06**	**60,862.65**
See accompanying notes		

Summary Standalone Statement of Profit and Loss for the half year ended June 30, 2019 (Ind AS)

₹ in million, except per share data

Particulars	**Six months ended on 30 June 2019 (Unaudited)**	**Six months ended on 30 June 2018 (Unaudited)**
1. Income		
(a) Revenue from operations	34,413.28	26,361.33
(b) Other income	273.82	258.31
Total income	**34,687.10**	**26,619.64**
2. Expenses		
(a) Cost of materials consumed	14,130.09	11,783.63
(b) Purchase of stock-in-trade	3,161.67	928.07
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(592.49)	(254.54)
(d) Employee benefits expense	2,693.24	2,131.59
(e) Finance costs	1,305.48	1,014.07
(f) Depreciation and amortisation expense	1,740.03	1,508.08
(g) Other expenses	6,105.75	5,018.25
Total expenses	**28,543.77**	**22,129.15**
3. Profit before tax (1-2)	**6,143.33**	**4,490.49**
4. Tax expense		
(a) Current tax	1,091.53	1,247.70
(b) Adjustment of tax relating to earlier periods	-	-
(c) Deferred tax	676.21	16.98
Total tax expense	**1,767.74**	**1,264.68**
5. Net Profit after tax (3 - 4)	**4,375.59**	**3,225.81**
6. Other comprehensive income		
A. Items that will not be reclassified to profit or loss	313.01	(30.02)
B. Income tax relating to items that will not be reclassified to profit or loss	10.98	10.39
Total other comprehensive income	**323.99**	**(19.63)**
7. Total comprehensive income for the period (5+6)	**4,699.58**	**3,206.18**
8. Paid-up equity share capital (face value of ₹ 10 each)	1,826.55	1,826.15
9. Reserves excluding revaluation reserves	28,717.84	24,495.38
10. Earnings per share(of ₹ 10/- each) (not annualised for quarters and half years):		
(a) Basic	15.97	11.78
(b) Diluted	15.97	11.77
See accompanying notes		

Summary Standalone Cash Flow Statement for the half year ended June 30, 2019 (Ind AS) (Indirect Method)

(₹ in million)

Particulars	Six month period ended 30 June 2019 (Unaudited)	Six month period ended 30 June 2018 (Unaudited)
A. Operating activities		
Profit before tax	6,143.33	4,490.49
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation on property, plant and equipment	1,715.62	1,499.46
Amortisation of intangible assets	24.41	8.62
Interest expense at amortised cost	1,305.48	1,014.07
Interest income at amortised cost	(158.10)	(145.98)
Dividend income from current and non-current investment in subsidiary	(46.67)	-
(Gain)/loss on disposal of property, plant and equipment (Net)	(5.02)	21.41
Property, plant and equipment written off	49.67	51.87
Bad debts and advances written off	1.60	1.17
Excess provisions written back	(1.63)	-
Profit on sale of current investments	(0.09)	-
Guarantee commission received	(21.13)	(10.18)
Unrealised foreign exchange fluctuation	25.64	(15.99)
Allowance for expected credit loss	30.09	28.20
Operating profit before working capital changes	**9,063.20**	**6,943.14**
Working capital adjustments:		
Increase in inventories	(687.56)	(663.22)
Increase in trade receivables	(687.05)	(608.92)
Increase in current and non-current financial assets and other current and non-current assets	(1,745.45)	(418.24)
Increase in current financial liabilities and other current and non-current liabilities and provisions	5,441.38	3,299.62
Total cash from operations	**11,384.52**	**8,552.38**
Income tax paid	(418.35)	(202.28)
Net cash flows from operating activities (A)	**10,966.17**	**8,350.10**
B. Investing activities		
Purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors)	(3,863.16)	(1,930.59)
Proceeds from disposal of property, plant and equipment and intangible assets	21.67	213.10
Loan given to subsidiaries	(211.22)	(1,017.26)
Redemption of preference shares (classified as loan given to subsidiary)	52.35	95.42
Acquisition under business combination	(16,551.47)	(491.80)
Purchase of investments in subsidiaries	-	(629.56)
Proceeds from sale of current investments (Net)	0.09	-
Guarantee commission received	19.82	-
Interest received	29.05	28.66
Dividend income from current investment	0.18	-
Dividend income from non-current investment in subsidiary	223.28	180.92
Net cash used in investing activities (B)	**(20,279.41)**	**(3,551.11)**
C. Financing activities		
Proceeds from borrowings	18,229.01	6,879.74
Repayment of borrowings	(4,216.63)	(5,443.73)
Repayment of deferred payment liabilities	(433.87)	(3,020.73)
Proceeds from short-term borrowings (Net)	(2,317.86)	812.74
Proceeds from issue of share capital (including share premium thereon)	1.99	3.06
Redemption of non-convertible debentures	-	(3,000.00)
Interest paid	(1,286.73)	(904.73)
Net cash flows from/(used in) financing activities (C)	**9,975.91**	**(4,673.65)**
Net change in cash and cash equivalents (D=A+B+C)	**662.67**	**125.34**
Cash and cash equivalents at the beginning of year (E)	17.75	312.65

Particulars	Six month period ended 30 June 2019 (Unaudited)	Six month period ended 30 June 2018 (Unaudited)
Cash and cash equivalents at the end of year (D+E)	**680.42**	**437.99**

Notes:

(a) During the period, loan amounting to ₹ 1,182.46 million (30 June 2018: Nil) outstanding from a subsidiary has been converted into equity.
(b) Non-cash changes in liabilities arising from financing activities pertains to impact of fair value changes and foreign exchange fluctuations which are considered to be insignificant.

Summary Consolidated Balance Sheet as at December 31, 2018 (Ind AS)

Particulars	As at December 31, 2018	As at December 31, 2017
	(₹ million)	
	(Ind AS)	
Assets		
Non-current assets		
(a) Property, plant and equipment	38,601.77	35,411.66
(b) Capital work-in-progress	3,523.57	1,454.38
(c) Goodwill	19.40	19.40
(d) Other intangible assets	5,248.57	4,374.15
(e) Investment in associates	112.43	82.23
(f) Financial assets		
(i) Investments	0.01	0.04
(ii) Loans	200.92	193.16
(iii) Others	8.34	8.96
(g) Deferred tax assets (Net)	334.00	80.04
(h) Other non-current assets	857.60	1,525.85
Total non-current assets	**48,906.61**	**43,149.87**
Current assets		
(a) Inventories	5,783.97	4,388.94
(b) Financial assets		
(i) Trade receivables	1,280.25	1,502.45
(ii) Cash and cash equivalents	429.36	649.46
(iii) Bank balances other than (ii) above	505.44	295.14
(iv) Loans	15.53	0.26
(v) Others	1,404.78	932.40
(c) Current tax assets (Net)	4.10	0.13
(d) Other current assets	1,984.04	1,532.48
Total current assets	**11,407.47**	**9,301.26**
Assets classified as held for sale	-	384.95
Total assets	**60,314.08**	**52,836.08**
Equity and liabilities		
Equity		
(a) Equity share capital	1,826.42	1,825.87
(b) Other equity	18,158.62	15,868.41
Equity attributable to owners of the Holding Company	**19,985.04**	**17,694.28**
Non-controlling interest	77.68	(14.32)
Total equity	**20,062.72**	**17,679.96**
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	19,800.69	16,913.68
(b) Provisions	1,052.55	732.64
(c) Deferred tax liabilities (Net)	1,921.66	1,501.51
(d) Other non-current liabilities	67.75	119.81
Total non-current liabilities	**22,842.65**	**19,267.64**
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	3,776.55	3,533.65
(ii) Trade payables		
(a) Total outstanding dues of micro enterprises and small enterprises	2.47	8.71
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	3,165.50	1,900.75
(iii) Other financial liabilities	8,512.43	8,736.41
(b) Other current liabilities	1,466.55	1,473.11
(c) Provisions	160.19	167.50
(d) Current tax liabilities (Net)	325.02	68.35
Total current liabilities	**17,408.71**	**15,888.48**
Total liabilities	**40,251.36**	**35,156.12**
Total equity and liabilities	**60,314.08**	**52,836.08**

Summary Consolidated Statement of Profit and Loss for the year ended December 31, 2018 (Ind AS)

Particulars	As at December 31, 2018	As at December 31, 2017
	(₹ million)	
	(Ind AS)	
Income		
Revenue from operations	52,281.27	45,163.77
Other income	218.24	125.12
Total income	**52,499.51**	**45,288.89**
Expenses		
Cost of materials consumed	21,122.78	18,555.09
Excise duty	1,228.72	5,128.37
Purchases of stock-in-trade	1,942.18	277.69
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(623.97)	(732.22)
Employee benefits expense	5,829.51	4,628.44
Finance costs	2,125.63	2,121.75
Depreciation and amortisation expense	3,850.70	3,466.41
Other expenses	12,716.18	8,947.32
Total expenses	**48,191.73**	**42,392.85**
Profit before tax and share of profit in associate	**4,307.78**	**2,896.04**
Share of profit in associate	30.20	13.50
Profit before tax	**4,337.98**	**2,909.54**
Tax expense		
(a) Current tax	1,094.09	547.85
(b) Adjustment of tax relating to earlier periods	14.35	1.60
(c) Deferred tax	230.91	219.50
Total tax expense	**1,339.35**	**768.95**
Net profit for the year	**2,998.63**	**2,140.59**
Other comprehensive income		
(a) Items that will not to be reclassified to profit or loss:		
(i) Re-measurement gains/(losses) on defined benefit plans	(16.53)	10.83
(ii) Income tax relating to items that will not be reclassified to statement of profit and loss	7.78	(3.39)
(b) Items that will be reclassified to profit or loss:		
(i) Exchange differences arising on translation of foreign operations	(234.44)	(94.27)
(ii) Income tax relating to items that will be reclassified to statement of profit and loss	54.62	21.75
Total other comprehensive income	**(188.57)**	**(65.08)**
Total comprehensive income for the year (including non-controlling interest)	**2,810.06**	**2,075.51**

Summary Consolidated Cash Flow Statement for the year ended December 31, 2018 (Ind AS)
(Indirect Method)

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
	(₹ million)	
	(Ind AS)	
A. Operating activities		
Profit before tax and share of profit in associate	4,307.78	2,896.04
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation on property, plant and equipment	3,807.56	3,412.46
Amortisation of intangible assets	43.14	53.95
Interest expense at amortised cost	2,043.57	2,026.05
Interest income at amortised cost	(57.67)	(53.93)
Profit on sale of current investments	-	(0.44)
Business combination expenses	-	33.20
Excess provisions written back	(58.21)	(1.02)
Gain on dilution of control in a subsidiary	-	(2.75)
Property, plant and equipment written off	137.22	77.94
Loss/(gain) on disposal of property, plant and equipment (Net)	52.43	(21.91)
Bad debts and advances written off	66.86	81.36
Allowance for expected credit loss	257.40	156.74
Unrealised exchange fluctuation	631.08	76.44
Operating profit before working capital changes	11,231.16	8,734.13
Working capital adjustments		
(Increase)/decrease in inventories	(1,514.67)	449.97
Decrease/(increase) in trade receivables	(129.95)	(344.30)
Increase in current and non-current financial assets and other current and non-current assets	(1,135.34)	(999.04)
Increase/(decrease) in current financial liabilities and other current and non-current liabilities and provisions	2,279.46	(1,072.04)
Total cash from operations	**10,730.66**	**6,768.72**
Income tax paid	(732.88)	(571.11)
Net cash flows from operating activities	**9,997.78**	**6,197.61**
B. Investing activities		
Purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors)	(8,586.45)	(5,329.88)
Proceeds from disposal of property, plant and equipment and intangible assets	498.81	165.08
Acquisition under business combination	(491.80)	(1,395.79)
Advance given for purchase of business	-	(260.60)
Purchase of controlling stake in subsidiaries (Net of cash acquired)	-	(719.16)
Dilution of controlling stake in subsidiary (Net of cash)	-	(2.24)
Interest received	55.50	53.09
Purchase of current investments	-	(350.00)
Proceeds from sale of current investments	0.03	350.44
(Increase)/decrease in other bank balances	(210.30)	36.39
Net cash used in investing activities	**(8,734.21)**	**(7,452.67)**
C. Financing activities		
Proceeds from borrowings	13,758.54	7,472.04
Repayments of borrowings	(6,435.10)	(2,629.47)
Repayment of deferred payment liabilities	(3,020.71)	(3,619.65)
Proceeds/(repayments) from/(of) short term borrowings (Net)	242.90	(572.96)
(Redemption)/proceeds of non-convertible debentures	(3,000.00)	3,000.00
Proceeds from issue of share capital (including share premium thereon)	7.15	41.01
Share application money received	-	1.08
Interest paid	(1,886.00)	(1,556.53)
Dividends paid	(455.98)	(456.29)
Dividend distribution tax paid	(54.71)	(92.89)
Net cash (used in)/flows from financing activities	**(843.91)**	**1,586.34**

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
	(₹ million)	
	(Ind AS)	
Net change in cash and cash equivalents	**419.66**	**331.28**
Cash and cash equivalents at the beginning of year	649.46	325.00
Unrealised exchange loss on translation of cash and cash equivalent in subsidiaries	(639.76)	(6.82)
Cash and cash equivalents at the end of year	**429.36**	**649.46**

Summary Consolidated Balance Sheet as at December 31, 2017 (Ind AS)

Particulars	As at December 31, 2017	As at December 31, 2016
	(₹ million)	
	(Ind AS)	
Assets		
Non-current assets		
(a) Property, plant and equipment	35,411.66	33,558.49
(b) Capital work-in-progress	1,454.38	955.78
(c) Goodwill	19.40	-
(d) Other intangible assets	4,374.15	3,596.46
(e) Investment in associates	82.23	68.73
(f) Financial assets		
(i) Investments	0.04	0.01
(ii) Loans	192.19	163.19
(iii) Others	8.96	8.47
(g) Deferred tax assets (Net)	80.04	68.35
(h) Other non-current assets	1,525.85	1,367.45
Total non-current assets	**43,148.90**	**39,786.93**
Current assets		
(a) Inventories	4,388.94	4,899.26
(b) Financial assets		
(i) Trade receivables	1,502.45	1,313.45
(ii) Cash and cash equivalents	649.46	325.00
(iii) Bank balances other than (ii) above	295.14	332.02
(iv) Others	933.63	204.45
(c) Current tax assets (Net)	0.13	0.07
(d) Other current assets	1,532.48	1,451.39
Total current assets	**9,302.23**	**8,525.64**
Assets classified as held for sale	384.95	-
Total assets	**52,836.08**	**48,312.57**
Equity and liabilities		
Equity		
(a) Equity share capital	1,825.87	1,823.13
(b) Other equity	15,868.41	15,112.82
Equity attributable to owners of the Holding Company	**17,694.28**	**16,935.95**
Non-controlling interest	(14.32)	(129.06)
Total equity	**17,679.96**	**16,806.89**
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	16,869.95	12,183.61
(ii) Other financial liabilities	45.98	12.24
(b) Provisions	732.64	605.88
(c) Deferred tax liabilities (Net)	1,501.51	1,286.39
(d) Other non-current liabilities	73.83	142.23
Total non-current liabilities	**19,223.91**	**14,230.35**
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	3,533.65	4,111.29
(ii) Trade payables	1,909.46	2,745.90
(iii) Other financial liabilities	8,781.33	8,344.68
(b) Other current liabilities	1,471.92	1,848.32
(c) Provisions	167.50	135.20
(d) Current tax liabilities (Net)	68.35	89.94
Total current liabilities	**15,932.21**	**17,275.33**
Total liabilities	**35,156.12**	**31,505.68**
Total equity and liabilities	**52,836.08**	**48,312.57**

Summary Consolidated Statement of Profit and Loss for the year ended December 31, 2017 (Ind AS)

Particulars	As at December 31, 2017	As at December 31, 2016
	(₹ million)	
	(Ind AS)	
Income		
Revenue from operations	45,162.36	45,314.61
Other income	126.53	357.33
Total income	**45,288.89**	**45,671.94**
Expenses		
Cost of materials consumed	18,555.09	16,768.99
Excise duty	5,128.37	6,702.78
Purchases of stock-in-trade	277.69	928.39
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(732.22)	(318.55)
Employee benefits expense	4,628.44	4,210.30
Finance costs	2,121.75	4,325.35
Depreciation and amortisation expense	3,466.41	3,222.08
Other expenses	8,947.32	9,063.03
Total expenses	**42,392.85**	**44,902.37**
Profit before tax and share of profit in associate	**2,896.04**	**769.57**
Share of profit in associate	13.50	23.78
Profit before tax	**2,909.54**	**793.35**
Tax expense		
(a) Current tax	547.85	442.30
(b) Adjustment of tax relating to earlier periods	1.60	(2.80)
(c) Deferred tax	219.50	(126.54)
Total tax expense	**768.95**	**312.96**
Net profit for the year	**2,140.59**	**480.39**
Other comprehensive income		
(a) Items that will not to be reclassified to profit or loss:		
(i) Re-measurement gains/(losses) on defined benefit plans	10.83	(52.31)
(ii) Income tax relating to items that will not be reclassified to statement of profit and loss	(3.39)	17.96
(b) Items that will be reclassified to profit or loss:		
(i) Exchange differences arising on translation of foreign operations	(94.27)	(122.43)
(ii) Income tax relating to items that will be reclassified to statement of profit and loss	21.75	28.25
Total other comprehensive income	**(65.08)**	**(128.53)**
Total comprehensive income for the year (including non-controlling interest)	**2,075.51**	**351.86**

Summary Consolidated Cash Flow Statement for the year ended 31 December 2017 (Ind AS)
(Indirect Method)

Particulars	Year ended December 31, 2017	Year ended December 31, 2016
	(₹ million)	
	(Ind AS)	
A. Operating activities		
Profit before tax and share of profit in associate	2,896.04	769.57
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation on property, plant and equipment	3,412.46	3,143.65
Amortisation of intangible assets	53.95	78.43
Interest paid	2,026.05	4,255.24
Interest received	(53.93)	(89.08)
Profit on sale of current investments	(0.44)	(0.97)
Business combination expenses	33.20	84.21
Excess provisions written back	(1.02)	(205.94)
Profit on dilution of control in a subsidiary	(2.75)	-
Share based payment to employees	-	0.05
Property, plant and equipment written off	77.94	113.20
(Profit)/loss on disposal of property, plant and equipment (net)	(21.91)	113.34
Bad debts and advances written off	81.36	5.49
Government grant income	(1.41)	(0.92)
Allowance for doubtful debts and advances	156.74	50.85
Unrealised exchange fluctuation	69.62	(115.19)
Operating profit before working capital changes	8,725.90	8,201.93
Working capital adjustments		
Decrease/(increase) in inventories	449.97	(392.20)
(Increase)/ decrease in trade receivables	(344.30)	74.88
Increase in current and non-current financial assets and other current and non-current assets	(997.63)	(381.89)
(Decrease)/ increase in current and non-current financial liabilities and other current and non-current liabilities and provisions	(1,072.04)	1,335.70
Total cash from operations	**6,761.90**	**8,838.42**
Income tax paid	(571.11)	(580.59)
Net cash flows from operating activities (A)	**6,190.79**	**8,257.83**
B. Investing activities		
Purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors)	(8,949.53)	(7,923.96)
Proceeds from disposal of property, plant and equipment and intangible assets	165.08	120.87
Acquisition of business for consolidated consideration	(1,395.79)	(1,057.75)
Advance given for purchase of business	(260.60)	-
Purchase of controlling stake in subsidiaries (net of cash acquired)	(719.16)	(1,700.88)
Dilution of controlling stake in subsidiary (net of cash)	(2.24)	-
Interest received	53.09	84.66
Purchase of current investments	(350.00)	(350.00)
Proceeds from sale of current investments	350.44	350.19
Decrease/(increase) in other bank balances	36.39	(1.17)
Net cash used in investing activities (B)	**(11,072.32)**	**(10,478.04)**
C. Financing activities		
Proceeds from borrowings	7,472.04	6,937.38
Repayments of borrowings	(2,629.47)	(6,769.13)
Proceeds/(repayments) from/(of) short term borrowings (net)	(572.96)	712.06
Proceeds from issue of non-convertible debentures	3,000.00	1,800.00
Redemption of non-covertible debentures	-	(5,000.00)
Proceeds from issue of share capital (including share premium thereon)	41.01	7,013.60
Share application money received	1.08	-
Interest paid	(1,556.53)	(2,185.68)
Share issue expenses paid	-	(205.91)
Dividend paid	(456.29)	-

Particulars	Year ended December 31, 2017	Year ended December 31, 2016
	(₹ million)	
	(Ind AS)	
Dividend distribution tax paid	(92.89)	-
Net cash flows from financing activities (C)	**5,205.99**	**2,302.32**
Net change in cash and cash equivalents (D=A+B+C)	**324.46**	**82.11**
Cash and cash equivalents at the beginning of year (E)	325.00	242.89
Cash and cash equivalents at the end of year (D+E)	**649.46**	**325.00**

Summary Consolidated Balance Sheet as at December 31, 2016 (Indian GAAP)

Particulars	As at December 31, 2016 (₹ million)
	(Indian GAAP)
Equity and liabilities	
Shareholders' funds	
Share capital	1,823.13
Reserves and surplus	17,115.54
	18,938.67
Minority interest	0.58
Non-current liabilities	
Long-term borrowings	9,632.74
Deferred tax liabilities (net)	2,225.68
Other long-term liabilities	3,455.39
Long-term provisions	623.40
	15,937.21
Current liabilities	
Short-term borrowings	4,055.71
Trade payables	
Total outstanding dues to micro enterprises and small enterprises	7.23
Total outstanding dues of creditors other than micro enterprises and small enterprises	2,738.69
Other current liabilities	10,183.01
Short-term provisions	430.08
	17,414.72
	52,291.18
Assets	
Non-current assets	
Fixed assets	
Tangible assets	34,131.38
Intangible assets	3,370.03
Capital work-in-progress	955.78
Goodwill on consolidation	2,132.08
Non-current investments	56.19
Deferred tax assets (net)	67.84
Long-term loans and advances	2,790.76
Other non-current assets	42.99
	43,547.05
Current assets	
Current investments	0.01
Inventories	4,899.25
Trade receivables	1,303.15
Cash and bank balances	657.02
Short-term loans and advances	1,786.17
Other current assets	98.53
	8,744.13
	52,291.18

Summary Consolidated Statement of Profit and Loss for the year ended December 31, 2016 (Indian GAAP)

Particulars	**As at December 31, 2016 (₹ million)**
	(Indian GAAP)
Revenue	
Revenue from operations (gross)	45,222.86
Less: Excise duty	(6,702.78)
Revenue from operations (net)	**38,520.08**
Other income	347.77
Total Revenue	**38,867.85**
Expenses	
Cost of materials consumed	16,767.95
Purchases of traded goods	911.04
Changes in inventories of finished goods, work-in-progress and traded goods	(315.91)
Employee benefits expense	4,263.56
Finance costs	2,147.90
Depreciation and amortisation expense	3,723.64
Other expenses	8,941.31
Total expenses	**36,439.49**
Profit for the year before tax	2,428.36
Prior period items	-
Profit before tax after prior period items	**2,428.36**
Tax expense:	
Current tax	647.16
Minimum alternate tax (MAT) credit entitlement	(544.22)
Tax expense earlier years (net)	(2.77)
Deferred tax expense	728.33
	828.50
Profit after tax	**1,599.86**
Less : Minority interest in profit	(110.76)
Add: Share of profits in asscociate	23.46
Profit for the year	**1,512.56**

Summary Consolidated Cash Flow Statement for the year ended December 31, 2016 (Indian GAAP)

Particulars	Year ended December 31, 2016
	(₹ million)
	(Indian GAAP)
Cash flows from operating activities	
Profit before tax after prior period items	2,428.36
Non-cash adjustments:	
Depreciation and amortisation expense	3,723.64
Excess provision written back	(205.84)
Rates and taxes	-
Unrealised exchange fluctuation	(133.91)
Provision for bad and doubtful debts	18.09
Interest expense	2,084.89
Interest income	(83.36)
Loss on sale of fixed assets (net)	113.34
Profit on sale of current investments	(0.19)
Bad debts and advances written off	5.49
Fixed assets written off	113.20
Operating profit before working capital changes	8,063.71
Changes in working capital	
Increase in inventories	(389.57)
Decrease in trade receivables	445.89
Increase in loans and advances	(185.17)
Increase in trade payable, other liabilities and provisions	948.43
Cash generated from operations	8,883.29
Direct taxes paid	(580.59)
Net cash generated from operating activities	**8,302.70**
Cash flows from investing activities	
Purchase of fixed assets (including adjustment on account of capital work in progress, capital advance and capital creditors)	(8,120.39)
Purchase of business for consolidated consideration	(1,057.76)
Proceeds from sale of fixed assets	121.33
Purchase of current investments	(350.00)
Acquisition of subsidiaries, net of cash acquired	(1,700.88)
Increase in other bank balances	(1.17)
Proceeds from sale of current investments	350.19
Interest received	78.94
Net cash used in investing activities	**(10,679.74)**
Cash flows from financing activities	
Proceeds of long-term borrowings	6,708.66
Repayments of long-term borrowings	(6,769.13)
Proceeds/(repayments) of short-term borrowings (net)	1,085.08
Interest paid	(2,173.14)
Share issue expenses paid	(205.91)
Proceeds from issue of preference shares	-
Proceeds from issue of non-convertible debentures	1,800.00
Redemption of non-convertible debentures	(5,000.00)
Proceeds from issue of equity shares (including securities premium thereon)	7,013.59
Net cash generated from/(used in) financing activities	**2,459.15**
Net increase in cash and cash equivalents	82.11
Cash and cash equivalents at the beginning of the year	242.89
Cash and cash equivalents at the end of the year	325.00

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. Investors should carefully consider each of the following risk factors and all the information disclosed in this Preliminary Placement Document, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks described below are those that we consider to be most significant to our business, results of operations and financial conditions as of the date of this Preliminary Placement Document. However, they are not the only risks relevant to us or the Equity Shares or the industry in which we currently operate. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial may also impair our business prospects, results of operations, cash flows and financial condition. In order to obtain a complete understanding about us, investors should read this section in conjunction with "Our Business", "Industry Overview" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 163, 146 and 98, respectively, as well as the other financial information included in this Preliminary Placement Document. If any of the risks described below, or other risks that are not currently known or are currently deemed immaterial actually occur, our business prospects, results of operations, cash flows and financial condition could be adversely affected, the trading price of the Equity Shares could decline, and investors may lose all or part of the value of their investment. Any potential investor in the Equity Shares should pay particular attention to the fact that we are subject to a regulatory environment in India which may differ significantly from that in other jurisdictions. The financial and other related implications of the risk factors, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial impact is not quantifiable and, therefore, cannot be disclosed in such risk factors. In making an investment decision, prospective investors must read the risk factors described below carefully and rely on their own examination of our Company on a consolidated basis and the terms of the Issue, including the merits and risks involved. Investors should consult their respective tax, financial and legal advisors about the particular consequences of an investment in this Issue.

This Preliminary Placement Document also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Preliminary Placement Document. For further information, see "Forward-Looking Statements" on page 14.

Our fiscal year ends on December 31 of each year, and references to a particular Fiscal are to the twelve-month period ended December 31 of that year. In this section, unless otherwise indicated or the context otherwise requires, a reference to "our Company" is a reference to Varun Beverages Limited on a standalone basis, while any reference to "we", "us", "our" or "Group" is a reference to Varun Beverages Limited, its subsidiaries and its associates on a consolidated basis.

Under applicable regulations, we were required to prepare standalone and consolidated financial statements in accordance with Ind AS for Fiscal 2017 (together with the corresponding standalone and consolidated financial statements under Ind AS for Fiscal 2016). Our historical standalone and consolidated financial statements for Fiscal 2016 and any period prior to Fiscal 2016 were originally prepared in accordance with Indian GAAP. In this Preliminary Placement Document, we have therefore included the Indian GAAP Audited Consolidated Financial Statements for Fiscal 2016, the Ind AS Audited Consolidated Financial Statements, and the Ind AS Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019. For further information, see "– Presentation of Financial Information - Transition from Indian GAAP to Ind AS Financial Statements" and "Financial Statements" on pages 100 and 255, respectively.

Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on our Ind AS Audited Consolidated Financial Statements for Fiscal 2017 and Fiscal 2018, and the Ind AS consolidated Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019. For further information, see "Financial Statements" on page 255.

Ind AS varies in many respects from Indian GAAP, and accordingly our Ind AS financial statements for Fiscal 2016, Fiscal 2017, Fiscal 2018 and the six months ended June 30, 2019 are not directly comparable with our historical Indian GAAP financial statements. See "Financial Statements" and "Risk Factors - We were required to prepare and present our financial statements under Ind AS with effect from January 1, 2017 (with January 1, 2016 as the transition date). Our Ind AS financial statements are not directly comparable with the historical Indian GAAP financial statements included in this Preliminary Placement Document." on pages 255 and 72, respectively.

*The Sales Volume information presented in this section represents sales to our customers in our licensed territories but does not include any sales to PepsiCo or any other franchisees of PepsiCo. Sales to PepsiCo and/ or other PepsiCo franchisees are reflected in our revenues from operations. However, such sales have not been significant in the last three Fiscals and in the six months ended June 30, 2019. We do not make any such sales other than in India. Sales Volume information in any Fiscal period included in this section cannot be directly correlated to our revenues from operations in the respective Fiscal. Further, the Sales Volume is calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case ("**Unit Case**").*

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "India Soft Drinks Market Insights 2019" dated July 2019 (the "**GlobalData Report**") prepared and released by GlobalData Plc and commissioned by us and other publicly available information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the GlobalData Report and included herein with respect to any particular year refers to such information for the relevant calendar year.*

RISKS RELATED TO OUR COMPANY AND BUSINESS

1. Termination or non-renewal of the PepsiCo India Agreements or the PepsiCo International Agreements or the Tropicana India Agreement or the Tropicana India TSDA by PepsiCo India/ PepsiCo Inc./ SVC/ PepsiCo International Entities or TPI or any material modification to the existing terms under such agreements adverse to our interest will materially and adversely affect our ability to continue our business and operations and our future financial performance.

Pursuant to our franchise arrangements with PepsiCo under the PepsiCo India Agreements, Tropicana India Agreement, Tropicana India TSDA and the PepsiCo International Agreements, we have been granted the franchise for various PepsiCo in India, and in certain international jurisdictions. As of June 30, 2019, we have been granted franchise for various PepsiCo products across 27 States and seven Union Territories in India. The PepsiCo India Agreements are valid for a period of 20 years commencing from May 1, 2019, and PepsiCo India, PepsiCo Inc. and SVC may renew their respective agreements for successive terms of five years each. Further, the Tropicana India Agreement is valid for a period of 10 years commencing from June 13, 2016 and TPI may renew the agreement for five years. In addition, the Tropicana India TSDA will expire on the date of entering into a bottling appointment and trademark license Agreement for manufacturing and bottling of Tropicana Juices (100%, Delight and Essentials) in addition to sales and distribution of Tropicana Juices (100%, Delight and Essentials) between PepsiCo India and our Company. In case, PepsiCo India, PepsiCo Inc., SVC and/ or TPI intend to not renew these agreements, they are required to provide a written notice of atleast one year prior to expiration of such agreements. Similarly, pursuant to the PepsiCo International Agreements, we have been granted franchise for certain PepsiCo products in Morocco for five years until January 31, 2021, in Nepal for ten years until November 30, 2021, in Zambia for five years until August 31, 2020, in Zimbabwe for five years until February 18, 2023. In Sri Lanka, we have been granted the franchise for Aquafina and Tropicana products until July 31, 2021, and certain other PepsiCo products for 10 years until July 31, 2021. The PepsiCo International Agreements, apart from the exclusive bottling appointment agreement dated February 19, 2018 between PepsiCo Inc. and VBZPL, are automatically renewed for successive five year terms if neither party provides notice of termination.

Under the PepsiCo India Agreements and Tropicana India Agreement, PepsiCo India, PepsiCo Inc., SVC and/ or TPI are entitled to unilaterally terminate their respective agreements by providing written notice of 12 months. However, in the event of such termination, the price of exercising the assets call option rights or shares call option rights by PepsiCo India and/ or PepsiCo Inc. will be based on the agreed price (as defined in the PepsiCo India Agreements) plus a premium of 30%. Further, in the event the PepsiCo India Agreements are terminated due to any competitor of PepsiCo acquiring shares in our Company beyond the thresholds provided in the PepsiCo India Agreements or due to the discontinuation of production of PepsiCo beverages due to force majeure event, as specified in the PepsiCo India Agreements, the price of exercising the assets call option rights or shares call option rights by PepsiCo India and/ or PepsiCo Inc. will be based on the agreed price (as defined in the PepsiCo India Agreements). In addition, in the event the PepsiCo India Agreements are terminated due to a breach of the PepsiCo India Agreements for any other reason apart from the reasons mentioned above, the price of exercising the assets call option rights or shares call option rights will be based on the agreed price (as defined in the PepsiCo India Agreements) less discount of 30%.

Further, under certain PepsiCo International Agreements, certain of the PepsiCo International Entities also have the right to unilaterally terminate such PepsiCo International Agreements. In addition, PepsiCo India/ PepsiCo Inc./ SVC are also entitled to terminate by written notice, with immediate effect, the PepsiCo India Agreements, in the event of, among others, any one and/or more of the following circumstances:

- if we fail to perform or comply with certain terms and conditions including performance parameters of the PepsiCo India Agreements;

- if Ravi Kant Jaipuria, Varun Jaipuria, Dhara Jaipuria, Devyani Jaipuria, RJ Corp Limited, Ravi Kant Jaipuria & Sons (HUF) ("**Shareholding Entities**") including spouses and lineal descendants of Ravi Kant Jaipuria, Varun Jaipuria, Dhara Jaipuria, Devyani Jaipuria and companies and entities controlled by the Shareholding Entities and their affiliates (as defined in the PepsiCo India Agreements) (collectively, the "**Promoter Group**") cease to be in control of our Company or if a third party acquires control or joint control of our Company;

- if any competitor of PepsiCo or its affiliates (i) acquires, directly or indirectly, shareholding or voting rights in any unlisted entity of the Promoter Group (as defined in the PepsiCo India Agreements) which holds, directly or indirectly, any share or voting rights of our Company; (ii) acquires shareholding or voting rights in any listed entity comprising the Promoter Group (as defined in the PepsiCo India Agreements) which gives the acquirer indirect ownership or voting rights equal to or in excess of 15% of the total outstanding shares of our Company; or (iii) acquires, directly or indirectly, any shareholding or voting rights in our Company equal or in excess of 15% of the total outstanding shares of our Company;

- if we discontinue the production of the PepsiCo beverages which results in our failure to serve all or any part of the territory as measured by the planned volumes for the impacted part of the territory to the extent of 50% or more of the planned volumes for a period of 30 days in other than on account of force majeure which shall be rectified within six months;

- if any of the Promoter Group (as defined in the PepsiCo India Agreements) transfers shares or voting rights of our Company to any competitor of PepsiCo; or if the Promoter Group (as defined in the PepsiCo India Agreements) enters into a separate arrangement with PepsiCo's competitors to appoint a director on the board of our Company or any entity which holds shares or voting rights our Company; or if the Promoter Group (as defined in the PepsiCo India Agreements) gives any control right to any competitor of PepsiCo;

- if our Company or the Promoter Group (as defined in the PepsiCo India Agreements), during the term of the PepsiCo India Agreements, whether directly or indirectly, enters into or becomes interested or concerned, in any capacity, in any arrangement or transaction with PepsiCo's competitors;

- if the aggregate shareholding, directly or indirectly, of the Promoter Group (as defined in the PepsiCo India Agreements) and/ or any of the Shareholding Entities in our Company falls below 51% or if Ravi Kant Jaipuria or his descendants or spouses or any entity which controls our Company, including RJ Corp Limited and Ravi Kant Jaipuria & Sons (HUF), cease to be in control our Company, for any reason;

- in the event of insolvency, assignment for the benefit of creditors or bankruptcy or other such events affecting our Company or Promoter Group (as defined in the PepsiCo India Agreements);

- in the event of the debt to equity ratio for our Company exceeds 2:1 or such other ratio as agreed with PepsiCo India/ PepsiCo Inc. and/ or SVC, subject to a cure period of six months;

- if our Company fails to comply with the anti-bribery policy and laws (as defined in the PepsiCo India Agreements) and further, our Company is required to indemnify PepsiCo India/ PepsiCo Inc./ SVC against any losses suffered by such entities on account of such failure;

- if similar agreements with PepsiCo are terminated;

- in the event, a default is not remedied within the default cure period specified under the relevant bottling agreement; and

- in the event of any sale, transfer or other disposition, without the prior written consent of PepsiCo India, PepsiCo Inc. and/ or SVC, (i) of all or substantial part of our bottling business or all or a substantial part of our assets (other than for creating encumbrance in the ordinary course of business); or (ii) which results, at any time, whether by itself or taken together with any previous transaction which has not been approved by PepsiCo India, PepsiCo Inc. and/ or SVC, directly or indirectly, in the change of more than 10% of voting rights or ownership of our Company or of any entity which directly or indirectly, owns or controls our Company.

In addition, under the PepsiCo International Agreements and Tropicana India Agreement, if there is discontinuation of our production process of the bottling of the beverages for a period of 30 consecutive days other than on account of annual maintenance or any other reason subject to the approval of the PepsiCo International Entities and/ or TPI, as applicable, the PepsiCo International Entities and/ or TPI may exercise their right to terminate their respective agreements. Further, in accordance with the PepsiCo India Agreements, PepsiCo India and/ or PepsiCo Inc. has the first right (not obligation) to purchase any sale of above 10% paid-up share capital of our Company by any Shareholding Entities. PepsiCo India and/ or PepsiCo Inc. also has the right (not obligation), at its sole discretion, to purchase our Company's business, on a slump basis, or all or a substantial part of our Company's assets, if our Company is proposing to sell all or substantial part of its business/ assets. In addition, PepsiCo India and PepsiCo Inc., upon termination, shall have the right, at its sole discretion, to call upon our Company to sell to PepsiCo India, PepsiCo Inc., and/or purchaser identified by PepsiCo India and/ or PepsiCo Inc., the entire business of our Company on a slump sale basis or the Shareholding Entities to sell all of their shareholding in our Company to PepsiCo and/or purchaser identified by PepsiCo India at a price agreed in terms of the PepsiCo India Agreement.

We are required to share this Preliminary Placement Document for PepsiCo India's review and are required to incorporate any reasonable inputs provided by PepsiCo India. We have also received consent from PepsiCo India for this Issue and PepsiCo India has done a limited review in relation to the information strictly pertaining to PepsiCo's entities and further, PepsiCo India has not reviewed any information, including financial and factual, relating to the industry report and our Company along with our Subsidiaries, Associates and Group Companies. Further, we require prior consent from PepsiCo for various activities, including, manufacturing/ dealing in any beverage other than PepsiCo's beverage, any advertising and sales promotion which includes PepsiCo's trademarks, change in our name and assigning/ transferring/ selling/ pledging any of our rights and obligations under the PepsiCo India Agreements and Tropicana India Agreement. In addition, in the event of termination or expiration of any agreement, license or arrangement, our Company is no more authorised to bottle, sell or distribute any products under any trademark from PepsiCo in any territory.

Further, in the event the PepsiCo India Agreements are terminated and call option has been exercised by PepsiCo India and/ or PepsiCo Inc., for a period of two years from termination, our Company and any of our Promoter Group (as defined in the PepsiCo India Agreements) will not manufacture, distribute or sell, directly or indirectly, any beverage which is an imitation of PepsiCo's beverage and/ or licensed trademarks or likely to be confused as a substitute of PepsiCo products and/ or licensed trademarks and not, directly or indirectly, enter into or become interested or concerned, in any capacity, in any arrangement or transaction with PepsiCo's competitors. In the event that PepsiCo India/ PepsiCo Inc./ SVC and/ or the PepsiCo International Entities exercise their right to terminate these agreements on the occurrence of any aforesaid events, or, on expiry of the term of such agreements, or in the event PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities are unwilling to renew such agreements or imposes terms less favourable to us than existing terms, it may materially and adversely affect our ability to carry on our business operations and our future financial performance.

In addition, our franchises are on a non-exclusive basis and PepsiCo has retained the right to undertake the production, distribution or sale of the PepsiCo products and brands either themselves or appoint other third-party franchisees for these territories and sub-territories licensed to us. Further, based on our long-standing relationship with PepsiCo, we produce, sell and distribute Tropicana Juices (100%, Delight and Essentials). However, we have only received the Tropicana India TSDA in relation to Tropicana Juices (100%, Delight and Essentials) and we are currently in the process of entering into a definitive agreement. Under the Tropicana India TSDA, PepsiCo India has the right to terminate the appointment with a 30 days prior written notice or in the event of a failure by us to abide by the provisions of the appointment. Although PepsiCo has in the past renewed such franchise agreements in our favour, granted franchises for additional territories and sub-territories to us, not terminated our agreements entered into with them and not issued any notice of default of the terms of such agreements, there can be no assurance that in the future PepsiCo will not terminate or discontinue our franchise arrangements for cause, including any failure by us to meet performance parameters or any breach by us of applicable terms and conditions under such agreements, or without cause, and undertake production and distribution activities directly or through other franchisees in our licensed territories and sub-territories.

For further information, see "*Our Business – Relationship with PepsiCo*" on page 171.

2. ***We are subject to various obligations under the PepsiCo India Agreements, Tropicana India Agreement and the PepsiCo International Agreements, including the obligation to purchase PepsiCo beverage concentrate exclusively from PepsiCo or PepsiCo approved manufacturers, on terms and conditions set by PepsiCo India/ PepsiCo Inc./ SVC/ TPI and the PepsiCo International Entities. In the event any such terms and conditions are set in a manner adverse to our business interest, our business prospects and future financial performance will be materially and adversely affected.***

The cost of concentrate purchased from PepsiCo India or other relevant PepsiCo entities or their authorized suppliers constitutes our most significant raw material expense. In Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, the cost of concentrate was between 22.46%, 27.03%, 27.90% and 29.30%, respectively, of the total cost of raw materials consumed in these periods. Our franchisee arrangements with PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities stipulate that we are required to purchase the relevant concentrate for all PepsiCo products produced by us exclusively either from PepsiCo or PepsiCo approved manufacturers. Further, PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities will be entitled to set terms and conditions related to our purchase of concentrates from PepsiCo India or the relevant PepsiCo International Entities or their authorised suppliers including the price of such concentrates. Historically, in practice, the concentrate price is determined by PepsiCo India and/ or the PepsiCo International Entities in discussions with us, after taking into account the selling price, input price and other relevant market conditions. However, there can be no assurance that such practice will continue in the future or that we will be able to pass on any increase in concentrate costs to our customers or end customers.

Further, PepsiCo India shall not be obligated to grant any license for any other trademark or product of PepsiCo to us and specifically reserves such right to itself and its authorised third parties. In addition, for the license to use the trademarks "LEHAR", "DUKE", "AQUAFINA", "AQUAVESS" and "EVERVESS SODA", PepsiCo India is entitled to charge royalty. In the six months ended June 30, 2019, our Company has paid royalty of ₹ 51.09 million to PepsiCo India in relation to the trademarks, "LEHAR", "AQUAFINA" and "EVERVESS SODA". PepsiCo India is entitled to charge royalty at its sole discretion; however, the royalty rates have been mutually decided between our Company and PepsiCo India. Although we are not currently required to pay any royalty for the use of any PepsiCo trademarks or brands other than for "AQUAFINA" and "EVERVESS SODA" as the licenses for the other products are governed under the separate terms of the respective PepsiCo International Agreements, Tropicana India Agreement and PepsiCo India Agreements and for which the concentrate is supplied by PepsiCo India and/ or the PepsiCo International Entities for the other products, there can be no assurance that PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities will not in the future amend current terms and require us to pay royalty also for other PepsiCo trademarks and brands. There can also be no assurance that such royalty payments will not be materially increased or we will be required to pass on any such increase in royalty expenses to our customers or ultimate consumers. Further, the maximum retail price for the relevant PepsiCo products are fixed in consultation with PepsiCo. The maximum retail price is influenced by market dynamics and various factors including the pricing pattern followed by PepsiCo competitors. We are also required to manufacture PepsiCo beverages only in production facilities, which have been approved by PepsiCo India in writing, and we have to seek written approval from PepsiCo India to authorize a third party to undertake such production. In addition, our Company and any entity of the Promoter Group (as defined in the PepsiCo India Agreements) is prohibited, during the term of our PepsiCo India Agreements, from bottling, distributing or selling, directly or indirectly, any beverage which is an imitation of any PepsiCo products and/ or licensed trademarks or is likely to be confused as a substitute of PepsiCo products and/ or licensed trademarks or which competes or is likely to compete with the PepsiCo products, unless approved in writing by PepsiCo.. We are also solely responsible for all product liability and damage claims, howsoever caused, and are required to indemnify and hold PepsiCo India harmless from all such liability or claims. These agreements also contemplate other rights that may be exercised by PepsiCo in a manner that may adversely affect our business prospects and financial performance. For further information, see "*Our Business – Relationship with PepsiCo*" on page 171.

3. ***An inability to integrate the operations of, or leverage potential operating and cost efficiencies from the recently acquired 2019 New India Sub-Territories or additional acquired territories or sub-territories in the future may adversely affect our business and future financial performance.***

We have over the years been granted franchises to additional sub-territories in India by PepsiCo. We were also granted, with effect from May 1, 2019, franchise for the 2019 New India Sub-Territories. These acquisitions have resulted in, and any future acquisitions will result in, significant growth in our operations, in terms of geographic spread as well as the penetration of our distribution network. See "*Our Business - Our Strategy - Focus on integrating additional franchise rights and businesses along with expansion through strategic inorganic and organic opportunities*" on page 170. As our acquisitions and grant of additional franchises will lead to an expansion of our geographic footprint, our business may be exposed to additional unforeseen challenges in the new markets we start to operate in, including obtaining additional governmental or regulatory approvals, identifying and collaborating with local business partners with whom we may have no existing relationship, successfully marketing our products in markets in which we have no familiarity, attracting customers in a market in which we do not have significant experience or visibility, adapting our marketing strategy and operations to new markets in India and international territories in which different languages are spoken, ensuring customer satisfaction, recruiting, training and retaining skilled personnel, particularly for the 2019 New India Sub-Territories, and failure to manage third-party service providers in relation to any outsourced services.

We will continue to invest significant management time and financial resources to integrate and manage such acquired operations, overcome local market challenges that we may be unfamiliar with, including potential cultural and language barriers, and assimilate business practices from the recently acquired 2019 New India Sub-Territories or additionally acquired territories or sub-territories in the future. Although, our business operations in each market is similar, each territory and sub-territory presents specific operational challenges, which can vary depending on whether the relevant market is urban, semi-urban or rural, the degree of penetration of CSD and NCB beverages and packaged drinking water in such markets, the competition, access to uninterrupted electricity supply and refrigeration and cooling equipment, logistics infrastructure as well as the demographic profile and general socio-economic conditions in the relevant market. Our ability to successfully extend our existing operational, technological or distribution logistics infrastructure to these territories and sub-territories will be affected by these factors.

Although, we continue to evaluate strategic acquisition opportunities, either production facilities or additional licensed territories and sub-territories that are with other operators, such potential acquisition may raise a number of challenges beyond our control including unforeseen expenses, complications or delays in connection with the expansion of our operations through these acquisitions. In addition, we may be required to incur additional debt or issue equity to pay for future acquisitions. We may also face challenges from PepsiCo competitors or other PepsiCo franchisees in completing such acquisitions and implementing our business strategy, developing relationships with distributors and dealers in these new markets, and integrating these territories and sub-territories in our existing operations. If we are unable to successfully acquire, manage or integrate such acquisitions as planned, or at all, or if we are unable to achieve operating and financial synergies or economies of scale that we expect from such acquisitions, as a result of any of the foregoing or other risks or challenges, or for any other reason, it may have a material and adverse effect on our business, prospects, results of operations and financial condition.

4. ***Our results of operations and financial condition following the acquisition of the 2019 New India Sub-Territories will not be comparable to those prior to such acquisition. Additionally, the acquisition of the 2019 New India Sub-Territories may not be able to achieve financial, operational, strategic and other potential benefits from the consolidation pursuant to their acquisition.***

Our results of operations and financial condition following the acquisition of the 2019 New India Sub-Territories will not be comparable to those prior to such acquisition. We have included in this Preliminary Placement Document our audited consolidated financial statements for Fiscal 2016, 2017 and 2018. While we believe that the acquisition of the 2019 New India Sub-Territories is likely to result in increased operational synergies resulting from the newly acquired territories, there can be no assurance that we will be able to successfully integrate the 2019 New India Sub-Territories into our existing operations or otherwise achieve the synergies and other benefits we expect from such acquisition. These risks may adversely impact our business strategy, results of operations and financial condition. There is also a risk that the benefits associated with the acquisition may not be realised or may be materially lower than estimated and it cannot be predicted with certainty the extent to which any of the other benefits will actually be achieved, if at all, or the timing of any such benefits. Further, the acquisition of the 2019 New India Sub-Territories has been funded through debt financing and internal accruals, and accordingly, failure to derive the desired benefits will impact our business, financial condition and results of operation.

Since the acquisition of the 2019 New India Sub-Territories took place with effect from May 1, 2019, although our consolidated financial statements as of and for the six months ended June 30, 2019 included in this Preliminary Placement Document reflect the consolidated balance sheet as of June 30, 2019, it only reflects the results of operations of the 2019 New India Sub-Territories for the period between May 1, 2019 and June 30, 2019.

Investors are cautioned that they will therefore need to base their assessment of our consolidated results of operations and financial condition subsequent to the acquisition of the 2019 New India Sub-Territories on the basis of our historical consolidated financial statements for Fiscal 2016, 2017 and 2018 and as of and for the six months ended June 30, 2019, and other very limited information with respect to the 2019 New India Sub-Territories included in this Preliminary Placement Document and the management's discussions with respect to the effect of such acquisitions on our business, results and of operations and financial condition included in "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting Our Results of Operations and Financial Condition – Impact of historical inorganic growth, in particular, the acquisition of 2019 New India Sub-Territories*" on page 102.

We may not be successful in integrating the business and operations of the 2019 New India Sub-Territories with our existing operations or achieve the anticipated benefits of the acquisition of 2019 New India Sub-Territories, including the anticipated operational synergies from having contiguous territories, such as, transportation and economies of scale.

5. We have relied on the information provided to us as part of the due-diligence process in relation to our acquisition of the 2019 New India Sub-Territories.

The information provided to us as part of the due diligence process was relied on by us with respect to the acquisition of 2019 New India Sub-Territories. The information in relation to revenue in Fiscal 2018 with respect to the 2019 New India Sub-Territories was provided to us by PepsiCo India and we did not rely on any historical financial information or future projections. Further, the acquisition of the 2019 New India Sub-Territories was in the form of a slump sale. In this Preliminary Placement Document, we have not included any pro forma profit and loss statement or balance sheet prepared in accordance with the laws and regulations of the United States or any other jurisdiction, which would have shown the effect of the acquisition of the 2019 New India Sub-Territories on our historical results of operations and financial condition, assuming that the acquisition of the 2019 New India 2019 New India Sub-Territories had occurred at the beginning of the relevant reporting period.

In addition, the information relied on by us with respect to the acquisition of 2019 New India Sub-Territories may be incomplete or inaccurate, and we may be subject to unforeseen risks, liabilities and obligations due to such information. We may also be required to expend significant management and other resources to ensure that the operational and financial reporting standards followed by PepsiCo are integrated to those followed in our existing operations. There can be no assurance that the value at which we acquired the 2019 New India Sub-Territories will be reflective of future valuations or revenues or profitability that we may expect from such acquisition.

6. Our growth plans and expansion strategies are subject to prior approval of PepsiCo, and an inability to secure such approval may adversely affect our business prospects and future financial performance.

In addition to increasing our Sales Volumes, we continue to evaluate acquisition of additional production facilities as well as franchises for additional licensed territories and sub-territories. We also intend to obtain franchises for other existing or newly introduced beverage products of PepsiCo. Under the PepsiCo India Agreements and the PepsiCo International Agreements, any such acquisition will require prior approval from PepsiCo India/ PepsiCo Inc./ SVC and the PepsiCo International Entities. While historically, PepsiCo has granted franchises for additional licensed territories and sub-territories to us from time to time, including territories that were earlier operated directly by PepsiCo or by other franchisees, there can be no assurance that PepsiCo will continue to grant us franchises for additional territories or sub-territories or provide approval for the acquisition of additional production facilities in the future. In addition, if PepsiCo were to grant other franchisees, the franchise rights to territories and sub-territories currently licensed to us, it may materially and adversely affect our business operations and future financial performance. Our growth plans and expansion strategies are therefore subject to the approval of PepsiCo and if PepsiCo were to deny such approval for any reason, it could adversely affect our business, prospects, results of operations and financial condition.

7. ***A significant majority of our production and sales take place during the summer months, and any adverse weather conditions during such peak sales seasons may materially and adversely affect our sales, results of operations and financial condition.***

Sales of our PepsiCo beverages are generally significantly higher in the summer months of April through June, due to the heat and warm weather, and considerably lower during the winter months of December through February. Our Sales Volume in India during the quarter of April 2018 to June 2018 was 118.51 million Unit Cases, while our total Sales Volume in India was 273.49 million Unit Cases in Fiscal 2018. Accordingly, in Fiscal 2018, our Sales Volume in India during the quarter of April to June accounted for 43.33% of our total Sales Volume in India. Bad weather conditions, including disturbed summers or untimely rains during the peak sales season of summer, may adversely affect our Sales Volumes, results of operations and financial condition, and could therefore have a disproportionate impact on our results of operations in the relevant year. In addition, the seasonality of our results of operations may be affected by unforeseen circumstances that affect production during such peak periods, such as any downtime to production due to breakdown of equipment, shortage of raw materials, inadequate inventory planning and other interruptions to timely production and delivery of our products to the market. Because of the significant fluctuations in demand for CSDs and NCBs during various seasons of the year, any comparison of the sales recorded and our results of operations between different periods within a year is not meaningful and should not be relied on as an indicator of our future business prospects or financial performance.

8. ***If we are unable to service our debt obligations in a timely manner or to comply with various financial and other covenants and other terms and conditions of our financing agreements, it may adversely affect our business, prospects, results of operations and financial condition***

As of June 30, 2019, our total Indebtedness/ net debt was ₹ 37,294.60 million which represented a net debt to equity ratio of 1.49:1. For further information, see "*Financial Statements*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Indebtedness and Other Arrangements*" and "*Capitalization Statement*" on pages 255, 142 and 87, respectively.

Under the PepsiCo India Agreements, we are required to maintain the financial capacity reasonably necessary to ensure the performance of our obligations to PepsiCo India/ PepsiCo Inc./ SVC. Further, we are also required to ensure that the debt to equity ratio for our Company does not exceed 2:1 or such other ratio as agreed with PepsiCo India/ PepsiCo Inc./ SVC, and any failure to maintain such a ratio, subject to a cure period of six months, would entitle PepsiCo India/ PepsiCo Inc./ SVC to terminate the agreement by a written notice to our Company. Our business has witnessed significant growth during the last decade, requiring capital infusion which has been met by raising of funds through loans and our borrowings may have significant consequences to our shareholders and future financial results and business prospects, including increasing our vulnerability to a downturn in business; limiting our ability to pursue our growth plans; requiring us to dedicate a substantial portion of our cash flow from operations to service debt; and limiting our ability to raise additional funds or refinance existing indebtedness. While historically we have been able to generate sufficient cash flow from operations to service our debt obligations on a timely basis, in the event that we are unable to do so in the future our business operations and financial performance may be adversely affected.

Many of our financing agreements include conditions and restrictive covenants that require us to obtain consent from the respective lenders prior to carrying out certain activities and entering into certain transactions. We are required to inform and obtain consent and no-objection from our lenders for, among other matters: (i) issuance of Equity Shares by our Company; (ii) dilution of the current shareholding of our Promoter and members of our Promoter Group (as defined in the PepsiCo India Agreements) provided, however, that such shareholding shall not fall below 51% of the share capital of our Company; (iii) amendment of the articles of association and memorandum of association of our Company; (iv) change in the capital structure and shareholding pattern of our Company; (v) utilisation of the Issue proceeds by our Company at its sole discretion, to repay/pre-pay in part or full the existing borrowings of our Company and/or our Subsidiaries, including from other lenders; and (vi) undertaking any other activities as may be required in relation to the Issue. Additional restrictive covenants require us, among other things, to ensure that the loan availed from our lenders is utilized for the respective purpose they have been sanctioned as specified in such financing agreements and to maintain security cover and/or receivable cover as the lender may stipulate from time to time. Further, any prepayment of our loans may require us to receive consents from our lenders, and may be subject to prepayment charges and other conditions, as applicable. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Indebtedness and Other Arrangements*" on page 142. In addition, certain of our financing arrangements contain cross default provisions which could automatically be triggered by defaults under other financing arrangements.

It is possible that we may not be able to obtain additional financing at terms favorable to us, or at all. Our future borrowings may also contain similar or additional restrictive provisions. In the event of a breach of relevant terms of our financing arrangements, we may be required to seek waivers of such breaches, including cross defaults arising from the breach of relevant covenants. We cannot assure you that we will be able to obtain such amendments or waivers on satisfactory terms, or at all, and the relevant lenders could, *inter-alia*, impose penal and default interests, accelerate the maturity of our obligations and declare all amounts payable in respect of the facility to be due and payable immediately or otherwise on demand. In the event of any such acceleration, we may have to dedicate a substantial portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes, or if required, sale of our assets. Further, during any period in which we are in default, we may be unable to obtain further financing or any refinancing of our debt could be at higher rates with more onerous covenants. In addition, in case of a default under the financing agreements, lenders may be able to sell our assets charged under such financing arrangements to enforce their claims, become entitled to appoint a nominee director on our Board, convert their outstanding loans into equity or other securities of our Company or require us to restructure the management of our Company, thereby adversely affecting our financial condition and the price of our Equity Shares.

9. Our business is working capital intensive. If we experience insufficient cash flows from our operations or are unable to borrow funds to meet our working capital requirements, it may materially and adversely affect our business and results and operations.

Our operations involve a significant amount of working capital, principally to fund our raw material procurement. While we typically do not extend credit beyond three to 15 days to our distributors, depending on the track record of certain distributors servicing the modern trade channels we selectively extend credit up to 60 days. In addition, our obligations to PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities arise on receipt of the beverage concentrates at our production facilities. We fund a significant part of our working capital requirements through borrowings. In the event we are unable to generate sufficient cash from our sales, suffer decreasing sales as a result of inability to extend competitive credit terms or otherwise, experience a reduction in credit terms from PepsiCo India/ PepsiCo Inc. and/ or the PepsiCo International Entities, or experience difficulties in collecting our accounts receivables, we may not have sufficient cash flows to service our indebtedness or adequately fund our working capital requirements. In such event, our business operations could be adversely affected. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Indebtedness and Other Arrangements*" on page 142.

Any of these circumstances or other consequences could adversely affect our business, credit rating, prospects, financial condition and results of operations. Moreover, any such action initiated by our lenders could adversely affect the price of the Equity Shares.

10. An inability to manage our growth effectively could adversely affect our business and future financial performance.

We have experienced significant growth over the last few years as we have expanded our operations in India and internationally. Our revenue from operations (net) have increased at a CAGR of 14.99% from ₹ 38,611.83 million in Fiscal 2016 to ₹ 51,052.55 million in Fiscal 2018 and was ₹ 41,695.99 million in the six months ended June 30, 2019. We continue to evaluate organic and inorganic expansion plans to pursue growth opportunities. In order to expand our business operations, we must acquire franchises for additional territories and sub-territories, and license to a broader range of PepsiCo products, increase our production capacity, strengthen our distribution network and increase market penetration in our licensed territories and sub-territories.

Our ability to further grow our business will depend on various factors, many of which are beyond our control. These factors include, but are not limited to: customer loyalty to PepsiCo's existing and future beverage products; evolving consumer preferences and our ability to adapt our business and operations; recruiting and training qualified personnel; further strengthening PepsiCo brands in new markets; competition in our markets; availability of financing at suitable terms and conditions; and sourcing and managing the cost of our expansion and identifying suitable supply and delivery resources. PepsiCo's new beverage products in existing or new categories may not meet the desired success, and there can be no assurance that these new beverage products will gain market acceptance or meet the particular tastes or requirements of consumers. We may also not be able to leverage our ability to implement new brand and product launches, including dairy beverages, as well as new flavours, packages and SKUs for PepsiCo, particularly in the fast-growing NCB space. To the extent we are unable to execute our strategy of continuously introducing new products, improving our portfolio of products and meeting consumers' changing preferences, our market share and financial performance would be adversely affected. In addition, further expansion of our operations and growth into additional territories and sub-territories and franchises for new products will result in increase in demand on management resources, financial controls as well as operating and information systems. In order to effectively manage our growth, we will need to further strengthen our operating systems, procedures and internal controls systems, and a failure to do so on a timely basis, or any weakness in our internal controls, may result in inconsistent or flawed operating procedures. The development of future business may also be affected by external factors, including general political and economic conditions in India and our international markets, government policies or strategies, particularly with respect to goods and services tax applicable to our products and operations, as well as prevailing interest rates and currency exchange rates. Moreover, our ability to sustain our growth depends on our ability to attract and retain key management personnel, maintain effective risk management policies and address adverse market or business developments.

If we are unable to achieve our business strategy of organic and inorganic growth and if our existing and future management resources, operational and financial systems, and operating procedures and control measures are not adequate to support the growth in our future operations, it may adversely affect our business prospects and future financial performance.

11. We are dependent on the continuing operation of our production facilities. Any significant interruption in production at our facilities could have a material adverse effect on our business, results of operations and financial condition.

We manufacture substantially all of the products that we sell at our production facilities in India and international production facilities. These plants are subject to the normal risks of industrial production, including equipment breakdowns, labour stoppages, natural disasters, directives from government agencies, water shortages and power interruptions. Under the PepsiCo India Agreements, if we discontinue the production of the PepsiCo beverages which results in our failure to serve all or any part of the territory as measured by the planned volumes for the impacted part of the territory to the extent of 50% or more of the planned volumes for a period of 30 days in other than on account of force majeure which shall be rectified within six months, PepsiCo India/ PepsiCo Inc. and/ or SVC may exercise their right to terminate the said agreements. In addition, under the PepsiCo International Agreements, if there is discontinuation of our production process of the bottling of the beverages for a period of 30 consecutive days other than on account of annual maintenance or any other reason subject to the approval of the PepsiCo International Entities, the PepsiCo International Entities may exercise their right to terminate the said agreements. Particularly, all of these production facilities require a significant amount and continuous supply of electricity and water and any shortage or non-availability of electricity and water may adversely affect our operations. The production process of our products, as well as the storage of products at particular temperatures requires significant electricity. We are also required to store our raw materials in a temperature-controlled environment. We currently source our water requirements from bore wells and also depend on the municipal supply of water. We also depend on state electricity supply for our energy requirements. Although we have adequate diesel generators to meet exigencies at our facilities, our operations at our facilities may be adversely affected during power failures. Any failure on our part to obtain alternate sources of electricity or water, in a timely fashion, and at an acceptable cost, may have an adverse effect on our business, results of operations and financial condition.

In the event of any disruption of operations at our production facilities due to any reason, whether natural or manmade disasters, or resulting from workforce disruptions, regulatory approval delays, fire, failure of machinery, or any significant social, political or economic disturbances, our ability to manufacture our products may be adversely affected. Disruptions in our manufacturing activities could delay production or require us to shut down our production facilities. Any contravention of or non-compliance with the terms of various regulatory approvals applicable to our production facilities may result in us requiring to cease, or limit, production until such non-compliance is remedied to the satisfaction of relevant regulatory authorities.

12. An interruption in the supply or significant increase in the price of raw materials or packaging materials may adversely affect our business, prospects, results of operations and financial condition.

Our inability to maintain efficient inventory management and stock of raw materials at optimum levels may affect our operations. The availability and price of raw materials, particularly beverage concentrate we purchase from PepsiCo India or other relevant PepsiCo entities or their authorized suppliers, sugar, mango pulp and carbon dioxide, as well as the availability and price of packaging materials, in particular PET resin, including preform, aluminium, glass, tetrapaks cartons, plastic closures, crowns and labels, may also impact our operations. The price of such raw materials and packaging materials may be affected by changes in global supply and demand, weather conditions, governmental policies, exchange rates and other macroeconomic factors. A prolonged interruption in the supply of raw materials or packaging materials may require us to identify alternative suppliers that are acceptable to PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities, which could require us to pay significantly higher prices for such raw materials and packaging materials. In the event of a significant increase in the price of such raw materials and packaging materials, it will increase our cost of production and other operating costs and decrease our profitability in the event we are unable to pass on such price increases to the dealers, and ultimately the consumers, by increasing the price of our beverages.

In addition to the beverage concentrates that we purchase from PepsiCo India or other relevant PepsiCo entities or their authorized suppliers, our largest raw materials expenditure relates to purchase of sugar, which represented 35.13%, 33.77%, 27.74%, and 29.14% of our cost of materials consumed in Fiscal 2016, 2017 and 2018 and in the six months ended June 30, 2019, respectively. We also purchase packaging materials such as labels from various local and regional label producers and procure fuel for our delivery trucks. We typically do not enter into long term supply contracts with any of the raw material and packaging material suppliers, but typically place orders in advance of our anticipated requirements at agreed prices. In the absence of long term supply contracts, we are susceptible to a sudden and significant increase in prices of raw materials and packaging materials. In addition, we are susceptible to the risk that one or more of our existing raw material or packaging materials suppliers may discontinue supplies to us, and unless we are able to enter into alternative arrangements in a timely manner on terms favourable to us, our business operations and financial performance may be materially and adversely affected. Certain of our critical raw materials such as sugar, mango pulp may also be subject to seasonal fluctuations in price.

We are required to procure raw materials and packaging materials supplies only from suppliers that meet the standards specified by PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities. From time to time, we recommend additional suppliers, and in case they meet applicable quality standards for PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities', such additional suppliers may be approved by them. While historically such recommendations have generally been approved by PepsiCo, there can be no assurance that in the future PepsiCo will approve such recommendations. We may not be in a position to select or obtain supply of raw material and packaging materials from the most cost effective suppliers unless they are pre-approved by PepsiCo. We do not currently obtain any hedge protection against changes in raw material prices. While historically we have not experienced a shortfall or limited availability of raw materials or packaging materials that has affected our operations, there can be no assurance that there will not be any seasonal factors, or a significant and prolonged interruption or a shortage in the supply of our critical raw materials and packaging materials. Such interruptions or shortages in supply of requisite standard raw materials and packaging materials may prevent us from operating our production facilities at optimal capacity, and if such shortage is severe, may lead to the suspension of production. In particular, a significant majority of our production activities takes place during the pre-summer and summer months when sales of our PepsiCo products are maximum, and any shortage of raw materials or packaging materials during such periods may materially and adversely affect our production, sales and results of operations in such year.

13. Any contamination or deterioration of our beverages could result in legal liability, damage our reputation and adversely affect our business prospects and financial performance.

The actual or alleged contamination or deterioration of our PepsiCo beverages could result in legal liability, damage our reputation and adversely affect our business prospects and consequently our financial performance. The risk of contamination or deterioration exists at each stage of the production cycle, including during the production and delivery of raw materials, the bottling, storage and delivery to our customers and the storage and shelving of our products by our distributor and customers until final consumption by consumers. While we follow stringent quality control processes and quality standards specified by PepsiCo and our production facilities and operations are regularly monitored by PepsiCo, there can be no assurance that our products will not be contaminated or suffer deterioration. If any of our products is found to have been contaminated or to have deteriorated, we could be required to recall large quantities of our beverages, and we could incur criminal or civil liability for any adverse medical condition or other damage resulting from consumption of such products. In addition, any actual or alleged contamination or deterioration of our products or products manufactured by other PepsiCo bottlers may damage the reputation of PepsiCo brands, which may materially and adversely affect our business operations, prospects, and financial performance. Although historically we have not experienced any significant product liability claims or similar allegations against us or our products, there can be no assurance that there will not be any such claims or allegations in the future, which could materially and adversely affect our business and financial performance or lead to significant civil and criminal liability or other penalties. In addition, while we have obtained product liability insurance cover, there can be no assurance that in the case of any such claim or allegation, such insurance will be adequate to cover any losses. In addition, if PepsiCo determines that our products do not meet their standards, they may require us to suspend production at the relevant production facilities until appropriate remedial action is undertaken or it may even terminate our franchise arrangements under the PepsiCo India Agreements, Tropicana India Agreement and the PepsiCo International Agreements.

14. ***Demand for our products may be adversely affected by changes in consumer preferences and any significant reduction in demand could adversely affect our business, prospects, results of operations and financial condition.***

We operate in the highly competitive CSD, NCB and packaged drinking water segments and rely on the continued demand for PepsiCo beverages in our licensed territories and sub-territories in India and internationally. In order to maintain and increase revenues and profitability, we are required to continuously address market trends and consumer preferences and produce and sell beverages that appeal to our customers and ultimate consumers. In the event of a significant change in consumer preferences or in the event of an inability on our part to anticipate or react to such changes, it could result in reduced demand for our beverages and erosion of our competitive position and goodwill and could adversely affect our business, prospects, results of operations and financial condition.

Our success depends on our ability to anticipate and effectively respond to shifts in consumer trends, including convenience and availability of the beverages consumed, the quality of our beverages, ability to improve production and packaging of our beverages, and our ability to respond to competitive pricing pressures. Consumer preferences may evolve due to a variety of factors, including consumer concerns or perceptions relating to the nutrition profile of our products, including their calorie content or perceptions (whether or not valid) regarding the health effects of ingredients or substances present in our products; the packaging materials we use, or changes in packaging or consumption size; any change in consumption patterns, or social trends that impact travel, vacation or leisure activity patterns; any changes in weather patterns or seasonal consumption cycles; any negative publicity resulting from regulatory action, litigation against us or other companies in our industry or negative or inaccurate posts or comments in the media, including social media, about us, our beverages or advertising campaigns and marketing programs; consumer perception of social media posts or other information disseminated by us or our employees, agents, customers, suppliers, bottlers, distributors, or other third parties; any downturn in macroeconomic conditions; unemployment; reduction in disposable income; and taxes or other restrictions imposed on our products. We intend to capitalize on the changing market sentiment by focusing on improving the market share of Pepsi Black, Diet Pepsi, Sting and Seven-Up Nimbooz Masala Soda, and our relatively newer NCB brands, such as Tropicana Juices and Gatorade by expanding our distribution network and increasing production volumes. Changes in consumer preferences may reduce consumers' willingness to purchase certain of our products and adversely affect our business, prospects, results of operations and financial condition.

Further, there is a growing concern among consumers, public health professionals and government agencies about the health problems associated with obesity. In addition, some researchers, health advocates and dietary guidelines are suggesting that consumption of sugar-sweetened beverages is a primary cause of increased obesity rates and are encouraging consumers to reduce or eliminate consumption of such products. Increasing public concern about obesity; additional governmental regulations concerning the marketing, labelling, packaging or sale of our sugar-sweetened beverages; and negative publicity resulting from actual or threatened legal actions against us or other companies in our industry relating to the marketing, labelling or sale of sugar-sweetened beverages may reduce demand for sugar-sweetened beverages, which could adversely affect our profitability.

15. ***An inability to maintain our competitive position in India and in our other markets may adversely affect our business, prospects and future financial performance.***

The carbonated and non-carbonated beverage markets are highly competitive in India and the international markets we operate in. We compete with, among others, bottlers of other global, regional and local brands of carbonated and non-carbonated beverages. If the number of competitors or level of marketing or investments undertaken by such competitors were to increase, it may result in a reduction in the consumption of our products and may reduce our market share, or we may be required to incur increased marketing and distribution related expenses in order to remain competitive. In addition, the success of our business depends on consumer behaviour and preferences and their affinity and loyalty to PepsiCo beverages and brands, and there can be no assurance of market acceptance and consumer preference for new PepsiCo beverages or that there will be an increase in market share of PepsiCo products.

In addition, we compete with aggressive marketing and promotional activities by other global, regional or local CSD and NCB beverage producers as well as packaged drinking water producers on price and promotional discounts announced from time to time. Other global and regional beverage producers in our markets typically match the pricing of our products. However, if the competition alters their pricing model, and we are unable to change our product prices in response to such competitive measures, our results of operations and profitability may be materially and adversely affected.

16. ***We are dependent on PepsiCo for brand promotion and the protection of the PepsiCo trademarks and brands. An inability by PepsiCo to adequately promote its brands and/ or adequately protect its trademarks and brands may result in loss of goodwill and business and adversely affect our business prospects, results of operations and financial condition.***

As a franchisee, we have been granted licenses by PepsiCo to use certain trademarks and brands owned by PepsiCo for certain PepsiCo products that we produce, sell and distribute in India and international jurisdictions. Under the PepsiCo India Agreements, Tropicana India Agreement and Tropicana India TSDA, we are entitled to use the trademarks only on, in relation to PepsiCo and/ or its group company's beverage products, only within the licensed territories, and in accordance with PepsiCo India's instructions. Further, all decisions made by PepsiCo in relation to trademarks shall be final, conclusive and not subject to any question by us and PepsiCo shall not be liable for loss or damage suffered by us from the use of such trademarks. We are also required to undertake all necessary steps to promote and enhance the visibility and goodwill of PepsiCo's trademarks. See "*Our Business – Relationship with PepsiCo*" on page 171. PepsiCo is primarily responsible for the protection of its trademarks and brands. All trademarks and brands owned by PepsiCo and used by us are either registered with the respective trademark offices of the relevant countries, or are the subject of a pending application in the name of PepsiCo. See "*Our Business – Intellectual Property*" on page 187. While PepsiCo undertakes appropriate measures to protect its trademarks and brands against infringement or counterfeiting, in the event of a failure on part of PepsiCo to effectively do so in the future, it could adversely affect the competitive position of the PepsiCo brands which could result in a decrease in the volume of products we sell, which in turn may materially and adversely affect our business, prospects, results of operations and financial condition.

In addition, PepsiCo India has the primary responsibility for consumer marketing and brand promotion. The continued growth of the PepsiCo beverages which we are licensed to sell will depend on the consumer marketing activities of PepsiCo India. The PepsiCo India Agreements and Tropicana India Agreements stipulates that all advertising, marketing and promotion of PepsiCo's trademarks and beverages in India shall be directed by PepsiCo India, and we are entitled to use only the advertisement and promotion strategies and materials approved by PepsiCo India. We along with PepsiCo India are required to incur the advertising and marketing expenditures as mutually agreed between us, however, currently we do not make significant contribution to the brand marketing costs in India and there can be no assurance that we would not be asked in the future by PepsiCo India to contribute a larger share of such expenses. PepsiCo India is under no obligation to continue to make such contribution or maintain historical levels of such expenses in the future, and our ability to expand our product range would depend on PepsiCo's product expansion strategy and its ability to respond to competitive pressure from competition. A decrease in marketing efforts and expenditure by PepsiCo India , in its contribution to our marketing plan or in its commitment to the development and introduction of new products could lead to decreased consumption of PepsiCo beverages and we may not be able to compete with PepsiCo's competitors in the markets in which we operate, which could have a material adverse effect on our business, results of operations and financial condition.

17. ***Any loss of business or potential adverse publicity resulting from spurious or imitation beverages, including in our licensed territories or sub-territories, could result in loss of goodwill for PepsiCo products leading to loss of sales and adversely affect our business, prospects, results of operations and financial condition.***

We are exposed to the risk that entities in India and elsewhere could pass off their products as PepsiCo products, including spurious or imitation products. For example, products imitating the PepsiCo brands and packaging material selling spurious beverages may adversely affect sale of genuine PepsiCo products, resulting in a decrease in market share resulting from a decrease in demand for PepsiCo products. Such imitation or spurious products may not only result in loss of sales but also adversely affect the reputation of PepsiCo beverages we produce and sell and consequently our future sales and results of operations. The proliferation of spurious and imitation beverages in our territories and sub-territories, and the time and resources in taking action against such spurious products, defending claims and complaints regarding these spurious products, and in assisting PepsiCo taking appropriate legal proceedings against offenders who infringe PepsiCo's intellectual property rights, could result in lower sales, and adversely affect our results of operations and may have a material and adverse effect on our reputation, business, prospects, results of operations and financial condition.

18. Information relating to the peak month production capacities of our production facilities included in this Preliminary Placement Document is based on various assumptions and estimates. Actual production rate may vary from such peak month production capacity information and historical capacity utilization rates.

The information relating to the peak month production capacities of our production facilities included in this Preliminary Placement Document are based on various assumptions and estimates of our management. In particular, the following assumption has been made in the calculation of the peak month production capacity of our production facilities included in this Preliminary Placement Document: (a) a line is assumed to run for 20 hours in a day, 28 days in the peak month at an efficiency of 90%. Capacity additions to our production facilities have also been made on an incremental basis, including through expansion of our production facilities as well as de-bottlenecking exercises and improved material handling and other operational efficiencies in the production process. Actual production levels and future capacity utilization rates may vary significantly from the peak month production capacities of our production facilities and historical capacity utilization rates.

Due to the highly seasonal nature of our business, we have in this Preliminary Placement Document included only the peak month production capacity of our production facilities. Investors are advised to note that the peak month identification for purposes of calculation of peak month production capacities (including that for production facilities located in international territories) may vary, depending on the geographical position of the relevant production facility/ sub-territories served by such production facility, as well as changes in climatic conditions and seasonality factors that could from vary from year to year. Such peak month production capacity of our production facilities has been included in this Preliminary Placement Document for the limited purpose of providing information on peak month operations in our business. Such peak month capacity information is based on various assumptions and estimates, and does not purport to predict, and cannot be relied on as a substitute for, annual production capacity information for our production facilities. Undue reliance should not be placed on the peak month production capacity information for our production facilities included in this Preliminary Placement Document. In addition, capacity utilization is calculated differently in different countries, industries and for the different kinds of products we manufacture. Given the highly seasonal nature of our business, and the complexities associated with peak month capacity information for our production facilities, capacity utilisation information has minimal relevance as a measure of our business operations and financial performance in any particular fiscal year or period. For further information, see "*Our Business – Production Process – Production Facilities*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting Our Results of Operations and Financial Condition – Production capacities, backward integration and operating efficiencies*" on pages 181 and 108, respectively.

19. Scarcity of water or non-availability of quality water could negatively impact our costs and production capacity.

Water is one of the primary raw materials used in the production of all our products, and our business operations are vastly dependent on our ability to procure sufficient amounts of quality water at commercially viable prices. Supply of water is an indispensable requirement for our manufacturing process as we require water to mix the base concentrates of our beverages with sugar. Moreover, it is also vital to the production of the agricultural ingredients on which our business relies. Water is a limited resource, facing unprecedented challenges from overexploitation, increasing demand for food and other consumer and industrial products whose manufacturing processes require water, increasing pollution and poor management. Further, supply of water can also be significantly influenced by changing environmental conditions leading to drying water resources and receding ground water levels. Water scarcity and deterioration in the quality of available water sources in our territories, or our supply chain, even if temporary, may result in increased production costs or capacity constraints, which could adversely affect our ability to produce, sell and distribute our products and increase our costs.

20. ***An increase in the cost of or shortage or disruption in supply of electricity and fuel may adversely affect our results of operations and profitability.***

An increase in the price, disruption of supply or shortage of fuel and other energy sources in the countries in which we operate, that may be caused by increasing demand or by events such as natural disasters, power outages, or the like could increase our operating costs and negatively impact our profitability.

21. ***Our Company and some of our Subsidiaries, Directors and Promoters are involved in certain legal proceedings in India which, if determined against us, may have a material adverse impact on our business, reputation and financial condition.***

Our Company and some of our Subsidiaries, Directors and Promoters are involved in certain legal proceedings from time to time, mostly arising in the ordinary course of our respective businesses and are primarily in the nature of civil proceedings such as consumer and recovery matters, few criminal proceedings that are pending against us, tax disputes, proceedings initiated under the Prevention of Food Adulteration Act, 1954, Legal Metrology Act, 2009 or the Food Safety and Standards Act, 2006 and proceedings initiated by us under the Negotiable Instruments Act, 1881. These proceedings are pending at different levels of adjudication before various courts and tribunals. In the recent past, the Stock Exchanges have imposed a total fine of ₹ 0.71 million on our Company for non-compliance under Regulation 17(1) of the SEBI Listing Regulations relating to composition of our Board of Directors, which have been duly paid by our Company on August 27, 2019 and the non-compliance has been rectified. For further information, see "*Legal Proceedings*" on page 244. While our Company has specified the amounts involved (including the interest, if applicable) in relation to these proceedings, there are many matters for which the liability cannot be quantified and therefore it has not been disclosed. Further, our Company does not consider the entire amount involved in these legal proceedings as present or potential liability and accordingly, the contingency for the entire amount involved in all these legal proceedings has not been provided for in our books. These legal proceedings could divert management time and attention, and consume financial resources in their defence or prosecution. Further, any adverse rulings in these proceedings or consequent levy of penalties, if any, on our Company, Subsidiaries, Directors and/or Promoters for the offences alleged against them could cause negative publicity or have an adverse impact on our business, financial condition and results of operations. For details in relation to certain material litigation, see "*Legal Proceedings*" on page 244.

22. ***Our inability to expand or effectively manage our growing dealer and distribution network or any disruptions in our supply or distribution infrastructure may have an adverse effect on our business, results of operations and financial condition.***

As of June 30, 2019, we had 1,216 primary distributors (*i.e.*, parties to whom sales in excess of 10,000 unit cases of our PepsiCo beverages in month of June 2019 were recorded) in India and 345 distributors in our international territories. The primary distributors in India accounted for 47.43 million Unit Cases, which represented 85.26% of our aggregate Sales Volumes in India in the month of June 2019. In order to sell products to our end consumers, we use modern trade channels which include super-markets and hyper-markets and general trade channels that include smaller retail stores. Our ability to expand and grow our product reach significantly depends on the reach and effective management of our distribution network. We continuously seek to increase the penetration of our products by appointing new dealers and distributors targeted at different customer groups and regions. If we are unable to identify or appoint distributors, it may affect our distribution capabilities. If the terms offered to such distributors by our competitors are more favourable than those offered by us, distributors may decline to distribute our products and terminate their arrangements with us. We may be unable to appoint replacement distributors in a timely fashion, or at all, which may reduce our Sales Volumes and adversely affect our business, results of operations and financial condition. Further, our competitors may have exclusive arrangements with distributors who may be unable to stock and distribute our products, which may limit our ability to expand our distribution network. While we offer our distributors certain incentive schemes to distribute our products, we may not be able to effectively implement them across our distribution network. If our distributors fail to distribute our products in a timely manner, or adhere to the terms of the distribution agreement, or if our distribution agreements are terminated, our business and results of operations may be adversely affected.

We take delivery of many of our raw materials requirements at respective production facilities and typically the transportation and delivery of raw materials are undertaken by third party contractors. Interruptions in the transportation of raw materials or delivery of finished products, and poor handling of materials or products in transit could interrupt our business, cause us losses, damage our reputation, and adversely affect our results of operations and financial condition. We may also face disruptions in the delivery of our products for various reasons beyond our control, including poor handling by distributors of our products, transportation bottlenecks, natural disasters and labour issues, breakdown of equipment, accidents, fire, loss of water or power supply, terrorism, political instability, military conflict, pandemic, strikes, the financial and/or operational instability of key suppliers, distributors, warehouses and transportation providers or brokers, or other reasons, which could impair our ability to sell our products, and lead to delayed or lost deliveries. To the extent that we are unable to effectively manage such events if they occur, or cannot financially mitigate the likelihood or potential impact of such events, there could be a material adverse effect on our business and results of operations.

23. An inability to plan our infrastructure investments and arrange for adequate and timely funding of such investments may adversely affect our business, prospects and financial performance.

We have made significant investments in our production facilities as well as our sales and distribution infrastructure, including in connection with the acquisition of the 2019 New India Sub-Territories. As part of the acquisition of the 2019 New India Sub-Territories, we also acquired nine production facilities in seven States and five Union Territories in India which further added to our production capacities. Further, under the PepsiCo India Agreements, we are required to purchase adequate visi-coolers, which may be independently verified by PepsiCo India, to ensure that we have at least the same number of visi-coolers as PepsiCo's competitors. Between Fiscal 2016 and in the six months ended June 30, 2019, our net investment in the aggregate has been ₹ 37,585.82 million in connection with the expansion and modernization of our production capacities and increase penetration of chilling equipment such as visi-coolers for our distribution infrastructure. As of June 30, 2019, we operated 30 production facilities at different locations across India and six production facilities in international territories. As of June 30, 2019, we had an estimated aggregate peak month production capacity of 107.94 million Unit Cases in India, and 22.14 million Unit Cases in our international production facilities. Our projected requirements for infrastructure investments may vary from actual levels if anticipated Sales Volume growth does not materialize or varies significantly from our projections. Such investments are generally long-term in nature and it is possible that investments may not generate the expected returns due to changes in the marketplace. Significant changes from our expected returns on production facility equipment, fleet of vehicles, technology support systems and supply chain infrastructure investments could adversely affect our results of operations and financial condition.

24. We are subject to extensive government regulation and our inability to obtain, maintain or renew requisite statutory and regulatory permits and approvals in a timely manner could materially and adversely affect our business, prospects, results of operations and financial condition.

The food and beverage segment is subject to extensive government regulation and in respect of our existing operations we are required to obtain and maintain various statutory and regulatory permits, certificates and approvals including approvals under the Food Safety and Standards Act, 2006, Legal Metrology Act, 2009, Indian Boilers Act, 1923, environmental approvals, factories licenses, labour related and tax related approvals.

Further, approvals applicable to our Company include the registration of our suppliers and distributors under the Food Safety Standards Act, 2006 which is obtained by the respective suppliers and distributors, approvals for operating diesel generator sets and transformers, approvals from the utilities' companies/authorities for water and electricity connection, periodic inspection and periodic verification of the weights and measures, and packaging used by our Company, periodic inspection and certification of the engineering construction in our production facilities, and permission for self-sealing of export goods. Our Company has made applications for various approvals including approvals under environmental laws, Legal Metrology Act, 2009 and the Factories Act, 1948. We are also required to obtain permission from Ground Water Authority for abstraction of ground water for each production facility. While we believe we will be able to obtain, maintain and renew such approvals or license as required, there can be no assurance that we can do so in the timeframes anticipated or that the relevant authorities will issue or renew any expired permits or approvals in time or at all. Failure or delay in obtaining approvals or failure by us to obtain, maintain or renew the required permits or approvals within applicable time, may result in interruption of our operations. Furthermore, under such circumstances, the relevant authorities may initiate penal action against us, restrain our operations, impose fines/penalties or initiate legal proceedings for our inability to renew/obtain approvals in a timely manner or at all. In addition, the regulations governing our operations may be amended and impose more onerous obligations on us which may result in increased costs, be subject to penalties, or suffer disruption in our activities, any of which could adversely affect our business.

Our operations are subject to stringent health and safety laws as our products are for human consumption and are therefore subject to various industry specific regulations. These laws and regulations governing the food and beverage industry are increasingly becoming stringent and may in the future create substantial compliance or remediation liabilities and costs. While we believe that our production facilities are in compliance with applicable food safety, and other applicable laws and regulations, we may be subject to additional regulatory requirements due to changes in governmental policies. Further, we may also incur additional costs and liabilities related to compliance with these laws and regulations that are an inherent part of our business. We are subject to various central, state and local food safety, consumer goods, health and safety and other laws and regulations. These relate to various issues, including food safety, food ingredients, and food packaging requirements, and the investigation and remediation of contamination. For further information, see "*Regulations and Policies*" on page 201.

25. Failure to comply with environmental laws and regulations could lead to unforeseen environmental litigation which could impact our business and our future net earnings.

We are subject to various international, national, state, municipal and local laws and regulations concerning environmental protection in India and in our international licensed territories, including laws addressing the discharge of pollutants into the air and water, the management and disposal of any hazardous substances, and wastes and the clean-up of contaminated sites. Environmental laws and regulations and their enforcement in India and our international licensed territories are becoming more stringent, and the scope and extent of new environmental regulations, including their effect on our operations, cannot be pre-empted with any certainty. In case of any change in environmental or pollution regulations, we may be required to invest in, among other things, environmental monitoring, pollution control equipment and emissions management. Further, any violation of the environmental laws and regulations may result in fines, criminal sanctions, and revocation of operating permits or shutdown of our facilities. Although there has been no failure to comply with environment laws in the recent past which has adversely affected our operations there have been instances where we have received notices from regulatory authorities with respect to non-compliance with environmental laws. For instance, on June 12, 2019, with respect to our plant in Phillaur, Punjab, we received notice from the Punjab Pollution Control Board alleging certain violations of the Plastic Waste Management Act (Rules), 2016. We have provided a reply to such notice on June 25, 2019, noting that although our consent to operate as renewed up till March 31, 2021 does not contain any conditions to comply with the Plastic Waste Management Act (Rules), 2016, we have nonetheless taken steps such as identifying our obligations in the capacity of a brand owner, in order to comply with the said rules.

As a consequence of unanticipated regulatory or other developments, future environmental and regulatory related expenditures may vary substantially from those currently anticipated and may adversely affect our business, results of operations or financial condition. In the event our products are found to be non-compliant, our products could be restricted from entering certain markets, and we could face other sanctions, if we were to violate or become liable under environmental laws. In the event we are found to be non-compliant, the potential exposure could include fines and civil or criminal sanctions, third-party property damage or personal injury claims and clean-up costs. Further, liability under some environmental laws relating to contamination of sites can be imposed retroactively. The amount and timing of costs under environmental laws are difficult to predict.

26. Our international operations subject us to risks associated with the legislative, judicial, regulatory, political and economic risks and conditions specific to the countries or regions in which we operate, which could adversely affect our business or financial performance.

We manufacture, sell and distribute PepsiCo beverages in Nepal, Sri Lanka, Zambia, Zimbabwe and Morocco. Our prospective financial performance in international markets may be adversely affected by various factors many of which are beyond our control. These factors include political instability, local and global economic conditions, legal and regulatory constraints, tax regulations, local labour laws, anti-money laundering laws and regulations, trade policies, currency regulations, and other matters in any of the countries or regions in which we operate, currently or in the future.

Moreover, the economy of Zimbabwe has been suffering from high rates of inflation and currency devaluations, which, if it continues to occur, could adversely affect our financial performance. If currency devaluations were to reoccur in the future, it may have an adverse effect on our business, financial condition, and results of operations or liquidity. Our business may be significantly affected by the general condition of Zimbabwean economy and exchange rates for the Zimbabwean dollar. Decrease in the growth rate of economy, periods of negative growth and/or increase in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products and consequently our profit margins may suffer.

Other factors which may impact our international operations include foreign trade, monetary and fiscal policies both of India and of other countries, laws, regulations and other activities of foreign governments, agencies and similar organizations, terrorists attacks, such as the attack in Sri Lanka in April 2019, and risks associated with having a number of production facilities located in countries which have historically experienced political turbulence. Additional risks inherent in our international operations generally include, among others, the costs and difficulties of managing international operations, adverse tax consequences. The various risks inherent in doing business generally also exist when doing business outside of India, and may be more onerous given the difficulty of doing business due to differences in language, culture, as well as local commercial practice and custom.

The United States, through sanctions overseen primarily by the U.S. Treasury Department's Office of Foreign Assets Control and the U.S. State Department, and the European Union and its Member States have laws that regulate, restrict or prohibit certain business activities in sanctioned countries or dealing with certain individuals or entities within such countries or with significant ties to such countries. The United States government has imposed limited economic sanctions against Zimbabwe. The sanctions are however, applicable only to certain specially designated nationals ("**SDNs**") of Zimbabwe and entities owned 50% or more by one or more SDNs and do not prohibit all trade or transactions with companies in Zimbabwe. Any failure to comply with these laws and regulations may expose our Company to risk of adverse and material financial, operational, or other impacts. In Fiscal 2018, revenue from operations (net) from our Zimbabwe operations was ₹ 4,686.81 million, accounting for 9.18% of our total revenue from operations (net) in Fiscal 2018.

Further, the regulatory regime in some of our international licensed territories continue to evolve at a rapid pace and may be unclear or inconsistent or open to conflicting interpretation. In addition, the accounting standards, tax laws and other fiscal regulations in these jurisdictions are subject to differing interpretations. Differing interpretations of tax and other fiscal laws and regulations may exist within several governmental ministries, including tax administrations and appellate authorities, thus creating uncertainty and potentially unexpected results. The applicability of the different accounting and taxation standards are subject to complex interpretation and as a result we may be exposed to risks or face allegations of non-compliance with such standards. The degree of uncertainty in tax laws and regulations, combined with significant penalties for default and a risk of aggressive action by government or tax authorities, may result in our tax risks being significantly higher than expected. If we do not effectively manage our international operations, our profitability from such operations may be affected, which in turn may adversely affect our business, results of operations and financial condition.

27. Failure to realize anticipated benefits from various initiatives introduced to enhance productivity and improve operating efficiencies may adversely affect our business, results of operations and financial condition.

Our future success and profitability depend in part on our ability to reduce costs and improve efficiencies. Our productivity initiatives help fund our growth initiatives and contribute to our results of operations. We continue to implement strategic plans that we believe will position our business for future success and long-term growth by enabling us to achieve a lower cost structure and operate more efficiently in the highly competitive soft drink industry. In order to capitalize on our cost reduction efforts, it will be necessary to make certain investments in our business, which may be constrained by the amount of capital investments required. In addition, it is critical that we have the appropriate personnel in place to continue to lead and execute our growth strategy. If we are unable to successfully implement our productivity initiatives, fail to implement these initiatives on a timely basis, do not achieve expected savings as a result of these initiatives or incur higher than expected or unanticipated costs in implementing these initiatives, or fail to identify and implement additional productivity enhancement initiatives in the future, our business, results of operations and financial condition may be adversely impacted.

28. We may be unable to grow our business in semi-urban and rural markets, which may adversely affect our business prospects and results of operations.

We continue to target growth opportunities and believe that the relatively low level of penetration of soft drink beverages in semi urban and rural areas provide significant growth opportunities. We intend to expand our distribution network and appoint additional distributors to increase market penetration in Tier II and Tier III cities, smaller towns and rural areas in India and make available a wider range of our PepsiCo products in these markets. However, if our strategic plans do not deliver the desired results, then the expansion, distribution and penetration of our distribution network and products in these markets may be hampered. Further, retail consumers in these regions are typically price conscious and we may be unable to compete effectively with the products of certain competitors, particularly smaller, regional or local beverage companies. In addition, general disposable income levels of consumers in these markets may not continue to rise as anticipated by us, which may result in actual sales in such markets varying significantly from anticipated business projections from these markets and areas. If we are unable to grow our business in semi urban and rural markets effectively, our business prospects, results of operations and financial condition may be adversely affected.

29. We are dependent on a number of key personnel, including our senior management, and the loss of or our inability to attract or retain such persons could adversely affect our business, results of operations and financial condition.

We are highly dependent on our directors, senior management and other key personnel for setting our strategic business direction and managing our business. We currently do not have any non-compete agreements with our directors, senior management or other key personnel and have not obtained any key man insurance with respect to such individuals. Our ability to meet continued success and future business challenges depends on our ability to attract, recruit and retain experienced, talented and skilled professionals. Due to the current limited pool of skilled personnel, competition for senior management, commercial and finance professionals in our industry is intense. We may be required to invest long period of time to hire and train replacement personnel when qualified personnel terminate their employment with our Company. We may also be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting the qualified employees that our business requires. In the event of the loss of services of our directors, senior management or other key personnel or our inability to recruit or train a sufficient number of experienced personnel or our inability to manage the attrition levels in different employee categories may have an adverse effect on the Company's financial results and business prospects.

30. We were required to prepare and present our financial statements under Ind AS with effect from January 1, 2017 (with January 1, 2016 as the transition date). Our Ind AS financial statements are not directly comparable with the historical Indian GAAP financial statements included in this Preliminary Placement Document.

Our Company was required to prepare standalone and consolidated financial statements in accordance with Ind AS for Fiscal 2017 (together with the corresponding standalone and consolidated financial statements under Ind AS for Fiscal 2016) under applicable regulations. Our historical standalone and consolidated financial statements for Fiscal 2016 and any period prior to Fiscal 2016 were originally prepared in accordance with Indian GAAP. Ind AS varies in many respects from Indian GAAP, and accordingly, our Ind AS financial statements for Fiscal 2016, Fiscal 2017 and Fiscal 2018, and for the six months ended June 30, 2019 are not directly comparable with our historical Indian GAAP financial statements for Fiscal 2016. See "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation of Financial Information – Transition from Indian GAAP to Ind AS Financial Statements*" on pages 255 and 100, respectively.

In this Preliminary Placement Document we have included: (i) the Fiscal 2016 Indian GAAP Audited Consolidated Financial Statements; (ii) Fiscal 2017 Ind AS Audited Consolidated Financial Statements; (iii) Fiscal 2018 Ind AS Audited Consolidated Financial Statements; and (iv) the Ind AS Stock Exchanges Interim Financial Results. For the purposes of transition from Indian GAAP to Ind AS, we have followed the guidance prescribed under Ind AS 101 – First time adoption of Indian Accounting Standards, with January 1, 2016 as the transition date. For further information, see "*Financial Statements*" on page 255.

31. A significant number of our offices, including our registered office, corporate office and certain of our production facilities, are not registered in our name and are located on leased premises. There can be no assurance that these lease agreements will be renewed upon termination or that we will be able to obtain other premises on lease on same or similar commercial terms.

A significant number of our offices, including our registered office and corporate office, are located on leased premises, and we do not own any of these premises. Further, some of the land for our production facilities are held by our Company and/ or Subsidiaries on leasehold basis. In the event such leases are not renewed or are terminated, it could adversely affect our operation unless we arrange for similar premises. If we are unable to continue or renew such leases on same or similar terms, or find alternate premises on lease on similar terms or at all, it may affect our business operations.

32. An inability to accurately manage inventory and forecast demand for particular products in specific markets and licensed territories and sub-territories may have an adverse effect on our business, results of operations and financial condition.

We estimate demand for our products based on projections, our understanding of anticipated customer spending and inventory levels with our distribution network. If we underestimate demand, we may produce lesser quantities of products than required, which could result in the loss of business. If we overestimate demand, we may purchase more raw materials and produce more products than required, which may also result in locking in of our working capital. In the event of such over-production, we may face difficulties with storage and other inventory management issues before the expiry of the shelf life of our products, which may adversely affect our results of operations and profitability. The shelf life of beverages sold in PET bottles are typically approximately three months while that of beverages sold in returnable glass bottles are typically approximately six months. In addition, even if we are able to arrange for sale of such stock, we cannot ensure that such products are not sold or consumed by consumers subsequent to the expiry of the shelf life, which may lead to health hazards. While we display the shelf life in the packaging of our products, we may face claims for damages or other litigation, in the event our products are sold and consumed subsequent to expiry of their shelf life. Any or all of these factors could adversely affect our reputation, and consequently our business, prospects and financial performance.

33. Some of our subsidiaries have incurred losses in the past, and may continue to do so in the future, which will adversely affect our consolidated results of operations and financial condition.

Some of our subsidiaries have incurred losses in the past. Any such losses that we may incur in the future will adversely affect our consolidated results of operations and financial condition.
The following table sets forth information on subsidiaries of our Company in the periods specified below:

Name of Subsidiary	Profit / (Loss)		
	Fiscal 2016[(1)]	Fiscal 2017[(2)]	Fiscal 2018[(3)]
	(₹ million)		
Varun Beverages (Nepal) Private Limited	325.18	438.17	387.62
Varun Beverages Lanka (Private) Limited	(121.50)	(119.01)	(297.22)
Varun Beverages Morocco SA	(434.10)	(398.12)	(678.64)
Varun Beverages Mozambique Limitada	(94.43)	41.03	-
Varun Beverages (Zimbabwe) (Private) Limited	3.46	(35.61)	815.12
Varun Beverages (Zambia) Limited	256.06	139.13	208.20

(1) In Fiscal 2016, the territory of Zambia was consolidated with effect from January 1, 2016 pursuant to an acquisition of 60% equity shareholding of Arctic International Private Limited in VBZL. Subsequently, our Company increased its equity shareholding in VBZL from 60% to 90% with effect from February 20, 2017. Further, our Company acquired 51% shareholding of Arctic International Private Limited in VBML with effect from January 1, 2016. In addition, our Company subscribed to 85% equity shareholding of VBZPL with effect from April 5, 2016 pursuant to a shareholders' agreement dated February 8, 2016.

(2) On March 2, 2017, our Company sold its entire shareholding in Varun Beverages Mozambique Limitada. Accordingly, Varun Beverages Mozambique Limitada ceased to be our Subsidiary with effect from March 2, 2017.

(3) We entered into a bottling trademark license agreement on February 19, 2018 through our subsidiary, VBZPL, for the territory of Zimbabwe.

34. Technology failures could disrupt our operations and adversely affect our business operations and financial performance.

IT systems are critical to our ability to manage our large production operations and distribution network and in turn, to maximize efficiencies and optimize costs. Our IT systems enable us to coordinate our operations, from planning, production scheduling and raw material ordering, vehicle loading and routing, customer delivery, invoicing, customer relationship management and decision support. Our main IT platform is SAP, an integrated system of software applications which are designed to provide advanced capabilities to address customer centric activities in the areas of customer relationship management, promotion management, equipment management, field sales execution, truck management and warehouse management.

If we do not allocate and effectively manage the resources necessary to build and sustain the proper IT infrastructure, we could be subject to transaction errors, processing inefficiencies, customer service disruptions and, in some instances, loss of customers. Challenges relating to the building of new IT structures can also subject us to certain errors, inefficiencies, disruptions and, in some instances, loss of customers. Our IT systems, and the systems of our third party IT service providers may also be vulnerable to a variety of interruptions due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. Although we have security initiatives and disaster recovery plans in place to mitigate its risk to these vulnerabilities, such measures may not have been effectively implemented or may not be adequate to ensure that its operations are not disrupted. IT interruptions and system failures could have a material and adverse effect on our ability to realise the anticipated improvements in productivity and efficiency.

35. ***Our business does not involve long-term purchase arrangements and we rely on purchase orders from distributors that determine the terms of sales of our products. As a result, our sales may fluctuate significantly as a result of changes in our dealers' and distributors' preferences.***

Our business does not involve long-term agreements and we rely on purchase orders from distributors that determine the terms of sales of our products. However, if purchase orders are amended or cancelled prior to finalization, and in such event, an amendment or cancellation may take place, and we may be unable to seek compensation for any surplus products that we produce. In addition, any failure to meet our dealers' and distributors' expectation could result in the cancellation or non-renewal of purchase orders. Further, in cases where we have entered into agreements with dealers and distributors, such contracts do not bind them to provide us with a specific volume of business and can be terminated by them for cause. Consequently, there is no firm commitment on part of our dealers or distributors to continue to pass on new purchase orders to us and as a result, our sales may fluctuate significantly as a result of changes in our dealers' and distributors' preferences.

36. ***The grant of options under the Employee Stock Option Scheme 2013 and the Employee Stock Option Scheme 2016 will result in a charge to our profit and loss account and may adversely impact our net income.***

Our senior executives are rewarded with stock options. The quantum of stock options awarded is determined based on recommendations of the Board of Directors in consultation with the Nominations and Remuneration Committee. Employee stock compensation cost for stock options is recognised in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India.

Our Company follows the intrinsic value method for the accounting of employee compensation cost on options granted, pursuant to which, if the exercise price of any options granted is lower than the market price at the time of grant, it will result in a charge to our profit and loss account equal to the product of the number of Equity Shares granted and the difference between the exercise price and the market price at the time of grant.

We established the ESOS 2013 on May 13, 2013 pursuant to our Board and Shareholders' resolutions dated May 13, 2013. Pursuant to the ESOS 2013, all eligible employees of our Company (including Directors), and our Subsidiaries will be entitled to purchase Equity Share at a stipulated exercise price, subject to compliance with vesting conditions. As per the ESOS 2013, holders of the vested options are entitled to purchase one Equity Share for every one option at an exercise price of ₹ 149.51. As of June 30, 2019, we had granted 2,675,400 options of which 2,617,400 options have vested as at June 30, 2019 and 2,607,400 options have been exercised while the remaining options have been lapsed/ forfeited. Our Company does not propose to grant any other options under ESOS 2013.

We established the ESOS 2016 on April 27, 2016 pursuant to our Board and Shareholders' resolutions dated April 27, 2016. Pursuant to the ESOS 2016, all eligible employees of our Company (including directors), and our subsidiaries will be entitled to purchase Equity Share at a stipulated exercise price, subject to compliance with vesting condition. As a result of future grants of options under ESOS 2016, we will have to charge the difference between exercise price and the market price at the time of grant to our profit and our loss statement, which may have an adverse impact on our net income.

We may continue to introduce such employee stock option schemes in the future, where we issue options to our employees at substantial discount to the market price of the Equity Shares, which may result in a charge to our profit and loss account and may have an impact on our results of operations and financial condition. The holders of the Equity Shares may experience dilution of their shareholding to the extent that we issue any Equity Shares pursuant to any options issued under the ESOS Schemes.

37. We allow our dealers and distributors to purchase our products on pre-defined credit periods and if our advances are not set off against purchase of products, we may have to write-off such advances, which may have an adverse effect on our financial condition.

We allow our dealers and distributors to purchase our products on trade receivables from time to time for a pre-defined period. As at June 30, 2019, we had allowed trade receivables aggregating to ₹ 2,679.60 million to our dealers and distributors. While our dealers and distributors are required to maintain a security deposit with us, we do not have any other contractual arrangement for the credit advances that we have provided to our dealers and distributors and our credit advances can exceed the amount of the security deposit provided to us. We initiate recovery proceedings against our dealers in the normal course of business. As of June 30, 2019, an amount of ₹ 2,774.76 million has been received as security deposits from dealers and distributors. While these advances to our dealers and distributors were considered good as at June 30, 2019, if some of such credit advances become non-recoverable or if it cannot be set off against purchase of our products by such dealers or distributors or any failure to recover such advances, will have an adverse impact on our financial condition and results of operations.

38. Certain of our financing agreements involve variable interest rates and any increase in interest rates may adversely affect our results of operations and financial condition.

We are susceptible to changes in interest rates and the risks arising therefrom. Certain of our financing agreements provide for interest at variable rates with a provision for the periodic resetting of interest rates. Further, under certain of our financing agreements, the lenders are entitled to change the applicable rate of interest, which is a combination of a base rate that depends upon the policies of the RBI and a contractually agreed spread, and in the event of an adverse change in our Company's credit risk rating. Further, in recent years, the Government of India has taken measures to control inflation, which have included tightening the monetary policy by raising interest rates. As such, any increase in interest rates may have an adverse effect on our business, results of operations, cash flows and financial condition.

39. If we are unable to raise additional capital, our business prospects could be adversely affected.

We intend to fund our growth and expansion plans through our cash on hand, cash flow from operations and debt. We will continue to incur significant expenditure in maintaining and growing our existing infrastructure and production capacity. We cannot assure you that we will have sufficient capital resources for our current operations or any future expansion plans that we may have. While we expect our cash on hand and cash flow from operations to be adequate to fund our existing commitments, our ability to incur any future borrowings is dependent upon the success of our operations. Additionally, if we are unable to arrange adequate financing on timely basis, it could adversely affect our ability to complete expansion plans. Our ability to arrange financing and the costs of capital of such financing are dependent on numerous factors, including general economic and capital market conditions, credit availability from banks, investor confidence, the continued success of our operations and regulatory framework that allows us to raise capital. If we decide to meet our capital requirements through debt financing, we may be subject to certain restrictive covenants. Further, it may also increase the high debt levels leading to higher interest costs, which may have an impact on our credit ratings. If we are unable to raise adequate capital in a timely manner and on acceptable terms, or at all, our business, results of operations, cash flows and financial condition could be adversely affected.

40. All Indian companies, including our Company, are subject to a new accounting standard, Ind AS 116, effective April 1, 2019.

The Ministry of Corporate Affairs ("**MCA**") has vide notification dated March 30, 2019 notified 'Ind AS 116 – Leases' and we are required to adopt Ind AS 116 from January 1, 2020. We have currently not estimated the quantitative impact of adoption of Ind AS 116 on our financial statements. Further, the financial statements/information that we prepare in accordance with Ind AS 116 in the future may not be comparable with our historical financial statements, including our Audited Consolidated Financial Statements and our Stock Exchanges Interim Financial Results included in this Preliminary Placement Document.

The governmental and regulatory bodies in India may continue to notify such new accounting standards, regulations and/or policies. There can be no assurance that any such changes in accounting standards, regulations or policies would not lead to different accounting methods, which may have an adverse effect on our business, financial condition and results of operations.

41. ***Any withdrawal, or termination of, or unavailability of direct/ in-direct tax benefits and exemptions being currently availed by us may have an adverse effect on our business, results of operations, financial condition and cash flows.***

We are currently entitled to certain direct/ in-direct tax benefits and incentives. For one of our Guwahati production facilities, we are entitled to a deduction of 100% of profits and gains for ten consecutive Assessment Years ("**AY**") commencing from the AY relevant to the previous year in which the undertaking or enterprise begins to manufacture or produce articles or things as per Section 80-IE of the Income Tax Act. However, as per Section 115JB of the Income Tax Act, we shall be required to pay Minimum Alternate Tax at the rate of 18.5% (plus applicable surcharge, education cess and secondary & higher education cess) on book profits as computed under the said Section, irrespective of the tax benefits available under Section 80-IE of the Income Tax Act. We also have in-direct tax benefits for certain production facilities for specific states in the form of State GST refund/ interest free loans. Any withdrawal, termination or delay in such benefits may translate into reduce our cash flows thereby adversely affecting our financial results, results of operations and profitability. Furthermore, if we are unable to avail these tax benefits in the future, it may result in increased tax liabilities and reduced liquidity and have an adverse effect on our results of operations. For further information see, "*Taxation*" on page 239.

42. ***Our revenues are subject to a significant number of tax regimes and changes in legislation governing the rules implementing them could adversely affect our results of operations.***

Consequent to the introduction of GST with effect from July 1, 2017, central excise tax, value added tax, excise duty and certain other indirect taxes were subsumed into GST. Currently, the prevailing GST rates in India for (i) CSD is 28% along with an additional cess of 12%; (ii) juice/ pulp based drinks is 12%; (iii) packaged drinking water is 18%; and (iv) caffeinated beverages is 18%. Further, in accordance with Ind AS - 18 on 'Revenue' and Schedule III of the Companies Act, 2013, unlike excise duties, levies, such as, GST are collected on behalf of the Government authorities and do not form part of revenue. Accordingly, revenue from operations for periods prior to the implementation of GST are not strictly comparable with our revenue from operations post the implementation of GST. In addition, our international operations are also significantly impacted by taxes, particularly, excise duty and value added tax. We are subject to excise duty per litre basis in Nepal and per gram of sugar in Sri Lanka. Further, we are also subject to value added tax in Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. The revenues recorded and income earned in various jurisdictions are taxed on differing bases, including net income actually earned, net income deemed earned and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of local tax laws, tax treaties and related authorities in each jurisdiction and the timing and nature of income earned and expenditures incurred. These tax liabilities and tax regimes also involve the assessment of transfer pricing arrangements between our Company and its subsidiaries in different tax jurisdictions, and although we enter into arms-length transactions with respect to the supply of products and raw materials between our Company and its subsidiaries, the regulatory and tax authorities in the various jurisdictions that we operate in may take a different view and disagree with our assessment of such transactions. Changes in the operating environment, including changes in tax law and currency/repatriation controls, including on a retroactive basis, could impact the determination of our tax liabilities for any given tax year.

Taxes levied are an important component of the cost of our products to our consumers and our consumers pay such taxes. Changes in taxes may affect our results of operations if we are unable to pass on such levies and taxes to our customers. Any significant increase in taxes will ultimately affect the price of our products. However, since any increase in tax would be an industry wide phenomenon, and similarly affect our competitors, historically, we have typically been able to pass on such increases in taxes to the consumer.

43. ***Our insurance coverage may not adequately protect us against all material hazards, which may adversely affect our business, results of operations and financial condition.***

We believe we are adequately insured against all losses and risks involving property and third party liability. We have obtained insurance coverage for group personal accidental policy, group term insurance, comprehensive general liability on occurrence basis, group medi-claim insurance policies, and fleet insurance. We also maintain standard insurance policies for burglary insurance, money insurance as well as standard fire and special perils insurance and marine open insurance. We also maintain industrial all risk insurance and comprehensive general liability insurance along with a public offering of securities insurance policy. In addition, we have also obtained a directors and officers liability insurance. Notwithstanding the insurance coverage that we carry, we may not be fully insured against some business risks and the occurrence of an event that causes losses in excess of limits specified under the relevant policy, or losses arising from events not covered by insurance policies, could adversely affect our business, results of operations and financial condition. If we are subject to litigation or claims or our operations are interrupted for a sustained period, the insurance policies may not be found to be adequate to cover the losses that may be incurred as a result of such interruption. If we suffer large uninsured losses or if any insured losses suffered by us significantly exceed our insurance coverage or our insurance claim is rejected, it may adversely affect our business, results of operations and financial condition. See "*Our Business – Insurance*" on page 187.

44. We are subject to risks resulting from foreign exchange rate fluctuations, which could adversely affect our results of operations as our export sales and sales outside India and a portion of our expenditures are denominated in foreign currencies. Further, a decline in India's foreign exchange reserves and higher interest rates in the Indian economy could also adversely affect us.

Changes in currency exchange rate influence our results of operations. Some of our expenses, particularly operating expenses in connection with our operations outside India, are denominated in currencies other than Indian Rupees.

In addition, depreciation of the Indian Rupee against the U.S. Dollar and other foreign currencies may adversely affect our results of operations by increasing the cost of financing any debt denominated in foreign currency that we may enter into or proposed capital expenditure, if any, in foreign currencies. Furthermore, the financial reporting currency of our Company and our operations in India is in Indian Rupees, while the financial reporting currency of our international subsidiaries is in the relevant foreign currency. We incur currency transaction risks whenever one of our foreign subsidiaries enters into either a purchase or sale transaction using a currency other than its functional currency. In particular, the purchases of raw materials which are priced predominantly in Indian Rupees, while we currently sells our products in countries other than India, in local currencies. Our foreign currency exchange risks therefore arise from the mismatch between our financial reporting currencies, currency of a substantial majority of our revenue and the currency of a portion of our expenses and our indebtedness, as well as timing differences between receipts and payments which could result in an increase of any such mismatch. Although we may, in the future, enter into hedging transactions to minimize our currency exchange risks, there can be no assurance that such measures will enable us to avoid the effect of any adverse fluctuations in the value of the Indian Rupee against the relevant foreign currencies.

A decline in India's foreign exchange reserves could impact the valuation of the Rupee and could result in reduced liquidity and higher interest rates which could adversely affect our financial condition. A future material decline in these reserves could result in reduced liquidity and higher interest rates in the Indian economy which in turn, could adversely affect our business and future financial performance.

45. Our operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees.

As of June 30, 2019, we employed 8,095 full time employees in India, and 2,464 full time employees in our international operations. Some of our employees are represented by labour or workers' unions in the various jurisdictions. Although our relations with our employees are good and we have not experienced any major work stoppages due to labour disputes or cessation of work in the recent past, we cannot assure you that we will not experience disruptions in work due to disputes or other problems with our work force, which may adversely affect our ability to continue our business operations. Any labour unrest directed against us, could directly or indirectly prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to disruptions in our operations. These actions are improbable for us to forecast or control and any such event could adversely affect our business, results of operations and financial condition.

46. We appoint contract labour for carrying out certain of our operations and we may be exposed to risk related to labour legislations governing the engagement of contract labour and related dispute resolution

In order to maintain operational efficiencies, we appoint independent contractors who in turn engage on-site contract labour for performance of certain of our operations. Our relationship with such contract labourers, including in relation to their hiring and termination, work permits, minimum wages, and for the regulation of contract labour, are governed by stringent labour laws and regulations. Failure by us or our independent contractors, to comply with the relevant laws and requirements for labour related matters could adversely affect our business and operations. For instance, under the Contract Labour (Regulation and Abolition) Act, 1970, as amended, in the event that the independent contractor fails to pay wages to its employees, we as a principal employer, even though do not engage contract labour directly, may be held responsible for any wage payments to be made to such labourers in the event of default by such independent contractor. In addition, under the Contract Labour (Regulation and Abolition) Act, 1970, as amended, we may be required to absorb a number of such contract labourers as permanent employees in specified situations. Any requirement to fund their wage requirements may have an adverse impact on our results of operations and financial condition. Thus, any such order from a regulatory body or court may have an adverse effect on our business, results of operations and financial condition. For further information, see "*Regulations and Policies*" on page 201.

In addition, certain other Indian labour laws also set forth detailed procedures for the establishment of unions, dispute resolution and certain other laws that impose certain financial obligations on employers upon retrenchment. Although our employees are not currently unionized, there can be no assurance that they will not unionize in the future. If our employees unionize, it may become difficult for us to maintain flexible labour policies, and our business may be adversely affected.

47. Internal or external fraud or misconduct by our employees could adversely affect our reputation and our results of operations.

We may be subject to instances of fraud and misconduct by our employees which may go unnoticed for certain periods of time before corrective action is taken. Further, we employ third parties for certain operations and accordingly, we are exposed to the risk of theft and embezzlement. Our businesses is accordingly exposed to the risk of fraud, misappropriation or unauthorized acts by our representatives and employees responsible for dealing with our operations. In addition, we may be subject to regulatory or other proceedings in connection with any unauthorized transaction, fraud or misconduct by our representatives and employees, which could adversely affect our goodwill. Any instances of such fraud or misconduct could adversely affect our reputation, business, results of operations and financial condition. Even when we identify instances of fraud and other misconduct and pursue legal recourse or file claims with our insurance carriers, we cannot assure you that we will recover any amounts lost through such fraud or other misconduct.

48. Any negative cash flows in the future would adversely affect our cash flow requirements, which may adversely affect our ability to operate our business and implement our growth plans, thereby affecting our financial condition.

The following table sets forth certain information relating to our cash flows on a consolidated basis for the periods indicated. We may in the future experience negative operating cash flows as well.

Particulars	Fiscal			Six months ended June 30, 2018	Six months ended June 30, 2019
	2016	2017	2018		
	(₹ million)				
Net cash flows from operating activities	8,257.83	6,197.61	9,997.78	9,504.12	12,140.63
Net cash used in investing activities	(10,478.04)	(7,452.67)	(8,734.21)	(3,946.52)	(21,312.31)
Net cash (used in)/ flows from financing activities	2,302.32	1,586.34	(843.91)	(5,090.56)	9,412.84
Net increase/(decrease) in cash and cash equivalents	82.11	331.28	419.66	467.04	241.16

Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially impact our ability to operate our business and implement our growth plans. This situation may have an adverse effect on our cash flows, business, future financial performance and results of operations. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 98.

49. Certain Promoters, Promoter Group and Directors hold Equity Shares in our Company and are therefore interested in the Company's performance in addition to their remuneration and reimbursement of expenses.

Certain of our Directors (including our Promoters and Promoter Group) are interested in our Company, in addition to regular remuneration or benefits and reimbursement of expenses, to the extent of their shareholding in our Company. Our Promoters will continue to exercise significant control over us, including being able to control the composition of our Board of Directors and determine decisions requiring simple or special majority voting of shareholders, and our other shareholders may not be able to affect the outcome of such voting. Our Promoters may take or block actions with respect to our business which may conflict with the best interests of the Company or that of minority shareholders.

50. Industry information included in this Preliminary Placement Document has been derived from an industry report commissioned by us for such purpose. There can be no assurance that such third-party statistical, financial and other industry information is either complete, reliable or accurate.

We have availed the services of an independent third party research agency, GlobalData Plc, to prepare an industry report titled "*India Soft Drinks Market Insights 2019*" dated July 2019, for purposes of inclusion of such information in this Preliminary Placement Document. This report is subject to various limitations and based upon certain assumptions that are subjective in nature. We have not independently verified data from this industry report. Although we believe that the data may be considered to be reliable, the accuracy, completeness and underlying assumptions are not guaranteed and dependability cannot be assured. While we have taken reasonable care in the reproduction of the information, the information has not been prepared or independently verified by us, or the Placement Agents or any of our or their respective affiliates or advisors or any other person connected with the Issue and, therefore, we make no representation or warranty, express or implied, as to the accuracy or completeness of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Preliminary Placement Document.

51. We may not be able to utilise the proceeds from this Issue in the manner set out in this Preliminary Placement Document in a timely manner or at all.

Our funding requirements and the deployment of the proceeds from this Issue are based on our current business plan and strategy. For details in relation to the objects of the Issue, see "*Use of Proceeds*" on page 86. Further, the objects of the Issue have not been appraised by any bank or financial institution. However, in order to implement our current business plan, we may be required to comply with and fulfil our obligations under contracts in connection with such proposed utilisation. We cannot assure that the current business plan will be implemented in its entirety or at all and accordingly, we may have to revise this from time to time as a result of variations including in the cost structure, changes in estimates and other external factors, which may not be within the control of our management. This may entail rescheduling, revising or cancelling the planned expenditure and fund requirement and increasing or decreasing the expenditure for a particular purpose from its planned expenditure at the discretion of our board. Accordingly, we may not be able to utilise the proceeds from this Issue in the manner set out in this Preliminary Placement Document in a timely manner or at all.

52. We have in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest with the equity shareholders.

We have in the past entered into transactions with certain of our Promoters, relatives of our Promoters, Directors, and enterprises over which our Directors have a significant influence. While we believe that all such transactions have been conducted on an arm's length basis, we cannot assure you that we might have obtained more favourable terms had such transactions been entered into with unrelated parties. Further, it is likely that we may enter into related party transactions in the future.

For details on our related party transactions, see "*Related Party Transactions*" on page 96. We cannot assure you that such transactions, individually or in the aggregate, will always be in the best interests of our minority shareholders and will not have an adverse effect on our business, results of operations, cash flows and financial condition.

53. We have certain contingent liabilities that may adversely affect our financial condition.

Our contingent liabilities as of December 31, 2018 were as follows:

Particulars	**Amount (₹ million)**
Guarantees issued on behalf of other companies	72.30
-	-

Particulars	Amount (₹ million)
Claims against the Company not acknowledged as debts (being contested):-	
-For Goods and service tax	1.28
-For excise and service tax	312.51
-For Customs	45.37
-For sales tax / entry tax	1,012.90
- For income tax	361.84
-Others*	256.88

**excludes pending matters where amount of liability is not ascertainable*

If a significant portion of these liabilities materialize, it could have an adverse effect on our business, financial condition and results of operations. For details, see "*Financial Statements*" on page 255.

54. Our statutory auditors have drawn attention to statements in our Audited Consolidated Financial Statements.

Our statutory auditors have drawn attention to statements included in Companies (Auditor's Report) Order ("**CARO Report**") of the Company, which do not require any adjustments in the Audited Consolidated Financial Statements. Such statements refer to (i) three title deeds of immovable properties located at Pathankot, Sonapur and Sangli are currently not in the name of our Company, however, the Company has provided explanation stating that the land of Pathankot will be registered on the expiry of three year from the date of commencement of commercial production on such property and the land at Sonapur and Sangli will be registered on full and final payment; and (ii) there are certain dues outstanding in respect of income-tax, sales tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute.
For further information, see "*Financial Statements*" on page 255.

55. Our ability to pay dividends in the future will depend on our earnings, financial condition, working capital requirements, capital expenditures and restrictive covenants of our financing arrangements.

Our ability to pay dividends in the future will depend on our earnings, financial condition, cash flow, working capital requirements, capital expenditure and restrictive covenants of our financing arrangements. In the past, we have not made dividend payments to the Shareholders of our Company. The Company may decide to retain all future earnings, if any, for use in the operations and expansion of the business. In such situation, the Company may not declare dividends in the foreseeable future. Any future determination as to the declaration and payment of dividends will be at the discretion of our Board and will depend on factors that our Board deems relevant, including among others, our future earnings, financial condition, cash requirements, business prospects and any other financing arrangements. We cannot state with any certainty whether we will be able to pay dividends in the future. Accordingly, realization of a gain on Shareholders' investments will depend on the appreciation of the price of the Equity Shares. There is no guarantee that our Equity Shares will appreciate in value.

RISKS RELATING TO INDIA

56. A slowdown in economic growth in India could cause our business to suffer.

Our performance and the growth of our business are necessarily dependent on the health of the overall Indian economy. A slowdown in the Indian economy could adversely affect the policy of the GoI towards our industry, which may in turn adversely affect our financial performance and our ability to implement our business strategy. The Indian economy is also influenced by economic and market conditions in other countries, particularly emerging market conditions in Asia. A loss of investor confidence in other emerging market economies or any worldwide financial instability may adversely affect the Indian economy, which could materially and adversely affect our business and results of operations and the market price of the Equity Shares.

Further, other factors which may adversely affect the Indian economy are scarcity of credit or other financing in India, resulting in an adverse impact on economic conditions in India and scarcity of financing of our developments and expansions; volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges; changes in India's tax, trade, fiscal or monetary policies, like political instability, terrorism or military conflict in India or in countries in the region or globally, including in India's various neighbouring countries; occurrence of natural or man-made disasters; infectious disease outbreaks or other serious public health concerns; prevailing regional or global economic conditions, including in India's principal export markets; and other significant regulatory or economic developments in or affecting India.

57. Recent global economic conditions have been challenging and continue to affect the Indian market, which may adversely affect our business, financial condition, results of operations and prospects.

We are incorporated in, and majority of our operations are located in, India. As a result, we are highly dependent on prevailing economic conditions in India and our results of operations are significantly affected by factors influencing the Indian economy. The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may also affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India and could then adversely affect our business, financial performance and the price of the Equity Shares.

Developments in the Eurozone have aggravated the ongoing global economic crisis. Large budget deficits and rising public debts in Europe have triggered sovereign debt finance crises that resulted in the bailouts of European economies and elevated the risk of government debt defaults, forcing governments to undertake aggressive budget cuts and austerity measures, in turn underscoring the risk of global economic and financial market volatility. Financial markets and the supply of credit could continue to be negatively impacted by ongoing concerns surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of further downgrades of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union. On June 23, 2016, the United Kingdom held a referendum on its membership in the European Union and voted to leave ("**Brexit**"). There is significant uncertainty at this stage as to the impact of Brexit on general economic conditions in the United Kingdom and the European Union and any consequential impact on global financial markets. For example, Brexit could give rise to increased volatility in foreign exchange rate movements and the value of equity and debt investments.

Further, trade tensions between the U.S. and major trading partners, most notably China, continue to escalate following the introduction of a series of tariff measures in both countries. Although China is the primary target of U.S. trade measures, value chain linkages mean that other emerging markets, primarily in Asia, may also be impacted. China's policy response to these trade measures also presents a degree of uncertainty. There is some evidence of China's monetary policy easing and the potential for greater fiscal spending, which could worsen existing imbalances in its economy. This could undermine efforts to address already high debt levels and increase medium-term risks.

Any other global economic developments or the perception that any of them could occur may continue to have an adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have an adverse effect on our business, financial condition and results of operations and reduce the price of the Equity Shares. Any financial disruption could have an adverse effect on our business, future financial performance, shareholders' equity and the price of the Equity Shares.

58. A third party could be prevented from acquiring control of us because of the anti-takeover provisions under Indian law.

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Company. Under the Takeover Regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Company. Consequently, even if a potential takeover of our Company would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to our Shareholders, such a takeover may not be attempted or consummated because of the takeover regulations.

59. It may not be possible for investors to enforce any judgment obtained outside India against us, the Book Running Lead Managers or any of their directors and executive officers in India respectively, except by way of a law suit in India.

The enforcement of civil liabilities by overseas investors in the Equity Shares, including the ability to effect service of process and to enforce judgments obtained in courts outside of India may be adversely affected by the fact that our Company is incorporated under the laws of the Republic of India and a majority of our executive officers and directors reside in India. As a result, it may be difficult to enforce the service of process upon our Company and any of these persons outside of India or to enforce outside of India, judgments obtained against our Company and these persons in courts outside of India. For details, see "*Enforcement of Civil Liabilities*" on page 16.

60. Inflation in India could have an adverse effect on our profitability and if significant, on our financial condition.

The annual rate of inflation, based on monthly wholesale price index, was at 1.08% (provisional) for the month of July, 2019 (over July, 2018) as compared to 2.02% (provisional) for the previous month and 5.27% during the corresponding month of 2018 (*Source: Index Numbers of Wholesale Price in India, Review for the month of July 2019, published on August 14, 2019 by Government of India, Ministry of Commerce and Industry*). Continued high rates of inflation may increase our expenses related to salaries or wages payable to our employees or any other expenses. There can be no assurance that we will be able to pass on any additional expenses to our payers or that our revenue will increase proportionately corresponding to such inflation. Accordingly, high rates of inflation in India could have an adverse effect on our profitability and, if significant, on our financial condition.

61. The occurrence of natural or man-made disasters could adversely affect our results of operations, cash flows and financial condition. Hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial markets and our business.

The occurrence of natural disasters, including cyclones, storms, floods, earthquakes, tsunamis, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism and military actions, could adversely affect our results of operations, cash flows or financial condition. Terrorist attacks and other acts of violence or war may adversely affect the Indian securities markets. In addition, any deterioration in international relations, especially between India and its neighbouring countries, may result in investor concern regarding regional stability which could adversely affect the price of the Equity Shares. In addition, India has witnessed local civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic or political events in India could have an adverse effect on our business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse effect on our business and the market price of the Equity Shares.

62. Significant differences exist between Indian GAAP, Ind AS and other accounting principles, such as IFRS and U.S. GAAP, which may be material to investors' assessment of our financial condition.

Ind AS differs from other accounting principles with which prospective investors may be familiar, such as Indian GAAP, IFRS and U.S. GAAP. We have not attempted to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Preliminary Placement Document, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. U.S. GAAP and IFRS differ in significant respects from Ind AS and Indian GAAP. Accordingly, the degree to which the Ind AS and Indian GAAP financial statements, which are included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited.

63. Rights of shareholders under Indian laws may differ from the laws of other jurisdictions.

Our Articles of Association and Indian law govern our corporate affairs. Indian legal principles related to these matters and the validity of corporate procedures, Directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights including in relation to class actions, under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as one of our shareholders than as a shareholder of a company in another jurisdiction.

64. *Any downgrade of India's debt rating by an independent agency may adversely affect our ability to raise financing.*

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our capital expenditure plans, business, financial condition and the price of our Equity Shares.

65. *Fluctuation in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of our Equity Shares, independent of our operating results.*

Our Equity Shares are quoted in Indian Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will be paid in Indian Rupees and subsequently converted into the relevant foreign currency for repatriation, if required. Any adverse movement in currency exchange rates during the time that it takes to undertake such conversion may reduce the net dividend to foreign investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating outside India the proceeds from a sale of Equity Shares, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares may reduce the proceeds received by Shareholders. For example, the exchange rate between the Rupee and the U.S. dollar has fluctuated substantially in recent years, in particular has significantly depreciated in the year 2018, and may continue to fluctuate substantially in the future, which may have an adverse effect on the trading price of our Equity Shares and returns on our Equity Shares, independent of our operating results.

RISKS RELATING TO THE ISSUE AND THE EQUITY SHARES

66. *The Issue Price of the Equity Shares may not be indicative of the market price of the Equity Shares after the Issue.*

The Issue Price of the Equity Shares will be determined by our Company in consultation with the Book Running Lead Managers. This price will be determined on the basis of applicable law and may not be indicative of the market price for the Equity Shares after the Issue. The market price of the Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to resell your Equity Shares at or above the Issue Price. There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares will trade in the market subsequent to this Issue.

67. *The trading price of our Equity Shares may be subject to volatility and you may not be able to sell the Equity Shares at or above the Issue Price.*

The trading price of our Equity Shares may fluctuate after the Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, economic liberalisation, deregulation policies and procedures or programs applicable to our business, adverse media reports on our Company, volatility in the Indian and global securities market, performance of our competitors, the Indian real estate industry and the perception in the market about investments in the real estate industry, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding new projects, strategic partnerships, joint ventures, or capital commitments. In addition, if the stock markets in general experience a loss of investor confidence, the trading price of our Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of our Equity Shares. If the stock markets experience a loss of investor confidence, the trading price of our Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, may adversely affect the trading price of our Equity Shares.

68. Any future issuance of Equity Shares by our Company or sales of our Equity Shares by any of our Company's significant shareholders may adversely affect the trading price of our Equity Shares.

Our Company may be required to finance its future growth and business requirements through additional securities offerings. Any future issuance of Equity Shares by us could dilute your shareholding. Any such future issuance of our Equity Shares, including sales of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. There can be no assurance that we will not issue further Equity Shares or that the shareholders will not dispose of, pledge, or otherwise encumber their Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

69. Your ability to acquire and sell Equity Shares offered in the Issue is restricted by the distribution, solicitation and transfer restrictions set forth in this Preliminary Placement Document.

No actions have been taken to permit a public offering of the Equity Shares offered in the Issue in any jurisdiction. As such, your ability to acquire Equity Shares offered in the Issue is restricted by the distribution and solicitation restrictions set forth in this Preliminary Placement Document. For further information, see "*Selling Restrictions*" on page 221. Furthermore, the Equity Shares offered in the Issue are subject to restrictions on transferability and resale. For further information, see "*Transfer Restrictions*" on page 231. You are required to inform yourself about and observe these restrictions. Our representatives, our agents and us will not be obligated to recognize any acquisition, transfer or resale of the Equity Shares offered in the Issue made other than in compliance with applicable law.

70. Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares. The Finance Act, 2018 levies taxes on long term capital gains exceeding ₹ 1,00,000 arising from the sale of Equity Shares on or after April 1, 2018, while continuing to exempt the unrealized capital gains earned up to January 31, 2018 on such Equity Shares.

Under current Indian tax laws, capital gains arising from the sale of equity shares in an Indian company is generally taxable in India. A securities transaction tax ("**STT**") is levied on and collected by an Indian stock exchange on which equity shares are sold. As stipulated by the Finance Act, 2017, where no STT had been paid at the time of acquisition of such equity shares on or before October 1, 2004, the beneficial capital gains provisions under the Income Tax Act would not be available (except in specified cases). Prior to April 1, 2018, all long term capital gains on sale of listed security on stock exchange, subject to payment of STT, were exempt from tax. However, the Finance Act, 2018, has now levied taxes on such long term capital gains arising from sale of equity shares on or after April 1, 2018. However, where specified conditions are met, such long term capital gains are only taxed to the extent they exceed ₹ 100,000 and unrealised capital gains earned up to January 31, 2018 continue to be exempt.

Further, any gain realized on the sale of our Equity Shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of Equity Shares. Accordingly, you may be subject to payment of long term capital gains tax in India, in addition to the payment of STT, on the sale of Equity Shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which our Equity Shares are sold.

71. Foreign investors are subject to foreign investment restrictions under Indian law that limit our Company's ability to attract foreign investors, which may adversely affect the market price of the Equity Shares.

Under the foreign exchange regulations currently in force in India, transfers of shares of our Company between non-residents and residents and issuances of shares to non-residents by our Company are freely permitted (subject to certain exceptions), subject to compliance with certain applicable pricing and reporting requirements. If such issuances or transfers of shares are not in compliance with such requirements or fall under any of the specified exceptions, then prior approval of the RBI will be required.

In addition, shareholders who seek to convert the Indian Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or tax clearance certificate from the income tax authority. Additionally, the Government of India may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Government of India experiences extreme difficulty in stabilising the balance of payments, or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Government of India's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms, or at all.

72. The Equity Shares are subject to transfer restrictions.

The Equity Shares that are being offered are not required to be registered under the Securities Act. Therefore, the Equity Shares may be transferred or resold only in a transaction registered under or exempted from the registration requirements of the Securities Act and in compliance with any other applicable securities laws. Pursuant to the SEBI ICDR Regulations, for a period of 12 months from the date of Allotment of the Equity Shares in the Issue, QIBs subscribing Equity Shares in the Issue may only sell their Equity Shares on BSE or NSE and may not enter into any off-market trading in respect of these Equity Shares. There is no assurance that the restriction will not have an impact on the price and liquidity of the Equity Shares.

73. There may not be an active or liquid market for our Equity Shares, which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares.

The price at which the Equity Shares will trade after this Issue will be determined by the marketplace and may be influenced by many factors, including, our financial results and the financial results of the companies in the businesses we operate in; the history of, and the prospects for, our business and the sectors in which we compete; the valuation of publicly traded companies that are engaged in business activities similar to us; and significant developments in India's economic liberalization and deregulation policies.

The Indian securities markets are smaller and more volatile than securities markets in more developed economies. In addition, the Indian equity share markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of Indian companies. The governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. The trading price of our equity shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of our equity shares. As a result, investors in the Equity Shares may experience a decrease in the value of the Equity Shares regardless of our operating performance or prospects.

74. Investors will be subject to market risks until the Equity Shares credited to the investor’s demat account are listed and permitted to trade.

Investors can start trading the Equity Shares allotted to them only after they have been credited to an investor’s demat account, are listed and permitted to trade. Since the Equity Shares are currently traded on the BSE and the NSE, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Equity Shares allocated to an investor will be credited to the investor’s demat account in a timely manner or that trading in the Equity Shares will commence in a timely manner.

USE OF PROCEEDS

The gross proceeds of the Issue shall be approximately ₹ [●] million. The net proceeds of the Issue, after deducting fees, commissions and expenses relating to the Issue amount to approximately ₹ [●] million, will be approximately ₹ [●] million ("**Net Proceeds**").

We require additional funding, *inter alia*, for our growth and expansion. In this regard, subject to compliance with applicable laws and regulations, our Company intends to use the Net Proceeds for various purposes, including but not limited to (i) invest in our Subsidiaries or associates (either through debt or equity); (ii) repayment of debts; and (iii) fund growth of existing businesses; or (iv) enter into new businesses and making strategic acquisitions, if any. Our management will have flexibility in deploying the Net Proceeds received by our Company from the Issue in accordance with applicable laws. Pending utilisation for the purposes described above, our Company intends to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks. Such investments would be in accordance with the investment policies as approved by our Board from time to time and applicable laws. Our Board shall determine the quantum of Net Proceeds to be deployed by our Company from the Issue, depending on business opportunities or requirements of our Company from time to time.

Since the Net Proceeds are not proposed to be utilised towards any specific project, the requirement to disclose under the SEBI ICDR Regulations (i) break up of cost of the project, (ii) means of financing such project, and (iii) proposed deployment status of the proceeds at each stage of the project, is not applicable.

Neither our Promoters nor any of our Directors are making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue.

CAPITALIZATION STATEMENT

The following table sets forth our capitalization statement as at June 30, 2019 on a consolidated basis derived from unaudited consolidated financial results of our Company and as adjusted for the Issue. This table should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 98 and 255, respectively:

(*₹ in million)*

Particulars	Pre-Issue (as at June 30, 2019)^ – A	Increase / (decrease) due to the Issue – B	Amount after considering the Issue (*i.e.*, Post-Issue*) - A+B
Short term borrowings			
- Secured	522.92	[●]	[●]
- Unsecured	992.96	[●]	[●]
Long term borrowings (excluding current maturities)			
- Secured	31,008.00	[●]	[●]
- Unsecured	9.32	[●]	[●]
Current maturities of long term borrowings	6,284.64	[●]	[●]
Total debts – a	**38,817.84**	[●]	[●]
Equity share capital	1,826.55	[●]	[●]
Other equity	23,169.62	[●]	[●]
Total equity – b	**24,996.17**	[●]	[●]
Total capitalization [a+b]	**63,814.01**	[●]	[●]
Ratio: Total debts/ Total equity [a/b]	**1.55**	[●]	[●]

^ The amounts have been accurately extracted from the unaudited reviewed financial information for the six months ended June 30, 2019 and is not adjusted for any other transactions or movements on such financial statements line items after June 30, 2019.

**Assuming full allotment of Equity Shares in the Issue and receipt of entire proceeds. The amounts for the respective financial statements line items under Post Issue column are derived after considering the impact due to the Issue and not considering any other transactions or movements for such financial statements line items after June 30, 2019.*

CAPITAL STRUCTURE

The equity share capital of our Company as at the date of this Preliminary Placement Document is set forth below:

(In ₹ except share data)

	Particulars	Aggregate value at face value (except for securities premium account)
A	**AUTHORISED SHARE CAPITAL**	
	500,000,000 Equity Shares	5,000,000,000
	50,000,000 Preference Shares	5,000,000,000
B	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE**	
	273,982,838 Equity Shares	2,739,828,380
C	**PRESENT ISSUE IN TERMS OF THIS PRELIMINARY PLACEMENT DOCUMENT**	
	Up to [●] Equity Shares, aggregating to ₹ [●] (1)(2)	[●]
D	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AFTER THE ISSUE**	
	[●] Equity Shares (2)	[●]
E	**SECURITIES PREMIUM ACCOUNT**	
	Before the Issue (3)	17,489,604,043
	After the Issue (2)	[●]

(1) The Issue has been authorized by our Board pursuant to their resolution passed on February 26, 2019 and by our Shareholders pursuant to their special resolution dated April 17, 2019.
(2) To be determined upon finalization of the Issue Price.
(3) As on date of this Preliminary Placement Document.

Equity Share Capital History of our Company

(a) The history of the equity share capital of our Company is provided in the following table.

Date of Allotment	No. of Equity Shares Allotted	Face value per Equity Share (In ₹)	Issue price per Equity Share (In ₹)	Nature of consideration/ action	Reason for allotment
June 19, 1995	700	10	10	Cash	Subscription to the MoA
March 31, 1996	4,999,300	10	10	Cash	Preferential Allotment
November 4, 2004	3,000,000	10	Nil	N.A.	Pursuant to a merger
May 1, 2013	(7,999,500)	10	Nil	N.A.	Cancelled pursuant to a merger
May 1, 2013	26,752,733	10	Nil	N.A.	Pursuant to a merger
May 14, 2013	107,012,932	10	Nil	N.A.	Bonus Issue
March 31, 2016	1,903,700	10	149.51	Cash	Allotment pursuant to ESOS 2013
October 3, 2016	21,054,387	10	197.11	Cash	Allotment pursuant to conversion of CCDs
October 7, 2016	4,545,455	10	440.00	Cash	Allotment pursuant to conversion of RJCL[1] CCPSs
October 7, 2016	5,681,818	10	440.00	Cash	Allotment pursuant to conversion of DHRPL[2] CCPSs
November 4, 2016	15,000,000	10	445	Cash	Allotment pursuant to Initial Public Offer
December 1,	361,000	10	149.51	Cash	Allotment pursuant to

Date of Allotment	No. of Equity Shares Allotted	Face value per Equity Share (In ₹)	Issue price per Equity Share (In ₹)	Nature of consideration/ action	Reason for allotment
2016					ESOS 2013
February 20, 2017	99,400	10	149.51	Cash	Allotment pursuant to ESOS 2013
April 24, 2017	98,200	10	149.51	Cash	Allotment pursuant to ESOS 2013
August 11, 2017	46,815	10	149.51	Cash	Allotment pursuant to ESOS 2013
September 25, 2017	27,000	10	149.51	Cash	Allotment pursuant to ESOS 2013
October 11, 2017	3,000	10	149.51	Cash	Allotment pursuant to ESOS 2013
January 24, 2018	12,700	10	149.51	Cash	Allotment pursuant to ESOS 2013
March 20, 2018	15,000	10	149.51	Cash	Allotment pursuant to ESOS 2013
July 26, 2018	19,500	10	149.51	Cash	Allotment pursuant to ESOS 2013
November 22, 2018	7,800	10	149.51	Cash	Allotment pursuant to ESOS 2013
February 18, 2019	9,585	10	149.51	Cash	Allotment pursuant to ESOS 2013
June 3. 2019	3,700	10	149.51	Cash	Allotment pursuant to ESOS 2013
July 29, 2019	91,327,613	10	-	N.A.	Bonus issue (one equity share for every two equity shares held)
Total	273,982,838				

1. *RJCL – RJ Corp Limited*
2. *DHRPL – Devyani Hotels and Resorts Private Limited*

In the last one year preceding the date of this Preliminary Placement Document, our Company has not made any allotments for consideration other than cash.

Varun Beverages Limited Employees Stock Option Scheme 2013 ("ESOS 2013")

Our Company had instituted the ESOS 2013 on May 13, 2013, pursuant to the resolution passed by our Board dated May 13, 2013. The issue of Equity Shares under the ESOS 2013 was approved by our Shareholders on May 13, 2013 for issue of Equity Shares not exceeding five per cent of the fully diluted share capital of our Company. The ESOS 2013 was subsequently amended pursuant to resolutions passed by our Board on December 1, 2015 and March 28, 2016, and approved by the Shareholders by way of a resolution dated March 28, 2016 respectively.

The ESOS 2013 provided for issue of options to all the eligible employees of our Company (including directors), our Subsidiaries and holding company. The objective of the ESOS 2013 was to promote long-term financial interest in our Company, to attract and retain talent in the organisation, to achieve sustained growth by aligning the interest of the employees with that of our Company, to create a sense of ownership among the employees and to bring loyalty among employees and directors.

The eligibility and number of options to be granted to an employee was determined on the basis of criteria laid down in the ESOS 2013 and was approved by the Chairman of our Board in consultation with the then nominee director of Standard Chartered Private Equity Mauritius II Limited on our Board. The maximum aggregate number of options to be granted in any year to an eligible employee under the ESOS 2013 was not permitted to exceed 1% of the issued capital of our Company at the time of grant of such options, except with the specific approval of the members of our Company, accorded in a general body meeting.

The following table sets forth details in respect of the ESOS 2013 as on the date of this Preliminary Placement Document:

S. No.	Particulars	Number of options
1.	Total number of options	2,675,400
2.	Options granted	2,675,400
3.	Options lapsed before vesting	58,000
4.	Options vested	2,617,400
5.	Options exercised	2,607,400
6.	Options lapsed after vesting	10,000
7.	Total options outstanding	0

Varun Beverages Limited Employees Stock Option Scheme 2016 ("ESOS 2016")

Our Company instituted the ESOS 2016 on April 27, 2016 pursuant to our Board and Shareholders' resolutions dated April 27, 2016. The objective of the ESOS 2016 is to promote long-term financial interest in our Company, to attract and retain talent in the organisation, to achieve sustained growth by aligning the interest of the employees with that of our Company, to create a sense of ownership among the employees and to bring loyalty among employees and directors. The ESOS 2016 is in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014, as amended.

The eligibility and number of options to be granted to an employee is determined on the basis of criteria laid down in the ESOS 2016 and as approved by the Nomination and Remuneration Committee of our Board of Directors. In terms of the ESOS 2016, our Board has approved, subject to the approval of the Shareholders and applicable law, granting of options convertible into Equity Shares representing up to 5% of the fully-diluted equity share capital of our Company. The maximum aggregate number of options to be granted in any year to an eligible employee under the ESOS 2016 is not permitted to exceed 1% of the issued capital of our Company at the time of grant of such options, except with the specific approval of the members of our Company, accorded in a general body meeting.

The options granted shall vest in the eligible employees as per the following vesting schedule:

Period for vesting of option	% of options that shall vest
First vest: one year from the date of grant of option	25%
Second vest: on the 1st day of January in the calendar year succeeding the calendar year of first vest	25%
Third vest: on the 1st day of January in the calendar year succeeding the calendar year of second vest	25%
Fourth vest: on the 1st day of January in the calendar year succeeding the calendar year of third vest	25%

The following table sets forth details in respect of the ESOS 2016 as on the date of this Preliminary Placement Document:

Particulars	Number of options
Total number of options	Nil
Options granted	Nil
Options vested	Nil
Options exercised	Nil
Options cancelled	Nil
Total options outstanding	Nil

Proposed Allottees in the Issue

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotments of Equity Shares pursuant to this Issue shall be made by our Company, in consultation with the BRLMs, to Eligible QIBs only, on a discretionary basis. The names of the proposed Allottees and the percentage of post-Issue capital that may be held by them is set forth below:

Sr. No	Name of the proposed Allottees	Percentage of the post-Issue equity share capital held (%)
1.	[●]	[●]
2.	[●]	[●]
3.	[●]	[●]

(*Note*: *The above table has been intentionally left blank and will be filled-in in the Placement Document*.)

These details of the proposed Allottees, assuming that the Equity Shares are Allotted to them pursuant to the Issue, will be included in the Placement Document to be sent to such proposed Allottees.

Pre-Issue and post-Issue shareholding pattern

The pre-Issue and post-Issue shareholding pattern of our Company is set forth below.

S. No.	Category	Pre-Issue as of August 30, 2019#		Post-Issue as of [●], 2019*	
		No. of Equity Shares held	% of share holding	No. of Equity Shares held	% of share holding
A.	**Promoters' holding****				
1.	Indian				
	Individual	117,802,724	43.00%	[●]	[●]
	Bodies corporate	83,733,517	30.56%	[●]	[●]
	Sub-total	201,536,241	73.56%	[●]	[●]
2.	Foreign promoters	0	0	[●]	[●]
	Sub-total (A)	**201,536,241**	**73.56%**	[●]	[●]
B	**Non-promoter holding**				
1.	Institutional investors	57,395,353	20.95 %	[●]	[●]
2.	Non-Institutional investors	15,051,244	5.49 %	[●]	[●]
	a. Private corporate bodies	4,781,979	1.74 %	[●]	[●]
	b. Directors and relatives	1,152,751	0.42 %	[●]	[●]
	c. Indian public	7,631,321	2.79 %	[●]	[●]
	d. Others including Non-resident Indians (NRIs)	1,485,193	0.54 %	[●]	[●]
	Sub-total (B)	**72,446,597**	**26.44%**	[●]	[●]
	Grand Total	**273,982,838**	**100.00%**	[●]	[●]

#This shareholding data is based on the beneficiary position data of our Company as of August 30, 2019.
**Note: The post-Issue shareholding pattern will be updated before filing of the Placement Document with the Stock Exchanges*
***This includes shareholding of the members of the Promoter Group.*

MARKET PRICE INFORMATION

The Equity Shares of our Company are listed on BSE and NSE. As on the date of this Preliminary Placement Document, our Company's issued, subscribed and paid up capital is ₹ 2,739,828,380. As on August 30, 2019, the closing price of the Equity Shares on BSE was ₹ 641.15 per Equity Share and on NSE was ₹ 646.25 per Equity Share. Since the Equity Shares are available for trading on BSE and NSE, the market price and other information for each of BSE and NSE has been given separately.

The following tables set out the reported high, low and average of the closing prices of our Equity Shares on the NSE and the BSE and number of Equity Shares traded on the days on which such high and low prices were recorded for, and the volume of Equity Shares traded in, the CY 2018, 2017 and 2016:

BSE

Year	High (₹)	Date of high	Total volume on date of high (Number of equity shares traded on the date of high)	Total turnover of equity shares traded on the date of high (₹ in millions)	Low (₹)	Date of low	Total volume on date of low (Number of equity shares traded on the date of low)	Total turnover of equity shares traded on the date of low (₹ in millions)	Total volume during the calendar year (Number of equity shares traded)	Total turnover of equity shares traded in value (₹ in million)	Average price for the year (₹)
CY18	821.95	September 3, 2018	1,806	1.5	600.30	March 23, 2018	4,083	2.4	8,518,527	6,176.9	719.78
CY17	651.35	December 29, 2017	21,184	13.8	346.80	March 16, 2017	3,330	1.2	4,480,776	2,261.1	479.34
CY16	461.90	November 8, 2016	5,215,325	2,341.1	352.90	December 26, 2016	17,050	6.0	6,446,879	2,875.6	417.35

(Source: bseindia.com)

Notes:
1. High, low and average prices are based on the daily closing prices.
2. In the case of a year, average represents the average of the closing prices of all trading days of each year presented.
3. In case of two days with the same high or low price, the date with the higher volume has been chosen.

NSE

Year	High (₹)	Date of high	Total volume on date of high (Number of equity shares traded on the date of high)	Total turnover of equity shares traded on the date of high (₹ in millions)	Low (₹)	Date of low	Total volume on date of low (Number of equity shares traded on the date of low)	Total turnover of equity shares traded on the date of low (₹ in millions)	Total volume during the calendar year (Number of equity shares traded)	Total turnover of equity shares traded in value (₹ in million)	Average price for the year (₹)
CY18	824.25	September 3, 2018	32,851	27.0	601.80	March 23, 2018	35,482	21.3	29,802,925	21,370.1	720.86
CY17	653.25	December 29, 2017	231,291	151.6	348.30	March 14,	50,283	17.6	22,402,275	11,202.9	480.41

Year	High (₹)	Date of high	Total volume on date of high (Number of equity shares traded on the date of high)	Total turnover of equity shares traded on the date of high (₹ in millions)	Low (₹)	Date of low	Total volume on date of low (Number of equity shares traded on the date of low)	Total turnover of equity shares traded on the date of low (₹ in millions)	Total volume during the calendar year (Number of equity shares traded)	Total turnover of equity shares traded in value (₹ in million)	Average price for the year (₹)
						2017					
CY16	459.50	November 8, 2016	18,118,170	8,118.6	359.45	December 26, 2016	36,366	13.0	21,579,942	9,616.3	418.45

(Source: nseindia.com)

Notes:
1. High, low and average prices are based on the daily closing prices.
2. In the case of a year, average represents the average of the closing prices of all trading days of each year presented.
3. In case of two days with the same high or low price, the date with the higher volume has been chosen.

The following tables set out the reported high, low and average of the closing prices of our Equity Shares recorded on the NSE and the BSE and number of Equity Shares traded on the days on which such high and low prices were recorded for, and the volume of Equity Shares traded in each of the last six months:

BSE

Month	High (₹)	Date of high	Total volume on date of high (Number of equity shares traded on the date of high)	Total turnover of equity shares traded on the date of high (₹ in millions)	Low (₹)	Date of low	Total volume on date of low (Number of equity shares traded on the date of low)	Total turnover of equity shares traded on the date of low (₹ in millions)	Total volume during the calendar year (Number of equity shares traded)	Total turnover of equity shares traded in value (₹ in million)	Average price for the year (₹)
August, 2019	654.80	August 19, 2019	1,556	1.0	594.50	August 5, 2019	2,843	1.7	79,811	50.3	632.85
July 25, 2019 to July 31, 2019*	655.35	July 26, 2019	3,706	2.4	619.45	July 25, 2019	3,781	2.4	28,433	18.4	638.52
July 1, 2019 to July 24, 2019	968.30	July 9, 2019	1,819	1.8	899.70	July 24, 2019	8,901	8.2	34,885	32.9	945.09
June, 2019	945.60	June 3, 2019	1,503	1.4	861.70	June 17, 2019	13,388	11.7	75,307	69.1	928.11
May, 2019	946.75	May 28, 2019	599	0.6	881.25	May 2, 2019	2,949	2.6	64,613	59.4	915.68
April, 2019	919.95	April 3, 2019	27,326	25.3	829.45	April 23, 2019	928	0.8	81,324	72.5	862.22

Month	High (₹)	Date of high	Total volume on date of high (Number of equity shares traded on the date of high)	Total turnover of equity shares traded on the date of high (₹ in millions)	Low (₹)	Date of low	Total volume on date of low (Number of equity shares traded on the date of low)	Total turnover of equity shares traded on the date of low (₹ in millions)	Total volume during the calendar year (Number of equity shares traded)	Total turnover of equity shares traded in value (₹ in million)	Average price for the year (₹)
March, 2019	865.15	March 29, 2019	12,583	10.7	802.20	March 8, 2019	1,235	1.0	845,968	682.0	816.34

(Source: bseindia.com)

**Pursuant to the recommendation by our Board of Directors in their meeting dated June 17, 2019 and approved by our Shareholders through postal ballot dated July 19, 2019, our Company on July 29, 2019 allotted bonus equity shares of ₹ 10 each as fully paid-up bonus equity shares, in the proportion of one equity share of ₹ 10 each for every two existing equity shares of ₹ 10 each* The ex-date for the above mentioned bonus issue was July 25, 2019 and the record date was July 27, 2019.

Notes:

1. High, low and average prices are based on the daily closing prices.

2. In the case of a month, average represents the average of the closing prices of all trading days of each month presented.

3. In case of two days with the same high or low price, the date with the higher volume has been chosen

NSE

Month	High (₹)	Date of high	Total volume on date of high (Number of equity shares traded on the date of high)	Total turnover of equity shares traded on the date of high (₹ in millions)	Low (₹)	Date of low	Total volume on date of low (Number of equity shares traded on the date of low)	Total turnover of equity shares traded on the date of low (₹ in millions)	Total volume during the calendar year (Number of equity shares traded)	Total turnover of equity shares traded in value (₹ in million)	Average price for the year (₹)
August, 2019	654.40	August 19, 2019	156,995	102.9	594.50	August 5, 2019	121,672	73.1	3,145,491	1,989.0	632.90
July 25, 2019 to July 31, 2019*	655.50	July 26, 2019	82,336	53.3	621.30	July 25, 2019	67,174	41.9	553,072	356.3	638.16
July 1, 2019 to July 24, 2019	965.15	July 9, 2019	146,730	142.4	887.55	July 24, 2019	104,740	96.4	1,582,582	1,497.3	944.24
June, 2019	946.80	June 28, 2019	53,018	50.3	858.55	June 17, 2019	258,556	227.7	2,089,895	1,931.4	927.76
May, 2019	947.20	May 28, 2019	98,723	93.3	883.20	May 2, 2019	89,791	79.4	3,247,167	2,989.7	915.53
April, 2019	917.25	April 3,2019	330,029	308.2	829.55	April 18, 2019	117,697	97.7	2,695,044	2,337.6	860.83
March, 2019	866.65	March 29,	207,424	177.1	804.15	March 25,	420,798	338.9	3,122,848	2,557.2	817.07

Month	High (₹)	Date of high	Total volume on date of high (Number of equity shares traded on the date of high)	Total turnover of equity shares traded on the date of high (₹ in millions)	Low (₹)	Date of low	Total volume on date of low (Number of equity shares traded on the date of low)	Total turnover of equity shares traded on the date of low (₹ in millions)	Total volume during the calendar year (Number of equity shares traded)	Total turnover of equity shares traded in value (₹ in million)	Average price for the year (₹)
		2019				2019					

(Source: nseindia.com)

**Pursuant to the recommendation by our Board of Directors in their meeting dated June 17, 2019 and approved by our Shareholders through postal ballot dated July 19, 2019, our Company on July 29, 2019 allotted bonus equity shares of ₹ 10 each as fully paid-up bonus equity shares, in the proportion of one equity share of ₹ 10 each for every two existing equity shares of ₹ 10 each The ex-date for the above mentioned bonus issue was July 25, 2019 and the record date was July 27, 2019.*

Notes:
1. High, low and average prices are based on the daily closing prices.
2. In the case of a month, average represents the average of the closing prices of all trading days of each month presented.
3. In case of two days with the same high or low price, the date with the higher volume has been chosen

The following table sets forth the market price on the Stock Exchanges on February 27, 2019, the first Working Day following the approval of our Board for the Issue:

BSE

Date	Open (₹)	High (₹)	Low (₹)	Close (₹)	Traded volume (Number of equity shares)	Total value of Equity Shares traded (₹)
February 27, 2019	798.40	803.25	768.05	793.00	3,871	3,047,924.00

(Source: bseindia.com)

NSE

Date	Open (₹)	High (₹)	Low (₹)	Close (₹)	Traded volume (Number of equity shares)	Total value of Equity Shares traded (₹)
February 27, 2019	808.40	808.40	765.30	796.60	88,393	69,614,859.05

(Source: nseindia.com)

RELATED PARTY TRANSACTIONS

For details of the related party transactions during Fiscals 2018, 2017 and 2016, as per the requirements under Ind AS 24 '*Related Party Disclosures*', see "*Financial Statements*" on page 255.

DIVIDEND POLICY

The declaration and payment of dividends, if any, will be recommended by our Board of Directors and approved by our Shareholders at their discretion, subject to the provisions of the Articles of Association and the applicable laws, including the Companies Act. Our Board may also, from time to time, declare interim dividends. All dividend payments are made in cash to our Shareholders.

Our Board has approved and adopted a formal dividend distribution policy on August 9, 2017 in terms of Regulation 43A of the SEBI Listing Regulations. For further information, see "*Description of the Equity Shares*" on page 236.

The details of the dividends declared by our Company in respect of Financial Years 2018, 2017 and 2016 are set out below:

Year	**Rate of dividend**	**Dividend per Equity Share**	**Total Amount of Dividend**	**Dividend Distribution Tax**
	(%)	**(In ₹)**	**(In ₹ million)**	**(In ₹ million)**
2018	25%	2.50**	456.58	54.71
2017	25%	2.50*	456.27	92.89
2016	-	-	NIL	-

* *In its meeting dated August 9, 2017, our Board had declared an interim dividend of ₹2.50 per Equity Share to all shareholders of our Company as at a record date of August 18, 2017.*

** *In its meeting dated August 9, 2018, our Board had declared an interim dividend of ₹2.50 per Equity Share to all shareholders of our Company as at a record date of August 21, 2018.*

Note: In its meeting dated August 1, 2019, our Board had declared total interim dividend of ₹684.95 million for the Financial Year 2019, at the rate of ₹2.50 per Equity Share to all shareholders of our Company as at a record date of August 27, 2019. The dividend distribution tax paid on such dividend was ₹ 91.73 million.

For a summary of certain Indian tax consequences of dividend distributions to shareholders, see "*Taxation*" on page 239.

Our past practices with respect to the declaration of dividend are not necessarily indicative of our future dividend declaration. There is no guarantee that any dividends will be declared or paid or that the amount thereof will not be decreased in the future. The form, frequency and amount of future dividends will depend on a number of internal and external factors, including, but not limited to, distributable surplus available with our Company as per Companies Act, 2013, our Company's earnings, cash flows, financial condition, liquidity position, working capital and other financing requirements considering expansion and acquisition opportunities, lender approvals, contractual obligations, stipulations/ covenants of loan agreements macroeconomic and business conditions in general, applicable legal restrictions and other factors, and shall be at the discretion of our Board and subject to the approval of our Shareholders. Investors are cautioned not to rely on past dividends as an indication of our future performance or for an investment in the Equity Shares.

The Equity Shares to be issued in connection with this Issue shall qualify for all dividends, including interim dividend, if any, that is declared in respect of the fiscal in which they have been allotted.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with Ind AS Audited Consolidated Financial Statements and our Ind AS consolidated Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019 included in the section "Financial Statements" on page 255.

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" on page 14 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read "Risk Factors" and "- Significant Factors Affecting our Results of Operations" on pages 54 and 102, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our fiscal year ends on December 31 of each year, and references to a particular Fiscal are to the twelve-month period ended December 31 of that year. In this section, unless otherwise indicated or the context otherwise requires, a reference to "our Company" is a reference to Varun Beverages Limited on a standalone basis, while any reference to "we", "us", "our" or "Group" is a reference to Varun Beverages Limited, its subsidiaries and its associates on a consolidated basis.

Under applicable regulations, we were required to prepare standalone and consolidated financial statements in accordance with Ind AS for Fiscal 2017 (together with the corresponding standalone and consolidated financial statements under Ind AS for Fiscal 2016). Our historical standalone and consolidated financial statements for Fiscal 2016 and any period prior to Fiscal 2016 were originally prepared in accordance with Indian GAAP. In this Preliminary Placement Document, we have therefore included the Indian GAAP Audited Consolidated Financial Statements for Fiscal 2016, the Ind AS Audited Consolidated Financial Statements for Fiscal 2017 and Fiscal 2018, and the Ind AS Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019. For further information, see "– Presentation of Financial Information - Transition from Indian GAAP to Ind AS Financial Statements" and "Financial Statements" on pages 100 and 255, respectively.

Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on our Ind AS Audited Consolidated Financial Statements, and the Ind AS consolidated Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019. For further information, see "Financial Statements" on page 255.

Ind AS varies in many respects from Indian GAAP, and accordingly our Ind AS financial statements for Fiscal 2016, Fiscal 2017, Fiscal 2018 and the six months ended June 30, 2019 are not directly comparable with our historical Indian GAAP financial statements. See "Financial Statements" and "Risk Factors - We were required to prepare and present our financial statements under Ind AS with effect from January 1, 2017 (with January 1, 2016 as the transition date). Our Ind AS financial statements are not directly comparable with the historical Indian GAAP financial statements included in this Preliminary Placement Document." on pages 255 and 72, respectively.

*The Sales Volume information presented in this section represents sales to our customers in our licensed territories but does not include any sales to PepsiCo or any other franchisees of PepsiCo. Sales to PepsiCo and/ or other PepsiCo franchisees are reflected in our revenues from operations. However, such sales have not been significant in the last three Fiscals and in the six months ended June 30, 2019. We do not make any such sales other than in India. Sales Volume information in any Fiscal period included in this section cannot be directly correlated to our revenues from operations in the respective Fiscal. Further, the Sales Volume is calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case ("**Unit Case**").*

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "India Soft Drinks Market Insights 2019" dated July 2019 (the "**GlobalData Report**") prepared and released by GlobalData Plc and commissioned by us and other publicly available information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the GlobalData Report and included herein with respect to any particular year refers to such information for the relevant calendar year.*

OVERVIEW

We are one of the largest franchisee in the world (outside USA) of carbonated soft drinks ("**CSDs**") and non-carbonated beverages ("**NCBs**") sold under trademarks owned by PepsiCo Inc., PepsiCo India, Stokely-Van Camp Inc. ("**SVC**"), Tropicana Products Inc. ("**TPI**") and/ or their affiliates (collectively, "**PepsiCo**"). We produce and distribute a wide range of CSDs, as well as a large selection of NCBs, including packaged drinking water. PepsiCo CSD brands produced and sold by us include Pepsi, Pepsi Black, Diet Pepsi, Pepsi Max, Mirinda Lemon, Mirinda Orange, Mountain Dew, Slice Fizzy, Seven-Up, Seven-Up Nimbooz Masala Soda, Teem, Sting, Duke's and Evervess. PepsiCo NCB brands produced and sold by us include Tropicana Slice, Tropicana Frutz (Lychee, Apple and Mango), Tropicana Juices (100%, Delight and Essentials), Seven-Up Nimbooz, Gatorade, Aquafina flavour splash, Ole, as well as packaged drinking water under the brand Aquafina and Aquavess.

As of June 30, 2019, we have been granted franchises for various PepsiCo products across 27 States and seven Union Territories in India. India is our largest market and contributed 81.45%, 80.49%, 80.54% and 85.19% of our total Sales Volume (in million Unit Cases) in Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, respectively. We have also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. We have been associated with PepsiCo since the 1990s and we have consolidated our business association with PepsiCo over two and half decades, increasing the number of licensed territories and sub-territories covered by us, producing and distributing a wider range of PepsiCo beverages, introducing various SKUs in our portfolio, and expanding our distribution network. For further information on our franchise arrangements with PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities, see "*– Relationship with PepsiCo*" on page 171.

According to the GlobalData Report, the soft drinks industry in India is expected to record the highest volume growth among all commercial beverages at a CAGR of 7.3% from 2019 to 2024. Further, the market share for soft drinks in India was 15% among all commercial beverages in 2018 (*Source: GlobalData Report*). Our demonstrated ability to grow PepsiCo product sales in our territories and sub-territories has led to PepsiCo and/ or the PepsiCo International Entities licensing additional franchises to us, including sub-territories in India that were earlier directly operated by PepsiCo or by third-party bottlers. PepsiCo was the second largest company in the soft drinks industry in India with a value share (in terms of ₹) of 17.6% and volume share (in terms of million litres) of 9.0% in 2018 (*Source: GlobalData Report*). Our Sales Volumes in our sub-territories in India have increased at a CAGR of 10.45% from 224.18 million Unit Cases in Fiscal 2016 to 273.49 million Unit Cases in Fiscal 2018 and was 243.26 million Unit Cases in the six months ended June 30, 2019. Until April 30, 2019, our licensed sub-territories in India included Arunachal Pradesh, Assam, Chandigarh UT, Bihar, Chhattisgarh, Delhi UT, Goa, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Punjab, Rajasthan, Uttarakhand, Uttar Pradesh, Sikkim, Tripura, West Bengal as well as certain designated parts of the following sub-territories: Maharashtra and Karnataka (collectively, the "**2019 Existing India Sub-Territories**"). As part of PepsiCo's strategy of consolidating certain PepsiCo-operated sub-territories in India under long-term bottling partners, pursuant to a business transfer agreement entered into with PepsiCo India on February 18, 2019 ("**PepsiCo India BTA**"), we were granted, with effect from May 1, 2019, franchises for the following additional sub-territories in India: Andaman and Nicobar Islands UT, Daman and Diu UT, Dadra & Nagar Haveli UT, Gujarat, Kerala, Lakshadweep UT, Tamil Nadu, Telangana (except district of Khammam), Puducherry UT (except Yanam), as well as the remaining parts of Maharashtra and Karnataka, and certain designated parts of Andhra Pradesh (collectively, the "**2019 New India Sub-Territories**"). In the two months ended June 30, 2019, Sales Volume from the 2019 New India Sub-Territories were 24.75 million Unit Cases contributing 8.67% of our total Sales Volume in the six months ended June 30, 2019. Post the acquisition of the 2019 New India Sub-Territories, our Company accounted for more than 80% of PepsiCo's beverage sales volume in India. For further information in relation to this recent acquisition, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation of Financial Information - Acquisition of 2019 New India Sub-Territories*" and "*- Recent acquisition of 2019 New India Sub-Territories*" on pages 101 and 171, respectively. We believe that our operational experience, widespread integrated distribution network and market knowledge adds significant value to the distribution and sale of PepsiCo products in India, and we continue to leverage our long association with PepsiCo to evaluate new beverages, packaging, SKUs and markets as consumer preferences evolve.

As of June 30, 2019, we operated 30 production facilities across India and six production facilities in our international licensed territories. These 30 production facilities also include the integrated production facility at Pathankot which recently commenced production in March 2019 and nine production facilities which we recently acquired as part of the PepsiCo India BTA. The peak month production capacity of our production facilities in India and international territories was 107.94 million Unit Cases and 22.14 million Unit Cases, respectively. In addition, our production facilities in Kosi, Hardoi, Pathankot and Guwahati in India, and our production facilities in Nepal, Sri Lanka and Zimbabwe manufacture preforms while two of our production facilities dedicated to backward integration located at Jaipur and Alwar manufacture crowns, shrink-wrap films, plastic shells and corrugated boxes and pads. We have over the years developed a wide-spread, integrated distribution network across our licensed territories and sub-territories. As of June 30, 2019, our distribution network included 2,115 delivery vehicles. Our distribution network covers urban, semi-urban and rural markets, targeting a wide range of consumers. As of June 30, 2019, we had 1,216 primary distributors (*i.e.*, parties to whom sales in excess of 10,000 unit cases of our PepsiCo beverages in month of June 2019 were recorded) in India and 345 distributors in our international territories. The primary distributors in India accounted for 47.43 million Unit Cases, which represented 85.26% of our aggregate Sales Volumes in India in the month of June 2019.

In Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, our CSD Sales Volumes were 222.41 million Unit Cases, 219.52 million Unit Cases, 256.62 million Unit Cases and 209.06 million Unit Cases, respectively, our NCB Sales Volumes were 15.80 million Unit Cases, 13.66 million Unit Cases, 21.18 million Unit Cases, and 20.53 million Unit Cases, respectively, while our packaged drinking water Sales Volumes were 37.01 million Unit Cases, 45.30 million Unit Cases, 61.75 million Unit Cases, and 55.97 million Unit Cases, respectively.

We are part of the RJ Corp Limited group, a diversified business conglomerate with interests in beverages, quick-service restaurants, dairy and healthcare. Our Promoter and Chairman, Mr. Ravi Kant Jaipuria has an established reputation as an entrepreneur and business leader and was awarded the 'Distinguished Entrepreneurship Award' at the PHD Annual Awards for Excellence 2018. He is the only Indian company's promoter to receive PepsiCo's International Bottler of the Year award, which was awarded in 1997.

Our revenue from operations (net) have increased at a CAGR of 14.99% from ₹ 38,611.83 million in Fiscal 2016 to ₹ 51,052.55 million in Fiscal 2018 and was ₹ 41,695.99 million in the six months ended June 30, 2019. In Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, EBITDA was ₹ 7,959.67 million, ₹ 8,359.08 million, ₹ 10,065.87 million and ₹ 10,062.53 million, respectively. We recorded a net profit for the year of ₹ 480.39 million, ₹ 2,140.59 million, ₹ 2,998.63 million and ₹ 4,450.33 million, in Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, respectively.

RECENT DEVELOPMENT

Announcement of June Financial Results

Pursuant to a meeting of our Board of Directors on August 1, 2019, we have adopted and filed with the stock exchanges on August 1, 2019, the Ind AS unaudited consolidated and standalone interim financial results for the quarter and half year ended June 30, 2019, (with Ind AS unaudited comparative consolidated and standalone interim financial results for the quarter and half year ended June 30, 2018), comprising the unaudited consolidated and standalone interim balance sheet as at June 30, 2019, the unaudited consolidated and standalone interim statement of profit and loss and the unaudited consolidated and standalone interim statement of cash flows for the quarter and half year ended June 30, 2019, which was subjected to a limited review by our statutory auditors in accordance with the Standard on Review Engagements ('SRE') 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity', prepared by our Company in accordance with the recognition and measurement principles of Ind AS 34, "Interim Financial Reporting", prescribed under Section 133 of the Companies Act, 2013, SEBI circular CIR/CFD/FAC/62/2016 dated 5 July 2016 ('SEBI Circular') and other accounting principles generally accepted in India and submitted by our Company pursuant to the requirements of Regulation 33 of the SEBI Listing Regulations with the Stock Exchanges ("**Stock Exchanges Interim Financial Results**").

For further information, see "*Financial Statements*" on page 255.

PRESENTATION OF FINANCIAL INFORMATION

Transition from Indian GAAP to Ind AS Financial Statements

Our Company was required to prepare standalone and consolidated financial statements in accordance with Ind AS for Fiscal 2017 (together with the corresponding standalone and consolidated financial statements under Ind

AS for Fiscal 2016) under applicable regulations. Our historical standalone and consolidated financial statements for Fiscal 2016 and any period prior to Fiscal 2016 were originally prepared in accordance with Indian GAAP.

Ind AS varies in many respects from Indian GAAP, and accordingly our Ind AS financial statements for Fiscal 2016, Fiscal 2017, Fiscal 2018 and the six months ended June 30, 2019 are not directly comparable with our historical Indian GAAP financial statements. See "*Financial Statements*" and "*Risk Factors - We were required to prepare and present our financial statements under Ind AS with effect from January 1, 2017 (with January 1, 2016 as the transition date). Our Ind AS financial statements are not directly comparable with the historical Indian GAAP financial statements included in this Preliminary Placement Document.*" on pages 255 and 72, respectively.

In this Preliminary Placement Document we have included: (i) the Indian GAAP audited consolidated financial statements for Fiscal 2016 comprising the audited consolidated balance sheet and the audited consolidated statement of profit and loss, the audited consolidated statement of cash flow and the audited consolidated statement of changes in equity read along with the notes thereto (the "**Fiscal 2016 Indian GAAP Audited Consolidated Financial Statements**"); (ii) the Ind AS audited consolidated financial statements for Fiscal 2017 (which includes the audited consolidated financial statements for Fiscal 2016 prepared under Ind AS for the purposes of inclusion as comparative consolidated financial statements for Fiscal 2016) comprising the audited consolidated balance sheet and the audited consolidated statement of profit and loss, the audited consolidated statement of cash flow and the audited consolidated statement of changes in equity read along with the notes thereto (the "**Fiscal 2017 Ind AS Audited Consolidated Financial Statements**")**;** (iii) the Ind AS audited consolidated financial statements for Fiscal 2018 comprising the audited consolidated balance sheet and the audited consolidated statement of profit and loss, the audited consolidated statement of cash flow and the audited consolidated statement of changes in equity read along with the notes thereto (the "**Fiscal 2018 Ind AS Audited Consolidated Financial Statements**" and collectively with Fiscal 2017 Ind AS Audited Consolidated Financial Statements, the "**Ind AS Audited Consolidated Financial Statements**"); and (iv) the Ind AS Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019. The Fiscal 2016 Indian GAAP Audited Consolidated Financial Statements and the Ind AS Audited Consolidated Financial Statements are collectively referred to as "**Audited Consolidated Financial Statements**".

For the purposes of transition from Indian GAAP to Ind AS, we have followed the guidance prescribed under Ind AS 101 – First time adoption of Indian Accounting Standards, with January 1, 2016 as the transition date. For further information, see "*Financial Statements*" on page 255.

In this section, we have included (i) a comparison of our Ind AS audited consolidated financial statements for Fiscal 2017 with that for Fiscal 2016 (based on the audited consolidated financial statements for Fiscal 2016 prepared under Ind AS for the purposes of inclusion as comparative consolidated financial statements for Fiscal 2017); and (ii) a comparison of our Ind AS audited consolidated financial statements for Fiscal 2018 with that for Fiscal 2017 (based on the audited consolidated financial statements for Fiscal 2017 prepared under Ind AS for the purposes of inclusion as comparative consolidated financial statements for Fiscal 2018). We have also included herein management's discussion and analysis on our consolidated Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019 compared with that for the quarter and half year ended June 30, 2018.

Our Fiscal 2016 Indian GAAP Audited Consolidated Financial Statements were jointly audited by Walker Chandiok & Associates, Chartered Accountants and O.P. Bagla & Co., Chartered Accountants. Our Fiscal 2017 Ind AS Audited Consolidated Financial Statements were jointly audited by Walker Chandiok & Associates, Chartered Accountants and APAS & Co., Chartered Accountants. Our Fiscal 2018 Ind AS Audited Consolidated Financial Statements were jointly audited by Walker Chandiok & Co LLP, Chartered Accountants and APAS & Co., Chartered Accountants while our Stock Exchanges Interim Financial Results were jointly reviewed by Walker Chandiok & Co LLP, Chartered Accountants and APAS & Co., Chartered Accountants. Walker Chandiok & Associates, Chartered Accountants, and Walker Chandiok & Co LLP, Chartered Accountants, are part of the same network of member firms.

Acquisition of 2019 New India Sub-Territories

Pursuant to a business transfer agreement dated February 18, 2019 entered into between our Company, PepsiCo India and RJ Corp Limited (the "**PepsiCo India BTA**"), our Company acquired the business of manufacturing, distributing and selling soft drink and other beverages and concentrate syrup mix (bag-in-box) in Andaman and

Nicobar Islands UT, Daman and Diu UT, Dadra & Nagar Haveli UT, Gujarat, Kerala, Lakshadweep UT, Tamil Nadu, Telangana (except district of Khammam), Puducherry UT (except Yanam), as well as the remaining parts of Maharashtra and Karnataka, and certain designated parts of Andhra Pradesh (collectively, the "**2019 New India Sub-Territories**"), comprising of all assets and liabilities, including nine production facilities, distribution network and supply arrangements, for a total transaction value (excluding the consideration paid for working capital taken over and investment fund received on acquisition from PepsiCo India) of ₹ 18,025 million on slump sale basis, with effect from May 1, 2019. Under the terms of the PepsiCo India BTA, PepsiCo India is required to pay US$ 30,000,000 (in Indian Rupee equivalent converted at the relevant exchange rate published by Financial Benchmark India Private Limited on April 30, 2019, amounting to ₹ 2,095.10 million) ("**Investment Fund**") between May 1, 2019 and January 31, 2022 ("**Investment Fund Period**"), which shall be utilized by our Company at its sole discretion and our Company and PepsiCo India will mutually determine the size and purpose of the disbursement during each of the years of the Investment Fund Period. Our Company has received the entire Investment Fund from PepsiCo India in two parts on May 8, 2019 and June 28, 2019.

Since the acquisition of the 2019 New India Sub-Territories took place with effect from May 1, 2019, and our consolidated results of operations for the six months ended June 30, 2019 reflect the effect of consolidation of the 2019 New India Sub-Territories with effect from May 1, 2019, our results of operations and financial condition subsequent to such acquisition is not comparable to those prior to such acquisition. Our Stock Exchanges Interim Financial Results therefore reflect the consolidation of 2019 New India Sub-Territories results of operations for the period from May 1, 2019 to June 30, 2019. See "*Risk Factors - Our results of operations and financial condition following the acquisition of the 2019 New India Sub-Territories will not be comparable to those prior to such acquisition. Additionally, the acquisition of the 2019 New India Sub-Territories may not be able to achieve financial, operational, strategic and other potential benefits from the consolidation pursuant to their acquisition.*"on page 59.

Further, the information relied on by us with respect to the acquisition of 2019 New India Sub-Territories is limited. The information in relation to revenue in Fiscal 2018 with respect to the 2019 New India Sub-Territories was provided to us by PepsiCo India and we did not rely on any historical financial information or future projections. Further, the acquisition of the 2019 New India Sub-Territories was in the form of a slump sale. In this Preliminary Placement Document, we have not included any proforma statement of profit and loss or other proforma financial information, prepared in accordance with the laws and regulations of the United States, India or any other jurisdiction, which would have shown the effect of the acquisition of 2019 New India Sub-Territories on our audited consolidated financial statements for any period prior to May 1, 2019. See "*Risk Factors - We have relied on the information provided to us as part of the due-diligence process in relation to our acquisition of the 2019 New India Sub-Territories*" on page 60.

Investors are cautioned that they will therefore need to base their assessment of our consolidated results of operations and financial condition subsequent to the acquisition of the 2019 New India Sub-Territories on the basis of our historical consolidated financial statements for Fiscal 2016, 2017 and 2018 and as of and for the six months ended June 30, 2019, and other very limited information with respect to the 2019 New India Sub-Territories included in this Preliminary Placement Document and the management's discussions with respect to the effect of such acquisition on our business, results and of operations and financial condition.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Impact of historical inorganic growth, in particular, the acquisition of 2019 New India Sub-Territories

We have been associated with PepsiCo since the 1990s, and as of June 30, 2019, we had expanded our operations across 27 States and seven Union Territories in India. We have also been granted the franchise for various PepsiCo products for Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. We have completed various acquisitions in Fiscal 2017, Fiscal 2018 and the six months ended June 30, 2019. The results of operations of such acquired businesses would be reflected in our consolidated financial statements for the relevant fiscal periods only with effect from the effective date of such respective acquisition, and our consolidated financial statements for Fiscal 2017, Fiscal 2018 and the six months ended June 30, 2019 are also not comparable on account of such acquisitions. The following table below sets forth a list of some of our key acquisitions in Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019:

S. No.	Acquisition	Territory/ Production Facility	Effective Date
10.	PepsiCo India Holdings Private Limited	South and west regions including seven states (Gujarat, parts of Maharashtra, parts of Karnataka, Telangana (except district of Khammam), parts of Andhra Pradesh, Kerala and Tamil Nadu) and five Union Territories (Daman & Diu, Dadra & Nagar Haveli, Andaman & Nicobar Islands, Lakshadweep and Puducherry (except Yanam) (referred to as "**2019 New India Sub-Territories**") as well as nine production facilities (out of which six production facilities were transferred on May 1, 2019 and the remaining three production facilities were transferred subsequently).	May 1, 2019
11.	SMV Beverages Private Limited and Nectar Beverages Private Limited	13 districts in Karnataka, 14 districts in Maharashtra and three districts in Madhya Pradesh	February 14, 2019
12.	Steel City Beverages Private Limited	Production facility in Jharkhand	April 5, 2018
13.	SMV Agencies Private Limited	State of Jharkhand including a production facility	March 23, 2018
14.	SMV Beverages Private Limited	Production facility in Odisha	January 18, 2018
15.	Lumbini Beverages Private Limited	State of Bihar	January 17, 2018
16.	SMV Beverages Private Limited	State of Chhattisgarh	January 11, 2018
17.	SMV Beverages, a unit of SMV Agencies Private Limited	Parts of state of Madhya Pradesh including a production facility	September 27, 2017
18.	SMV Beverages Private Limited	State of Odisha including a production facility	September 26, 2017

Our demonstrated ability to grow PepsiCo product sales has led to PepsiCo granting additional franchises to us, including for sub-territories in India that were earlier directly operated by PepsiCo or by third-party bottlers. As a result of the acquisitions and grants of additional licensed territories and sub-territories in India as well as increased market penetration and organic growth, our sales volumes have grown at a CAGR of 11.07% from 275.22 million Unit Cases in Fiscal 2016 to 339.55 million Unit Cases in Fiscal 2018 and was 285.56 million Unit Cases in the six months ended June 30, 2019. Our revenues from operations (net) increased at a CAGR of 14.99% from ₹ 38,611.83 million in Fiscal 2016 to ₹ 51,052.55 million in Fiscal 2018 and was ₹ 41,695.992 million in the six months ended June 30, 2019. In particular, as part of PepsiCo's strategy of consolidating certain PepsiCo-operated sub-territories in India under long-term bottling partners, we entered into the PepsiCo India BTA pursuant to which we were granted, with effect from May 1, 2019, the franchise for the 2019 New India Sub-Territories, leading to a significant growth in our operations and increase in Sales Volume and revenues in the six months ended June 30, 2019. For instance, the following tables set forth certain information relating to our revenue from operations (net) and Sales Volume, following the acquisition of 2019 New India Sub-Territories with effect from May 1, 2019, for the periods indicated:

Territories	**Six months ended June 30,**	
	2018(1)	**2019**(2)
	Revenue from Operations (net) (₹ million)	
Total	**31,539.01**	**41,695.99**(3)

(1) In the six months ended June 30, 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively.

(2) In the six months ended June 30, 2019, our Company acquired franchisee rights for the certain designated parts of Karnataka, Maharashtra and Madhya Pradesh with effect from February 14, 2019 and the 2019 New India Sub-Territories with effect from May 1, 2019. The 2019 New India Sub-Territories include Andaman and Nicobar Islands UT, Daman and Diu UT, Dadra & Nagar Haveli UT, Gujarat, Kerala, Lakshadweep UT, Tamil Nadu, Telangana (except district of Khammam), Puducherry UT (except Yanam), as well as the remaining parts of Maharashtra and Karnataka, and certain designated parts of Andhra Pradesh. Accordingly, the revenue

from operations (net) for the 2019 New India Sub-Territories in the six months ended June 30, 2019 reflect revenue from operations (net) in these sub-territories subsequent to May 1, 2019.

(3) In the two months ended June 30, 2019, revenue from operations (net) from the 2019 New India Sub-Territories was ₹ 3,162.12 million, contributing 7.58% of our total revenue from operations (net), in the same period.

Territories	**Six months ended June 30,**	
	2018[1]	**2019[2]**
	Sales Volume (million Unit Cases) [3]	
Total	**216.64**	**285.56 [4]**

(1) In the six months ended June 30, 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively.

(2) In the six months ended June 30, 2019, our Company acquired franchisee rights for the certain designated parts of Karnataka, Maharashtra and Madhya Pradesh with effect from February 14, 2019 and the 2019 New India Sub-Territories with effect from May 1, 2019. The 2019 New India Sub-Territories include Andaman and Nicobar Islands UT, Daman and Diu UT, Dadra & Nagar Haveli UT, Gujarat, Kerala, Lakshadweep UT, Tamil Nadu, Telangana (except district of Khammam), Puducherry UT (except Yanam), as well as the remaining parts of Maharashtra and Karnataka, and certain designated parts of Andhra Pradesh. Accordingly, the revenue from operations (net) for the 2019 New India Sub-Territories in the six months ended June 30, 2019 reflect revenue from operations (net) in these sub-territories subsequent to May 1, 2019.

(3) Calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case.

(4) In the two months ended June 30, 2019, Sales Volume from the 2019 New India Sub-Territories were 24.75 million Unit Cases, contributing 8.67% of our total Sales Volume in the six months ended June 30, 2019.

The acquisition of the franchises for the 2019 New India Sub-Territories resulted in a significant increase in Sales Volumes, revenues and profitability. Most of the 2019 New India Sub-Territories are geographically contiguous with our 2019 Existing India Sub-Territories, and we benefit from significant cost and operational efficiencies, as well as, economies of scale. We are able to optimize the freight, transportation and distribution costs over a larger territory base which helps increase our margins. The increase in scale of our operations provides us with better operating leverage and bargaining power with our suppliers and ensures better working capital management. Pursuant to such acquisition, we also acquired nine production facilities, resulting in further expansion of our production capacities and enabling us to develop an integrated and adaptive supply chain. In addition, since the acquisition of the 2019 New India Sub-Territories took place with effect from May 1, 2019, and our consolidated results of operations reflect the effect of consolidation of the 2019 New India Sub-Territories with effect from May 1, 2019, our results of operations and financial condition subsequent to such acquisition is not directly comparable to those prior to such acquisition. Our Stock Exchanges Interim Financial Results therefore reflect the consolidation of the 2019 New India Sub-Territories results of operations for the period from May 1, 2019 to June 30, 2019. For further information, see *"- Presentation of Financial Information – Acquisition of 2019 New India Sub-Territories*" on page 101.

Sales Volumes and pricing

The Sales Volume information presented in this Preliminary Placement Document represents sales to our customers in our licensed territories but not any sales to PepsiCo or any other franchisee of PepsiCo. Sales to PepsiCo and/ or other PepsiCo franchisees are reflected in our revenues from operations. However, such sales have not been significant in the last three Fiscals and in the six months ended June 30, 2019. We do not make any such sales other than in India. Sales Volume information in any fiscal period included in this Preliminary Placement Document cannot be directly correlated to our revenues from operations in the respective fiscal period. Further, the Sales Volume is calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case.

Sales Volume of our PepsiCo products has increased steadily over the years. The Sales Volume increases in CSDs are the result of both our inorganic growth through acquisitions as well as organic growth through improved marketing and distribution efforts, which have increased our share of an overall market that experienced relatively lower growth and the relative increase, in recent years, of customer preference for other kinds of beverages identified more closely with healthy lifestyle choices. Sales Volumes of, and revenues from NCBs and packaged drinking water, have increased significantly in recent years, driven to an extent by such evolving consumer preferences.

Sales Volumes of our PepsiCo products are also affected by the performance of the Indian economy. Factors, such as, disposable income, urbanisation, growing middle class and changing lifestyles, have an impact on the soft drinks industry in India general (*Source: GlobalData Report*). Further, our Sales Volume is also affected by unseasonal weather conditions see "*Factors affecting Results of Operations and Financial Condition – Seasonality*" on page 109.

The following tables set forth certain information relating to Sales Volume (in million Unit Cases) of various products in our portfolio, presented as a percentage of total Sales Volumes for all PepsiCo products sold by us in the periods indicated:

Product	Fiscal 2016[(1)]		Fiscal 2017[(2)]		Fiscal 2018[(3)]		Six months ended June 30, 2019[(4)]	
	Sales Volume	Percentage of Total Sales Volume	Sales Volume	Percentage of Total Sales Volume	Sales Volume	Percentage of Total Sales Volume	Sales Volume	Percentage of Total Sales Volume
	(million Unit Cases) [(5)]	(%)	(million Unit Cases) [(5)]	(%)	(million Unit Cases) [(5)]	(%)	(million Unit Cases) [(5)]	(%)
CSDs	222.41	80.81%	219.52	78.83%	256.62	75.58%	209.06	73.21%
NCBs	15.80	5.74%	13.66	4.91%	21.18	6.24%	20.53	7.19%
Packaged Drinking Water	37.01	13.45%	45.30	16.26%	61.75	18.18%	55.97	19.60%
Total	**275.22**	**100.00%**	**278.48**	**100.00%**	**339.55**	**100.00%**	**285.56**	**100.00%**

(1) *In Fiscal 2016, the territory of Zambia was consolidated with effect from January 1, 2016 pursuant to an acquisition of 60% equity shareholding of Arctic International Private Limited in VBZL. Subsequently, our Company increased its equity shareholding in VBZL from 60% to 90% with effect from February 20, 2017. Further, our Company acquired 51% shareholding of Arctic International Private Limited in VBML with effect from January 1, 2016. In addition, our Company subscribed to 85% equity shareholding of VBZPL with effect from April 5, 2016 pursuant to a shareholders' agreement dated February 8, 2016.*

(2) *In Fiscal 2017, our Company acquired franchisee rights for the state of Odisha and parts of the state of Madhya Pradesh with effect from September 26, 2017 and September 27, 2017, respectively. In addition, on March 2, 2017, our Company sold its entire shareholding in Varun Beverages Mozambique Limitada. Accordingly, Varun Beverages Mozambique Limitada ceased to be our Subsidiary with effect from March 2, 2017.*

(3) *In Fiscal 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively. Further, we entered into a bottling trademark license agreement on February 19, 2018 through our subsidiary, VBZPL, for the territory of Zimbabwe and accordingly, Sales Volumes from the territory of Zimbabwe are therefore reflected only in Fiscal 2018, with effect from March 1, 2018, and in the six months ended June 30, 2019.*

(4) *In the six months ended June 30, 2019, our Company acquired franchisee rights for the certain designated parts of Karnataka, Maharashtra and Madhya Pradesh with effect from February 14, 2019 and the 2019 New India Sub-Territories with effect from May 1, 2019. Accordingly, in the six month period ended June 30, 2019, the Sales Volumes from 2019 New India Sub-Territories is reflected only for the limited period from May 1, 2019 to June 30, 2019.*

(5) *Calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case.*
Note: The aggregate Sales Volumes subsequent to the respective acquisitions are not comparable with those prior to the relevant acquisition.

In CSDs, we face intense competition from established and new brands, with significant marketing and product promotion budgets and discounts. The market for NCBs is more fragmented, and relatively less competitive than the CSD market. Many of PepsiCo's products we sell compete directly with comparable products with well-established brands, which constrain our ability to set higher prices. In newer product categories, there is also usually greater scope to use new packaging and SKU sizing to introduce price changes or manage pricing of the products sold by us.

Any increase in our raw material costs and any increase in cost of packaging materials, such as PET, tetrapaks and returnable glass bottles, affect the industry generally, including our competitors. We have historically been able to pass on an increase in raw material and packaging material costs to consumers. While pricing does not generally vary from region to region or between rural and semi-urban or urban areas, typically we extend higher promotional discounts in high density and high Sales Volume urban areas compared to low density rural areas, however such differential in margins is usually offset in part by higher transportation costs associated with distribution to remote rural areas.

Product mix and relevant market potential

The consumption of soft drinks in India is low in terms of per capita consumption, which was 44 bottles in 2016, especially when compared to other markets, such as, Germany, Brazil and Mexico, and with the more mature U.S. market, which had a per capita consumption of soft drinks of 1,496 bottles in 2016 (*Source: GlobalData Report*). However, India remains one of the fastest growing economies worldwide, and as per the World Bank, India's GDP growth is expected to be approximately between 7.3% and 7.5% during the next three fiscals, which means further growth in consumer spending is likely, which would in turn result in an increase demand for soft drinks (*Source: GlobalData Report*). Further, the Indian soft drinks market volume was 33,559 million litres in 2018 and is expected to record the highest volume growth among all commercial beverages with a CAGR of 6.9% during 2019 and 2014 as well as an incremental volume of 11,890 million litres during 2019 and 2014 (*Source: GlobalData Report*). PepsiCo was the second largest company in the carbonated beverage category in India, with a volume share (in million litres) of 28.1% in 2018 (*Source: GlobalData Report*). Accordingly, there is significant growth potential for PepsiCo's beverages in India. In addition, with rising health awareness levels prompting consumers to seek healthier variants of beverages, various leading producers, including PepsiCo, are focusing on offering low sugar beverages (*Source: GlobalData Report*). The juice and packaged drinking water segments are expected to grow at a CAGR of 8.8% and 9.0%, respectively, in terms of volume share during 2019 and 2024 (*Source: GlobalData Report*). Further, energy drinks and sports drinks category were among the leading categories of beverages in terms of volume growth (in million litres) in 2018 (*Source: GlobalData Report*). Gataorade and Sting are among the top five brands in terms of volume and value share in the sports drink and energy drink category, respectively, in India in 2018 (*Source: GlobalData Report*). We expect this trend of seeking healthier variants of beverages to continue as consumer disposable income increases further and we believe we are well positioned to capitalize on the market growth in such categories owing to PepsiCo's presence in several categories of such beverages.

PepsiCo's volume growth in 2018 was primarily driven by its leading brands, Mountain Dew and Aquafina (*Source: GlobalData Report*). Mountain Dew and Aquafina were among the leading brands in carbonated beverage and packaged drinking water in India, respectively, and accounted for a volume share (in million litres) of 11% and 5%, respectively, in 2018 (*Source: GlobalData Report*).

Our CSD Sales Volumes increased at a CAGR of 7.42% between Fiscal 2016 and Fiscal 2018, our NCB Sales Volumes increased at a CAGR of 15.78% while our packaged drinking water sales increased at a CAGR of 29.17% in the same period. CSDs continue to represent the significant majority of our aggregate Sales Volume, although NCB and packaged drinking water. Sales Volumes have grown considerably in recent years as we continue to expand our product portfolio and introduce new CSD and NCB products. In Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, our CSDs Sales Volume represented 80.81%, 78.83%, 75.58% and 73.21%, respectively, of the total Sales Volume (in million Unit Cases) in such periods. We have experienced significant growth in CSDs, particularly from Mountain Dew. Sales of NCB products have also grown in recent periods as we continue to expand our product portfolio. In Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, our NCBs Sales Volume accounted for 5.74%, 4.91%, 6.24% and 7.19% respectively, of our total Sales Volume in such periods, while packaged drinking water accounted for 13.45%, 16.26%, 18.18% and 19.60%, respectively, of our total Sales Volume in such periods. We have expanded our NCB product portfolio in recent years to target consumers who prefer to drink new, alternative beverages. We leverage our ability to implement new brand and product launches for PepsiCo, particularly in the NCB space, as well as in the fruit based carbonated beverages segment, to further grow our business. We also continue to focus on growing Aquafina and Aquavess sales as the packaged drinking water segment in India is highly fragmented and provides significant growth opportunities.

Key raw materials prices, packaging material costs and royalty payments

<u>Concentrate</u>

Raw materials purchases represent a significant majority of our total expenditure. Our largest raw material purchases are of beverage concentrates and sugar. In Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, the cost of concentrate was 22.46%, 27.03%, 27.90% and 29.30%, respectively, of the total cost of raw materials consumed in these periods, in India. PepsiCo India/ PepsiCo Inc./the PepsiCo International Entities/ SVC and/ or TPI will be entitled to set terms and conditions related to our purchase of concentrates from PepsiCo India and/ or the relevant PepsiCo International Entities or their authorised suppliers including the price of such concentrates. Historically, in practice, the price of beverage concentrate is determined by PepsiCo India and/ or the PepsiCo International Entities in discussions with us, after taking into account the selling price, taxation, input cost and market and other relevant conditions. In the last three years, the variance in the concentrate price purchased by us has been lower than the increase in India's consumer price index (CPI). CPI measures changes in the prices paid by consumers for a basket of goods and services where such yearly (or monthly) growth rates represent the inflation rate in such period. Concentrate prices of PepsiCo beverages produced in India have been presented in our financial statements, and as reflected in our financial statements, have varied from Fiscal to Fiscal depending on the extent of marketing or promotional campaigns undertaken by us on behalf of PepsiCo in India.

If we launch new PepsiCo brands, we will be required to negotiate new arrangements with PepsiCo for brand license and the supply of the relevant beverage concentrate. As the relative proportion of packaged drinking water and other non-concentrate based beverages has increased as a percentage of our total Sales Volumes, the relative cost of concentrate, as a percentage of revenues from operations, has also decreased to that extent.

Sugar

In Fiscal 2016, 2017, 2018 and in the six months ended June 30, 2019, cost of sugar represented 35.13%, 33.77%, 27.74%, and 29.14%, respectively, of our cost of materials consumed in such periods in India. In India, we procure sugar from various sugar mills and wholesale distributors, primarily from the States of Uttar Pradesh and Maharashtra. Sugar prices tend to be volatile, and we do not enter into any long-term supply contracts in place. We place orders depending on our production requirements at negotiated prices, and typically procure sugar from a few key suppliers in India. For our international operations, we procure sugar from various local suppliers through short term or spot purchase agreements. Historically, sugar prices have fluctuated considerably. For instance, the price of sugar has increased in recent times due to opening up of exports which may affect our results of operations in a material manner. For example, a decrease in prices of sugar in Fiscal 2017 compared to that in Fiscal 2018 led to a decrease in cost of materials consumed in Fiscal 2018 as a percentage of our revenue from operations from sugar based PepsiCo products produced by us. More recently, sugar prices have increased in India primarily due to Government allowing alternate uses of sugar in various products. As the relative proportion of packaged drinking water and other non-sugar based or lower sugar based CSDs has increased as a percentage of our total Sales Volumes, the relative cost of sugar consumed, as a percentage of revenues from operations, has decreased.

Packaging materials

We incur significant expenses for packaging materials out of which the largest is PET resin, including preform. The cost of preform, including PET resin, represented 18.59%, 18.84%, 23.66% and 22.84% of our cost of materials consumed in Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, respectively, in India. The principal packaging materials used by us include returnable glass bottles, PET bottles, aluminium cans, tetra-packs, shrink-wrap films, crowns, plastic closures, labels and corrugated boxes. A significant majority of our packaging requirements are produced internally. We also procure some of our packaging materials from third party suppliers. For further information, see "*Our Business – Procurement and Raw Materials – Packaging Material*" on page 184. We make regular purchases of returnable glass bottles to maintain our float at appropriate levels. These materials are purchased from a small number of suppliers, usually under short term, fixed price contracts. As a result, our costs are exposed to fluctuations in the market prices of these materials. For example, in Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, the relatively higher prices of PET resin, including preform, which is a key packaging raw material, has led to an increase in our packaging material costs in such periods.

Our profit margins vary between beverage products and packaging types and sizes. Excluding packaging, production costs are similar across our range of CSDs, however, may vary significantly between NCBs. Packaging costs vary, with returnable glass bottles being less expensive than PET, tetrapaks or aluminium cans. The incremental cost of producing larger-sized serves in the same packaging type is proportionately lower than the increased volume, creating opportunities to achieve higher margins where customers perceive value in terms of volume. The prices we are able to charge for our products are significantly affected by the competitive landscape, in particular the price and availability of comparable products in comparable packages and sizes. As a result of these factors, the margins we earn on our products may vary substantially, and the margins can vary in both absolute and relative terms from financial period to period. As a result of the different margins between our products and packages, product and package mix from financial period to period can have a significant effect on our operating profit. While we attempt to adjust our product and package mix to maximize profitability, changes in consumer demand and the competitive landscape can have a significant impact on our mix and therefore our profitability in any relevant period.

Royalty fees

Pursuant to the PepsiCo India Agreements, PepsiCo India is entitled to charge royalty for the license to use the trademarks "LEHAR", "DUKE", "AQUAFINA", "AQUAVESS" and "EVERVESS SODA". We are currently not required to pay royalty for the use of any other PepsiCo trademarks, except, "AQUAFINA" and "EVERVESS SODA", as the licenses for the other products are governed under the separate terms of the respective PepsiCo International Agreements, Tropicana India Agreement and PepsiCo India Agreements and for which the concentrate is supplied by PepsiCo India and/ or the PepsiCo International Entities for the other products. As the relative proportion of packaged drinking water and soda water has increased as a percentage of our total Sales Volumes in recent periods, our royalty payments to PepsiCo India in connection with these products have also increased.

Production capacities, backward integration and operating efficiencies

As of June 30, 2019, we operated 30 production facilities across India and six production facilities in our international licensed territories. The peak month production capacity of our production facilities in India and international operations was 107.94 million Unit Cases and 22.14 million Unit Cases, respectively. Our production facilities across India are strategically located in geographical proximity to various target markets, which results in lower transportation and distribution expenses and enable us to leverage economies of scale.

Sales of our beverages are generally significantly higher in the summer months of April through June, due to the heat and warm weather, and considerably lower during the winter months of December through February. Significant part of our profits is also typically realized in the second quarter of the Fiscal. Accordingly, the utilization level of our manufacturing facilities is significantly higher in the run up to the summer months and during the months of April through June. Accordingly, due to the highly seasonal nature of our business, we have in this Preliminary Placement Document included only the peak month production capacity of our production facilities. Please note that the peak month identification for purposes of calculation of peak month production capacities (including that for production facilities located in international territories) may vary, depending on the geographical position of the relevant production facility/ sub-territories served by such production facility, as well as changes in climatic conditions and seasonality factors that could from vary from year to year. Such peak month production capacity of our production facilities has been included in this Preliminary Placement Document for the limited purpose of providing information on peak month operations in our business. Such peak month capacity information is based on various assumptions and estimates, and does not purport to predict, and cannot be relied on as a substitute for, annual production capacity information for our production facilities. Undue reliance should not be placed on the peak month production capacity information for our production facilities included in this Preliminary Placement Document. In addition, capacity utilization is calculated differently in different countries, industries and for the different kinds of products we manufacture. Given the highly seasonal nature of our business, and the complexities associated with peak month capacity information for our production facilities, capacity utilisation information has minimal relevance as a measure of our business operations and financial performance in any particular fiscal year or period. For details in relation to our peak month production capacity, see "*Our Business – Production facilities*' on page 181.

In Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, we incurred capital expenditure of ₹ 4,487.15 million, ₹ 5,235.33 million, ₹ 7,440.21 million, and ₹ 20,423.13 million, respectively, primarily in connection with property, plant and equipment, in order to increase production capacities and modernise our production facilities, as well as on visi-coolers and other chilling equipment placed with retailers and other points of sale. We had 21 production facilities as on December 31, 2016, which we have increased to 36 production facilities as of June 30, 2019. We also made investments on visi-coolers and other chilling equipment placed with retailers and other points of sale. We continue to plan our capital expenditure carefully by focusing our investments on relatively higher profitable areas of our business, such as chilling equipment for use in immediate-consumption channels. Through strategic capital investments for efficient deployment of assets such as chilling equipment and distribution infrastructure, we intend to optimize the utilization of our capital.

We also use advanced production techniques that enable us to improve operating efficiencies and reduce personnel costs. As an integral part of our continuing efforts targeted at ensuring cost efficiencies, we have undertaken a number of strategic initiatives targeted at reducing cost of goods sold, effective management of operating expenses and improving cash flows. These initiatives include backward integration of our production processes and centralized sourcing of raw materials. We have set up backward integration facilities for production of preforms, crowns, plastic closures, corrugated boxes, corrugated pads, plastic crates and shrink wrap films in certain of our facilities to ensure operational efficiencies and quality standards. We continue to focus on consolidation of our production activities to ensure most constituent components of our products and packaging is available internally. We have introduced lower weight plastic bottles and decreased size of bottle caps, which has enabled us to reduce PET resin, including preform, costs. We also target increased margins through a reduction in freight and distribution costs, for example, consolidation of production facilities and depots post implementation of GST in India. We believe this will enable us to increase production volumes and improve operating margins as we have in the past sourced PET bottles from manufacturing facilities over long distances. In addition, we continue to implement advanced technologies to improve operational efficiencies and work processes. We have GPRS-enabled handheld device called SAMNA (Sales Automation Management for the New Age) in certain of our operations to automate field work processes and enable access to real-time sales information from production facilities, warehouses and distribution centres across India, thereby ensuring integrated operational data from manufacturing, planned procurement and superior tracking of transportation of products from distributors to final delivery to the retail point-of-sale.

Expansion of distribution network and market penetration

Our expansive sales and distribution network enables us to reach a wide range of consumers and ensure effective market penetration. Our distribution network is strategically located to maximize market penetration across our licensed sub-territories in India, with an increased focus on growth markets, such as, semi-urban and rural sub-territories. Our Sales Volumes depend on the reach of our distribution network. We are currently in the process of integrating our existing distribution network with the 2019 New India Sub-Territories and believe that we will be able to ensure cost and operational efficiencies as well as economies of scale. An important aspect of our distribution system is the infrastructure-intensive process of selling and delivering our products to thousands of distributors, dealers and small retailers. Our growth strategy is to increase our overall market share by increasing the reach of our distribution network to cover a larger proportion of potential outlets, although we estimate that the proportion of potential outlets that we could service profitably is significantly less than the total number. However, while we expect increased Sales Volumes resulting from expansion of our distribution network, we will be required to make significant investments in distribution infrastructure, including additional delivery vehicles, refrigeration equipment, warehouse space and a larger float of glass bottles and PET shells, as well as higher costs for additional sales and distribution staff. Although our direct purchases of fuel are relatively small as a proportion of our total costs, we are exposed to fluctuations in the price of fuel through our dependence on freight and delivery services, the prices we pay for which reflect, over time, increases in the cost of fuel.

As of June 30, 2019, our distribution network included 2,115 delivery vehicles. Our distribution network covers urban, semi-urban and rural markets, targeting a wide range of consumers. As of June 30, 2019, we had 1,216 primary distributors (*i.e.*, parties to whom sales in excess of 10,000 unit cases of our PepsiCo beverages in month of June 2019 were recorded) in India and 345 distributors in our international territories. The primary distributors in India accounted for 47.43 million Unit Cases, which represented 85.26% of our aggregate Sales Volumes in India in the month of June 2019. We intend to further expand our distribution network by setting up additional depots, consolidating existing distributors and increasing the number of distributors in under-penetrated markets. We believe that these measures will enable us to increase the availability of our beverages across our licensed territories and sub-territories, including the 2019 New India Sub-Territories, which will in turn increase brand awareness and sales of PepsiCo beverages. A large proportion of our distributors are small and/or family run operations and we seek to develop a high degree of loyalty among such distributors by supporting the growth of their businesses through provision of customized training, developing exclusive distributor relationships and providing various support services for their business.

We continue to focus on increasing our retail presence, through increased brand promotion activities, increased in-store product inventory as well as price competitiveness through strategic promotional schemes. The market for beverages sold from vending machines and visi-coolers for immediate consumption is a fast growing segment, resulting from an emerging on-the-go lifestyle and consumer convenience. Single-serve sales channels typically involve higher margins compared to sales of multi-serve SKUs. Sales in this segment depend on strategic inventory management, rapid inventory deployment, and effective availability and placement of relevant chilling equipment such as vending machines, visi-coolers and fountain dispensers in close proximity to high density consumer areas.

Seasonality

Sales of our beverages are generally significantly higher in the summer months of April through June, due to the heat and warm weather, and considerably lower during the winter months of December through February. Our Sales Volume in India during the quarter of April 2018 to June 2018 was 118.51 million Unit Cases, while our total Sales Volume in India was 273.49 million Unit Cases in Fiscal 2018. Accordingly, in Fiscal 2018, our Sales Volume in India during the quarter of April to June accounted for 43.33% of our total Sales Volume in India. A significant majority of our profits are also typically realized in the second quarter of the relevant Fiscal. Bad weather conditions, including unusually cold or rainy periods, during the peak sales season during summer, may adversely affect our sales volume, results of operations and financial condition, and could therefore have a disproportionate impact on our results of operations in the relevant year. Further, any bearing on crop harvest due to unseasonal rains may impact the purchasing power of our customers from the rural markets and may adversely affect our revenue from such markets. Because of the significant fluctuations in demand for CSDs and NCBs during different seasons of the year, any comparison of revenues and results of operations between two quarters or other varying financial periods within the year will not be meaningful and should not be relied on as an indicator of our future business prospects or financial performance.

Competition

The carbonated and non-carbonated beverage markets are highly competitive in India and the international markets we operate in. We compete with, among others, bottlers of other global, regional and local brands of carbonated and non-carbonated beverages. An increase in the number of competitors or level of marketing or investments undertaken by such competitors may result in a reduction in the consumption of our products and may reduce our market share, or we may be required to incur increased sales, marketing and distribution related expenses in order to remain competitive. In addition, the success of our business depends on consumer behavior and preferences and their affinity and loyalty to PepsiCo beverages and brands.

In addition, we compete with aggressive marketing and promotional activities by other global, regional or local CSD and NCB beverage producers as well as competition on price and promotional discounts announced from time to time. Other global and premium beverage producers in our markets typically match the pricing of our products. However, if the competition alters their pricing model, and we are unable to change our product prices in response to such competitive measures, our results of operations and profitability may be materially and adversely affected.

Impact of Goods and Services Tax ("GST")

Consequent to the introduction of GST with effect from July 1, 2017, central excise tax, value added tax, excise duty and certain other indirect taxes were subsumed into GST. Currently, the prevailing GST rates in India for (i) CSD is 28% along with an additional cess of 12%; (ii) juice/ pulp based drinks is 12%; (iii) packaged drinking water is 18%; and (iv) caffeinated beverages is 18%. Further, in accordance with Ind AS - 18 on 'Revenue' and Schedule III of the Companies Act, 2013, unlike excise duties, levies, such as, GST are collected on behalf of the Government authorities and do not form part of revenue. Accordingly, revenue from operations for periods prior to the implementation of GST are not strictly comparable with our revenue from operations post the implementation of GST. In addition, our international operations are also significantly impacted by taxes, particularly, excise duty and value added tax. We are subject to excise duty per litre basis in Nepal and per gram of sugar in Sri Lanka. Further, we are also subject to value added tax in Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe.

Taxes levied are an important component of the cost of our products to our consumers and our consumers pay such taxes. Changes in taxes may affect our results of operations if we are unable to pass on such levies and taxes to our customers. Any significant increase in taxes will ultimately affect the price of our products. However, since any increase in tax would be an industry wide phenomenon, and similarly affect our competitors, historically, we have typically been able to pass on such increases in taxes to the consumer.

SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of consolidation</u>

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and associate and are listed below:

Name of Subsidiary	**Country of incorporation**	**Percentage of ownership**				
		December 31,			**June 30,**	
		2016	**2017**	**2018**	**2018**	**2019**
Varun Beverages (Nepal) Private Limited	Nepal	100.00%	100.00%	100.00%	100.00%	100.00%
Varun Beverages Lanka (Private) Limited	Sri Lanka	100.00%	100.00%	100.00%	100.00%	100.00%
Varun Beverages Morocco SA	Morocco	100.00%	100.00%	100.00%	100.00%	100.00%
Ole Spring Bottlers Private Limited ("Ole")*	Sri Lanka	100.00%	100.00%	100.00%	100.00%	100.00%
Varun Beverages (Zambia) Limited	Zambia	60.00%	90.00%**	90.00%	90.00%	90.00%
Varun Beverages Mozambique Limitada	Mozambique	51.00%	-***	-	-	-
Varun Beverages (Zimbabwe) (Private) Limited	Zimbabwe	85.00%	85.00%	85.00%	85.00%	85.00%

Name of Subsidiary	Country of incorporation	Percentage of ownership				
		December 31,			June 30,	
		2016	2017	2018	2018	2019
Varun Beverages (Botswana) (Proprietary) Limited	Botswana	-	-	-	-	100.00%

** Subsidiary of Varun Beverages Lanka (Private) Limited.*
***Increase of ownership stake from 60% to 90% effective February 20, 2017.*
****Sold entire ownership stake of 51% effective March 2, 2017, thereby, Varun Beverages Mozambique Limitada ceased to be a Subsidiary with effect from March 2, 2017.*

Name of Associate	Country of incorporation	Percentage of ownership				
		December 31,			June 30,	
		2016	2017	2018	2018	2019
Angelica Technologies Private Limited	India	47.30%	47.30%	47.30%	47.30%	47.30%
Lunarmech Technologies Private Limited#	India	35.00%	35.00%	35.00%	35.00%	35.00%

#Angelica Technologies Private Limited holds 74% ownership in Lunarmech Technologies Private Limited.

For further information, see "*Financial Statements*" on page 255.

<u>Accounting judgements, estimates and assumptions</u>

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements. Changes in estimates are accounted for prospectively.

i) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

a) Contingencies

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgments and the use of estimates regarding the outcome of future events.

b) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forward can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group bases its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a) Useful lives of tangible/intangible assets

The Group reviews its estimate of the useful lives of tangible/intangible assets at each reporting date, based on the expected utility of the assets.

b) Defined benefit obligation

The cost of the defined benefit plan and other post-employment benefits and the present value of such obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. In view of the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

c) Inventories

The Group estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

d) Business Combinations

The Group uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination.

e) Impairment of non-financial assets and goodwill

In assessing impairment, Group estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

f) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments

Significant Accounting Policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excludes taxes/duties collected on behalf of the government.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Excise duty is a levy on manufacture irrespective of ultimate sale of goods and hence the recovery of excise duty flows to the Group on its own account. Accordingly, revenues from sale of goods are stated gross of excise duty. GST, sales tax and value added tax (VAT) are not received by the Group on its own account but collected on behalf of the government and accordingly, are excluded from revenue.

Interest income

Interest income is recognised on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate ("**EIR**"). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial assets. Interest income is included in finance income in the Consolidated Statement of Profit and Loss.

Dividends

Dividend is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Services rendered

Revenue from service related activities is recognised as and when services are rendered and on the basis of contractual terms with the parties.

Inventories

Inventories are valued as follows:

i. *Raw materials, components and stores and spares*: At lower of cost and net realisable value. Cost of inventory comprises all costs of purchases, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventory to their present location and condition and is determined on a moving weighted average cost basis. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

ii. *Work-in-progress:* At lower of cost and net realisable value. Cost for this purpose includes material, labour and appropriate allocation of overheads including depreciation. Cost is determined on a weighted average basis.

iii. *Intermediate goods/ Finished goods:*

   a) Self-manufactured – At lower of cost and net realisable value. Cost for this purpose includes material, labour and appropriate allocation of overheads. Cost is determined on a weighted average basis.

   b) Traded – At lower of cost and net realisable value. Cost of inventory comprises all costs of purchases, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventory to their present location and condition and is determined on a weighted average cost basis.

   Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Provision for obsolescence is determined based on management's assessment and is charged to the Consolidated Statement of Profit and Loss.

Property, plant and equipment Measure at recognition:

Property, plant and equipment and capital work in progress is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Cost comprises the purchase price, borrowing costs if capitalization criteria are met and any directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The cost of an item of property, plant and equipment is recognised as an asset if, and only if:

a. it is probable that future economic benefits associated with the item will flow to the entity; and

b. the cost of the item can be measured reliably.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increased the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing assets, including day- to- day repair and maintenance expenditure and cost of replacing parts, are charged to the Consolidated Statement of Profit and Loss for the period during which such expenses are incurred. Expenditure directly relating to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalized as a part of indirect construction cost to the extent the expenditure is related to construction or is incidental thereto. Other indirect costs incurred during-the construction periods which are not related to construction activity nor are incidental thereto are charged to the Consolidated Statement of Profit and Loss.

Value for individual assets acquired for a consolidated price, the consideration is apportioned to the various assets on a fair value basis as determined by competent valuers.

Depreciation

The management has estimated, supported by technical assessment, the useful lives of property, plant and equipment. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows

Description	Useful lives (upto)
Leasehold land	Over lease period
Buildings – factory	20-50 years
Buildings – others	59-60 years
Plant and equipment	4-20 years
Furniture and fixtures	5-10 years
Delivery vehicles	4-10 years
Vehicles (other than delivery vehicles)	4-7 years
Office equipment	4-10 years
Computer equipment	3-5 years
Containers	4-10 years
Post-mix vending machines and refrigerators (Visi-Coolers)	7-10 years

Freehold land is not depreciated

Depreciation on property, plant and equipment is provided over the useful life of assets as specified in Schedule II to the Act except where the management, based on independent technical assessment, depreciates certain assets are over estimated useful lives which are different from the useful life prescribed in the Schedule II to the Act.

The Group has used the remaining useful lives to compute depreciation on its property, plant and equipment, acquired under the business transfer agreement based on external technical evaluation.

Depreciation on property, plant and equipment which are added/disposed off during the year is provided on a pro-rata basis with reference to the month of addition/deletion.

The Company has technically evaluated all the property, plant and equipment for determining the separate identifiable assets having different useful lives under the component approach. On technical evaluation of all separate identifiable components, the management is of the opinion that they do not have any different useful life from that of the principal asset.

In case of revaluation of leasehold land, the resulting amortisation of the total revalued amount is expensed off to the Consolidated Statement of Profit and Loss.

De-recognition:

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds or amount of security deposit adjusted and the carrying amount of the asset) is included in the Consolidated Statement of Profit and Loss when the asset is de-recognised.

Breakages of containers are adjusted on 'first bought first broken' basis, since it is not feasible to specifically identify the broken containers in the fixed assets records.

Fair value measurements

The Group measures financial instruments at fair value that is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Intangible assets

Intangible assets are initially recognised at:

a. In case the assets are acquired separately then at cost,

b. In case the assets are acquired in a business combination or under any asset purchase agreement at fair value.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful life are assessed for impairment whenever there is an indication that the intangible assets may be impaired.

Amortisation of other intangible assets are amortised on a straight-line basis using the estimated useful life as follows:

Intangible assets	Useful lives (years)
Software	3-5 years
Market infrastructure	5 years
Distribution network	8 years

The franchise rights and trademarks acquired as part of business combinations normally have a remaining legal life of not exceeding ten years but is renewable every ten years at little cost and is well established. The Group intends to renew these rights continuously and evidence supports its ability to do so. An analysis of product life cycle studies, market and competitive trends provides evidence that the product will generate net cash inflows for the Group for an indefinite period. Therefore, these rights have been carried at cost without amortisation, but is tested for impairment annually, at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs, if any, directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized, if any. All other borrowing costs are expensed to the Consolidated Statement of Profit and Loss in the period in which they occur.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Consolidated Statement of Profit and Loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group’s general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the Consolidated Statement of Profit and Loss on a straight-line basis over the lease term.

Group as a lessor

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on straight line basis over the term of the relevant lease.

Foreign currency transactions and translations

The Group's consolidated financial statements are presented in INR, which is also the parent company's functional currency. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Group uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on restatement of the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

Exchange differences pertaining to long-term foreign currency monetary items obtained or given on or before 31 December 2016: Exchange differences arising on conversion of long term foreign currency monetary items used for acquisition of depreciable fixed assets are added to the cost of fixed assets and is depreciated over the remaining life of the respective fixed asset and in other cases, is recorded under the head 'Foreign Currency Monetary Item Translation Difference Account' and is amortised over the period of maturity of underlying long term foreign currency monetary items, in accordance with the option available under Ind AS 101.

Exchange differences pertaining to long-term foreign currency monetary items obtained or given on or after 01 January 2017: Exchange differences arising on conversion of long term foreign currency monetary items obtained or given is recorded in the Consolidated Statement of Profit and Loss.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into INR at the rate of exchange prevailing at the reporting date and their statements of profit and loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 'Income Taxes' and Ind AS 19 'Employee Benefits' respectively. When a liability assumed is recognised at the acquisition date but the related costs are not deducted in determining taxable profits until a later period, a deductible temporary difference arises which results in a deferred tax asset. A deferred tax asset also arises when the fair value of an identifiable asset acquired is less than its tax base.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 'Financial Instruments' ("**Ind AS 109**"), is measured at fair value with changes in fair value recognised in Consolidated Statement of Profit and Loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised in Consolidated Statement of Profit and Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

Business combinations involving entities that are controlled by the Group are accounted for using the 'pooling of interests' method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;

- Except for adjustments made to harmonise accounting policies, no adjustments are made to reflect fair values, or recognise any new assets or liabilities;

- The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve;

- The identity of the reserves is preserved and the reserves of the transferor become the reserves of the transferee; and

- The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

Government grants

Grants from the Government are recognised when there is reasonable assurance that all underlying conditions will be complied with and that the grant will be received.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. That grant is recognised in the Consolidated Statement of Profit and Loss under ‘other operating revenue’. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

Government grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by recording the grant as deferred income which is released to the Consolidated Statement of Profit and Loss on a systematic basis over the useful life of the asset.

Grants related to income are recognised as income on a systematic basis in the Consolidated Statement of Profit and Loss over the periods necessary to match them with the related costs, which they are intended to compensate and are presented as ‘other operating revenues’.

Total government grant recognised in the Statement of Profit and Loss under the head ‘Other operating revenue’ amounts to ₹ 966.62 million (December 31, 2017: ₹ 885.07 million) under different industrial promotion tax exemption schemes.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments. The business activities of the Group predominantly fall within a single operating segment, i.e., manufacturing and sale of beverages. The Group operates in two principal geographical areas, namely, India and other countries or ‘outside India’. The Group prepares its segment information in conformity with the accounting policies adopted for preparing the CFS.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded company’s or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Group extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Consolidated Statement of Profit and Loss.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Consolidated Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Financial assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

For purposes of subsequent measurement, financial assets are classified as follows:

a) Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost where the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and contractual terms of the asset give rise to cash flows on specified dates that are solely payments of principal and interest.

After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The interest income from these financial assets is included in other income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

b) Debt instruments at Fair Value Through Other Comprehensive Income

Assets that are held for collection of contractual cashflows and for selling the financial assets, where the cash flow represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). The Group has not designated any debt instrument in this category.

c) Debt instruments at Fair Value Through Profit or Loss

Fair Value Through Profit or Loss ("FVTPL") is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the Consolidated Statement of Profit and Loss. The Group has not designated any debt instrument in this category.

d) Equity instruments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 'Business Combinations' applies are Ind AS classified as at FVTPL. Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the Consolidated Profit and Loss.

For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair values. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to profit or loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

De-recognition

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive the contractual cash flows from the asset in a transaction in which substantially all the risks and rewards of ownership of the asset are transferred.

Impairment of financial assets

The Group measures the Expected Credit Loss ("ECL") associated with its assets based on historical trends, industry practices and the general business environment in which it operates. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Consolidated Statement of Profit and Loss under the head 'other expenses'.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

a) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses are recognised in the Consolidated Statement of Profit or Loss, except for those attributable to changes in own credit risk, which are recognised in OCI. These gains/ loss are not subsequently transferred to the profit or loss.

b) Financial liabilities at amortised cost

After initial recognition, financial liabilities designated at amortised costs are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortisation is included as finance costs in the Consolidated Statement of Profit and Loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Statement of Profit and Loss.

Offsetting of financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date of executing a derivative contract and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Non-Current assets and liabilities classified as held for sale

Non-current assets classified as held for sale are presented separately in the Balance Sheet and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Once classified as held for sale, the assets are not subject to depreciation or amortisation. Any gain or loss arises on remeasurement or sale is included in Consolidated Statement of Profit and Loss.

If an entity has classified an asset (or disposal group) as held for sale, but the held-for-sale criteria as specified in Ind AS 105 are no longer met, the Group ceases to classify the asset (or disposal group) as held for sale.

The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and

b) its recoverable amount at the date of the subsequent decision not to sell.

For further information, see "*Financial Statements*" on page 255.

Recent accounting pronouncements

Ind AS 116, Leases

The Ministry of Corporate Affairs ("**MCA**") has vide notification dated March 30, 2019 notified 'Ind AS 116 – Leases' and we are required to adopt Ind AS 116 from January 1, 2020. We have currently not estimated the quantitative impact of adoption of Ind AS 116 on our financial statements. Further, the financial statements/information that we prepare in accordance with Ind AS 116 in the future may not be comparable with our historical financial statements, including our Audited Consolidated Financial Statements and our Stock Exchanges Interim Financial Results included in this Preliminary Placement Document.

PRINCIPAL COMPONENTS OF INCOME AND EXPENDITURE

Income

Revenue from Operations

Revenue from operations primarily includes revenue from sale of products (inclusive of excise duty, as applicable) and other operating revenue.

Revenue from Operations (net)

Revenue from operations (net) primarily includes revenue from sale of products (exclusive of excise duty) and other operating revenue. This includes revenue from scrap sales and business development support in Morocco provided by our Company in certain years. We manufacture as well as purchase the same product from co-packers for sale. In the absence of demarcation between manufactured and purchased goods, turnover of manufactured and traded goods are not separately ascertainable.

Other Income

Other income primarily includes interest income from term deposits and others, excess provisions written back, net gain on sale of fixed assets and miscellaneous, such as export incentives and insurance claims.

Expenditure

Cost of Material Consumed

Cost of material consumed comprises the opening and closing stock of the raw materials used by us in our beverage production and packaging of our products as well as purchase of raw materials during the year. Raw materials purchases represent a significant majority of our total expenditure. Our largest raw material purchases are of beverage concentrates and sugar.

Purchases of Stock-In-Trade

Purchases of stock-in-trade comprises our expenses towards purchase of beverages and other products for conducting our business. We have been granted the franchise for various PepsiCo products in the 2019 New India Sub-Territories which included nine production facilities. We have purchased finished goods from third-party co-packing facilities for sales in the new and additional territories following the grant of franchise rights from PepsiCo India, resulting in an increase in purchases of stock-in-trade in Fiscal 2018 and in the six months ended June 30, 2019.

Changes in Inventories of Finished Goods, Work in Progress and Traded Goods

Changes in inventories of finished goods and work-in-progress comprises the opening and closing stock of the finished goods manufactured by us as well as the stock acquired by us on certain corporate reorganizations and the work-in-progress stock.

Total Cost of Goods Sold

Total cost of goods sold includes cost of materials consumed, purchase stock-in-trade and changes in inventories of finished goods, work-in-progress and traded goods.

Employee Benefits Expense

Employee benefits expense includes (i) salaries, wages and bonus, (ii) contribution to provident fund and other fund, and (iii) staff welfare expenses relating to our employees.

Finance Costs

Finance costs include interest expense on (i) term loans, (ii) working capital, (iii) non-convertible debentures, (iv) financial liabilities, and (v) others; exchange differences regarded as adjustments to borrowings and other ancilliary borrowing costs.

Depreciation and Amortization Expense

Depreciation represents depreciation on our fixed assets including freehold land, buildings, leasehold improvements, furniture and fittings, vehicle, and office equipment. Depreciation costs relate principally to our production facilities and our investments in chilling equipment and delivery vehicles.

Other Expenses

Other expenses include power and fuel expenses, repairs to plant and equipment, repairs to building, consumption of stores and spares, rent, rates and taxes, travelling and conveyance expenses, advertisement and sales promotion, freight, octroi and insurance expenses, net loss on foreign currency transactions and translations, and delivery vehicle running and maintenance.

NON-GAAP MEASURES

Earnings Before Interest, Taxes, Depreciation and Amortization Expenses ("EBITDA")

EBITDA, on a consolidated basis, is calculated as profit before tax and share of profit in associate plus finance costs, and depreciation and amortisation expenses less other income.

The following table sets forth certain information with respect to our EBITDA for the periods indicated:

Particulars	Fiscal 2016		Fiscal 2017		Fiscal 2018		Six months ended June 30, 2018		Six months ended June 30, 2019	
	(₹ million)	Percentage of revenue from operations (net)	(₹ million)	Percentage of revenue from operations (net)	(₹ million)	Percentage of revenue from operations (net)	(₹ million)	Percentage of revenue from operations (net)	(₹ million)	Percentage of revenue from operations (net)
EBITDA	7,959.67	20.61%	8,359.08	20.88%	10,065.87	19.72%	7,475.52	23.70%	10,062.53	24.13%

EBITDA presented in this Preliminary Placement Document is a supplemental measure of our performance and liquidity that are not required by, or presented in accordance with, Ind AS, Indian GAAP, IFRS or US GAAP. Further, EBITDA is not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, IFRS or US GAAP and should not be considered as an alternative to net profit/loss, revenue from operations or any other performance measures derived in accordance with Ind AS, Indian GAAP, IFRS or US GAAP or as an alternative to cash flow from operations or as a measure of our liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison of EBITDA between companies may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

Interest Coverage Ratio

Interest coverage ratio is calculated on the basis on profit after tax add finance cost, depreciation and amortisation, and tax expenses divided by finance cost.

Particulars	Fiscal			Six months ended June 30, 2019
	2016	2017	2018	
Interest Coverage Ratio	1.93	4.01	4.85	7.04

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2019 COMPARED TO SIX MONTHS ENDED JUNE 30, 2018

The following table sets forth certain information with respect to our results of operations on a consolidated basis for the six months ended June 30, 2018 and six months ended June 30, 2019:

Particulars	Six months ended June 30, 2018		Six months ended June 30, 2019	
	(₹ million)	Percentage of total income	(₹ million)	Percentage of total income
Income				
Revenue from operations	32,195.19	99.74%	42,320.66	99.89%
Other income	85.11	0.26%	47.41	0.11%
Total Income	**32,280.30**	**100.00%**	**42,368.07**	**100.00%**
Expenses				
Cost of material consumed	13,952.19	43.22%	17,010.62	40.15%
Excise duty	656.18	2.03%	624.67	1.47%
Purchases of stock-in-trade	963.07	2.98%	3,232.45	7.63%
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(410.85)	(1.27)%	(959.70)	(2.27)%
Employee benefit expenses	2,896.86	8.97%	3,575.28	8.44%
Finance costs	1,116.81	3.46%	1,438.45	3.40%
Depreciation and amortization	1,911.03	5.92%	2,244.39	5.30%
Other expenses	6,662.22	20.64%	8,774.81	20.71%
Total expenses	**27,747.51**	**85.96%**	**35,940.97**	**84.83%**
Profit before tax and share of profit in associate	**4,532.79**	**14.04%**	**6,427.10**	**15.17%**
Share of profit in associate	17.59	0.05%	21.03	0.05%
Profit before tax	**4,550.38**	**14.10%**	**6,448.13**	**15.22%**
Tax expense				
- Current tax	1,350.29	4.18%	1,142.43	2.70%
- Adjustment of tax relating to earlier periods	-	-	2.23	0.01%
- Deferred tax	(65.18)	(0.20)%	853.14	2.01%
Total tax expense	**1,285.11**	**3.98%**	**1,997.80**	**4.72%**
Net profit after tax	**3,265.27**	**10.12%**	**4,450.33**	**10.50%**
Other comprehensive income				
(A) Items that will not to be reclassified to profit or loss	(26.08)	(0.08)%	306.01	0.72%
(B) Income tax relating to items that will not be reclassified to statement of profit and loss	10.39	0.03%	10.98	0.03%
(C) Items that will be reclassified to profit or loss	23.32	0.07%	352.16	0.83%
(D) Income tax relating to items that will be reclassified to statement of profit and loss	(5.38)	(0.02)%	(82.04)	(0.19)%
Total other comprehensive income	**2.25**	**0.01%**	**587.11**	**1.39%**
Total comprehensive income for the year (including non-controlling interest)	**3,267.52**	**10.12%**	**5,037.44**	**11.89%**

- *Our Company acquired franchisee rights for the certain designated parts of Karnataka, Maharashtra and Madhya Pradesh with effect from February 14, 2019 from SMV Beverages Private Limited and Nectar Beverages Private Limited.*
- *Pursuant to a business transfer agreement dated February 18, 2019 entered into with PepsiCo India and our Company ("**PepsiCo India BTA**"), we were granted, with effect from May 1, 2019, franchises for the following additional sub-territories in India: Andaman and Nicobar Islands UT, Daman and Diu UT, Dadra & Nagar Haveli UT, Gujarat, Kerala, Lakshadweep UT, Tamil Nadu, Telangana (except district of Khammam), Puducherry UT (except Yanam), as well as the remaining parts of Maharashtra and Karnataka, and certain designated parts of Andhra Pradesh (collectively, the "**2019 New India Sub-Territories**"). In addition, as part of the PepsiCo India BTA, we also acquired nine production facilities in India. Our Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019 therefore reflect the consolidation of the 2019 New India Sub- Territories' results of operations for the period during May 1, 2019 and June 30, 2019. Accordingly, our results of operations and financial condition for the quarter and half year ended June 30, 2019 is not comparable with that for the quarter and half year ended June 30, 2018.*

Our management's discussion and analysis of our financial performance compares our Ind AS consolidated

Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019 compared with that for the quarter and half year ended June 30, 2018.

Income

Revenue from Operations

Our revenue from operations were ₹ 32,195.19 million in the six months ended June 30, 2018 and were ₹ 42,320.66 million in the six months ended June 30, 2019. Our revenue from operations (net) increased by 32.20% from ₹ 31,539.01 million in the six months ended June 30, 2018 to ₹ 41,695.99 million in the six months ended June 30, 2019. This increase was primarily on account of organic growth in our existing territories and also due to the acquisition of the 2019 New India Sub-Territories with effect from May 1, 2019 and the effect of sales in these additional sub-territories in India for two months, *i.e.* May 2019 and June 2019, in the six months ended June 30, 2019. In the two months ended June 30, 2019, revenue from operations (net) and Sales Volume from the 2019 New India Sub-Territories was ₹ 3,162.12 million and 24.75 million Unit Cases, respectively. Further, our Sales Volume in India increased by 29.86% from 187.32 million Unit Cases in the six months ended June 30, 2018 to 243.26 million Unit Cases in the six months ended June 30, 2019 while our Sales Volume in international territories increased by 44.27% from 29.32 million Unit Cases in the six months ended June 30, 2018 to 42.30 million Unit Cases in the six months ended June 30, 2019 on account of growth in our Morocco and Zimbabwe operations.

The following tables set forth certain information relating to the revenue from operations (net) for the periods indicated for our India and international territories:

Territories	**Six months ended June 30,**	
	2018(1)	**2019(2)**
	Revenue from Operations (net) (₹ million)	
Total	**31,539.01**	**41,695.99(3)**

(1) In the six months ended June 30, 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively. We also entered into a bottling trademark license agreement with PepsiCo International Entities on February 19, 2018 through our subsidiary, VBZPL, for the territory of Zimbabwe.

(2) In the six months ended June 30, 2019, our Company acquired franchisee rights for the certain designated parts of Karnataka, Maharashtra and Madhya Pradesh with effect from February 14, 2019 and the 2019 New India Sub-Territories with effect from May 1, 2019. The 2019 New India Sub-Territories include Andaman and Nicobar Islands UT, Daman and Diu UT, Dadra & Nagar Haveli UT, Gujarat, Kerala, Lakshadweep UT, Tamil Nadu, Telangana (except district of Khammam), Puducherry UT (except Yanam), as well as the remaining parts of Maharashtra and Karnataka, and certain designated parts of Andhra Pradesh. Accordingly, the revenue from operations (net) for the 2019 New India Sub-Territories in the six months ended June 30, 2019 reflect revenue from operations (net) in these sub-territories subsequent to May 1, 2019.

(3) In the two months ended June 30, 2019, revenue from operations (net) from the 2019 New India Sub-Territories was ₹ 3,162.12 million, contributing 8.67% of our total revenue from operations (net) in the six months ended June 30, 2019.

Revenue from sale of CSDs represents the significant majority of our revenue from operations (net) in the six months ended June 30, 2018 and the six months ended June 30, 2019. The following tables show the Sales Volumes of our CSD and NCB beverages and packaged drinking water (in million Unit Cases) in the periods indicated for our India and international territories:

	Six months ended June 30, 2018(1)		**Six months ended June 30, 2019(2)**	
	Sales Volume	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**
	(million Unit Cases)(3)	**(%)**	**(million Unit Cases) (3)**	**(%)**
CSDs	167.54	77.34%	209.06	73.21%
NCBs	14.11	6.51%	20.53	7.19%
Packaged Drinking Water	34.99	16.15%	55.97	19.60%
Total	**216.64**	**100.00%**	**285.56**	**100.00%**

(1) In the six months ended June 30, 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively. We entered into a bottling trademark license agreement with PepsiCo International Entities on February 19, 2018 through our subsidiary, VBZPL, for the territory of Zimbabwe.

(2) In the six months ended June 30, 2019, our Company acquired franchisee rights for the certain designated parts of Karnataka, Maharashtra and Madhya Pradesh with effect from February 14, 2019 and the 2019 New India Sub-Territories with effect from May 1, 2019. Accordingly, in the six month period ended June 30, 2019, the Sales Volumes from 2019 New India Sub-Territories is reflected only for the limited period from May 1, 2019 to June 30, 2019.

(3) *Calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case.*

In the six months ended June 30, 2018 and the six months ended June 30, 2019, CSDs represented 77.34% and 73.21%, respectively, of the Sales Volume (in million Unit Cases) in such periods. Mountain Dew was the largest carbonated soft drink brand in our licensed territories and sub-territories in these periods. In the six months ended June 30, 2018 and the six months ended June 30, 2019, NCBs accounted for 6.51% and 7.19%, respectively, of our total Sales Volume in such periods, while packaged water accounted for 16.15% and 19.60%, respectively, of our total Sales Volume in such periods.

The following tables set forth certain information relating to the Sales Volume (in million Unit Cases) for the periods indicated for our India and international territories:

Territories	**Six months ended June 30,**	
	2018(1)	**2019(2)**
	Sales Volume (million Unit Cases) (3)	
Total	**216.64**	**285.56(4)**

(1) *In the six months ended June 30, 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively. We also entered into a bottling trademark license agreement with PepsiCo International Entities on February 19, 2018 through our subsidiary, VBZPL, for the territory of Zimbabwe.*

(2) *In the six months ended June 30, 2019, our Company acquired franchisee rights for the certain designated parts of Karnataka, Maharashtra and Madhya Pradesh with effect from February 14, 2019 and the 2019 New India Sub-Territories with effect from May 1, 2019. The 2019 New India Sub-Territories include Andaman and Nicobar Islands UT, Daman and Diu UT, Dadra & Nagar Haveli UT, Gujarat, Kerala, Lakshadweep UT, Tamil Nadu, Telangana (except district of Khammam), Puducherry UT (except Yanam), as well as the remaining parts of Maharashtra and Karnataka, and certain designated parts of Andhra Pradesh. Accordingly, the revenue from operations (net) for the 2019 New India Sub-Territories in the six months ended June 30, 2019 reflect revenue from operations (net) in these sub-territories subsequent to May 1, 2019.*

(3) *Calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case.*

(4) *In the two months ended June 30, 2019, Sales Volume from the 2019 New India Sub-Territories were 24.75 million Unit Cases, contributing 8.67% of our total Sales Volume in the six months ended June 30, 2019.*

Other Income

Other income, comprising interest income on term deposits and others, excess provision written back and miscellaneous, decreased by 44.30% from ₹ 85.11 million in the six months ended June 30, 2018 to ₹ 47.41 million in the six months ended June 30, 2019, primarily due to decrease in interest income and net gain on foreign currency transactions and translations loss.

Expenses

Total expenses were ₹ 27,747.51 million in the six months ended June 30, 2018 and were ₹ 35,940.97 million in the six months ended June 30, 2019.

Total expenses (net of excise duty) increased by 30.36% from ₹ 27,091.33 million in the six months ended June 30, 2018 to ₹ 35,316.30 million in the six months ended June 30, 2019, in-line with increase of 32.20% in our revenue from operations (net) during the same periods.

Cost of Material Consumed

Cost of material consumed increased by 21.92% from ₹ 13,952.19 million in the six months ended June 30, 2018 to ₹ 17,010.62 million in the six months ended June 30, 2019.

Purchases of Stock-In-Trade

Purchase of stock-in-trade was ₹ 963.07 million in the six months ended June 30, 2018 compared to ₹ 3,232.45 million in the six months ended June 30, 2019. The increase in purchase of stock-in-trade was on account of purchase of Tropicana (100%, Essentials and Delight) products from third-party co-packing facilities.

Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-Progress

Changes in inventories of finished goods, stock-in-trade and work-in-progress was ₹ (410.85) million in the six months ended June 30, 2019 compared to ₹ (959.70) million in the six months ended June 30, 2018.

Total Cost of Goods Sold

Total cost of goods sold increased by 32.95% from ₹ 14,504.41 million in the six months ended June 30, 2018 to ₹ 19,283.37 million in the six months ended June 30, 2019 which was in line with the increase of 32.20% in our revenue from operations (net) during the same periods. The total cost of goods sold for the 2019 New India Sub-Territories was ₹ 1,790.14 million in the two months ended June 30, 2019, representing 9.28% of our total cost of goods sold in the six months ended June 30, 2019.

The following table sets forth certain information relating to our costs incurred on account of key raw materials and packaging materials in India:

Raw Materials and Packaging Materials	Six months ended June 30, 2018[(1)]	Six months ended June 30, 2019[(2)]
	(₹ million)	
Concentrate	3,812.24	4,140.02
Sugar	3,427.66	4,117.91
PET resin, including preform	2,222.10	3,227.15
Others	2,321.64	2,645.01
Total cost of material consumed	**11,783.63**	**14,130.09**

(1) *In the six months ended June 30, 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively.*

(2) *In the six months ended June 30, 2019, our Company acquired franchisee rights for the certain designated parts of Karnataka, Maharashtra and Madhya Pradesh with effect from February 14, 2019 and the 2019 New India Sub-Territories with effect from May 1, 2019. Accordingly, in the six month period ended June 30, 2019, the Sales Volumes from 2019 New India Sub-Territories is reflected only for the limited period from May 1, 2019 to June 30, 2019.*

As a percentage of total revenue from operations (net), total cost of goods sold increased from 45.99% in the six months ended June 30, 2018 to 46.25% in the six months ended June 30, 2019, primarily resulting from the trading of Tropicana (100%, Essentials and Delight) products, which were purchased from third party manufacturing facilities and the marginal increase in sugar and PET resin, including preform, prices.

In the six months ended June 30, 2018 and the six months ended June 30, 2019, the cost of concentrate was 32.35% and 29.30%, respectively, of the total cost of raw materials consumed in these periods in India. PepsiCo India/ PepsiCo Inc./the PepsiCo International Entities/ SVC and/ or TPI will be entitled to set terms and conditions related to our purchase of concentrates from PepsiCo India and/ or the relevant PepsiCo International Entities or their authorised suppliers including the price of such concentrates. Historically, in practice, the price of beverage concentrate is determined by PepsiCo India and/ or PepsiCo International Entities in discussions with us, after taking into account the selling price, taxation, input cost and market and other relevant conditions. In the last three years, the variance in the concentrate price purchased by us has been lower than the increase in India’s CPI. CPI measures changes in the prices paid by consumers for a basket of goods and services where such yearly (or monthly) growth rates represent the inflation rate in such period. Concentrate prices of PepsiCo beverages produced in India have been presented in our financial statements, and as reflected in our financial statements, have varied from Fiscal to Fiscal depending on the extent of marketing or promotional campaigns undertaken by us on behalf of PepsiCo in India.

In the six months ended June 30, 2018 and in the six months ended June 30, 2019, cost of sugar represented 29.09% and 29.14%, respectively, of our cost of materials consumed in such periods in India. In India, we procure sugar from various sugar mills and wholesale distributors, primarily from the States of Uttar Pradesh and Maharashtra. Sugar prices tend to be volatile, and we do not enter into any long-term supply contracts in place. Further, the prices of sugar in the six months ended June 30, 2019 have marginally increased in comparison with the prices of sugar in the six months ended June 30, 2019. As the relative proportion of packaged drinking water and other non-sugar based or lower sugar based CSDs has increased as a percentage of our total Sales Volumes, the relative cost of sugar consumed, as a percentage of revenues from operations (net), has decreased.

We also incur significant expenses for packaging materials, especially PET resin, including preform, which represented 18.86% and 22.84% of our cost of materials consumed in the six months ended June 30, 2018 and in the six months ended June 30, 2019, respectively, in India. The principal packaging materials used by us include returnable glass bottles, PET bottles, aluminium cans, tetra-packs, shrink-wrap films, crowns, plastic closures, labels and corrugated boxes. In the six months ended June 30, 2019, the prices of PET resin, including preform, have marginally increased in comparison with the prices of PET resin, including preform, in the six months ended June 30, 2018.

Excise Duty

In the six months ended June 30, 2019, we paid excise duty of ₹ 624.67 million compared to ₹ 656.18 million in the six months ended June 30, 2018 on account of change in our product mix in our Morocco operations and reduction of excise duty in Sri Lanka.

Employee Benefit Expenses

Employee benefits expenses increased by 23.42% from ₹ 2,896.86 million in the six months ended June 30, 2018 to ₹ 3,575.28 million in the six months ended June 30, 2019, primarily resulting from an increase in the number of employees following the grant of franchise rights to the 2019 New India Sub-Territories and the additional employees involved in such operations, as well as an increase in the salaries. As a percentage of total revenue from operations (net), employee benefit expenses marginally decreased from 9.18% in the six months ended June 30, 2018 to 8.57% in the six months ended June 30, 2019.

Finance Costs

Finance costs increased by 28.80% from ₹ 1,116.81 million in the six months ended June 30, 2018 to ₹ 1,438.45 million in the six months ended June 30, 2019. The increase in finance cost was primarily on account of new loans availed by our Company in order to pay the purchase consideration in connection with the acquisition of the 2019 New India Sub-Territories.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by 17.44% from ₹ 1,911.03 million in the six months ended June 30, 2018 to ₹ 2,244.39 million in the six months ended June 30, 2019. The increase in our depreciation and amortization expense was in line with the addition of fixed assets resulting from the acquisition of additional production facilities and distribution network infrastructure relating to the 2019 New India Sub-Territories and also on account of commencement of commercial operations of our production facility at Pathankot. The depreciation and amortization expense for the 2019 New India Sub-Territories was ₹ 139.96 million in the two months ended June 30, 2019, representing 6.24% of our total depreciation and amortization expense in the six months ended June 30, 2019.

Other Expenses

Other expenses increased by 31.71% from ₹ 6,662.22 million in the six months ended June 30, 2018 to ₹ 8,774.81 million in the six months ended June 30, 2019. Other expenses primarily included freight, octroi and insurance paid (net), power and fuel, advertisement and sales promotion, repairs to plant and equipment and net loss on foreign currency transactions and translations. The increase in other expenses were generally in line with the increase of 32.20% in our revenue from operations (net) during the same periods and our expanded operations resulting from grant of franchise rights for the 2019 New India Sub-Territories and the effect of such expanded operations.

Profit before Tax

For the reasons discussed above, profit before tax was ₹ 6,448.13 million in the six months ended June 30, 2019 compared to ₹ 4,550.38 million in the six months ended June 30, 2018.

Tax Expense

Total tax expenses increased by 55.46% from ₹ 1,285.11 million in the six months ended June 30, 2018 to ₹ 1,997.80 million in the six months ended June 30, 2019, primarily on account of relatively higher profits which resulted in higher taxes in India and the reversal of deferred tax asset in Zimbabwe.

Net Profit for the Year

For the various reasons discussed above, and following adjustments for tax expense, share of profits in associate, we recorded a net profit for the year of ₹ 4,450.33 million in the six months ended June 30, 2019 compared to ₹ 3,265.27 million in the six months ended June 30, 2018. Although we incurred losses in our Morocco and Sri Lanka operations primarily due to high depreciation charge and low capacity utilization level in the respective markets as we were in the process of stabilising our operations in these territories, our Company's profit at the standalone level as well as of our Nepal, Zambia and Zimbabwe operations was significantly higher and offset the losses incurred in our Morocco and Sri Lanka operations.

Total comprehensive income for the year (including non-controlling interest)

Total comprehensive income for the year (including non-controlling interest) was ₹ 5,037.44 million in the six months ended June 30, 2019 compared to ₹ 3,267.52 million in the six months ended June 30, 2018.

FISCAL 2018 COMPARED TO FISCAL 2017

The following table sets forth certain information with respect to our results of operations on a consolidated basis for Fiscal 2017 and Fiscal 2018:

Particulars	Fiscal 2017		Fiscal 2018	
	(₹ million)	Percentage of total income	(₹ million)	Percentage of total income
Income				
Revenue from operations	45,163.77	99.72%	52,281.27	99.58%
Other income	125.12	0.28%	218.24	0.42%
Total Income	**45,288.89**	**100.00%**	**52,499.51**	**100.00%**
Expenses				
Cost of material consumed	18,555.09	40.97%	21,122.78	40.23%
Excise duty	5,128.37	11.32%	1,228.72	2.34%
Purchases of stock-in-trade	277.69	0.61%	1,942.18	3.70%
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(732.22)	(1.62)%	(623.97)	(1.19)%
Employee benefit expenses	4,628.44	10.22%	5,829.51	11.10%
Finance costs	2,121.75	4.68%	2,125.63	4.05%
Depreciation and amortization	3,466.41	7.65%	3,850.70	7.33%
Other expenses	8,947.32	19.76%	12,716.18	24.22%
Total expenses	**42,392.85**	**93.61%**	**48,191.73**	**91.79%**
Profit before tax and share of profit in associate	**2,896.04**	**6.39%**	**4,307.78**	**8.21%**
Share of profit in associate	13.50	0.03%	30.20	0.06%
Profit before tax	**2,909.54**	**6.42%**	**4,337.98**	**8.26%**
Tax expense				
- Current tax	547.85	1.21%	1,094.09	2.08%
- Adjustment of tax relating to earlier periods	1.60	0.00%	14.35	0.03%
- Deferred tax	219.50	0.48%	230.91	0.44%
Total tax expense	**768.95**	**1.70%**	**1,339.35**	**2.55%**
Net profit after tax	**2,140.59**	**4.73%**	**2,998.63**	**5.71%**
Other comprehensive income				
(a) Items that will not to be reclassified to profit or loss:				
(i) Re-measurement gains/(losses) on defined benefit plans	10.83	0.02%	(16.53)	(0.03)%
(ii) Income tax relating to items that will not be reclassified to statement of profit and loss	(3.39)	(0.01)%	7.78	0.01%
(b) Items that will be reclassified to profit or loss:				
(i) Exchange differences arising on translation of foreign operations	(94.27)	(0.21)%	(234.44)	(0.45)%
(ii) Income tax relating to items that will be reclassified to statement of profit and loss	21.75	0.05%	54.62	0.10%
Total other comprehensive income	**(65.08)**	**(0.14)%**	**(188.57)**	**(0.36)%**

Particulars	Fiscal 2017		Fiscal 2018	
	(₹ million)	Percentage of total income	(₹ million)	Percentage of total income
Total comprehensive income for the year (including non-controlling interest)	**2,075.51**	**4.58%**	**2,810.06**	**5.35%**

- *On January 11, 2018, our Company acquired PepsiCo India's previously franchised territory in the state of Chhattisgarh along with certain property, plant and equipment and other intangible assets for a total purchase consideration of ₹ 150.00 million from SMV Beverages Private Limited.*
- *On January 17, 2018, PepsiCo India transferred franchise territory in the state of Bihar to our Company. Subsequently, on December 12, 2018, our Company has paid an amount of ₹ 450.00 million to Lumbini Beverages Private Limited for acquiring certain property, plant and equipment and other intangible assets for the state of Bihar.*
- *On January 18, 2018, our Company acquired a production facility at Cuttack, Odisha along with certain assets for a total purchase consideration of ₹ 437.50 million from SMV Beverages Private Limited.*
- *We entered into a bottling trademark license agreement with PepsiCo International Entities on February 18, 2018 through our subsidiary VBZPL for the territory of Zimbabwe.*
- *On March 23, 2018, our Company acquired PepsiCo India's previously franchised territory in the of state of Jharkhand in India along with production facility at Jamshedpur from SMV Agencies Private Limited for a total purchase consideration of ₹ 552.13 million on a slump sale basis, excluding net payable of ₹ 60.33 million on account of net working capital adjustment taken over as part of business.*
- *On April 5, 2018, our Company has acquired a manufacturing unit at Jamshedpur, Jharkhand along with certain assets for a total purchase consideration of ₹ 101.49 million from Steel City Beverages Private Limited.*

Our management's discussion and analysis of our financial performance compares our Ind AS Audited Consolidated Financial Statements for Fiscal 2018 with that for Fiscal 2017 (based on the audited consolidated financial statements for Fiscal 2017 prepared under Ind AS for the purposes of inclusion as comparative consolidated financial statements for Fiscal 2018).

Income

Revenue from Operations

Our revenue from operations were ₹ 45,163.77 million in Fiscal 2017 and were ₹ 52,281.27 million in Fiscal 2018. Our revenue from operations (net) increased by 27.52% from ₹ 40,035.40 million in Fiscal 2017 to ₹ 51,052.55 million in Fiscal 2018. This increase was primarily on account of an increase in Sales Volume in India by 22.01% from 224.16 million Unit Cases in Fiscal 2017 to 273.49 million Unit Cases in Fiscal 2018 primarily on account of grant of franchise rights in the states of Odisha, Chhattisgarh, Bihar and Jharkhand, and parts of state of Madhya Pradesh. Further, Sales Volume in our international territories also increased by 21.61% from 54.32 million Unit Cases in Fiscal 2017 to 66.06 million Unit Cases in Fiscal 2018 primarily due to commencement of manufacturing facility in Zimbabwe. In addition, revenue from operations (net) also increased on account of higher realization products, such as, Sting and Tropicana.

Further, revenue from sale of products (net of excise duty) increased by 28.09% from ₹ 38,945.09 million in Fiscal 2017 to ₹ 49,884.37 million in Fiscal 2018.

Revenue from operations (net) in India contributed 76.16% and 73.42% of our total revenue from operations (net) in Fiscal 2017 and in Fiscal 2018, respectively, while revenue from operations (net) from our international operations represented 24.84% and 26.58% of our revenue from operations (net) in the same periods.

The following table sets forth the revenue from operations (net) in India and from our international operations in the periods indicated:

	Fiscal 2017		Fiscal 2018	
	Within India(1)	Outside India(2)	Within India(1)	Outside India(2)
	(₹ million)		(₹ million)	
Revenue from operations	34,371.43	10,792.34	37,483.45	14,797.82
Excise Duty	4,281.07	847.30	-	1,228.72
Revenue from operations (net)	**30,090.36**	**9,945.04**	**37,483.45**	**13,569.10**

(1) In Fiscal 2017, our Company acquired franchisee rights for the state of Odisha and parts of the state of Madhya Pradesh with effect from September 26, 2017 and September 27, 2017, respectively. Further, in Fiscal 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively.

(2) On March 2, 2017, our Company sold its entire shareholding in Varun Beverages Mozambique Limitada. Accordingly, Varun Beverages Mozambique Limitada ceased to be our Subsidiary with effect from March 2, 2017. Our Company increased its equity shareholding in VBZL from 60% to 90% with effect from February 20, 2017. Further, we entered into a bottling trademark license

agreement with PepsiCo International Entities on February 18, 2018 through our subsidiary VBZPL for the territory of Zimbabwe and accordingly, revenue from operations (net) from the territory of Zimbabwe are therefore reflected only in Fiscal 2018 with effect from March 1, 2018.

Revenue from sale of CSDs represents the significant majority of our revenue from operations (net) in Fiscal 2017 and Fiscal 2018. The following tables show the Sales Volumes of our CSD and NCB beverages and packaged drinking water (in million Unit Cases) in the periods indicated for our India and international territories:

	Fiscal 2017(1)		**Fiscal 2018(2)**	
	Sales Volume	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**
	(million Unit Cases)(3)	**(%)**	**(million Unit Cases)(3)**	**(%)**
CSDs	219.52	78.83%	256.62	75.58%
NCBs	13.66	4.91%	21.18	6.24%
Packaged Drinking Water	45.30	16.26%	61.75	18.18%
Total	**278.48**	**100.00%**	**339.55**	**100.00%**

(1) In Fiscal 2017, our Company acquired franchisee rights for the state of Odisha and parts of the state of Madhya Pradesh with effect from September 26, 2017 and September 27, 2017, respectively. In addition, on March 2, 2017, our Company sold its entire shareholding in Varun Beverages Mozambique Limitada. Accordingly, Varun Beverages Mozambique Limitada ceased to be our Subsidiary with effect from March 2, 2017.

(2) In Fiscal 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively. Further, we entered into a bottling trademark license agreement with PepsiCo International Entities on February 19, 2018 through our subsidiary, VBZPL, for the territory of Zimbabwe and accordingly, Sales Volumes from the territory of Zimbabwe are therefore reflected only in Fiscal 2018 with effect from March 1, 2018.

(3) Calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case.

In Fiscal 2017 and Fiscal 2018, CSDs represented 78.83% and 75.58%, respectively, of the Sales Volume (in million Unit Cases) in such periods. Mountain Dew was the largest carbonated soft drink brand in our licensed territories and sub-territories in these periods. Sales of NCB products have grown in recent periods as we continue to expand our product portfolio as well as on account of grant of distribution rights for Tropicana (100%, Delight and Essentials) products in India. In Fiscal 2017 and Fiscal 2018, NCBs accounted for 4.91% and 6.24% respectively, of our total Sales Volume (in million Unit Cases) in such periods, while packaged water accounted for 16.26% and 18.18% respectively, of our total Sales Volume (in million Unit Cases) in such periods.

Other Income

Other income, comprising interest income on term deposits and others, excess provision written back and miscellaneous, significantly increased by 74.42% from ₹ 125.12 million in Fiscal 2017 to ₹ 218.24 million in Fiscal 2018. The increase was primarily due to an increase in miscellaneous income from ₹ 44.27 million in Fiscal 2017 to ₹ 102.36 million in Fiscal 2018 on account of export incentives and insurance claims, and increase in excess provisions written back from ₹ 1.02 million in Fiscal 2017 to ₹ 58.21 million in Fiscal 2018.

Expenses

Total expenses were ₹ 42,392.85 million in Fiscal 2017 and were ₹ 48,191.73 million in Fiscal 2018,

Total expenses (net of excise duty) increased by 26.03% from ₹ 37,264.48 million in Fiscal 2017 to ₹ 46,963.01 million in Fiscal 2018 which is in-line with increase of 27.52% in our revenue from operations (net) during the same periods.

Cost of Material Consumed

Cost of material consumed increased by 13.84% from ₹ 18,555.09 million in Fiscal 2017 to ₹ 21,122.78 million in Fiscal 2018.

Purchases of Stock-In-Trade

Purchase of stock-in-trade significantly increased from ₹ 277.69 million in Fiscal 2017 to ₹ 1,942.18 million in Fiscal 2018 primarily on account of purchase of Tropicana products from third-party co-packing facilities for which we were granted distribution rights in Fiscal 2018.

Changes in Inventories of Finished Goods, Stock-In-Trade and Work-in-Progress

Changes in inventories of finished goods, stock-in-trade and work-in-progress was ₹ (623.97) million in Fiscal 2018 compared to ₹ (732.22) million in Fiscal 2017.

Total Cost of Goods Sold

Total cost of goods sold increased by 23.98% from ₹ 18,100.56 million in Fiscal 2017 to ₹ 22,440.99 million in Fiscal 2018 which was in line with the increase of 27.52% in our revenue from operations (net) during the same periods.

The following table sets forth certain information relating to costs incurred on account of our key raw materials and packaging materials in India:

Raw Materials and Packaging Materials	**Fiscal 2017(1)**	**Fiscal 2018(2)**
	(₹ million)	**(₹ million)**
Concentrate	3,931.48	4,632.09
Sugar	4,912.52	4,606.39
PET resin, including preform	2,741.13	3,928.35
Others	2,961.10	3,436.18
Total cost of material consumed	**14,546.22**	**16,603.01**

(1) In Fiscal 2017, our Company acquired franchisee rights for the state of Odisha and parts of the state of Madhya Pradesh with effect from September 26, 2017 and September 27, 2017, respectively.

(2) In Fiscal 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively.

As a percentage of total revenue from operations (net), total cost of goods sold marginally decreased from 45.21% in Fiscal 2017 to 43.96% in Fiscal 2018.

In Fiscal 2017 and Fiscal 2018, the cost of concentrate was 27.03% and 27.90%, respectively, of the total cost of raw materials consumed in these periods, in India. In Fiscal 2017 and Fiscal 2018, cost of sugar represented 33.77% and 27.74%, respectively, of our cost of materials consumed in such periods, in India. Prices of sugar in Fiscal 2018 have decreased in comparison with the prices of sugar in Fiscal 2017. The relatively lower price of sugar in Fiscal 2018 compared to that in Fiscal 2017 led to a decrease in total cost of goods sold in Fiscal 2018 as a percentage of our revenue from operations (net) from sugar based PepsiCo products produced by us.

We also incur significant expenses for packaging materials, especially PET resin, including preform, which represented 18.84% and 23.66% of our cost of materials consumed in Fiscal 2017 and Fiscal 2018, respectively, in India. In Fiscal 2018, the prices of PET resin, including preform, have increased in comparison with the prices of PET resin, including preform, in Fiscal 2017.

Excise Duty

In Fiscal 2018, we paid excise duty of ₹ 1,228.72 million compared to ₹ 5,128.37 million in Fiscal 2017 primarily on account of implementation of GST with effect from July 1, 2017.

Employee Benefit Expenses

Employee benefits expenses increased by 25.95% from ₹ 4,628.44 million in Fiscal 2017 to ₹ 5,829.51 million in Fiscal 2018, primarily resulting from an increase in the number of employees following the grant of franchise rights in additional territories in Fiscal 2018 and the additional employees involved in such operations, as well as an increase in the salaries. Salaries, wages and bonus increased by 27.69% from ₹ 4,146.60 million in Fiscal 2017 to ₹ 5,294.74 million in Fiscal 2018. As a percentage of total revenue from operations (net), employee benefit expenses was 11.56% and 11.42% in Fiscal 2017 and Fiscal 2018, respectively.

Finance Costs

Finance costs marginally increased by 0.18% from ₹ 2,121.75 million in Fiscal 2017 to ₹ 2,125.63 million in Fiscal 2018.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by 11.09% from ₹ 3,466.41 million in Fiscal 2017 to ₹ 3,850.70 million in Fiscal 2018. The increase in our depreciation and amortization expense was in line with the addition of fixed assets resulting from the acquisition of additional production facilities and distribution network infrastructure relating to grant of franchise rights for the additional territories in Fiscal 2018.

Other Expenses

Other expenses significantly increased by 42.12% from ₹ 8,947.32 million in Fiscal 2017 to ₹ 12,716.18 million in Fiscal 2018. Other expenses primarily included freight, octroi and insurance paid (net), power and fuel, advertisement and sales promotion, repairs to plant and equipment and net loss on foreign currency transactions and translations. The increase in other expenses were generally in line with the increase of 27.52% in our revenue from operations (net) and also on account of higher freight for distribution in the states of Bihar and Chhattisgarh as we do not operate any production facility in these states. In addition, the increase in other expense was also on account of the provision of foreign exchange loss on account of currency fluctuation in Zimbabwe.

Freight, octroi and insurance paid (net) increased by 77.53% from ₹ 1,774.84 million in Fiscal 2017 to ₹ 3,150.87 million in Fiscal 2018. Power and fuel expenses increased by 21.72% from ₹ 1,600.38 million in Fiscal 2017 to ₹ 1,947.96 million in Fiscal 2018. In addition, the contiguous nature of most of the additional territories granted in Fiscal 2018 with our existing territories enabled us to derive significant operating and cost efficiencies, particularly costs associated with transportation of raw materials and distribution of our products.

Net loss on foreign currency transactions and translations (net) increased from ₹ 58.79 million in Fiscal 2017 to ₹ 600.91 million in Fiscal 2018. The separate financial statements of VBZPL, our Subsidiary, have been prepared in its functional currency, *i.e.* US Dollar and in view of the current economic scenario in Zimbabwe, the net monetary assets denominated in RTGS/ bond notes (local transactional currency of Zimbabwe) of VBZPL have been translated using secondary market exchange rates at year end for consolidation purposes. This has resulted in the recognition of exchange loss of ₹ 654.26 million in our consolidated financial statements and has been disclosed in ‘net loss on foreign currency transactions and translations.

Profit before Tax

For the reasons discussed above, profit before tax was ₹ 4,337.98 million in Fiscal 2018 compared to ₹ 2,909.54 million in Fiscal 2017.

Tax Expense

Total tax expenses increased by 74.18% from ₹ 768.95 million in Fiscal 2017 to ₹ 1,339.35 million in Fiscal 2018, primarily on account of the relatively higher profits which resulted in higher taxes in India and losses incurred in Morocco and Sri Lanka.

Net Profit for the Year

For the various reasons discussed above, and following adjustments for tax expense, share of profits in associate, we recorded a net profit for the year of ₹ 2,998.63 million in Fiscal 2018 compared to ₹ 2,140.59 million in Fiscal 2017. Although we incurred losses in our Morocco and Sri Lanka operations primarily due to high depreciation charge and low capacity utilization level in the respective markets as we were in the process of stabilising our operations in these territories, our Company’s profit at the standalone level as well as of our Nepal, Zambia and Zimbabwe operations was significantly higher and offset the losses incurred in our Morocco and Sri Lanka operations.

Total comprehensive income for the year (including non-controlling interest)

Total comprehensive income for the year (including non-controlling interest) was ₹ 2,810.06 million in Fiscal 2018 compared to ₹ 2,075.51 million in Fiscal 2017.

FISCAL 2017 COMPARED TO FISCAL 2016

The following table sets forth certain information with respect to our results of operations on a consolidated basis for Fiscal 2016 and Fiscal 2017:

Particulars	Fiscal 2016		Fiscal 2017	
	(₹ million)	Percentage of total income	(₹ million)	Percentage of total income
Income				
Revenue from operations	45,314.61	99.22%	45,162.36	99.72%
Other income	357.33	0.78%	126.53	0.28%
Total Income	**45,671.94**	**100.00%**	**45,288.89**	**100.00%**
Expenses				
Cost of material consumed	16,768.99	36.72%	18,555.09	40.97%
Excise duty	6,702.78	14.68%	5,128.37	11.32%
Purchases of stock-in-trade	928.39	2.03%	277.69	0.61%
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(318.55)	(0.70)%	(732.22)	(1.62)%
Employee benefit expenses	4,210.30	9.22%	4,628.44	10.22%
Finance costs	4,325.25	9.47%	2,121.75	4.68%
Depreciation and amortization	3,222.08	7.05%	3,466.41	7.65%
Other expenses	9,063.03	19.84%	8,947.32	19.76%
Total expenses	**44,902.37**	**98.32%**	**42,392.85**	**93.61%**
Profit before tax and share of profit in associate	**769.57**	**1.68%**	**2,896.04**	**6.39%**
Share of profit in associate	23.78	0.05%	13.50	0.03%
Profit before tax	**793.35**	**1.74%**	**2,909.54**	**6.42%**
Tax expense				
- Current tax	442.30	0.97%	547.85	1.21%
- Adjustment of tax relating to earlier periods	(2.80)	(0.01)%	1.60	0.00%
- Deferred tax	(126.54)	(0.28)%	219.50	0.48%
Total tax expense	**312.96**	**0.69%**	**768.95**	**1.70%**
Net profit after tax	**480.39**	**1.05%**	**2,140.59**	**4.73%**
Other comprehensive income				
(a) Items that will not to be reclassified to profit or loss:				
(i) Re-measurement gains/(losses) on defined benefit plans	(52.31)	(0.11)%	10.83	0.02%
(ii) Income tax relating to items that will not be reclassified to statement of profit and loss	17.96	0.04%	(3.39)	(0.01)%
(b) Items that will be reclassified to profit or loss:				
(i) Exchange differences arising on translation of foreign operations	(122.43)	(0.27)%	(94.27)	(0.21)%
(ii) Income tax relating to items that will be reclassified to statement of profit and loss	28.25	0.06%	21.75	0.05%
Total other comprehensive income	**(128.53)**	**(0.28)%**	**(65.08)**	**(0.14)%**
Total comprehensive income for the year (including non-controlling interest)	**351.86**	**0.77%**	**2,075.51**	**4.58%**

- *Our Company acquired PepsiCo India's previously franchised territories in the parts of the state of Madhya Pradesh and state of Odisha in India along with two production facilities at Bargarh and Bhopal (Mandideep) from SMV Beverages, a unit of SMV Agencies Private Limited and SMV Beverages Private Limited, respectively, for a total purchase consideration (excluding adjustment of working capital taken overs as apart of business) of ₹ 470.00 million and ₹ 832.00 million, respectively, on a slump sale basis.*
- *With effect from February 20, 2017, our Company acquired an additional 30% equity shareholding, consisting of 15,000 shares, from other minority shareholders, Africa Bottling Company Limited and Multi Treasure Limited in VBZL, our Subsidiary, for a consideration of ₹ 685.96 million (USD 10.24 million), thereby increasing our Company's ownership stake in VBZL to 90% equity shareholding. Further, since VBZL, was already a subsidiary of our Company, this transaction has not resulted in change in control. Accordingly, difference between the non-controlling interest relatable to 30% equity shareholding, i.e., ₹ 60.61 million and the value*

of consideration is directly recognised in other equity in capital reserve. The expenses incurred for acquisition amounting to ₹ 33.20 million are charged to consolidated statement of profit and loss

- *On March 2, 2017, our Company sold its entire shareholding in Varun Beverages Mozambique Limitada. Accordingly, Varun Beverages Mozambique Limitada ceased to be our Subsidiary with effect from March 2, 2017.*

Our management's discussion and analysis of our financial performance compares our Ind AS Audited Consolidated Financial Statements for Fiscal 2017 with that for Fiscal 2016 (based on the audited consolidated financial statements for Fiscal 2016 prepared under Ind AS for the purposes of inclusion as comparative consolidated financial statements for Fiscal 2017).

Income

Revenue from Operations

Our revenue from operations was ₹ 45,314.61 million in Fiscal 2016 and was ₹ 45,162.36 million in Fiscal 2017. Our revenue from operations (net) increased by 3.68% from ₹ 38,611.83 million in Fiscal 2016 to ₹ 40,033.99 million in Fiscal 2017. This increase was primarily on account of value growth in our existing territories in India and organic growth resulting in an increase Sales Volume in international territories by 6.43% from 51.04 million Unit Cases in Fiscal 2016 to 54.32 million Unit Cases in Fiscal 2017.

Further, revenue from sale of products (net of excise duty) marginally decreased by 1.94% from ₹ 38,202.26 million in Fiscal 2016 to ₹ 38,945.09 million in Fiscal 2017.

Revenue from operations (net) in India represented 76.02% and 75.16% of revenue from operations (net) in Fiscal 2016 and Fiscal 2017, respectively while revenue from operations (net) from our international operations contributed 23.98% and 24.84%, respectively, of our revenue from operations (net) in such periods.

The following table sets forth the revenue from operations (net) in India and from our international operations in the periods indicated :

	Fiscal 2016		**Fiscal 2017**	
	Within India(1)	**Outside India(2)**	**Within India(1)**	**Outside India(2)**
	(₹ million)		**(₹ million)**	
Revenue from operations	35,308.47	10,006.14	34,370.03	10,792.33
Excise Duty	5,957.10	745.68	4,281.07	847.30
Revenue from operations (net)	**29,351.37**	**9,260.46**	**30,090.36**	**9,945.04**

(1) *In Fiscal 2017, our Company acquired franchisee rights for the state of Odisha and parts of the state of Madhya Pradesh with effect from September 26, 2017 and September 27, 2017, respectively.*

(2) *Our Company acquired 51% shareholding of Arctic International Private Limited in VBML with effect from January 1, 2016. Subsequently, on March 2, 2017, our Company sold its entire shareholding in Varun Beverages Mozambique Limitada. Accordingly, Varun Beverages Mozambique Limitada ceased to be our Subsidiary with effect from March 2, 2017. In Fiscal 2016, the territory of Zambia was consolidated with effect from January 1, 2016 pursuant to an acquisition of 60% equity shareholding of Arctic International Private Limited in VBZL. Subsequently, our Company increased its equity shareholding in VBZL from 60% to 90% with effect from February 20, 2017. Further, our Company subscribed to 85% equity shareholding of VBZPL with effect from April 5, 2016 pursuant to a shareholders' agreement dated February 8, 2016.*

Revenue from sale of CSDs represent the significant majority of our revenue from operations (net) in Fiscal 2016 and Fiscal 2017. The following tables show the Sales Volumes of our CSD and NCB beverages and packaged drinking water (in million Unit Cases) in the periods indicated for our India and international territories:

	Fiscal 2016(1)		**Fiscal 2017(2)**	
	Sales Volume	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**
	(million Unit Cases)(3)	**(%)**	**(million Unit Cases)(3)**	**(%)**
CSDs	222.41	80.81%	219.52	78.83%
NCBs	15.80	5.74%	13.66	4.91%
Packaged Drinking Water	37.01	13.45%	45.30	16.26%
Total	**275.22**	**100.00%**	**278.48**	**100.00%**

(1) *In Fiscal 2016, the territory of Zambia was consolidated with effect from January 1, 2016 pursuant to an acquisition of 60% equity shareholding of Arctic International Private Limited in VBZL. Further, our Company acquired 51% shareholding of Arctic*

International Private Limited in VBML with effect from January 1, 2016. In addition, our Company subscribed to 85% equity shareholding of VBZPL with effect from April 5, 2016 pursuant to a shareholders' agreement dated February 8, 2016.

(2) *In Fiscal 2017, our Company acquired franchisee rights for the state of Odisha and parts of the state of Madhya Pradesh with effect from September 26, 2017 and September 27, 2017, respectively. Further, on March 2, 2017, our Company sold its entire shareholding in Varun Beverages Mozambique Limitada. Accordingly, Varun Beverages Mozambique Limitada ceased to be our Subsidiary with effect from March 2, 2017. In addition, our Company increased its equity shareholding in VBZL from 60% to 90% with effect from February 20, 2017.*

(3) *Calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case.*

In Fiscal 2016 and Fiscal 2017, CSDs represented 80.81% and 78.83%, respectively, of the Sales Volume (in million Unit Cases) in such periods. Mountain Dew was the largest carbonated soft drink brand in our licensed territories and sub-territories in these periods. In Fiscal 2016 and Fiscal 2017, NCBs accounted for 5.74% and 4.91% respectively, of our total Sales Volume (in million Unit Cases) in such periods, while packaged water accounted for 13.45% and 16.26% respectively, of our total Sales Volume (in million Unit Cases) in such periods.

Other Income

Other income decreased from ₹ 357.33 million in Fiscal 2016 to ₹ 126.53 million in Fiscal 2017, primarily due to a decrease in excess provision written back from ₹ 205.94 million in Fiscal 2016 to ₹ 1.02 million in Fiscal 2017. Interest income on others, including interest income from body corporate, also decreased from ₹ 74.03 million in Fiscal 2016 to ₹ 25.04 million in Fiscal 2017.

Expenses

Total expenses were ₹ 44,902.37 million in Fiscal 2016 and were ₹ 42,392.85 million in Fiscal 2017.

Total expenses (net of excise duty) decreased by 2.45% from ₹ 38,199.59 million in Fiscal 2016 to ₹ 37,264.48 million in Fiscal 2017, primarily due to a decrease in finance costs.

Cost of Material Consumed

Our cost of material consumed increased by 10.65% from ₹ 16,768.99 million in Fiscal 2016 to ₹ 18,555.09 million in Fiscal 2017.

Purchases of Stock-In-Trade

Our purchase of stock-in-trade decreased from ₹ 928.39 million in Fiscal 2016 to ₹ 277.69 million in Fiscal 2017 primarily on account of acquisition of two production facilities at Phillaur and Satharia in Fiscal 2016.

Changes in Inventories of Finished Goods, Stock-In-Trade and Work-in-Progress

Changes in our inventories of finished goods, work-in-progress and traded goods were ₹ (318.55) million in Fiscal 2016 compared to ₹ (732.22) million in Fiscal 2017.

Total Cost of Goods Sold

Total cost of goods sold increased by 4.15% from ₹ 17,378.83 million in Fiscal 2016 to ₹ 18,100.56 million in Fiscal 2017 primarily due to increase in our purchase of concentrates as well as increase in our cost of purchase of sugar, PET resin, including preform, and other raw materials.

The following table sets forth certain information relating to costs incurred on account of our key raw materials and packaging materials in India:

Raw Materials and Packaging Materials	Fiscal 2016	Fiscal 2017[(1)]
	(₹ million)	(₹ million)
Concentrate	2,924.47	3,931.48
Sugar	4,574.76	4,912.52
PET resin, including preform	2,420.87	2,741.13
Others	3,103.52	2,961.10
Total cost of material consumed	**13,023.62**	**14,546.23**

(1) In Fiscal 2017, our Company acquired franchisee rights for the state of Odisha and parts of the state of Madhya Pradesh with effect from September 26, 2017 and September 27, 2017, respectively.

As a percentage of total revenue from operations (net), total cost of goods sold marginally increased from 45.01% in Fiscal 2016 to 45.21% in Fiscal 2017. Our largest raw material purchases are concentrates and sugar. In Fiscal 2016 and Fiscal 2017, the cost of concentrate was 22.46% and 27.03%, respectively, of the total cost of raw materials consumed in these periods, in India. In Fiscal 2016 and Fiscal 2017, cost of sugar represented 35.13% and 33.77%, respectively, of our cost of materials consumed in such periods, in India. As the relative proportion of packaged drinking water and other non-sugar based or lower sugar based CSDs has increased as a percentage of our total Sales Volumes, the relative cost of sugar consumed, as a percentage of revenues from operations (net), has decreased.

Our expenses for major packaging material, *i.e.* PET resin, including preform, as a percentage of our revenue from operations (net), increased from 18.59% in Fiscal 2016 to 18.84% in Fiscal 2017, in India, primarily due to higher crude oil prices.

Excise Duty

In Fiscal 2017, we paid excise duty of ₹ 5,128.37 million compared to ₹ 6,702.78 million in Fiscal 2016.

Employee Benefit Expenses

Employee benefits expenses increased by 9.93% from ₹ 4,210.30 million in Fiscal 2016 to ₹ 4,628.44 million in Fiscal 2017, primarily resulting from an increase in our number of employees 2017 on account of grant of franchise rights for parts of the state of Madhya Pradesh and state of Odisha, and acquisition of two production facilities. Salaries, wages and bonus increased by 9.36% from ₹ 3,791.87 million in Fiscal 2016 to ₹ 4,146.60 million in Fiscal 2017. As a percentage of total revenue from operations (net), employee benefit expenses was 10.90% and 11.56% in Fiscal 2016 and Fiscal 2017, respectively.

Finance Costs

Finance costs significantly decreased from ₹ 4,325.35 million in Fiscal 2016 to ₹ 2,121.75 million in Fiscal 2017. The significant decrease in finance cost was primarily on account of decrease in interest on item at FVTPL - financial liabilities from ₹ 1,479.32 million in Fiscal 2016 to nil in Fiscal 2017 due to conversion of compulsorily convertible preference shares and compulsorily convertible debentures into equity shares as part of our initial public offering process. There was also a decrease in interest on non-convertible debentures by 35.26% from ₹ 690.88 million in Fiscal 2016 to ₹ 447.31 million in Fiscal 2017.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by 7.58% from ₹ 3,222.08 million in Fiscal 2016 to ₹ 3,466.41 million in Fiscal 2017 resulting from addition of fixed assets on account of acquisition of two additional production facilities and establishing a new production facility at Hardoi in Uttar Pradesh.

Other Expenses

Other expenses marginally decreased by 1.28% from ₹ 9,063.03 million in Fiscal 2016 to ₹ 8,947.32 million in Fiscal 2017. The marginal decrease in other expenses was primarily due to a decrease in freight, octroi and insurance paid (net), loss on disposal of property, plan and equipment (net) and rates and taxes. Freight, octroi and insurance paid (net) decreased by 12.18% from 2,021.05 million in Fiscal 2016 to ₹ 1,774.84 million in Fiscal 2017. This marginal decrease was offset by an increase in advertisement and sales promotion by 18.66% from ₹ 671.89 million in Fiscal 2016 to ₹ 797.24 million in Fiscal 2017.

Profit before Tax

For the reasons discussed above, profit before tax was ₹ 2,909.54 million in Fiscal 2017 compared to ₹ 793.35 million in Fiscal 2016.

Tax Expense

Total tax expenses significantly increased from ₹ 312.96 million in Fiscal 2016 to ₹ 768.95 million in Fiscal 2017 which was in line with increase in our profit before tax during the same periods.

Net Profit for the Year

For the various reasons discussed above, and following adjustments for tax expense, share of profits in associate, we recorded a net profit for the year of ₹ 2,140.59 million in Fiscal 2017 compared to ₹ 480.39 million in Fiscal 2016. Although we incurred losses in our Morocco, Sri Lanka and Zimbabwe operations primarily due to high depreciation charge and low capacity utilization level in the respective markets as we were in the process of stabilising our operations in these territories, our Company's profit at the standalone level as well as of our Nepal and Zambia operations was significantly higher and offset the losses incurred in our Morocco, Sri Lanka and Zimbabwe operations.

Total comprehensive income for the year (including non-controlling interest)

Total comprehensive income for the year (including non-controlling interest) was ₹ 2,075.51 million in Fiscal 2017 compared to ₹ 351.86 million in Fiscal 2016.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed the expansion of our business and operations primarily through equity infusion, debt financing and funds generated from our operations.

CASH FLOWS

The following table sets forth certain information relating to our cash flows in the periods indicated:

Particulars	Fiscal			Six months ended June 30, 2018	Six months ended June 30, 2019
	2016	2017	2018		
	(₹ million)				
Net cash flows from operating activities	8,257.83	6,197.61	9,997.78	9,504.12	12,140.63
Net cash used in investing activities	(10,478.04)	(7,452.67)	(8,734.21)	(3,946.52)	(21,312.31)
Net cash (used in)/ flows from financing activities	2,302.32	1,586.34	(843.91)	(5,090.56)	9,412.84
Net increase/(decrease) in cash and cash equivalents	82.11	331.28	419.66	467.04	241.16
Cash and cash equivalents at the end of year	325.00	649.46	429.36	1,116.50	951.70

Operating Activities

Six months ended June 30, 2019

In the six months ended June 30, 2019, net cash flows from operating activities was ₹ 12,140.63 million. Profit before tax and share of profit in associate was ₹ 6,427.10 million in the six months ended June 30, 2019 and adjustments to reconcile profit before tax to net cash flows primarily consisted of depreciation on property, plant and equipment of ₹ 2,215.75 million and interest expense at amortised cost of ₹ 1,425.36 million. The main working capital adjustments in the six months ended June 30, 2019, included increase in current financial liabilities and other current and non-current liabilities and provisions of ₹ 6,491.00 million. This was offset by a increase in current and non-current financial assets and other current and non-current assets of ₹ 1,609.99 million, increase in trade receivables of ₹ 1,493.76 million and increase in inventories of ₹ 1,208.91 million. In the six months ended June 30, 2019, total cash from operations was ₹ 12,594.96 million and income tax paid amounted to ₹ 454.33 million.

Six months ended June 30, 2018

In the six months ended June 30, 2018, net cash flows from operating activities was ₹ 9,504.12 million. Profit before tax and share of profit in associate was ₹ 4,532.79 million in the six months ended June 30, 2018 and adjustments to reconcile profit before tax to net cash flows primarily consisted of depreciation on property, plant and equipment of ₹ 1,890.16 million and interest expense at amortised cost of ₹ 1,092.31 million. The main working capital adjustments in the six months ended June 30, 2018, included increase in current financial liabilities and other current and non-current liabilities and provisions of ₹ 4,279.05 million. This was offset by an increase in inventories of ₹ 1,262.31 million, an increase in trade receivables of ₹ 813.87 million and increase in current and non-current financial assets and other current and non-current assets of ₹ 443.29 million. In the six months ended June 30, 2018 total cash from operations was ₹ 9,763.60 million and income tax paid amounted to ₹ 259.48 million.

Fiscal 2018

In Fiscal 2018, net cash flows from operating activities was ₹ 9,997.78 million. Profit before tax and share of profit in associate was ₹ 4,307.78 million in Fiscal 2018 and adjustments to reconcile profit before tax to net cash flows primarily consisted of depreciation on property, plant and equipment of ₹ 3,807.56 million and interest expense at amortised cost of ₹ 2,043.57 million. The main working capital adjustments in Fiscal 2018, included increase in current financial liabilities and other current and non-current liabilities and provisions of ₹ 2,279.46 million, increase in inventories of ₹ 1,514.67 million and increase in current and non-current financial assets and other current and non-current assets of ₹ 1,135.34 million. In Fiscal 2018, total cash from operations was ₹ 10,730.66 million and income tax paid amounted to ₹ 732.88 million.

Fiscal 2017

In Fiscal 2017, net cash flows from operating activities was ₹ 6,197.61 million. Profit before tax and share of profit in associate was ₹ 2,896.04 million in Fiscal 2017 and adjustments to reconcile profit before tax to net cash flows primarily consisted of depreciation on property, plant and equipment of ₹ 3,412.46 million and interest expense at amortised cost of ₹ 2,026.05 million. The main working capital adjustments in Fiscal 2017, included decrease in current financial liabilities and other current and non-current liabilities and provisions of ₹ 1,072.04 million, increase in current and non-current financial assets and other current and non-current assets of ₹ 999.04 million and decrease in inventories of ₹ 449.97 million. In Fiscal 2017, total cash from operations was ₹ 6,768.72 million and income tax paid amounted to ₹ 571.11 million.

Fiscal 2016

In Fiscal 2016, net cash flows from operating activities was ₹ 8,257.83 million. Profit before tax and share of profit in associate was ₹ 769.57 million in Fiscal 2016 and adjustments to reconcile profit before tax to net cash flows primarily consisted of depreciation on property, plant and equipment of ₹ 3,143.65 million and interest paid of ₹ 4,255.24 million. The main working capital adjustments in Fiscal 2016, included increase in current and non-current financial liabilities and other current and non-current liabilities and provisions of ₹ 1,335.70 million, increase in inventories of ₹ 392.20 million and increase in current and non-current financial assets and other current and non-current assets of ₹ 381.89 million. In Fiscal 2016, total cash from operations was ₹ 8,838.42 million and income tax paid amounted to ₹ 580.59 million.

Investing Activities

Six months ended June 30, 2019

Net cash used in investing activities was ₹ 21,312.31 million in the six months ended June 30, 2019. This was primarily on account of acquisition under business combination of ₹ 16,551.47 million (including the consideration paid for working capital taken over and investment fund received on acquisition from PepsiCo India) in relation to 2019 New India Sub-Territories and purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors) of ₹ 4,730.77 million primarily in relation to the integrated production facility at Pathankot for manufacturing Tropicana juices as well as manufacturing of preforms and CSD products in aluminium cans.

Six months ended June 30, 2018

Net cash used in investing activities was ₹ 3,946.52 million in the six months ended June 30, 2018. This was primarily on account of purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors) of ₹ 3,815.22 million due to establishing production facilities in Nepal and Zimbabwe, and acquisition under business combination of ₹ 491.80 million in relation to the acquisition of PepsiCo's previously franchised territory in the state of Jharkhand along with a manufacturing unit located at Jamshedpur.

Fiscal 2018

Net cash used in investing activities was ₹ 8,734.21 million in Fiscal 2018. This was primarily on account of purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors) of ₹ 8,586.45 million on account of establishing production facilities in Cuttack, Nepal and Zimbabwe and for certain assets in Chhattisgarh and Bihar, and acquisition under business combination of ₹ 491.80 million in relation to the acquisition of PepsiCo's previously franchised territory in the state of Jharkhand along with a manufacturing unit located at Jamshedpur. This amount was partly offset by proceeds from disposal of property, plant and equipment and intangible assets of ₹ 498.81 million.

Fiscal 2017

Net cash used in investing activities was ₹ 7,452.67 million in Fiscal 2017. This was primarily on account of purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors) of ₹ 5,329.88 million on account of establishing a production facility at Hardoi in Uttar Pradesh, acquisition under business combination of ₹ 1,395.79 million in relation to acquisition of PepsiCo's previously franchised territories in parts of the state of Madhya Pradesh and the state of Odisha along with two manufacturing facilities at Bargarh and Bhopal and purchase of controlling stake in subsidiaries, namely VBZL, amounting to ₹ 719.16 million. Further, in Fiscal 2017, the purchase of current investments of ₹ 350.00 million out of the short-term surplus funds was offset by proceeds from sale of current investments of ₹ 350.44 million.

Fiscal 2016

Net cash used in investing activities was ₹ 10,478.04 million in Fiscal 2016. This was primarily on account of purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors) of ₹ 7,923.96 million on account of acquisition of production facilities located at Phillaur and Sathariya, purchase of controlling stake in subsidiaries (net of cash acquired), namely VBZL, VBML and VBZPL, of ₹ 1,700.88 million and acquisition of business for consolidation consideration of ₹ 1,057.75 million. Further, in Fiscal 2016, the purchase of current investments of ₹ 350.00 million out of the short-term surplus funds was offset by proceeds from sale of current investments of ₹ 350.19 million.

Financing Activities

Six months ended June 30, 2019

Net cash flows from financing activities in the six months ended June 30, 2019 was ₹ 9,412.84 million primarily due to proceeds from borrowing of ₹ 18,229.01 million. This was offset by repayment of borrowings of ₹ 4,727.42 million, repayments of short term borrowings (net) of ₹ 2,260.67 million as well as interest paid of ₹ 1,390.77 million.

Six months ended June 30, 2018

Net cash used in financing activities in the six months ended June 30, 2018 was ₹ 5,090.56 million primarily due to repayment of borrowings of ₹ 5,648.24 million, repayments of deferred payment liabilities of ₹ 3,020.73 million as well as redemption of non-convertible debentures of ₹ 3,000.00 million. This was offset by proceeds from borrowing of ₹ 7,540.75 million.

Fiscal 2018

Net cash used in financing activities in Fiscal 2018 was ₹ 843.91 million primarily due to repayment of borrowing of ₹ 6,435.10 million, repayment of deferred payment liabilities of ₹ 3,020.71 million, redemption of non-convertible debentures of ₹ 3,000.00 million as well as interest paid of ₹ 1,886.00 million. This amount was significantly offset by proceeds from borrowing of ₹ 13,758.54 million.

Fiscal 2017

Net cash flows from financing activities in Fiscal 2017 was ₹ 1,586.34 million primarily due to proceeds from borrowing of ₹ 7,472.04 million and proceeds of non-convertible debentures of ₹ 3,000.00 million. This was significantly offset by repayment of deferred payment liabilities of ₹ 3,619.65 million, repayment of borrowings of ₹ 2,629.47 million as well as interest paid of ₹ 1,556.53 million.

Fiscal 2016

Net cash flows from financing activities in Fiscal 2016 was ₹ 2,302.32 million primarily due to proceeds from borrowing of ₹ 6,937.38 million and proceeds of non-convertible debentures of ₹ 1,800.00 million. This was significantly offset by repayment of redemption of non-convertible debentures of ₹ 5,000.00 million as well as interest paid of ₹ 2,185.68 million.

INDEBTEDNESS AND OTHER ARRANGEMENTS

As of June 30, 2019, our total Indebtedness/ net debt was ₹ 37,294.60 million which represented a net debt to equity ratio of 1.49:1. As of December 31, 2018, our total borrowings was ₹ 28,430.32 million. The following table sets forth certain information relating to our total borrowings as of December 31, 2018, and our repayment obligations in the periods indicated:

	As of December 31, 2018			
	Payment due by period			
	Total	**Not later than 1 year**	**1-5 years**	**More than 5 years**
	(₹ million)			
Short-term and long-term borrowings	26,743.54	8,207.83	17,905.90	629.81
Cross currency interest rate swap	1,686.78	-	1,686.78	-
Total	**28,430.32**	**8,207.83**	**19,592.68**	**629.81**

Majority of the short-term borrowings were obtained from banks and financial institutions in the form of loans and working capital facilities.

Some of our financing agreements also include various conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. We cannot assure you that we will be able to obtain these consents and any failure to obtain these consents could have significant adverse consequences for our business. Specifically, we require consent for change in our capital structure and change in our shareholding pattern. See "*Risk Factors - If we are unable to service our debt obligations in a timely manner or to comply with various financial and other covenants and other terms and conditions of our financing agreements, it may adversely affect our business, prospects, results of operations and financial condition.*" on page 61.

CONTINGENT LIABILITIES

The following table sets forth certain information relating to our contingent liabilities not provided for as of December 31, 2018:

Particulars	**Amount (₹ million)**
Guarantees issued on behalf of other companies	72.30
Claims against the Company not acknowledged as debts (being contested):-	
-For Goods and service tax	1.28
-For excise and service tax	312.51
-For Customs	45.37
-For sales tax/ entry tax	1,012.90
-For income tax	361.84
-Others*	256.88

**excludes pending matters where amount of liability is not ascertainable*

For further information, see *"Financial Statements"* on page 255.

Except as disclosed in the Financial Statements or elsewhere in this Preliminary Placement Document, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth certain information relating to future payments due under known contractual commitments as of December 31, 2018, aggregated by type of contractual obligation:

Particulars	As of December 31, 2018		
	Payment due by period		
	Total	Less than 1 year	1-3 years
	(₹ million)		
Capital commitments			
Non-cancellable operating lease obligations	91.53	37.82	53.71
Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advance ₹ 918.61 million) (December 31, 2017 ₹ 1,344.94 million)	1,334.85	1,334.85	-
Total Contractual Obligations	**1,426.38**	**1,372.67**	**53.71**

CAPITAL EXPENDITURES

In Fiscal 2016, Fiscal 2017, Fiscal 2018 and six months ended June 30, 2019, our capital expenditure was ₹ 4,487.15 million, ₹ 5,235.33 million, ₹ 7,440.21 million and ₹ 20,423.13 million, respectively. The following table sets forth our capital expenditures for the periods indicated:

Particulars	Fiscal			Six months ended June 30, 2019
	2016	2017	2018	
	(₹ million)			
Tangible Assets	3,912.00	3,929.48	4,770.96	22,889.83
Intangible Assets	40.04	807.25	600.06	419.46
Change in capital work-in-progress	535.11	498.60	2,069.19	(2,886.16)
Total	**4,487.15**	**5,235.33**	**7,440.21**	**20,423.13**

The increase in our capital expenditure for tangible assets is primarily on account of plant and machinery acquired as part of our various acquisitions in Fiscal 2017, Fiscal 2018 and six months ended June 2019 including acquisition of the 2019 New India Sub-territories, parts of the state of Madhya Pradesh, the states of Odisha, Bihar, Jharkhand and Chhattisgarh, and establishing production facilities at Hardoi in Uttar Pradesh and Pathankot in Punjab as well as in Nepal and Zimbabwe. While the increase in capital expenditure for intangible assets is primarily on account of goodwill that was acquired as part of various acquisitions.

RELATED PARTY TRANSACTIONS

We enter into various transactions with related parties in the ordinary course of business including sale of goods, sale of raw material and stores, purchase of goods, purchase of raw materials and stores and rent/ lease charges paid/ (received). For further information relating to our related party transactions, see "*Financial Statements*" on page 255.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in the accounting policies of our Company during Fiscal 2016, 2017 and 2018, except for changes in accounting policies on transition to Ind AS during the financial year December 2017.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Interest rates for borrowings have been volatile in India in recent periods. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our policy is to minimise interest rate cash flow risk exposures on long-term financing. We are exposed to changes in market interest rates as some of the bank and other borrowings are at variable interest rates.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. We are exposed to market risk through our use of financial instruments and specifically to currency risk and interest rate risk, which result from our operating, investing and financing activities. Contracts to hedge exposures in foreign currencies and interest rates are entered into wherever considered necessary by the management.

Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to us. We operate through a network of distributors and other distribution partners based at different locations. We are exposed to this risk for various financial instruments, for example, loans granted, receivables from customers and deposits placed. We continuously monitor receivables and defaults of customers and other counterparties, and incorporate such information into our credit risk controls. Appropriate security deposits are kept against the supplies to customers and balances are reconciled at regular intervals. Our policy is to deal only with creditworthy counterparties. In respect of trade and other receivables, we are not exposed to any significant credit risk exposure to any single counterparty. Trade receivables consist of a large number of customers of various scales and in different geographical areas. Based on historical information about customer default rates, our management considers the credit quality of trade receivables. In case the receivables are not recovered even after regular follow up, measures are taken to stop further supplies to the concerned customer. The expected credit loss is based on the five years historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates.

Liquidity Risk

Liquidity risk is that we might be unable to meet our obligations. We manage our liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities and considering the maturity profiles of financial assets and other financial liabilities as well as forecast of operational cash inflows and outflows. Liquidity needs are monitored in various time bands, on a day-to-day basis, a week-to-week basis and a month-to-month basis. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and our ability to avail further credit facilities subject to creation of requisite charge on our assets. We have assessed the concentration of risk with respect to refinancing our debt and believe it to be low.

Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The functional currency of our Company is Indian Rupees ('INR' or '₹'). Most of the transactions of our Company and other entities/ companies are carried out in the respective local currency. Exposures to currency exchange rates primarily arise from, amongst others, the overseas sales and purchases and external commercial borrowings. To mitigate our exposure to foreign currency risk, we continuously monitor non-INR cash flows and hedging contracts are entered into wherever considered necessary.

Commodity Price Risk

We are affected by the price volatility of certain commodities. Our operating activities require the ongoing purchase of sugar and PET resin, including preform, and therefore require a continuous supply. Our financial results can be affected significantly by fluctuations in these prices, which depend on many factors, including demand for these materials, changes in the economy, worldwide production levels, worldwide inventory levels and disruptions in the supply chain. In view of volatility of price of sugar and PET resin, including preform, we also execute various purchase contracts.

TOTAL TURNOVER OF EACH MAJOR INDUSTRY SEGMENT IN WHICH THE COMPANY OPERATED

Our business activities predominantly fall within a single operating segment, *i.e.*, manufacturing and sale of beverages within India. For further information, see "*Industry Overview*" and "*Financial Statements*" on pages 146 and 255, respectively.

SEASONALITY OF BUSINESS

Sales of our beverages are generally significantly higher in the summer months of April through June, due to the heat and warm weather, and considerably lower during the winter months of December through February. Bad weather conditions, including unusually cold or rainy periods, during the peak sales season during summer, may adversely affect our sales volume, results of operations and financial condition, and could therefore have a disproportionate impact on our results of operations in the relevant year. See "*– Factors Affecting Results of Operations and Financial Condition – Seasonality of Business*" on page 144.

SIGNIFICANT DEPENDENCE ON A SINGLE OR FEW CUSTOMERS OR SUPPLIERS

Given the nature of our business operations, we do not believe our business is dependent on any single or a few customers. However, our largest raw material purchases are of beverage concentrates and sugar. In Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, the cost of concentrate was 22.46%, 27.03%, 27.90% and 29.30%, respectively, of the total cost of raw materials consumed in these periods, in India. From this perspective, we are dependent on PepsiCo India and/ or PepsiCo International Entities for beverage concentrate supplies. See "*Risk Factors – A significant majority of our production and sales take place during the summer months, and any adverse weather conditions during such peak sales seasons may materially and adversely affect our sales, results of operations and financial condition.*" on page 61.

In Fiscal 2016, 2017, 2018, and in the six months ended June 30, 2019, cost of sugar represented 35.13%, 33.77%, 27.74%, and 29.14%, respectively, of our cost of materials consumed in such periods, in India. In India, we procure sugar from various sugar mills and wholesale distributors, primarily from the States of Uttar Pradesh and Maharashtra. Sugar prices tend to be volatile, and we do not enter into any long-term supply contracts in place. We place orders depending on our production requirements at negotiated prices, and typically procure sugar from a few key suppliers in India. For our international operations, we procure sugar from various local suppliers through short term or spot purchase agreements. For further information, see "*– Factors Affecting Results of Operations and Financial Condition – Key raw materials prices, packaging material costs and royalty payments*" on page 106.

SIGNIFICANT DEVELOPMENTS AFTER JUNE 30, 2019 THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS

- Pursuant to the recommendation by our Board of Directors in their meeting dated June 17, 2019 and approved by our Shareholders through postal ballot dated July 19, 2019, our Company on July 29, 2019 allotted 91,327,613 bonus equity shares of ₹ 10 each as fully paid-up bonus equity shares, in the proportion of one equity share of ₹ 10 each for every two existing equity shares of ₹ 10 each to the eligible members whose names appeared in the register of members/ list of beneficial owners as on July 27, 2019, *i.e.* record date. Consequently, the paid-up equity share capital of our Company increased from ₹ 1,826.55 divided into 182,655,225 equity shares of ₹ 10 each to ₹ 2,739.83 divided into 273,982,838 equity shares of ₹ 10 each.

- Our Board of Directors approved a payment of interim dividend of ₹ 2.50 per equity share of the face value of ₹ 10 each.

Except as disclosed above and in this Preliminary Placement Document, to our knowledge no circumstances have arisen since June 30, 2019, that could materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

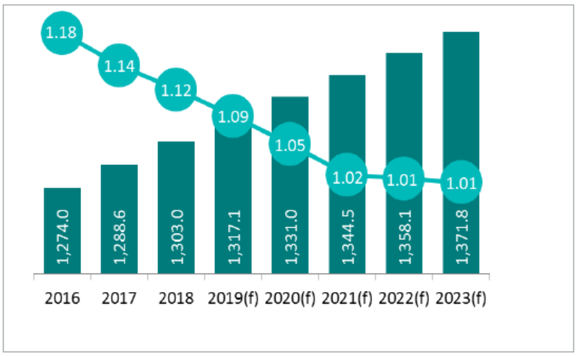
INDUSTRY OVERVIEW

*Unless otherwise indicated, the information in this section is obtained or extracted from "India Soft Drinks Market Insights 2019" dated July 2019 (the "**GlobalData Report**") prepared and released by GlobalData Plc and commissioned by us. Neither we nor any other person connected with the Issue have independently verified this information. The data may have been re-classified by us for the purposes of presentation. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information. The recipient should not construe any of the contents in this report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction.*

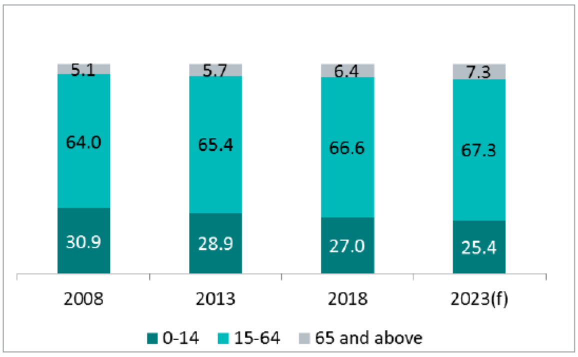
INDIA – MACROECONOMIC TRENDS

The real GDP of India was ₹ 126,946.6 billion (US$ 2,776.3 billion) in 2018, and is expected to be ₹ 180,706 billion (US$ 3,951.9 billion) in 2023. India's nominal GDP was ₹ 187,949.6 billion (US$2,721.9 billion) and is expected to be ₹ 329,485.9 billion (US$ 4,516.6 billion) in 2023. Several key government interventions drive the economy including digitalization; relaxation of the FDI policy for key sectors, such as, construction and real estate; single brand retail; and increasing public pensions and wages.

Population (millions) and annual growth (%)



Population by age group (%)



Labour Market Trends

Unemployment rate in India decreased marginally from 5.15% in 2017 to 5.14% in 2018 and is expected to marginally fall to 5.11% by 2023. The number of people in the workforce is expected to rise from 447 million in 2018 to 473.9 million in 2023. Agriculture is the largest employer in the country followed by construction. In order to provide employment to its large unskilled population pool in rural areas, the government has launched Mahatma Gandhi National Rural Employment Guarantee Scheme to provide at least 100 days of guaranteed employment every year to every household. Moreover, it has raised the bargaining power of agricultural labor, resulting in increased income for peasants, and reduced distress migration.

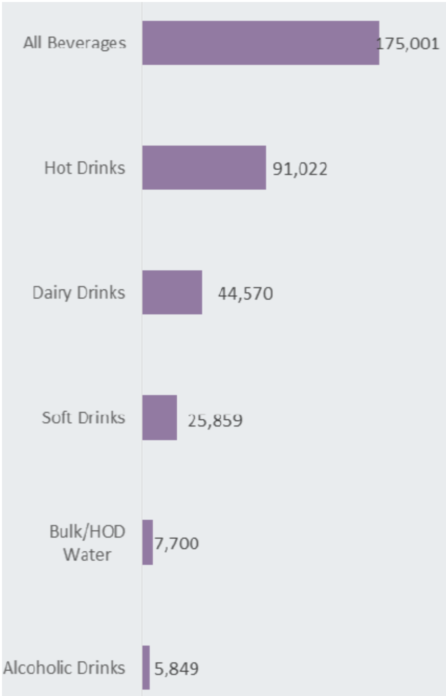
Demographic Trends

India is the second most populous country in the world, following China. In 2018, the country's population stood at 1,303 million and it is expected to grow to 1,371.8 million by 2023. The year-on-year population growth rate fell from 1.14% in 2017 to 1.12% in 2018 and is expected to further decline to 1.01% by 2023. This decrease in population growth rate is largely attributed to falling birth rates in the country India is a young country with individuals in the 15 year to 64 year age group accounting for 66.6% of the overall population in 2018, which provides the country with a large workforce to support economic growth.

INDUSTRY SNAPSHOT

Soft Drinks are expected to record the highest volume growth during 2019 and 2024

Market Volume Million Liters, by Category, 2018



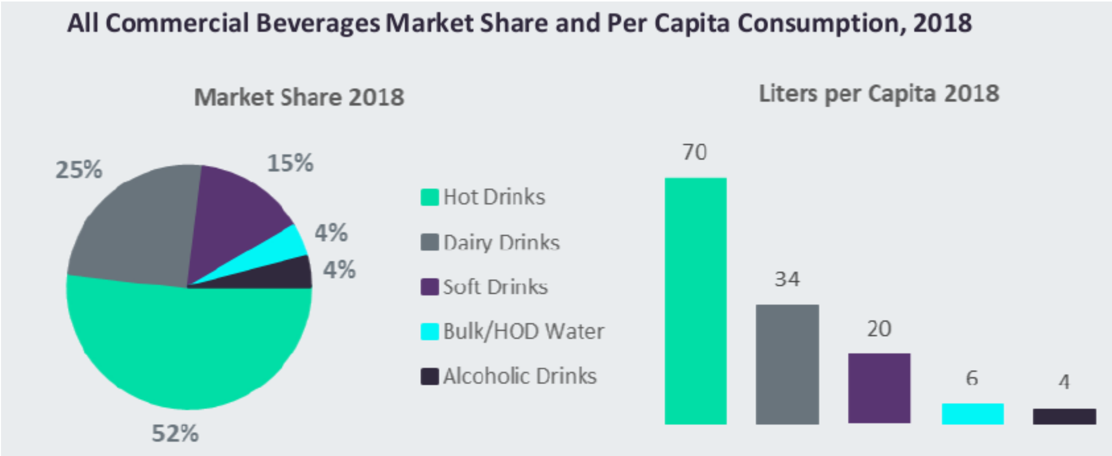
All Commercial Beverages (Million Liters) Incremental Volume

Category	
All Beverages	+36,529
Hot Drinks	+13,379
Soft Drinks	+11,890
Dairy Drinks	+7,779
Bulk/HOD Water	+2,545
Alcoholic Drinks	+937

All Commercial Beverages (Volume) CAGR %, 2019 and 2024 (forecast)

Category	
All Beverages	+3.7%
Soft Drinks	+7.3%
Bulk/HOD Water	+5.6%
Dairy Drinks	+3.2%
Alcoholic Drinks	+2.9%
Hot Drinks	+2.7%

All Commercial Beverages Market Share and Per Capita Consumption, 2018



Enablers of Soft Drink Growth

Growing disposable income. Growing disposable income as a result of the robust economic growth in the country, has led to premiumization, *i.e.* focus on quality soft drinks such as premium packaged water, organic, and cold-pressed juices. This trend towards premium products is an enabler of sector growth.

Healthier Products. Rising awareness on health has resulted in consumers seeking healthier variants of beverages, prompting leading producers, such as PepsiCo, to focus on offering beverages low in sugar.

Challenges

Health Concerns. In line with increasing awareness on health, consumers are becoming cautious about sugar-laden drinks, by preferring healthier or 'better-for-you' beverages, leading to slower growth in categories such as carbonated beverages. This poses a challenge for manufacturers to sustain sales growth while compelling them to develop healthier options.

Rising environmental consciousness. An increase in environmental consciousness is driving a change to societal values regarding ethics, sustainability, and environmentalism, which is ultimately affecting product choice. This is challenging for manufacturers who either have to undertake sustainable measures for production/ packaging or risk losing consumers to competitors.

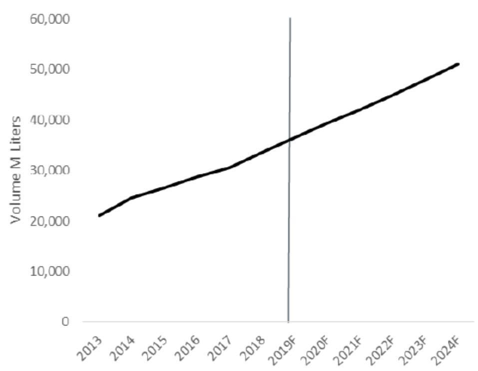
CATEGORY AND SEGMENT INSIGHT

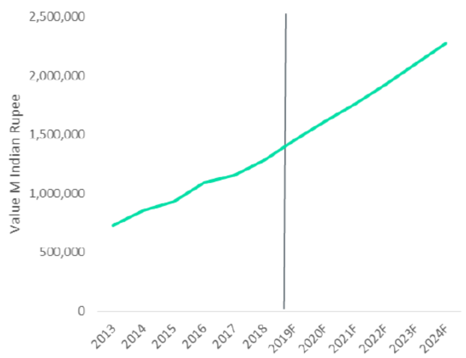
Soft Drinks Volume and Value Growth Projections

Value consistently growing ahead of volume in India.

Volume	
2018:	33,559 M Liters
2017–2018 Growth:	10.2%
2013–2018 CAGR:	9.7%
2019–2024F CAGR:	6.9%

Value	
2018:	₹1,283,458 M
2017–2018 Growth:	11.3%
2013–2018 CAGR:	11.9%
2019–2024F CAGR:	9.4%

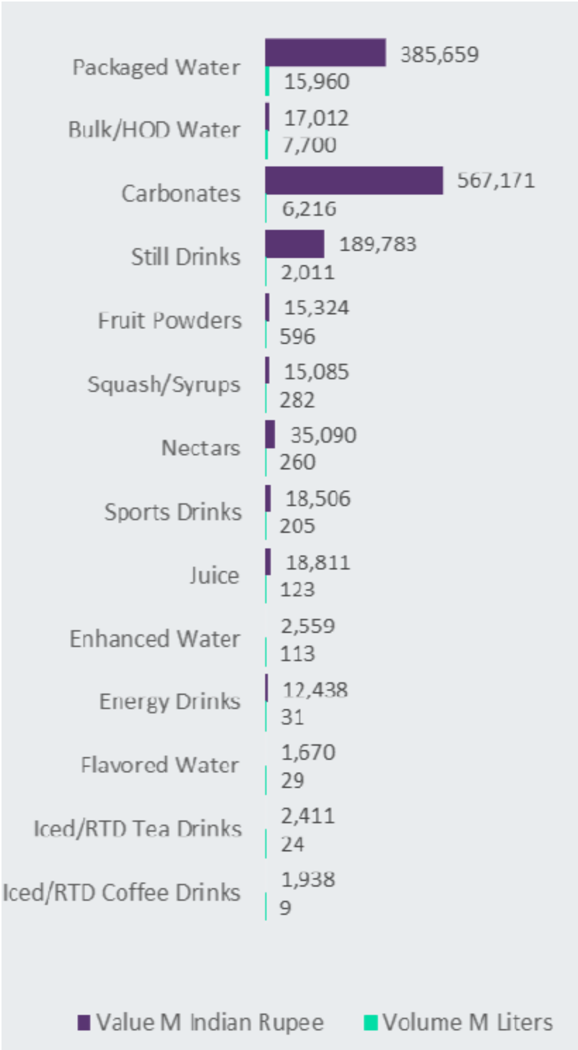




Category Performance

Packaged water will register the highest value and volume CAGRs during the forecast period

Soft Drinks Value and Volume, by Category, 2018



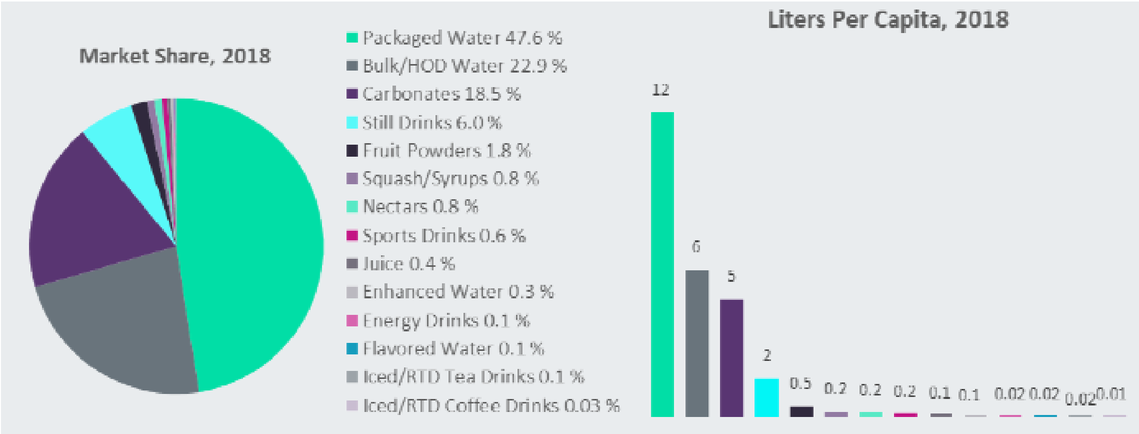
Top Five Best Performing Soft Drinks Categories by Volume (Million Liters), 2018

Category 2017–18 Volume Increment		CAGR 2019–2024F
Soft Drinks	+3,116	+6.9%
Packaged Water	+1,872	+9.0%
Carbonates	+485	+2.6%
Bulk/HOD Water	+448	+5.6%
Still Drinks	+190	+6.6%
Nectars	+25	+7.8%

Top Five Best Performing Soft Drinks Categories by Value (Local Currency Unit Million), 2018

Category 2017–18 Value Increment		CAGR 2019–2024F
Soft Drinks	+129,788	+9.4%
Packaged Water	+54,332	+13.2%
Carbonates	+42,454	+6.0%
Still Drinks	+18,723	+9.6%
Nectars	+4,358	+11.4%
Sports Drinks	+2,205	+9.3%

Soft Drinks Market Share and Per Capita Consumption, 2018



Market growth by category

Energy drinks and enhanced water clocked the highest volume growth in 2018

Energy Drinks

An increasing number of young people in India are consuming energy drinks to get through their daily schedules and strenuous activities, which is leading to high sales growth for energy drinks.

Flavored Water

The demand for flavored water continued to increase among health consciousness consumers as a result of changing consumer lifestyles in urban areas.

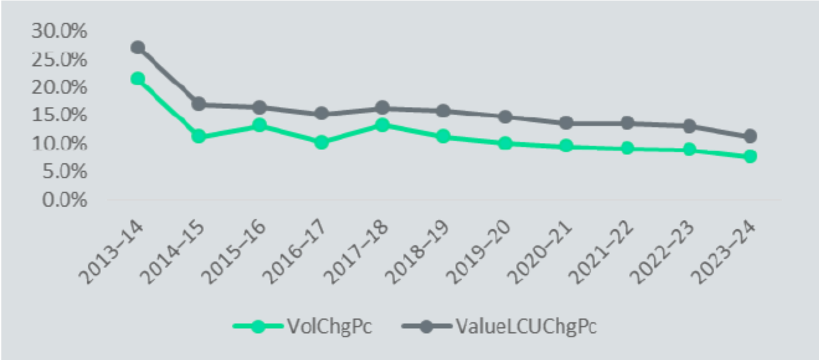
Sports Drinks

The growing consumer inclination towards fitness and sports, particularly in urban areas and growing awareness of such beverages is helping this particular category grow.

Packaged Water

Packaged water refers to plain, still, carbonated and low carbonated water of up to 10 liters. Quality issues in water from utilities and health concerns drive demand for packaged water. Water supply in India has typically been insufficient and inconsistent, particular during the summer months. Water quality has been a major concern for potable water, driving demand for packaged water in India. Other factors driving consumption include growing health concerns and increasing number of tourists that apprehend tap water. Volumes are expected to grow at a CAGR of 9.0% through 2019–2024, with trust building in packaged water over tap water. However, compared to historic rates, growth is expected to slow down due to increasing use of water filters and emergence of fake packaged water products. In 2018, PepsiCo’s volume share was 4.6% and value share was 5.1% in the packaged water category in India.

Packaged Water Volume and Value Evolution (2014 – 2024 forecast)



Emerging Trends and Opportunities in Packaged Water

The decline in water quality in rural and semi-urban areas has resulted in consumers shifting towards packaged water. Established water brands performed well due to consumer perception and trust that they have proper manufacturing and quality check units. Consumers often seek unique and innovative experiences from a product, with 76% Indian respondents stating that the uniqueness of a product influences their decision. Manufacturers seek to address this trend.

To drive sustainable innovation, companies now use a device called an atmospheric water generator, which extracts water from humid air. This method is forecast to have notable effects on the environment. To tackle health concerns, manufacturers incorporate healthy ingredients.

Flavoured Water

Flavored water continues to benefit from increasing consumer perception of these being healthier than carbonated soft drinks and sugary drinks, such as, nectars and still drinks. Increasing health awareness, changing lifestyles, and increasing awareness of the need to be well-hydrated are driving sales of flavored water in India. The category is in its nascent stages, with volume sales of 28.7 million liters in 2018. Flavored water has begun gaining awareness in the recent years, and has found increasing interest among corporate customers which led the category to record 15.7% volume growth in 2018.

Emerging Trends and Opportunities in Flavoured Water

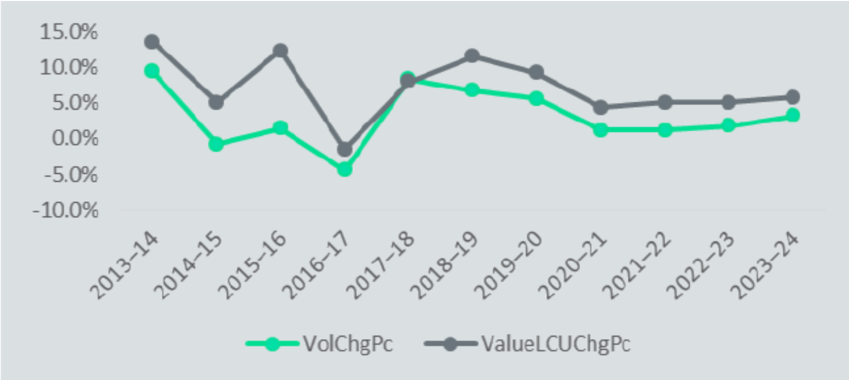
Rising awareness about the harmful effects of artificial ingredients and preservatives on health has initiated the way for an increased demand of natural and pure products among consumers. This has encouraged manufacturers to launch more natural and pure ingredients without any artificial additives, which are generally perceived to be more healthy. Indian consumers often seek non-alcoholic beverages that are enriched with essential nutrients with proven health benefits.

Carbonated beverages

Carbonated beverages refer to sweetened, non-alcoholic drinks containing carbon dioxide and includes cola and non-cola flavors in both regular and low calorie variants. This category has lost its momentum recently due to perception towards these drinks and high tax burdens. Health-conscious millennials have been leaning towards healthy beverage options such as juices. In addition, the government’s decision to introduce a sin tax led to a higher tax burden that now stands at 40% (28% GST + 12% sin tax) which led to increases in prices. These factors have led to a sizable drop in sales growth over the past few years, culminating in a 4.4% decline in sales in 2017.

Diet or sugar-free variants failed to perform as expected partly due to overall growing negative perception and higher prices. However, the category recovered in 2018, with a volume growth of 8.5% driven by increasing sales of smaller and affordable pack sizes, and aggressive marketing campaigns. The health trend that is catching up among consumers, however, will make this recovery a momentary one, with sales growth expected to decline in the coming years. In 2018, PepsiCo's volume share was 28.1% and 30.1% in value share in the carbonated beverages category in India.

Carbonated Beverages Volume and Value Evolution (2014 – 2024 forecast)



Emerging Trends and Opportunities in Carbonated Beverages

Larger companies have lost market share in carbonated beverages to regional and local brands. Both brands have introduced key marketing strategies to address this, such as Pepsi cans and bottles being printed and labelled with popular colloquial words in eight regional languages to attract consumers across India.

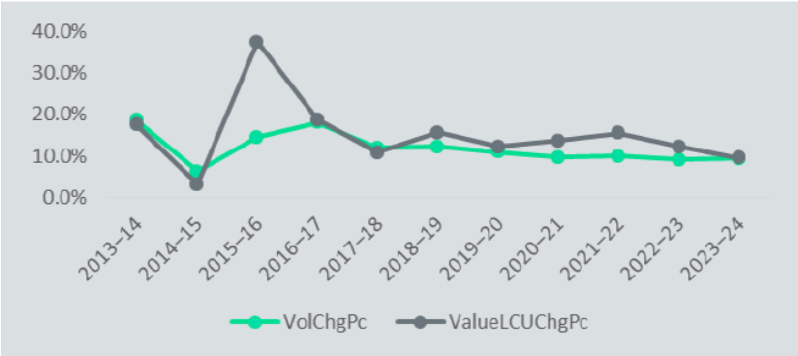
A large young population base and experimental consumers is driving demand for new and innovative flavors of carbonated beverages in India. Further, companies are beginning to add Indian fruit juices to their portfolio. Demand for natural and organic products is rising with rising health consciousness. Manufacturers are increasingly launching carbonated beverages with natural ingredients in them, which is appealing to health-conscious consumers.

Juice

Juices refer to pure 100% fruit juice or vegetable juice with no added ingredients, except permitted minerals and vitamins for the purpose of fortification and permitted additives. PepsiCo is among the leaders in this category in India. In 2018, PepsiCo's volume share was 20.2% and 19.8% in value share in the juice category in India. Juices are among the biggest beneficiaries of changing consumer preferences towards soft drinks, with growing awareness on the risks of regular and high consumption of sugary drinks. This change in preference along with a wide range of established and new flavors and increasing accessibility of these products has driven a strong 11.9% volume growth in 2018. Other factors driving growth include increasing incomes, and changing eating patterns.

With these factors expected to remain strong in the foreseeable future, the juice category is forecast to register strong volume growth. Several manufacturers are expected to further innovate their portfolio with new flavors and expand their presence across various retail formats, which are expected to provide significant traction to future growth in the category.

Juice Volume and Value Evolution (2014 – 2024 forecast)

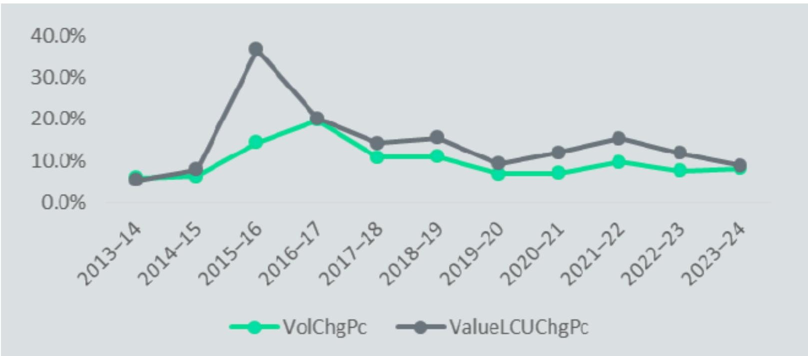


Nectars

Nectars refer to diluted fruit/ vegetable juice and pulp, with a juice content of 25% to 99.99%. Sweetening agents such as sugar, honey, syrups and/ or sweeteners may be added for the purposes of production along with permitted minerals and vitamins for the purpose of fortification. Nectars are the largest category in the juice nectar still drinks categories ("JNSD") in India, with volume sales of 259.3 million liters in 2018. High fruit content makes them appealing, especially for those seeking to move away from carbonated beverages towards healthier options. Availability of various established and new flavors and increasing distribution of these products across various on-trade channels as well as off-trade channels led to increasing consumption of nectars.

Growing health consciousness among consumers is expected to have a positive impact of the category growth in the coming years. Demand is forecast to rise for single as well as mixed fruits and vegetable variants. Growth will also be supported by continuing innovation in flavors and pack sizes, with several companies disclosing plans to launch more variants in the coming years. In 2018, PepsiCo was the second largest company with 19.7% volume share and 20.2% value share in the nectar category.

Nectars Volume and Value Evolution (2014 – 2024 forecast)



Emerging Trends and Opportunities in Juices and Nectars

Growth was mainly due to the high popularity among all age groups and affordability of still drink products. The multiple pack sizes offered at different prices, particularly attracted consumers as still drinks products could be purchased regardless of income levels.

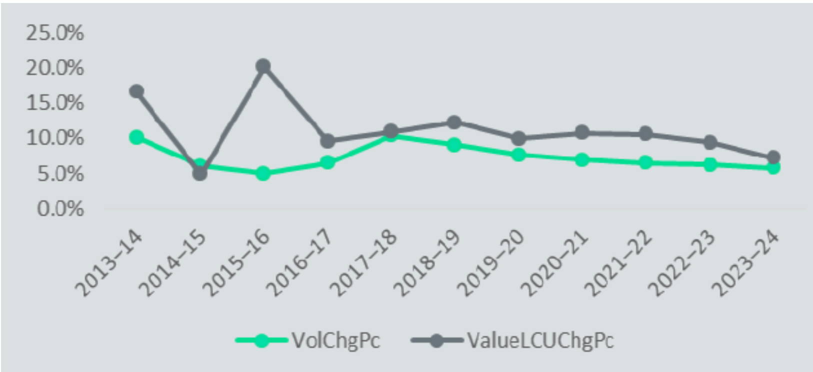
Rising awareness about processed food and beverages is driving demand for natural and organic products, which are perceived to be healthier. Substituting artificial preservatives with real ingredients is popular among health conscious consumers and products. Further, weight-conscious Indian consumers are increasingly seeking sugar-free non-alcoholic beverages which are low-calorie and healthier than regular sugary drinks. A considerable young population base that is also experimental has paved the way for innovative tastes and flavors.

Still Drinks

Still drinks refer to flavored ready-to-drink, non-carbonated products, which may be fruit or non-fruit flavored and have a juice content of up to 24.9%. These may also include sugar, artificial flavors and colors. Still drinks are the most popular among JNSD categories, representing 84% volume share of these categories. A general rise in preference for more natural and sugar- and preservative-free beverages has underpinned the success of the category in recent years. Growing population, warm climatic conditions during most of the year and increasing purchasing power has driven consumption, and is expected to continue through to 2024.

Leading companies continued to make significant inroads, supported by marketing and promotional campaigns. A well-entrenched distribution of these products in urban and rural markets and creating advertising helped record sizable growth in 2018. The still drinks category in India is relatively more fragmented compared to juices and nectars, marked by presence of international, national, and regional competitors. In 2018, PepsiCo's volume share was 11.1% and 11.5% in value share in the still drinks category in India.

Still Drinks Volume and Value Evolution (2014 – 2024 forecast)

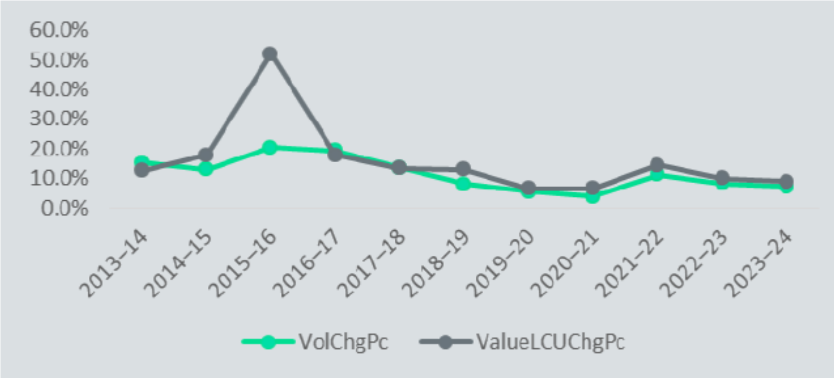


Sports Drinks

Sports drinks refer to performance-enhancing products, described as 'isotonic' or 'in balance with', 'hypertonic' or 'lighter than', 'hypotonic' or 'heavier than', body fluids. This is an emerging category that is continuing to gain prominence as awareness on fitness continues to grow. The growing consumer inclination towards fitness and sports, particularly in urban areas and growing awareness of such beverages is helping the category grow. They are primarily consumed by sports enthusiasts and gym-goers to regain essential vitamins, electrolytes, and minerals lost due to rigorous physical activity, in addition to hydration. The increasing number of sporting events across the country and a growing gym culture, general rise in awareness of sports drinks and their benefits, are driving sales.

Further, sports drinks brands are expanding in various channels contributing to their higher visibility and appeal among consumers. Consumption of sports drinks may rise further to 2024, with these trends expected to continue. However, growth is forecast to slow down due to higher penetration and shrinking untapped target market. In 2018, PepsiCo's volume share was 2.5% and 2.6% in value share in the sports drinks category in India.

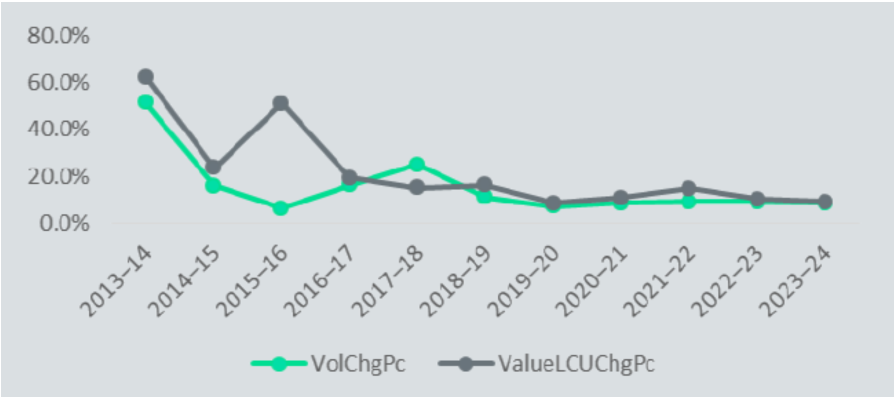
Sports Drinks Volume and Value Evolution (2014 – 2024 forecast)



Energy Drinks

Energy drinks refer to energy-enhancing products, mainly carbonated and containing stimulants such as caffeine, taurine, guarana, glucuronolactone, yerba mate, along with glucose syrup (corn syrup) and maltodextrin. Following a period of subdued growth due to bans arising from non-compliance on caffeine content and resultant loss in consumer confidence, energy drinks in India regained momentum in 2017 and 2018. Growing interest among young, urban, and busy consumers is driving consumption of energy drinks. An increasing number of young people in India are consuming energy drinks to handle hectic schedules and strenuous activities which is leading to high sales growth. Increasing trend of social gatherings where consumption of these products is gaining popularity and their use as cocktail mixtures are also fueling growth. These factors are also expected to drive growth in the category to 2024. In 2018, PepsiCo's volume share was 24.2% and 9.0% in value share in the energy drinks category in India.

Energy Drinks Volume and Value Evolution (2014 – 2024 forecast)



Emerging Trends and Opportunities in Sports and Energy Drinks

Consumer's interest is shifting from mass products to personalized products, with light taste and fashionable design attracting the younger generation. Sports drinks brands need to innovate, and meet the health-conscious trend to continue to appeal to the young consumer group. Consumption has increased through gyms, convenience stores in highway gas stations, stores in schools and vending machines, due to growing concerns on health. On-the-go impulse purchases continued to dominate on-premise consumption, particularly as consumers are changing their lifestyles. More people go to the gym frequently, which creates more demand for sports drinks products. Unusual flavors is an emerging trend as consumers are willing to try new flavors. Manufacturers are accordingly introducing unusual flavors in energy drinks to appeal to variety seeking consumers. Rising awareness about the harmful effects of artificial ingredients is resulting in increased demand for natural and organic products. Manufacturers are therefore formulating energy drinks with organic ingredients which appeal to consumers seeking natural products.

Future Categories

Functional Benefits – Juice

Volume 2018
123.0 m liters

2013–2018 CAGR%
13.8%

2019–2024F CAGR%
9.8%

Value 2018
₹18,811.1 m

2013–2018 CAGR%
17.1%

2019–2024F CAGR%
12.6%

Flavor Infusion – Packaged Water

Volume 2018
15,960.3 m liters

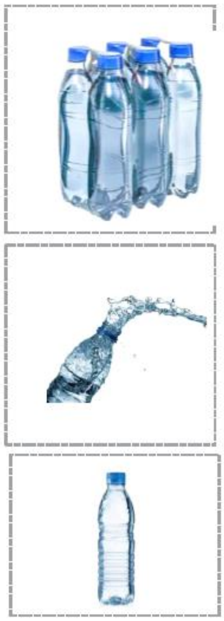
2013–2018 CAGR%
13.8%

2019–2024F CAGR%
9.0%

Value 2018
₹385,658.9 m

2013–2018 CAGR%
18.4%

2019–2024F CAGR%
13.2%



Key Drivers of Change across the Soft Drinks Sector

Growth Enablers

Smaller Packs. With some of the product categories witnessing sizable increases in prices, manufacturers are trying to tackle this by launching smaller packs of their popular drinks – a move that resulted in continued growth in volumes. Further, this has helped companies address the requirements of cost-conscious consumers.

Convenience and Health. Changing lifestyles of urban consumers brought about significant changes to their eating and drinking habits. With these consumers being busy, the necessity for food/drink intake in shorter time periods has come to the fore, making them seek products that can offer nutrition in lesser time while enabling consumption on-the-go.

Challenges

Awareness. While manufacturers have succeeded in developing and launching a range of healthy products, many continue to have lower sales due to lack of awareness related to their availability and/ or benefits they offer.

Higher Prices. High prices of products such as enhanced waters, flavored waters and juices are limiting their growth. While promoting these as exotic and premium products, and targeting specific consumers, manufacturers succeeded in recording significant growth, it is expected to slow down as penetration increases in these target markets while products remain out of reach for most others.

COMPANY AND BRAND INSIGHT

Leading Company Volume Performance

PepsiCo is the second leading company in terms of performance in 2018, producing 3,030 million liters. PepsiCo was also the second largest company in terms of value performance amounting to ₹ 225,915 million in 2018. In 2018, PepsiCo has a value share of 17.6% and a volume share of 9.0% amongst the soft drinks companies. The company has its presence in several categories, including carbonated beverages, packaging water, and bulk water. Volume growth in 2018 was mainly driven by its leading brands Mountain Dew and

Aquafina. Aquafina had a market share of 5% in terms of both volume and value share in the packaged water category in 2018. In addition, Aquafina had a market share of 6% in terms of value in 2018 in the bulk/ HOD water category. Mountain Dew had a market share of 11% and 12% in terms of volume and value, respectively, in 2018 in the carbonated beverages category. Further, Tropicana had a market share of 20% in terms of both volume and value in 2018, in the juice category in India. Tropicana also had a market share of 20% in terms of both volume and value in 2018, in the nectars category in India. Gatorade had a market share of 2% in terms of both volume and value in 2018, in the sports drink category.

Key Drivers and Brand Change

Growth Enablers

Innovation. Increasing competition has made consumers more experimental and less loyal, compelling manufacturers to innovate offerings, most notably in JNSD categories and carbonated beverages. In the latter case, manufacturers are battling higher taxes hence focusing on fruit mix products as a way to innovate and avoid taxes.

On-the-go. The high mobility of young, urban consumers is driving them to choose portable alternative formats of beverages. Led by the growing popularity of on-the-go consumption, smaller pack sizes of soft drinks are increasingly being preferred by busy, young consumers. In addition, manufacturers are focusing on developing products that can refresh, hydrate, and/or re-energise consumers with hectic lifestyles.

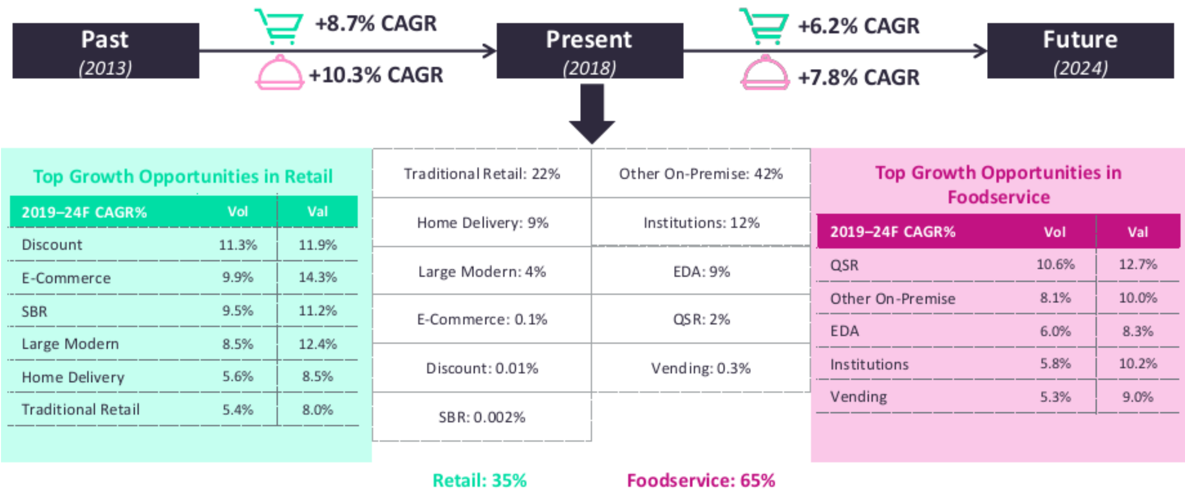
Challenges

Regional companies. Regional businesses have a considerable presence in the market, by capitalizing on better distribution network in specific regions, smaller packs, and affordable price points, posing significant challenges for international and national competitors to expand their reach.

Sin Tax. Carbonated beverages continue to be subject to high tax burden, and with the introduction of GST the government ensured a high 40% tax on these products, greater than anticipated. Categorizing carbonated beverages as sin resulted in a GST of 28% and a 12% sin tax, making these products expensive and negatively impacting demand.

Sub-Channel Evolution in Soft Drinks

Traditional retail was the largest off-premise channel in the Indian soft drinks sector in 2018. Foodservice led soft drink sales in India in 2018, while retail channels accounted for 35% of total volume sales. Off-premise sub-channels, such as discount stores and e-commerce, are forecast to record the fastest volume and value growth, respectively, over 2019–2024, while quick service restaurants are projected to contribute the highest growth within the foodservice channel during the same period.



Key Drivers of Change within Channel

Double taxation limits e-commerce focus in some categories. While e-commerce is a new growth avenue, double taxation of products under GST sold through the channel has discouraged focus on this avenue.

Booming retail industry fuels growth. The Indian retail sector continues to grow, fueled by increasing incomes, rapid urbanization, and entry of several leading national and international companies. Availability of a vast selection of goods and lower price points makes hypermarkets one of the leading channels driving sales of soft drinks. This enables manufacturers to improve visibility and awareness and in turn generate higher sales.

E-commerce – the new area of focus. Despite accounting for a small share in overall off-trade channels, e-commerce is gaining significance as a channel of distribution for soft drinks. Growing internet penetration has fueled growth in e-commerce industry, driving online purchases of a range of goods. Companies such as PepsiCo intend to focus on e-commerce to boost sales in the coming years.

On-premise continues to fuel growth. On-premise represents the largest and fastest growing channel for soft drinks. Increasing food outlets driven by increasing incomes and rapid urbanization are providing ample opportunities for growth. The trend is expected to continue, prompting manufacturers to focus distribution in the channel.

CONSUMER AND INDUSTRY ISSUES

Healthy Lifestyles

In an attempt to lead a healthy lifestyle, consumers are focusing on health claims such as ‘high in nutrients’ and ‘low in sugar’. A variety of flavored water are being launched, high in nutrients such as essential vitamins and minerals which will drive demand for this category. Due to their high sugar content and greater incidences of lifestyle diseases such as diabetes and carbonated beverages are likely to lose out to this trend. Manufacturers are increasingly launching RTD tea and coffee drinks with low calorie content to enable consumers to maintain weight, making them appealing to health-conscious consumers.

Flavor Innovation

Flavor innovation is popular in carbonated beverages and juices, and experimental young consumers seek unconventional products with new and exciting flavors, pushing manufacturers to innovate on taste and flavors. Flavored water is being introduced in flavors such as sweet cherry and green apple which is witnessing rising demand among consumers. Carbonated beverages with unusual flavors such as pineapple and coconut flavored soft drinks, and juices of unusual fruits, such as soursop, are becoming popular in India, owing to the experimental palate of consumers in the country.

Natural Ingredients

Natural ingredients in soft drinks will become popular and health-attentive consumers seek clean label and organic products which are less processed and made of natural ingredients. A large number of enhanced and flavored waters are being launched infused with natural flavors and free from artificial additives making them popular among consumers. As carbonated beverages are usually highly processed and have added preservatives, which are generally perceived to be unhealthy, they may lose out to this trend. Manufacturers are increasingly launching juices with organic ingredients with claims such as ‘certified organic’ and ‘zero processed’ which is appealing to consumers seeking natural products.

Personalization

Products created for children with health benefits are gaining traction. Squashes and syrups are being increasingly developed for children with companies offering toys and stickers with their products in order to appeal to children. Flavored water for children have been launched that are ‘free from artificial colors, flavors, and preservatives’. High sugar content in children’s soft drinks has been linked to the rising obesity levels and related diseases. As a result, parents are motivated to look for healthier alternatives while still appealing to children.

Time Scarcity

Increasing employment rate and high urbanization has led to less time, which has resulted in consumers seeking convenient time saving products. Pre mixes and dilutables with formulas for instant preparation are a convenient format for busy consumers. Metal cans and small PET bottles are favored in sports and energy drinks packaging which makes them very convenient and can be easily consumed on-the-go. Juices and nectars comes in single serve tetra packaging for easy consumption, making them convenient.

PRODUCT AND PACKAGING INSIGHT

Key Product Insights in Soft Drinks

Set out below are the most notable changes in product trends for the soft drinks sector in India:

Increased Content of natural and real ingredients. Brands are highlighting the content of natural and unprocessed ingredients in response to consumers' demands for better quality products. These include claims on being free-from preservatives, additives, and sugar, highlighting purity of products. Non-artificial drinks also promote a 'better-for-you' image to appear healthier than others, targeting those who desire a supplementary or functional claim in their drinks. This is common in juices that add actual ingredients rather than artificial flavor.

Energizing functions. Concerns over stress, fatigue, and busy lifestyles compel consumers to seek energy-boosting beverages that also commonly promote added nutrients such as vitamins or "superfoods". Combined with health concerns, different segments prefer energizing ingredients with natural and health-directed claims.

Experimenting with local food flavors. For flavor innovation, brands are going beyond conventional drink flavors. By fusing tastes from food, such as spices into drinking products, companies could appeal to experimental individuals. This may expand consumers' sensory experience of consuming drinks and create more complex flavor for a more indulgent product.

Key Packaging Insights in Soft Drinks

Set out below are the most notable changes in packaging trends in the soft drinks sector:

Packaging that mimics or highlights the "feature". Products that appear to have a "feature" with brands drawing attention to their packaging and enticing consumers by new shapes resembling an ingredient or production process. For example, a RTD coffee that resembles the shape of the steel tumblers filter coffee is associated with, or transparent packaging to highlight "real" ingredients, such as fruit juice displaying pulp texture.

Smaller packaging sizes. Manufacturers are reducing package sizes for portable products for on-the-go consumption, to appeal to the working crowd seeking flexibility with consumption times and location. This also ties in with consuming smaller amounts for health-conscious consumers. This aids moderation for the unhealthy nutritional values such as sugar, and mitigates launching sugar-free drinks that potentially compromise on taste.

Sustainability and recyclable bottles. Increased consumer awareness as well as sustainability trends and waste have prompted brands to avoid non-recyclable plastic. Topical subjects such as plastic pollution have motivated companies to look for more environmentally friendly packaging to benefit brand image.

High growth segments and emerging consumer trends

Emerging consumer trends include personalization for consumers that are attracted to specially designed products; introducing new flavors for experimental consumers seeking new tastes; addressing time constraints to accommodate busy lifestyles; introducing fresh and natural products to address rising health consciousness; and launching low calorie options.

SUMMARY

Rising consumer spending fuels growth. India remains one of the fastest growing economies, and is set to become the third largest consumer market worldwide in the next decade or so. Increasing income, rising consumer spending, rapid urbanization, and growing rural consumption together with growth in related industries such as retail and e-commerce are expected to further drive consumer spending. Despite an apparent slowdown in the Indian economy in Fiscal 2019, GDP growth predictions from the World Bank for the next three fiscals of 7.3% to 7.5% mean further growth in consumer spending suggesting increasing demand for soft drinks.

Low per capita consumption bodes well for growth. Although soft drinks consumption is on the rise, India's soft drink consumption is low when compared to other markets such as US, Germany, Brazil and Mexico. As of 2016, per capita consumption of soft drinks in India was 44 bottles, while the same in the US was 1,496 bottles. Rising incomes, a growing middle class, rapid urbanization, changing lifestyles, and bridging gap between rural and urban consumption growth are expected to fuel further increases in the coming years. This bodes well for soft drinks manufacturers operating in the country.

Increasing shift towards healthier drinks. A combination of initiatives and growing consumer awareness on consumption is altering consumer preferences in soft drinks. Consumers increasingly prefer healthier drinks such as packaged water, to sugary beverages such as carbonated beverages. Further, the introduction of a sin tax on carbonated beverages and ban on sale of several energy drinks in the recent past as a result of lapses in complying with standards for ingredients have raised awareness among consumers and also enabled them to make more informed decisions on the beverages they consume, increasing demand for healthy beverages.

Innovation boosts consumer interest. A range of factors from growing competition to new taxes has compelled the Indian soft drinks sector to continuously innovate in terms of product variants, flavors and packaging. Competition drives innovation in flavors, with manufacturers launching different flavors and offering unique products. Increasing product prices and trend towards on-the-go consumption has prompted companies to launch affordable smaller pack sizes. High taxes and sin tax forced carbonated beverages manufacturers to focus on developing fruity concoctions to reduce taxes while catering to changing consumer preferences.

HIGH GROWTH SEGMENTS AND EMERGING CONSUMER TRENDS

Personalization. Consumers are attracted to personalized products which are specifically designed for particular gender or age groups. This is particularly applicable to enhanced water beverages and juices.

New Flavors. Consumers are driven by the need to experiment, either to engage with others cultures tastes or in order to indulge in something new. Consumers are therefore interested in products that offer different and more enjoyable flavors.

Time Scarcity. Busy lifestyles is driving time saving convenient products which can be prepared and consumed instantly. This is particularly in the cases of packaged water and juices.

Fresh and Natural, Low Calorie. Rising health consciousness and continuous efforts to be fit is driving demand for low-calorie, non-alcoholic beverages. Further, natural and organic options are gaining traction owing to increasing awareness about the negative health impacts of processed beverages

PRODUCT LAUNCH KEY TAKEOUTS

- Health benefits of natural ingredients is expected to drive growth for organic products. Rising awareness of negative health impacts of processed food and beverages is leading consumers to seek more naturally formulated products. Pure and organic ingredients are becoming popular and manufacturers are increasingly launching non-alcoholic beverages with real ingredients and eliminating artificial additives, colors, and flavors

- Beverages designed for children are becoming popular among consumers, with parents wanting the best products for their children, demand for child-specific non-alcoholic beverages is growing rapidly. Manufacturers are accordingly formulating products with essential nutrients and are incorporating attractive packaging to appeal to the children as well as parents.

- Demand for low calorie and sugar-free beverages is expected to continue owing to weight-consciousness and obesity related diseases prevailing among consumers, Manufacturers are constantly formulating non-alcoholic beverages with 'sugar free' and 'zero calorie' claims in order to gain consumer attention towards their brands.

Flavor innovation will continue to gain traction with a young population and experimental palates.

OUR BUSINESS

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" on page 14 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting our Results of Operations" on pages 54 and 102, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our fiscal year ends on December 31 of each year, and references to a particular Fiscal are to the twelve-month period ended December 31 of that year. In this section, unless otherwise indicated or the context otherwise requires, a reference to "our Company" is a reference to Varun Beverages Limited on a standalone basis, while any reference to "we", "us", "our" or "Group" is a reference to Varun Beverages Limited, its subsidiaries and its associates on a consolidated basis.

Under applicable regulations, we were required to prepare standalone and consolidated financial statements in accordance with Ind AS for Fiscal 2017 (together with the corresponding standalone and consolidated financial statements under Ind AS for Fiscal 2016). Our historical standalone and consolidated financial statements for Fiscal 2016 and any period prior to Fiscal 2016 were originally prepared in accordance with Indian GAAP. In this Preliminary Placement Document, we have therefore included the Indian GAAP Audited Consolidated Financial Statements for Fiscal 2016, the Ind AS Audited Consolidated Financial Statements for Fiscal 2017 and Fiscal 2018, and the Ind AS Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019. For further information, see "– Presentation of Financial Information - Transition from Indian GAAP to Ind AS Financial Statements" and "Financial Statements" on pages 100 and 255, respectively.

Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on our Ind AS Audited Consolidated Financial Statements, and the Ind AS Stock Exchanges Interim Financial Results for the quarter and half year ended June 30, 2019. For further information, see "Financial Statements" on page 255.

Ind AS varies in many respects from Indian GAAP, and accordingly our Ind AS financial statements for Fiscal 2016, Fiscal 2017, Fiscal 2018 and the six months ended June 30, 2019 are not directly comparable with our historical Indian GAAP financial statements. See "Financial Statements" and "Risk Factors - We were required to prepare and present our financial statements under Ind AS with effect from January 1, 2017 (with January 1, 2016 as the transition date). Our Ind AS financial statements are not directly comparable with the historical Indian GAAP financial statements included in this Preliminary Placement Document." on pages 255 and 72, respectively.

*The Sales Volume information presented in this section represents sales to our customers in our licensed territories but does not include any sales to PepsiCo or any other franchisees of PepsiCo. Sales to PepsiCo and/ or other PepsiCo franchisees are reflected in our revenues from operations. However, such sales have not been significant in the last three Fiscals and in the six months ended June 30, 2019. We do not make any such sales other than in India. Sales Volume information in any Fiscal period included in this section cannot be directly correlated to our revenues from operations in the respective Fiscal. Further, the Sales Volume is calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case ("**Unit Case**").*

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "India Soft Drinks Market Insights 2019" dated July 2019 (the "**GlobalData Report**") prepared and released by GlobalData Plc and commissioned by us and other publicly available information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the GlobalData Report and included herein with respect to any particular year refers to such information for the relevant calendar year.*

Overview

We are one of the largest franchisee in the world (outside USA) of carbonated soft drinks ("**CSDs**") and non-carbonated beverages ("**NCBs**") sold under trademarks owned by PepsiCo Inc., PepsiCo India, Stokely-Van

Camp Inc. ("**SVC**"), Tropicana Products Inc. ("**TPI**") and/ or their affiliates (collectively, "**PepsiCo**"). We produce and distribute a wide range of CSDs, as well as a large selection of NCBs, including packaged drinking water. PepsiCo CSD brands produced and sold by us include Pepsi, Pepsi Black, Diet Pepsi, Pepsi Max, Mirinda Lemon, Mirinda Orange, Mountain Dew, Slice Fizzy, Seven-Up, Seven-Up Nimbooz Masala Soda, Teem, Sting, Duke's and Evervess. PepsiCo NCB brands produced and sold by us include Tropicana Slice, Tropicana Frutz (Lychee, Apple and Mango), Tropicana Juices (100%, Delight and Essentials), Seven-Up Nimbooz, Gatorade, Aquafina flavour splash, Ole, as well as packaged drinking water under the brand Aquafina and Aquavess.

As of June 30, 2019, we have been granted franchises for various PepsiCo products across 27 States and seven Union Territories in India. India is our largest market and contributed 81.45%, 80.49%, 80.54% and 85.19% of our total Sales Volume (in million Unit Cases) in Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, respectively. We have also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. We have been associated with PepsiCo since the 1990s and we have consolidated our business association with PepsiCo over two and half decades, increasing the number of licensed territories and sub-territories covered by us, producing and distributing a wider range of PepsiCo beverages, introducing various SKUs in our portfolio, and expanding our distribution network. For further information on our franchise arrangements with PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities, see "*– Relationship with PepsiCo*" on page 171.

According to the GlobalData Report, the soft drinks industry in India is expected to record the highest volume growth among all commercial beverages at a CAGR of 7.3% from 2019 to 2024. Further, the market share for soft drinks in India was 15% among all commercial beverages in 2018 (*Source: GlobalData Report*). Our demonstrated ability to grow PepsiCo product sales in our territories and sub-territories has led to PepsiCo and/ or the PepsiCo International Entities licensing additional franchises to us, including sub-territories in India that were earlier directly operated by PepsiCo or by third-party bottlers. PepsiCo was the second largest company in the soft drinks industry in India with a value share (in terms of ₹) of 17.6% and volume share (in terms of million litres) of 9.0% in 2018 (*Source: GlobalData Report*). Our Sales Volumes in our sub-territories in India have increased at a CAGR of 10.45% from 224.18 million Unit Cases in Fiscal 2016 to 273.49 million Unit Cases in Fiscal 2018 and was 243.26 million Unit Cases in the six months ended June 30, 2019. Until April 30, 2019, our licensed sub-territories in India included Arunachal Pradesh, Assam, Chandigarh UT, Bihar, Chhattisgarh, Delhi UT, Goa, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Punjab, Rajasthan, Uttarakhand, Uttar Pradesh, Sikkim, Tripura, West Bengal as well as certain designated parts of the following sub-territories: Maharashtra and Karnataka (collectively, the "**2019 Existing India Sub-Territories**"). As part of PepsiCo's strategy of consolidating certain PepsiCo-operated sub-territories in India under long-term bottling partners, pursuant to a business transfer agreement entered into with PepsiCo India on February 18, 2019 ("**PepsiCo India BTA**"), we were granted, with effect from May 1, 2019, franchises for the following additional sub-territories in India: Andaman and Nicobar Islands UT, Daman and Diu UT, Dadra & Nagar Haveli UT, Gujarat, Kerala, Lakshadweep UT, Tamil Nadu, Telangana (except district of Khammam), Puducherry UT (except Yanam), as well as the remaining parts of Maharashtra and Karnataka, and certain designated parts of Andhra Pradesh (collectively, the "**2019 New India Sub-Territories**"). In the two months ended June 30, 2019, Sales Volume from the 2019 New India Sub-Territories were 24.75 million Unit Cases contributing 8.67% of our total Sales Volume in the six months ended June 30, 2019. Post the acquisition of the 2019 New India Sub-Territories, our Company accounted for more than 80% of PepsiCo's beverage sales volume in India. For further information in relation to this recent acquisition, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation of Financial Information - Acquisition of 2019 New India Sub-Territories*" and "*- Recent acquisition of 2019 New India Sub-Territories*" on pages 101 and 171, respectively. We believe that our operational experience, widespread integrated distribution network and market knowledge adds significant value to the distribution and sale of PepsiCo products in India, and we continue to leverage our long association with PepsiCo to evaluate new beverages, packaging, SKUs and markets as consumer preferences evolve.

As of June 30, 2019, we operated 30 production facilities across India and six production facilities in our international licensed territories. These 30 production facilities also include the integrated production facility at Pathankot which recently commenced production in March 2019 and nine production facilities which we recently acquired as part of the PepsiCo India BTA. The peak month production capacity of our production facilities in India and international territories was 107.94 million Unit Cases and 22.14 million Unit Cases, respectively. In addition, our production facilities in Kosi, Hardoi, Pathankot and Guwahati in India, and our production facilities in Nepal, Sri Lanka and Zimbabwe manufacture preforms while two of our production facilities dedicated to backward integration located at Jaipur and Alwar manufacture crowns, shrink-wrap films, plastic shells and corrugated boxes and pads. We have over the years developed a wide-spread, integrated distribution network across our licensed territories and sub-territories. As of June 30, 2019, our distribution network included 2,115 delivery vehicles. Our distribution network covers urban, semi-urban and rural markets, targeting a wide range of consumers. As of June 30, 2019, we had 1,216 primary distributors (*i.e.*, parties to whom sales in excess of 10,000 unit cases of our PepsiCo beverages in month of June 2019 were recorded) in India and 345 distributors in our international territories. The primary distributors in India accounted for 47.43 million Unit Cases, which represented 85.26% of our aggregate Sales Volumes in India in the month of June 2019.

In Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, our CSD Sales Volumes were 222.41 million Unit Cases, 219.52 million Unit Cases, 256.62 million Unit Cases and 209.06 million Unit Cases, respectively, our NCB Sales Volumes were 15.80 million Unit Cases, 13.66 million Unit Cases, 21.18 million Unit Cases, and 20.53 million Unit Cases, respectively, while our packaged drinking water Sales Volumes were 37.01 million Unit Cases, 45.30 million Unit Cases, 61.75 million Unit Cases, and 55.97 million Unit Cases, respectively.

We are part of the RJ Corp Limited group, a diversified business conglomerate with interests in beverages, quick-service restaurants, dairy and healthcare. Our Promoter and Chairman, Mr. Ravi Kant Jaipuria has an established reputation as an entrepreneur and business leader and was awarded the 'Distinguished Entrepreneurship Award' at the PHD Annual Awards for Excellence 2018. He is the only Indian company's promoter to receive PepsiCo's International Bottler of the Year award, which was awarded in 1997.

Our revenue from operations (net) have increased at a CAGR of 14.99% from ₹ 38,611.83 million in Fiscal 2016 to ₹ 51,052.55 million in Fiscal 2018 and was ₹ 41,695.99 million in the six months ended June 30, 2019. In Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, EBITDA was ₹ 7,959.67 million, ₹ 8,359.08 million, ₹ 10,065.87 million and ₹ 10,062.53 million, respectively. We recorded a net profit for the year of ₹ 480.39 million, ₹ 2,140.59 million, ₹ 2,998.63 million and ₹ 4,450.33 million, in Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, respectively.

Our Strengths

Demonstrated ability to achieve scale and volume growth

We have been associated with PepsiCo since the 1990s and have over two and half decades consolidated our business association with PepsiCo, increasing the number of licensed territories and sub-territories covered by us, producing and distributing a wider range of PepsiCo beverages, introducing various SKUs in our portfolio, and expanding our distribution network. As of June 30, 2019, we have been granted franchises for various PepsiCo products across 27 States and seven Union Territories. We have also successfully leveraged our association with PepsiCo to expand our operations internationally and have been granted franchises for PepsiCo products in Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. Our total Sales Volumes have grown at a CAGR of 11.07% from 275.22 million Unit Cases in Fiscal 2016 to 339.55 million Unit Cases in Fiscal 2018 and was 285.56 million Unit Cases in the six months ended June 30, 2019. The Sales Volumes in our 2019 Existing India Sub-Territories grew from 224.18 million Unit Cases in Fiscal 2016 to 273.49 million Unit Cases in Fiscal 2018. Further, in the two months ended June 30, 2019, Sales Volume from the 2019 New India Sub-Territories were 24.75 million Unit Cases contributing 8.67% of our total Sales Volume in the six months ended June 30, 2019.

We work closely with PepsiCo to implement operational best practices, garner supply chain efficiencies from our large production capacities and distribution network, and implement dynamic "push" marketing strategies taking PepsiCo products directly to customers through retailers and point-of-sale displays, and "pull" marketing initiatives through advertisement and promotional offers. According to the GlobalData Report, the soft drinks industry in India is expected to record the highest volume growth among all commercial beverages at a CAGR of 7.3% from 2019 to 2024. Our demonstrated ability to grow PepsiCo product sales has led to PepsiCo and/ or the PepsiCo International Entities licensing additional territories to us, including those that were earlier directly operated by PepsiCo or by third-party bottlers. In particular, as part of PepsiCo strategy of consolidating certain PepsiCo-operated sub-territories in India under long-term bottling partners, we entered into the PepsiCo India BTA pursuant to which we were granted the franchise for the 2019 New India Sub-Territories. As these 2019 New India Sub-Territories are geographically contiguous with the 2019 Existing India Sub-territories, we are able to benefit from cost and operational efficiencies as well as benefits of economies of scale. We are able to optimize the freight, transportation and distribution costs over a larger territory base which helps increase our margins. The increase in scale of our operations provides us with better bargaining power with our suppliers and ensures better working capital management. As an added advantage, we are able to get benefits of operating leverage through improved asset-utilization and are able to amortize head office expenses on a wider base.

Creating value through strategic alignment with PepsiCo

PepsiCo was the second largest company in the soft drinks industry in India with a value share (in terms of ₹) of 17.6% and volume share (in terms of million litres) of 9.0% in 2018 (*Source: GlobalData Report*). PepsiCo has presence in several categories, including carbonated beverages, packaged water and bulk water (*Source: GlobalData Report*). PepsiCo CSD brands produced and sold by us include Pepsi, Pepsi Black, Diet Pepsi, Pepsi Max, Mirinda Lemon, Mirinda Orange, Mountain Dew, Slice Fizzy, Seven-Up, Seven-Up Nimbooz Masala Soda, Teem, Sting and Evervess. PepsiCo NCB brands produced and sold by us include Tropicana Slice, Tropicana Frutz (Lychee, Apple and Mango), Tropicana Juices (100%, Delight and Essentials), Seven-Up Nimbooz, Gatorade, Aquafina flavour splash, Ole, as well as packaged drinking water under the brand Aquafina and Aquavess.

We have been associated with PepsiCo since the 1990s and believe that our strong relationship with PepsiCo is one of our key strengths. Our operations benefit from our long association with PepsiCo, including access to modern technology, marketing leverage, operational know-how, industry best practices, access to key raw materials and equipment at competitive prices as well as access to experienced personnel. We have developed a strategic and operational alignment with PepsiCo across all our functions and organization levels. PepsiCo was the second largest company in the carbonated beverages category in India, with a volume share (in million litres) of 28.1% in 2018 (*Source: GlobalData Report*). In 2018, PepsiCo's total soft drinks volume was 3,030 million litres in India (*Source: GlobalData Report*). Our association with PepsiCo has developed over the years and this strong relationship is reflected in the large number of franchisee territories and sub-territories granted/ transferred to us and in particular, the additional licenses to the 2019 New India Sub-Territories granted in our favour by PepsiCo India with effect from May 1, 2019. In Fiscal 2018, our Sales Volume for CSDs, NCBs and packaged drinking water in our sub-territories in India were 199.25 million Unit Cases, 20.05 million Unit Cases and 54.19 million Unit Cases, respectively, while, in the six months ended June 30, 2019, the Sales Volumes were 175.59 million Unit Cases, 19.74 million Unit Cases and 47.93 million Unit Cases, respectively (reflecting sales for the 2019 New India Sub-Territories only from date of acquisition, *i.e.* for the two month period between May 1, 2019 and June 30, 2019).

We have developed strong sales teams that work closely with PepsiCo to develop and implement local advertising and marketing strategies and special sales schemes. PepsiCo also has an active product development team that we work with to strategize new product launches in India. We believe that our wide consumer base and strong distribution chain relationships enable us to contribute effectively to PepsiCo's marketing strategy and implement these initiatives at the local distribution and consumer level. In addition, we work closely with PepsiCo on production techniques, quality control, environmental matters as well as new packaging and product development initiatives. We source high quality raw materials from reputed suppliers that are pre-approved by PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or PepsiCo International Entities. Our key employees also attend management and staff development programs organized by PepsiCo. For further information relating to our relationship with PepsiCo, see "– *Relationship with PepsiCo*" on page 171.

Established track record of successful acquisition and integration

We have established a track record of acquiring and successfully integrating new territories, additional franchisee rights as well as additional businesses through strategic acquisitions to supplement our business verticals, grow and further strengthen our product portfolio, increase our Sales Volume and increase our market share. We believe that using our experience we were able to improve the performance of majority of these new territories as well as grow our scale of business and operations, achieve economies of scale, increase Sales Volume and increase our operating efficiency, thereby further improving our market position.

The following table below sets forth a list of some of our key acquisitions in Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019:

S. No.	Acquisition	Territory/ Production Facility	Effective Date
19.	PepsiCo India Holdings Private Limited	South and west regions including seven states (Gujarat, parts of Maharashtra, parts of Karnataka, Telangana (except district of Khammam), parts of Andhra Pradesh, Kerala and Tamil Nadu) and	May 1, 2019

S. No.	Acquisition	Territory/ Production Facility	Effective Date
		five Union Territories (Daman & Diu, Dadra & Nagar Haveli, Andaman & Nicobar Islands, Lakshadweep and Puducherry (except Yanam) (referred to as "**2019 New India Sub-Territories**") as well as nine production facilities (out of which six production facilities were transferred on May 1, 2019 and the remaining three production facilities were transferred subsequently).	
20.	SMV Beverages Private Limited and Nectar Beverages Private Limited	13 districts in Karnataka, 14 districts in Maharashtra and three districts in Madhya Pradesh	February 14, 2019
21.	Steel City Beverages Private Limited	Production facility in Jharkhand	April 5, 2018
22.	SMV Agencies Private Limited	State of Jharkhand including a production facility	March 23, 2018
23.	SMV Beverages Private Limited	Production facility in Odisha	January 18, 2018
24.	Lumbini Beverages Private Limited	State of Bihar	January 17, 2018
25.	SMV Beverages Private Limited	State of Chhattisgarh	January 11, 2018
26.	SMV Beverages, a unit of SMV Agencies Private Limited	Parts of the state of Madhya Pradesh including a production facility	September 27, 2017
27.	SMV Beverages Private Limited	State of Odisha including a production facility	September 26, 2017

We have also successfully leveraged our association with PepsiCo India and PepsiCo Inc. to expand our operations internationally and have been granted franchisees for PepsiCo beverages in Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. We believe that, using our execution expertise, we were able to successfully integrate these acquired businesses in our portfolio by bringing in industry best practices to these acquired businesses including standard operating procedures, in a phased manner, resulting in efficiency and distribution enhancement.

Significant market opportunity with high growth potential

India remains one of the fastest growing economies worldwide, and is set to become the third largest consumer market worldwide in the future due to factors, such as, increasing incomes, rising consumer spending, rapid urbanization, and growing rural consumption along with growth in related industries including retail and e-commerce (*Source: GlobalData Report*). As per the World Bank, India's GDP growth is expected to be approximately between 7.3% and 7.5% during the next three fiscals, which means further growth in consumer spending is likely, which would in turn result in an increase demand for soft drinks (*Source: GlobalData Report*). Further, the Indian soft drinks market volume was 33,559 million litres in 2018 and is expected to record the highest volume growth among all commercial beverages with a CAGR of 6.9% during 2019 and 2014 as well as an incremental volume of 11,890 million litres during 2019 and 2014 (*Source: GlobalData Report*). PepsiCo was the second largest company in the carbonated beverages category in India, with a volume share (in million litres) of 28.1% in 2018 (*Source: GlobalData Report*). In addition, growing internet penetration has increased growth in the e-commerce industry, driving purchases of a range of goods, including, soft drinks, and accordingly, PepsiCo has announced plans to focus on e-commerce as part of its strategy to increase its sales (*Source: GlobalData Report*). PepsiCo has also started printing and labelling Pepsi cans and bottles in popular colloquial words in eight regional languages in order to attract consumers across India and compete with the local and regional brands (*Source: GlobalData Report*). Accordingly, there is significant growth potential for PepsiCo's beverages in India.

With rising health awareness levels prompting consumers to seek healthier variants of beverages, various leading producers, including PepsiCo, are focusing on offering low sugar beverages (*Source: GlobalData Report*). The juice category is expected to grow at a CAGR of 8.8% in terms of volume share during 2019 and 2024 (*Source: GlobalData Report*). PepsiCo is the second largest company in the juice and nectar categories in India, through its brand Tropicana, with a volume share (in million litres) of 20.2% and 19.7%, respectively, in 2018 (*Source: GlobalData Report*). Packaged water category is expected to record a CAGR of 9.0% in terms of volume share during 2019 and 2014 in India, as consumers are expected to prefer packaged water to tap water

(*Source: GlobalData Report*). Further, energy drink and sports drinks category were among the leading categories of beverages in terms of volume growth (in million litres) in 2018 (*Source: GlobalData Report*). Gatorade and Sting are among the top five brands in terms of volume and value share in the sports drink and energy drink category, respectively, in India in 2018 (*Source: GlobalData Report*). We expect this trend of seeking healthier variants of beverages to continue as consumer disposable income increases further and we believe we are well positioned to capitalize on the market growth in such categories owing to PepsiCo's presence in several categories of such beverages.

Strategically located large and technologically advanced production capabilities

As of June 30, 2019, we operated 30 production facilities across India and six production facilities in our international licensed territories. The peak month production capacity of our production facilities in India and international territories was 107.94 million Unit Cases and 22.14 million Unit Cases, respectively. These 30 production facilities also include the Pathankot integrated production facility which recently commenced production in March 2019 and nine production facilities which we recently acquired as part of the PepsiCo India BTA. As a result of this acquisition, we have been able to reduce our manufacturing cost by not paying the conversion charges to a co-packer, *i.e* the margin provided to co-packer for manufacturing finished goods. We use advanced machinery and production techniques in our manufacturing process for, amongst others, water treatment and packing, in certain of our production facilities. We have GPRS-enabled handheld devices and systems called SAMNA (Sales Automation Management for the New Age) in certain of our operations to automate field work processes and enable access to real-time sales information from production facilities, warehouses and distribution centers across India. These techniques enable us to improve production efficiencies and reduce personnel costs. In Fiscal 2016, 2017, 2018, and in the six months ended June 30, 2019, we incurred capital expenditure of ₹ 4,487.15 million, ₹ 5,235.33 million, ₹ 7,440.21 million and ₹ 20,423.13 million, respectively, primarily in connection with acquisition of new territories and sub-territories, property, plant and equipment, in order to increase production capacities and modernise our production facilities, as well as on visi-coolers and other chilling equipment placed with retailers and other points of sale.

Our production facilities across India are strategically located in geographical proximity to various target markets, which results in lower transportation and distribution expenses and enable us to leverage economies of scale. In addition, our production facilities in Kosi, Hardoi, Pathankot and Guwahati in India, and our production facilities in Nepal, Sri Lanka and Zimbabwe manufacture preforms while two of our production facilities dedicated to backward integration located at Jaipur and Alwar manufacture crowns, shrink-wrap films, plastic shells and corrugated boxes and pads. Our large and technologically advanced production capabilities provide cost and operational efficiencies, and we comply with quality standards consistent with PepsiCo's global production standards and regulatory compliance policies. Our large scale of operations offers significant synergies including market knowledge operational best practices, economies of scale, optimal investment planning and capital expenditure.

Wide spread and integrated sales and distribution network that ensures effective market penetration

Our wide spread and integrated sales and distribution network enables us to reach a wide range of consumers and ensure effective market penetration. Points of sale for our products include traditional retail points, such as grocery stores, as well as modern retail outlets including e-commerce, supermarkets, hypermarkets, convenience stores, bars and restaurants. As of June 30, 2019, our distribution network included 2,115 delivery vehicles. As of June 30, 2019, we had 1,216 primary distributors (*i.e.*, parties to whom sales in excess of 10,000 unit cases of our PepsiCo beverages in month of June 2019 were recorded) in India and 345 distributors in our international territories. The primary distributors in India accounted for 47.43 million Unit Cases, which represented 85.26% of our aggregate Sales Volumes in India in the month of June 2019. Our distribution network covers urban, semi-urban and rural markets, targeting a wide range of consumers. Our distribution network is strategically located to maximize market penetration across our licensed sub-territories in India, with an increased focus on higher growth markets such as semi-urban and rural sub-territories. We have over the years successfully managed our large distribution network and developed strong supply and distribution chain relationships across our licensed sub-territories in India.

Our production capabilities and distribution network enables us to effectively respond to competitive pressures, market demand and evolving consumer preferences in our territories. Our supply chain management systems enable us to efficiently and cost effectively manage our distribution network and allows us to introduce additional products in our markets and implement marketing campaigns initiated by PepsiCo. We believe that our large production capacities and distribution infrastructure will enable us to address volume growth at a relatively low incremental capital cost.

Experienced management team

We have a qualified and professional management team with significant experience in all operational aspects of our business. We believe that the industry experience of our management team and their ability to deliver consistent sales growth are our significant strengths. Our senior management team has extensive experience in the food and beverage industry in India. Our Promoter and Chairman, Mr. Ravi Kant Jaipuria, has an established reputation as an entrepreneur and business leader and was awarded with the ‘Distinguished Entrepreneurship Award’ at the PHD Annual Awards for Excellence 2018. He is the only Indian company’s promoter to receive PepsiCo’s International Bottler of the Year award, in 1997. Mr. Jaipuria provides strategic leadership to our Company and is also closely involved in our operations. We believe that our management team’s in-depth understanding of target markets and consumer demand and preferences has enabled us to continue to grow our business and expand our operations internationally. This experience has also enabled us to develop a business model that incorporates aspects of both multinational as well as local beverage company operating structures.

Our Strategy

Grow our business by capitalizing on established brand strength and further diversifying our product portfolio

In 2018, PepsiCo was the second largest company in the soft drinks industry, including in specific categories such as carbonated beverages, packaged drinking water, energy drink and juices categories, in India (*Source: GlobalData Report*). PepsiCo’s volume growth in 2018 was primarily driven by its leading brands, Mountain Dew and Aquafina (*Source: GlobalData Report*). We intend to continue to leverage PepsiCo’s brand portfolio to increase market penetration in our licensed territories. Mountain Dew and Aquafina were among the leading brands in carbonated beverages and packaged drinking water in India, respectively, and accounted for a volume share (in million litres) of 11% and 5%, respectively, in 2018 (*Source: GlobalData Report*). In Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, Mountain Dew was our largest selling CSD beverage brand by volume and value. We believe that the relative under-penetration of Mountain Dew in certain markets and distribution channels presents significant growth opportunities. In addition, we also aim to continue to focus on growing Aquafina and Aquavess sales as the packaged drinking water segment in India is highly fragmented and provides significant growth opportunities. We have been growing our Sales Volumes across our NCD and packaged drinking water segments and our Sales Volume have increased from 15.80 million Unit Cases and 37.01 million Unit Cases, respectively, in Fiscal 2016 to 21.18 million Unit Cases and 61.75 million Unit Cases, respectively in Fiscal 2018 and was 20.53 million Unit Cases and 55.97 million Unit Cases, respectively, in the six months ended June 30, 2019.

Further, with rising health and weight consciousness along with obesity related diseases prevailing among consumers, the demand for low-calorie, non-alcoholic beverages and sugar-free beverages is increasing in India (*Source: GlobalData Report*). Manufacturers are constantly formulating non-alcoholic beverages with ‘sugar free’ and ‘zero calorie’ in order to gain consumer attention towards their brand (*Source: GlobalData Report*). Accordingly, we intend to capitalize on this changing market sentiment by focusing on improving the market share of Pepsi Black, Diet Pepsi, Sting and Seven-Up Nimbooz Masala Soda, and our relatively newer NCB brands, such as Tropicana Juices and Gatorade by expanding our distribution network and increasing production volumes. In this regard, we have recently commenced production in our backward integrated production facility at Pathankot particularly for manufacturing Tropicana juices as well as manufacturing of preforms and CSD products in aluminium cans. As consumer preferences evolve, we intend to continue to leverage our ability to implement new brand and product launches as well as new flavours, packages and SKUs for PepsiCo, particularly in the fast-growing NCB space, to further grow our business. We have recently started manufacturing, selling and distributing Tropicana Juices and Gatorade. In addition, we intend to diversify our product portfolio to include dairy beverages.

We continue to, by expanding our product portfolio and distribution reach, focus on increasing consumption volumes, particularly in markets and demographic segments with relatively low per capita consumption, as well as address changing consumer preferences. We continue to leverage our in-depth understanding of local markets and produce and distribute beverages that address clearly identified market opportunities. In addition, we intend to launch certain of our products and brands in smaller packages to target the semi-urban and rural markets in India. We believe that our increased focus on semi-urban and rural markets, and ability to understand consumer preferences in such markets, will enable us to further increase market penetration in these markets and segments, resulting in organic growth.

Focus on integrating additional franchise rights and businesses along with expansion through strategic inorganic and organic opportunities

In recent years, as part of PepsiCo strategy of consolidating certain PepsiCo-operated territories in India under long-term bottling partners, we have expanded our operations in India through the acquisition of additional territories, with PepsiCo granting license for additional territories to us, including territories operated directly by PepsiCo as well as third-party bottlers. We believe we have successfully integrated such territories and sub-territories into our existing operations. Recently, we entered into the PepsiCo India BTA pursuant to which we were granted the franchise for the 2019 New India Sub-Territories. The 2019 New India Sub-Territories are in most part geographically contiguous with the 2019 Existing India Sub-Territories. Due to this contiguity, we are able to ensure cost and operational efficiencies as well as economies of scale. In particular, the acquisition of franchisees for these 2019 New India Sub-Territories has resulted in significant increase in Sales Volumes, resulting in an increase in revenues and profitability. In the two months ended June 30, 2019, Sales Volume from the 2019 New India Sub-Territories were 24.75 million Unit Cases contributing 8.67% of our total Sales Volume in the six months ended June 30, 2019. We are currently in the process of integrating our operations in the 2019 New India Sub-Territories and intend to continue to focus on the successful integration of operations of any licensed territories or sub-territories we acquire in the future with our existing production and distribution operations to benefit from operational efficiencies and derive business synergies.

In addition, we intend to continue to play a significant role in the consolidation of PepsiCo's production and distribution operations in South Asia and Africa. We believe that the fragmented nature of the industries we operate in will continue to offer consolidation opportunities, and we intend to continue our strategic expansion plans through inorganic and organic growth opportunities in underserved markets and geographies that complement our existing operations. We continue to work closely with PepsiCo to identify such strategic consolidation opportunities. We may also consider acquisition of other third-party bottlers of PepsiCo, which will require PepsiCo's prior consent. We strategically target territories that either have significant growth opportunities for PepsiCo products or are located contiguous or in close proximity to our existing licensed territories and sub-territories such that we can benefit from operating and freight, transportation and distribution cost efficiencies. We also continue to explore expansion opportunities into new geographical markets, licensed territories and jurisdictions, where we can leverage our operational experience or where low per capita consumption levels for beverages present opportunities for volume growth. Through such strategic expansion plans, we intend to increase our market share, enable access to new clients and enter high-growth geographies in a cost effective manner. We believe that strategic acquisitions are effective catalysts for business growth, and take into account strategic considerations to make investments that are complementary to our existing operations, focused on expanding our reach in India and internationally in South Asia and Africa.

Integrate and expand our distribution network as well as optimise distribution operations

We continue to focus on increasing Sales Volumes in our licensed territories and sub-territories by expanding and integrating our distribution network, optimizing our distribution operations and increasing product supply to under-penetrated markets, particularly to semi-urban and rural areas. We are currently in the process of integrating our existing distribution network with the 2019 New India Sub-Territories and believe that we will be able to ensure cost and operational efficiencies as well as economies of scale. We focus on optimal utilization of our existing distribution infrastructure by implementing effective brand and product promotion strategies through intensive interaction with distributors, effective involvement of our sales team at points of sale, and expanding the range of product offerings in certain markets and areas to specifically cater to regional and local consumer preferences. As of June 30, 2019, we had 1,216 primary distributors (*i.e.*, parties to whom sales in excess of 10,000 unit cases of our PepsiCo beverages in month of June 2019 were recorded) in India and 345 distributors in our international territories. The primary distributors in India accounted for 47.43 million Unit Cases, which represented 85.26% of our aggregate Sales Volumes in India in the month of June 2019. We intend to further expand our distribution network by setting up additional distribution centers, consolidating existing distributors and increasing the number of distributors in under-penetrated markets. We believe that these measures will enable us to increase the availability of our beverages across our licensed territories and sub-territories, including the 2019 New India Sub-Territories, which will in turn increase brand awareness and sales of PepsiCo beverages. We seek to develop long-term relationships with our distributors by supporting the growth of their businesses, focusing on exclusive distributor relationships and providing support services for their business such as visi-coolers, delivery vehicles and marketing material.

We continue to focus on increasing retail presence of our licensed PepsiCo products, through increased brand promotion activities, increased in-store product inventory as well as price competitiveness. We continue to evaluate strategic placement of vending machines and visi-coolers at high density consumer areas such as malls, super-markets and large stores, multiplexes and airports. The market for beverages sold from vending machines and visi-coolers for immediate consumption is a fast growing segment, resulting from an emerging on-the-go lifestyle and consumer convenience. Single-serve sales channels typically involve higher margins compared to sales of multi-serve SKUs. Sales in this segment depend on strategic inventory management, rapid inventory deployment, and effective availability and placement of relevant chilling equipment such as vending machines, visi-coolers and fountain dispensers in close proximity to high-density consumer areas. We continuously focus on placement of chilling equipment, and make significant investment annually on chilling equipment to be placed in the market, and intend to continue to make significant investments on such equipment as we expand into new markets and consolidate our position in existing licensed territories and sub-territories.

Continue to focus on cost efficiencies and invest in technology to improve operational efficiency

As an integral part of our continuing efforts targeted at ensuring cost efficiencies, we have undertaken a number of initiatives aimed at reduction of cost of goods sold, effective management of operating expenses and improvement in cash flows. These initiatives include backward integration of production facilities and having a centralised procurement team. We continue to focus on consolidation of our production activities to ensure all components of our products are supplied internally. We have introduced lower weight plastic bottles and decreased size of bottle caps, which has enabled us to reduce polyethylene terephthalate ("**PET**") costs. We also target increased margins through a reduction in freight and distribution costs, for example, consolidation of production facilities and depots post implementation of GST in India. In addition, we have also recently commenced production in our backward integrated production facility at Pathankot which is primarily focused on manufacturing Tropicana juices as well as manufacturing of preforms and CSD products in aluminium cans. We believe this will enable us to increase production volumes and improve operating margins.

We continue to plan our capital expenditure carefully by focusing our investments on more profitable areas of our business, such as chilled equipment for use in immediate-consumption channels. Through strategic capital investments for efficient deployment of assets such as chilled equipment and distribution infrastructure, we intend to optimize the utilization of our capital.

In addition, we continue to introduce advanced technologies in order to improve operational efficiencies and work processes in our operations. We have introduced GPRS-enabled handheld devices and systems called SAMNA (Sales Automation Management for the New Age) in certain of our operations to automate field work processes and enable access to real-time sales information from production facilities, warehouses and distribution centers across India, thereby ensuring integrated operational data from manufacturing, planned procurement and superior tracking of transportation of products from distributors to final delivery to the retail point-of-sale. We continue to evaluate similar technologies targeted at improving operating and cost efficiencies.

Recent acquisition of 2019 New India Sub-Territories

Pursuant to a business transfer agreement dated February 18, 2019 entered into between our Company, PepsiCo India and RJ Corp Limited (the "**PepsiCo India BTA**"), our Company acquired the business of manufacturing, distributing and selling soft drink and other beverages and concentrate syrup mix (bag-in-box) in Andaman and Nicobar Islands UT, Daman and Diu UT, Dadra & Nagar Haveli UT, Gujarat, Kerala, Lakshadweep UT, Tamil Nadu, Telangana (except district of Khammam), Puducherry UT (except Yanam), as well as the remaining parts of Maharashtra and Karnataka, and certain designated parts of Andhra Pradesh (collectively, the "**2019 New India Sub-Territories**"), comprising of all assets and liabilities, including nine production facilities, distribution network and supply arrangements, for a total transaction value (excluding the consideration paid for working capital taken over and investment fund received on acquisition from PepsiCo India) of ₹ 18,025 million on slump sale basis, with effect from May 1, 2019. Under the terms of the PepsiCo India BTA, PepsiCo India is required to pay US$ 30,000,000 (in Indian Rupee equivalent converted at the relevant exchange rate published by Financial Benchmark India Private Limited on April 30, 2019, amounting to ₹ 2,095.10 million) ("**Investment Fund**") between May 1, 2019 and January 31, 2022 ("**Investment Fund Period**"), which shall be utilized by our Company at its sole discretion and our Company and PepsiCo India will mutually determine the size and purpose of the disbursement during each of the years of the Investment Fund Period. Our Company has received the entire Investment Fund from PepsiCo India in two parts on May 8, 2019 and June 28, 2019.

Relationship with PepsiCo

We are a strategic franchisee partner for PepsiCo in India and have over the years developed a significant and mutually beneficial business association with ongoing operational synergies. Our association with PepsiCo has developed over the years and this strong relationship is reflected in the large number of franchisee territories and sub-territories granted to us and in particular, the additional licenses to the 2019 New India Sub-Territories granted in our favour by PepsiCo India with effect from May 1, 2019.

PepsiCo controls the global marketing of PepsiCo's brands and PepsiCo supplies us with relevant concentrates for the production of its CSD and NCB products in our licensed territories and sub-territories. As a franchisee of PepsiCo products, we produce, package and sell the beverage products of PepsiCo; engage in local marketing and promotional activities customized to specific markets; develop business relationships with local customers and develop local distribution channels, for example through investment in chilling equipment such as visi-coolers, ice chests, bottle coolers and delivery vehicles; and distribute PepsiCo products to retailers, which include traditional and modern retail outlets, either directly or indirectly, through distributors and wholesalers.

Our franchisee arrangements with (a) PepsiCo India/ PepsiCo Inc./ SVC for India are granted under three bottling appointment and trademark license agreements: (i) dated May 1, 2019 executed with PepsiCo India; (ii) dated May 1, 2019 executed with PepsiCo Inc.; and (iii) dated May 1, 2019 executed with SVC, specifically for Gatorade, (collectively, the "**PepsiCo India Agreements**"); and (b) TPI for India are granted under a bottling appointment and trademark license agreement effective from June 13, 2016 executed with TPI, as amended from time to time, specifically for Tropicana Frutz (Lychee, Apple and Mango) ("**Tropicana India Agreement**"), for the various licensed sub-territories in India. Further, our franchisee arrangements in India are also granted under a temporary sales and distribution authorization letter dated May 1, 2019 issued by PepsiCo India, specifically for Tropicana Juices (100%, Delight and Essentials), ("**Tropicana India TSDA**") for the various licensed sub-territories in India. For our international operations, we have been granted franchisee arrangements under 11 country specific bottling agreements, vis-à-vis, (i) exclusive bottling appointment agreement dated November 7, 2013 between PepsiCo Inc. and VBL Lanka; (ii) exclusive bottling appointment agreement dated August 1, 2011 between PepsiCo Inc. and VBL Lanka; (iii) exclusive bottling appointment agreement dated August 1, 2011 between Portfolio Concentrate Solutions Unlimited Company and VBL Lanka; (iv) bottling appointment and trademark license agreement dated October 30, 2013 between TPI and VBL Lanka; (v) exclusive bottling appointment agreement dated December 1, 2011 between PepsiCo Inc. and VBNPL, (vi) exclusive bottling appointment agreement dated December 1, 2011 between Portfolio Concentrate Solutions Unlimited Company and VBNPL; (vii) exclusive bottling appointment agreement dated September 1, 2010 between Portfolio Concentrate Solutions Unlimited Company and VBZL; (viii) exclusive bottling appointment agreement dated September 1, 2010 between PepsiCo Inc. and VBZL; (ix) exclusive bottling appointment agreement dated February 1, 2011 between PepsiCo Inc. and VBM; (x) exclusive bottling appointment agreement dated February 1, 2011 between Portfolio Concentrate Solutions Unlimited Company and VBM; and (xi) exclusive bottling appointment agreement dated February 19, 2018 between PepsiCo Inc. and VBZPL (collectively, the "**PepsiCo International Agreements**") with PepsiCo entities in the respective jurisdictions; Our PepsiCo International Agreements relate to our franchise operations in Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe.

Pursuant to the PepsiCo India Agreements, Tropicana India Agreement and Tropicana India TSDA applicable to the sub-territories in India and the PepsiCo International Agreements for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe, we are licensed by PepsiCo (the relevant PepsiCo entity in the respective jurisdiction) to use PepsiCo trademarks and brands in the relevant licensed territories and sub-territories. These agreements enable us to use only those trademarks and brands that have been specifically licensed by PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities to us with respect to the relevant licensed territory or sub-territory.

With respect to our licensed territories and sub-territories, PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities reserves the right for themselves and authorised third parties to undertake the production, sale and distribution of beverage products for the relevant territories and sub-territories. However, historically, we have been the sole franchisee and licensee with respect to our licensed territories and sub-territories. Our business operations are therefore entirely dependent on the continuation of the relevant franchise arrangement and license to use PepsiCo trademarks and brands granted by PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities in our favour with respect to a specific territory or sub-territory. See "*Risk Factors - Termination or non-renewal of the PepsiCo India Agreements or the PepsiCo International*

Agreements or the Tropicana India Agreement or the Tropicana India TSDA by PepsiCo India/ PepsiCo Inc./ SVC/ PepsiCo International Entities or TPI or any material modification to the existing terms under such agreements adverse to our interest will materially and adversely affect our ability to continue our business and operations and our future financial performance." on page 55.

PepsiCo India/ PepsiCo Inc./the PepsiCo International Entities, SVC and/ or TPI will be entitled to set terms and conditions related to our purchase of concentrates from PepsiCo India and/ or the relevant PepsiCo International Entities or their authorised suppliers including the price of such concentrates. Historically, in practice, the price of beverage concentrate is determined by PepsiCo India and/ or PepsiCo International Entities in discussions with us, after taking into account the selling price, taxation, input cost and market and other relevant conditions. In the last three years, the variance in the concentrate price purchased by us has been lower than the increase in India's consumer price index (CPI). CPI measures changes in the prices paid by consumers for a basket of goods and services where such yearly (or monthly) growth rates represent the inflation rate in such period. See "*Risk factors - We are subject to various obligations under the PepsiCo India Agreements and the PepsiCo International Agreements, including the obligation to purchase PepsiCo beverage concentrate exclusively from PepsiCo or PepsiCo approved manufacturers, on terms and conditions set by PepsiCo India/ PepsiCo Inc. and the PepsiCo International Entities. In the event any such terms and conditions are set in a manner adverse to our business interest, our business prospects and future financial performance will be materially and adversely affected.*" on page 58.

We along with PepsiCo review various aspects of our operations which includes review by PepsiCo of our supply chain operations, information services and sales organizations. In addition, our objective is to further strengthen our relationship with PepsiCo and better align our economic interests and to drive growth.

Research and Development

We also get the benefit of PepsiCo's various research and development initiatives and its continued investment into research and development. PepsiCo's research and development activities principally involve: development of new ingredients and products; reformulation and improvement in the quality and appeal of existing products; improvement and modernization of manufacturing processes; improvements in product quality, safety and integrity; development of, and improvements in, dispensing equipment, packaging technology, package design and portion sizes; and efforts focused on identifying opportunities to transform, grow and broaden its product portfolio, including by developing products with improved nutrition profiles that reduce sodium, saturated fat or added sugars, including through the use of sweetener alternatives and flavor modifiers and innovation in existing sweeteners, and by offering more options with fruits and vegetables. We are also able to draw such research and development benefits from their various research centers including the one in India.

- **Franchise Arrangements for India Sub-Territories**

  Pursuant to the PepsiCo India Agreements, Tropicana India Agreements and Tropicana India TDSA, we have been granted the license to manufacture, sell and distribute PepsiCo products under trademarks and brands owned by PepsiCo in certain specified sub-territories within the territory of India. The PepsiCo India Agreements are valid for a period of 20 years commencing from May 1, 2019, and PepsiCo India, PepsiCo Inc. and SVC may renew their respective agreements for successive terms of five years each. Further, the Tropicana India Agreement is valid for a period of 10 years commencing from June 13, 2016 and TPI may renew the agreement for five years. In addition, the Tropicana India TSDA will expire on the date of entering into a bottling appointment and trademark license Agreement for manufacturing and bottling of Tropicana Juices (100%, Delight and Essentials) in addition to sales and distribution of Tropicana Juices (100%, Delight and Essentials) between PepsiCo India and our Company. The PepsiCo India Agreements, Tropicana India Agreements and Tropicana India TSDA specify the PepsiCo brands licensed to us for the specific territories in India, and applicable royalty fee, if any, payable by us to PepsiCo India in this connection. The PepsiCo India Agreements also stipulate certain performance parameters required to be maintained by us with respect to the relevant licensed sub-territories, including certain quality and market share parameters. The PepsiCo India Agreements, Tropicana India Agreement and Tropicana India TSDA are non-exclusive franchisees granted in our favour by PepsiCo India/ PepsiCo Inc./ SVC/ TPI, and PepsiCo India/ PepsiCo Inc./ SVC/ TPI have under such arrangements reserved the right to, without our consent, undertake production and distribution activities within our licensed sub-territories in India either directly themselves or through third party bottlers.

Key terms of the PepsiCo India Agreements and Tropicana India Agreement, as applicable, include the following:

- **Purchase of Concentrate**. Concentrate cost represents our most significant raw material expenditure, and under the PepsiCo India Agreements and Tropicana India Agreement, our Company is required to purchase the relevant concentrate for all PepsiCo products produced by us exclusively either from PepsiCo India or PepsiCo approved manufacturers at a price and at terms and conditions determined from time to time by PepsiCo India or such other approved manufacturer. However, in practice, the concentrate price is determined by PepsiCo India in discussions with us, after taking into account the selling price, taxation, input cost and market and other relevant conditions.

- **Production Facilities and Quality Control**. We are required to install and maintain adequate production and distribution capacity to ensure that we are able to match the demand of PepsiCo products at any time. We are required to establish, maintain and operate in our licensed territories, one or more production facilities, adequately equipped and staffed for production, selling and distribution of PepsiCo products. Such agreements also stipulate that in preparing, bottling and distributing PepsiCo brand products, we will conform to the production standards specified by PepsiCo and that PepsiCo representatives will be entitled to inspect our production facilities at any time. We are required to filter all water used in our production of beverages through activated carbon and sand filters or through such other methods as specified by PepsiCo as well as install, maintain and operate all water treating and water purifying equipment as specified by PepsiCo from time to time. PepsiCo is also entitled to require us to rectify any deficiency in our production process, or cease production of PepsiCo products at non-compliant facilities, until such deficiencies in such production processes have been rectified. Under the PepsiCo India Agreements and Tropicana India Agreement, PepsiCo has all the rights to monitor and control quality and undertake standard checks in relation to PepsiCo's trademarks and beverages, monitor performance parameters and all miscellaneous activities undertaken by us in connection, whether on behalf of PepsiCo or for ourself, as contained in the PepsiCo India Agreements and Tropicana India Agreement.

- **Intellectual Property and Royalty**. Under the franchise granted by PepsiCo, we have been licensed certain PepsiCo owned trademarks, including Pepsi, Pepsi Black, Diet Pepsi, Pepsi Max, Mirinda Lemon, Mirinda Orange, Mountain Dew, Slice Fizzy, Seven-Up, Seven-Up Nimbooz Masala Soda, Teem, Sting, Evervess, Tropicana Slice, Tropicana Frutz (Lychee, Apple and Mango), Tropicana Juices (100% Delight and Essentials), Seven-Up Nimbooz, Gatorade, Aquafina flavour splash, Aquafina and Aquavess. PepsiCo India is entitled to revise the royalty rates from time to time. We are currently not required to pay royalty for the use of any other PepsiCo trademarks, except, "AQUAFINA" and "EVERVESS SODA", as the licenses for the other products are governed under the separate terms of the respective PepsiCo International Agreements, Tropicana India Agreement and PepsiCo India Agreements and for which the concentrate is supplied by PepsiCo India and/ or the PepsiCo International Entities for the other products.

- **Promotional and Marketing Support.** PepsiCo India continues to provide extensive advertising and marketing support through ongoing brand promotion campaigns pan India. Our business benefits from the various marketing campaigns implemented by PepsiCo India. The PepsiCo India Agreement stipulates that all advertising, marketing and promotion of PepsiCo's trademarks and beverages in India shall be directed by PepsiCo India, and we are entitled to use only the advertisement and promotion strategies and materials approved by PepsiCo India. For promoting sale of goods in local areas and increasing the brand footprint, we also undertake joint promotion campaigns with PepsiCo India. In relation to the above, we may be required to provide logistics support and storage materials for such marketing and brand promotional initiatives. We along with PepsiCo India are required to incur the advertising and marketing expenditures as mutually agreed between us, however, currently we do not make significant contribution to the brand marketing costs in India. Further, we are required to purchase adequate visi-coolers, which may be independently verified by PepsiCo India, to ensure that we have at least the same number of visi-coolers as PepsiCo's competitors. We endeavor to maximize visibility of PepsiCo trademarks and brands in order to maximize sales of PepsiCo beverages in our licensed sub-territories.

- **Annual Operating Plan.** We discuss and exchange business information with PepsiCo on a regular basis, including with respect to production, marketing and distribution, and PepsiCo provides us significant support including market strategies and best practices. We discuss with PepsiCo on an annual operating plan relating to the Sales Volume targets for the relevant fiscal year, based on which we determine proposed capital expenditure, volume capacity, distribution capacity and other operational resources. PepsiCo continues to undertake extensive product development activities, and we are able to access new products that PepsiCo develops. In addition, we are required to report to PepsiCo from time to time the sales information of each of the PepsiCo products sold by us in the form requested by PepsiCo.

- **Performance Parameters**. Under the PepsiCo India Agreements, we are required to achieve and/or maintain certain performance parameters stipulated for each calendar year agreed between us and PepsiCo India. These parameters relate to the Sales Volumes, market share, cooling equipment penetration levels as well as quality standards for PepsiCo products produced by us. Any non-compliance with these performance parameters beyond the stipulated period results in a default of the terms of the PepsiCo India Agreements and provides PepsiCo India/ PepsiCo Inc. and/or SVC the option to terminate the PepsiCo India Agreements.

- **Financial Covenants**. Under the PepsiCo India Agreements, our Company is required to maintain a minimum financial capability that is reasonably required to ensure the performance of our obligations to PepsiCo under the franchise arrangements. Our Company is required to ensure that the debt to equity ratio for our Company does not exceed 2:1 or such other ratio as agreed with PepsiCo India/ PepsiCo Inc./ SVC, failing which PepsiCo India/ PepsiCo Inc./ SVC is entitled to terminate the PepsiCo India Agreements, subject to a cure period of six months.

- **Packaging and Trademarks**. We are required to distribute all PepsiCo products we produce in SKUs that are designed in accordance with specifications stipulated by PepsiCo. PepsiCo must approve all packaging and SKUs for PepsiCo beverages, including the size, shape, design and other attributes, and we are restricted from producing other products or packages that imitate, infringe on, or may cause confusion with, PepsiCo products, containers, trademarks or brands.

- **Non-Compete.** Our Company and any entity of the 'Promoter Group' (as defined in the PepsiCo India Agreements) is prohibited, during the term of our PepsiCo India Agreements, from bottling, distributing or selling, directly or indirectly, any beverage which is an imitation of any PepsiCo products and/ or licensed trademarks or is likely to be confused as a substitute of PepsiCo products and/ or licensed trademarks or which competes or is likely to compete with the PepsiCo products, unless approved in writing by PepsiCo.

- **Termination.** PepsiCo may terminate the PepsiCo India Agreements and the Tropicana India Agreements prior to the expiry of the specified term in the event of certain conditions, including, among others, insolvency, bankruptcy, change of ownership, control or management of our Company or Promoter Group (as defined in the PepsiCo India Agreements). PepsiCo India/ PepsiCo Inc./ SVC may terminate PepsiCo India Agreements in the event that the terms and conditions of such arrangements, including the debt to equity ratio provided in such agreements are breached by us or if we discontinue the production of the PepsiCo beverages which results in our failure to serve all or any part of the territory as measured by the planned volumes for the impacted part of the territory to the extent of 50% or more of the planned volumes for a period of 30 days in other than on account of force majeure which shall be rectified within six months. The PepsiCo India Agreements may also be terminated by PepsiCo in the event of a default that is not remedied within the default cure period specified under the relevant bottling agreement.

The PepsiCo India Agreements may also be terminated, among other grounds, if any competitor of PepsiCo or its affiliates (i) acquires, directly or indirectly, shareholding or voting rights in any unlisted entity of the Promoter Group (as defined in the PepsiCo India Agreements) which holds, directly or indirectly, any share or voting rights of our Company; (ii) acquires shareholding or voting rights in any listed entity comprising the Promoter Group (as defined in the PepsiCo India Agreements) which gives the acquirer indirect ownership or voting rights equal to or in excess of 15% of the total outstanding shares of our Company; or (iii) acquires, directly or indirectly, any shareholding or voting rights in our Company equal or in excess of 15% of the total outstanding shares of our Company. In the PepsiCo India Agreements, 'Promoter Group' comprises of entities controlled by Ravi Kant Jaipuria, Varun Jaipuria, Dhara Jaipuria, Devyani Jaipuria, RJ Corp Limited, Ravi Kant Jaipuria & Sons (HUF) ("**Shareholding Entities**") including spouses and lineal descendants of Ravi Kant Jaipuria, Varun Jaipuria, Dhara Jaipuria, Devyani Jaipuria and companies and entities controlled by the Shareholding Entities and their affiliates (as defined in the PepsiCo India Agreements). These agreements may also be terminated if similar agreements with PepsiCo are terminated. Further, PepsiCo India/ PepsiCo Inc./ SVC and/ or TPI are entitled to terminate their respective agreements without cause by providing 12 months' notice to us. However, in the event of such termination, the price of exercising the assets call option rights or shares call option rights by PepsiCo India and/ or PepsiCo Inc. will be based on the agreed price (as defined in the PepsiCo India Agreements) plus premium of 30%. Further, in the event the PepsiCo India Agreements are terminated due to any competitor of PepsiCo acquiring shares in our Company beyond the thresholds provided in the PepsiCo India Agreements or due to the discontinuation of production of PepsiCo beverages due to force majeure event, as specified in the PepsiCo India Agreements, the price of exercising the assets call option rights or shares call option rights by PepsiCo India and/ or PepsiCo Inc. will be based on the agreed price (as defined in the PepsiCo India Agreements). In addition, in the event the PepsiCo India Agreements are terminated due to a breach of the PepsiCo India Agreements for any other reason apart from the reasons mentioned above, the price of exercising the assets call option rights or shares call option rights will be based on the agreed price (as defined in the PepsiCo India Agreements) less discount of 30%. See "Risk Factors - *Termination or non-renewal of the PepsiCo India Agreements or the PepsiCo International Agreements or the Tropicana India Agreement or the Tropicana India TSDA by PepsiCo India/ PepsiCo Inc./ SVC/ PepsiCo International Entities or TPI or any material modification to the existing terms under such agreements adverse to our interest will materially and adversely affect our ability to continue our business and operations and our future financial performance."* and "*Risk Factors - We are subject to various obligations under the PepsiCo India Agreements, Tropicana India Agreement and the PepsiCo International Agreements, including the obligation to purchase PepsiCo beverage concentrate exclusively from PepsiCo or PepsiCo approved manufacturers, on terms and conditions set by PepsiCo India/ PepsiCo Inc./ SVC/ TPI and the PepsiCo International Entities. In the event any such terms and conditions are set in a manner adverse to our business interest, our business prospects and future financial performance will be materially and adversely affected."* on pages 55 and 58, respectively.

- **Franchisee Arrangements for International Territories**

Through our subsidiaries, we have entered into PepsiCo International Agreements with the PepsiCo International Entities in Sri Lanka, Morocco, Nepal, Zambia and Zimbabwe. Under the PepsiCo International Agreements, PepsiCo International Entities retain the right to undertake the production and distribution of PepsiCo products either directly or through other third party bottlers. These agreements do not grant the franchise for all PepsiCo products for all the licensed territories, but for specific PepsiCo products for specified licensed territories.

We have been granted the franchise for certain PepsiCo products in Morocco for five years until January 31, 2021, in Nepal for ten years until November 30, 2021, in Zambia for five years until August 31, 2020, in Zimbabwe for five years years until February 18, 2023. In Sri Lanka, we have been granted the franchise for Aquafina and Tropicana products until July 31, 2021, and certain other PepsiCo products for 10 years until July 31, 2021. The PepsiCo International Agreements do not contemplate franchisee rights of all PepsiCo products for all the licensed territories. The franchises are granted for certain identified PepsiCo products in these particular territories. The PepsiCo International Agreements, apart from the exclusive bottling appointment agreement dated February 19, 2018 between PepsiCo Inc. and VBZPL, are automatically renewed for successive five year terms if neither party provides notice of termination.

In each of these international territories, we are obliged to purchase all required concentrate from PepsiCo International Entities or authorized suppliers at specified terms and conditions. An indicative annual operating plan is agreed upon for each licensed territory. The marketing and sales promotion activities in these territories are executed by PepsiCo. However, in certain of these territories, we share the marketing and advertising expenditure incurred. In addition, under the PepsiCo International Agreements, if there is discontinuation of our production process of the bottling of the beverages for a period of 30 consecutive days other than on account of annual maintenance or any other reason subject to the approval of the PepsiCo International Entities, the PepsiCo International Entities may exercise their right to terminate the said agreements.

We believe that we have at all times complied with the PepsiCo India Agreements, Tropicana India Agreement and the PepsiCo International Agreements. We have not received any intimation to the contrary from PepsiCo India / PepsiCo Inc./ SVC/ TPI and/ or the PepsiCo International Entities.

Product Portfolio

Our product portfolio includes various PepsiCo brands under the CSD, NCB and packaged drinking water categories.

Consistent with industry practice, we measure Sales Volume of our products in terms of million Unit Cases sold annually, a unit case of 8oz consists of 5.678 litres of beverage divided in 24 bottles of approximately 236.58 ml each.

The following tables set forth certain information relating to Sales Volume (in million Unit Cases) of various products in our portfolio, presented as a percentage of total Sales Volumes for all PepsiCo products sold by us in India and international territories in the periods indicated:

Product	**Fiscal 2016(1)**		**Fiscal 2017(2)**		**Fiscal 2018(3)**		**Six months ended June 30, 2018(4)**		**Six months ended June 30, 2019(5)**		**Three months ended June 30, 2018**		**Three months ended June 30, 2019**	
	Sales Volume	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**
	(million Unit Cases)(5)	**(%)**	**(million Unit Cases)(5)**	**(%)**	**(million Unit Cases)(5)**	**(%)**	**(million Unit Cases)(5)**	**(%)**	**(million Unit Cases)(5)**	**(%)**	**(million Unit Cases)(5)**	**(%)**	**(million Unit Cases)(5)**	**(%)**
CSDs	222.41	80.81%	219.52	78.83%	256.62	75.58%	167.54	77.34%	209.06	73.21%	107.41	78.77%	145.05	74.27%
NCBs	15.80	5.74%	13.66	4.91%	21.18	6.24%	14.11	6.51%	20.53	7.19%	9.69	7.11%	15.06	7.71%
Packaged Drinking Water	37.01	13.45%	45.30	16.26%	61.75	18.18%	34.99	16.15%	55.97	19.60%	19.26	14.12%	35.18	18.02%
Total	**275.22**	**100.00%**	**278.48**	**100.00%**	**339.55**	**100.00%**	**216.64**	**100.00%**	**285.56**	**100.00%**	**136.36**	**100.00%**	**195.29**	**100.00%**

(6) In Fiscal 2016, the territory of Zambia was consolidated with effect from January 1, 2016 pursuant to an acquisition of 60% equity shareholding of Arctic International Private Limited in VBZL. Subsequently, our Company increased its equity shareholding in VBZL from 60% to 90% with effect from February 20, 2017. Further, our Company acquired 51% shareholding of Arctic International Private Limited in VBML with effect from January 1, 2016. In addition, our Company subscribed to 85% equity shareholding of VBZPL with effect from April 5, 2016 pursuant to a shareholders' agreement dated February 8, 2016.

(7) In Fiscal 2017, our Company acquired franchisee rights for the state of Odisha and parts of the state of Madhya Pradesh with effect from September 26, 2017 and September 27, 2017, respectively. In addition, on March 2, 2017, our Company sold its entire shareholding in Varun Beverages Mozambique Limitada. Accordingly, Varun Beverages Mozambique Limitada ceased to be our Subsidiary with effect from March 2, 2017.

(8) In Fiscal 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively. Further, we entered into a bottling trademark license agreement on February 19, 2018 through our subsidiary, VBZPL, for the territory of Zimbabwe and accordingly, Sales Volumes from the territory of Zimbabwe are therefore reflected only in Fiscal 2018 and in the six months ended June 30, 2019.

(9) In the six months ended June 30, 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively. We entered into a bottling trademark license agreement with PepsiCo International Entities on February 19, 2018 through our subsidiary, VBZPL, for the territory of Zimbabwe.

(10) In the six months ended June 30, 2019, our Company acquired franchisee rights for the certain designated parts of Karnataka, Maharashtra and Madhya Pradesh with effect from February 14, 2019 and the 2019 New India Sub-Territories with effect from May 1, 2019. Accordingly, in the six month period ended June 30, 2019, the Sales Volumes from 2019 New India Sub-Territories is reflected only for the limited period from May 1, 2019 to June 30, 2019.

(11) Calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case.

Note: The aggregate Sales Volumes subsequent to the respective acquisitions are not comparable with those prior to the relevant acquisition.

- **Carbonated Soft Drinks**

The following table sets forth certain information relating to the most significant PepsiCo brands we produce and distribute:

Carbonated Soft Drinks

Energy Drink

Carbonated Juice Based Drinks

Club Soda

Note: All products and product variants/ flavours are not sold and manufactured in all territories.

CSDs continue to represent the significant majority of our aggregate Sales Volume, although NCB Sales Volumes have grown significantly in recent periods as we continue to expand our product portfolio. In Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, our CSDs Sales Volume represented 80.81%, 78.83%, 75.58% and 73.21%, respectively, of the Sales Volume in such periods. We have also introduced Pepsi Black and Sting, a caffeinated beverage. In our CSD product category, we focus on maintaining Sales Volume and value growth by ensuring availability of our CSD products; ensuring efficient distribution and logistics support; implementing effective marketing and product promotion measures and consumer engagement; managing effective market and segment-based pricing and packaging; and maintaining our market share and presence across the range of CSDs by introducing new flavours targeted at expanding the consumer segment and demography.

- **Non-Carbonated Beverages**

The following table shows our major non-carbonated beverage brands:

Fruit Pulp / Juice Based Drinks

Sports Drink

Packaged Water

Note: All products and product variants/ flavours are not sold and manufactured in all territories.

Our NCB range of licensed PepsiCo beverages includes fruit juice based drinks. In Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, our NCBs Sales Volume accounted for 5.74%, 4.91%, 6.24% and 7.19%, respectively, of our total Sales Volume in such periods. We have differentiated Tropicana Slice and Seven-Up Nimbooz from other brands in the NCB segment by introducing new flavors in a range of attractive packaging. We have also introduced Tropicana Juices (100%, Essentials and Delight) and Gatorade (sports drink). In the NCB segment, we pursue a strategy of continuing to develop our market share and brand recognition on our position by introducing new flavors and innovative packages. We have also expanded our range of PepsiCo licensed NCB products in recent years to target consumers who prefer to drink new, alternative beverages. Our future strategy for the NCB segment includes ensuring market penetration and availability through an expanded distribution network, developing brand preferences through sampling and visibility programs as well as launching new and novel flavours as introduced by PepsiCo.

- **Packaged Drinking Water**

The packaged drinking water brands of PepsiCo, which we franchise, are Aquafina and Aquavess. The following table shows our packaged drinking water brands:

Packaged Water

AQUAFINA AQUAVESS

Note: All products and product variants/ flavours are not sold and manufactured in all territories.

In Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019, our packaged drinking water Sales Volume accounted for 13.45%, 16.26%, 18.18% and 19.60%, respectively, of our total Sales Volume in such periods.

Sales and Marketing

PepsiCo controls the global marketing of its brands; however, we dedicate significant resources to the local marketing of PepsiCo's beverages throughout our licensed territories and sub-territories. We work closely with PepsiCo India to develop marketing plans specifically tailored for each country or market. We strive to drive profitable volume growth by creating and fulfilling demand for the products we sell. Accordingly, we aim to reach consumers wherever they are, with the right mix of brands, in the right packages (including availability of cold drinks for immediate consumption) and with a meaningful brand message that is relevant for the particular market. As we also work closely with our distributors for the sale of PepsiCo products, we are also able to provide local and regional market knowledge to the marketing teams of PepsiCo India on consumer preferences, feedback on specific marketing campaigns and analysis of competition. We have designated sales regions in our licensed territories and sub-territories with a dedicated sales manager responsible for implementing our marketing and distribution strategies at the local level, supported by a team of sales representatives responsible for sales, customer relations, merchandising and individual account management. We have also invested in various types of visi-coolers from local and international suppliers. As of June 30, 2019, we owned 7,55,052 visi-coolers placed across our various territories and sub-territories in India and internationally.

Our marketing efforts can be divided into consumer marketing (targeting the ultimate individual consumers) and customer marketing (targeting the retailers and distributors we sell our products to). PepsiCo India focuses on consumer marketing, which involves strengthening brand equity, analyzing consumer preferences, formulating brand marketing strategies and media advertisements. PepsiCo India's consumer marketing initiatives are typically executed and funded by PepsiCo India and includes television, radio and other media advertisement, particularly around significant sporting events or music festivals. As a franchisee, we focus primarily on customer-level marketing, including managing distributor and retailer relationships, special occasion-based marketing at points of sale, and implementing promotional activities to strengthen a strong distribution network. We undertake promotional activities that are pre-approved by PepsiCo India, to increase the number of points of sale for our beverages and to increase the attractiveness and visibility of our products at such points of sale. In-store point-of-sale advertisement is used extensively to reinforce national and local media advertisement and to stimulate demand. Further, we provide creative displays and point-of sale advertisement materials, as well as specifically designed visi-coolers and branded refrigerators and other cooling equipment, to distributors and retailers to further strengthen our brand and local presence. We also sponsor sports, cultural and community events in our various markets from time to time. We have also developed large marketing teams for each of our territories and sub-territories who work closely with PepsiCo India's marketing teams to enable us to ensure that our marketing efforts are tailored to specific markets and demographics.

Our sales and marketing initiatives can broadly be divided into two channels: "future consumption" (*i.e.* beverages purchased for future consumption) and "immediate consumption" (*i.e.* purchases of chilled beverages for immediate consumption). Immediate consumption typically takes place away from home, particularly in restaurants, bars, petrol stations, sports, theatres and entertainment centers, offices and hotels. Our account managers focus on developing key customer relationships which also enable us to improve merchandising at the relevant points of sale, which is critical to our business success, particularly in the case of future consumption channels. Beverages for future consumption are produced in multi-serve containers (one litre or more), and in smaller containers which are sold together in multi-packs. Future consumption sales typically represent higher Sales Volume but lower margins per retail outlet compared to immediate consumption sales. Future consumption customers include hypermarkets, supermarkets, discount stores, small retail stores, specialty food stores and open markets. In India, hypermarket and supermarket chains have undergone growth and consolidation in recent years and, as a result, are increasing their share within the retail sector. Because of their high Sales Volume, these retailers have greater bargaining power with respect to the prices of our products than our other customers. However, we benefit from economies of scale through such sales. Beverages for immediate consumption include those served in single-serve containers (less than one litre) and fountain products. Single-serve packages sold for immediate consumption usually generate relatively higher margins than multi-serve packages sold for future consumption. This is primarily due to consumers' willingness to pay a premium to purchase our products chilled, in a convenient size and at a convenient location.

The following tables set forth a breakdown of our historical Sales Volume (in million Unit Cases) for within India and outside India in the periods indicated:

Territories	**Fiscal 2016**		**Fiscal 2017**		**Fiscal 2018**		**Six months ended June 30, 2019**	
	Sales Volume	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**	**Sales Volume**	**Percentage of Total Sales Volume**
	(million Unit Cases) [3]	**(%)**	**(million Unit Cases)** [3]	**(%)**	**(million Unit Cases)** [3]	**(%)**	**(million Unit Cases)** [3]	**(%)**
Within India[1]	224.18	81.45%	224.16	80.49%	273.49	80.54%	243.26	85.19%
Outside India[2]	51.04	18.55%	54.32	19.51%	66.06	19.46%	42.30	14.81%
Total	**275.22**	**100.00%**	**278.48**	**100.00%**	**339.55**	**100.00%**	**285.56**	**100.00%**

(1) In Fiscal 2017, our Company acquired franchisee rights for the state of Odisha and parts of the state of Madhya Pradesh with effect from September 26, 2017 and September 27, 2017, respectively. Further, in Fiscal 2018, our Company acquired franchisee rights for the states of Chhattisgarh, Bihar and Jharkhand with effect from January 11, 2018, January 17, 2018 and March 23, 2018, respectively. In addition, in the six months ended June 30, 2019, our Company acquired franchisee rights for the certain designated parts of Karnataka, Maharashtra and Madhya Pradesh with effect from February 14, 2019 and the 2019 New India Sub-Territories with effect from May 1, 2019. Accordingly, in the six month period ended June 30, 2019, the Sales Volumes from 2019 New India Sub-Territories are reflected only for the limited period from May 1, 2019 to June 30, 2019. In the two months ended June 30, 2019, Sales Volume from the 2019 New India Sub-Territories were 24.75 million Unit Cases, contributing 8.67% of our total Sales Volume in the six months ended June 30, 2019.

(2) In Fiscal 2016, the territory of Zambia was consolidated with effect from January 1, 2016 pursuant to an acquisition of 60% equity shareholding of Arctic International Private Limited in VBZL. Subsequently, our Company increased its equity shareholding in VBZL from 60% to 90% with effect from February 20, 2017. Further, our Company acquired 51% shareholding of Arctic International Private Limited in VBML with effect from January 1, 2016. Subsequently, on March 2, 2017, our Company sold its entire shareholding in Varun Beverages Mozambique Limitada. Accordingly, Varun Beverages Mozambique Limitada ceased to be our Subsidiary with effect from March 2, 2017. In addition, our Company subscribed to 85% equity shareholding of VBZPL with effect from April 5, 2016 pursuant to a shareholders' agreement dated February 8, 2016. Subsequently, we entered into a bottling trademark license agreement on February 18, 2018 through our subsidiary Varun Beverages (Zimbabwe) (Private) Limited for the territory of Zimbabwe and accordingly, Sales Volumes from the territory of Zimbabwe are therefore reflected only in Fiscal 2018 and in the six months ended June 30, 2019.

(3) Calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case.

Note: The aggregate Sales Volumes subsequent to the respective acquisitions are not comparable with those prior to the relevant acquisition.

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Production Process

- **Beverage Production**

  The production process of our CSDs involves mixing concentrate, sugar and treated water. The mixture is carbonated and filled in containers such as bottles (PET and glass) or cans on automated filling lines. The production process for NCB products involves a similar process, except that the beverage is pasteurized and the beverage is filled in tetrapaks in addition to bottles. Aquafina and Aquavess are packaged drinking water processed using the water filtration process specified by PepsiCo India. Similarly, the processed water is carbonated to produce Evervess.

- **Container Production**

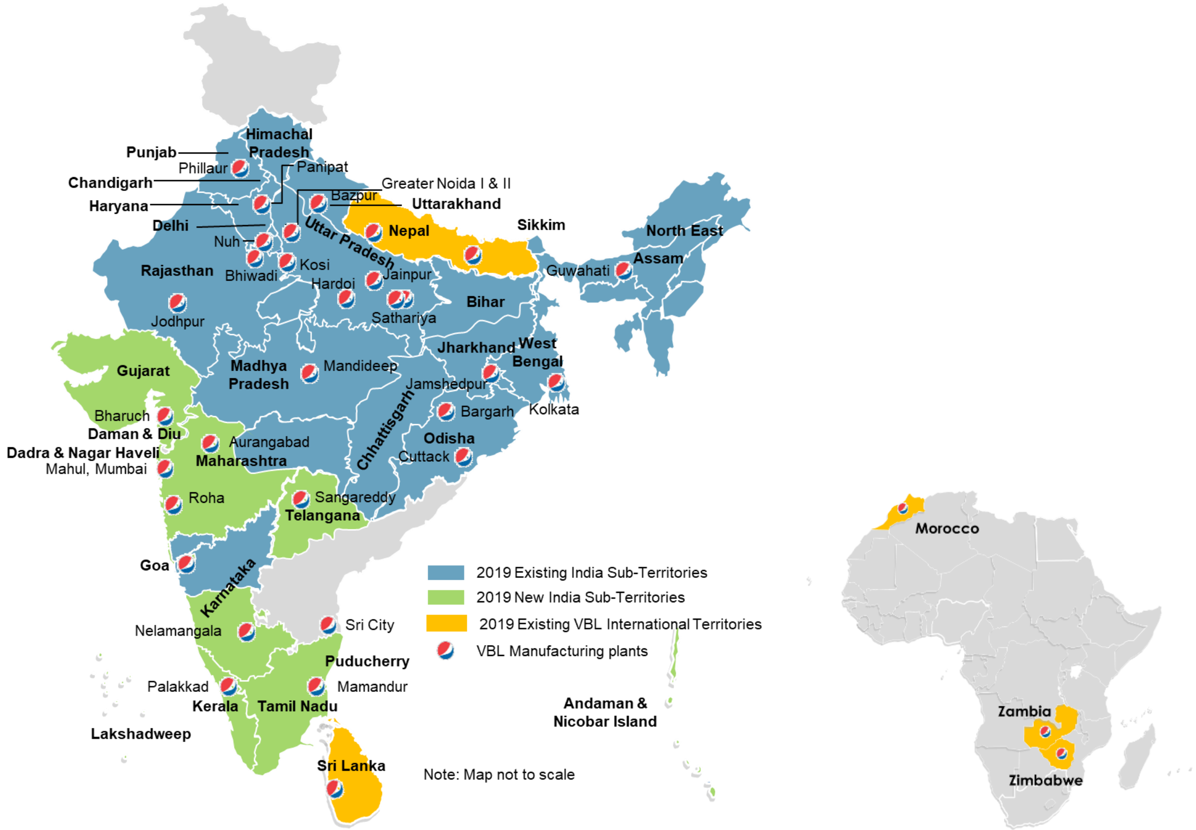
  In order to manufacture PET bottles, injection moulding machines are used to melt PET resin and form "preforms" through injection moulding. Preforms are hollow PET tubes. In blow moulding machines, hot preforms are blown with air flow in two stages, low pressure and high pressure, while preforms are stretched with stretch rod, converting them into hollow PET bottles inside a fixed mould in the shape of the desired bottle design and size. This process makes it possible to manufacture PET bottles of high quality surface finish, with uniformity in thickness and consistent dimension. Our production facilities in Kosi, Hardoi, Pathankot, Guwahati, Nepal, Sri Lanka and Zimbabwe produces preform for use in our operations in India and in our international licensed territories. In all of our production facilities that include PET filling lines, preforms are blown into PET bottles.

- **Labelling and Packaging**

  Sealed cans, tetrapaks, corked glass bottles and capped PET bottles are labelled with the relevant brand and PepsiCo logo. After labelling, the containers are imprinted with date codes in our production facilities that enable us to monitor and ensure smooth supply of inventory. Following labelling and imprinting, these containers are wrapped in shrink wrap or cardboard cartons on automated packaging lines. This final stage in the production process may involve packaging into packs of various sizes ranging from four to 30 units.

Production Facilities

As of June 30, 2019, we operate 30 production facilities across India and six production facilities in international territories. In addition, we have two facilities dedicated to backward integration located at Jaipur and Alwar which manufacture crowns, plastic shells, corrugated boxes and pads and shrink wrap film. The map below shows our India Sub-territories and our production facilities located across India as well as our international territories and international production facilities as of June 30, 2019:



The table below sets forth certain information regarding our production facilities located across India as well as our international production facilities as of June 30, 2019:

S. No	Production Facility	Preform Production	PET Bottle Filling	Glass Bottle Filling	Can Filling
1.	Greater Noida – 1	-	√	√	-
2.	Greater Noida – 2	-	√	√	-
3.	Kosi	√	√	√	-
4.	Nuh	-	√	√	-
5.	Bhiwadi	-	√	√	√
6.	Panipat	-	√	√	-
7.	Jodhpur	-	√	√	-
8.	Bazpur	-	-	√	-
9.	Satharia -1	-	√	-	-
10.	Satharia -2	-	-	√	-
11.	Jainpur	-	√	√	-
12.	Sonarpur	-	√	√	-
13.	Hardoi	√	√	√	-
14.	Phillaur	-	√	√	-
15.	Guwahati Unit-1	-	√	√	-
	Guwahati Unit-2	√	√	-	-
16.	Goa	-	√	√	-
17.	Pathankot	√	√	√	√
18.	Bharuch	-	√	√	-
19.	Mahul	-	√	√	-
20.	Roha	-	√	√	√
21.	Paithan	-	√	√	-
22.	Nelamangala	-	√	√	-
23.	Palakkad	-	√	√	-
24.	Sri City	-	√	-	√
25.	Mamandur	-	√	√	-
26.	Sangareddy	-	√	√	-
27.	Mandideep	-	√	√	-

S. No	Production Facility	Preform Production	PET Bottle Filling	Glass Bottle Filling	Can Filling
28.	Cuttack	-	√	√	-
29.	Jamshedpur	-	√	√	-
30.	Bargarh	-	√	√	-
31.	Nepal	-	√	√	-
32.	Nepal - 2	√	√	√	-
33.	Sri Lanka	√	√	√	-
34.	Morocco	-	√	√	√
35.	Zambia	-	√	√	√
36.	Zimbabwe	√	√	√	-

The peak month production capacity of our production facilities in India and international territories was 107.94 million Unit Cases and 22.14 million Unit Cases, respectively. The following table sets forth certain information relating to our peak month production capacity for the period indicated:

Particulars	Number of lines	Peak month production capacity (1)(2)
India		**(in million Unit Cases)(4)**
CSD	86	75.03
NCB	28	14.17
Packaged Drinking Water	19	18.74
Total	133	107.94
International		
CSD	18	17.64
NCB	2	0.38
Packaged Drinking Water	6	4.12
Total	26	22.14

(1) As certified by M/s GCA Technical Consultants, Chartered Engineer, by certificate dated August 23,, 2019.

(2) The information relating to the peak month production capacities of our production facilities included above and elsewhere in this Preliminary Placement Document is based on a number of assumptions and estimates of our management that have been taken into account by the chartered engineer in the calculation of our peak month production capacity. In particular, the following assumption has been made in the calculation of the peak month production capacity of our production facilities included above and elsewhere in this Preliminary Placement Document: a line is assumed to run for 20 hours in a day, 28 days in the peak month at an efficiency of 90%. Capacity additions to our production facilities have also been made on an incremental basis, including through expansion of our production facilities as well as de-bottlenecking exercises and improved material handling and other operational efficiencies in the production process. Actual production levels and utilization rates may therefore vary significantly from the peak month production capacities of our production facilities. Due to the highly seasonal nature of our business, we have in this Preliminary Placement Document included only the peak month production capacity of our production facilities. Please note that the peak month identification for purposes of calculation of peak month production capacities (including that for production facilities located in international territories) may vary, depending on the geographical position of the relevant production facility/ sub-territories served by such production facility, as well as changes in climatic conditions and seasonality factors that could from vary from year to year. Such peak month production capacity of our production facilities has been included in this Preliminary Placement Document for the limited purpose of providing information on peak month operations in our business. Such peak month capacity information is based on various assumptions and estimates, and does not purport to predict, and cannot be relied on as a substitute for, annual production capacity information for our production facilities. Undue reliance should not be placed on the peak month production capacity information for our production facilities included in this Preliminary Placement Document. In addition, capacity utilization is calculated differently in different countries, industries and for the different kinds of products we manufacture. Given the highly seasonal nature of our business, and the complexities associated with peak month capacity information for our production facilities, capacity utilisation information has minimal relevance as a measure of our business operations and financial performance in any particular fiscal year or period. See "Risk Factors -Information relating to the peak month production capacities of our production facilities included in this Preliminary Placement Document is based on various assumptions and estimates. Actual production rate may vary from such peak month production capacity information and historical capacity utilization rates." and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting our Results of Operations - Production capacities, backward integration and operating efficiencies" on pages 67 and 108, respectively.

(3) Calculated and presented on the basis that each unit case consists of 24 units of beverages of approximately 236.58 ml each, aggregating to 5.678 litres of beverage per unit case.

Our production facilities typically consist of two or more production lines dedicated to a particular package format and size and either for CSDs or NCBs. Our production facilities at Bhiwadi, Sri City, Roha and Pathankot are focused on filling of aluminium cans, and all of our canned beverages are produced at these production facilities and then distributed across our licensed sub-territories in India. We plan our production capacities in a manner such that we are able to bring a production line early enough to provide a buffer for potential additional sales during peak seasons. All of our production facilities also include warehousing facilities.

Distribution Network and Infrastructure

As of June 30, 2019, our distribution network included 2,115 delivery vehicles. Our sales and distribution network is spread strategically across different parts within our licensed sub-territories in India, and we continue to strengthen our distribution network semi-urban and rural areas and markets. Our expansive distribution network enables us to reach a wide range of consumer segments and ensures effective market penetration.

We deliver our products from our manufacturing facilities to our distribution depots, from where our distributors pick up consignments of stock and deliver it to sales outlets in our licensed territories and sub-territories. The depots and distributors in a sub-territory serve sales outlets in such sub-territory and as a result transportation distances, and consequently transportation costs, are reduced. Points of sale for our products include traditional retail points, such as grocery stores, and modern retail outlets including e-commerce, supermarkets, hypermarkets, convenience stores, bars and restaurants. For our returnable glass bottle products, our distributors pick up empty glass bottles when delivering fresh stock, returning the bottles to our distribution depots, from where they are then returned to our manufacturing facilities.

Quality Control

We place significant importance on quality control, which is in line with the specifications laid down by PepsiCo. Our comprehensive quality standards cover the entire value chain, from the purification of water to the production of the finished product, up to and including the point where the product ultimately reaches the consumer. We believe that the quality of the products manufactured by us is critical to our success, and are committed to maintaining quality standards with respect to the purity of our water and the quality of the raw materials we use. Our production facilities are all equipped with quality control laboratories for testing raw materials, packaging and finished products.

Our PepsiCo India Agreements, Tropicana India Agreement and PepsiCo International Agreements stipulate stringent quality standards with respect to the entire production process as well as the sales and distribution process. In addition, we are required to obtain raw materials, including concentrates and packaging, only from suppliers that have been pre-approved by PepsiCo India and/ or PepsiCo International Entities. We follow specific water filtration processes as prescribed by PepsiCo to ensure quality control. In addition, we furnish samples of water and beverages every month to PepsiCo for their inspection. PepsiCo regularly undertakes quality checks of our distribution channels to monitor compliance with packaging and product standards. In these checks, random samples of PepsiCo beverages produced by us from the various channels are taken and tested in PepsiCo's laboratories. PepsiCo provides us with monthly reports with our product and packaging quality scores.

We continue to closely monitor our compliance with quality control standards. We have sophisticated control equipment to monitor the key areas of the production process in our production facilities and as well as testing laboratories within our production facilities. We monitor the functioning of these control systems on a regular basis. Both PepsiCo and as well as local regulatory authorities in each of our licensed territories and sub-territories in which we operate also check our facilities and production and distribution processes to ensure that independent validation of key control points. In certain instances, our control systems conduct monitoring on a continuous basis while the beverages are being manufactured. We also use a sampling procedure for certain tests. The objective of our production quality monitoring is to ensure that any beverage that does not conform to our exact specifications is removed prior to being placed in the market.

Procurement and Raw Materials

In the production of PepsiCo products, we use raw materials and ingredients that have been reviewed and pre-approved by PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or PepsiCo International Entities, and relevant regulatory agencies responsible for food safety. Our raw material requirements include ingredients required for production of beverages, as well as processing aid materials and packaging and labelling materials. The key ingredients and raw materials required for the production of our PepsiCo beverages include concentrate, sweeteners, purified water and carbon dioxide. Processing aid materials are used in syrup preparation, glass bottle washing, cleaning-in-place, conveyor lubrication. Processing aid materials are indirect materials but are required to complete processing cycle. Packaging materials include preform, cans, can ends, tetrapak, returnable glass bottles, PET resin, labels, plastic caps, crowns, cardboard and plastic film.

Other than Tropicana, Aquafina, Aquavess, Evervess and Teem Soda, our other CSD and NCB products requires flavour concentrates, which is diluted with water and, in the case of non-low-calorie beverages, sweetened with sugar. PepsiCo's 'diet' and 'black' beverage flavour concentrates already contain artificial sweeteners and therefore do not require additional sweetening. For our carbonated beverages, we inject carbon dioxide during blending.

Our principal raw materials include the following:

- **Concentrate.** Concentrate costs represent our most significant raw materials expense, and such cost of concentrate in India was 22.46%, 27.03%, 27.90% and 29.30%, respectively, of our total cost of raw materials consumed in Fiscal 2016, Fiscal 2017, Fiscal 2018 and in the six months ended June 30, 2019. Pursuant to the terms of our PepsiCo India Agreements, Tropicana India Agreement and PepsiCo International Agreements, concentrate is supplied directly by PepsiCo India and/ or other relevant PepsiCo entities or their approved manufacturers at a specified price. For India, we typically purchase our concentrates requirements from PepsiCo India's concentrate manufacturing facility in Patiala, Punjab. Although the concentrate price could be set by PepsiCo India/ PepsiCo Inc./ SVC/ TPI and/ or PepsiCo International Entities at their discretion, in practice, the concentrate price is determined by PepsiCo India and/ or PepsiCo International Entities in discussions with us, after taking into account the selling price, taxation, input cost and market and other relevant conditions. In the last three years, the variance in the concentrate price purchased by us has been lower than the increase in India's CPI. CPI measures changes in the prices paid by consumers for a basket of goods and services where such yearly (or monthly) growth rates represent the inflation rate in such period.

  In our international operations, we import the concentrate required for our operations in Sri Lanka and Nepal from India, whereas for Zambia, Morocco and Zimbabwe, we import concentrate from PepsiCo facilities in Ireland. For our international operations, PepsiCo International Entities specify a fixed price denominated in United States Dollars for concentrate, except for Nepal, which is denominated in Indian Rupees. These specified prices are typically fixed for a period of one year, and such prices are subject to annual review by PepsiCo International Entities.

- **Sugar**. In India, we procure sugar from various sugar mills and wholesale distributors, primarily from the States of Uttar Pradesh and Maharashtra. Sugar prices tend to be volatile, and we do not enter into any long-term supply contracts in place. We place orders depending on our production requirements at negotiated prices, and typically procure sugar from a few key suppliers in India. For our international operations, we procure sugar from various local suppliers through short term or spot purchase agreements. In Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, cost of sugar represented 35.13%, 33.77%, 27.74%, and 29.14%, respectively, of our cost of materials consumed in India. As a result of the significant increase in our operations, we benefited from economies of scale by negotiating favourable prices from our suppliers.

- **Packaging Material**. The principal packaging materials used by us include preforms for PET bottles, cans, tetrapaks, shrink-wrap films, crowns, plastic closures, labels and corrugated boxes. Our production facilities in Kosi, Hardoi, Pathankot and Guwahati in India, and our production facilities in Sri Lanka and Zimbabwe manufactures preforms, our production facility in Jaipur manufactures crowns and our production facility in Alwar manufacture shrink-wrap films, plastic shells and corrugated boxes and pads. Preforms, crowns, corrugated boxes and shrink-wrap films from these facilities are then transported to, and used in production in, our other production facilities in India. Accordingly, a majority of our packaging requirements are produced internally. For labels, we source our requirements from local suppliers with whom we have developed long-term relationships, to ensure quality and uninterrupted supply. We typically order the materials required by us on negotiated terms and prices that are fixed between our head office and the suppliers, in advance of our production requirements. A drop in PET resins, including preform, prices, which is a key raw material for our packaging material has led to a decrease in our cost towards the packaging material over the past three fiscals. In Fiscal 2016, Fiscal 2017, Fiscal 2018, and in the six months ended June 30, 2019, the cost of preform, including PET resins, including preform, represented 18.59%, 18.84%, 23.66% and 22.84%, of our cost of materials consumed in India.

  A majority of our products are packaged in PET bottles in both single-serve and multi-serve sizes and single-serve aluminium cans and returnable glass bottles. We also sell Tropicana variants including Tropicana Slice in tetrapak cartons. We sell post-mix syrup to restaurants, bars and convenience stores in “bag in a box” format. We print each packaged container with information relating to the manufacturer, expiry date and bar codes for identification in accordance with various regulatory requirements.

Competition

The soft drinks industry has been witnessing increasing competition in India (*Source: GlobalData Report*). Further, across various categories of soft drinks, regional businesses have a considerable presence in India with such companies capitalizing on better distribution network in specific regions, smaller packs, and affordable price points (*Source: GlobalData Report*). In practice, the franchise rights are granted for a particular sub-territory on an exclusive basis by PepsiCo subject to PepsiCo’s right to unilaterally suspend or terminate the arrangement. This ensures that there is no competition among other PepsiCo’s franchisees. However, we compete with other globally recognized brands in the CSDs and NCBs industry with an established brand and extensive market presence in India. Similarly, in our international markets, we have entered into distribution arrangements with PepsiCo in connection with our licensed territories. In our international markets, we compete with various global brands in the beverage industry as well as several regional competitors in the CSD or NCB industries. As a significant portion of marketing activity for the PepsiCo beverages we sell is undertaken by PepsiCo India directly, we have only a limited ability to affect the competitive position of such products and enhance brand recognition. We believe that brand recognition is a primary factor affecting our competitive position. If the reputation of the PepsiCo brands were to be damaged, it could significantly reduce our competitiveness. See “*Risk Factors - We are dependent on PepsiCo for brand promotion and the protection of the PepsiCo trademarks and brands. An inability by PepsiCo to adequately promote its brands and/ or adequately protect its trademarks and brands may result in loss of goodwill and business and adversely affect our business prospects, results of operations and financial condition.*” on page 66.

Certain significant competitive factors that impact our business operations and prospects include the scale of our distribution network, distribution chain management ensuring timely supply and availability of our PepsiCo products, as well as advertising and marketing, brand image, product offerings that meet consumer preferences and trends, new product and package innovations, pricing, and cost inputs. Other competitive factors include supply chain (procurement, manufacturing, and distribution) and sales methods, customer service, and the management of sales and promotional activities. Management of chilled drink equipment, including visi-coolers and vending machines, is also a competitive factor. We believe our most favourable competitive factor is the consumer and customer goodwill associated with the PepsiCo brand portfolio.

In addition, we compete with a number of smaller manufacturers, including regional competitors that compete principally on price. In particular, we face price competition from local non-premium brand producers and distributors, which typically produce, market and sell CSDs and NCBs at prices lower than ours, especially during the summer months. However, we believe that the substantial investment in multiple production facilities, distribution infrastructure and systems is required to operate a nation-wide beverage production and distribution business represents significant entry barriers to potential competitors.

See “*Risk Factors - An inability to maintain our competitive position in India and in our other markets may adversely affect our business, prospects and future financial performance.*” on page 65.

Health and Safety

We are subject to applicable environmental and other regulatory restrictions in each of the jurisdictions in which we operate. In addition, in all our facilities we have adopted PepsiCo’s stringent environmental standards and implemented its stringent control procedures.

We continue to ensure compliance with applicable health and safety regulations and other requirements in our operations and maintain adequate workmen’s compensation policies for our licensed sub-territories in India. In India, some of our production facilities have received quality certifications, confirmed through annual audits by independent consultants. We have to also ensure waste minimization with respect to our usage of raw materials, consumption of energy and discharge of water.

We believe the environmental and associated regulatory climate in all our markets will become increasingly stringent. We believe that we have complied, and will continue to comply, with all applicable environmental and associated laws, rules and regulations. We have obtained, or are in the process of obtaining or renewing, all material environmental consents and licenses from the relevant governmental agencies that are necessary for us to carry on our business. Our activities are subject to various environmental laws and regulations applicable to our licensed territories and sub-territories, which govern, among other matters, air emissions, waste water discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites, natural resource damages, and employee health and employee safety.

Insurance

We believe we are adequately insured against all losses and risks involving property and third party liability. For our operations in India, we have obtained insurance coverage for group personal accidental policy, group term insurance, comprehensive general liability on occurrence basis, group medi-claim insurance policies and fleet insurance. We also maintain standard insurance policies for burglary insurance, money insurance as well as standard fire and special perils insurance and marine open insurance. We also maintain industrial all risk insurance and comprehensive general liability insurance along with a public offering of securities insurance policy. In addition, we have also obtained a directors and officers liability insurance. We have established risk control guidelines, which are applied and audited at all of our production facilities.

Human Resources

As of June 30, 2019, we employed 8,095 full time employees in India, and 2,464 full time employees in our international operations. In addition, we contract with third party manpower and services firms for the supply of contract labour. The number of contract labourers varies seasonally, with generally higher numbers during our peak summer months. Our employees are represented by labour or workers' unions in the various jurisdictions. We have not experienced any major work stoppages due to labour disputes or cessation of work in the recent past.

We place significant emphasis on training our personnel and increasing their skill levels, and fostering ongoing employee engagement in our Company. We organize in-house training for our employees through skill building programs and professional development programs at all levels and across all functions. Our key employees also attend management and staff development programs organized by PepsiCo.

Intellectual Property

We have secured registration with the Trademarks Registry of India for 'VARUN BEVERAGES', 'Varun Bev' and our logo , under class 32. In addition, VBZL has secured registration with the Trade Marks Office, Lusaka, Zambia for 'FONTAINE' in class 32 under number 722/2011. As a franchisee of PepsiCo, we have been awarded the franchise to certain licensed brands of PepsiCo in 27 States and seven Union Territories in India. We have also been granted the franchise rights for the production and distribution of certain licensed brands of PepsiCo in Nepal, Sri Lanka, Zambia, Morocco and Zimbabwe.

PepsiCo owns or licenses all the trademarks and brands for products that we produce, sell and distribute, and it has the responsibility for protecting its trademarks in India, Nepal, Sri Lanka, Zambia, Morocco and Zimbabwe. All the trademarks owned and licensed by PepsiCo are registered with the national trademark registry offices, or are subject of a pending application, in the name of PepsiCo, as applicable. Historically, PepsiCo has borne all the legal costs of initiating proceedings against infringement of PepsiCo trademarks.

Accordingly, our business and operations are significantly dependent on the intellectual property rights, particularly PepsiCo's CSD and PepsiCo's NCB brands as well as packaged drinking water, and the nature of our agreements with PepsiCo with respect to such rights. See "*Relationship with PepsiCo*" and "*Risk Factors - We are dependent on PepsiCo for brand promotion and the protection of the PepsiCo trademarks and brands. An inability by PepsiCo to adequately promote its brands and/ or adequately protect its trademarks and brands may result in loss of goodwill and business and adversely affect our business prospects, results of operations and financial condition.*" on pages 171 and 66, respectively.

Information Technology

Information technology systems are crucial in the management of our business. We use advanced information technology systems to schedule production, procure raw materials, route delivery vehicles and invoice customers. We have introduced GPRS-enabled handheld devices and systems called 'SAMNA' (Sales

Automation Management for the New Age) in certain of our operations to automate field work processes and enable access to real-time sales information from production facilities, warehouses and distribution centers across India, thereby ensuring integrated operational data from manufacturing, planned procurement and superior tracking of transportation of products from distributors to final delivery to the retail point-of-sale. We also invest in information systems across India in order to ensure that detailed, useful information on sales, customer performance and consumer preferences and behavior is regularly available. We use this information to perform a comprehensive and detailed analysis of the purchasing patterns and preferences of various groups of soft drink consumers in each of the types of channels where they might potentially purchase our beverages. Based on this analysis, we tailor our product, pricing, packaging and distribution strategies to maximize the growth potential of each distribution channel. Our use of information technology allows us to react quickly and effectively to consumer trends, which may differ in each channel.

Corporate Social Responsibility

We have set up a corporate and social responsibility ("**CSR**") committee of our Board of Directors (the "**CSR Committee**") comprising of Mr. Ravi Kant Jaipuria, Mr. Raj Pal Gandhi and Ms. Rashmi Dhariwal, and have adopted and implemented a CSR policy pursuant to which we undertake our CSR activities. Our recent CSR activities have been focused on promoting education, providing safe drinking water, promoting preventive healthcare, environment sustainability and slum are development.

Property

Our registered office is situated at F-2/7, Okhla Industrial Area Phase – I, New Delhi and our corporate office is situated at Plot number 31, Institutional Area, Sector 44, Gurgaon, Haryana, both of which have been taken on lease by our Company for a period of three years, beginning from April 1, 2018 and April 1, 2017, respectively. As of June 30, 2019, we operated 30 production facilities across India and six production facilities in our international licensed territories. Some of the land for these production facilities, including our international production facilities, are held by our Company and/ or Subsidiaries on freehold basis and some are held by our Company and/ or Subsidiaries on leasehold basis.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The composition of our Board is governed by the provisions of the Companies Act, the SEBI Listing Regulations and our Articles of Association. As per the provisions of our Articles of Association read with the applicable provisions of the Companies Act, our Board shall not have less than three Directors and not more than 15 Directors. Our Company may appoint more than 15 Directors after passing a special resolution in a general meeting. Currently, there are 10 Directors on our Board, out of which four are Executive Directors, one is a Non-Executive Non-Independent Director and five are Independent Directors.

The following table sets forth details regarding our Board as of the date of this Preliminary Placement Document:

Name, Address, Occupation, Nationality, Term and DIN	Age (in years)	Designation
Ravi Kant Jaipuria *Address:* 7A, Aurangzeb Road, New Delhi 110 011. *Occupation*: Business *Nationality:* Indian *Term*: Liable to retire by rotation *DIN*: 00003668	64	Chairman and Non-Executive Director
Varun Jaipuria* *Address*: 7A, Aurangzeb Road, New Delhi 110 011. *Occupation*: Business *Nationality*: Indian *Term:* Three years with effect from November 1, 2016 until October 31, 2019 (liable to retire by rotation) *DIN*: 02465412	31	Whole-time Director
Raj Pal Gandhi* *Address*: C-15/10, DLF Phase I, Chakarpur, Gurgaon 122 002. *Occupation*: Service *Nationality*: Indian *Term:* Three years with effect from November 1, 2016 until October 31, 2019 (liable to retire by rotation) *DIN:* 00003649	62	Whole-time Director
Rajinder Jeet Singh Bagga *Address:* House No 755, Sector- 21C, Faridabad 121001. *Occupation:* Service *Nationality:* Indian *Term:* Five years with effect from May 2, 2019 until May 1, 2024 (liable to retire by rotation)	56	Whole-time Director**

Name, Address, Occupation, Nationality, Term and DIN	Age (in years)	Designation
DIN: 08440479		
Kapil Agarwal *Address:* KK-85, Kavi Nagar, Ghaziabad 201 002. *Occupation*: Service *Nationality*: Indian *Term:* Five years with effect from January 1, 2019 until December 31, 2023 (liable to retire by rotation) *DIN:* 02079161	55	Whole-time Director and Chief Executive Officer
Naresh Trehan *Address*: B-4, Maharani Bagh, New Delhi 110 065 *Occupation*: Professional *Nationality*: Indian Term: Five years with effect from December 1, 2018 until November 30, 2023 *DIN:* 00012148	73	Independent Director
Pradeep Khushalchand Sardana *Address*: S-05 B, Windsor Court, DLF Phase-4, Galleria DLF IV, Farrukhnagar, Gurgaon 122 009. *Occupation*: Professional *Nationality*: Indian *Term*: Five years with effect from March 28, 2018 until March 27, 2023 *DIN*: 00682961	70	Independent Director
Ravi Gupta *Address:* D-17/A 1st Floor, Kailash Colony, Greater Kailash, New Delhi 110 048. *Occupation:* Service *Nationality:* Indian *Term:* Five years with effect from March 19, 2018 until March 18, 2023 *DIN:* 00023487	64	Independent Director
Sita Khosla *Address:* 163D, The Pinnacle, Golf Courses Road, DLF-5, Gurgaon 122 002. *Occupation*: Professional *Nationality*: Indian *Term*: Five years with effect from February 16, 2018 until February 15, 2023 *DIN:* 01001803	57	Independent Director

Name, Address, Occupation, Nationality, Term and DIN	Age (in years)	Designation
Rashmi Dhariwal *Address:* Aashray Farms, Near Shiv Mandir, Asola, Fatehpur Beri, South Delhi, New Delhi 110 074. *Occupation:* Professional *Nationality:* Indian *Term:* Five years with effect from March 19, 2018 until March 18, 2023 *DIN:* 00337814	63	Independent Director

** Re-appointed as a Whole-time Director for a term of up to five years with effect from November 1, 2019, pursuant to our Board resolution dated August 1, 2019, subject to the approval of our shareholders.*
***Appointed as an Additional Director for a term of five years with effect from May 2, 2019 until May 1, 2024 (liable to retire by rotation) subject to the approval of our shareholders.*

Brief profiles of our Directors

Ravi Kant Jaipuria is the Chairman and Non-Executive Director of our Company. He is a promoter of our Company and has over three decades of experience in conceptualizing, executing, developing and expanding food, beverages and dairy business in South Asia and Africa. He has completed his higher secondary education from Delhi Public School Mathura Road, New Delhi. He has an established reputation as an entrepreneur and business leader and is the only Indian company's promoter to receive PepsiCo's award for International Bottler of the Year, awarded in 1997. He was also awarded the 'Distinguished Entrepreneurship Award' at the PHD Chamber Annual Awards for Excellence 2018.

Varun Jaipuria is a Whole-time Director of our Company. He attended Millfield School, Somerset, England and holds a bachelor's degree in international business from the Regent's University, London. He has 10 years of experience in the soft drinks industry and has also completed a program for leadership development at the Harvard Business School. He has been with the Company since 2009 and has been responsible for the development of our Company's new business initiatives that includes implementation of sales automation tools.

Raj Pal Gandhi is a Whole-time Director of our Company. He holds a bachelor's degree in commerce from the University of Delhi and is a member of the Institute of Chartered Accountant of India. He has over 24 years of experience with our Company and has been instrumental in strategizing our diversification, expansion, mergers and acquisitions, capex funding and institutional relationship. He also has rich experience in the field of finance, strategy, governance, legal and mergers and acquisitions. Prior to this, he has worked with Electronic Trade and Technology Development Corporation Limited and Uptron Powertronics Limited, both public sector undertakings under the Government of India.

Rajinder Jeet Singh Bagga is a Whole-time Director of our Company. He holds a master's degree in mechanical engineering from the Indian Institute of Technology, Kanpur. He has been associated with our Company since 1996 and is currently heading our technical operations since 2003. He has an experience of over 23 years with our Company in managing technical operations and execution of projects. Prior to this, he was associated with Eveready Industries India Limited for approximately 10 years and was last working in the capacity of their production manager.

Kapil Agarwal is a Whole-time Director and Chief Executive Officer of our Company. He holds a bachelor's degree in commerce from the University of Lucknow and has attended the post-graduation diploma course in business management from the Institute of Management Technology, Ghaziabad. He has been associated with our Company since incorporation and currently heads our operations and management. He has over 24 years of experience with our Company in sales and marketing.

Naresh Trehan is an Independent Director of our Company. He holds a bachelor's degree in Medicine and Surgery from the University of Lucknow and has been certified as a renowned Cardiothoracic Surgeon by the American Board of Thoracic Surgery. He has trained and practiced at New York University Medical Center at Manhattan USA from July 1, 1971 to June 30, 1975 and is an honorary fellow at the Royal Australasian College of Surgeons. He has received many prestigious awards, including the Padma Bhushan Award, presented by the

Government of India.

Pradeep Khushalchand Sardana is an Independent Director of our Company. He holds a bachelor's degree in mechanical engineering from the Indian Institute of Technology, Delhi.

Ravi Gupta is an Independent Director of our Company. He holds a bachelor's degree and a master's degree in commerce from the University of Delhi. He also holds a bachelor's degree in law and a doctorate in philosophy for his thesis on 'Country Risk Analysis in Investment Financing Decision Making' from the University of Delhi. He is currently employed as an Associate Professor in the commerce department of Shri Ram College of Commerce, the University of Delhi.

Sita Khosla is an Independent Director of our Company. She holds a bachelor's degree in law from the University of Delhi and is enrolled with the Bar Council of Delhi since 1987.

Rashmi Dhariwal is an Independent Director of our Company. She holds a bachelor's degree in arts from the University of Delhi and is a practicing advocate at the Calcutta High Court since 1978. She is also the chairperson of an non-profit organization called Prayatn which provide education to underprivileged children.

Relationship between Directors

Varun Jaipuria, our Whole-time Director, is the son of Ravi Kant Jaipuria, the Chairman of our Company. Apart from these, none of the Directors are related to each other.

Interest of Directors of Company

Except as stated in "*Related Party Transactions*" on page 96, and to the extent of respective shareholding, remuneration, reimbursement of expenses and other benefits to which they are entitled as per their respective terms of appointment, our Directors do not have any other interest in our Company or its business. Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares, held by them, any other benefit arising out of such holding and transactions with the companies with which they are associated as directors or members. Our Non-executive Directors and Independent Directors may also be deemed to be interested to the extent of sitting fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other reimbursement of expenses payable to them.

The Directors may also be regarded as interested in the Equity Shares held by, or that may be subscribed by, and allotted to, the companies, firms and trust, in which they are interested as directors, members, partners or trustees. For details of the Equity Shares and options held by our Directors, see "*– Shareholding of the Directors" and "– Employees Stock Option Scheme*" on page 195, respectively.

Our Directors may be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by our Company with any company in which they hold directorships or any partnership firm in which they are partners. Except as otherwise stated in this Preliminary Placement Document, we have not entered into any contract, agreements, arrangements during the preceding two years from the date of this Preliminary Placement Document in which our Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements, arrangements which are proposed to be made with them. Further, our Company has neither availed of any loans from, nor extended any loans to the Directors which are currently outstanding.

Borrowing powers of the Board of Directors

Pursuant to the Board resolution dated March 28, 2016 and Shareholders resolution dated April 27, 2016, the Board of Directors of our Company are authorized to borrow any sum or sums of money from time to time at its discretion, for the purpose of the business of the Company, from any one or more banks, financial institutions and other persons, firms, body corporate, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) may, at any time, not exceed ₹ 50,000 million over and above the aggregate of the paid-up share capital and free reserves of our Company.

Terms of Employment and Remuneration

Terms of appointment and remuneration of our Executive Directors

Pursuant to a board resolution dated February 20, 2017, Varun Jaipuria is entitled to a basic salary of ₹ 31.20 million per annum and benefits, perquisites and allowances as may be determined by the Board from time to time, apart from our Company's contribution to provident fund and other similar benefits. However, the total remuneration payable to him shall not exceed the limit prescribed under the applicable provisions of the Companies Act, as amended.

Pursuant to a board resolution dated May 2, 2019, Raj Pal Gandhi is entitled to a basic salary of ₹ 24 million per annum and benefits, perquisites and allowances as may be determined by the Board from time to time, apart from our Company's contribution to provident fund and other similar benefits. However, the total remuneration payable to him shall not exceed the limit prescribed under the applicable provisions of the Companies Act, as amended.

Pursuant to a board resolution dated May 2, 2019, Rajinder Jeet Singh Bagga is entitled to a basic salary of ₹ 25.90 million per annum and benefits, perquisites and allowances as may be determined by the Board from time to time, apart from our Company's contribution to provident fund and other similar benefits. However, the total remuneration payable to him shall not exceed the limit prescribed under the applicable provisions of the Companies Act, as amended.

Pursuant to a board resolution dated May 2, 2019, Kapil Agarwal is entitled to a basic salary of ₹ 32.04 million per annum and benefits, perquisites and allowances as may be determined by the Board from time to time, apart from our Company's contribution to provident fund and other similar benefits. However, the total remuneration payable to him shall not exceed the limit prescribed under the applicable provisions of the Companies Act, as amended.

Remuneration of our Non-Executive Independent Directors

Pursuant to the resolution dated March 20, 2015, as passed by our Board, our Non-Executive Directors are entitled to a sitting fee of ₹ 0.1 million for attending each meeting of our Board or any of the committees of Directors of our Company.

The following table sets forth the sitting fees paid by our Company to our existing non-executive Directors for Fiscals 2018, 2017 and 2016 and period ended June 30, 2019.

(₹ in million)

Name of Director	Total sitting fees and commission			
	Until June 30, 2019	Fiscal 2018	Fiscal 2017	Fiscal 2016
Naresh Trehan	Nil	Nil	Nil	Nil
Pradeep Khushalchand Sardana	0.70	0.30	0.40	0.61
Ravi Gupta	1.20	0.70	N.A.	N.A.
Sita Khosla	1.30	0.30	N.A.	N.A.
Rashmi Dhariwal	1.60	0.80	N.A.	N.A.

Corporate Governance

Our Board is in compliance with the corporate governance requirements under SEBI Listing Regulations and under the Companies Act.

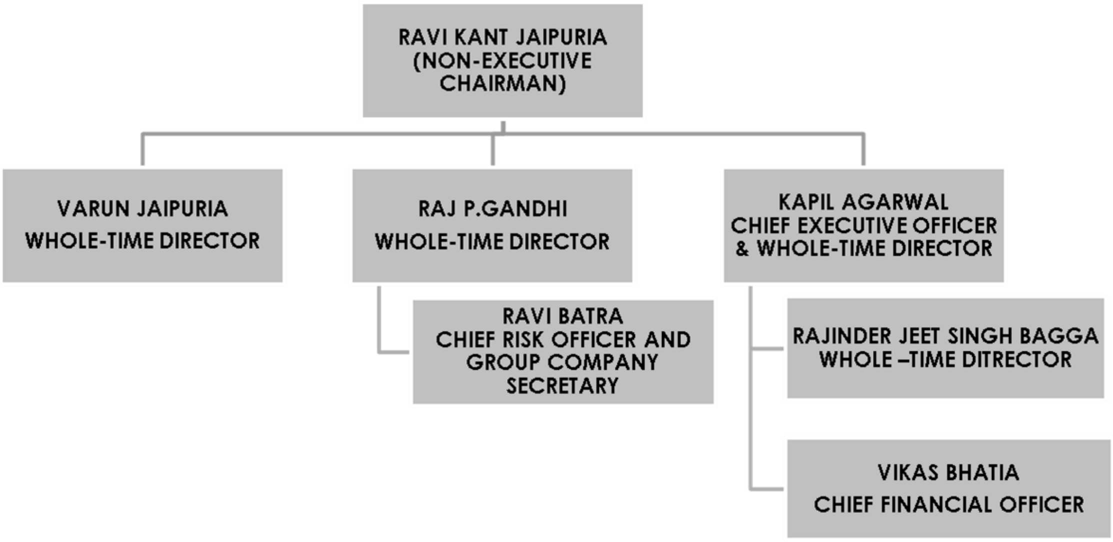
Committees of the Board of Directors

Our Board has constituted following committees in accordance with the relevant provisions of the Companies Act, SEBI ICDR Regulations, and other applicable laws:

1. Audit, Risk Management and Ethics Committee;
2. Nomination and Remuneration Committee;
3. Stakeholders' Relationship Committee; and
4. Corporate Social Responsibility Committee.

Name of the Committee	Name of Director	Position in the committee
Audit, Risk Management and Ethics Committee	Ravi Gupta	Chairman
	Rashmi Dhariwal	Member
	Raj Pal Gandhi	Member
Nomination and Remuneration Committee	Rashmi Dhariwal	Chairperson
	Ravi Kant Jaipuria	Member
	Ravi Gupta	Member
Stakeholders' Relationship Committee	Sita Khosla	Chairperson
	Raj Pal Gandhi	Member
	Rashmi Dhariwal	Member
Corporate Social Responsibility Committee	Ravi Kant Jaipuria	Chairman
	Raj Pal Gandhi	Member
	Rashmi Dhariwal	Member

Organisation structure of our Company



Key Managerial Personnel of our Company

The following table sets forth the details of our Key Managerial Personnel, other than our Chairman and Whole-time Directors:

Name of the Key Managerial Personnel	Designation
Vikas Bhatia	Chief Financial Officer
Ravi Batra	Chief Risk Officer and Group Company Secretary

Brief profiles of our Key Managerial Personnel

Ravi Batra is the Chief Risk Officer and Group Company Secretary of our Company. He is a fellow member of the Institute of Company Secretaries of India. He holds a bachelor's degree in commerce from the Panjab University. Prior to joining our Company, he was associated with Precision Electronics Limited and Religare Enterprises Limited as their company secretary.

Vikas Bhatia is the Chief Financial Officer of our Company. He is an associate of the Institute of Cost and Works Accountants of India and is a fellow member of the Institute of Chartered Accountants of India. He joined our Company on January 15, 2019 as executive director for finance and was appointed as the Chief Financial Officer on August 1, 2019.

All Key Managerial Personnel are permanent employees of our Company.

Relationship with other Key Managerial Personnel

None of our Key Managerial Personnel are related to each other.

Shareholding of the Directors and Key Managerial Personnel

The shareholding of the Directors and Key Managerial Personnels as on the date of this Preliminary Placement Document is as follows:

Name	Designation	No. of Equity Shares
Varun Jaipuria	Whole-time Director	50,663,250
Raj Pal Gandhi	Whole-time Director	611,250
Kapil Agarwal	Whole-time Director and Chief Executive Officer	410,464
Rajinder Jeet Singh Bagga	Whole-time Director	129,750
Pradeep Khushalchand Sardana	Independent Director	1,287
Vikas Bhatia	Chief Financial Officer	7,581

Employees Stock Option Schemes

There are no outstanding options granted to our Directors and Key Managerial Personnel as on the date of the Preliminary Placement Document.

Interests of Key Managerial Personnel

The Key Managerial Personnel of our Company do not have any interest in our Company other than (a) their shareholding in our Company; (b) the options under the ESOS Schemes held by them; (c) their remuneration and benefits to which they are entitled to as per their terms of appointment; and (d) reimbursement of expenses incurred by them during the ordinary course of business.

Other confirmations

Except as otherwise stated in this Preliminary Placement Document, none of the Directors, Promoter or any Key Managerial Personnel have any financial or other material interest in the Issue.

None of our Company, our Directors or Promoter has been identified as wilful defaulters as defined under the SEBI ICDR Regulations. Neither our Promoter nor our Directors has been declared a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018. None of our Company, our Directors or Promoter is debarred from accessing capital markets under any order or direction made by SEBI.

Policy on disclosures and internal procedure for prevention of insider trading

The SEBI Insider Trading Regulations are applicable to our Company and our employees and require our Company to implement a code of internal procedures and conduct for the prevention of insider trading. Our Company has implemented a code of conduct for prevention of insider trading and procedure for fair disclosure of unpublished price sensitive information in accordance with the SEBI Insider Trading Regulations.

ORGANISATIONAL STRUCTURE AND PRINCIPAL SHAREHOLDERS

Shareholding pattern of our Company as at June 30, 2019

The following table sets forth the details regarding the equity shareholding pattern of our Company as on June 30, 2019.

Category of shareholder	No. of share holders	No. of fully paid up equity shares held	Total no. shares held	Share-holding as a % of total no. of shares calculated as per SCRR, 1957) As a % of (A+B+C2)	No. of Voting Rights	Total as a % of Total Voting Right	No. of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
							No. (a)	As a % of total Shares held (b)	No. (a)	As a % of total Shares held (b)	
(A) Promoter & Promoter Group	6	134,357,495	134,357,495	73.56	134,357,495	73.56	36,390,305	27.08	168,000	0.13	134,357,495
(B) Public	32,184	48,297,730	48,297,730	26.44	48,297,730	26.44	-	0.00	-	0.00	48,297,696
(C1) Shares underlying DRs	-	-	-	0.00	-	0.00	-	0.00	-	0.00	-
(C2) Shares held by Employee Trusts	-	-	-	0.00	-	0.00	-	0.00	-	0.00	-
(C) Non Promoter- Non Public	-	-	-	0.00	-	0.00	-	0.00	-	0.00	-
Total	32,190	182,655,225	182,655,225	100.00	182,655,225	100.00	36,390,305	19.92	168,000	0.09	182,655,191

The following table sets forth the details regarding the equity shareholding pattern of our Promoters and Promoter Group as on June 30, 2019:

Category of shareholder	No. of share holders	No. of fully paid up equity shares held	Total no. shares held	Share-holding as a % of total no. of shares calculated as per SCRR, 1957) As a % of (A+B+C2)	No. of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
					No. (a)	As a % of total Shares held (b)	No. (a)	As a % of total Shares held (b)	
A1) Indian	-	-	-	0.00	-	0.00	-	0.00	-
Individuals/Hindu undivided Family	5	78,535,150	78,535,150	43.00	18,195,152	23.17	1,68,000	0.21	78,535,150
RAVI KANT JAIPURIA & SONS (HUF)	1	39,187,870	39,187,870	21.45	90,97,576	23.22	-	0.00	39,187,870

Category of shareholder	No. of share holders	No. of fully paid up equity shares held	Total no. shares held	Share-holding as a % of total no. of shares calculated as per SCRR, 1957) As a % of (A+B+C2)	No. of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
					No. (a)	As a % of total Shares held (b)	No. (a)	As a % of total Shares held (b)	
DHARA JAIPURIA	1	2,015	2,015	0.00	-	0.00	-	0.00	2,015
VIVEK GUPTA	1	168,000	168,000	0.09	-	0.00	168,000	100.00	168,000
DEVYANI JAIPURIA	1	5,401,765	5,401,765	2.96	-	0.00	-	0.00	5,401,765
VARUN JAIPURIA	1	33,775,500	33,775,500	18.49	9,097,576	26.94	-	0.00	33,775,500
Any Other (specify)	1	55,822,345	55,822,345	30.56	18,195,153	32.59	-	0.00	55,822,345
RJ CORP LIMITED	1	55,822,345	55,822,345	30.56	18,195,153	32.59	-	0.00	55,822,345
Sub Total A1	6	134,357,495	134,357,495	73.56	36,390,305	27.08	1,68,000	0.13	134,357,495
A2) Foreign	-	-	-	0.00	-	0.00	-	0.00	-
A=A1+A2	6	134,357,495	134,357,495	73.56	36,390,305	27.08	1,68,000	0.13	134,357,495

The following table sets forth the details regarding the equity shareholding pattern of the members of the public as on June 30, 2019:

Category and name of the shareholders	No. of share holders	No. of fully paid up equity shares held	Total no. shares held	Share-holding as a % of total no. of shares calculated as per SCRR, 1957) As a % of (A+B+C2)	No. of Voting Rights	Total as a % of Total Voting Right	No. of Locked in shares		Number of equity shares held in dematerialized form (Not Applicable)
							No. (a)	As a % of total Shares held (b)	
B1) Institutions	0	0	-	0.00	-	0.00	-	0.00	-
Mutual Funds/	8	11,694,149	11,694,149	6.40	11,694,149	6.40	-	0.00	11,694,149
RELIANCE CAPITAL TRUSTEE CO LTD-A/C RELIANCE ETF NIFTY MIDCAP 150 ETF	1	5,057,781	5,057,781	2.77	5,057,781	2.77	-	0.00	5,057,781
SUNDARAM MUTUAL FUND A/C SUNDARAM SELECT FOCUS	1	3,535,207	3,535,207	1.94	3,535,207	1.94	-	0.00	3,535,207
TATA LARGE AND MID-CAP FUND	1	2,626,218	2,626,218	1.44	2,626,218	1.44	-	0.00	2,626,218
Alternate Investment Funds	5	385,491	385,491	0.21	385,491	0.21	-	0.00	385,491
Foreign Portfolio Investors	129	25,964,319	25,964,319	14.21	25,964,319	14.21	-	0.00	25,964,319
SMALLCAP WORLD FUND, INC	1	6,785,288	6,785,288	3.71	6,785,288	3.71	-	0.00	6,785,288

Category and name of the shareholders	No. of share holders	No. of fully paid up equity shares held	Total no. shares held	Share-holding as a % of total no. of shares calculated as per SCRR, 1957) As a % of (A+B+C2)	No. of Voting Rights	Total as a % of Total Voting Right	No. of Locked in shares		Number of equity shares held in dematerialized form (Not Applicable)
							No. (a)	As a % of total Shares held (b)	
NORDEA 1 SICAV - ASIAN FOCUS EQUITY FUND	1	2,315,150	2,315,150	1.27	2,315,150	1.27	-	0.00	2,315,150
STICHTING DEPOSITARY APG EMERGING MARKETS EQUITY P	1	3,630,027	3,630,027	1.99	3,630,027	1.99	-	0.00	3,630,027
Financial Institutions/ Banks	2	21,487	21,487	0.01	21,487	0.01	-	0.00	21,487
Sub Total B1	144	38,065,446	38,065,446	20.84	38,065,446	20.84	-	0.00	38,065,446
B2) Central Government/ State Government(s)/ President of India	0	0	-	0.00	-	0.00	-	0.00	-
B3) Non-Institutions	0	0	-	0.00	-	0.00	-	0.00	-
Individual share capital upto Rs. 2 Lacs	29,692	4,282,232	4,282,232	2.34	4,282,232	2.34	-	0.00	4,282,198
Individual share capital in excess of Rs. 2 Lacs	17	1,151,047	1,151,047	0.63	1,151,047	0.63	-	0.00	1,151,047
NBFCs registered with RBI	1	65	65	0.00	65	0.00	-	0.00	65
Any Other (specify)	2,330	4,798,940	4,798,940	2.63	4,798,940	2.63	-	0.00	4,798,940
Trusts	1	2,168	2,168	0.00	2,168	0.00	-	0.00	2,168
Non-Resident Indian (NRI)	751	297,520	297,520	0.16	297,520	0.16	-	0.00	297,520
Clearing Members	65	34,116	34,116	0.02	34,116	0.02	-	0.00	34,116
Director or Director's Relatives	4	832,424	832,424	0.46	832,424	0.46	-	0.00	832,424
Bodies Corporate	417	1,236,178	1,236,178	0.68	1,236,178	0.68	-	0.00	1,236,178
HUF	1,091	166,432	166,432	0.09	166,432	0.09	-	0.00	166,432
Overseas Corporate Bodies	1	2,230,102	2,230,102	1.22	2,230,102	1.22	-	0.00	2,230,102
MARINA III (SINGAPORE) PTE LTD	1	2,230,102	2,230,102	1.22	2,230,102	1.22	-	0.00	2,230,102
Sub Total B3	32,040	10,232,284	10,232,284	5.60	10,232,284	5.60	-	0.00	10,232,250
B=B1+B2+B3	32,184	48,297,730	48,297,730	26.44	48,297,730	26.44	-	0.00	48,297,696

The following table sets forth the details of our non-promoter, non-public shareholders as on June 30, 2019:

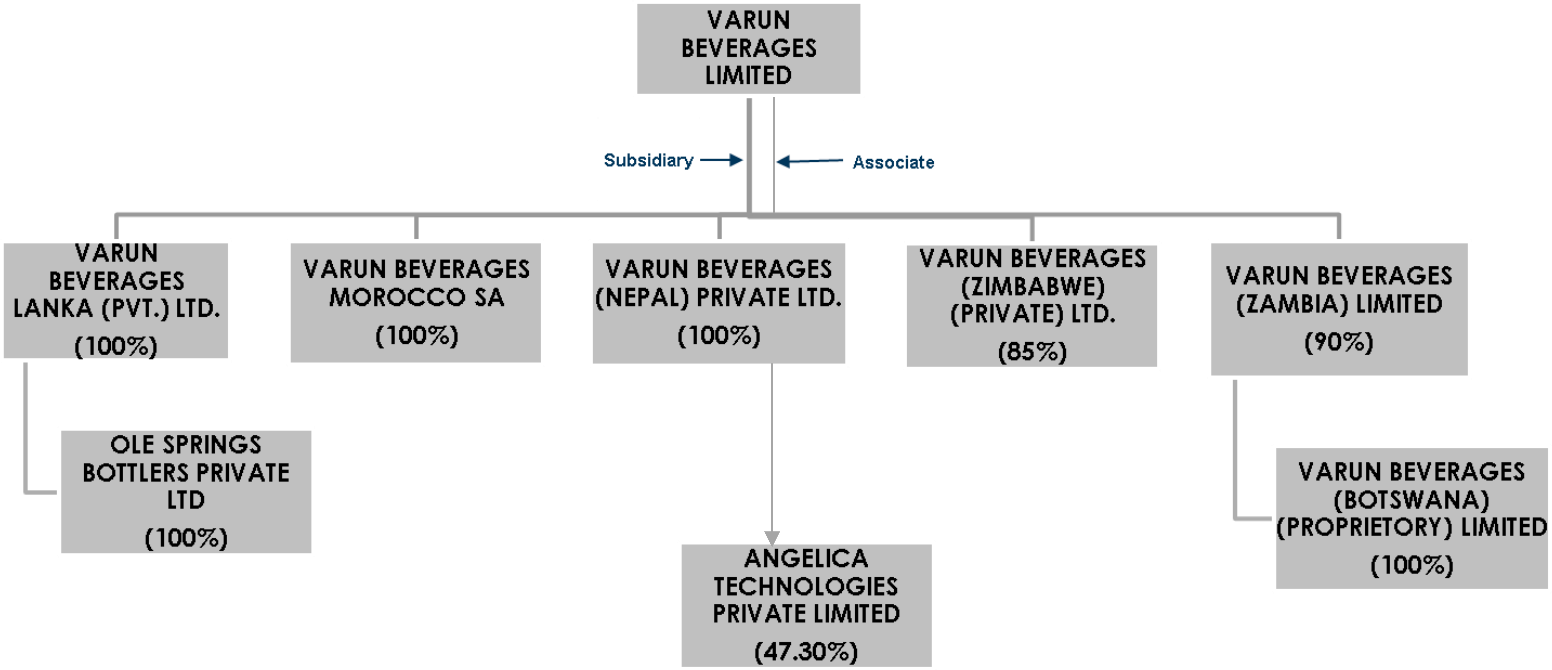
Category and name of the shareholders (I)	No. of share holders (III)	No. of fully paid up equity shares held (IV)	Total no. shares held (VII = IV + V + VI)	Share-holding as a % of total no. of shares calculated as per SCRR, 1957) As a % of (A+B+C2) (VIII)	No. of Locked in shares (XII)		Number of equity shares held in dematerialized form (XIV) (Not Applicable)
					No. (a)	As a % of total Shares held (b)	
C1) Custodian/DR Holder	0	0	-	0.00	-	0.00	-
C2) Employee Benefit Trust	0	0	-	0.00	-	0.00	-

The following table sets forth the details of disclosure made by the trading members holding 1% or more of the total number of shares of our Company as on June 30, 2019:

Sl. No.	Name of the Trading Member	Name of the Beneficial Owner	No. of shares held	% of total no. of shares	Date of reporting by the Trading Member
-	NIL	NIL	NIL	NIL	NIL

Organisational Structure

Set out below is our organisational structure:


VARUN BEVERAGES LIMITED
Subsidiary
Associate
VARUN BEVERAGES LANKA (PVT.) LTD. (100%)
VARUN BEVERAGES MOROCCO SA (100%)
VARUN BEVERAGES (NEPAL) PRIVATE LTD. (100%)
VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LTD. (85%)
VARUN BEVERAGES (ZAMBIA) LIMITED (90%)
OLE SPRINGS BOTTLERS PRIVATE LTD (100%)
ANGELICA TECHNOLOGIES PRIVATE LIMITED (47.30%)
VARUN BEVERAGES (BOTSWANA) (PROPRIETORY) LIMITED (100%)

REGULATIONS AND POLICIES

The following description is a summary of certain sector specific laws and regulations as prescribed by the Government of India or state governments which are applicable to our Company and its subsidiaries. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and are only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional legal advice. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modifications by subsequent legislative, regulatory, administrative or judicial decisions.

Regulations applicable to the Food Industry

Food Safety and Standards Act, 2006

The FSSA, enacted on August 23, 2006, seeks to consolidate the laws relating to food and establish the FSSAI for setting out scientific standards for articles of food and to regulate their manufacture, storage, distribution, sale and import to ensure availability of safe and wholesome food for human consumption. The standards prescribed by the FSSAI include specifications for ingredients, contaminants, pesticide residue, biological hazards and labels.

The FSSA defines 'food' as any substance, whether processed, partially processed or unprocessed, which is intended for human consumption which includes beverages. Under section 31 of the FSSA, no person shall carry on any food business except under a license granted by the FSSAI. The FSSA sets forth the requirements for licensing and registering food businesses in addition to laying down the general principles for safety, responsibilities and liabilities of food business operators. The enforcement of the FSSA is generally facilitated by 'state commissioners of food safety' and other officials at a local level.

Under section 51 of the FSSA, any person who manufactures sub-standard food for human consumption is liable to pay a penalty which may extend up to ₹ 5.00 lakh, FSSA has defined sub-standard as, an article of food which does not meet the specified standards but not so as to render the article of food unsafe.

The provisions of the FSSA require every distributor to be able to identify any food article by its manufacturer, and every seller by its distributor that should be registered under the FSSA and every entity in the sector is bound to initiate recall procedures if it finds that the food marketed has violated specified standards. Food business operators are required to ensure that persons in their employment do not suffer from infectious or contagious diseases. The FSSA also imposes liabilities upon manufacturers, packers, wholesalers, distributors and sellers requiring them to ensure that inter alia unsafe and misbranded products are not sold or supplied in the market.

In order to address certain specific aspects of the FSSA, the FSSAI has framed several regulations such as the following:

(a) Food Safety and Standards (Contaminants, Toxins and Residues) Regulations, 2011;

(b) Food Safety and Standards (Food Products Standards and Food Additives) Regulations, 2011;

(c) Food Safety and Standards (Licensing and Registration of Food Businesses) Regulation, 2011;

(d) Food Safety and Standards (Packaging and Labelling) Regulations, 2011;

(e) Food Safety and Standards (Prohibition and Restrictions on Sales) Regulations, 2011;

(f) Food Safety and Standards (Laboratory and Sampling Analysis) Regulations, 2011;

(g) Food Safety and Standards (Food or Health Supplements, Nutraceuticals, Food for Special Dietary Purpose, Functional Food and Novel Food) Regulations, 2016;

(h) Food Safety and Standards (Food Recall Procedure) Regulations, 2017;

(i) Food Safety and Standards (Import) Regulations 2017;

(j) Food Safety and Standards (Approval for Non-Specific Food and Food Ingredients) Regulations, 2017;

(k) Food Safety and Standards (Organic Food) Regulations, 2017;

(l) Food Safety and Standards (Alcoholic Beverages) Regulations, 2018;

(m) Food Safety and Standards (Fortification of Food) Regulations 2018;

(n) Food Safety and Standards (Food Safety Auditing) Regulations, 2018;

(o) Food Safety and Standards (Recognition and Notification of Laboratories) Regulations, 2018;

(p) Food Safety and Standards (Advertising and Claims) Regulations, 2018;

(q) Food Safety and Standards (Packaging) Regulations, 2018; and

(r) Food Safety and Standards (Recovery and Distribution of Surplus food) Regulations, 2019.

The FSSAI has also framed the Food Safety and Standards Rules ("**FSSR**") which have been operative since 2011, and have been amended in 2017. The FSSR provides the procedure for registration and licensing process for food business and lays down detailed standards for various food products. The FSSR also sets out the enforcement structure of 'commissioner of food safety', 'the food safety officer' and 'the food analyst' and procedures of taking extracts, seizure, sampling and analysis.

The Bureau of Indian Standards Act, 2016

The Bureau of Indian Standards Act ("**BIS Act**") provides for the establishment of bureau for the standardization, marking and quality certification of goods. Functions of the bureau include, *inter-alia,* (a) recognizing as an Indian standard, any standard established for any article or process by any other institution in India or elsewhere; (b) specifying a standard mark which shall be of such design and contain such particulars as may be prescribed to represent a particular Indian standard; and (c) conducting such inspection and taking such samples of any material or substance as may be necessary to see whether any article or process in relation to which the standard mark has been used conforms to the Indian Standard or whether the standard mark has been improperly used in relation to any article or process with or without a license.

Several regulations have been framed in order to address certain specific aspects of the BIS Act, such as the following:

(a) Bureau of Indian Standards Rules, 2018.

(b) Bureau of Indian Standards (Conformity Assessment) Regulations, 2018

(c) Bureau of Indian Standards (Advisory Committees) Regulations, 2018;

(d) Bureau of Indian Standards (Hallmarking) Regulations, 2018; and

(e) Bureau of Indian Standards (Powers and Duties of Director General) Regulations, 2018.

Legal Metrology Act, 2009

Legal Metrology Act replaced the Standards of Weights and Measures Act, 1976 and the Standards of Weights and Measures (Enforcement) Act, 1985. The Legal Metrology Act and the Legal Metrology (Packaged Commodities) Rules, 2011, as amended, seek to establish and enforce standards of weights and measures, regulate trade and commerce in weights, measures and other goods which are sold or distributed by weight, measure or number and for matters connected therewith or incidental thereto. Further, the Legal Metrology Act lays down penalties for various offences.

The key features of the Legal Metrology Act are:

- Appointment of government approved test centres for verification of weights and measures;
- Allowing the companies to nominate a person who will be held responsible for breach of provisions of the Act; and
- Simplified definition of packaged commodity and more stringent punishment for violation of provisions.

Legal Metrology (Packaged Commodities) Rules, 2011

The Legal Metrology (Packaged Commodities) Rules, 2011 ("**Packaged Commodities Rules**") were framed under section 52(2) (j) and (q) of the Legal Metrology Act and lays down specific provisions applicable to packages intended for retail sale, whole sale and for export and import. A "pre-packaged commodity" means a commodity which without the purchaser being present is placed in a package of a pre-determined quantity.

The key provisions of the Packaged Commodities Rules are:

- It is illegal to manufacture, pack, sell, import, distribute, deliver, offer, expose or possess for sale any pre-packaged commodity unless the package is in such standard quantities or number and bears thereon such declarations and particulars as prescribed.
- All pre-packaged commodities must conform to the declarations provided thereon as per the requirement of section 18(1) of the Legal Metrology Act.
- No pre-packaged commodity shall be packed with error in net quantity beyond the limit prescribed in the first schedule of the Packaged Commodity Rules.

The Packaged Commodities Rules were amended in 2017. The key features of the amended rules include statutory recognition of marketplace based model of e-commerce, prohibition on dual pricing, and harmonization of provisions with FSSA.

Indian Boilers Act, 1923

Boilers Act was enacted with the objective of ensuring the safety of public life and property by administering and enforcing the provisions of the Boilers Act with respect to steam boilers and steam pipes, which produce steam, which is used for re-distillation of alcohol and liquor. As per the provisions of the Boilers Act, the Chief Inspector of Boilers or an Inspector appointed under the Boilers Act periodically reviews the administration of the regulations by: (a) approval of manufacturers; (b) inspection of designs relating to boilers and inspection of the manufacturing of boiler and boiler components; (c) approval of boiler repairers and boiler erectors; (d) authorisation and inspection of boiler repairs; and (e) certification of boiler operating engineers, boiler operators and welders.

Essential Commodities Act, 1955

Essential Commodities Act, 1955 ("**EC Act**") gives powers to control production, supply, distribution of essential commodities for maintaining or increasing supplies and for securing their equitable distribution and availability at fair price. The EC Act is being implemented by the State Governments by availing of the delegated powers under the EC Act. The State Governments have issued various control orders to regulate various aspects of trading in essential commodities such as food grains, edible oils, pulses, sugar etc. If any company found to be in contravention of such orders, every person responsible for the conduct of the business of the Company shall be deemed to be in contravention of such order and shall be punished accordingly.

Consumer Protection Act, 2019

Consumer Protection Act, 2019 ("**COPRA, 2019**") has replaced the earlier Consumer Protection Act, 1986, in seeking to provide better protection to the interests of consumers, especially in the digital age. The key features of the COPRA, 2019 include wider definition of "consumer", enhancement of pecuniary jurisdiction, flexibility in e-filing complaints, imposition of product liability, wider definition of unfair trade practices, and provision for alternative dispute resolution. Furthermore, it proposes the establishment of a regulatory authority known as the Central Consumer Protection Authority (CCPA), with wide powers of enforcement. The CCPA will have an investigation wing, headed by a Director-General, which may conduct inquiry or investigation into consumer law violations. Further, the CCPA has been granted wide powers to take suo moto actions, recall products, order reimbursement of the price of goods/services, cancel licenses and file class action suits, if a consumer complaint affects more than 1 (one) individual.

Environmental Laws

The major statutes in India which seek to regulate and protect the environment against pollution related activities in India include the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Environment Protection Act, 1986. The basic purpose of these statutes is to control, abate and prevent pollution. In order to achieve these objectives, Pollution Control Boards (the "**PCBs**"), which are vested with diverse powers to deal with water and air pollution, have been set up in each State. The PCBs are responsible for setting the standards for maintenance of clean air and water, directing the installation of pollution control devices in industries and undertaking inspection to ensure that industries are functioning in compliance with the standards prescribed. These authorities also have the power to carry out search, seizure and investigation if the authorities are aware of or suspect pollution that is not in accordance with such regulations. All industries and factories are required to obtain consent orders from the PCBs, which are indicative of the fact that the factory or industry in question is functioning in compliance with the pollution control norms. These consent orders are required to be renewed annually.

Environment Act has been enacted for the protection and improvement of the environment. The Environment Act empowers the Government of India to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate. No construction work, preliminary or other, relating to the setting up of a project can be undertaken until such clearance from ministry of environment and forests is obtained. The Government of India may make rules for regulating environmental pollution, such as Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016 which monitors and regulates the disposal of hazardous wastes from the factories.

CGWA has been constituted under section 3(3) of the Environment Act to regulate the consumption and prevent over exploitation of the ground water. CGWA had issued a policy guidelines for clearance of ground water abstraction for various uses pursuant to letter number 21-4/Guidelines/CGWA/2009-832 dated October 14, 2009. Under these guidelines all industries have to obtain a no objection certificate ("**NOC**") from CGWA for using ground water. It requires that all industries which are drawing ground water have to undertake artificial recharge measures.

Plastic Waste (Management) Rules, 2016 were notified by the Government on March 18, 2016, in suppression of the earlier Plastic Waste (Management and Handling) Rules, 2011. Some key features of the rules are the expanded set of responsibilities of producers and generators in plastic waste management system, introduction of the collect back system of plastic waste by the producers/brand owners, as per extended producers responsibility, and entrusting more responsibility with waste generators, namely payment of user charge as prescribed by local authority, collection and handing over of waste by the institutional generator, and event organizers. The Rules were amended in 2018 to *inter alia* prescribe a central registration system for the registration of the producer/importer/brand owner; furthermore, phasing out of Multilayered Plastic (MLP) is now applicable to MLP which are "non-recyclable, or non-energy recoverable, or with no alternate use."

Laws relating to employment

The Factories Act, 1948 ("**Factories Act**") defines a "factory" to cover any premises which employs ten or more workers and in which manufacturing process is carried on with the aid of power and any premises where there are at least twenty workers even though there is or no electrically aided manufacturing process being carried on. Each State Government has rules in respect of the prior submission of plans and their approval for the establishment of factories and registration and licensing of factories. The Factories Act provides that an occupier of a factory i.e. the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors, must ensure the health, safety and welfare of all workers. There is a prohibition on employing children below the age of fourteen years in a factory. The occupier and the manager of a factory may be punished with imprisonment for a term up to two years or with a fine up to ₹ 100,000 or with both in case of contravention of any provisions of the Factories Act or rules framed there under and in case of a contravention continuing after conviction, with a fine of up to ₹ 1,000 per day of contravention. In addition to the Factories

Act, the employment of workers, depending on the nature of activity, is regulated by a wide variety of generally applicable labour laws. The following is an indicative list of labour laws applicable to the business and operations of Indian companies engaged in manufacturing activities:

Contract Labour (Regulation and Abolition) Act, 1970;

- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Employees' State Insurance Act, 1948;
- Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979;
- Minimum Wages Act, 1948;
- Payment of Bonus Act, 1965;
- Payment of Gratuity Act, 1972;
- Payment of Wages Act, 1936;
- Maternity Benefit Act, 1961;
- Industrial Disputes Act, 1947; and
- Employees Compensation Act, 1923.

Intellectual Property Laws

Certain laws relating to intellectual property rights such as patent protection under the Patents Act, 1970, copyright protection under the Copyright Act, 1957 trademark protection under the Trade Marks Act, 1999, and design protection under the Designs Act, 2000 are also applicable to us.

The Copyright Act, 1957 (the "**Copyright Act**") governs copyright protection in India. Even while copyright registration is not a prerequisite for acquiring or enforcing a copyright in an otherwise copyrightable work, registration under the Copyright Act acts as a *prima facie* evidence of the particulars entered therein and helps expedite infringement proceedings and reduce delay caused due to evidentiary considerations.

The Trademarks Act, 1999 (the "**Trademarks Act**") provides for the process for making an application and obtaining registration of trademarks in India. The purpose of the Trademarks Act is to grant exclusive rights to marks such as a brand, label, and heading and to obtain relief in case of infringement for commercial purposes as a trade description. The Trademarks Act prohibits registration of deceptively similar trademarks and provides for penalties for infringement, falsifying and falsely applying trademarks.

Under statute, India provides for the patent protection under the Patents Act, 1970 (the "**Patents Act**"). The Patents Act governs the patent regime in India and recognises process patents as well as product patents. Patents obtained in India are valid for a period of 20 years from the date of filing the application. The Patents Act also provides for grant of compulsory license on patents after expiry of three years of its grant in certain circumstances such as reasonable requirements of the public, non-availability of patented invention to public at affordable price or failure to work the patented invention.

The Designs Act, 2000, (the "**Designs Act**") protects any visual design of objects that are not purely utilitarian. An industrial design consists of the creation of a shape, configuration or composition of pattern or colour, or combination of pattern and colour in three-dimensional form containing aesthetic value. It provides an exclusive right to apply a design to any article in any class in which the design is registered.

Other regulations

Foreign Investment

The DIPP has issued the Consolidated Foreign Direct Investment Policy with effect from June 7, 2016 (the "**FDI Policy**"). The FDI Policy consolidates and subsumes all the press notes, press releases, and clarifications on FDI issued by DIPP which were in force on June 7, 2016. FDI in activities pertaining to beverage industry is permitted up to 100% on the automatic route.

Competition Act, 2002

The Competition Act 2002 (the "**Competition Act**") has been enacted to prevent anti-competitive practices, promote and sustain competition, protect the interests of consumers and ensure freedom of trade in markets in India. As per Section 3 of the Competition Act, entering into agreements between enterprises which, *inter alia,* affect the prices, supply, distribution or other such collusive arrangements are anti-competitive in nature and are prohibited. Section 4 of the Competition Act, prohibits an enterprise that is in a dominant position from abusing its dominant position. Further, Section 5 of the Competition Act provides that assets/turnover thresholds applicable to acquisitions, merger and amalgamations in order to determine whether the transaction would be regarded as a combination for the purposes of the Competition Act. Section 6 (1) of the Competition Act provides that no person or enterprise shall enter into a combination which causes or is likely to cause an appreciable adverse effect on competition within the relevant market in India and such a combination shall be void.

Municipality Laws

Pursuant to the Seventy Fourth Amendment Act, 1992, the respective state legislatures in India have the power to endow the municipalities (as defined under Article 243Q of the Constitution of India) with the power to implement schemes and perform functions in relation to matters listed in the twelfth schedule to the Constitution of India which includes regulation of public health. The respective states of India have enacted laws empowering the municipalities to regulate public health including the issuance of a health trade license and implementation of regulations relating to such license along with prescribing penalties for non-compliance.

Shops and Establishments legislations in various states

The provisions of various shops and establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of inter-alia registration, opening and closing hours, daily and weekly working hours, holidays, leave, health, termination of services and safety measures and wages for overtime work.

Indian Electricity Rules, 1956

Indian Electricity Act, 2003 has repealed Indian Electricity Act, 1910. Indian Electricity Rules, 2005 were framed by Central Government pursuant to the power granted under section 176 of Electricity Act, 2003. These rules states that periodic inspection and testing of consumer's installation must be done at intervals not exceeding five years either by an Inspector or any officer appointed to assist the Inspector or by the supplier as directed by the Central Government.

Laws applicable for operations outside India

Our Company operates in various jurisdictions, including Sri Lanka, Nepal, Morocco, Zambia, Mozambique, and Zimbabwe, through our Subsidiaries. The relevant laws in these jurisdictions are applicable to our Subsidiaries, which relate to incorporation or registration as applicable, labour, immigration, intellectual property, data protection, taxation, and other business related laws.

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, payment of Bid Amount, Allocation and Allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and investors are assumed to have apprised themselves of the same from our Company or the Book Running Lead Managers. Prospective Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Also see "Selling Restrictions" and "Transfer Restrictions" on pages 221 and 231, respectively.

Our Company, the Book Running Lead Managers and their respective directors, officers, agents, advisors, shareholders, employees, counsels, affiliates and representatives are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not result in triggering an open offer under the SEBI Takeover Regulations.

Qualified Institutions Placement

THE ISSUE IS MEANT ONLY FOR ELIGIBLE QIBS ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS.

This Preliminary Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public or any other class of investors, other than Eligible QIBs.

The Issue is being made to Eligible QIBs in reliance upon Chapter VI of the SEBI ICDR Regulations and Section 42 and other applicable provisions of the Companies Act, 2013 and rules thereunder, through the mechanism of a qualified institutions placement ("**QIP**"). Under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 read with Rule 14 of the PAS Rules, our Company, being a listed company in India may issue Equity Shares to Eligible QIBs, provided that:

- the shareholders have adopted a special resolution approving the Issue. Such special resolution must specify (a) that the allotment of Equity Shares is proposed to be made pursuant to the QIP and (b) the Relevant Date;

- the explanatory statement to the notice to the shareholders for convening the general meeting must disclose, among other things, the particulars of the issue including the date of passing the board resolution, the kind of securities being offered, amount which the company intends to raise by way of such securities and the material terms of raising such securities, proposed issue schedule, the purpose or objects of offer, the contribution made by the promoters or directors either as part of the offer or separately in furtherance of the objects, and the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;

- under Regulation 172(1)(b) of the SEBI ICDR Regulations, the Equity Shares of the same class of our Company, which are proposed to be allotted through the Issue, are listed on the Stock Exchanges, for a period of at least one year prior to the date of issuance of notice to our shareholders for convening the meeting to adopt the above-mentioned special resolution, except for Equity Shares allotted during the preceding one year from the date of this Preliminary Placement Document. For details, see *"Capital Structure*" on page 88;

- invitation to apply in the Issue must be made through a private placement offer-cum-application (*i.e.*, this Preliminary Placement Document) and an application form serially numbered and addressed specifically to the Eligible QIBs to whom the Issue is made either in writing or in electronic mode, within 30 days of recording the name of such person in accordance with applicable law;

- our Company shall not make any subsequent qualified institutions placement until the expiry of six months from the date of this Issue;

- our Company shall have completed allotments with respect to any offer or invitation made by our Company or has withdrawn or abandoned any such invitation or offer, however, our Company may, at any time, make more than one issue of securities to such class of identified persons as may be prescribed;

- the Promoters and Directors are not fugitive economic offenders;

- an offer to Eligible QIBs will not be subject to a limit of 200 persons. Prior to circulating the private placement offer-cum-application (*i.e.*, this Preliminary Placement Document), our Company must prepare and record a list of Eligible QIBs to whom the offer will be made. The offer must be made only to such Eligible QIBs whose names are recorded by our Company prior to the invitation to subscribe; and

- our Company acknowledges that issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about the Issue is prohibited.

At least 10% of the Equity Shares issued to Eligible QIBs shall be available for Allocation to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other Eligible QIBs.

Bidders are not allowed to withdraw or revise downwards their Bids after the Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price of the Equity Shares issued under this Issue shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares of the same class quoted on the stock exchanges during the two weeks preceding the Relevant Date as calculated in accordance with Chapter VI of the SEBI ICDR Regulations. The "Relevant Date" referred to above means the date of the meeting in which the Board or the QIP Committee decides to open the Issue and "stock exchange" means any of the recognized stock exchanges on which the Equity Shares of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date. Further, in accordance with the resolution of the shareholders of our Company through their resolution dated April 17, 2019 our Company may offer a discount of not more than 5% on the Floor Price in accordance with the SEBI ICDR Regulations.

The Equity Shares will be Allotted within 365 days from the date of the shareholders' resolution approving the Issue, being April 17, 2019 and within 60 days from the date of receipt of Bid Amount from the successful Bidders. For details of refund of Bid Amount, see "*– Pricing and Allocation – Designated Date and Allotment of Equity Shares*" on page 217.

Subscription to the Equity Shares offered pursuant to the Issue must be made by Eligible QIBs on the basis of this Preliminary Placement Document and the Placement Document shall contain all material information required under applicable law including the information specified in Schedule VII of SEBI ICDR Regulations and the requirements prescribed under Form PAS-4. The Preliminary Placement Document and the Placement Document are private documents provided to only select Eligible QIBs through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors. Please note that if you do not receive a serially numbered copy of the Preliminary Placement Document addressed to you, you may not rely on the Preliminary Placement Document or Placement Document uploaded on the website of the Stock Exchanges or our Company for making an application to subscribe to Equity Shares pursuant to the Issue.

This Issue was authorized and approved by the Board on February 26, 2019 and approved by the shareholders of our Company through their resolution dated April 17, 2019. The minimum number of Allottees with respect to a QIP shall not be less than:

- two, where the issue size is less than or equal to ₹ 2,500 million; and
- five, where the issue size is greater than ₹ 2,500 million.

No single Allottee shall be Allotted more than 50% of the Issue Size.

Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee for the purpose of the Issue. For details of what constitutes "same group" or "common control", see "—*Bid Process—Application Form*" on page 213.

Equity Shares being Allotted pursuant to the Issue shall not be sold for a period of one year from the date of Allotment, except on a recognised stock exchange. Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold only outside the United States in offshore transactions in reliance upon Regulation S. The Equity Shares are transferable only in accordance with the restrictions described under "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 221 and 231, respectively.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Our Company has filed a draft of this Preliminary Placement Document with each of the Stock Exchanges. Our Company has received in-principle approvals from each of the Stock Exchanges under Regulation 28(1)(a) of the SEBI Listing Regulations for the listing of the Equity Shares on the BSE and NSE, both dated September 3, 2019.

Issue Procedure

1. Our Company and the Book Running Lead Managers shall circulate serially numbered copies of this Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to identified Eligible QIBs and the Application Form will be specifically addressed to each such Eligible QIB. In terms of Section 42(3) of the Companies Act, 2013, our Company shall maintain records of the Eligible QIBs in the form and manner as prescribed under the PAS Rules, to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Company will make the requisite filings with the RoC within the stipulated time periods as required under the Companies Act, 2013 and the PAS Rules. The list of Eligible QIBs to whom the Preliminary Placement Document and Application Form is delivered will be determined by the our Company in consultation with the BRLMs, at their sole discretion.

2. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form, which includes the details of the bank account wherein the Bid Amount is to be deposited, is addressed to a particular Eligible QIB, no invitation to make an offer to subscribe shall be deemed to have been made to such Eligible QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. Eligible QIBs may submit the Application Form, including any revisions thereof along with the Bid Amount and a copy of the PAN card or PAN allotment letter, during the Issue Period to the Book Running Lead Managers.

4. Bidders will be required to indicate the following in the Application Form:

    - Full official name of the Eligible QIB to whom Equity Shares are to be Allotted, complete address, e-mail id, PAN and bank account details;
    - number of Equity Shares Bid for;
    - price at which they are agreeable to subscribe for the Equity Shares and the aggregate Bid Amount for the number of Equity Shares Bid for;
    - details of the depository account to which the Equity Shares should be credited;
    - a representation that it is outside the United States acquiring the Equity Shares in an offshore transaction under Regulation S and the applicable laws of the jurisdiction where those offers

and sales are made, and it has agreed to certain other representations set forth in the "*Representation by Investors*" on page 3 and "*Transfer Restrictions*" on page 231 and certain other representations made in the Application Form; and

- Eligible FPIs are required to indicate their SEBI FPI registration number in the Application Form.

5. Eligible QIBs shall be required to make the entire payment of the Bid Amount for the Equity Shares Bid for, along with the Application Form, only through electronic transfer to the Escrow Account opened in the name of "*Varun Beverages Limited–QIP–Escrow Account*" with the Escrow Bank, within the Issue Period as specified in the Application Form sent to the respective Bidders. No payment shall be made by Bidders in cash. Please note that any payment of Bid Amount for the Equity Shares shall be made from the bank accounts of the relevant Bidders and our Company shall keep a record of the bank account from where such payment has been received. Bid Amount payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the Application Form. Until Allotment, and the filing of return of Allotment by our Company with the RoC, or receipt of final listing and trading approvals from the Stock Exchanges, whichever is later, Bid Amount received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013. Notwithstanding the above, in the event (a) any Bidder is not allocated Equity Shares in the Issue, (b) the number of Equity Shares Allotted to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Bid Amount has been paid by such Bidder, (c) the Bid Amount is in excess of the amount equivalent to the product of the Equity Shares that have been Allocated to the Bidder and the Issue Price, or (d) any Eligible QIB lowers or withdraws their Bid after submission of the Application Form but prior to the Bid Closing Date, the excess Bid Amount will be refunded to the same bank account from which it was remitted, in the form and manner set out in "*– Refunds*" on page 218.

6. Once a duly completed Application Form is submitted by a Bidder and the Bid Amount is transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and the Bid cannot be withdrawn or revised downwards after the Issue Closing Date. In case of an upward revision before the Issue Closing Date, an additional amount shall be required to be deposited towards the Bid Amount in the Escrow Account along with the submission of such revised Bid. The Issue Closing Date shall be notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of such date after receipt of the Application Form. The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI.

7. The Bidder acknowledges that in terms of the requirements of the Companies Act, upon Allocation, our Company will be required to disclose the names of proposed Allottees and the percentage of their post-Issue shareholding in the Placement Document and consents to such disclosure, if any Equity Shares are Allocated to it.

8. Upon receipt of the duly completed Application Form and the Bid Amount in the Escrow Account, after the Issue Closing Date, our Company shall, in consultation with Book Running Lead Managers determine the final terms, including (i) the Issue Price, (ii) the number of Equity Shares to be Allocated to each successful Bidder; and (iii) the successful Bidders to whom such Equity Shares shall be Allocated. Upon such determination, the Book Running Lead Managers will send the serially numbered CAN to the Eligible QIBs who have been Allocated the Equity Shares and, subsequently also send, a serially numbered Placement Document either in electronic form or through physical delivery. . The dispatch of a CAN, and the Placement Document (when dispatched) to a Successful Bidder shall be deemed a valid, binding and irrevocable contract for the Successful Bidders to subscribe to the Equity Shares Allocated to such Successful Bidders at an aggregate price equivalent to the product of the Issue Price and Equity Shares Allocated to such Successful Bidders. The CAN shall contain details such as the number of Equity Shares Allocated to the Successful Bidders, Issue Price and the aggregate amount received towards the Equity Shares Allocated. **Please note that the Allocation will be at the absolute discretion of our Company and will be in consultation with the Book Running Lead Managers.**

9. Upon determination of the Issue Price and the issuance of CAN and before Allotment of Equity Shares to the Successful Bidders, the Book Running Lead Managers, shall, on our behalf, send a serially numbered Placement Document either in electronic form or through physical delivery to each of the Successful Bidders who have been Allocated Equity Shares pursuant to dispatch of a serially numbered CAN.

10. Upon dispatch of the serially numbered Placement Document, our Company shall Allot Equity Shares as per the details in the CANs sent to the Successful Bidders. We will inform the Stock Exchanges of the details of the Allotment.

11. After passing the resolution for Allotment and prior to crediting the Equity Shares into the beneficiary account of the Successful Bidders maintained by the depository participant, as indicated in their respective Application Form, our Company shall apply to the Stock Exchanges for listing approvals in respect of the Equity Shares Allotted pursuant to the Issue.

12. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the beneficiary accounts of the respective Allottees.

13. Our Company will then apply for the final trading approvals from the Stock Exchanges.

14. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the Eligible QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

15. As per applicable law, the Stock Exchanges will notify the final listing and trading approvals, which are ordinarily available on their websites, and our Company may communicate the receipt of the listing and trading approvals to those Eligible QIBs to whom the Equity Shares have been Allotted. Our Company and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Investors are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

Qualified Institutional Buyers

Only Eligible QIBs are eligible to invest in the Equity Shares pursuant to the Issue, provided that with respect to foreign portfolio investors, only Eligible FPIs applying under Schedule 2 of the FEMA Regulations will be considered as Eligible QIBs. Currently, QIBs, who are eligible to participate in the Issue and also as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations, are set forth below:

- alternate investment funds registered with SEBI;
- Eligible FPIs;
- insurance companies registered with Insurance Regulatory and Development Authority of India;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- multilateral and bilateral development financial institutions (which are resident in India);
- Mutual Funds;
- pension funds with minimum corpus of ₹ 250 million;
- provident funds with minimum corpus of ₹ 250 million;
- public financial institutions;
- scheduled commercial banks;
- state industrial development corporations;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India;
- venture capital funds registered with SEBI; and
- systemically important non-banking financial companies.

ELIGIBLE FPIs SHALL PARTICIPATE IN THIS ISSUE THROUGH THE PORTFOLIO INVESTMENT SCHEME UNDER SCHEDULE 2 OF THE FEMA REGULATIONS. ELIGIBLE FPIS ARE PERMITTED TO PARTICIPATE IN THIS ISSUE SUBJECT TO COMPLIANCE WITH ALL

APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF THE ELIGIBLE FPIS DOES NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to exceed 10% of our post Issue Equity Share capital of our Company. Further, in terms of the FEMA Regulations, the total holding by each FPI or investor group shall be below 10% of the total paid-up Equity Share capital of our Company and the total holdings of all FPIs put together shall not exceed 24% of the paid-up Equity Share capital of our Company. Hence, Eligible FPIs may invest in such number of Equity Shares in the Issue such that (i) the individual investment of the FPI in our Company does not exceed 10% of the post Issue paid-up capital of our Company on a fully diluted basis, and (ii) the aggregate investment by FPIs in our Company does not exceed 24% of the post-Issue paid-up capital of our Company on a fully diluted basis. In case the holding of an FPI or investor group increases to 10% or more of the total paid-up equity capital, on a fully diluted basis, the entire shareholding of such FPI will be re-classified as FDI, subject to the conditions as specified by SEBI and the RBI in this regard and compliance by the company and the investor with applicable reporting requirements. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board followed by a special resolution passed by the shareholders of our Company. The existing foreign investment limit for FPIs in our Company is 24% of the paid up Equity Share capital of our Company.

As per the circular issued by SEBI on November 24, 2014, these investment restrictions shall also apply to subscribers of P-Notes. Two or more subscribers of P-Notes having a common beneficial owner shall be considered together as a single subscriber of the P-Note. In the event an investor has investments as a FPI and as a subscriber of P-Notes, these investment restrictions shall apply on the aggregate of the FPI and P-Note investments held in the underlying company.

Pursuant to the SEBI Circular dated April 5, 2018 (Circular No: IMD/FPIC/CIR/P/2018/61), our Company has appointed NSDL as the designated depository to monitor the level of FPI/NRI shareholding in our Company on a daily basis and once the aggregate foreign investment of a company reaches a cut-off point, which is 3% below the overall limit a red flag shall be activated. The depository is then required to inform the Stock Exchanges about the activation of the red flag. The Stock Exchanges are then required to issue the necessary circulars/ public notifications on their respective websites. Once a red flag is activated, the FPIs must trade cautiously, because in the event that there is a breach of the sectoral cap, the FPIs will be under an obligation to disinvest the excess holding within five trading days from the date of settlement of the trades.

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

Restrictions on Allotment

Under Regulation 179(2)(b) of the SEBI ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being, our Promoters or any person related to, the Promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to the Promoter:

- rights under a shareholders' agreement or voting agreement entered into with the Promoter or members of the Promoter Group;
- veto rights; or
- a right to appoint any nominee director on the Board,

Provided, however, that a QIB which does not hold any Equity Shares and which has acquired any of the aforementioned rights in the capacity of a lender shall not be deemed to be related to the Promoter.

Our Company and the Book Running Lead Managers and any of their respective shareholders, employees, counsels, officers, directors, representatives, agents, advisors or affiliates are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date

of this Preliminary Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not result in triggering an open offer under the SEBI Takeover Regulations.

Note: Affiliates or associates of the BRLMs, who are Eligible QIBs may participate in the Issue in compliance with applicable laws.

Bid Process

Application Form

Eligible QIBs shall only use the serially numbered Application Forms (specifically are addressed to them) supplied by our Company and/ or the BRLMs in either electronic form or by physical delivery for the purpose of making a Bid (including revision of Bid) in terms of this Preliminary Placement Document and the Placement Document.

By making a Bid (including any revision thereof) for Equity Shares through the Application Form and pursuant to the terms of this Preliminary Placement Document, each Bidder will be deemed to have made the representations, warranties, acknowledgements and undertakings under the sections titled "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 1, 3, 221, and 231, respectively, including:

1. the Bidder confirms that it is a QIB in terms of Regulation 2(1)(ss)of the SEBI ICDR Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is not excluded under Regulation 179(2)(b) of the SEBI ICDR Regulations and is eligible to participate in this Issue;

2. the Bidder confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoters or members of the Promoter Group, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoters;

3. the Bidder confirms that, and consents to, its name and percentage of post-Issue shareholding (assuming full subscription in the Issue) will be included as a "proposed allottee" in the Issue in the Placement Document. However the Bidder further acknowledges and agrees, disclosure of such details in relation to the proposed Allottees in the Placement Document will not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of the Company, in consultation with the BRLMs;

4. the Bidder has no right to withdraw or revise its Bid downwards after the Bid Closing Date;

5. the Bidder confirms that if Equity Shares are Allotted to it through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the floor of the Stock Exchanges;

6. the Bidder confirms that it is eligible to Bid and hold Equity Shares so Allotted and together with any Equity Shares held by the Bidder prior to the Issue. The Bidder further confirms that the holding of the Equity Shares by the Bidder, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Bidder;

7. The Bidder agrees that although the Bid Amount is required to be paid by it along with the Application Form within the Bidding Period in terms of the provisions of the Companies Act and Rules made thereunder, our Company reserves the right to Allocate and Allot Equity Shares pursuant to this Issue on a discretionary basis in consultation with the BRLMs. The Bidder further acknowledges and agrees that the payment of Bid Amount does not guarantee Allocation and/or Allotment of Equity Shares Bid for in full or in part.

8. the Bidder confirms that its application would not eventually result in triggering an open offer under the Takeover Code;

9. the Bidder confirms that it is not a promoter of our Company and is not a person related to the Promoter of our Company, either directly or indirectly and its Bid does not directly or indirectly represent the Promoter or Promoter Group or a person related to the Promoter;

10. the Bidder confirms that, to the best of its knowledge and belief, together with other Eligible QIBs participating in the Issue that belong to the same group or are under common control, the Allotment to the Bidder shall not exceed 50% of the Issue Size. For the purposes of this statement:

    a. Eligible QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; or (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and independent directors, amongst an Eligible QIB, its subsidiary or holding company and any other Eligible QIB; and

    b. "Control" shall have the same meaning as is assigned to it by clause 1(e) of Regulation 2 of the Takeover Code.

11. The Bidder confirms that:

    a. It will make payment of its Bid Amount along with submission of the Application Form within the Bidding Period;

    b. It is outside the United States and is purchasing the Equity Shares in an offshore transaction in reliance on Regulation S under the U.S. Securities Act, and is not our affiliate or a person acting on behalf of such an affiliate.

12. the Bidder acknowledges that no Allotment shall be made to them if the price at which they have Bid for in the Issue is lower than the Issue Price.

13. the Bidder shall not undertake any trade in the Equity Shares credited to its beneficiary account with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

BIDDERs MUST PROVIDE THEIR NAME, COMPLETE ADDRESS, E-MAIL ID, BANK ACCOUNT DETAILS, BENEFICIARY ACCOUNT DETAILS, PERMANANT ACCOUNT NUMBER/ PAN ALLOTMENT LETTER, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. BIDDERS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE BENEFICIARY ACCOUNT IS HELD.

IF SO REQUIRED BY THE BRLMS, THE ELIGIBLE QIBs SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE BRLMS TO EVIDENCE THEIR STATUS AS A "QIB" AS DEFINED HEREINABOVE.

IF SO REQUIRED BY THE BRLMS, THE ESCROW BANK OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER THE BID CLOSING DATE, THE ELIGIBLE QIB SUBMITTING A BID AND/ OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CLIENT (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details provided in the Application Form. However, for the purposes of refund of all or part of the Bid Amount submitted by the Bidder, the bank details as mentioned in the Application Form from which the Bid Amount shall be remitted for the Equity Shares applied for in the Issue, will be considered.

The submission of an Application Form and payment of the Bid Amount pursuant to the Application Form by a Bidder shall be deemed a valid, binding and irrevocable offer for such Bidder to pay the entire Issue Price for the Equity Shares and becomes a binding contract on a Successful Bidder upon issuance of the CAN and the Placement Document (when dispatched) by our Company in favour of the Successful Bidder.

Submission of the Application Form

All Application Forms must be duly completed with information including the number of Equity Shares applied for along with proof of payment and a copy of the PAN card or PAN allotment letter. The Bid Amount shall be deposited in the Escrow Account as is specified in the Application Form and the Application Form shall be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at either of the following addresses:

Name of the BRLM	Address	Contact person	Email	Telephone and Facsimile
CLSA India Private Limited	8/F Dalamal House Nariman Point Mumbai 400 021	Rahul Choudhary	project.summer@clsa.com	Telephone: +91 22 66505050 Facsimile: +91 22 22840271
Kotak Mahindra Capital Company Limited	1st Floor, 27 BKC, Plot No. 27, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051	Karl Sahukar	vbl.qip@kotak.com	Telephone: +91 22 43360000 Facsimile: +91 22 67132447

The BRLMs shall not be required to provide any written acknowledgement of submission of the Applications Form and Bid Amount.

Bank Account for payment of Bid Amount

Our Company has opened the Escrow Account in the name of "*Varun Beverages Limited–QIP–Escrow Account*" with the Escrow Bank, in terms of the arrangement among our Company, the Book Running Lead Managers and the Escrow Bank. Each Bidder will be required to deposit the Bid Amount payable for the Equity Shares Bid by it along with the submission of the Application Form and during the Bidding Period. Bidders can make payment of the Bid Amount only through electronic transfer of funds from their own bank account.

Note: Payments are to be made only through electronic fund transfer. Payments made through cash or cheques are liable to be rejected. Further, if the payment is not made favouring the Escrow Account, the Application Form is liable to be cancelled.

Pending Allotment, our Company undertakes to utilise the amount deposited in "*Varun Beverages Limited–QIP–Escrow Account*" only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) refund of Bid Amount if our Company is not able to Allot Equity Shares in the Issue.

Pricing and Allocation

There is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares quoted on the stock exchange during the two weeks preceding the Relevant Date. However, a discount of not more than 5% of the Floor Price may be offered by our Company in accordance with the provisions of the SEBI ICDR Regulations.

The "Relevant Date" referred to above, for Allotment, will be the date of the meeting in which the Board decides to open the Issue and "stock exchange" means any of the recognized stock exchanges in India on which the Equity Shares of the issuer of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date.

Build-up of the book

Bidders shall submit their Bids (including any revision thereof) through the Application Forms, within the Bidding Period to the BRLMs. Such Bids cannot be withdrawn or revised downwards after the Bid Closing Date. The book shall be maintained by the BRLMs.

Price discovery and allocation

Our Company, in consultation with the BRLMs, shall determine the Issue Price, which shall be at or above the Floor Price. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 176(1) of the SEBI ICDR Regulations.

After finalisation of the Issue Price, our Company shall update this Preliminary Placement Document with the Issue details and file such updated document with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Company shall determine the Allocation in consultation with the BRLMs on a discretionary basis and in compliance with Chapter VI of the SEBI ICDR Regulations. All the Application Forms received from the Bidders at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Bidders will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR COMPANY, IN CONSULTATION WITH THE BRLMS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL ELIGIBLE QIBS. ELIGIBLE QIBS MAY NOTE THAT ALLOCATION OF THE EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY IN CONSULTATION WITH THE BRLMS AND THE ELIGIBLE QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AND PAID THE ENTIRE BID AMOUNT AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE BRLMS IS OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The minimum number of Allottees in the Issue shall not be less than:

(a) two, where the Issue Size is less than or equal to ₹ 2,500 million; or

(b) five, where the Issue Size is greater than ₹ 2,500 million.

Provided that no single Allottee shall be Allotted more than 50% of the Issue Size.

Bidders belonging to the same group or those who are under same control shall be deemed to be a single Allottee for the purposes of the Issue. For details of what constitutes “same group” or “common control” see the “- *Bid Process – Application Form*” on page 213.

CAN

Based on Application Forms and Bid Amount received, our Company in consultation with the BRLMs, shall decide the list of Bidders to whom the serially numbered CANs shall be sent, pursuant to which the details of the Equity Shares Allocated to the Bidders, Issue Price per Equity Share and the total amount received towards Equity Shares Allocated to them shall be notified to such Bidders. Additionally, the CAN will include the probable Designated Date, being the date of credit of the Equity Shares to the Bidder’s account, as applicable to the respective Bidders. Subsequently, our Board (or a duly constituted committee thereof) will approve the Allotment of the Equity Shares to the Allottees.

Bidders who have been Allocated Equity Shares pursuant to the Issue would also be sent a serially numbered Placement Document (which will include the names of the proposed Allottees along with the percentage of their post-Issue Shareholding in our Company) either in electronic form or by physical delivery.

The dispatch of the CAN and the serially numbered Placement Document (whenever dispatched) to a Bidder shall be deemed to be a valid, binding and irrevocable contract in respect of Equity Shares allocated to it. Subsequently, our Board will approve the Allotment of the Equity Shares to the Allottees.

BIDDERS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOCATED / ALLOTTED TO THEM PURSUANT TO THE ISSUE.

By submitting the Application Form, the Bidder would have deemed to have made the representations and warranties as specified "*Notice to Investors*" on page 1 and further that such Bidder shall not undertake any trade on the Equity Shares credited to its Depository Participant account pursuant to the Issue until such time as the final listing and trading approval is issued by BSE and NSE.

Designated Date and Allotment of Equity Shares

1. Subject to the satisfaction of the terms and conditions of the Placement Agreement, our Company will ensure that the Allotment of the Equity Shares is completed by the Designated Date provided in the CAN.

2. In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act. However, no transfer in physical form is permitted as per Regulation 40 of the SEBI Listing Regulations.

3. Our Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.

4. Following the Allotment of the Equity Shares pursuant to the Issue, our Company shall apply to the Stock Exchanges for listing approvals and post receipt of the listing approvals from the Stock Exchanges, our Company shall credit the Equity Shares into the beneficiary accounts of the Eligible QIBs.

5. Following the credit of Equity Shares into the successful Bidders' beneficiary accounts, our Company will apply for the final listing and trading approvals from the Stock Exchanges.

6. The monies lying to the credit of the Escrow Account shall not be released until the final listing and trading approvals of the Stock Exchanges for the listing and trading of the Equity Shares issued pursuant to this Issue are received by our Company and our Company files the return of Allotment in connection with the Issue with the RoC.

7. After finalization of the Issue Price, our Company shall update this Preliminary Placement Document with the Issue details and file it with the Stock Exchanges as the Placement Document. Pursuant to a circular dated March 5, 2010 issued by SEBI, Stock Exchanges are required to make available on their websites the details of those Allottees in Issue who have been allotted more than 5% of the Equity Shares offered in the Issue, namely, names of the Allottees, and number of Equity Shares Allotted to each of them, pre and post Issue shareholding pattern of our Company along with the Placement Document.

8. In the event that we are unable to issue and Allot the Equity Shares offered in the Issue or if the Issue is cancelled within 60 days (or such other period as may be prescribed under applicable law) from the date of receipt of application monies, our Company shall, subject to applicable law, repay the application monies within 15 days from the expiry of 60 days, failing which our Company shall repay the monies with interest at the rate of 12% p.a. from expiry of the 60^{th} day. The application monies to be refunded by us shall be refunded to the same bank account from which application monies was remitted by the Bidders.

Refunds

In the event that the number of Equity Shares Allocated to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Bid Amount has been paid by such Bidder, or Equity Shares are not Allocated to a Bidder for any reasons, or a Bidder withdraws the Bid prior to the Issue Closing Date, any excess Bid Amount paid by such Bidder will be refunded to the same bank account from which Bid Amount was remitted (as set out in the Application Form), in the form and manner set out in the Refund Intimation Letter. The Refund Amount will be transferred to the relevant Bidders within two Working Days from the issuance of the CAN.

In the event that Equity Shares have been Allocated to Successful Bidders and our Company is unable to issue and Allot the Equity Shares offered in the Issue or on cancellation of the Issue, within 60 days from the date of receipt of the Bid Amount, our Company shall repay the Bid Amount within 15 days from expiry of 60 days, failing which our Company shall repay that money with interest at such rate and in such manner as prescribed under the Companies Act.

Other Instructions

Permanent Account Number or PAN

Each Bidder should mention its PAN allotted under the IT Act. A copy of the PAN card or PAN allotment letter is required to be submitted with the Application Form. Further, the Application Forms without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that applicants should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Bank Account Details

Each Bidder shall mention the details of the bank account from which the payment of Bid Amount has been made along with confirmation that such payment has been made from such account.

Right to Reject Applications

Our Company, in consultation with the BRLMs, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of our Company and the BRLMs in relation to the rejection of Bids shall be final and binding. In the event the Bid is rejected by our Company, the Bid Amount paid by the bidder shall be refunded to the same bank account from which the Bid Amount was remitted by such Bidder. For details see "- *Bid Process – Refunds*" on page 218.

Equity Shares in dematerialized form with NSDL or CDSL

The Allotment of the Equity Shares in this Issue shall be only in dematerialized form (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

1. An Eligible QIB applying for Equity Shares in the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid.

2. The Equity Shares Allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Eligible QIB.

3. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The BSE and the NSE have electronic connectivity with CDSL and NSDL.

4. The trading of the Equity Shares issued pursuant to the Issue would be in dematerialized form only for all Eligible QIBs in the demat segment of the respective Stock Exchanges.

5. Our Company and the BRLMs will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Application Form or otherwise on the part of the Eligible QIBs.

For details of our Group Company Secretary and Compliance Officer, see "*General Information*" on page 254.

PLACEMENT

The BRLMs have entered into a placement agreement dated September 3, 2019, with our Company (the "**Placement Agreement**"), pursuant to which the BRLMs have agreed, subject to certain conditions, to manage the Issue and to act as placement agents in connection with the proposed Issue and procure subscription to Equity Shares on a reasonable efforts basis The Equity Shares will be placed to QIBs pursuant to the Issue under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 and the rules made thereunder. The Placement Agreement contains customary representations and warranties, as well as indemnities from our Company and is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Preliminary Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies, and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs.

In connection with the Issue, the BRLMs (or their respective affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the BRLMs may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue, and no specific disclosure will be made of such positions. Affiliates of the BRLMs which are Eligible FPIs may purchase, to the extent permissible under law, the Equity Shares in the Issue, and may issue P-Notes in respect thereof. Please see "*Offshore Derivative Instruments*" and "*Representations to Investors*" on pages 9 and 3, respectively.

Lock-in

Our Company agrees, subject to the exceptions set out below, not to: (a) issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, issue right or warrant to purchase any interest in any Equity Shares, lend or otherwise transfer or dispose of, directly or indirectly, any equity shares, or any securities convertible into or exercisable or exchangeable for Equity Share; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise; or (c) publicly announce any intention to enter into any transaction described in (a) or (b) above, except the Equity Shares which are issued by our Company in accordance with its employees stock option schemes, for a period from the date hereof up to 180 days after the Closing Date without the prior written consent of the Book Running Lead Managers, however, the foregoing restriction shall not be applicable (i) to any transaction required by law or an order of a court of law or a statutory authority; and (ii) to any issuance of Equity Shares of our Company pursuant to conversion of stock options issued or to be issued by our Company.

Ravi Kant Jaipuria, Varun Jaipuria, Ravi Kant Jaipuria & Sons (HUF) and RJ Corp Limited have agreed that, subject to the exceptions set out below, not to: (a) issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, issue right or warrant to purchase any interest in any Equity Shares, lend or otherwise transfer or dispose of, directly or indirectly, any equity shares, or any securities convertible into or exercisable or exchangeable for Equity Share; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise; or (c) publicly announce any intention to enter into any transaction described in (a) or (b) above, for a period from the date hereof up to 90 days after the date of Allotment of Equity Shares without the prior written consent of the Book Running Lead Managers. However, the foregoing restriction shall not be applicable with respect to (i) 5,479,656 Equity Shares, amounting to 2% of the current issued and paid-up share capital of our Company, on an aggregate basis, by any member of the Promoter/Promoter Group of our Company; and (ii) to any transaction required by law or an order of a court of law or a statutory authority.

The foregoing paragraph shall not apply to (a) any inter-se transfer of Equity Shares between the Promoters and Promoter Group, provided that the lock-in shall continue for the remaining period with the transferee and such transferee shall not be eligible to transfer such Equity Shares till the Lock-in Period set out herein has expired and (b) bona fide pledge of lock-in Equity Shares, as collateral for loans as per the normal commercial terms entered into, in the ordinary course of business of the Company, where any arrangement for any such encumbrance as collateral is undertaken with the prior written approval of the Book Running Lead Managers. Further, in accordance with Regulation 172(3) of the SEBI ICDR Regulations, our Company shall not make a subsequent QIP until expiry of six months from the date of this Issue.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Preliminary Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorised or permitted.

GENERAL

No action has been taken or will be taken by the Company or the BRLMs that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to the Company or the Equity Shares in any jurisdiction where action for such purpose is required (including filing of prospectus in India with SEBI or any other authority in connection with the Issue). Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and none of this Preliminary Placement Document, any offering materials and any advertisements in connection with the offering of the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI ICDR Regulations. Each purchaser of the Equity Shares in this Issue will be deemed to have made acknowledgments and agreements as described under "*Transfer Restrictions*" on page 231.

REPUBLIC OF INDIA

This Preliminary Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to Eligible QIBs and is not an offer to the public or any other class of investors other than Eligible QIBs. This Preliminary Placement Document is neither a public issue nor a prospectus under the Companies Act or an advertisement and should not be circulated to any person other than to whom the offer is made. This Preliminary Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India.

AUSTRALIA

This Preliminary Placement Document and the offer of Equity Shares are only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act 2001 (Cth) (the "**Australian Corporations Act**") and has not been and will not be lodged or registered with the Australian Securities & Investments Commission or any other regulatory body or agency in Australia. This Preliminary Placement Document is not a prospectus, product disclosure statement or any other form of formal "disclosure document" for the purposes of the Australian Corporations Act and is not required to, and does not, contain all the information which would be required in a disclosure document under the Australian Corporations Act. (a) The offer of the Equity Shares under this Preliminary Placement Document is only made to persons to whom it is lawful to offer the Equity Shares without a disclosure document such as a professional investor or sophisticated investor for the purposes of Chapter 6D of the Australian Corporations Act; (b) this Preliminary Placement Document is made available in Australia to persons as set forth in clause (a) above; and (c) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (b) above and agrees not to sell or offer for sale within Australia any Equity Shares sold to the offeree within 12 months after their transfer to the offeree under this Preliminary Placement Document.

AUSTRIA

Each BRLM has represented and agreed and each purchaser of the Equity Shares will be required to represent and agree, that the Equity Shares have not been offered or sold and will not be offered, sold or delivered directly or indirectly in the Republic of Austria by way of a public offering, unless in compliance with the Austrian Capital Market Act (Kapitalmarktgesetz) as amended from time to time.

BAHRAIN

This Preliminary Placement Document has been prepared for private information purposes of intended investors only. This Preliminary Placement Document is intended to be read by the addressee only. No invitation has been made in or from the Kingdom of Bahrain and there will be no marketing or offering of the Equity Shares to any potential investor in Bahrain. All marketing and offering is made and will be made outside of the Kingdom of Bahrain. The Central Bank of Bahrain or any other regulatory authority in Bahrain has not reviewed, nor has it approved, this offering document or the marketing of the Equity Shares and takes no responsibility for the accuracy of the statements and information contained in this Preliminary Placement Document, nor shall it have any liability to any person for any loss or damage resulting from reliance on any statements or information contained herein.

BELGIUM

The Equity Shares may not be distributed in Belgium by way of an offer of securities to the public, as defined in Article 3 §1 of the Belgian Law of June 16, 2006 on public offerings of investment W-28 instruments and the admission of investment instruments to trading on regulated markets (the "**Prospectus Law**"), save in those circumstances set out in Article 3 §2 of the Prospectus Law.

This offering is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and this Preliminary Placement Document or any other offering material relating to the Equity Shares has not been and will not be approved by, the Belgian Banking, Finance and Insurance Commission ("**Commission bancaire, financière et des assurances/Commissie voor het Bank, Financie en Assurantiewezen**").

Accordingly, this offering may not be advertised and each of the BRLMs has represented, warranted and agreed that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Equity Shares, and that it has not distributed, and will not distribute, any memorandum, information circular, brochure or any similar documents, directly or indirectly, to any individual or legal entity in Belgium other than:

(i) qualified investors, as defined in Article 10 of the Prospectus Law;

(ii) investors required to invest a minimum of €50,000 (per investor and per transaction); and

(iii) in any other circumstances set out in Article 3 §2 of the Prospectus Law.

This Preliminary Placement Document has been issued only for the personal use of the above qualified investors and exclusively for the purpose of this offering. Accordingly, the information contained herein may not be used for any other purpose nor disclosed to any other person in Belgium.

CAYMAN ISLANDS

This Preliminary Placement Document does not constitute an invitation or offer to the public in the Cayman Islands of the Issue Shares, whether by way of sale or subscription. Issue Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Cayman Islands. However, Cayman Islands Exempted and Ordinary Non-Resident Companies and certain other legal entities formed under the laws of but not resident in the Cayman Islands and engaged in business outside of the Cayman Islands may be permitted to acquire Issue Shares.

PEOPLE'S REPUBLIC OF CHINA

The Preliminary Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the People's Republic of China (the "**PRC**"). The Equity Shares have not been and will not be filed with, or approved by, the China Securities Regulatory Commission or any other regulatory authority in the PRC.

The Preliminary Placement Document has not been, may not be, issued, circulated or distributed in the PRC and the Equity Shares have not been and may not be offered, sold, pledged or transferred, directly or indirectly, with the territory of PRC, to any PRC person or entity unless such person or entity has obtained the requisite approval from, or has made the appropriate filings with, the relevant PRC authorities.

DENMARK

The Equity Shares have not been offered or sold and will not be offered, sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 843 of September 7, 2005, as amended from time to time, and any orders issued thereunder.

DUBAI INTERNATIONAL FINANCIAL CENTRE

This Preliminary Placement Document relates to an Exempt Offer in accordance with the Markets Rules Module of the Dubai Financial Services Authority (the "**DFSA**") Rulebook. This Preliminary Placement Document is intended for distribution only to Professional Clients who are not natural persons. It must not be delivered to, or relied on by, any other person.

The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set out in it and has no responsibility for it. The Equity Shares to which this Preliminary Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered should conduct their own due diligence on the Equity Shares.

EUROPEAN ECONOMIC AREA

This Preliminary Placement Document has been prepared on the basis that this Issue will be made pursuant to an exemption under the Prospectus Directive as implemented in member states of the European Economic Area ("**EEA**") from the requirement to produce and publish a prospectus which is compliant with the Prospectus Directive, as so implemented, for offers of the Equity Shares. Accordingly, any person making or intending to make any offer within the EEA or any of its member states (each, a "**Relevant Member State**") of the Equity Shares which are the subject of the placement referred to in this Preliminary Placement Document must only do so in circumstances in which no obligation arises for the Company or any of the BRLMs to produce and publish a prospectus which is compliant with the Prospectus Directive, including Article 3 thereof, as so implemented for such offer. For EEA jurisdictions that have not implemented the Prospectus Directive, all offers of the Equity Shares must be in compliance with the laws of such jurisdictions. None of the Company or the BRLMs have authorised, nor do they authorize, the making of any offer of the Equity Shares through any financial intermediary, other than offers made by the BRLMs, which constitute a final placement of the Equity Shares.

In relation to each Relevant Member State, each BRLM has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of the Equity Shares which are the subject of the Issue contemplated by this Preliminary Placement Document to the public in that Relevant Member State other than:

i. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
ii. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive subject to obtaining the prior consent of the BRLMs nominated by the Company for any such offer; or
iii. in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Equity Shares shall result in a requirement for the publication by the Company or the BRLMs of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. For the purposes of this provision, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State.

FRANCE

This Preliminary Placement Document has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L. 411-1 of the French Code *monétaire et financier* and Title I of Book II of the *Règlement Général of the Autorité des Marchés Financiers* (the "**AMF**") and, therefore, has not been approved by, registered or filed with the AMF and does not require a prospectus to be submitted for approval to the AMF. Consequently, each of the BRLMs has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Equity Shares to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Preliminary Placement Document or any other offering material relating to the Equity Shares and such offers, sales and distributions have been and will be made in France only to (i) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers)* and/or (ii) to qualified investors (*investisseurs qualifiés)* acting on their own account, as defined in, and in accordance with, Articles L.411-2, D.411-1, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code monétaire et financier. No re-transfer, directly or indirectly, of the Equity Shares in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 and seq. of the French Code *monétaire et financier)* shall be made.

GERMANY

This Preliminary Placement Document has not been prepared in accordance with the requirements for a sales prospectus under the German Securities Prospectus Act (*Wertpapierprospektgesetz),* the German Sales Prospectus Act (*Verkaufsprospektgesetz),* or the German Investment Act (*Investmentgesetz).* Neither the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin)* nor any other German authority has been notified of the intention to distribute the Equity Shares in Germany. The Equity Shares may therefore not be distributed in the Federal Republic of Germany by way of public offering, public advertising or in a similar manner. The Equity Shares are being offered and sold in Germany only to (i) qualified investors in the meaning of Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act, or (ii) a limited number of individualised, unqualified investors that are being preselected and specifically addressed. This Preliminary Placement Document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

HONG KONG

Each BRLM has represented, warranted and agreed that:

i. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Equity Shares other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUPM)O;

ii. it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document; and

iii. relating to the Equity Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

IRELAND

The Equity Shares may be publicly offered and sold in Ireland only in accordance with the European Communities (Transferable Securities and Stock Exchange) Regulations 1992, if applicable, the Investment Intermediaries Act 1995, as amended, the Companies Acts 1963 to 2003 and all other applicable Irish laws and regulations. This Preliminary Placement Document does not constitute an offer to the public in Ireland by virtue of the fact that it shall only be made to persons in Ireland whose ordinary business is to buy or sell shares or debentures (whether as principal or agent) and, accordingly, has not been registered with the

Registrar for Companies in Ireland. By accepting delivery of this Preliminary Placement Document, the addressee in Ireland warrants that it is a person whose ordinary business, whether as principal or agent, is to buy and sell shares and debentures. This Preliminary Placement Document does not and shall not be deemed to constitute an invitation to individuals (*i.e.,* natural persons) in Ireland to purchase Equity Shares. There will be no offering to the public in Ireland of the Equity Shares and this Preliminary Placement Document does not constitute a prospectus within the meaning of the Irish Companies Acts 1963 to 2003.

ITALY

The offering of the Equity Shares has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each BRLM has represented and agreed that it has not offered, sold or distributed, and will not offer, sell or distribute any Equity Shares or any copy of this Preliminary Placement Document or any other offer document in the Republic of Italy ("**Italy**") except:

(a) to qualified investors (*investitori qualificati),* pursuant to Article 100 of Legislative Decree no. 58 of February 24, 1998 (the "Consolidated Financial Services Act" and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of May 14, 1999 (the "**CONSOB Regulation**"), all as amended; or

(b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Consolidated Financial Services Act and Article 34-ter of the CONSOB Regulation;

(c) moreover, and subject to the foregoing, any offer, sale or delivery of the Equity Shares or distribution of copies of this Preliminary Placement Document or any other document relating to the Equity Shares in Italy under (1) or (2) above must be:

    (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the "**Banking Act**"), CONSOB Regulation No. 16190 of October 29, 2007, all as amended;

    (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and

    (iii) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time, inter alia, by CONSOB or the Bank of Italy.

Any investor purchasing the Equity Shares in the Issue is solely responsible for ensuring that any offer or resale of the Equity Shares it purchased in the Issue occurs in compliance with applicable laws and regulations. This Preliminary Placement Document and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

JAPAN

The Equity Shares offered hereby have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Accordingly, each BRLM has represented, warranted and agreed that the Equity Shares which it has subscribed to will be subscribed by it as principal and that, in connection with the offering made hereby, it will not, directly or indirectly, offer or sell any Equity Shares in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

JORDAN

The Equity Shares are being offered in Jordan on a cross border basis based on a private one-on-one contacts to no more than 30 pre-identified potential investors and accordingly the Equity Shares will not be registered with the Jordanian Securities Commission and a local prospectus is not required. This Preliminary Placement Document may not be used for a public offering in Jordan of the Equity Shares.

KOREA

The Equity Shares have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the "**FSCMA**"), and the Equity Shares have been and will be offered in Korea as a private placement under the FSCMA. None of the Equity Shares may be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the "**FETL**"). Furthermore, the purchaser of the Equity Shares shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Equity Shares. By the purchase of the Equity Shares, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the Equity Shares pursuant to the applicable laws and regulations of Korea.

KINGDOM OF SAUDI ARABIA

Each BRLM has represented and agreed that no action has been or will be taken in the Kingdom of Saudi Arabia ("**Saudi Arabia**") that would permit a public offering of the Equity Shares. Any investor in Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Equity Shares pursuant to an offering should note that the offer of Equity Shares is a private placement under Article 10 and/or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority of Saudi Arabia resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority of Saudi Arabia to carry on the securities activity of arranging and following a notification to the Capital Markets Authority of Saudi Arabia under the KSA Regulations.

The Equity Shares may thus not be advertised, offered or sold to any person in Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each BRLM has represented and agreed that any offer of Equity Shares to a Saudi Investor will be made in compliance with the KSA Regulations.

KUWAIT

The Equity Shares has not been approved by the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry, nor has the Company received authorisation or licensing from the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry to market or sell the Equity Shares within Kuwait. Therefore, no services relating to the offering, including the receipt of applications and/or the allotment of Equity Shares, may be rendered within Kuwait by the Company or persons representing the Company.

LUXEMBOURG

The Equity Shares offered in this Preliminary Placement Document may not be offered, sold or delivered to the public within the Grand Duchy of Luxembourg. This document is only intended for institutional investors. It is personal to each offeree and does not constitute an offer to any other person or to the public generally in Luxembourg to subscribe for or otherwise acquire the Equity Shares. Distribution of this Preliminary Placement Document to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised and any disclosure of any of its contents, without prior written consent of the Company, is prohibited.

MALAYSIA

No prospectus or other offering material or document in connection with the offer and sale of the Equity Shares has been or will be registered with the Securities Commission of Malaysia pursuant to the Securities Commission Act, 1993 as the offer for purchase of, or invitation to purchase the Equity Shares is meant to qualify as an "excluded offer or excluded invitation" within the meaning of Section 38 of the Securities Commission Act, 1993. Each BRLM has severally represented, warranted or agreed that the Equity Shares will not be offered, sold, transferred or otherwise disposed, directly or indirectly, nor any document or other material in connection therewith distributed, in Malaysia, other than to persons falling within any one of the categories or person specified in Schedule 2 and/or Schedule 3 of the Securities Commission Act, 1993 who are also persons to whom any offer or invitation to purchase or sell would be an excluded offer or invitation within the meaning of Section 38 of the Securities Commission Act, 1993.

MAURITIUS

The Issue Shares may not be offered, distributed or sold, directly or indirectly, to the public in Mauritius. Neither this Preliminary Placement Document, nor any offering material or information contained herein relating to the offer of Issue Shares, may be released or issued to the public in Mauritius or used in connection with any such offer. This Preliminary Placement Document does not constitute an offer to sell Issue Shares to the public in Mauritius. This Preliminary Placement Document is not a prospectus.

NEW ZEALAND

This Preliminary Placement Document not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the "**New Zealand Securities Act**"). This Preliminary Placement Document is being distributed in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the New Zealand Securities Act ("Habitual Investors"). By accepting this Placement Document, each investor represents and warrants that if they receive this Placement Document in New Zealand they are a Habitual Investor and you will not disclose this Preliminary Placement Document to any person who is not also a Habitual Investor.

NORWAY

This Preliminary Placement Document has not been approved by or registered with any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act 1997. Accordingly, neither this Preliminary Placement Document nor any other offering material relating to the Equity Shares constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act 1997 and is only made to qualified professional investors pursuant to the Norwegian Regulation of December 9, 2005 regarding exemption from the obligation to publish a prospectus or otherwise only in circumstances where an exemption from the obligation to publish a prospectus under the Norwegian Securities Trading Act 1997 is available.

OMAN

Each BRLM has represented and agreed that the Equity Shares have not been and will not be offered, sold or delivered, and no invitation to subscribe for or to purchase the Equity Shares has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Oman to any person in Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended). This Preliminary Placement Document has not been approved by nor registered as a prospectus with the Capital Market Authority of the Sultanate of Oman pursuant to the Capital Market Law (Royal Decree 80/98, as amended) and the Equity Shares will not be offered or sold as a public offer of securities in the Sultanate of Oman.

QATAR

This Preliminary Placement Document did not, and was not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Preliminary Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the

Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (b) neither the Bank nor GCBRLMs are authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Preliminary Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This Preliminary Placement Document shall not form the basis of, or be relied on in connection with, any contract in Qatar. The persons representing the BRLMs are, by distributing this document, not advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

QATAR FINANCIAL CENTRE

This Preliminary Placement Document does not, and is not intended to, constitute an invitation or offer of securities from or within the Qatar Financial Center ("**QFC**"), and accordingly should not be construed as such. This Preliminary Placement Document has not been reviewed or approved by or registered with the Qatar Financial Centre Authority, the Qatar Financial Centre Regulatory Authority or any other competent legal body in the QFC. This Preliminary Placement Document is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof. Our Company has not been approved or licensed by or registered with any licensing authorities within the QFC.

SINGAPORE

Each BRLM has acknowledged that this Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each BRLM has represented and agreed that it has not offered or sold any Equity Shares or caused the Equity Shares to be made the subject of an invitation for subscription or purchase and will not offer or sell any Equity Shares or cause the Equity Shares to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Preliminary Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

i. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

ii. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

a. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

b. where no consideration is or will be given for the transfer;

c. where the transfer is by operation of law;

d. as specified in Section 276(7) of the SFA; or

e. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

SOUTH AFRICA

In South Africa, the offer of Issue Shares will only be made by to persons falling within the exemptions set out in section 96(1) of the South African Companies Act, 2008 ("**South African Companies Act**") and to whom the offer will specifically be addressed ("**Qualifying Investors**") and this Preliminary Placement Document is only being made available to such Qualifying Investors. The offer of Issue Shares does not constitute an offer for the sale of or subscription for, or the advertisement or the solicitation of an offer to buy and/or to subscribe for, Issue Shares to the public as defined in the South African Companies Act and will not be distributed to any person in South Africa in any manner that could be construed as an offer to the public in terms of the South African Companies Act. Should any person who is not a Qualifying Investor receive this Preliminary Placement Document, they should not and will not be entitled to acquire any Issue Shares or otherwise act thereon. This Preliminary Placement Document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act. Accordingly, this Preliminary Placement Document does not comply with the substance and form requirements for prospectuses set out in the South African Companies Act and the South African Companies Regulations of 2011 and has not been approved by, and/or registered with, the Companies and Intellectual Property Commission, or any other South African authority. Information made available in this Preliminary Placement Document should not be considered as "advice" as defined in the South African Financial Advisory and Intermediary Services Act, 2002, and nothing in this Preliminary Placement Document should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa.

SPAIN

This Preliminary Placement Document has not been registered with the Spanish Securities Market National Commission (*Comision Nacional del Mercado de Valores).* The Equity Shares may not be listed, offered or sold in Spain except in accordance with the requirements of the Spanish Security Market Act (*Ley 24/1988, de 28 de julio, del Mercado de Valores),* as amended, and as supplemented by Royal Decree 1310/2005 *(Real Decreto Ley 24/1988, de 28 de Julio, del Mercado de Valores, en materia de admission a negociación de valores en mercados secundarios oficilaes, de ofertas públicas or subscripción y del folleto exigible a tales efectos),* (the "**Royal Decree 1310/2005**"), and any other applicable provisions. The Equity Shares may not be listed, sold, offered or distributed to persons in Spain except in compliance with the above-mentioned provisions and, particularly, pursuant to Sections 26 to 38 to 41 of Royal Decree 1320/2005, as amended.

SWITZERLAND

This Preliminary Placement Document is not intended to constitute an offer or solicitation to purchase or invest in the Equity Shares described herein. The Equity Shares may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Preliminary Placement Document nor any other offering or marketing material relating to the Equity Shares constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations and neither this Preliminary Placement Document nor any other offering or marketing material relating to the Equity Shares may be publicly distributed or otherwise made publicly available in Switzerland.

THE NETHERLANDS

The Equity Shares are not and may not be offered in the Netherlands other than to persons or entities who or which are qualified investors as defined in Section 1:1 Dutch Financial Supervision Act (*Wet op het financieel toezicht)* (which incorporates the term "qualified investors" as used in the Prospectus Directive).

UNITED ARAB EMIRATES

The Equity Shares have not been, are not being, and will not be publicly offered, sold, promoted or advertised in the United Arab Emirates other than in compliance with the laws of the United Arab Emirates governing the issue, offering and sale of securities. Further, this Preliminary Placement Document does not constitute a public offer of securities in the United Arab Emirates and is not intended to be a public offer. This Preliminary Placement Document has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This Preliminary Placement Document is strictly private and confidential and has not been reviewed, deposited or registered with any licensing authority or governmental agency in the United Arab Emirates.

This Preliminary Placement Document must not be shown, made available or provided to any person other than the original recipient and may not be reproduced or used for any other purpose. The Equity Shares may not be offered or sold directly or indirectly to the public in the United Arab Emirates. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser.

UNITED KINGDOM

Each BRLM has represented and agreed that:

i. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the Equity Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

ii. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

No person may communicate or cause to be communicated any invitation or inducement to engage in any investment activity (within the meaning of section 21 of FSMA) received by it in connection with this Issue or sale of the Equity Shares other than in circumstances in which section 21(1) of FSMA does not apply to the Company. Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this Preliminary Placement Document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this Preliminary Placement Document relates to may be made or taken exclusively by relevant persons.

UNITED STATES OF AMERICA

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold only outside the United States in "offshore transactions" (as defined in Regulation S) in reliance on Regulation S. Each purchaser of the Equity Shares will be deemed to have made the representations, agreements and acknowledgements as described under "*Transfer Restrictions*" on page 231.

TRANSFER RESTRICTIONS

Due to the following restrictions, investors are advised to consult legal counsel prior to purchasing Equity Shares or making any resale, pledge or transfer of the Equity Shares.

Purchasers are not permitted to sell the Equity Shares Allotted pursuant to the Issue, for a period of one year from the date of Allotment, except on the BSE or the NSE. Allotments made to Eligible QIBs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. Additional transfer restrictions applicable to the Equity Shares are listed below.

U.S. TRANSFER RESTRICTIONS

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Each purchaser of the Equity Shares outside the United States is deemed to have represented, agreed and acknowledged as follows:

- It is authorised to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations.

- It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Equity Shares are being issued in reliance upon Regulation S and such Equity Shares have not been and will not be registered under the Securities Act.

- It certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and is located outside the United States (within the meaning of Regulation S) or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is not located outside the United States (within the meaning of Regulation S).

- It is aware of the restrictions of the offer, sale and resale of the Equity Shares pursuant to Regulation S.

- The Equity Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.

- It understands that the Equity Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Equity Shares have not been and will not be registered under the Securities Act and that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Equity Shares, such Equity Shares may be offered, resold, pledged or otherwise transferred in compliance with the Securities Act and other applicable securities laws only outside the United States in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S or in a transaction otherwise exempt from the registration requirements of the Securities Act.

- It is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Equity Shares. It is experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions. It and any accounts for which it is subscribing to the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the Company or any of the BRLMs for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Equity Shares. It acknowledges that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. It is seeking to subscribe to the Equity Shares in this Issue for its own investment and not with a view to distribution.

- It has been provided access to this Preliminary Placement Document and will be provided access to the Placement Document which it has read in its entirety.

- It agrees to indemnify and hold the Company and each of the BRLMs harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations and warranties. It will not hold any of the Company or the BRLMs liable with respect to its investment in the Equity Shares. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

- Where it is subscribing to the Equity Shares for one or more managed accounts, it represents and warrants that it is authorised in writing, by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- It agrees that any resale or other transfer, or attempted resale or other transfer, of the Equity Shares made other than in compliance with the above-stated restrictions shall not be recognised by the Company.

- If such person is a dealer (as such term is defined under the Securities Act), it may not resell the Equity Shares in the United States prior to 40 days from the commencement of the offering of the Equity Shares.

- It acknowledges that the Company and the BRLMs and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements is no longer accurate, it will promptly notify the Company and the BRLMs. It agrees that the terms and provisions of the foregoing acknowledgements, representations and agreements shall inure to the benefit of and any document incorporating such acknowledgements, representations and agreements shall be enforceable by the Company, its successors and its permitted assigns, and the terms and provisions hereof shall be binding on its permitted successors in title, permitted assigns and permitted transferees. It understands that these acknowledgments, representations and undertakings are required in connection with United States securities laws and irrevocably authorizes the Company to produce these acknowledgments, representations and undertakings (or any document incorporating them) to any interested party in any administrative or legal proceedings or official enquiry with respect to the matters covered herein.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company or the BRLMs or any of their respective affiliates or advisors.

Stock exchanges regulation

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai. BSE and NSE hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR. SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2018 ("**SECC Regulations**"), which regulate, amongst other things, the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalization requirements for stock exchanges. The SCRA, the SCRR and the SECC Regulations along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

SEBI is empowered to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy- backs of securities, employees stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

Listing and delisting of securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI including the SEBI Listing Regulations. The governing body of each recognised stock exchange is empowered to suspend trading of or withdraw admission to dealings in a listed security for breach of or non compliance with any conditions or breach of company's obligations under the SEBI Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend such regulations and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognised stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges which were significantly modified in 2015.

Disclosures under the SEBI Listing Regulations

Public listed companies are required under the SEBI Listing Regulations to prepare and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance, related party transactions and management's discussion and analysis as required under the SEBI Listing Regulations. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of the SEBI Listing Regulations.

Minimum level of public shareholding

Pursuant to an amendment to the SCRR in June 2010 and Regulation 38 of the SEBI Listing Regulations, all listed companies are required to maintain a minimum public shareholding of 25.00%. Further, where the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall. Consequently, a listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirement. Our Company is in compliance with this minimum public shareholding requirement.

Index-based market-wide circuit breaker system

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index- based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10.00%, 15.00% and 20.00%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20.00% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

BSE is one of the stock exchanges in India on which our Equity Shares are listed. Established in 1875, it is the first stock exchange in India to have obtained permanent recognition in 1956 from the Government of India under the SCRA and has evolved over the years into its present status as one of the largest stock exchange in India.

NSE

Our Equity Shares are also listed in India on NSE. NSE was established by financial institutions and banks to provide nationwide on-line satellite-linked, screen-based trading facilities to market makers, to provide electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. Deliveries for trades executed “on-market” are exchanged through the National Securities Clearing Corporation Limited. After recognition as a stock exchange under the SCRA in April 1993, the NSE commenced operations in the wholesale debt market segment in June 1994 and operations in the derivatives segment in June 2000.

Internet-based securities trading and services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the “equities” as well as the “derivatives” segments of the NSE.

Trading hours

Trading on both, NSE and BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m. that has been introduced recently). BSE and NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide.

This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called NEAT, which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies are governed by the Takeover Regulations which provide specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control. The Takeover Regulations prescribe certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Regulations also provide for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

SEBI Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 were notified on January 15, 2015, and came into effect on May 15, 2015, which repealed the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The Insider Trading Regulations, amongst other things, impose certain restrictions on the communication of information by listed companies. Under the Insider Trading Regulations, subject to certain exceptions (i) no insider shall communicate, provide or allow access to any unpublished price sensitive information relating to such companies and securities to any person including other insiders; and (ii) no person shall procure or cause the communication by any insider of UPSI relating to such companies and securities.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities that are required to handle UPSI in the course of business operations to establish an internal code of practices and procedures for fair disclosure of UPSI and to regulate, monitor and report trading by insiders. To this end, the Insider Trading Regulations provide principles of fair disclosure for purposes of code of practices and procedures for fair disclosure of UPSI and minimum standards for code of conduct to regulate, monitor and report trading by insiders. There are also initial and continuing shareholding disclosure obligations under the Insider Trading Regulations.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following information relates to the Equity Shares and includes a brief summary of the Memorandum and Articles of Association and the Companies Act. Prospective investors are urged to read the Memorandum and Articles of Association carefully, and consult with their advisers, as the Memorandum and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

General

Our authorised share capital is ₹ 10,000,000,000 consisting of 500,000,000 equity shares of ₹ 10 each and 50,000,000 preference shares of ₹ 100 each. As on the date of this Preliminary Placement Document, our Company's issued, subscribed and paid up capital is ₹ 2,739,828,380 divided into 273,982,838 fully paid up Equity Shares of ₹ 10 each.

Dividends

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the AGM held each fiscal year. Under the Companies Act, unless the board of directors of a company recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 123 of the Companies Act, 2013, no dividend can be declared or paid by a company for any fiscal year except out of the profits of our Company for that year, calculated in accordance with the provisions of the Companies Act, 2013 or out of the profits of our Company for any previous fiscal year(s) arrived at as laid down by the Companies Act, 2013. According to the Articles of Association, the amount of dividends shall not exceed the amount recommended by the Board of Directors. However, our Company may declare a smaller dividend in the general meeting. In addition, as is permitted by the Articles of Association, the Board of the Directors may pay interim dividend as appears to it be justified basis the position of our Company.

The Equity Shares issued pursuant to the Placement Document shall rank *pari passu* with the existing equity shares of our Company in all respects including entitlements to any dividends that may be declared by our Company.

The Companies Act read with the Companies (Declaration and Payment of Dividend) Rules, 2014 provides that if the profit for a year is inadequate or nil, the dividend for that year may be declared out of the accumulated profits earned in previous years and transferred to free reserves, subject to the following conditions: (i) the rate of dividend to be declared shall not exceed the average of the rates at which dividend was declared by our Company in the three years immediately preceding that year; (ii) the total amount to be drawn from such accumulated profits from previous years shall not exceed one-tenth of the sum of the paid-up share capital and free reserves as appearing in the latest audited financial statement; (iii) the amount so drawn shall first be utilized to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared; (iv) the balance of reserves after withdrawal must not be below 15% of paid-up share capital as appearing in the latest audited financial statement. In accordance with the SEBI Listing Regulations, dividend declared by a company has to be on a per share basis only.

Subject to the applicable provisions of the Companies Act, no shareholder shall be entitled to receive payment of any interest or dividends in respect of his Equity Share(s), whilst any money may be due or owing from him to our Company in respect of such Equity Share(s) either above or jointly with any other person(s) and our Board may deduct from the dividend payable to any such shareholder all sums of money, if any, payable by such shareholder to our Company on account of calls or otherwise in relation to the Equity Shares. Unless otherwise directed, any dividend, interest or other monies in respect of the Equity Shares may be paid by cheque or warrant or by a pay slip or receipt (having the force of a cheque or warrant) and sent by post or courier or by any other legally permissible means to the registered address of the shareholder or person entitled or in case of joint-holders to that one of them first named in the register of members in respect of the joint-holding.

Capitalization of Profit and Issue of Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act permits our Board, if so approved by the shareholders in a general meeting, to distribute an amount transferred in the securities premium account or the capital redemption reserve account to its shareholders, in the form of fully paid up bonus shares. However, bonus ordinary shares must be distributed to shareholders in proportion to the number of ordinary shares owned by them as recommended by our Board. No issue of bonus shares may be made by capitalizing reserves created by revaluation of assets. Further, any issue of bonus shares would be subject to the SEBI ICDR Regulations and the Companies Act.

As per the Articles of Association, upon resolution in the general meeting, on recommendation of the Board of Directors, the Company may capitalize and distribute amongst the shareholders any part of the amount for the time being standing to the credit of any of the Company's reserve accounts and to the credit of the Company's profit and loss account or otherwise, as available for distribution.

Alteration of Capital

Subject to the provisions of the Companies Act, the Company may increase its share capital by such amounts as it deems expedient, by issuing new shares on such terms and with such rights as it may determine. According to Section 62 of the Companies Act, 2013 such new shares shall be offered to existing shareholders in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. After such date the Board may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to the shareholders of the Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person subject to the provisions of FEMA Regulations, if applicable.

Under the provisions of Section 62(1)(c) of the Companies Act, 2013, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to condition prescribed under the Companies (Share Capital and Debentures) Rules, 2014, as amended, if a special resolution to that effect is passed by the Company's shareholders in a general meeting.

The Articles of Association authorises the Company to increase its issued and paid-up capital by issuing new shares consisting of equity and/or preference shares, as the Company may determine in a general meeting. The Company may, by ordinary resolution, also alter its share capital by converting any fully paid up shares into stock and reconverting that stock into fully paid up shares of any denomination. The Articles of Association provide that the Company, by an ordinary resolution passed at the general meeting, from time to time, may consolidate or sub-divide all or any of its share capital.

General Meetings

There are two types of general meetings of the shareholders, AGM and EGM.

The Company must hold its AGM in each fiscal year provided that not more than 15 months shall elapse between each AGM, unless extended by the RoC at its request for any special reason for a period not exceeding three months. The Board of Directors may convene an EGM when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than one tenth of the Company's issued paid up capital (carrying a right to vote in respect of the relevant matter on the date of receipt of the requisition).

Notices, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to members at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or electronic mode, which shall be not less than 95% of the shareholders entitled to vote in case of an AGM. Unless the Articles of Association provide for a larger number, such number of shareholders, shall constitute a quorum for a general meeting of the Company, whether AGM or EGM as specified under the Companies Act.

In accordance with Section 110 of the Companies Act, 2013 and the rules made thereunder, a company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the Memorandum of Association, the issuing of shares with different voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed in Section 186(3) of the Companies Act, 2013, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the company's general meeting. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of dispatch of the notice.

Voting Rights

At a general meeting, upon a show of hands, every member holding shares and entitled to vote and present in person has one vote and every member present either as a general proxy on behalf of a holder of equity shares if he is not entitled to vote in his own right or as a duly authorized representative of a body corporate, being a holder of equity shares, shall have one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion as the capital paid up on each share held by such holder bears to the Company's total paid up capital, subject to the limits prescribed under the applicable laws. The Chairman of the meeting has a casting vote in addition to votes to which he may be entitled to as a member.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with the Company at least 48 hours before the time of the meeting.

Transfer of shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. We have entered into an agreement for such depository services with the National Securities Depository Limited and the Central Depository Services India Limited. SEBI requires that our shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. We shall keep a book in which every transfer or transmission of shares will be entered.

Pursuant to the SEBI Listing Regulations, in the event we have not effected the transfer of shares within fifteen days or where we have failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of fifteen days, we are required to compensate the aggrieved party for the opportunity loss caused during the period of the delay. The Equity Shares shall be freely transferable, subject to applicable laws.

Liquidation Rights

Subject to the rights of creditors, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of a winding-up of the Company, the holders of the Equity Shares are entitled to be repaid the amounts of capital paid up or credited as paid up on such shares or in case of a shortfall, proportionately. All surplus assets after payments due to employees, the holders of any preference shares and other creditors, belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up on such shares, respectively, at the commencement of the winding-up.

TAXATION

Statement of Tax Benefits

To,
The Board of Directors
Varun Beverages Limited,
Plot No. 31, Institutional Area, Sector - 44,
Gurugram – 122002, Haryana

Proposed qualified institutions placement of equity shares of ₹10 each (the "Equity Shares" or "Proposed Offering") of Varun Beverages Limited (the "Company" or "Issuer") in accordance with Chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations") and Section 42 of the Companies Act, 2013, as amended, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended (the "Offer" or the "Proposed Offering")

1. This report is issued in accordance with the terms of our engagement letter dated 02 August 2019.

2. The accompanying Statement of Tax Benefits available to the Company and its Shareholders (hereinafter referred to as "the Statement") under the Income Tax Act, 1961 (read with Income Tax Rules, circulars, notifications) as amended by the Finance Act, 2019 (hereinafter referred to as the "Income Tax Regulations") has been prepared by the management of the Company in connection with the proposed offering, which we have initialed for identification purposes.

Management's Responsibility

3. The preparation of this Statement as of the date of our report which is to be included in the placement documents is the responsibility of the management of the Company and has been approved by the Executive Committee of the Board of Directors of the Company at its meeting held on 03 September 2019 for the purpose set out in paragraph 9 below. The management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances. The Management is also responsible for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities

Auditor's Responsibility

4. Our work has been carried out in accordance with Standards on Auditing, the 'Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)' and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India.

5. Pursuant to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended (the 'ICDR Regulations') and the Companies Act 2013 ('Act'), it is our responsibility to report whether the Statement prepared by the Company, presents, in all material respects, the tax benefits available as of 28 August 2019 to the Company, the shareholders of the Company, in accordance with the Income Tax Regulations as at the date of our report.

6. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act and the Regulations in connection with the Offering.

Inherent Limitations

7. We draw attention to the fact that the Statement includes certain inherent limitations that can influence the reliability of the information.

   Several of the benefits mentioned in the accompanying statement are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which may or may not be fulfilled. The benefits discussed in the accompanying statement are not exhaustive.

The Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue.

Further, we give no assurance that the Revenue Authorities/ Courts will concur with our views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.

Opinion

8. In our opinion, the Statement prepared by the Company presents, in all material respects, the tax benefits available as of 28 August 2019, to the Company and it's shareholders, in accordance with the Income Tax Regulations as at the date of our report.

   Considering the matter referred to in paragraph 7 above, we are unable to express any opinion or provide any assurance as to whether:

   (i) The Company or its shareholders will continue to obtain the benefits per the Statement in future; or
   (ii) The conditions prescribed for availing the benefits per the Statement have been/ would be met with.

Restriction on Use

9. Our work was performed solely to assist the Company in meeting your responsibilities in relation to the Proposed Offering as mentioned in paragraph 2 above. Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by, any other role we may have as auditors of the Company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services that are the subject of this report, will extend any duty of care we may have in our capacity as auditors of the Company.

10. This report has been issued solely at the request of the Company in connection with the Proposed Offering by the Company and this report or its contents thereof may accordingly be used in the corresponding placement document for the purpose of submission to the Stock Exchanges or any other regulatory or statutory authority in relation to the Proposed Offering. This report should not be used, referred to or distributed for any other purpose or any other party without our prior written consent provided however that the book running lead managers engaged for the Proposed Offering may be shared with a copy of this certificate. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Sujay Paul
Partner
Membership No.
UDIN
Date: 03 September 2019
Place: Gurugram

For **APAS & Co**
Chartered Accountants
Firm Registration No. 000340C

Sumit Kathuria
Partner
Membership No. 520078
UDIN
Date: 03 September 2019
Place: Gurugram

Statement of Tax Benefits available to Varun Beverages Limited (the "Company" or "Issuer") and its Shareholders.

I. TAX BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 ("THE ACT")

1. **Section 80-IE of the Act** - In accordance with and subject to the conditions specified under Section 80-IE of the Act, any undertaking which has begun or begins to manufacture or produce any article or thing (being an article or thing specified in this respect) in any of the North-Eastern States, on or after 1 April 2007 but before 1 April 2017, is entitled to a deduction of 100% of profits and gains for ten consecutive Assessment Years ("AY") commencing from the AY relevant to the previous year in which the undertaking begins to manufacture or produce articles or things. The deduction is available subject to fulfilment of conditions prescribed under the said Section.

   The Company has set up a unit in Guwahati, Assam in 2013, which, is eligible for deduction under Section 80-IE of the Act. As the Company has already begun to manufacture from the Financial Year ("FY") ended March 2013 (i.e. AY 2013-14), this deduction is available to the Company in respect of the aforesaid Guwahati unit till AY 2022-23 i.e. for 10 consecutive assessment years starting from the year in which the Company begins to manufacture.

   While computing its liability under Minimum Alternate Tax ("MAT") under Section 115JB of the Act, the Company will not be able to claim the aforesaid deduction under Section 80-IE of the Act. Therefore, the Company's MAT liability would be computed at the rate of 18.5% (plus applicable surcharge & cess) on book profits without considering this deduction.

2. **Section 80JJAA of the Act -** In accordance with and subject to the conditions specified under Section 80JJAA of the Act, an enterprise is entitled for a deduction of an amount equal to 30% of additional employee cost incurred in the course of business in the previous year, for 3 assessment years including the assessment year relevant to the previous year in which such employment is provided.

   The deduction is available subject to fulfilment of conditions prescribed under the said Section. During the AY 2018-19, the Company has incurred certain additional employee cost in the course of business which, is eligible for deduction under Section 80JJAA of the Act.

   While computing its liability under Minimum Alternate Tax ("MAT") under Section 115JB of the Act, the Company will not be able to claim the aforesaid deduction under Section 80JJAA of the Act. Therefore, the Company's MAT liability would be computed at the rate of 18.5% (plus applicable surcharge & cess) on book profits without considering this deduction.

3. **Section 115BBD of the Act** – Dividend income received by an Indian Company from a specified foreign Company i.e. in which the Indian Company holds twenty-six per cent or more in nominal value of the equity share capital is taxable at a reduced rate of 15% on gross basis (plus applicable surcharge and cess). The Company claims the benefit of reduced tax rate of 15% on dividend income earned from foreign subsidiary.

4. **Additional depreciation under section 32(1)(iia) of the Act** - In accordance with section 32(1)(iia) of the Act, companies engaged in the business of manufacture or production of any article or thing are allowed additional depreciation at the rate of 20 percent on any new plant and machinery installed after 31st March 2005. The Company claims additional depreciation on new plant and machinery acquired in accordance with the said section.

II. TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY UNDER THE INCOME TAX ACT, 1961

There are no tax benefits available to the Shareholders of the Company.

However, following tax benefits are available to the Shareholders under the Income Tax Act, 1961 due to their specified status.

1. Tax benefits available to Foreign Institutional Investors ('FIIs')

- Section 2(14) of the Act provides that any security held by a FII who has invested in such securities in accordance with the regulations made under Securities and Exchange Board of India Act, 1992 would be treated as a capital asset and hence any income arising from transfer of such security would be taxable as capital gains.

- Under section 115AD(1)(ii) of the Act, income by way of short term capital gains arising to the FII on transfer of shares shall be chargeable at a rate of 30% where such transactions are not subjected to securities transaction tax ("STT") and at the rate of 15% if such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT. The above rates are to be increased by applicable surcharge and cess.

  Under section 115AD(1)(iii) of the Act, income by way of long term capital gains arising from the transfer of shares (subject to the threshold of INR 1,00,000 per AY) held in the Company will be taxable at the rate of 10% (plus applicable surcharge and cess). The benefits of indexation of cost and of foreign currency fluctuations are not available in such a case.

- In addition to the above, capital gains arising from sale of shares would be taxed at rates specified under the act or rates specified in Double Tax Avoidance Agreement, whichever is more beneficial to the assessee.

2. Tax benefits available to Non-Resident Indians

- As per section 115C(e) of the Act, the term "non-resident Indian" means an individual, being a citizen of India or a person of Indian origin who is not a "resident". A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

- As per section 115E of the Act, in the case of a shareholder being a non-resident Indian, and subscribing to the shares of the Company in convertible foreign exchange, in accordance with and subject to the prescribed conditions, long term capital gains on transfer of the shares of the Company (unless specifically exempted under the Act) will be subject to tax at the rate of 10% (plus applicable surcharge and cess), without any indexation benefit.

- As per section 115F of the Act and subject to the conditions specified therein, in the case of a shareholder being a non-resident Indian, gains arising on transfer of a long term capital asset being shares of the Company, which were acquired, or purchased with or subscribed to in, convertible foreign exchange, will not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset (i.e. shares/debentures issued by Indian company, Deposits with Indian company, and any security of Central Government defined in Public Debt Act, 1944) or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then this exemption would be allowable on a proportionate basis. Further, if the specified asset or saving certificates in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

- As per section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

- As per section 115I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing a declaration along with his return of income for that assessment year under section 139 of the Act, that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

3. **Tax benefits available to Mutual Funds**

- As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder and such other Mutual Funds set up by public sector banks or public financial institutions or authorised by the Reserve Bank of India subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf will be exempt from income tax.

Notes:

1. These tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company or its shareholders may or may not choose to fulfil.

2. The tax benefits discussed in the Statement are not exhaustive and is only intended to provide general information to the investors and hence, is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

3. The Statement has been prepared on the basis that the shares of the Company are listed on a recognized stock exchange in India and the Company will be issuing shares.

4. The Statement is prepared on the basis of information available with the Management of the Company and there is no assurance that:

   i. the Company or its shareholders will continue to obtain these benefits in future;
   ii. the conditions prescribed for availing the benefits have been/ would be met with; and
   iii. the revenue authorities/courts will concur with the view expressed herein.

5. The above views are based on the existing provisions of law and its interpretation, which are subject to change from time to time.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Sujay Paul
Partner
Membership No.
UDIN

Date: 03 September 2019
Place: Gurugram

For **APAS & Co**
Chartered Accountants
Firm Registration No. 000340C

Sumit Kathuria
Partner
Membership No. 520078
UDIN

Date: 03 September 2019
Place: Gurugram

LEGAL PROCEEDINGS

Our Company and its Subsidiaries are involved in various legal proceedings from time to time, mostly arising in the ordinary course of business. These legal proceedings are initiated by us and also by customers, distributors and other parties.

*For the purposes of this section, set forth below are summaries of outstanding legal proceedings involving our Company, Subsidiaries, and Directors, considered material in accordance with our Company's "Policy for Determination of Material Events/Information", framed in accordance with Regulation 30 of the SEBI Listing Regulations ("**Policy of Materiality**") and adopted by our Board with effect from March 28, 2016, which was further updated on May 12, 2017. In accordance with the Policy of Materiality, a litigation/dispute/regulatory action is considered to be material if the amount assessed or claimed as potential liability is not less than 10% of the consolidated net worth of the Company as per the latest available audited annual financial statements (being Fiscal 2018). Accordingly, our Company has disclosed, in this section (i) outstanding civil proceedings involving our Company and Subsidiaries, and outstanding civil proceedings against our Directors, that involve amounts not less than 10% of the consolidated net worth of our Company as on December 31, 2018, being approximately ₹ 2,000 million, and (ii) any other pending matters, where the monetary liability is not quantifiable, but would result in an adverse outcome and would materially and adversely affect the operations or financial position of the Company.*

Additionally, solely for the purpose of this Issue, our Company has disclosed in this section, certain other outstanding legal proceedings, including (i) outstanding criminal proceedings, actions initiated by regulatory and statutory authorities, and tax proceedings, involving our Company and Subsidiaries; and (ii) outstanding criminal proceedings (where our Director has been impleaded as an accused party), actions initiated by regulatory and statutory authorities, and tax proceedings against our Directors. In relation to outstanding criminal proceedings, and outstanding actions initiated by regulatory and statutory authorities, no materiality threshold has been applied. All outstanding tax proceedings have been disclosed in a consolidated manner (separately for direct and indirect taxes).

Further, other than as disclosed in this section (i) there is no litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against our Promoters during the last three years preceding the year of this Preliminary Placement Document and no directions have been issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action; (ii) there are no inquiries, inspections or investigations initiated or conducted under the Companies Act, 1956 or Companies Act, 2013 or any previous company law in relation to our Company or its Subsidiaries in the last three years immediately preceding the year of circulation of this Preliminary Placement Document. Also, there have been no prosecutions filed (whether pending or not), fines imposed, or compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document, involving our Company or our Subsidiaries; (iii) there are no material frauds committed against us in the last three years; (iv) there are no defaults in repayment of (a) statutory dues (other than taxes or charges that are being contested in appropriate proceedings); (b) debentures and interest thereon; (c) deposits and interests thereon; or (d) loan obtained from any other bank or financial institution and interest thereon, as of the date of this Preliminary Placement Document; (v) there are no defaults in the annual filing of our Company under Companies Act, 2013, or the rules made thereunder and (vi) there are no significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Company and its future operations.

It is clarified that for the purposes of the above, pre-litigation notices received by our Company, Subsidiaries, or our Directors shall, unless otherwise decided by our Board, not be considered as litigation until such time that our Company or any of its Subsidiaries or Directors, as the case may be, is impleaded as a defendant in litigation proceedings before any judicial forums.

I. Litigation involving our Company and its Subsidiaries

A. ***Litigation against our Company***

(i) Criminal proceedings

1. Sanjay Sharma, a former distributor of our Company, filed an FIR (numbered 1565/2014) before the police station of Loni, Ghaziabad alleging criminal misappropriation of ₹0.6 million by an official of our Company, with respect to amounts allegedly tendered to such official in lieu of supply of products.

However, pursuant to investigation, the allegations were found to be false and negative final report numbered 47/15 was submitted on January 20, 2015. On November 7, 2014, the Company filed a criminal complaint (numbered 7652/2014) against Sanjay Sharma under Section 138 of the Negotiable Instrument Act, 1881, due to dishonor of cheque issued by Sanjay Sharma in favour of the Company, before the court of Chief Judicial Magistrate, Ghaziabad in which summoning order was passed against Sanjay Sharma. The said case had been transferred to the court of Metropolitan Magistrate, Patiala House Courts, New Delhi, which is pending for disposal. On similar grounds as the said FIR, Sanjay Sharma filed another criminal complaint against our Company under the Indian Penal Code, 1860 ("**IPC**") before the Additional Chief Judicial Magistrate – III, Ghaziabad, alleging criminal misappropriation of an aggregate amount of ₹ 3.11 million by our Company and its employees, and also filed yet another FIR (numbered 0790/2017) before the police station of Loni, Ghaziabad, which was registered against Kapil Agarwal, one of our Directors, and other officials of Our Company (collectively, "**Company Officials**"). Meanwhile, a criminal miscellaneous writ petition (numbered 18309/2017) was filed by Kapil Agarwal and Company Officials before the Allahabad High Court, for quashing the said FIR. The Allahabad High Court vide order dated September 8, 2017, while finding that the said FIR prima facie disclosed commission of a cognizable offence, granted stay of arrest of Petitioners till filing of final report under Section 173(2) Cr.P.C. Subsequently, Kapil Agarwal and Company Officials have filed a Special Leave Petition (numbered SLP (Crl.) No. 7872/2017) against this order, in the Supreme Court of India, praying for quashing of the said FIR. The Supreme Court vide its order dated October 30, 2017 stayed further proceedings arising out of said FIR numbered 0790/2017.

2. There are 15 applications filed by various persons before the Motor Accident Claims Tribunal against drivers employed by our Company, primarily under sections 166 and 140, and certain other sections of the MV Act, and the rules made thereunder, in relation to claiming compensation alleging rash driving, causing injury or death. Our Company has also been impleaded as a party in such cases. The aggregate amount involved in these cases is approximately ₹ 33.83 million. These matters are currently pending. Further, we have received a notice from the Office of the Additional District Magistrate, Baghpat in our capacity as a registered owner of a vehicle. Although our Company had already sold and transferred possession of the said vehicle to a buyer named Rakesh, s/o. Ramchander, however, before the completion of registration formalities in relation to such transfer, Rakesh was allegedly caught driving the vehicle whilst carrying certain unlicensed goods, which were then confiscated by the police on account of alleged violation of local excise laws. Our Company has filed a reply to the said notice on October 5, 2018, stating that the physical possession, use and control of the vehicle having already been transferred to Rakesh before the incident, our Company should not be held liable for the same. The matter is currently pending

3. Bhagwan Singh and other villagers of Ajizpur filed a complaint before the Revenue Board, Tehsil Chhatta, Mathura District alleging that the laying down of a pipeline by our Company in khasra number 229, circle road for the disposal of water waste had been without the sanction of revenue officers and the land management committee. In this regard, the Sub-Divisional Magistrate of Chatta, Mathura District issued a notice under section 133 of the Cr.P.C. The matter is currently pending.

4. SMV Beverages had filed a case (numbered RCT9916431/17) under Section 138 of the NI Act against its then distributor M/s. Innovators Enterprises before the District Court, Bhopal, where the amount involved was approximately ₹0.22 million. Avnish Tiwari, on behalf of M/s. Innovators Enterprises, filed a criminal complaint under Sections 406, 120B, 34, 419 and 420 of the IPC, alleging misuse of cheques issued and prayed for production of original cheques which were the subject matter of the aforesaid case. Avnish Tiwari has also impleaded our Company as a party to the case. The matter is currently pending.

5. Certain bottles of Mirinda were purchased on April 5, 2003 by the Food Inspector, Dehradun, for testing due to the alleged presence of floating objects in sealed bottles. As per the report of the public analyst, dated May 17, 2003, floating substances were allegedly found in the tested sample. Consequently, a criminal complaint (complaint number 1850/03) was filed under the PFA in the court of the Chief Judicial Magistrate–cum-Special Judicial Magistrate, Economic Offences, Dehradun against, *inter alia*, our Company in its capacity as the manufacturer of the aforementioned products. The court passed order for re-analysis of the sample on our Company's application, but no reanalysis has been carried out till date. The matter is currently pending.

6. Apart from the above, our Company or its nominee, is party to 26 matters initiated against it under the provisions of the PFA for alleged misbranding of packed food products and for alleged adulteration in the content of the products manufactured by the Company. These matters are currently pending. In this regard, five applications filed by our Company before the Rajasthan High Court and the Allahabad High Court under Section 482 of the Cr.P.C. for quashing proceedings in lower courts, on the grounds of filing of complaint beyond prescribed limitation period, and non-receipt of the copy of the public analyst report as contemplated under Section 13(2) of the PFA thereby depriving our Company of the opportunity to make an application to the court to get the sample of the article of food analyzed by the central food laboratory; are currently pending. Furthermore, our Company or its nominee is party to nine criminal matters initiated under the FSSA, wherein it has been alleged that certain food products manufactured by our Company are "unsafe", as defined under the provisions of the FSSA, and the rules made thereunder. These matters are currently pending.

7. Three criminal complaints (numbered CC. No. 115/17, CC No. 1574-76/17 and CC No. 1499-1500/17) have been filed against our Company by the Weights and Measures Department, Delhi, before the Court of the Metropolitan Magistrate, Karkardooma, Delhi, alleging violation of the provisions of the Legal Metrology Act and the Legal Metrology Rules, on account of alleged printing of different maximum retail prices on the same products and alleged overcharging for the same product at different places. Our Company prayed for quashing of these respective complaints under Section 482 of the Cr.P.C., in three criminal writ petitions (numbered W.P. (Crl.) No. 420/2018, W.P. (Crl.) No.3328/2017 and W.P. (Crl.) No. 1182/2019) filed before the Delhi High Court. The Delhi High Court has stayed the proceedings in the aforesaid complaints CC. No. 115/17 and CC No. 1574-76/17 till the next date of hearing, vide its order dated September 27, 2018, and has stayed the proceedings in CC No. 1499-1500/17 till the next date of hearing, vide its order dated April 24, 2019. Additionally, two criminal complaints numbered CC. No. 101/17 and CC. No. 148/17 have been filed before the court of the Metropolitan Magistrate, Karkardooma, Delhi, alleging violation of the provisions of the Legal Metrology Act and the Legal Metrology Rules. These matters are currently pending.

8. Further, our Company has received three showcause notices from the Senior Inspector of Weights and Measures, Legal Metrology Department, Muradabad ("**Senior Inspector**") dated July 26, 2019, wherein it was alleged that the maximum retail price and date of manufacture were printed at the bottom of certain products packaged by our Company, in alleged violation of the provisions of the Legal Metrology Act and the Legal Metrology Rules. Our Company has replied to all these notices, and to further replies from the Senior Inspector, alleging non-compliance with Rule 7(4) of the Legal Metrology Rules, on account of non-declaration of maximum retail price on the principal display panel of the aforementioned packaged products. Our Company received three further replies from the Senior Inspector dated August 29, 2019 that it has accepted our submissions and the proceedings initiated by the three initial showcause notices are to be put to an end. Our Company has also received a showcause notice from the office of the Inspector, Weights and Measures Department, Khandwa, dated February 18, 2019, concerning alleged violation of the Legal Metrology Act and Rule 9 of the Legal Metrology Rules, on account of certain declarations being made on our packaged products in an allegedly illegible manner; our Company sent a reply to such notice dated March 7, 2019. In addition, we have received a showcause notice from the office of the Senior Inspector, Weights and Measures, Legal Metrology Department, Rambag (Kanpur), dated August 13, 2019, alleging that the quantity contained in a product packaged and manufactured by our Company is less than the quantity declared on its label. We are in the process of filing a reply to this notice, and the matter is currently pending.

(ii) *Civil proceedings*

1. There are certain civil proceedings against our Company that relate, *inter alia*, to consumer complaints and labour disputes. These matters are currently pending before various authorities. Further, Ms. Renu Shukla, partner of the partnership firm M/s. Mahadeo Traders, a former distributor of our Company, has filed an application (numbered Company Petition (IB) no. 1016(ND)/2019) before the National Company Law Tribunal (New Delhi Bench) to initiate corporate insolvency resolution process against our Company under Section 9 of the Insolvency and Bankruptcy Code 2016 and rules thereunder, alleging that that since the Company allegedly abruptly stopped supplying goods and its business dealing with M/s. Mahadeo Traders, which was allegedly in breach of terms of the distribution agreement then subsisting between the parties, this has allegedly resulted in losses totalling to approximately ₹ 4.24 million, which have been claimed by the petitioner as operational debt due from our Company. The matter is currently pending. However, there is no outstanding civil litigation initiated against our Company which involves an amount of ₹ 2,000 million or more, nor any

outstanding litigation against our Company where the monetary liability is not quantifiable, but would result in an adverse outcome and would materially and adversely affect the operations or financial position of the Company.

(iii) *Actions initiated by regulatory and statutory authorities*

1. Apart from the nine criminal matters under the FSSA as aforesaid, our Company or its nominee is a party to 72 matters initiated by food safety officers of various states, for alleged misbranding of packaged food products manufactured by the Company. These matters are currently pending. Further, our Company has received a notice from the Food Safety Officer, Food & Drugs Administration (Maharashtra), Brihanmumbai Office dated July 31, 2019 alleging non-compliance with the provisions of the FSSA and the Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011, on account of alleged sale of our Company's products by food business operators who are alleged not to have obtained due registration or licence under these provisions. Our Company is in the process of filing a reply to such notice, and the matter is currently pending.

2. As on the date of this Preliminary Placement Document, our Company's plants have received (i) seven notices from various state pollution control boards, with respect to alleged violations of the Plastic Waste Management Rules, 2016 ("**PWM Rules, 2016**"), and amendments thereto, *inter alia* primarily on account of alleged failure to obtain registration from prescribed authority under the PWM Rules, 2016, in our capacity as brand owner, producer, importer, etc., and other alleged non-compliances with the extended producers responsibility contemplated under the PWM Rules, 2016; and (ii) one notice from West Bengal State Pollution Control Board dated July 17, 2019, directing installation of PET/plastic bottles crushing machine at various prominent places, under the provisions of the PWM Rules, 2016; and we have replied, or are in the process of responding with actions taken/facts to such notices.

(iv) *Tax Proceedings*

We have disclosed claims relating to direct and indirect taxes involving our Company in a consolidated manner giving details of number of cases and total amount involved in such claims.

Particulars	**Number of cases**	**Aggregate amount involved (in ₹ million)**
Direct Tax[(1)]		
- Disallowances	19	981.42
- Penalties	1	39.00
- Demand Amounts	11	10.48
Indirect Tax	89	488.57

[(1)] *A search and seizure operation was conducted under section 132 of the IT Act on March 27, 2012 on M/s Jaipuria Group (R.K. Jaipuria Group)("**Search and Seizure Operation**"). Following the Search and Seizure Operation, our Company received assessment orders along with demand notices for Assessment Year 2006-2007 to Assessment Year 2012-2013 from the Assistant Commissioner of Income Tax, Central Circle-7, New Delhi and Assistant Commissioner of Income Tax, Central Circle-12, New Delhi ("**ACITs**"). Our Company preferred appeals before various Commissioners of Income Tax – Appeals ("**CIT(A)s**") against the assessment orders of the ACITs. The CIT(A)s have allowed certain of our appeals for the above block of assessments. The Income Tax Department preferred appeals against the aforementioned orders of the CIT(A)s before the ITAT, Delhi ("**ITAT**"). The ITAT dismissed these appeals preferred by the Income Tax Department, for the Assessment Year 2006-2007 to Assessment Year 2010-2011. Further, the High Court of Delhi, in its orders numbered ITA 576/2019, ITA 588/2019 and ITA 561/2019 respectively, has also confirmed the ITAT orders and dismissed the department appeals for the Assessment Year 2008-2009 to Assessment Year 2010-2011. The appeals with respect to the assessment for the Assessment Year 2011-2012 and Assessment Year 2012-2013 are still pending before the ITAT.*

B. ***Litigation by our Company***

(i) *Criminal proceedings*

1. There are 365 matters filed by our Company against some of our past distributors under the provisions of the Negotiable Instruments Act, 1881 ("**NI Act**"). In these matters, the cheques issued by these distributors in favour of our Company, usually on account of products supplied and returnable empty glass bottles, have been dishonoured for reasons primarily such as insufficiency of funds. In addition to the aforementioned proceedings, our Company has also filed certain criminal complaints under sections 406 and 420 of the IPC against some of our past distributors for breach of contract and cheating. These

matters are pending before various authorities.

2. A criminal complaint was filed by the Company against its past distributor, M/s Rahat Traders, and its partners under section 138 of the NI Act in the court of the Chief Judicial Magistrate, Nuh District, since cheques issued in favour of the Company by the distributor against unpaid invoices and goods, had been dishonoured. The complaint is presently pending in the court of Judicial Magistrate, 1st Class, Mewat (Nuh). The purported proprietor of M/s. Rahat Traders, Tahir Hussain also filed a criminal complaint in the court of Judicial Magistrate, Firozepur Zhirka, under Sections 420, 467, 468, 471 and 120-B of alleging that his signatures on the cheque had been forged. Our Company subsequently got the disputed signatures of Tahir Hussain examined by a hand writing expert and the said expert submitted a report dated November 26, 2017, to the Court of the Judicial Magistrate 1st Class, Nuh, that disputed signatures were matching with the admitted signature of Tahir Hussain. Subsequently, the Company has filed a criminal complaint (numbered COMI No. 54/2019) in the Court of the Chief Judicial Magistrate, Nuh under Sections 406, 420, 467, 468 and 120-B of the IPC, against Tahir Hussain and others, alleging they had committed *inter alia* forgery, cheating and criminal breach of trust in the course of their business dealings with the Company, and praying that the complaint be registered against the accused under Section 156(3) of the Cr.P.C. The matter is currently pending.

(ii) *Civil proceedings*

1. Our Company, by way of a writ petition (numbered 196/2014) under Article 226 of the Constitution of India, challenged amendments to the Goa Non-Biodegradable Garbage (Control) Act, 1996, which imposed a cess leviable on any non-biodegradable packaging material of an amount of up to two per cent of the value of goods. Our Company argued that the aforementioned amendments were *ultra vires* the legislative competence of the Goa legislative assembly, since the legislative field was occupied by the Environment Protection Act, 1986 and the Plastic Waste (Management and Handling) Rules, 2011. Our Company further argued that the aforementioned amendments were in violation of Article 14 and Article 19(1)(g) of the Constitution of India since the amendments targeted certain goods based on their packaging and consequently, constituted an unreasonable restriction on our Company's right to carry on its business. The High Court of Bombay at Goa passed an interim order dated May 7, 2014, ordering that no coercive penal action be taken against our Company until further orders were passed in the matter. The matter is currently pending before the High Court of Bombay at Goa.

2. Apart from the above, there are certain civil proceedings initiated by our Company in the ordinary course of business against certain of our past distributors. These matters are currently pending before various authorities. However, there is no outstanding civil litigation initiated by our Company which involves an amount of ₹ 2,000 million or more, nor any outstanding litigation initiated by our Company where the monetary liability is not quantifiable, but would result in an adverse outcome and would materially and adversely affect the operations or financial position of the Company.

C. ***Litigation or proceedings not involving the Company but the outcome of which may have a material adverse effect on the Company's business***

1. In the matter of *Him Jagriti Uttaranchal Welfare Society vs. Union of India & Ors.,* Original Application No. 15 of 2014, filed before the National Green Tribunal ("**NGT**"), Principal Bench, New Delhi, the core issue at consideration is the imposition of restrictions on the use of PET bottles and multi-layered plastic packages for carbonated soft drink and liquor as well as other items. The matter is pending and as per the order dated May 30, 2019, the NGT has directed that the issues such as whether any further regulatory provisions are required on the subject of restrictions on the packaging by use of plastic material, after the steps already taken, and if so to what extent, would be examined by appointed an expert committee comprising of the representatives of Food Safety and Standards Authority of India, Bureau of Indian Standards, Central Pollution Control Board and the Director General of Health Services. This litigation or proceeding does not involve the Company, but its outcome may have a material adverse effect on the Company's business, in the event the said expert committee suggests imposition of restriction on use of PET bottles, and in such event, acting on such suggestions, if the NGT directs the Government to act accordingly or frame law in this respect. This matter is currently pending.

D. ***Litigation against our Subsidiaries***

(i) Criminal proceedings

1. There are three criminal proceedings against Ole Spring Bottlers (Private) Limited, one of our Subsidiaries, in relation to defects in its products. These matters are currently pending before the Magistrate courts of Mathugama, Wattala and Attanagalla.

(ii) Civil proceedings

1. There is one labour dispute involving claim for compensation, against Varun Beverages Lanka (Private) Limited, one of our Subsidiaries, which is pending before the Appeal Court – Homagama. However, there is no outstanding civil proceeding against Varun Beverages Lanka (Private) Limited, which involves an amount of ₹ 2,000 million or more, nor any outstanding litigation where the monetary liability is not quantifiable, but would result in an adverse outcome and would materially and adversely affect the operations or financial position of our Company.

2. There are various civil proceedings initiated against Varun Beverages (Zambia) Limited, one of our Subsidiaries, involving claims for damages and compensation, on grounds *inter alia* such as claiming compensation for breach of contract, damages for distribution services and damages for vehicular accident. These matters are pending before various authorities. However, there is no outstanding civil proceeding against Varun Beverages (Zambia) Limited, which involves an amount of ₹ 2,000 million or more, nor any outstanding litigation where the monetary liability is not quantifiable, but would result in an adverse outcome and would materially and adversely affect the operations or financial position of our Company.

3. There are various civil proceedings initiated against Varun Beverages Morocco SA, one of our Subsidiaries, on grounds *inter alia* such as claiming compensation for allegedly unreasonable breach of contract, unpaid bills, and for workplace accidents. These matters are currently pending before various authorities. However, there is no outstanding civil proceeding against Varun Beverages Morocco SA, which involves an amount of ₹ 2,000 million or more, nor any outstanding litigation where the monetary liability is not quantifiable, but would result in an adverse outcome and would materially and adversely affect the operations or financial position of our Company.

(iii) Actions initiated by regulatory and statutory authorities

There are no outstanding actions initiated by regulatory and statutory authorities against our Subsidiaries.

(iv) Tax Proceedings

1. There are various tax proceedings against Varun Beverages (Nepal) Private Limited, one of our Subsidiaries, under applicable income tax laws which are currently pending before the Supreme Court of Nepal.

2. There are various tax proceedings against Ole Spring Bottlers (Private) Limited, one of our Subsidiaries, under applicable income tax and indirect tax laws, which are currently pending before various fora and authorities.

3. There are various tax proceedings against Varun Beverages Lanka (Private) Limited, one of our Subsidiaries, under applicable income tax and indirect tax laws, which are currently pending before various fora and authorities.

E. <u>Litigation by our Subsidiaries</u>

(i) Criminal proceedings

1. There are 48 criminal proceedings initiated by Varun Beverages Morocco SA, one of our Subsidiaries, before various fora and authorities, since cheques issued in its favour by various parties were dishonoured for various reasons. These matters are currently pending.

(ii) Civil proceedings

1. Varun Beverages (Zambia) Limited, one of our Company's subsidiaries, has filed certain civil suits for claiming outstanding debts. These matters are currently pending before various authorities. However, there is no outstanding civil proceeding initiated by Varun Beverages (Zambia) Limited, which involves an amount of ₹ 2,000 million or more, nor any outstanding litigation where the monetary liability is not quantifiable, but would result in an adverse outcome and would materially and adversely affect the operations or financial position of our Company.

(iii) *Tax Proceedings*

1. Varun Beverages (Nepal) Private Limited, one of our Subsidiaries, has initiated multiple tax proceedings against Large Taxpayer Office before various authorities, under applicable income tax, VAT and excise laws. These matters are currently pending.

II. Litigation against our Directors

(i) *Criminal proceedings*

Except as stated below and as stated in "– *Litigation involving our Company and its Subsidiaries – Litigation against our Company – Criminal Proceedings*" on page 244, there are no other outstanding criminal proceedings against our Directors (where such Director has been impleaded as an accused party).

1. A FIR (numbered 318/2017) was lodged at Police Station, Beawar, Ajmer, under Sections 384, 403, 406 & 120-B IPC against Varun Jaipuria, one of our Directors, and certain employees of the Company, by a past distributor. Two petitions were filed before the Jaipur bench of the Rajasthan High Court (bearing numbers 2691/2017 and 2971/2017) against this FIR. However, in view of the settlement between the parties and withdrawal of the complaint by the concerned distributor, a negative final report has been filed at Police Station, Beawar, Ajmer.

(ii) *Civil proceedings*

Except as stated below, there are no other outstanding civil proceedings against our Directors, which involves an amount of ₹ 2,000 million or more, nor any outstanding litigation where the monetary liability is not quantifiable, but would result in an adverse outcome and would materially and adversely affect the operations or financial position of the Company:

NIL

(iii) *Actions initiated by regulatory and statutory authorities*

Except as stated below, there are no other outstanding actions initiated by regulatory and statutory authorities against our Directors:

NIL

(iv) *Tax Proceedings*

Except as stated below, there are no other outstanding tax proceedings against our Directors:

NIL

III. Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against our Promoters during the last three years immediately preceding the year of circulation of this Preliminary Placement Document and any direction issued by any such Ministry or Department or statutory authority upon conclusion of such litigation or legal action

There is no litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against our Promoters during the last three years immediately preceding the year of circulation of this Preliminary Placement Document and no direction has been issued by any such Ministry of Department or statutory authority upon conclusion of such litigation or legal action.

IV. Inquiries, inspections, or investigations under the Companies Act

There have been no inquiries, inspections or investigations initiated or conducted under the Companies Act, 1956 or Companies Act, 2013 or any previous company law in relation to our Company or its Subsidiaries in the last three years immediately preceding the year of circulation of this Preliminary Placement Document. Also, there have been no prosecutions filed (whether pending or not), fines imposed, or compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document, involving our Company or its Subsidiaries.

V. Details of acts of material frauds committed against our Company in the last three years, if any, and if so, the action taken by the Company

There have been no material frauds committed against our Company for the calendar years ended December 31, 2018, 2017 and 2016 and for the six months ended June 30, 2019.

VI. Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of statutory dues; debentures and interests thereon; deposits and interest thereon; and loan from any bank or financial institution and interest thereon

Except as disclosed below, there are no defaults in the payment of undisputed (considered as "not under litigation") statutory dues (provident fund, employees' state insurance, income-tax, custom duty and goods and service tax), repayment of debentures and interest thereon, repayment of deposit and interest thereon and repayment of loan from any bank or financial institution and interest thereon by our Company, outstanding as at June 30, 2019:

S. No.	Nature of dues	Location	Amount in INR	Period to which amount relates	Due date	Date of payment
1.	Tax deducted at source	Bharuch, Gujarat	186,575	June 2019	July 7, 2019	July 17, 2019
2.	Tax deducted at source	Maharashtra	2,593,102	June 2019	July 7, 2019	July 18, 2019
3.	Employee Provident Fund	Neelmangala, Karnataka	5,281	May 2019	June 15, 2019	July 22, 2019
4.	Employee Provident Fund	Bharuch, Gujarat	5,519	May 2019	June 15, 2019	July 22, 2019
5.	Employee Provident Fund	Bharuch, Gujarat	18,034	June 2019	July 15, 2019	July 22, 2019
6.	Employee Provident Fund	Neelmangala, Karnataka	17,862	June 2019	July 15, 2019	July 16, 2019
7.	Employee Provident Fund	Palakkad, Kerala	19,445	May 2019	June 15, 2019	July 22, 2019
8.	Employee Provident Fund	Palakkad, Kerala	21,996	June 2019	July 15, 2019	July 22, 2019
9.	Employee Provident Fund	Sangareddy, Telangana	21,836	May 2019	June 15, 2019	July 22, 2019
10.	Employee Provident Fund	Sangareddy, Telangana	6,983	June 2019	July 15, 2019	July 22, 2019
11.	Employee Provident Fund	Sangareddy, Telangana	3,565	June 2019	July 15, 2019	August 14, 2019
12.	Employee Provident Fund	Mahul, Maharashtra	5,045	June 2019	July 15, 2019	July 22, 2019
13.	Employee Provident Fund	Roha , Maharashtra	29,083	June 2019	July 15, 2019	July 22, 2019
14.	Employee Provident Fund	Sricity, Andhra Pradesh	3,110	May 2019	June 15, 2019	July 11, 2019
15.	Employees' State Insurance	Jamshedpur	132,927	June 2019	July 15, 2019	July 16, 2019

The Company has disputed statutory dues amounting to ₹ 671.31 million outstanding as on June 30, 2019 in India, relating to GST, Excise Duty, VAT, Customs, Sales Tax, Entry Tax, Income Tax, *etc.*, as follows:

	(In ₹ million)
Particulars	**Amount**
Claims against the company not acknowledged as debts (being contested):	
For Goods and service tax	1.95
For Excise and Service tax	173.17
For Customs	45.37
For Sales tax /Entry tax	184.12
For Income tax	3.48
For Others*	263.22
*excludes pending matters where amount of liability is not ascertainable.	

VII. Details of defaults in annual filing of our Company under the Companies Act, 2013 and the rules made thereunder

As on the date of this Preliminary Placement Document, our Company has not defaulted in any annual filing under the Companies Act, 2013, as amended, or the rules made thereunder.

VIII. Details of significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of the Company and its future operations

As on the date of this Preliminary Placement Document, there are no significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Company and its future operations.

IX. Summary of reservations, qualifications or adverse remarks of auditors in the last five Fiscals immediately preceding the year of circulation of this Preliminary Placement Document and of their impact on the financial statements and financial position of our Company and the corrective steps taken and proposed to be taken by our Company for each of the said reservations or qualifications or adverse remarks.

There are no reservations (other than as mentioned in Annexure 1 (Companies (Auditor's Report) Order, 2016), to the standalone audit reports on 2018 Ind AS audited standalone financial statements, 2017 Ind AS audited standalone financial statements, 2016 Indian GAAP audited standalone financial statements, 2015 Indian GAAP audited standalone financial statements, and 2014 Indian GAAP audited standalone financial statements), qualifications, emphasis of matters, disclaimer or adverse opinion in the last five financial years that have an impact on the financial statements and the financial position of the Company or the Group.

OUR STATUTORY AUDITORS

Our current joint statutory auditors are APAS & Co., Chartered Accountants and Walker Chandiok & Co LLP, Chartered Accountants, are independent auditors with respect to our Company as required by the Companies Act, 2013 and in accordance with the guidelines prescribed by ICAI, and have been re-appointed as the statutory auditors of our Company, pursuant to our Board resolution dated February 16, 2018 and the approval of the shareholders of our Company at the AGM held on April 17, 2018.

Our Fiscal 2016 Indian GAAP Audited Consolidated Financial Statements were jointly audited by Walker Chandiok & Associates, Chartered Accountants and O.P. Bagla & Co., Chartered Accountants. Our Fiscal 2017 Ind AS Audited Consolidated Financial Statements were jointly audited by Walker Chandiok & Associates, Chartered Accountants and APAS & Co., Chartered Accountants. Our Fiscal 2018 Ind AS Audited Consolidated Financial Statements were jointly audited by Walker Chandiok & Co LLP, Chartered Accountants and APAS & Co., Chartered Accountants while our Stock Exchanges Interim Financial Results were jointly reviewed by Walker Chandiok & Co LLP, Chartered Accountants and APAS & Co., Chartered Accountants. Walker Chandiok & Associates, Chartered Accountants, and Walker Chandiok & Co LLP, Chartered Accountants, are part of the same network of member firms.

For details of reservations, qualifications or adverse remarks by our statutory auditors for the Fiscal 2018, 2017 and 2016, see "*Legal Proceedings – Reservations, qualifications or adverse remarks by Auditor*" on page 252.

GENERAL INFORMATION

1. Our Company was incorporated as Varun Beverages Limited on June 16, 1995 as a public limited company under the Companies Act, 1956. The CIN of our Company is L74899DL1995PLC069839.

2. Our Company obtained a certificate of commencement of business on July 4, 1995.

3. The Registered Office of our Company is located at F-2/7, Okhla Industrial Area, Phase I, New Delhi 110 020.

4. The Corporate Office of our Company is located at Plot No. 31, Institutional Area, Sector – 44, Gurgaon 122 002.

5. Our Equity Shares were listed on BSE and NSE on November 8, 2016.

6. The Issue has been approved by our Board of Directors pursuant to a resolution dated February 26, 2019 and approved by the shareholders pursuant to a resolution held on April 17, 2019.

7. Our Company has received in-principle approvals both dated September 3, 2019 from NSE and BSE, to list the Equity Shares to be issued pursuant to the Issue under Regulation 28(1) of the SEBI Listing Regulations. We shall apply to the Stock Exchanges for the listing approvals and the final listing and trading approvals.

8. Our Company has obtained necessary consents, approvals and authorization required for the Issue.

9. Copies of the Memorandum and Articles of Association will be available for inspection between 9:30 am to 6:30 pm on any weekday (except Saturdays and public holidays) at the Registered Office and the Corporate Office.

10. Except as disclosed in this Preliminary Placement Document, there has been no material change in our Company's financial position since December 31, 2018, the latest audited consolidated financial statements, filed with the Stock Exchanges, in accordance with the requirements of the SEBI Listing Regulations.

11. Our Company is in compliance with the minimum public shareholding requirements as required under the SEBI Listing Regulations and as per Rule 19A of the SCRR.

12. The Floor Price is ₹ 644.08 per Equity Share, as calculated in accordance with Chapter VI of the SEBI ICDR Regulations.

13. Our compliance officer for the Issue is Ravi Batra. His contact details are as follows:

    Ravi Batra
    Plot No. 31, Institutional Area
    Sector – 44, Gurgaon 122 002
    Tel: +91 124 4643100
    Fax: +91 124 4643303
    E-mail: complianceofficer@rjcorp.in

FINANCIAL STATEMENTS

Independent Auditor's Review Report on Consolidated Unaudited Quarterly Financial Results and Year to Date Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)

To the Board of Directors of Varun Beverages Limited

1. We have reviewed the accompanying statement of unaudited consolidated financial results ('the Statement') of Varun Beverages Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its associates (refer Annexure 1 for the list of subsidiaries and associates included in the Statement) for the quarter ended 30 June 2019 and the consolidated year to date results for the period 01 January 2019 to 30 June 2019, being submitted by the Holding Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), including relevant circulars issued by the SEBI from time to time.

2. This Statement, which is the responsibility of the Holding Company's management and approved by the Holding Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting ('Ind AS 34'), prescribed under section 133 of the Companies Act, 2013 ('the Act'), SEBI Circular CIR/CFD/FAC/62/2016 dated 5 July 2016, (hereinafter referred to as 'the SEBI Circular'), and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing specified under section 143(10) of the Act, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

   We also performed procedures in accordance with the SEBI Circular CIR/CFD/CMD1/44/2019 dated 29 March 2019 issued by the SEBI under Regulation 33 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), to the extent applicable.

4. Based on our review conducted and procedures performed as stated in paragraph 3 above and upon consideration of the review reports of the other auditors referred to in paragraph 5 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with recognition and measurement principles laid down in Ind AS 34, prescribed under Section 133 of the Act, the SEBI Circular and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), including the manner in which it is to be disclosed, or that it contains any material misstatement.

5. We did not review the interim financial results of seven subsidiaries included in the Statement, whose financial information reflect total assets of ₹ 16,729.06 million as at 30 June 2019, and total revenues of ₹ 4,309.78 million and ₹ 8,584.61 million, total net profit after tax of ₹ 225.76 million and ₹ 86.01 million, total comprehensive income of ₹ 218.76 million and ₹ 79.01 million, for the quarter and six month period ended on 30 June 2019, respectively, and cash flows (net) of ₹ (140.33) million for the period ended 30 June 2019, as considered in the Statement. The Statement also includes the Group's

share of net profit after tax of ₹ 13.12 million and ₹ 21.03 million and total comprehensive income of ₹ 13.12 million and ₹ 21.03 million, for the quarter and six-month period ended on 30 June 2019, respectively, as considered in the Statement, in respect of two associates, whose interim financial results have not been reviewed by us. These interim financial results have been reviewed by other auditors whose review reports have been furnished to us by the management, and our conclusion in so far as it relates to the amounts and disclosures included in respect of these subsidiaries/ associates is based solely on the review reports of such other auditors and the procedures performed by us as stated in paragraph 3 above. Our conclusion is not modified in respect of this matter.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No: 001076N/N500013

Anupam Kumar
Partner
Membership No. 501531
UDIN

Place: Gurugram
Date: 01 August 2019

L-41 Connaught Place,
New Delhi 110 001

For APAS & Co.
Chartered Accountants
Firm Registration No: 000340C

Sumit Kathuria
Partner
Membership No. 520078
UDIN

Place: Gurugram
Date: 01 August 2019

8/14 Basement, Kalkaji Extension,
New Delhi 110 009

Annexure 1

List of entities included in the Statement

Subsidiaries

1. Varun Beverages (Nepal) Private Limited
2. Varun Beverages Lanka (Private) Limited
3. Varun Beverages Morocco SA
4. Ole Spring Bottlers (Private) Limited
5. Varun Beverages (Zambia) Limited
6. Varun Beverages (Zimbabwe) (Private) Limited
7. Varun Beverages (Botswana) (Proprietary) Limited

Associates

1. Angelica Technologies Private Limited
2. Lunarmech Technologies Private Limited

Statement of consolidated assets and liabilities

₹ in million

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Assets		
Non-current assets		
(a) Property, plant and equipment	59,477.27	38,601.77
(b) Capital work-in-progress	637.41	3,523.57
(c) Goodwill	19.40	19.40
(d) Other intangible assets	5,639.88	5,248.57
(e) Investment in associates	133.46	112.43
(f) Financial assets		
(i) Investments	0.01	0.01
(ii) Loans	555.01	200.92
(iii) Others	8.61	8.34
(g) Deferred tax assets (Net)	159.66	334.00
(h) Other non-current assets	870.59	857.60
Total non-current assets (A)	**67,501.30**	**48,906.61**
Current assets		
(a) Inventories	8,069.56	5,783.97
(b) Financial assets		
(i) Trade receivables	2,679.60	1,280.25
(ii) Cash and cash equivalents	951.70	429.36
(iii) Bank balances other than (ii) above	571.54	505.44
(iv) Loans	164.48	15.53
(v) Others	1,920.03	1,404.78
(c) Current tax assets (Net)	19.46	4.10
(d) Other current assets	2,806.23	1,984.04
Total current assets (B)	**17,182.60**	**11,407.47**
Total assets (A+B)	**84,683.90**	**60,314.08**
Equity and liabilities		
Equity		
(a) Equity share capital	1,826.55	1,826.42
(b) Other equity	23,169.62	18,158.62
Equity attributable to owners of the Company	**24,996.17**	**19,985.04**
(c) Non-controlling interest	52.46	77.68
Total equity (A)	**25,048.63**	**20,062.72**
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	31,017.32	19,800.69
(b) Provisions	1,464.88	1,052.55
(c) Deferred tax liabilities (Net)	2,538.14	1,921.66
(d) Other non-current liabilities	44.01	67.75
Total non-current liabilities (B)	**35,064.35**	**22,842.65**
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	1,515.88	3,776.55
(ii) Trade payables		
(a) Total outstanding dues of micro enterprises and small enterprises	0.51	2.47
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	6,373.12	3,165.50
(iii) Other financial liabilities	11,374.01	8,512.43
(b) Other current liabilities	4,104.29	1,466.55
(c) Provisions	251.87	160.19
(d) Current tax liabilities (Net)	951.24	325.02
Total current liabilities (C)	**24,570.92**	**17,408.71**
Total liabilities (D=B+C)	**59,635.27**	**40,251.36**
Total equity and liabilities(A+D)	**84,683.90**	**60,314.08**

See accompanying notes

Statement of consolidated unaudited financial results for the quarter and half year ended on 30 June 2019

₹ in million, except per share data

Particulars	Three months ended on	Three months ended on	Three months ended on	Six months ended on	Six months ended on	Year ended on
	30 June 2019	31 March 2019	30 June 2018	30 June 2019	30 June 2018	31 December 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1. Income						
(a) Revenue from operations	28,514.59	13,806.07	20,971.46	42,320.66	32,195.19	52,281.27
(b) Other income	33.39	14.02	3.47	47.41	85.11	218.24
Total income	**28,547.98**	**13,820.09**	**20,974.93**	**42,368.07**	**32,280.30**	**52,499.51**
2. Expenses						
(a) Cost of materials consumed	11,112.41	5,898.21	8,163.95	17,010.62	13,952.19	21,122.78
(b) Excise duty	410.05	214.62	380.15	624.67	656.18	1,228.72
(c) Purchases of stock-in-trade	2,335.07	897.38	563.22	3,232.45	963.07	1,942.18
(d) Changes in inventories of finished goods, stock-in-trade and work-in-progress	(152.31)	(807.39)	861.28	(959.70)	(410.85)	(623.97)
(e) Employee benefits expense	1,991.64	1,583.64	1,510.65	3,575.28	2,896.86	5,829.51
(f) Finance costs	848.17	590.28	517.64	1,438.45	1,116.81	2,125.63
(g) Depreciation and amortisation expense	1,254.10	990.29	1,000.43	2,244.39	1,911.03	3,850.70
(h) Other expenses	4,938.95	3,835.86	3,743.63	8,774.81	6,662.22	12,716.18
Total expenses	**22,738.08**	**13,202.89**	**16,740.95**	**35,940.97**	**27,747.51**	**48,191.73**
3. Profit before tax and share of profit in associates(1-2)	**5,809.90**	**617.20**	**4,233.98**	**6,427.10**	**4,532.79**	**4,307.78**
4. Share of profit in associate	13.12	7.91	6.65	21.03	17.59	30.20
5. Profit before tax (3+4)	**5,823.02**	**625.11**	**4,240.63**	**6,448.13**	**4,550.38**	**4,337.98**
6. Tax expense:						
(a) Current tax	997.91	144.52	1,295.40	1,142.43	1,350.29	1,094.09
(b) Adjustment of tax relating to earlier periods	2.23	-	-	2.23	-	14.35
(c) Deferred tax	772.95	80.19	(122.66)	853.14	(65.18)	230.91
Total tax expense	**1,773.09**	**224.71**	**1,172.74**	**1,997.80**	**1,285.11**	**1,339.35**
7. Net Profit for the period (5-6)	**4,049.93**	**400.40**	**3,067.89**	**4,450.33**	**3,265.27**	**2,998.63**
8. Other comprehensive income						
A Items that will not be reclassified to profit or loss	365.14	(59.13)	11.78	306.01	(26.08)	(16.53)
B Income tax relating to items that will not be reclassified to profit or loss	(9.54)	20.52	(2.98)	10.98	10.39	7.78
C Items that will be reclassified to profit or loss	199.02	153.14	59.43	352.16	23.32	(234.44)
D Income tax relating to items that will be reclassified to profit or loss	(46.36)	(35.68)	(13.71)	(82.04)	(5.38)	54.62
Total other comprehensive income	**508.26**	**78.85**	**54.52**	**587.11**	**2.25**	**(188.57)**
9. Total comprehensive income for the period (including non-controlling interest) (7+8)	**4,558.19**	**479.25**	**3,122.41**	**5,037.44**	**3,267.52**	**2,810.06**
10. Net profit attributable to:						
A Owners	4,069.29	406.26	3,034.43	4,475.55	3,220.75	2,928.41
B Non-controlling interest	(19.36)	(5.86)	33.46	(25.22)	44.52	70.22
11. Other comprehensive income attributable to:						
A Owners	508.26	78.85	54.52	587.11	2.25	(188.57)
B Non-controlling interest	-	-	-	-	-	-
12. Total comprehensive income attributable to:						
A Owners	4,577.55	485.11	3,088.95	5,062.66	3,223.00	2,739.84
B Non-controlling interest	(19.36)	(5.86)	33.46	(25.22)	44.52	70.22
13. Paid-up equity share capital (face value of ₹ 10 each)	1,826.55	1,826.52	1,826.15	1,826.55	1,826.15	1,826.42
14. Reserves excluding revaluation reserves				23,169.62	19,199.80	18,158.62
15. Earnings per share (of ₹ 10/- each) (not annualised for quarters and half years):						
(a) Basic	14.85	1.48	11.08	16.33	11.76	10.69
(b) Diluted	14.85	1.48	11.08	16.33	11.76	10.69
See accompanying notes						

Consolidated Cash Flow Statement

(Indirect Method)

(₹ in million)

Particulars	Six month period ended 30 June 2019 (Unaudited)	Six month period ended 30 June 2018 (Unaudited)
A. Operating activities		
Profit before tax and share of profit in associate	6,427.10	4,532.79
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation on property, plant and equipment	2,215.75	1,890.16
Amortisation of intangible assets	28.64	20.87
Interest expense at amortised cost	1,425.36	1,092.31
Interest income at amortised cost	(23.25)	(27.48)
Dividend income from current investment	(0.18)	-
Profit on sale of current investments	(0.09)	-
Excess provisions written back	(1.77)	(3.48)
Property, plant and equipment written off	52.98	52.05
Loss/(gain) on disposal of property, plant and equipment (Net)	2.40	43.61
Bad debts and advances written off	1.71	1.22
Allowance for expected credit loss	89.62	138.41
Unrealised exchange fluctuation	198.35	263.56
Operating profit before working capital changes	10,416.62	8,004.02
Working capital adjustments		
Increase in inventories	(1,208.91)	(1,262.31)
Increase in trade receivables	(1,493.76)	(813.87)
Increase in current and non-current financial assets and other current and non-current assets	(1,609.99)	(443.29)
Increase in current financial liabilities and other current and non-current liabilities and provisions	6,491.00	4,279.05
Total cash from operations	**12,594.96**	**9,763.60**
Income tax paid	(454.33)	(259.48)
Net cash flows from operating activities (A)	**12,140.63**	**9,504.12**
B. Investing activities		
Purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors)	(4,730.77)	(3,815.22)
Proceeds from disposal of property, plant and equipment and intangible assets	17.01	45.44
Acquisition under business combination	(16,551.47)	(491.80)
Interest received	18.75	34.13
Dividend income from current investment	0.18	-
Proceeds from sale of current investments (Net)	0.09	-
(Increase)/decrease in other bank balances	(66.10)	280.93
Net cash used in investing activities (B)	**(21,312.31)**	**(3,946.52)**
C. Financing activities		
Proceeds from borrowings	18,229.01	7,540.75
Repayments of borrowings	(4,727.42)	(5,648.24)
Repayment of deferred payment liabilities	(433.87)	(3,020.73)
Proceeds/(repayments) from/(of) short term borrowings (Net)	(2,260.67)	(45.31)
Redemption of non-convertible debentures	-	(3,000.00)
Proceeds from issue of share capital (including share premium thereon)	1.99	3.06
Interest paid	(1,390.77)	(920.08)
Dividends paid to non-controlling shareholers	(5.43)	-
Net cash flows from/(used in) financing activities (C)	**9,412.84**	**(5,090.56)**
Net change in cash and cash equivalents (D=A+B+C)	**241.16**	**467.04**
Cash and cash equivalents at the beginning of year (E)	429.36	649.46
Unrealised exchange loss on translation of cash and cash equivalent in subsidiaries (F)	281.18	-
Cash and cash equivalents at the end of year (G= D+E+F)	**951.70**	**1,116.50**

Note:

(a) Non-cash changes in liabilities arising from financing activities pertains to impact of fair value changes and foreign exchange fluctuations which are considered to be insignificant.

(₹ in million, except otherwise stated)

Notes:

1. These standalone and consolidated unaudited financial results for the quarter and half year ended on 30 June 2019 have been reviewed by the Audit and Risk Management Committee and approved by the Board of Directors of Varun Beverages Limited (“VBL” or “the Company”) at their respective meetings held on 01 August 2019. The Statutory Auditors have conducted a limited review of these financial results.

2. These financial results have been prepared in accordance with the recognition and measurement principles of applicable Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015 as specified in section 133 of the Companies Act, 2013 [read with SEBI Circular CIR/CFD/FAC/62/2016 dated 05 July 2016 and other recognised accounting practices and policies].

3. VBL follows calendar year as its financial year as approved by the Company Law Board, New Delhi.

4. The business activities of the Company, its subsidiaries and associates (together referred to as the "Group") predominantly fall within a single primary business segment viz. manufacturing and sale of beverages. There is no separate reportable business segment. The Group operates in two principal geographical areas, i.e., in India, its home country, and in other countries. The aforesaid is in line with review of operating results by the chief operating decision maker. The sale of products of the Group is seasonal.

5. During the quarter ended on 30 June 2019, the paid-up capital of the Company has increased by ₹ 0.03 on allotment of 3,700 equity shares of ₹ 10 each, pursuant to exercise of stock options by employees.

6. The Board of Directors have approved a payment of interim dividend of ₹ 2.50 (Rupees two and paise fifty only) per equity share of the face value of ₹ 10 each.

7. Pursuant to recommendation by Board of Directors in its meeting held on 17 June 2019 and approved by the shareholders through postal ballot on 19 July 2019, the Company on 29 July 2019 allotted 91,327,613 bonus equity shares of ₹ 10 each as fully paid-up bonus equity shares, in the proportion of 1 (One) equity share of Rs. 10/- each for every 2 (Two) existing equity shares of ₹ 10/- each to the eligible members whose names appeared in the register of members/list of beneficial owners as on 27 July 2019, i.e. record date. Consequently, the paid-up equity share capital of the Company stands increased from ₹ 1,826.55 divided into 182,655,225 equity shares of ₹ 10 each to ₹ 2,739.83 divided into 273,982,838 equity shares of ₹ 10 each. Accordingly, earnings per share for all the periods presented has been calculated based on number of shares outstanding in respective periods, as increased for issuance of bonus shares.

8. During the quarter ended on 30 June 2019, the Company has concluded the acquisition of franchise rights in South and West regions from PepsiCo India Holdings Private Limited ("PepsiCo") for a national bottling, sales and distribution footprint in 7 states and 5 Union Territories of India for a total transaction value of ₹ 18,025 on a slump sale basis. The aforesaid transaction value excludes the consideration paid for working capital taken over and investment fund received on acquisition from PepsiCo. The Company is now a franchisee of PepsiCo's beverages business across 27 states and 7 Union Territories of India.

For and on behalf of Board of Directors of
Varun Beverages Limited

Raj P. Gandhi
Whole Time Director

Place : Gurugram
Dated : 01 August 2019

Independent Auditor's Review Report on Standalone Unaudited Quarterly Financial Results and Year to Date Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)

To the Board of Directors of Varun Beverages Limited

1. We have reviewed the accompanying statement of standalone unaudited financial results ('the Statement') of Varun Beverages Limited ('the Company') for the quarter ended 30 June 2019 and the year to date results for the period 01 January 2019 to 30 June 2019, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), including relevant circulars issued by the SEBI from time to time.

2. The Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting ('Ind AS 34'), prescribed under Section 133 of the Companies Act, 2013 ('the Act'), SEBI Circular CIR/CFD/FAC/62/2016 dated 5 July 2016, (hereinafter referred to as 'the SEBI Circular'), and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing specified under section 143(10) of the Act, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in Ind AS 34, prescribed under Section 133 of the Act, the SEBI Circular, and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), including the manner in which it is to be disclosed, or that it contains any material misstatement.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No: 001076N/N500013

Anupam Kumar
Partner
Membership No. 501531
UDIN

Place: Gurugram
Date: 01 August 2019

L-41 Connaught Place,
New Delhi 110 001

For APAS & Co.
Chartered Accountants
Firm Registration No: 000340C

Sumit Kathuria
Partner
Membership No. 520078
UDIN

Place: Gurugram
Date: 01 August 2019

8/14 Basement, Kalkaji Extension,
New Delhi 110 009

Statement of standalone assets and liabilities

₹ in million

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Assets		
Non-current assets		
(a) Property, plant and equipment	48,865.59	27,983.04
(b) Capital work-in-progress	504.67	3,392.26
(c) Goodwill	19.40	19.40
(d) Other intangible assets	5,611.65	5,215.80
(e) Investment in subsidiaries and associates	8,927.44	7,744.99
(f) Financial assets		
(i) Investments	0.01	0.01
(ii) Loans	6,179.29	6,959.06
(iii) Others	8.61	8.34
(g) Other non-current assets	493.11	523.47
Total non-current assets (A)	**70,609.77**	**51,846.37**
Current assets		
(a) Inventories	5,947.50	4,183.25
(b) Financial assets		
(i) Trade receivables	2,000.09	1,344.74
(ii) Cash and cash equivalents	680.42	17.75
(iii) Bank balances other than (ii) above	0.65	0.65
(iv) Loans	320.88	104.68
(v) Others	2,238.68	1,783.80
(c) Other current assets	2,467.07	1,581.41
Total current assets (B)	**13,655.29**	**9,016.28**
Total assets (A+B)	**84,265.06**	**60,862.65**
Equity and liabilities		
Equity		
(a) Equity share capital	1,826.55	1,826.42
(b) Other equity	28,717.84	24,062.97
Total equity (A)	**30,544.39**	**25,889.39**
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	30,004.22	18,359.13
(b) Provisions	1,379.48	976.50
(c) Deferred tax liabilities (Net)	2,560.71	2,026.27
(d) Other non-current liabilities	44.01	44.33
Total non-current liabilities (B)	**33,988.42**	**21,406.23**
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	870.89	3,188.75
(ii) Trade payables		
(a) Total outstanding dues of micro enterprises and small enterprises	0.51	2.47
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	4,221.55	1,780.71
(iii) Other financial liabilities	9,917.77	6,943.00
(b) Other current liabilities	3,537.18	1,224.09
(c) Provisions	240.88	152.28
(d) Current tax liabilities (Net)	943.47	275.73
Toatl current liabilities (C)	**19,732.25**	**13,567.03**
Total liabilities (D=B+C)	**53,720.67**	**34,973.26**
Total equity and liabilities (A+D)	**84,265.06**	**60,862.65**

See accompanying notes

Statement of standalone unaudited financial results for the quarter and half year ended on 30 June 2019

₹ in million, except per share data

Particulars	Three months ended on	Three months ended on	Three months ended on	Six months ended on	Six months ended on	Year ended on
	30 June 2019	31 March 2019	30 June 2018	30 June 2019	30 June 2018	31 December 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1. Income						
(a) Revenue from operations	24,557.54	9,855.74	17,386.11	34,413.28	26,361.33	38,622.76
(b) Other income	127.85	145.97	170.34	273.82	258.31	962.15
Total income	**24,685.39**	**10,001.71**	**17,556.45**	**34,687.10**	**26,619.64**	**39,584.91**
2. Expenses						
(a) Cost of materials consumed	9,665.84	4,464.25	6,903.79	14,130.09	11,783.63	16,603.01
(b) Purchase of stock-in-trade	2,335.66	826.01	566.71	3,161.67	928.07	1,829.00
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	28.50	(620.99)	936.72	(592.49)	(254.54)	(687.86)
(d) Employee benefits expense	1,569.64	1,123.60	1,106.51	2,693.24	2,131.59	4,114.72
(e) Finance costs	766.48	539.00	464.28	1,305.48	1,014.07	1,943.98
(f) Depreciation and amortisation expense	998.45	741.58	779.45	1,740.03	1,508.08	2,955.50
(g) Other expenses	3,947.89	2,157.86	2,759.60	6,105.75	5,018.25	8,196.98
Total expenses	**19,312.46**	**9,231.31**	**13,517.06**	**28,543.77**	**22,129.15**	**34,955.33**
3. Profit before tax (1-2)	**5,372.93**	**770.40**	**4,039.39**	**6,143.33**	**4,490.49**	**4,629.58**
4. Tax expense						
(a) Current tax	958.60	132.93	1,215.49	1,091.53	1,247.70	797.90
(b) Adjustment of tax relating to earlier periods	-	-	-	-	-	14.35
(c) Deferred tax	593.30	82.91	(66.94)	676.21	16.98	493.74
Total tax expense	**1,551.90**	**215.84**	**1,148.55**	**1,767.74**	**1,264.68**	**1,305.99**
5. Net Profit after tax (3 - 4)	**3,821.03**	**554.56**	**2,890.84**	**4,375.59**	**3,225.81**	**3,323.59**
6. Other comprehensive income						
A. Items that will not be reclassified to profit or loss	371.74	(58.73)	8.60	313.01	(30.02)	(22.54)
B. Income tax relating to items that will not be reclassified to profit or loss	(9.54)	20.52	(2.98)	10.98	10.39	7.78
Total other comprehensive income	**362.20**	**(38.21)**	**5.62**	**323.99**	**(19.63)**	**(14.76)**
7. Total comprehensive income for the period (5+6)	**4,183.23**	**516.35**	**2,896.46**	**4,699.58**	**3,206.18**	**3,308.83**
8. Paid-up equity share capital (face value of ₹ 10 each)	1,826.55	1,826.52	1,826.15	1,826.55	1,826.15	1,826.42
9. Reserves excluding revaluation reserves				28,717.84	24,495.38	24,062.97
10. Earnings per share(of ₹ 10/- each) (not annualised for quarters and half years):						
(a) Basic	13.95	2.02	10.55	15.97	11.78	12.13
(b) Diluted	13.95	2.02	10.55	15.97	11.77	12.13
See accompanying notes						

Standalone Cash Flow Statement

(Indirect Method) (₹ in million)

Particulars	**Six month period ended 30 June 2019 (Unaudited)**	**Six month period ended 30 June 2018 (Unaudited)**
A. Operating activities		
Profit before tax	6,143.33	4,490.49
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation on property, plant and equipment	1,715.62	1,499.46
Amortisation of intangible assets	24.41	8.62
Interest expense at amortised cost	1,305.48	1,014.07
Interest income at amortised cost	(158.10)	(145.98)
Dividend income from current and non-current investment in subsidiary	(46.67)	-
(Gain)/loss on disposal of property, plant and equipment (Net)	(5.02)	21.41
Property, plant and equipment written off	49.67	51.87
Bad debts and advances written off	1.60	1.17
Excess provisions written back	(1.63)	-
Profit on sale of current investments	(0.09)	-
Guarantee commission received	(21.13)	(10.18)
Unrealised foreign exchange fluctuation	25.64	(15.99)
Allowance for expected credit loss	30.09	28.20
Operating profit before working capital changes	**9,063.20**	**6,943.14**
Working capital adjustments:		
Increase in inventories	(687.56)	(663.22)
Increase in trade receivables	(687.05)	(608.92)
Increase in current and non-current financial assets and other current and non-current assets	(1,745.45)	(418.24)
Increase in current financial liabilities and other current and non-current liabilities and provisions	5,441.38	3,299.62
Total cash from operations	**11,384.52**	**8,552.38**
Income tax paid	(418.35)	(202.28)
Net cash flows from operating activities (A)	**10,966.17**	**8,350.10**
B. Investing activities		
Purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors)	(3,863.16)	(1,930.59)
Proceeds from disposal of property, plant and equipment and intangible assets	21.67	213.10
Loan given to subsidiaries	(211.22)	(1,017.26)
Redemption of preference shares (classified as loan given to subsidiary)	52.35	95.42
Acquisition under business combination	(16,551.47)	(491.80)
Purchase of investments in subsidiaries	-	(629.56)
Proceeds from sale of current investments (Net)	0.09	-
Guarantee commission received	19.82	-
Interest received	29.05	28.66
Dividend income from current investment	0.18	-
Dividend income from non-current investment in subsidiary	223.28	180.92
Net cash used in investing activities (B)	**(20,279.41)**	**(3,551.11)**
C. Financing activities		
Proceeds from borrowings	18,229.01	6,879.74
Repayment of borrowings	(4,216.63)	(5,443.73)
Repayment of deferred payment liabilities	(433.87)	(3,020.73)
Proceeds from short-term borrowings (Net)	(2,317.86)	812.74
Proceeds from issue of share capital (including share premium thereon)	1.99	3.06
Redemption of non-convertible debentures	-	(3,000.00)
Interest paid	(1,286.73)	(904.73)
Net cash flows from/(used in) financing activities (C)	**9,975.91**	**(4,673.65)**
Net change in cash and cash equivalents (D=A+B+C)	**662.67**	**125.34**
Cash and cash equivalents at the beginning of year (E)	17.75	312.65
Cash and cash equivalents at the end of year (D+E)	**680.42**	**437.99**

Notes:

(a) During the period, loan amounting to ₹ 1,182.46 (30 June 2018: Nil) outstanding from a subsidiary has been converted into equity.

(b) Non-cash changes in liabilities arising from financing activities pertains to impact of fair value changes and foreign exchange fluctuations which are considered to be insignificant.

Independent Auditor's Report

To the Members of Varun Beverages Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Varun Beverages Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its associates, which comprise the Consolidated Balance Sheet as at 31 December 2018, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated cash flows and consolidated changes in equity of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The Holding Company's Board of Directors and the respective Board of Directors of the subsidiaries included in the Group, and its associates are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms of the provisions of the Act, the respective Board of Directors of the companies included in the Group, and its associate companies covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 9 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries and associates, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs (consolidated financial position) of the Group and its associates as at 31 December 2018, and their consolidated profit (consolidated financial performance including other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Other Matter(s)

9. We did not audit the financial statements of six subsidiaries, whose financial statements reflect total assets of ₹ 16,066.54 million and net assets of ₹ 2,282.94 million as at 31 December 2018, total revenues of ₹ 15,980.73 million and net cash inflows amounting to ₹ 74.81 for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit (including other comprehensive income) of ₹ 30.20 million for the year ended 31 December 2018, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose

reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of the other auditors.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

10. The consolidated financial statements of the Company for the year ended 31 December 2017 were jointly audited by the predecessor joint auditor, Walker Chandiok & Associates, Chartered Accountants and current joint auditor, APAS & Co., Chartered Accountants, who have expressed an unmodified opinion on those consolidated financial statements vide their audit report dated 16 February 2018.

Report on Other Legal and Regulatory Requirements

11. As required by section 197(16) of the Act, based on our audit and on the consideration of the reports of the other auditors, referred to in paragraph 9, on separate financial statements of the subsidiaries and associates, we report that the Holding Company and two associate companies covered under the Act paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act. Further, we report that the provisions of section 197 read with Schedule V to the Act are not applicable to six subsidiaries companies, since none of such companies are covered under the Act.

12. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries and associates, we report, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) In our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under Section 133 of the Act;

e) On the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors of its associate companies covered under the Act, none of the directors of the Group companies and its associate companies covered under the Act, are disqualified as on 31 December 2018 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and its associate companies covered under the Act and the operating effectiveness of such controls, refer to our separate report in 'Annexure 1'; and

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and associates:

(i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates as detailed in Note 46 to the consolidated financial statements.

(ii) Provision has been made in the consolidated financial statements, as required under the applicable law or Ind AS, or material foreseeable losses, if any, on long-term contracts including derivative contracts, as detailed in Note 28 to the consolidated financial statements;

(iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its associate companies covered under the Act during the year ended 31 December 2018; and

(iv) The disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these consolidated financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

Anupam Kumar
Partner
Membership No. 501531

Place: Gurugram
Date: 20 February 2019

L-41 Connaught Place,
New Delhi 110 001

For **APAS & Co.**
Chartered Accountants
Firm Registration No: 000340C

Sumit Kathuria
Partner
Membership No. 520078

Place: Gurugram
Date: 20 February 2019

8/14 Basement, Kalkaji Extension,
New Delhi 110 019

Annexure 1

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of Varun Beverages Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its associates as at and for the year ended 31 December 2018, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company and its two associate companies, which are companies covered under the Act, as at that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company and its two associate companies, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company and its two associate companies, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company and its two associate companies as aforesaid.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being

made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion and based on the consideration of the reports of the other auditors on IFCoFR of the two associate companies, the Holding Company and its two associate companies which are companies covered under the Act, have in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 December 2018, based on the internal control over financial reporting criteria established by the respective Company considering the essential components of internal financial controls stated in the Guidance Note issued by the ICAI.

Other Matters

9. We did not audit the IFCoFR in so far as it relates to two associate companies, which are companies covered under the Act, in respect of which, the Group’s share of net profit (including other comprehensive income) of ₹ 30.20 million for the year ended 31 December 2018, has been considered in the consolidated financial statements. The IFCoFR in so far as it relates to such associate companies have been audited by other auditors whose reports have been furnished to us by the management and our report on the adequacy and operating effectiveness of the IFCoFR for the Holding Company and its two associate companies, as aforesaid, under Section 143(3)(i) of the Act in so far as it relates to such associate companies is based solely on the reports of the auditors of such companies. Our opinion is not modified in respect of this matter with respect to our reliance on the work done by and on the reports of the other auditor.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No: 001076N/N500013

Anupam Kumar
Partner
Membership No. 501531

Place: Gurugram
Date: 20 February 2019

L-41 Connaught Place,
New Delhi 110 001

For APAS & Co.
Chartered Accountants
Firm Registration No: 000340C

Sumit Kathuria
Partner
Membership No. 520078

Place: Gurugram
Date: 20 February 2019

8/14 Basement, Kalkaji Extension,
New Delhi 110 019

Consolidated Balance Sheet as at 31 December 2018

(₹ in million)

	Notes	As at 31 December 2018	As at 31 December 2017
Assets			
Non-current assets			
(a) Property, plant and equipment	4	38,601.77	35,411.66
(b) Capital work-in-progress	4	3,523.57	1,454.38
(c) Goodwill	5	19.40	19.40
(d) Other intangible assets	6	5,248.57	4,374.15
(e) Investment in associates	7	112.43	82.23
(f) Financial assets			
(i) Investments	8	0.01	0.04
(ii) Loans	9	200.92	193.16
(iii) Others	10	8.34	8.96
(g) Deferred tax assets (Net)	11	334.00	80.04
(h) Other non-current assets	12	857.60	1,525.85
Total non-current assets		**48,906.61**	**43,149.87**
Current assets			
(a) Inventories	13	5,783.97	4,388.94
(b) Financial assets			
(i) Trade receivables	14	1,280.25	1,502.45
(ii) Cash and cash equivalents	15	429.36	649.46
(iii) Bank balances other than (ii) above	16	505.44	295.14
(iv) Loans	17	15.53	0.26
(v) Others	18	1,404.78	932.40
(c) Current tax assets (Net)	19	4.10	0.13
(d) Other current assets	20	1,984.04	1,532.48
Total current assets		**11,407.47**	**9,301.26**
Assets classified as held for sale	21	-	384.95
Total assets		**60,314.08**	**52,836.08**
Equity and liabilities			
Equity			
(a) Equity share capital	22	1,826.42	1,825.87
(b) Other equity	23	18,158.62	15,868.41
Equity attributable to owners of the Holding Company		**19,985.04**	**17,694.28**
Non-controlling interest		77.68	(14.32)
Total equity		**20,062.72**	**17,679.96**
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	24A	19,800.69	16,913.68
(b) Provisions	25	1,052.55	732.64
(c) Deferred tax liabilities (Net)	11	1,921.66	1,501.51
(d) Other non-current liabilities	26	67.75	119.81
Total non-current liabilities		**22,842.65**	**19,267.64**
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	24B	3,776.55	3,533.65
(ii) Trade payables			
(a) Total outstanding dues of micro enterprises and small enterprises	27	2.47	8.71
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	27	3,165.50	1,900.75
(iii) Other financial liabilities	28	8,512.43	8,736.41
(b) Other current liabilities	29	1,466.55	1,473.11
(c) Provisions	25	160.19	167.50
(d) Current tax liabilities (Net)	30	325.02	68.35
Total current liabilities		**17,408.71**	**15,888.48**
Total liabilities		**40,251.36**	**35,156.12**
Total equity and liabilities		**60,314.08**	**52,836.08**

Significant accounting policies 3

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached

For and on behalf of the Board of Directors of Varun Beverages Limited

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

For **APAS & Co.**
Chartered Accountants
Firm's Registration No.: 000340C

Varun Jaipuria
Whole Time Director
DIN 02465412

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Anupam Kumar
Partner
Membership No.: 501531

Sumit Kathuria
Partner
Membership No.: 520078

Kapil Agarwal
Chief Executive Officer and
Whole Time Director
DIN 02079161

Kamlesh Kumar Jain
Chief Financial Officer and
Whole Time Director
DIN 01822576

Place: Gurugram
Dated: 20 February 2019

Ravi Batra
Chief Risk Officer and
Group Company Secretary
Membership No. F- 5746

Consolidated Statement of Profit and Loss for the year ended 31 December 2018

(₹ in million)

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
Income			
Revenue from operations	31	52,281.27	45,163.77
Other income	32	218.24	125.12
Total income		**52,499.51**	**45,288.89**
Expenses			
Cost of materials consumed	33	21,122.78	18,555.09
Excise duty		1,228.72	5,128.37
Purchases of stock-in-trade	34	1,942.18	277.69
Changes in inventories of finished goods, stock-in-trade and work-in-progress	35	(623.97)	(732.22)
Employee benefits expense	36	5,829.51	4,628.44
Finance costs	37	2,125.63	2,121.75
Depreciation and amortisation expense	38	3,850.70	3,466.41
Other expenses	39	12,716.18	8,947.32
Total expenses		**48,191.73**	**42,392.85**
Profit before tax and share of profit in associate		**4,307.78**	**2,896.04**
Share of profit in associate		30.20	13.50
Profit before tax		**4,337.98**	**2,909.54**
Tax expense			
(a) Current tax	30	1,094.09	547.85
(b) Adjustment of tax relating to earlier periods	30	14.35	1.60
(c) Deferred tax	11	230.91	219.50
Total tax expense		**1,339.35**	**768.95**
Net profit for the year		**2,998.63**	**2,140.59**
Other comprehensive income	40		
(a) Items that will not to be reclassified to profit or loss:			
(i) Re-measurement gains/(losses) on defined benefit plans		(16.53)	10.83
(ii) Income tax relating to items that will not be reclassified to statement of profit and loss		7.78	(3.39)
(b) Items that will be reclassified to profit or loss:			
(i) Exchange differences arising on translation of foreign operations		(234.44)	(94.27)
(ii) Income tax relating to items that will be reclassified to statement of profit and loss		54.62	21.75
Total other comprehensive income		**(188.57)**	**(65.08)**
Total comprehensive income for the year (including non-controlling interest)		**2,810.06**	**2,075.51**
Net profit attributable to:			
(a) Owners of the Company		2,928.41	2,101.54
(b) Non-controlling interest		70.22	39.05
Other comprehensive income attributable to:			
(a) Owners of the Company		(188.57)	(65.08)
(b) Non-controlling interest		-	-
Total comprehensive income attributable to:			
(a) Owners of the Company		2,739.84	2,036.46
(b) Non-controlling interest		70.22	39.05
Earnings per equity share of face value of ₹ 10 each			
Basic (₹)	44	16.04	11.52
Diluted (₹)	44	16.03	11.51

Significant accounting policies 3

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached

For and on behalf of the Board of Directors of Varun Beverages Limited

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

For **APAS & Co.**
Chartered Accountants
Firm's Registration No.: 000340C

Varun Jaipuria
Whole Time Director
DIN 02465412

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Anupam Kumar
Partner
Membership No.: 501531

Sumit Kathuria
Partner
Membership No.: 520078

Kapil Agarwal
Chief Executive Officer and Whole Time Director
DIN 02079161

Kamlesh Kumar Jain
Chief Financial Officer and Whole Time Director
DIN 01822576

Ravi Batra
Chief Risk Officer and Group Company Secretary
Membership No. F- 5746

Place: Gurugram
Dated: 20 February 2019

Consolidated Cash Flow Statement for the year ended 31 December 2018
(Indirect Method)

(₹ in million)

Particulars	Year ended 31 December 2018	Year ended 31 December 2017
A. Operating activities		
Profit before tax and share of profit in associate	4,307.78	2,896.04
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation on property, plant and equipment	3,807.56	3,412.46
Amortisation of intangible assets	43.14	53.95
Interest expense at amortised cost	2,043.57	2,026.05
Interest income at amortised cost	(57.67)	(53.93)
Profit on sale of current investments	-	(0.44)
Business combination expenses	-	33.20
Excess provisions written back	(58.21)	(1.02)
Gain on dilution of control in a subsidiary	-	(2.75)
Property, plant and equipment written off	137.22	77.94
Loss/(gain) on disposal of property, plant and equipment (Net)	52.43	(21.91)
Bad debts and advances written off	66.86	81.36
Allowance for expected credit loss	257.40	156.74
Unrealised exchange fluctuation	631.08	76.44
Operating profit before working capital changes	11,231.16	8,734.13
Working capital adjustments		
(Increase)/decrease in inventories	(1,514.67)	449.97
Decrease/(increase) in trade receivables	(129.95)	(344.30)
Increase in current and non-current financial assets and other current and non-current assets	(1,135.34)	(999.04)
Increase/(decrease) in current financial liabilities and other current and non-current liabilities and provisions	2,279.46	(1,072.04)
Total cash from operations	**10,730.66**	**6,768.72**
Income tax paid	(732.88)	(571.11)
Net cash flows from operating activities (A)	**9,997.78**	**6,197.61**
B. Investing activities		
Purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors)	(8,586.45)	(5,329.88)
Proceeds from disposal of property, plant and equipment and intangible assets	498.81	165.08
Acquisition under business combination	(491.80)	(1,395.79)
Advance given for purchase of business	-	(260.60)
Purchase of controlling stake in subsidiaries (Net of cash acquired)	-	(719.16)
Dilution of controlling stake in subsidiary (Net of cash)	-	(2.24)
Interest received	55.50	53.09
Purchase of current investments	-	(350.00)
Proceeds from sale of current investments	0.03	350.44
(Increase)/decrease in other bank balances	(210.30)	36.39
Net cash used in investing activities (B)	**(8,734.21)**	**(7,452.67)**
C. Financing activities		
Proceeds from borrowings	13,758.54	7,472.04
Repayments of borrowings	(6,435.10)	(2,629.47)
Repayment of deferred payment liabilities	(3,020.71)	(3,619.65)
Proceeds/(repayments) from/(of) short term borrowings (Net)	242.90	(572.96)
(Redemption)/proceeds of non-convertible debentures	(3,000.00)	3,000.00
Proceeds from issue of share capital (including share premium thereon)	7.15	41.01
Share application money received	-	1.08
Interest paid	(1,886.00)	(1,556.53)
Dividends paid	(455.98)	(456.29)
Dividend distribution tax paid	(54.71)	(92.89)
Net cash (used in)/flows from financing activities (C)	**(843.91)**	**1,586.34**
Net change in cash and cash equivalents (D=A+B+C)	**419.66**	**331.28**
Cash and cash equivalents at the beginning of year (E)	649.46	325.00
Unrealised exchange loss on translation of cash and cash equivalent in subsidiaries (F)	(639.76)	(6.82)
Cash and cash equivalents at the end of year (G= D+E+F) (Refer note 15)	**429.36**	**649.46**

Notes:

(a) Amendment to Ind AS 7

The amendments to Ind AS 7 'Statement of Cash Flows' require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. This amendment has become effective from 01 January 2018 and the required disclosure is made below.

(₹ in million)

	Non-current borrowings*	Current borrowings
Balance as at 01 January 2018	23,003.37	3,533.65
Cash flows	1,302.73	242.90
Non-cash changes:		
Impact of fair value changes	(105.56)	-
Impact of exchange fluctuations	101.58	
Balance as at 31 December 2018	**24,302.12**	**3,776.55**

*includes current maturity of long-term debts and current portion of deferred payment liabilities amounting to ₹ 4,501.43 (01 January 2018: ₹ 6,089.69)

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached

For and on behalf of the Board of Directors of
Varun Beverages Limited

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Anupam Kumar
Partner
Membership No.: 501531

For **APAS & Co.**
Chartered Accountants
Firm's Registration No.: 000340C

Sumit Kathuria
Partner
Membership No.: 520078

Varun Jaipuria
Whole Time Director
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Kapil Agarwal
Chief Executive Officer and
Whole Time Director
DIN 02079161

Kamlesh Kumar Jain
Chief Financial Officer and
Whole Time Director
DIN 01822576

Ravi Batra
Chief Risk Officer and
Group Company Secretary
Membership No. F- 5746

Place: Gurugram
Dated: 20 February 2019

Statement of changes in equity for the year ended 31 December 2018

A Equity share capital

(₹ in million)

Particulars	Notes	Number of shares	Amount
Balance as at 01 January 2017		182,312,525	1,823.13
Changes in equity share capital during the year 2017	22	274,415	2.74
Balance as at 31 December 2017		**182,586,940**	**1,825.87**
Changes in equity share capital during the year 2018	22	55,000	0.55
Balance as at 31 December 2018		**182,641,940**	**1,826.42**

B Other Equity

(₹ in million)

Particulars	Note	Attributable to Owners of the Company											Non-controlling interests	Total
		Reserve and surplus								Share application money pending allotment	Exchange differences on translating the financial statements of foreign operations*	Total attributable to owners of the Company		
		Capital reserve on consolidation	Capital reserve	Debenture redemption reserve	Securities premium	Share option outstanding account	General reserve	Retained earnings	Foreign currency monetary item translation difference account (FCMITDA)					
Balance as at 01 January 2017	23	(1,533.21)	189.50	-	18,349.39	5.86	191.25	(2,007.59)	11.80	-	(94.18)	15,112.82	(129.06)	14,983.76
Profit for the year		-	-	-	-	-	-	2,101.54	-	-	-	2,101.54	39.05	2,140.59
Other comprehensive income for the year														
Re-measurement losses on defined benefit plans (Net of deferred taxes)		-	-	-	-	-	-	7.44	-	-	-	7.44	-	7.44
Exchange differences arising on translation of foreign operations (Net of deferred taxes)		-	-	-	-	-	-	-	-	-	(72.52)	(72.52)	-	(72.52)
Dividend paid**		-	-	-	-	-	-	(456.29)	-	-	-	(456.29)	-	(456.29)
Dividend distribution tax		-	-	-	-	-	-	(92.89)	-	-	-	(92.89)	-	(92.89)
Share application money received pending allotment		-	-	-	-	-	-	-	-	1.08	-	1.08	-	1.08
Transfer to debenture redemption reserve		-	-	159.17	-	-	-	(159.17)	-	-	-	-	-	-
Addition made in FCMITDA for the year		-	-	-	-	-	-	-	(26.41)	-	-	(26.41)	-	(26.41)
FCMITDA charged to Statement of Profit and Loss		-	-	-	-	-	-	-	(10.90)	-	-	(10.90)	-	(10.90)
Created on subsequent acquisition of 30% stake in a subsidiary from non-controlling interest		(746.57)	-	-	-	-	-	-	-	-	-	(746.57)	60.67	(685.90)
Adjustment on account of dilution of controlling interest in a subsidiary		-	-	-	-	-	-	12.84	-	-	-	12.84	15.02	27.86
Additions made pursuant to exercise of employee stock options		-	-	-	38.27	-	-	-	-	-	-	38.27	-	38.27
Transfer to security premium on exercise of employee stock options		-	-	-	4.56	(4.56)	-	-	-	-	-	-	-	-
Balance as at 31 December 2017		**(2,279.78)**	**189.50**	**159.17**	**18,392.22**	**1.30**	**191.25**	**(594.12)**	**(25.51)**	**1.08**	**(166.70)**	**15,868.41**	**(14.32)**	**15,854.09**

Statement of changes in equity for the year ended 31 December 2018

B **Other Equity [Cont'd]**

(₹ in million)

Particulars	Note	Attributable to Owners of the Company											Non-controlling interests	Total
		Reserve and surplus								Share application money pending allotment	Exchange differences on translating the financial statements of foreign operations*	Total attributable to owners of the Company		
		Capital reserve on consolidation	Capital reserve	Debenture redemption reserve	Securities premium	Share option outstanding account	General reserve	Retained earnings	Foreign currency monetary item translation difference account (FCMITDA)					
Balance as at 31 December 2017 [Cont'd]	**23**	**(2,279.78)**	**189.50**	**159.17**	**18,392.22**	**1.30**	**191.25**	**(594.12)**	**(25.51)**	**1.08**	**(166.70)**	**15,868.41**	**(14.32)**	**15,854.09**
Profit for the year		-	-	-	-	-	-	2,928.41	-	-	-	2,928.41	70.22	2,998.63
Other comprehensive income for the year														
Re-measurement losses on defined benefit plans (Net of deferred taxes)		-	-	-	-	-	-	(8.75)	-	-	-	(8.75)	-	(8.75)
Exchange differences arising on translation of foreign operations (Net of deferred taxes)		-	-	-	-	-	-	-	-	-	(179.82)	(179.82)	-	(179.82)
Dividend paid**		-	-	-	-	-	-	(456.58)	-	-	-	(456.58)	-	(456.58)
Dividend distribution tax		-	-	-	-	-	-	(54.71)	-	-	-	(54.71)	-	(54.71)
Share issued on exercise of employee stock options		-	-	-	-	-	-	-	-	(1.08)	-	(1.08)	-	(1.08)
Transfer to debenture redemption reserve		-	-	93.84	-	-	-	(93.84)	-	-	-	-	-	-
Transfer to general reserve on redemption of non-convertible debentures		-	-	(253.01)	-	-	253.01	-	-	-	-	-	-	-
Addition made in FCMITDA for the year		-	-	-	-	-	-	-	79.44	-	-	79.44	-	79.44
FCMITDA charged to Statement of Profit and Loss		-	-	-	-	-	-	-	(24.38)	-	-	(24.38)	-	(24.38)
Created on subsequent increase in minority interest		-	-	-	-	-	-	-	-	-	-	-	21.78	21.78
Additions made pursuant to exercise of employee stock options		-	-	-	7.68	-	-	-	-	-	-	7.68	-	7.68
Transfer to security premium on exercise of employee stock options		-	-	-	0.91	(0.91)	-	-	-	-	-	-	-	-
Balance as at 31 December 2018		**(2,279.78)**	**189.50**	**-**	**18,400.81**	**0.39**	**444.26**	**1,720.41**	**29.55**	**-**	**(346.52)**	**18,158.62**	**77.68**	**18,236.30**

*Exchange differences arising on translation of foreign operations
**Transaction with owners in their capacity as owners.

The accompanying notes are an integral part of the consolidated financial statements.
As per our report of even date attached

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Anupam Kumar
Partner
Membership No.: 501531

For **APAS & Co.**
Chartered Accountants
Firm's Registration No.: 000340C

Sumit Kathuria
Partner
Membership No.: 520078

For and on behalf of the Board of Directors of Varun Beverages Limited

Varun Jaipuria
Whole Time Director
DIN 02465412

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Kapil Agarwal
Chief Executive Officer and Whole Time Director
DIN 02079161

Kamlesh Kumar Jain
Chief Financial Officer and Whole Time Director
DIN 01822576

Ravi Batra
Chief Risk Officer and Group Company Secretary
Membership No. F- 5746

Place: Gurugram
Dated: 20 February 2019

4. Property, plant and equipment

(₹ in million)

	Land freehold	Land leasehold #	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Containers	Post-mix vending machines and refrigerators (Visi Cooler)	Total
Gross carrying amount											
Balance as at 01 January 2018	3,873.48	3,045.72	6,360.87	20,751.34	174.63	1,729.96	174.34	203.20	5,315.62	9,182.03	50,811.19
Additions for the year	333.77	235.99	1,781.13	2,569.02	33.57	121.07	53.06	35.48	856.94	1,145.30	7,165.33
Acquired on business acquisition during the year (Refer note 54A)	-	2.66	38.25	58.60	0.64	7.89	0.48	0.58	29.48	73.21	211.79
Transfer from assets classified as held for sale (Refer note 21)	345.41	0.02	25.46	-	-	-	-	-	-	-	370.89
Disposals for the year	-	-	(2.72)	(904.23)	(4.75)	(115.80)	(25.64)	(73.68)	(1,401.50)	(372.49)	(2,900.81)
Foreign exchange fluctuation for the year	(7.38)	(0.01)	(23.28)	3.19	0.12	4.95	(0.23)	0.93	(29.66)	(24.87)	(76.24)
Balance as at 31 December 2018	4,545.28	3,284.38	8,179.71	22,477.92	204.21	1,748.07	202.01	166.51	4,770.88	10,003.18	55,582.15
Depreciation and impairment											
Balance as at 01 January 2018	-	130.59	1,293.18	5,847.53	101.49	1,126.34	109.64	136.99	2,180.17	4,473.60	15,399.53
Depreciation charge for the year	-	40.23	265.24	1,338.51	13.04	174.34	23.98	31.87	820.31	1,100.04	3,807.56
Transfer from assets classified as held for sale (Refer note 21)	-	0.02	11.55	-	-	-	-	-	-	-	11.57
Reversal on disposal of assets for the year	-	-	-	(576.36)	(4.09)	(101.26)	(23.57)	(70.53)	(1,108.61)	(327.97)	(2,212.39)
Foreign exchange fluctuation for the year	-	-	(3.96)	1.76	(0.36)	2.98	(0.20)	0.93	(7.46)	(19.58)	(25.89)
Balance as at 31 December 2018	-	170.84	1,566.01	6,611.44	110.08	1,202.40	109.85	99.26	1,884.41	5,226.09	16,980.38
Carrying amount as at 31 December 2018	**4,545.28**	**3,113.54**	**6,613.70**	**15,866.48**	**94.13**	**545.67**	**92.16**	**67.25**	**2,886.47**	**4,777.09**	**38,601.77**

(₹ in million)

	Land freehold	Land leasehold #	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Containers	Post-mix vending machines and refrigerators (Visi Cooler)	Total
Gross carrying amount											
Balance as at 01 January 2017	4,296.89	2,530.77	5,448.68	18,351.65	158.22	1,693.44	158.01	179.71	5,064.54	8,999.80	46,881.71
Additions for the year	5.83	502.05	907.01	2,706.39	17.20	104.82	21.16	29.97	856.11	582.32	5,732.86
Acquired on business acquisition during the year (Refer note 54 C)	17.54	12.96	125.63	138.21	2.43	22.10	1.91	0.95	101.20	149.19	572.12
Assets classified as held for sale (Refer note 21)	(345.41)	(0.02)	(25.46)	(99.75)	-	-	-	-	-	-	(470.64)
Disposals for the year	-	(0.03)	(24.08)	(142.28)	(0.56)	(31.93)	(3.94)	(5.30)	(502.02)	(434.03)	(1,144.17)
Transfer/ adjustment	(42.94)	-	-	-	-	-	-	-	-	-	(42.94)
Adjustment on account of cessation of a subsidiary (Refer note 54 E)	(39.08)	-	(35.50)	(130.68)	(1.82)	(46.72)	(2.32)	(1.12)	(141.47)	(67.13)	(465.84)
Foreign exchange fluctuation for the year	(19.35)	(0.01)	(35.41)	(72.20)	(0.84)	(11.75)	(0.48)	(1.01)	(62.74)	(48.12)	(251.91)
Balance as at 31 December 2017	3,873.48	3,045.72	6,360.87	20,751.34	174.63	1,729.96	174.34	203.20	5,315.62	9,182.03	50,811.19

4. Property, plant and equipment [Cont'd]

(₹ in million)

	Land freehold	Land leasehold #	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Containers	Post-mix vending machines and refrigerators (Visi Cooler)	Total
Depreciation and impairment											
Balance as at 01 January 2017	-	95.27	1,137.52	4,882.18	90.86	1,026.19	94.46	113.80	1,991.35	3,891.59	13,323.22
Depreciation charge for the year	-	35.34	204.79	1,157.38	12.75	168.91	18.78	29.16	738.02	1,047.33	3,412.46
Assets classified as held for sale (Refer note 21)	-	(0.02)	(11.55)	(13.70)	-	-	-	-	-	-	(25.27)
Reversal on disposal of assets for the year	-	-	(0.99)	(76.16)	(0.34)	(23.53)	(2.53)	(3.43)	(408.39)	(408.19)	(923.56)
Adjustment on account of cessation of a subsidiary (Refer note 54 E)	-	-	(32.94)	(92.08)	(1.12)	(38.94)	(0.79)	(1.69)	(108.99)	(30.60)	(307.15)
Foreign exchange fluctuation for the year	-	-	(3.65)	(10.09)	(0.66)	(6.29)	(0.28)	(0.85)	(31.82)	(26.53)	(80.17)
Balance as at 31 December 2017	-	130.59	1,293.18	5,847.53	101.49	1,126.34	109.64	136.99	2,180.17	4,473.60	15,399.53
Carrying amount as at 31 December 2017	**3,873.48**	**2,915.13**	**5,067.69**	**14,903.81**	**73.14**	**603.62**	**64.70**	**66.21**	**3,135.45**	**4,708.43**	**35,411.66**

#The Holding Company had acquired leasehold lands at Pathankot, Sonarpur and Sangli amounting to ₹ 200.15 (Previous year: ₹ 197.10 for Pathankot) which is yet to be registered in the name of the Holding Company.

i. Asset under construction/ Capital work in progress

Capital work-in-progress as at 31 December 2018 comprises capital expenditure mainly for the set up of new plant at Pathankot (Punjab).

(₹ in million)

Net Book Value	31 December 2018	31 December 2017
Capital Work-in-progress	3,523.57	1,454.38
Total	**3,523.57**	**1,454.38**

ii. Refer note 60 for information on property, plant and equipment pledged as security by the Group.

4. Property, plant and equipment [Cont'd]

iii. The above schedule includes assets taken on finance lease in one of the subsidiaries, details of which are as under:

(₹ in million)

	Plant & equipment	Vehicles	Post-mix vending machines and refrigerators (Visi Cooler)	Total
Gross carrying amount				
Balance as at 01 January 2018	12.96	223.61	55.18	291.75
Addition for the year	-	-	-	-
Foreign exchange fluctuation for the year	0.81	13.97	3.45	18.23
Balance as at 31 December 2018	13.77	237.58	58.63	309.98
Depreciation and impairment				
Balance as at 01 January 2018	4.29	172.19	26.33	202.81
Depreciation for the year	0.69	24.29	5.87	30.85
Foreign exchange fluctuation for the year	0.27	10.71	1.63	12.61
Balance as at 31 December 2018	5.25	207.19	33.83	246.27
Carrying amount as at 31 December 2018	**8.52**	**30.39**	**24.80**	**63.71**
Gross carrying amount				
Balance as at 01 January 2017	12.72	219.49	54.16	286.37
Addition for the year	-	-	-	-
Foreign exchange fluctuation for the year	0.24	4.12	1.02	5.38
Balance as at 31 December 2017	12.96	223.61	55.18	291.75
Depreciation and impairment				
Balance as at 01 January 2017	3.58	142.04	20.43	166.05
Depreciation for the year	0.63	26.72	5.37	32.72
Foreign exchange fluctuation for the year	0.08	3.43	0.53	4.04
Balance as at 31 December 2017	4.29	172.19	26.33	202.81
Carrying amount as at 31 December 2017	**8.67**	**51.42**	**28.85**	**88.94**

iv. Pre-operative expenses incurred and capitalised during the year are as under:

(₹ in million)

Net Book Value	31 December 2018	31 December 2017
Balance at the beginning of the year	197.96	100.51
Add: Incurred during the year		
Net loss/(gain) on foreign currency transactions	13.40	(7.49)
Finance costs	89.58	51.56
Other expenses	281.85	180.60
Less: Capitalised during the year	433.49	127.22
Amount carried over	**149.30**	**197.96**

v. The amount of contractual commitments for the acquisitions of property, plant and equipment are disclosed in Note 47.

5. Goodwill

(₹ in million)	Amount
Gross carrying amount	
Balance as at 01 January 2018	19.40
Acquired during the year	-
Balance as at 31 December 2018	19.40
Amortisation and impairment	
Balance as at 01 January 2018	-
Amortisation charge for the year	-
Balance as at 31 December 2018	-
Carrying amount as at 31 December 2018	**19.40**

(₹ in million)	Amount
Gross carrying amount	
Balance as at 01 January 2017	-
Acquired on business acquisition during the year (Refer note 54 C)	19.40
Balance as at 31 December 2017	19.40
Amortisation and impairment	
Balance as at 01 January 2017	-
Amortisation charge for the year	-
Balance as at 31 December 2017	-
Carrying amount as at 31 December 2017	**19.40**

6. Other intangible assets

(₹ in million)

	Market infrastructure	Distribution network	Franchise rights/ trademarks	Computer software	Total
Gross carrying amount					
Balance as at 01 January 2018	345.50	-	4,946.45	222.88	5,514.83
Additions for the year	23.05	157.64	287.50	23.14	491.33
Disposals for the year	(317.90)	-	-	(17.97)	(335.87)
Acquired on business acquisition during the year (Refer note 54A)	-	-	424.73	-	424.73
Foreign exchange fluctuation for the year	22.88	-	(0.07)	(2.94)	19.87
Balance as at 31 December 2018	73.53	157.64	5,658.61	225.11	6,114.89
Amortisation and impairment					
Balance as at 01 January 2018	328.17	-	657.22	155.29	1,140.68
Amortisation charge for the year	10.00	1.08	0.04	32.02	43.14
Reversal on disposal of assets for the year	(317.90)	-	-	(17.93)	(335.83)
Foreign exchange fluctuation for the year	21.13	-	(0.03)	(2.77)	18.33
Balance as at 31 December 2018	41.40	1.08	657.23	166.61	866.32
Carrying amount as at 31 December 2018	**32.13**	**156.56**	**5,001.38**	**58.50**	**5,248.57**

(₹ in million)

	Market infrastructure	Distribution network	Franchise rights/ trademarks	Computer software	Total
Gross carrying amount					
Balance as at 01 January 2017	333.44	-	4,142.24	231.90	4,707.58
Additions for the year	5.64	-	-	22.42	28.06
Disposals for the year	-	-	-	(29.83)	(29.83)
Acquired on business acquisition during the year (Refer note 54 C)	-	-	804.27	-	804.27
Adjustment on account of cessation of a subsidiary (Refer note 54 E)	-	-	-	(1.47)	(1.47)
Foreign exchange fluctuation for the year	6.42	-	(0.06)	(0.14)	6.22
Balance as at 31 December 2017	345.50	-	4,946.45	222.88	5,514.83
Amortisation and impairment					
Balance as at 01 January 2017	303.09	-	657.20	150.83	1,111.12
Amortisation charge for the year	18.85	-	0.04	35.06	53.95
Reversal on disposal of assets for the year	-	-	-	(29.31)	(29.31)
Adjustment on account of cessation of a subsidiary (Refer note 54 E)	-	-	-	(1.16)	(1.16)
Foreign exchange fluctuation for the year	6.23	-	(0.02)	(0.13)	6.08
Balance as at 31 December 2017	328.17	-	657.22	155.29	1,140.68
Carrying amount as at 31 December 2017	**17.33**	**-**	**4,289.23**	**67.59**	**4,374.15**

6. Other intangible assets [Cont'd]
Footnotes to Note 5 and 6:

The Group has considered the related provisions of Ind AS 38 on 'Intangibles Assets' which permit certain intangible assets to have an indefinite life and accordingly the carrying value of these franchisee rights have been considered to have an indefinite life. These franchisee rights meet the prescribed criteria of renewal at nominal cost, renewal at no specific conditions attached and is supported by evidences of being renewed. Management is of the opinion that, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the franchisee rights are expected to generate net cash inflows for the Group.

Goodwill and franchise rights with indefinite useful lives are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

The assumptions used in this impairment assessment are most sensitive to following:
a) Weighted average cost of capital "WACC" of 13.82%.
b) For arriving at the terminal value, approximate growth rate of 5% is considered.
c) Number of years for which cash flows were considered are 5 years.
No impairment loss was identified on the above assessment.

The amount of contractual commitments for the acquisitions of intangible assets are disclosed in Note 47.

7. Investments in associates

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Investment in equity shares in associates (at cost, unquoted)		
35,474 (31 December 2017: 35,474) fully paid equity shares of ₹ 10 each in Angelica Technologies Private Limited	12.56	12.56
Add: Share in profit	99.87	69.67
	112.43	**82.23**
Aggregate amount of unquoted investments	**112.43**	**82.23**
The above investment is for business purposes		

The Holding Company has 47.30% interest in Angelica Technologies Private Limited, which in turn holds 74% ownership stake in Lunarmech Technologies Private Limited. The interest in Angelica Technologies Private Limited is accounted for using the equity method and the following is its summarised financial information:

(₹ in million)

	Year ended 31 December 2018	Year ended 31 December 2017
Profit for the year (Refer note 63)	30.20	13.50
Add/(less): Other comprehensive income	-	-
Total comprehensive income	30.20	13.50

8. Investments

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Fair value through Profit or Loss		
Investment in equity shares (unquoted)		
Nil equity quota (31 December 2017: 10% equity quota) in Varun Beverages Mozambique Limitada (Refer note 54 E)	-	0.03
200 (31 December 2017: 200) shares of ₹ 50 each in The Margao Urban Co-operative Bank Limited	0.01	0.01
250 (31 December 2017: 250) shares of ₹ 10 each in The Goa Urban Co-operative Bank Limited**	0.00	0.00
	0.01	0.04

**Rounded off to Nil.

Aggregate amount of unquoted investments	0.01	0.04

9. Loans

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Loans carried at amortised cost		
Security deposits	200.92	193.16
	200.92	193.16

10. Other non-current financial assets

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Financial assets at amortised cost		
Balance in deposit accounts with more than 12 months maturity#	8.34	8.96
	8.34	8.96

Pledged as security with electricity department/banks.

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11. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

(₹ in million)

Deferred tax liabilities/(assets)	As at 01 January 2018	Recognised in other equity	Recognised in other comprehensive income	Recognised in Statement of Profit and Loss	As at 31 December 2018
Accelerated depreciation for tax purposes	3,309.92	-	-	280.64	3,590.56
Benefit accrued on government grants	244.08	-	-	28.54	272.62
Minimum alternate tax (MAT) credit*	(1,407.94)	-	-	360.20	(1,047.74)
Carry forward of unused tax losses	(49.37)	-	-	(26.79)	(76.16)
Allowance for doubtful debts	(99.00)	-	-	(52.90)	(151.90)
Provision for bonus	(16.38)	-	-	(2.27)	(18.65)
Foreign currency monetary item translation difference account	21.19	-	-	(40.57)	(19.38)
Provision for retirement benefits	(290.35)	-	(7.78)	(94.84)	(392.97)
Fair valuation of financial instruments	(230.72)	-	-	36.39	(194.33)
Borrowings	(0.40)	-	-	0.24	(0.16)
Others	(9.56)	-	-	(80.38)	(89.94)
Exchange differences arising on translation of foreign operations	(50.00)	-	(54.62)	-	(104.62)
Liabilities acquired under business combination (refer note 54A)	-	-	-	-	(11.20)
Foreign currency loss on restatement of balances in subsidiary	-	-	-	(168.47)	(168.47)
	1,421.47	**-**	**(62.40)**	**239.79**	**1,587.66**
Exchange difference on re-statement of deferred tax balances	**-**	**-**	**-**	**(8.88)**	**-**
	1,421.47	**-**	**(62.40)**	**230.91**	**1,587.66**

(₹ in million)

Deferred tax liabilities/ (assets)	As at 01 January 2017	Recognised in other equity	Recognised in other comprehensive income	Recognised in Statement of Profit and Loss	As at 31 December 2017
Accelerated depreciation for tax purposes	2,830.38	-	-	479.54	3,309.92
Benefit accrued on government grants	111.98	-	-	132.10	244.08
Minimum alternate tax (MAT) credit*	(1,029.34)	-	-	(378.60)	(1,407.94)
Carry forward of unused tax losses	(59.60)	-	-	10.23	(49.37)
Allowance for doubtful debts	(67.37)	-	-	(31.63)	(99.00)
Provision for bonus	(14.41)	-	-	(1.97)	(16.38)
Foreign currency monetary item translation difference account	(66.94)	-	-	88.13	21.19
Provision for retirement benefits	(238.22)	-	3.39	(55.52)	(290.35)
Fair valuation of financial instruments	(157.85)	-	-	(72.87)	(230.72)
Borrowings	(0.14)	-	-	(0.26)	(0.40)
Others	(62.20)	-	-	52.64	(9.56)
Exchange differences arising on translation of foreign operations	(28.25)	-	(21.75)	-	(50.00)
	1,218.04	**-**	**(18.36)**	**221.79**	**1,421.47**
Exchange difference on re-statement of deferred tax balances	**-**	**-**	**-**	**(2.29)**	
	1,218.04	**-**	**(18.36)**	**219.50**	**1,421.47**

*MAT credit (recognised in Holding Company):

(₹ in million)

	Recognized	Utilised
31 December 2018	-	360.20
31 December 2017	378.60	-

MAT credit recognised in a year adjustable against income taxes payable under normal tax provisions over a period of 15 years.

MAT credit recognised on balance sheet date is accumulation of credit recognised (net of utilisation) as per below table:

(₹ in million)

Financial year	Credit available for carry forward (net of utilisation)	Expiry date
2015-16	444.36	31 March 2031
2016-17	385.62	31 March 2032
2017-18	217.76	31 March 2033
Total	**1,047.74**	

Notes:

(i) The above net deferred tax is after setting off deferred tax assets aggregating ₹ 334.00 (31 December 2017: ₹ 80.04) in respect of certain subsidiary companies.

(ii) The amounts recognised in other comprehensive income relates to the re-measurement of net defined retirement benefit liability and exchange differences arising on translation of foreign operations. Refer note 40 for the amount of the income tax relating to these components of other comprehensive income.

12. Other non-current assets

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
(Unsecured, considered good)		
Capital advances	918.61	1,344.94
Less: Allowance for expected credit loss on advances	301.76	100.94
	616.85	1,244.00
Advances other than capital advances		
- Security deposits	4.58	15.05
- Income tax paid (includes amount paid under protest)	171.08	217.01
- Balance with statutory authorities (paid under protest)	34.41	21.09
- Prepaid expenses	30.68	28.70
	857.60	**1,525.85**

13. Inventories

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
(valued at lower of cost or net realisable value)		
Raw materials (including raw material in transit of ₹ 332.19 (31 December 2017: ₹ 39.06)	2,595.55	1,788.54
Work in progress	76.59	72.73
Intermediate goods	1,269.79	1,098.34
Finished goods (including goods in transit of ₹ 70.06 (31 December 2017: ₹ 9.82))*	807.49	648.25
Stores and spares	1,034.55	781.08
	5,783.97	**4,388.94**

* Net of exchange fluctuation impact in one of the subsidiaries of Group in 31 December 2018.

The Group manufactures as well as purchases the same product from market for sale. In the absence of demarcation between manufactured and purchased goods, which are not significant, stock in trade values are not separately ascertainable.

The cost of inventories recognised as an expense during the year is disclosed in Note 33, Note 34 and Note 35.

14. Trade receivables

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Trade receivables considered good - Unsecured	1,041.84	1,154.04
Trade receivables considered good - Secured	52.15	55.80
Trade receivables - Credit impaired	538.45	591.81
	1,632.44	**1,801.65**
Less : Allowance for expected credit losses	352.19	299.20
	1,280.25	**1,502.45**

Includes amounts due, in the ordinary course of business, from companies in which directors of the Holding Company are also directors:		
i. Devyani Food Street Private Limited	-	0.01
ii. Alisha Retail Private Limited	3.29	-
iii. Alisha Torrent Closures Private Limited	0.89	-

Trade receivables are non-interest bearing and credit period generally falls in the range of 0 to 120 days terms.

15. Cash and cash equivalents
(also for the purpose of Cash Flow Statement)

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Balance with banks in current accounts	383.75	553.09
Cheques/drafts on hand	4.77	78.66
Cash on hand	40.84	17.71
	429.36	**649.46**

16. Bank balances other than cash and cash equivalents

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Deposits with original maturity more than 3 months but less than 12 months *	140.55	295.08
Deposits with bank held as margin money	364.24	-
Unpaid dividend account**	0.65	0.06
	505.44	**295.14**

*Pledged as security with statutory authorities/banks

**These balances are not available for use by the Group and corresponding balance is disclosed as unclaimed dividend in note 28.

17. Loans

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Loans carried at amortised cost		
Security deposits	15.53	0.26
	15.53	**0.26**

18. Other current financial assets

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
(Unsecured, considered good)		
Interest accrued on:		
- Term deposits	4.37	6.74
- Others	11.28	6.74
Government grant receivable	1,143.92	781.53
Claims receivable	203.57	77.45
Other receivables	41.64	59.94
	1,404.78	**932.40**

19. Current tax assets (Net)

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Advance tax (Net of provision)	4.10	0.13
	4.10	**0.13**

20. Other current assets

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
(Unsecured, considered good)		
Security deposits	8.32	7.93
Other advances:		
- Employees	64.67	87.18
- Contractors and suppliers	873.20	728.10
- Prepaid expenses	87.89	69.83
- Balance with statutory/government authorities	822.79	447.56
- Other advances	127.17	191.88
	1,984.04	**1,532.48**

21. Assets classified as held for sale

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Property, plant and equipment		
Land*	-	345.41
Buildings*	-	13.91
Plant and equipment**	-	25.63
	-	**384.95**

* In June 2017, in view of set-up of new production unit at Goa, the Holding Company decided to sell certain land and building situated at Goa which was originally acquired with acquisition of Goa territory and land situated at Gonda (Uttar Pradesh).
During the year ended on 31 December 2018, these assets have been re-classified back to Property, Plant and Equipment on account of conditions mentioned in Ind AS 105. Given the nature of assets, such reclassification or change in plan has no effect on result of operations for this year or prior period.

** The plant and equipment has been disposed off to one of the subsidiaries during the year ended 31 December 2018. The gain on sale of plant and equipment was recognised in the Statement of Profit and Loss under the head 'Other Income' during the year.

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22. Equity share capital

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Authorised share capital:		
500,000,000 (31 December 2017: 500,000,000) equity shares of ₹ 10 each	5,000.00	5,000.00
	5,000.00	**5,000.00**
Issued, subscribed and fully paid up:		
182,641,940 (31 December 2017: 182,586,940) equity shares of ₹ 10 each	1,826.42	1,825.87
	1,826.42	**1,825.87**

a) Reconciliation of share capital

Particulars	No. of shares	Amount
Balance as at 01 January 2018	182,586,940	1,825.87
Add: Shares issued on exercise of employee stock options during the year ended	55,000	0.55
Balance as at 31 December 2018	**182,641,940**	**1,826.42**

Particulars	No. of shares	Amount
Balance as at 01 January 2017	182,312,525	1,823.13
Add: Shares issued on exercise of employee stock options during the year ended	274,415	2.74
Balance as at 31 December 2017	**182,586,940**	**1,825.87**

b) Terms/rights attached to shares

The Holding company has only one class of equity shares having a par value of ₹ 10 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Holding company, holders of equity shares will be entitled to receive any of the remaining assets of the Holding company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

c) List of shareholders holding more than 5% of the equity share capital of the Holding Company at the beginning and at the end of the year :

Shareholders as at 31 December 2018	No. of shares	%
R J Corp Limited	55,822,345	30.56%
Ravi Kant Jaipuria & Sons (HUF)	39,187,870	21.46%
Mr. Varun Jaipuria	39,175,500	21.45%

Shareholders as at 31 December 2017	No. of shares	%
R J Corp Limited	55,822,345	30.57%
Ravi Kant Jaipuria & Sons (HUF)	39,187,870	21.46%
Mr. Varun Jaipuria	39,175,500	21.46%

As per records of the Holding Company, including its register of shareholders/members and other declaration received from the shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

d) Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

During the year 2013, the Holding company issued 26,752,733 equity shares of ₹ 10 each for a consideration other than cash. The Holding company cancelled 7,999,500 equity shares of ₹ 10 each pursuant to the scheme of amalgamation of Varun Beverages (International) Limited with Varun Beverages Limited approved by Hon'ble High Court of Delhi on 12 March 2013. Also, 107,012,932 equity shares of ₹ 10 each have been issued in the ratio of 4:1 as bonus shares during the year 2013.

e) Shares reserved for issue under options

Under Employee Stock Option Scheme, 2013:

	As at 31 December 2018	As at 31 December 2017
No. of equity shares of ₹ 10 each at an exercise price of ₹ 149.51 per share		
Options outstanding at the beginning of the year	78,285	352,700
Less: Shares issued on exercise of employee stock options	55,000	274,415
	23,285	78,285

Also refer note 56.

22. Equity share capital [Cont'd]

f) Shares held by holding/ ultimate holding company

Out of equity shares issued by the Company, shares held by its holding company/ ultimate holding company are as below:

	As at 31 December 2018	As at 31 December 2017
RJ Corp Limited, Parent company 55,822,345 (31 December 2017: 55,822,345) fully paid equity shares of ₹ 10 each	558.22	558.22
Ravi Kant Jaipuria & Sons (HUF), Ultimate Parent 39,187,870 (31 December 2017: 39,187,870) fully paid equity shares of ₹ 10 each	391.88	391.88
	950.10	**950.10**

g) Preference share capital

The Holding Company also has authorised preference share capital of 50,000,000 (31 December 2017: 50,000,000) preference shares of ₹ 100 each. The Holding Company does not have any outstanding issued preference shares.

23. Other equity

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Capital reserve on consolidation		
Balance at the beginning of the year	(2,279.78)	(1,533.21)
Add: Subsequent acquisition of 30% non-controlling interest in a subsidiary (Refer note 54 D)	-	(746.57)
Balance at the end of the year	**(2,279.78)**	**(2,279.78)**
Capital reserve		
Balance at the beginning of the year	189.50	189.50
Add: Transferred during the year	-	-
Balance at the end of the year	**189.50**	**189.50**
General reserve		
Balance at the beginning of the year	191.25	191.25
Add: Transfer from debenture redemption reserve	253.01	-
Balance at the end of the year	**444.26**	**191.25**
Debenture redemption reserve		
Balance at the beginning of the year	159.17	-
Add: Additions made during the year	93.84	159.17
Less: Transfer to general reserve	253.01	-
Balance at the end of the year	**-**	**159.17**
Securities premium		
Balance at the beginning of the year	18,392.22	18,349.39
Add: Additions made pursuant to exercise of employee stock options	8.59	42.83
Balance at the end of the year	**18,400.81**	**18,392.22**
Retained earnings		
Balance at the beginning of the year	(594.12)	(2,007.59)
Less: Dividend paid (Refer note 45)	456.58	456.29
Less: Dividend distribution tax (Refer note 45)	54.71	92.89
Less: Transfer to debenture redemption reserve	93.84	159.17
Add: Profit for the year	2,928.41	2,101.54
Less : Adjustment on account of dilution of controlling interest in subsidy	-	(12.84)
	1,729.16	**(601.56)**
Add: Items of other comprehensive income ("OCI") recognised directly in retained earnings:		
Remeasurement of post-employment benefit obligation, net of tax*	(8.75)	7.44
Balance at the end of the year	**1,720.41**	**(594.12)**

*The disaggregation of changes in OCI by each type of reserves in equity is disclosed in Note 40.

23. Other equity [Cont'd]

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Share option outstanding account		
Balance at the beginning of the year	1.30	5.86
Add: Change during the year	(0.91)	(4.56)
Balance at the end of the year	**0.39**	**1.30**
Exchange differences on translating the financial statements of foreign operations		
Balance at the beginning of the year	(166.70)	(94.18)
Add: Exchange differences arising on translation of foreign operations (Net of deferred tax of ₹ 54.62 (31 December 2017: ₹ 21.75))	(179.82)	(72.52)
Balance at the end of the year	**(346.52)**	**(166.70)**
Share application money pending allotment		
Balance at the beginning of the year	1.08	-
Add: Change during the year	(1.08)	1.08
Balance at the end of the year	**-**	**1.08**
Foreign currency monetary item translation difference account		
Balance at the beginning of the year	(25.51)	11.80
Add: Additions made during the year	79.44	(26.41)
Less: Amortised during the year	24.38	10.90
Balance at the end of the year	**29.55**	**(25.51)**
	18,158.62	**15,868.41**

Description of nature and purpose of each reserve:

Capital reserve on consolidation - Created on additional consideration paid in form of cash on business combinations involving entities including businesses/entities under common control.

Capital reserve - Created on merger of Varun Beverages International Limited with the Holding Company pursuant to and in accordance with the Court approved scheme of amalgamation, prior to the transition date.

General reserve - Created by way of transfer from debenture redemption reserve on redemption of debentures and is not an item of other comprehensive income.

Debenture redemption reserve - Created as per provisions of the Act (as applicable to Holding Company) out of the distributable profits and can only be utilised for redemption of debentures.

Securities premium - Created to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.

Retained earnings - Created from the profit / loss of the Group, as adjusted for distributions to owners, transfers to other reserves, etc.

Exchange differences on translating the financial statements of foreign operations - Exchange differences arising on translation of the foreign operations of the Group, recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within other equity. The cumulative amount is reclassified to statement of profit or loss when the net investment is disposed.

Share option outstanding account - Created for recording the grant date fair value of options issued to employees under employee stock option schemes and is adjusted on exercise/ forfeiture of options.

Foreign currency monetary item translation difference account - Created for recording exchange differences arising on restatement of long term foreign currency monetary items, other than for acquisition of fixed assets, and is being amortised over the maturity period of such monetary items.

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24. Borrowings (Also refer note 59)

A. Non-current borrowings*:

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Debentures		
- Non-convertible debentures (secured) (Refer footnote (a))	-	2,990.50
Term loans (secured) (Refer note 24C)		
- Loans from banks	19,104.95	12,597.33
- Loans from financial institutions	626.76	339.02
- Loans from others	4.88	16.89
Deferred value added tax/excise (unsecured) (Refer note 24C)	64.10	588.53
Deferred payment liabilities (secured) (Refer Note 24D)	-	381.41
	19,800.69	**16,913.68**

Loans and borrowing above are recognised at amortised cost/ fair value taking into account any discount or premium on acquisition and fee or costs that are part of effective interest rate, accordingly the outstanding balances above may not necessarily agree with repayment amounts.

a) Terms and conditions of issue and redemption of Non-convertible debentures (NCDs) to Kotak Mahindra Bank Limited and RBL Bank Limited are as under:

During the year ended 31 December 2017, the Holding Company had issued 1,500 NCDs each to Kotak Mahindra Bank Limited and RBL Bank Limited. The NCDs were repaid during the year. There were no NCDs outstanding as at 31 December 2018 and details of NCDs as at 31 December 2017 are as under:

No. of debentures	Date of issue	Face value (₹)
3,000	23 March 2017	1,000,000

The Rated Secured Listed Redeemable Rupee Denominated NCDs (3000) were redeemable at par in 5 years and 4 months from the deemed date of allotment and carried a coupon rate of 7.70% per annum. The NCDs were redeemable 10%, 25%, 30% and 35% at 30 June 2019, 2020, 2021 and 2022 respectively unless redeemed earlier at the option of holder. During the year ended on 31 December 2018, the holders of NCDs exercised the option of early redemption and these were redeemed. These NCDs were secured by way of first pari-passu charge on the moveable and immoveable fixed assets of the Holding company providing a security cover of 1.30 times.

(₹ in million)

Details of utilisation	31 December 2018	31 December 2017
Gross proceeds received	-	3,000
Amount utilised till end of the year	-	3,000
Unutilised amount at the end of the year	**-**	**-**

The Audit Committee and Board of Directors of the Holding company noted the utilisation of the proceeds of NCDs for the year ended 31 December 2017, which was in line with utilisation schedule approved by the Board of Directors.

24. Borrowings [Cont'd]

B. Current borrowings*:

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Working capital facilities		
-from banks (secured) (Refer footnote (a))	3,068.52	3,120.18
-from a bank (unsecured) (Refer footnote (b))	500.00	-
-from bodies corporate (unsecured) (Refer footnote (d))	117.15	128.45
Letter of credit (LC) payable to a bank (unsecured) (Refer footnote (c))	48.61	-
Loans repayable on demand from:		
- bodies corporate (unsecured) (Refer footnote (d))	41.57	278.06
- others (unsecured) (Refer footnote (d))	0.70	6.96
	3,776.55	**3,533.65**

a) In case of the Holding Company, the working capital facilities from banks amounting to ₹ 2,640.14 (31 December 2017 : ₹ 1,925.88) are secured by first charge on entire current assets of the Holding Company ranking pari passu amongst the banks and second charge on the movable and immovable assets of the Holding Company pertaining to specific manufacturing units. One facility is secured by subservient charge over entire current assets and movable fixed assets (both present and future) of the Holding Company. These facilities carries interest rates ranging between 8.50 to 9.70% (31 December 2017: 8.50 to 9.70%). Working capital facilities in case of subsidiaries amounting to ₹ 428.38 (31 December 2017: ₹ 1,194.30), are secured mainly by charge on trade receivables, inventories and other current assets of the respective subsidiary company, ranking pari passu and charge on certain movable and immovable assets of the respective subsidiary. Some of the facilities of subsidiaries are guaranteed by respective subsidiary company, as per the terms of respective agreements. The working capital facilities carries interest rates ranging between 5.50% to 15.40% (31 December 2017: 5.27% to 14.07%).

b) Working capital facility from a bank is secured by first charge on entire current assets of Holding Company ranking pari-passu amongst the banks. This facility carries interest rates ranging between 8.55 to 8.60% (31 December 2017: Nil)

c) LC payable to a bank carries rate of interest of 8.65 % for 120 days.
d) These loans are interest free.

* The Group has complied with all the loan covenants of non-current and current borrowings. There is no default in repayment of principal borrowing or interest thereon. (Refer note 59)

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24C. Terms and conditions/details of securities for loans:

(₹ in million)

Particulars	Loan outstanding			
	31 December 2018		31 December 2017	
	Non-current	Current	Non-current	Current
Term loans				
Loans from banks (secured)				
(i) Foreign currency loan from banks in Holding Company				
Loan carried rate of interest of Nil (31 December 2017: LIBOR+1.40%) and was repayable in two equal instalments of USD 2.5 million each in May 2018 and August 2018. The Company separately executed contracts for cross currency interest plus rate swap on aforesaid loan and interest there on. The loan was repaid during the year.	-	-	-	319.63
Loan carrying rate of interest of LIBOR+1.60% (31 December 2017: Nil) and is repayable in two equal instalments of SGD 16.56 million each in May 2021 and May 2022. The Company has entered into cross currency swap to hedge total loan of SGD 33.13 million to USD 25 million and interest rate swap to hedge its exposure. Both the above loans is secured on first pari-passu charge on the entire movable and immovable property, plant and equipment of the Company including the territory/franchisee rights acquired under the acquisition under slump sale basis except vehicles.	1,686.78	-	-	-
ii) Indian rupee loan from banks				
Loans carrying weighted average rate of interest 8.77% (31 December 2017: 8.29%) depending upon tenure of the loans. For repayment terms refer note 24E. These loan are secured on first pari-passu charge on the entire movable and immovable property, plant and equipment of the Company including the territory /franchisee rights acquired under the business acquisition except vehicles.	16,028.61	3,332.66	11,824.36	1,896.21
iii) Vehicle rupee term loan in Holding Company				
Loans carrying rate of interest in range of 7.90-10.33% (31 December 2017: 7.90-10.33%). They are repayable generally over a period of three to five years in equal monthly instalments as per the terms of the respective agreements. Vehicle loans are secured against respective asset financed.	16.96	44.27	62.21	57.39
iv) Term Loan at Varun Beverages (Zimbabwe) (Private) Limited				
Loans of Varun Beverages (Zimbabwe) (Private) Limited, carry rate of interest of 5.50% to 7% (31 December 2017: 4% to 7%). For repayment terms refer note 24E. One of these loans is secured by charge on subsidiary company's land and other loan is secured by corporate guarantee of the Holding Company.	626.18	281.96	708.41	130.04
Loans of Varun Beverages (Zimbabwe) (Private) Limited, carry rate of interest of LIBOR + 3.00% (31 December 2017:Nil) For repayment terms refer note 24E. One of these loans is secured by corporate guarantee of the Holding Company.	613.15	222.97	-	-

24C. Terms and conditions/details of securities for loans [Cont'd]

(₹ in million)

Particulars	Loan outstanding			
	31 December 2018		31 December 2017	
	Non-current	Current	Non-current	Current
v) Term Loan at Varun Beverages Lanka (Private) Limited				
Loans from banks at Varun Beverages Lanka (Private) Limited carry rate of interest of 13% (31 December 2017: 13%) For repayment terms refer note 24E. These vehicle loans are secured by charge over respective vehicles financed.	1.01	0.61	2.35	-
vi) Term Loan at Varun Beverages Nepal (Private) Limited				
Loans from banks at Varun Beverages Nepal (Private) Limited carry rate of interest of 9.39% (31 December 2017: Nil) For repayment terms refer note 24E. These term loans are secured by mortgage of moveable and immovable assets & current assets of the subsidiary company and corporate guarantee of the Holding Company.	132.26	117.08	-	-
Total loans from banks (secured)	**19,104.95**	**3,999.55**	**12,597.33**	**2,403.27**
Loans from financial institutions (secured)				
Loan carried rate of interest of Nil (31 December 2017: 9.75%). The amount repayable in June 2018: ₹ 200, July 2018: ₹ 200 and June 2019: ₹ 150. The loan was repaid during the year. This loan was secured on first pari-passu charge on the entire movable and immovable property, plant and equipment of the Holding Company including the territory /franchisee rights acquired under the business acquisition.	-	-	149.19	400.00
Interest free loan from The Pradeshiya Industrial & Investment Corporation of U.P. Limited are repayable in one instalment after expiry of seven years from the date of disbursement. Loan is secured against bank guarantee equivalent to 100% of loan amount valid upto the repayment date of loan plus six months grace period. The loans are recognised at amortised cost basis using weighted average rate of borrowing on date of receipt, i.e., 8.52%-9.72%. The repayments are due as following:	326.25	-	187.43	-

Date of repayment	**Amount**
25 December 2023	96.02
30 November 2024	109.14
01 November 2025	121.09

24C. Terms and conditions/details of securities for loans [Cont'd]

(₹ in million)

Particulars	Loan outstanding			
	31 December 2018		31 December 2017	
	Non-current	Current	Non-current	Current
Interest free loan from The Director of Industries and Commerce, Haryana are repayable in one instalment after expiry of five years from the date of disbursement. Loan is secured against bank guarantee equivalent to 100% of loan amount valid upto the repayment date of loan plus six months grace period. The loans are recognised at amortised cost basis using weighted average rate of borrowing on date of receipt, i.e., 8.33%-8.52%. The repayments are due as following: **Date of repayment — Amount** 16 January 2023 — 66.98 30 March 2023 — 63.76 07 June 2023 — 120.45 25 October 2023 — 49.32	300.51	-	-	-
Loans of Varun Beverages Lanka (Private) Limited carried rate of interest of Nil (31 December 2017: 14% to 14.50%). The loan was repaid during the year. These term loans were secured by mortgage over respective vehicles financed and machinery spares.	-	-	2.40	5.71
Total loans from financial institutions (secured)	**626.76**	**-**	**339.02**	**405.71**
Loans from others (secured)				
These are repayable generally over a period of one to two years as per the terms of the respective agreements. These loans are secured against respective asset financed.	4.88	13.07	16.89	24.06
Total loans from others (secured)	**4.88**	**13.07**	**16.89**	**24.06**
Deferred value added tax/excise (unsecured)				
Deferred value added tax pertaining to Holding Company is repayable in 34 quarterly instalments starting from July 2013 to October 2021, first 33 quarterly instalments of ₹ 52.50 and last quarterly instalment of ₹ 51.59. The loan is discounted at the weighted average rate of borrowings, i.e., 11.51%. This loan was prepaid during the year.	-	-	466.47	210.00
Deferred value added tax and deferred excise relating to Varun Beverages (Zambia) Limited is repayable over a period of two years. These are interest free loan.	64.10	59.23	122.06	69.67
Total deferred value added tax/excise (unsecured)	**64.10**	**59.23**	**588.53**	**279.67**
Total	**19,800.69**	**4,071.85**	**13,541.77**	**3,112.71**

24D. Deferred payment liabilities

(₹ in million)

Description	Loan outstanding			
	31 December 2018		31 December 2017	
	Non-current	Current	Non-current	Current
(i) Assets acquired under deferred payment terms under business acquisition (secured)				
Deferred payment for business acquired from PepsiCo India. There is no interest payable. The outstanding amount of ₹ 3,000 were repaid during the year. The amount was secured against bank guarantees provided by the Holding Company to PepsiCo India for equivalent amount outstanding at each year end.	-	-	-	2,956.27
(ii) Plant and equipment acquired under deferred payment terms (secured)				
The payments are secured against a letter of credit issued by the Holding Company's banker. The amount is repayable in various tranches from January 2019 to April 2019.	-	429.58	381.41	-
(iii) Land purchased under deferred payment terms (unsecured)				
The Holding Company had purchased leasehold land from Punjab Small Industries & Export Corporation Limited for a total consideration of ₹ 197.10. The outstanding amount of ₹ 20.71 were repaid during the year. This balance carried rate of interest of 11 percent.	-	-	-	20.71
Total	**-**	**429.58**	**381.41**	**2,976.98**

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24E. Repayment terms:

(₹ in million, unless stated otherwise)

S. No.	Description	31 December 2018		31 December 2017		Repayment terms
		Non-current	Current	Non-current	Current	
i) Indian rupee loan from banks						
1	Term loan - 1	372.00	85.95	457.76	57.30	Two instalments of ₹ 42.98 each due in May 2019 and June 2019, two instalments of ₹ 57.30 each due in May 2020 and June 2020, two instalments of ₹ 57.30 each due in May 2021 and June 2021 and two instalments of ₹ 71.63 each due in May 2022 and June 2022.
2	Term loan - 2	1,050.00	350.00	1,400.00	100.00	Two instalments of ₹ 175 each due in May 2019 and June 2019, two instalments of ₹ 175 each due in May 2020 and June 2020, two instalments of ₹ 175 each due in May 2021 and June 2021, two instalments of ₹ 175 each due in May 2022 and June 2022.
3	Term loan - 3	995.11	-	1,792.30	200.00	Instalment of ₹ 150 due in May 2021 and ₹ 250 due in June 2021 and two instalments of ₹ 300 each due in May 2022 and June 2022.
4	Term loan - 4	548.87	-	898.17	150.00	Instalment of ₹ 50 due in June 2020, two instalments of ₹ 125 each due in May 2021 and June 2021 and two instalments of ₹ 125 each due in May 2022 and June 2022.
5	Term loan - 5	600.00	260.00	860.00	260.00	Two instalments of ₹ 130 each due in May 2019 and June 2019, two instalments of ₹ 150 each due in May 2020 and June 2020 and two instalments of ₹ 150 each due in May 2021 and June 2021.
6	Term loan - 6	1,259.42	157.43	1,374.28	200.00	Two instalments of ₹ 100 each due in May 2019 and June 2019, two instalments of ₹ 200 each due in May 2020 and June 2020, two instalments of ₹ 300 each due in May 2021 and June 2021 and two instalments of ₹ 300 each due in May 2022 and June 2022.
7	Term loan - 7	581.36	-	1,375.11	206.25	Instalment of ₹ 76.96 million due in May 2021, ₹ 183.31 million due in June 2021, ₹ 183.31 due in May 2022 and ₹ 137.78 due in June 2022.
8	Term loan - 8	333.40	101.40	434.80	65.20	Instalment of ₹ 43.45 due in May 2019 and ₹ 57.95 due in June 2019, two instalments of ₹ 57.95 each due in May 2020 and June 2020, two instalments of ₹ 57.95 each due in May 2021 and June 2021 and instalment of ₹ 57.95 due in May 2022 and ₹ 43.65 due in June 2022.

24E. Repayment terms [Cont'd]:

(₹ in million, unless stated otherwise)

S.no	Description	31 December 2018		31 December 2017		Repayment terms
		Non-current	Current	Non-current	Current	
9	Term loan - 9	300.00	100.00	400.00	100.00	Two instalments of ₹ 50 each due in May 2019 and June 2019, two instalments of ₹ 50 each due in May 2020 and June 2020, two instalments of ₹ 50 each due in May 2021 and June 2021 and two instalments of ₹ 50 each due in May 2022 and June 2022.
10	Term loan - 10	320.00	80.00	400.00	-	Two instalments of ₹ 40 each due in May 2019 and June 2019, two instalments of ₹ 40 each due in May 2020 and June 2020, two instalments of ₹ 40 each due in May 2021 and June 2021, two instalments of ₹ 40 each due in May 2022 and June 2022 and two instalments of ₹ 40 each due in May 2023 and June 2023.
11	Term loan - 11	300.00	100.00	400.00	100.00	Two instalments of ₹ 50 each due in May 2019 and June 2019, two instalments of ₹ 75 each due in May 2020 and June 2020 and two instalments of ₹ 75 each due in May 2021 and June 2021.
12	Term loan - 12	834.06	297.88	1,131.94	357.46	Two instalments of ₹ 148.94 each due in May 2019 and June 2019, two instalments of ₹ 148.94 each due in May 2020 and June 2020, two instalments of ₹ 148.94 each due in May 2021 and June 2021 and two instalments of ₹ 119.15 each due in May 2022 and June 2022.
13	Term loan - 13	800.00	100.00	900.00	100.00	Two instalments of ₹ 50 each due in May 2019 and June 2019, two instalments of ₹ 100 each due in May 2020 and June 2020, two instalments of ₹ 150 each due in May 2021 and June 2021 and two instalments of ₹ 150 each due in May 2022 and June 2022.
14	Term loan - 14	450.00	50.00	-	-	Two instalments of ₹ 25 each due in May 2019 and June 2019, two instalments of ₹ 50 each due in May 2020 and June 2020, two instalments of ₹ 50 each due in May 2021 and June 2021, two instalments of ₹ 50 each due in May 2022 and June 2022 and two instalments of ₹ 75 each due in May 2023 and June 2023.

24E. Repayment terms [Cont'd]: (₹ in million, unless stated otherwise)

S.no	Description	31 December 2018		31 December 2017		Repayment terms
		Non-current	Current	Non-current	Current	
15	Term loan - 15	1,300.00	325.00	-	-	Two instalments of ₹ 162.50 each due in June 2019 and July 2019, two instalments of ₹162.50 each due in June 2020 and July 2020, two instalments of ₹ 162.5 each due in June 2021 and July 2021, two instalments of ₹ 162.50 each due in June 2022 and July 2022 and two instalments of ₹ 162.50 each due in June 2023 and July 2023.
16	Term loan - 16	1,999.51	500.00	-	-	Two instalments of ₹ 250.00 each due in May 2019 and June 2019, two instalments of ₹250.00 each due in May 2020 and June 2020, two instalments of ₹ 250.00 each due in May 2021 and June 2021, two instalments of ₹ 250.00 each due in May 2022 and June 2022 and two instalments of ₹ 250.00 each due in May 2023 and June 2023.
17	Term loan - 17	990.00	210.00	-	-	Three instalments of ₹ 70.00 each due in May 2019, June 2019 and July 2019, three instalments of ₹80.00 each due in May 2020, June 2020 and July 2020, two instalments of ₹ 80.00 each due in May 2021 and June 2021, one instalments of ₹ 80.00 due in July 2022 and three instalments of ₹ 90.00 each due in May 2023, June 2023 and July 2023 and two installment of ₹ 90.00 due in May 2024 and of ₹ 150.00 due in June 2024.
18	Term loan - 18	545.00	140.00	-	-	Two instalments of ₹ 70.00 each due in June 2019 and July 2019, two instalments of ₹75.00 each due in June 2020 and July 2020, two instalments of ₹ 75.00 each due in May 2021 and June 2021, two instalments of ₹ 80.00 each due in June 2022 and July 2022 and one instalments of ₹ 85.00 due in May 2023.
19	Term loan - 19	816.48	150.00	-	-	One instalments of ₹ 150.00 due in May 2019, one instalments of ₹200.00 due in May 2020, one instalments of ₹ 200.00 due in May 2021, one instalments of ₹ 200.00 due in May 2022 and one instalments of ₹ 250.00 due in May 2023.

24E. Repayment terms [Cont'd]: (₹ in million, unless stated otherwise)

S.no	Description	31 December 2018 Non-current	31 December 2018 Current	31 December 2017 Non-current	31 December 2017 Current	Repayment terms
20	Term loan - 20	833.40	125.00	-	-	Two instalments of ₹ 62.50 each due in May 2019 and June 2019, two instalments of ₹ 83.30 each due in May 2020 and June 2020, two instalments of ₹ 111.10 each due in May 2021 and June 2021, two instalments of ₹ 111.10 each due in May 2022 and June 2022 and two instalments of ₹ 111.10 due in May 2023 and ₹ 111.30 in June 2023.
21	Term loan - 21	800.00	200.00	-	-	Two instalments of ₹ 100.00 each due in June 2019 and July 2019, two instalments of ₹100.00 each due in June 2020 and July 2020, two instalments of ₹ 100.00 each due in June 2021 and July 2021, two instalments of ₹ 100.00 each due in June 2022 and July 2022 and two instalments of ₹ 100.00 due in June 2023 and July 2023.
	Total (A)	**16,028.61**	**3,332.66**	**11,824.36**	**1,896.21**	
ii) Term Loan at Varun Beverages (Zimbabwe) (Private) Limited						
22	Term loan - 22	618.08	279.17	488.28	127.85	Balance amount as at 31 December 2018 is repayable in 13 quarterly instalments of USD 1 million starting from Jan 2019.
23	Term loan - 23	8.10	2.79	220.13	2.19	Balance amount as at 31 December 2018 is repayable in 45 monthly instalments of USD 0.01 each.
24	Term loan - 24	613.15	222.97	-	-	Balance amount as at 31 December 2018 is repayable in 4 quarterly instalments of USD 0.8 Million & 7 quarterly instalments of USD 1.3 Million starting from Feb 2019.
	Total (B)	**1,239.33**	**504.93**	**708.41**	**130.04**	
iii) Term Loan at Varun Beverages Lanka (Private) Limited						
25	Term loan - 25	0.70	0.42	1.63	-	Balance amount as at 31 December 2018 is repayable in 29 monthy instalments of LKR 0.119 million each.
26	Term loan - 26	0.31	0.19	0.72	-	Balance amount as at 31 December 2018 is repayable in 29 monthy instalments of LKR 0.053 each.
	Total (C)	**1.01**	**0.61**	**2.35**	**-**	
iv) Term Loan at Varun Beverages Nepal (Private) Limited						
27	Term loan - 27	132.26	117.08	-	-	Three instalments of NPR 62.50 million each due in April 2019, May 2019 and June 2019, three instalments of NPR 62.50 million each due in April 2020, May 2020 and June 2020 and one instalment of NPR 25.00 million due in April 2021.
	Total (D)	**132.26**	**117.08**	**-**	**-**	
	Total (A+B+C+D)	**17,401.21**	**3,955.27**	**12,535.12**	**2,026.25**	

25. Provisions

(Refer note 43)

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Non-current		
Defined benefit liability (net)	761.80	534.27
Other long term employee obligations	290.75	198.37
	1,052.55	**732.64**
Current		
Defined benefit liability (net)	34.47	74.15
Other short term employee obligations	125.72	93.35
	160.19	**167.50**

26. Other non-current liabilities

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Statutory liability payable (Net of amount paid under protest)	23.42	73.83
Deferred revenue on government grant	44.33	45.98
	67.75	**119.81**

27. Trade payables

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Total outstanding dues of-		
Micro enterprises and small enterprises (Refer note 52)	2.47	8.71
Creditors other than micro enterprises and small enterprises	3,165.50	1,900.75
	3,167.97	**1,909.46**

28. Other current financial liabilities

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Current maturities of long-term debts (Refer note 24C)	4,071.85	3,112.71
Interest accrued but not due on borrowings	119.76	82.37
Current portion of deferred payment liabilities (Refer note 24D)	429.58	2,976.98
Payable for capital expenditures	1,075.29	436.66
Employee related payables	282.58	183.35
Unclaimed dividends#	0.65	0.06
Security deposits	2,454.75	1,900.78
Liability for foreign currency derivative contract**	77.97	25.85
Bank overdraft	-	17.65
	8,512.43	**8,736.41**

Not due for deposit to the Investor Education and Protection Fund.

**The Holding Company executed an agreement for a cross currency interest rate swap with the intention of reducing the foreign exchange risk of foreign currency borrowings. This contract is measured at fair value through profit or loss.

29. Other current liabilities

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Advances from customers	678.98	709.67
Statutory dues payable	780.00	762.25
Advance discount received	6.15	-
Deferred revenue on government grant	1.42	1.19
	1,466.55	**1,473.11**

30. Current tax liabilities (net)

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Provision for tax, net of advance taxes paid	325.02	68.35
	325.02	**68.35**

The key components of income tax expense for the year ended 31 December 2018 and 31 December 2017 are:

A. Consolidated Statement of Profit and Loss: (₹ in million)

	As at 31 December 2018	As at 31 December 2017
(i) Profit and loss section		
(a) Current tax	1,094.09	547.85
(b) Adjustment of tax relating to earlier periods	14.35	1.60
(c) Deferred tax	230.91	219.50
Income tax expense reported in the Consolidated Statement of Profit and Loss	**1,339.35**	**768.95**
(ii) OCI section		
Deferred tax related to items recognised in OCI during the year:		
(a) Net loss/(gain) on remeasurements of defined benefit plans	(7.78)	3.39
(b) Net loss/(gain) on exchange differences arising on translation of foreign operations	(54.62)	(21.75)
Income tax charged to OCI	**(62.40)**	**(18.36)**

B. Reconciliation of tax expense between accounting profit at applicable tax rate and effective tax rate:

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Accounting profit before tax	4,337.98	2,909.54
Tax expense at statutory income tax rate of 34.944% (31 December 2017: 34.608%)	1,515.86	1,006.93
Adjustments in respect of current income tax of previous years	14.35	1.37
Non deductible expenses	21.45	13.48
Deduction claimed u/s 32 AC of Income-tax Act, 1961 at Holding Company	-	(185.78)
Deduction claimed u/s Chapter-VI A of Income-tax Act, 1961 at Holding Company	(271.80)	(210.04)
Effect of deferred tax on employee benefit liabilities taken over under business acquisitions	(20.37)	5.47
Effect of deferred tax on capital gain on assets classified as assets held for sale in Holding Company	(59.14)	59.14
Tax impact of dividend distributed by a subsidiary, taxable in hands of Holding Company	33.58	32.96
Deferred tax not created on losses in subsidiaries	239.71	200.08
Tax rate differential for taxes provided in subsidiaries	(189.25)	(167.75)
Tax impact of change in tax rate	22.53	-
Others	32.43	13.09
Income tax expense at effective tax rate reported in the Consolidated Statement of Profit and Loss	**1,339.35**	**768.95**

During the year ended 31 December 2018 and 31 December 2017, the Holding company has paid dividend to its shareholders. This has resulted in payment of Dividend Distribution Tax to the taxation authorities. The Holding company believes that Dividend Distribution Tax represents additional payment to taxation authority on behalf of the shareholders. Hence, Dividend Distribution Tax paid is charged to equity.

31 Revenue from operations

(₹ in million)

	Year ended 31 December 2018	Year ended 31 December 2017
Sale of products (inclusive of excise duty) *	51,113.09	44,073.46
Other operating revenue	1,168.18	1,090.31
	52,281.27	**45,163.77**

*Sale of products includes excise duty collected from customers of ₹ 1,228.72 million (31 December 2017: ₹ 5,128.37 million).

32 Other income

(₹ in million)

	Year ended 31 December 2018	Year ended 31 December 2017
Interest income on items at amortised cost:		
- term deposits	25.32	28.89
- others	32.35	25.04
Gain on sale of current investments	-	0.44
Excess provisions written back	58.21	1.02
Guarantee commission/commission income	-	0.80
Gain on sale of fixed assets (Net)	-	21.91
Gain on dilution of control in a subsidiary (Refer note 54 E)	-	2.75
Miscellaneous	102.36	44.27
	218.24	**125.12**

33 Cost of materials consumed

(₹ in million)

	Year ended 31 December 2018	Year ended 31 December 2017
Raw material and packing material consumed		
Inventories at beginning of the year	1,788.55	2,563.54
Purchases during the year (Net)	22,860.84	18,091.15
	24,649.39	20,654.69
Sold during the year	931.06	311.05
Inventories at end of the year	2,595.55	1,788.55
	21,122.78	**18,555.09**

34 Purchases of stock-in-trade

(₹ in million)

	Year ended 31 December 2018	Year ended 31 December 2017
Beverages	1,807.07	188.52
Others	135.11	89.17
	1,942.18	**277.69**

35 Changes in inventories of finished goods, work-in-progress and traded goods

(₹ in million)

	Year ended 31 December 2018	Year ended 31 December 2017
As at the beginning of the year		
- Finished goods	648.25	651.30
- Intermediate goods	1,098.34	823.55
- Work in progress	72.73	87.31
	1,819.32	1,562.16
Adjustment on account of dilution of controlling interest in a subsidiary		
- Finished goods	-	9.16
- Work in progress	-	0.57
	-	9.73
As at the closing of the year		
- Finished goods	818.64	648.25
- Intermediate goods	1,269.79	1,098.34
- Work in progress	76.59	72.73
	2,165.02	1,819.32
Excise duty adjustment on inventories	-	168.55
Finished goods used as fixed assets*	(278.27)	(296.78)
	(623.97)	**(732.22)**

*The Holding Company and a subsidiary manufactures plastic shells at some of their manufacturing facilities. The shells manufactured are used for beverages operations of the Group as property, plant and equipment (under the head 'Containers'). These containers are also sold to third parties. The cost of manufacturing of plastic shells is being shown here separately with a corresponding debit to property, plant and equipment.

36 Employee benefit expense

(₹ in million)

	Year ended 31 December 2018	Year ended 31 December 2017
Salaries, wages and bonus	5,294.74	4,146.60
Contribution to provident fund and other funds	301.30	254.90
Staff welfare expenses	233.47	226.94
	5,829.51	**4,628.44**

37 Finance costs

(₹ in million)

	Year ended 31 December 2018	Year ended 31 December 2017
Interest on items at amortised cost:		
- Term loans	1,445.61	1,042.95
- Working capital facilities	295.46	311.05
- Non-convertible debentures	113.92	194.29
- Financial liabilities	140.76	447.31
- Others	47.82	30.45
Exchange differences regarded as an adjustments to borrowings	52.68	-
Other ancillary borrowing costs	29.38	95.70
	2,125.63	**2,121.75**

Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements for the year ended 31 December 2018

38 Depreciation and amortization expense

(₹ in million)

	Year ended 31 December 2018	Year ended 31 December 2017
Depreciation on property, plant and equipment	3,807.56	3,412.46
Amortisation of intangible assets	43.14	53.95
	3,850.70	**3,466.41**

39 Other expenses

(₹ in million)

	Year ended 31 December 2018	Year ended 31 December 2017
Power and fuel	1,947.96	1,600.38
Repairs to plant and equipment	950.44	669.64
Repairs to buildings	85.36	91.21
Other repairs	392.93	371.08
Consumption of stores and spares	487.05	412.92
Rent	315.04	284.54
Rates and taxes	69.99	69.89
Insurance	38.54	32.29
Printing and stationery	42.45	40.28
Communication	75.73	71.50
Travelling and conveyance	603.02	436.12
Directors' sitting fee	3.20	3.42
Payment to auditors*	21.20	17.37
Vehicle running and maintenance	155.97	170.99
Lease and hire	113.15	124.00
Security and service charges	244.69	199.16
Professional and consultancy	161.93	135.46
Bank charges	102.40	24.17
Advertisement and sales promotion	1,126.51	797.24
Meeting and conferences	18.48	8.95
Royalty	354.95	251.84
Freight, octroi and insurance paid (net)	3,150.87	1,774.84
Delivery vehicle running and maintenance	553.25	489.15
Distribution expenses	135.18	126.07
Loading and unloading charges	274.75	229.48
Donations	1.73	0.46
Property, plant and equipment written off	137.22	77.94
Loss on disposal of property, plant and equipment (Net)	52.43	-
Bad debts and advances written off	66.86	81.36
Allowance for expected credit loss and advances	257.40	156.74
Corporate social responsibility expenditure (Refer note 53)	41.42	27.73
Net loss on foreign currency transactions and translations	600.91	58.79
Business combination expenses	-	33.20
General office and other miscellaneous	133.17	79.11
	12,716.18	**8,947.32**

***Payment to statutory auditors of the Holding Company**

(₹ in million)

	Year ended 31 December 2018	Year ended 31 December 2017
Services rendered for:		
- Audit and reviews	11.20	10.31
- other matters	0.46	0.15
- reimbursement of expenses	0.75	0.80
	12.41	**11.26**

40 Other comprehensive income (OCI)

The disaggregation of changes to OCI by each type of reserves in equity is shown below:

During the year ended 31 December 2018

(₹ in million)

	Retained earnings
Re-measurement gains/(losses) on defined benefit plans	(16.53)
Tax impact on re-measurement gains/(losses) on defined benefit plans	7.78
Exchange differences arising on translation of foreign operations	(234.44)
Tax impact on exchange differences arising on translation of foreign operations	54.62
	(188.57)

During the year ended 31 December 2017

(₹ in million)

	Retained earnings
Re-measurement gains/(losses) on defined benefit plans	10.83
Tax impact on re-measurement gains/(losses) on defined benefit plans	(3.39)
Exchange differences arising on translation of foreign operations	(94.27)
Tax impact on exchange differences arising on translation of foreign operations	21.75
	(65.08)

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41. Composition of the Group

These consolidated financial statements include the respective financial statements of Varun Beverages Limited (the 'Parent Company' or the 'Holding Company'), its subsidiaries and the results of operations of its associates as listed below. The principal activity of the Parent Company, subsidiaries and associates, predominantly comprise manufacturing and sale of beverages.

Name of the company/entity	Country of incorporation and principal place of business	Proportion of ownership interests held by the Group at year end	
		As at 31 December 2018	As at 31 December 2017
Varun Beverages (Nepal) Private Limited ('VBL Nepal')	Nepal	100%	100%
Varun Beverages Lanka (Private) Limited ('VBL Lanka')	Sri Lanka	100%	100%
Varun Beverages Morocco SA ('VBL Morocco')	Morocco	100%	100%
Ole Spring Bottlers Private Limited ('Ole')*	Sri Lanka	100%	100%
Varun Beverages (Zambia) Private Limited ('VBL Zambia')	Zambia	90%	90%
Varun Beverages (Zimbabwe) (Private) Limited ('VBL Zimbabwe')	Zimbabwe	85%	85%
Angelica Technologies Private Limited	India	47.30%	47.30%
Lunarmech Technologies Private Limited**	India	35%	35%

* subsidiary of VBL Lanka.

** Angelica Technologies Private Limited holds 74% ownership stake in Lunarmech Technologies Private Limited.

42. The separate financial statements of one of the subsidiaries, Varun Beverages (Zimbabwe) (Private) Limited, have been prepared in its functional currency, i.e., US$. In view of the current economic scenario in Zimbabwe, the net monetary assets denominated in RTGS/bond notes (local transactional currency of Zimbabwe) of the said subsidiary have been translated using secondary market exchange rates at year end for consolidation purposes. This has resulted in recognition of exchange loss of ₹ 654.26 in the consolidated financial statements and has been disclosed in 'net loss on foreign currency transactions and translations' under 'other expenses'.

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43. Gratuity and other post-employment benefit plans

All amounts ₹ in million, unless otherwise stated

Parent Company and other components of the Group provide its employees gratuity and compensated absences benefits in accordance with the respective local statutory requirements and entity's policies. The following tables summaries the changes in their present values over the reporting periods, components of expense recognised in the Consolidated Statement of Profit and Loss, their funded status and amounts recognised in the consolidated balance sheet:

	Gratuity		Compensated absences	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Changes in present values are as follows:				
Balance at the beginning of the year	647.08	553.96	291.72	215.99
Acquired on business acquisitions	63.36	10.61	20.36	7.38
Current service cost	110.93	79.29	120.08	73.03
Interest cost	55.22	38.04	26.81	14.41
Benefits settled	(44.38)	(22.53)	(25.54)	(19.70)
Actuarial (gain)/loss	16.27	(10.83)	(16.99)	1.90
Foreign exchange translation reserve	(3.02)	(1.46)	0.02	(1.29)
Balance at the end of the year	**845.45**	**647.08**	**416.47**	**291.72**

	Gratuity		Compensated absences	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Changes in fair value of plan assets are as follows:				
Plan assets at the beginning of the year, at fair value	38.66	28.87	-	-
Expected income on plan assets	3.94	1.93	-	-
Actuarial gain/(loss)	(0.26)	0.62	-	-
Contributions by employer	31.84	21.63	-	-
Benefits settled	(25.00)	(14.39)	-	-
Plan assets at the end of the year, at fair value	**49.18**	**38.66**	**-**	**-**

The Holding Company has taken an insurance policy against its liability towards gratuity, the same has been disclosed as plan assets above.

	Gratuity		Compensated absences	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Reconciliation of present value of the obligation and the fair value of the plan assets:				
Present value of obligation at the end of the respective year	845.45	647.08	416.47	291.72
Plan assets at the end of the respective year	49.18	38.66	-	-
Net liability recognised in the consolidated balance sheet	**796.27**	**608.42**	**416.47**	**291.72**

43. Gratuity and other post-employment benefit plans [Cont'd]

All amounts ₹ in million, unless otherwise stated

	Gratuity		Compensated absences	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Amount recognised in consolidated statement of profit and loss:				
Current service cost	110.93	79.29	120.08	73.03
Interest cost	55.22	38.04	26.81	14.41
Expected income on plan assets	(3.94)	(1.93)	-	-
Actuarial loss	-	-	(16.99)	1.90
Net cost recognised	**162.21**	**115.40**	**129.90**	**89.34**

	Gratuity		Compensated absences	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Amount recognised in Other Comprehensive Income:				
Actuarial changes arising from changes in financial assumptions	(0.47)	(27.40)	-	-
Experience adjustments	16.74	17.19	-	-
Return on plan assets	0.26	(0.62)	-	-
Amount recognised (gain)/loss	**16.53**	**(10.83)**	**-**	**-**

	Gratuity		Compensated absences	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Assumptions used:				
Mortality	IALM (2006-08) ultimate and A 67/70 mortality table (issued by Institute of Actuaries, London)		IALM (2006-08) ultimate and A 67/70 mortality table (issued by Institute of Actuaries, London)	
Discount rate	7.30-12.00%	7.5%-13.00%	6.50-8.25%	7.50%
Rate of return on plan assets	7.29-7.55%	7.84%	0.00%	Not applicable
Withdrawal rate	3%-11%	3%-11%	11.00%	11.00%
Salary increase	9-12%	9-13%	11-12%	11-12%
Rate of availing leave in the long run	0.00%	-	3.50%	20-25%
Retirement age (Years)	55-65 years	55-65 years	58-65 years	58-65 years

43. Gratuity and other post-employment benefit plans [Cont'd]

All amounts ₹ in million, unless otherwise stated

These assumptions were developed by management of the respective company/entity with the assistance of independent actuaries. Discount factors are determined close to each year-end by reference to market yields of high quality corporate bonds that are denominated in the respective currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligations. Other assumptions are based on current actuarial benchmarks and respective management's historical experience.

The defined benefit obligation and plan assets are composed by geographical locations as follows:

31 December 2018	India	Outside India	Total
Defined benefit obligation	773.06	72.40	845.45
Fair value of plan assets	49.18	-	49.18

31 December 2017	India	Outside India	Total
Defined benefit obligation	573.50	73.58	647.08
Fair value of plan assets	38.66	-	38.66

A quantitative sensitivity analysis for significant assumption is as shown below:

	Sensitivity level		Gratuity		Compensated absences	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Discount rate	+1%	+1%	(52.06)	(40.29)	(13.05)	(7.03)
	-1%	-1%	58.85	45.63	13.92	7.45
Salary increase	+1%	+1%	55.92	43.50	13.21	7.08
	-1%	-1%	(50.60)	(39.28)	(12.64)	(6.81)
Withdrawal rate	+1%	+1%	(12.47)	(10.65)	(4.63)	(3.55)
	-1%	-1%	13.83	11.81	4.89	3.77

The sensitivity analysis above has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Risk associated:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government Bonds Yield. If plan liability is funded and return on plan assets is below this rate, it will create a plan deficit.
Interest risk (discount rate risk)	A decrease in the bond interest rate (discount rate) will increase the plan liability.
Mortality risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. For the purpose of these consolidated financial statements Indian Assured Lives Mortality (2006-08) ultimate table and A 67/70 mortality table issued by Institute of Actuaries, London, have been used. A change in mortality rate will have a bearing on the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

43. Gratuity and other post-employment benefit plans [Cont'd]

All amounts ₹ in million, unless otherwise stated

The following are maturity profile of Defined Benefit Obligations in future years (Before adjusting fair value of Plan assets):

	Gratuity		Compensated absences	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
i) Weighted average duration of the defined benefit obligation	5.18 years -8.65 years	6.40 years - 11 years	3 years- 6 years	-
ii) Duration of defined benefit obligation				
Duration (years)				
1	83.64	62.59	122.51	87.45
2 to 5	363.19	248.99	224.21	157.19
Above 5	398.61	331.15	71.73	43.24
	845.45	**642.73**	**418.46**	**287.88**
iii) Duration of defined benefit payments				
Duration (years)				
1	79.99	61.86	122.51	90.67
2 to 5	395.28	302.17	278.41	190.03
Above 5	987.69	784.09	136.71	76.45
	1,462.96	**1,148.12**	**537.62**	**357.15**

Defined contribution plan:

Contribution to defined contribution plans, recognised as expense for the year is as under:

Employer's contribution to provident and other funds ₹ 301.30 million (31 December 2017 ₹ 254.90 million)

44. Earnings per share (EPS)

All amounts in ₹ in million, unless otherwise stated

	31 December 2018	31 December 2017
Profit attributable to the equity shareholders	2,928.41	2,101.54
Weighted average number of equity shares outstanding during the year for calculating basic earnings per share (nos.)	182,619,833	182,491,620
Employee stock options (nos.)	18,887	60,368
Weighted average number of equity shares for calculating diluted earnings per share (nos.)	182,638,720	182,551,987
Nominal value per equity shares (₹)	10.00	10.00
Basic earnings per share (₹)	16.04	11.52
Diluted earnings per share (₹)	16.03	11.51

45. Dividend paid by Holding Company

All amounts in ₹ in million, unless otherwise stated

	31 December 2018	31 December 2017
Interim/final dividend ₹ 2.50 per share (31 December 2017: ₹ 2.50 per share)	456.58	456.29
Dividend distribution tax on interim dividend	54.71	92.89

46. Contingent liabilities and commitments

All amounts in ₹ in million, unless otherwise stated

	As at 31 December 2018	As at 31 December 2017
a. Guarantee issued to third party by subsidiaries	72.30	338.89
b. Claims against the Group not acknowledged as debts (being contested):		
i. Goods and Service Tax	1.28	-
ii. For excise and service tax	312.51	148.85
iii. For Customs	45.37	-
iii. For sales tax (VAT)/entry tax	1,012.90	197.69
iv. For income tax	361.84	264.28
v. Others*	256.88	236.47

*excludes pending matters where amount of liability is not ascertainable.

47. Capital commitments

All amounts in ₹ in million, unless otherwise stated

	As at 31 December 2018	As at 31 December 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances ₹ 918.61 (31 December 2017 ₹ 1,344.94)	1,334.85	1,713.84

48. Pursuant to transfer pricing legislations under the Income-tax Act, 1961, the Holding Company is required to use specified methods for computing arm's length price in relation to specified international and domestic transactions with its associated enterprises. Further, the Holding Company is required to maintain prescribed information and documents in relation to such transactions. The appropriate method to be adopted will depend on the nature of transactions/ class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Holding Company is in the process of updating its transfer pricing documentation for the current financial year. Based on the preliminary assessment, the management is of the view that the update would not have a material impact on the tax expense recorded in these consolidated financial statements. Accordingly, these consolidated financial statements do not include any adjustments for the transfer pricing implications, if any.

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Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements for the year ended 31 December 2018

49. Related party transactions

Following are the related parties and transactions entered with related parties for the relevant financial year:

i. List of related parties and relationships:-

I. Key managerial personnel (KMPs)

Mr. Ravi Kant Jaipuria	Director and KMP of ultimate parent namely Ravi Kant Jaipuria & Sons (HUF)
Mr. Varun Jaipuria	Whole Time Director
Mr. Raj Pal Gandhi	Whole Time Director
Mr. Kapil Agarwal	Chief Executive Officer and Whole Time Director
Mr. Kamlesh Kumar Jain	Chief Financial Officer and Whole Time Director
Dr. Girish Ahuja (till 19 March 2018)	Non-executive independent director
Mr. Pradeep Sardana	Non-executive independent director
Mr. Ravindra Dhariwal (till 19 March 2018)	Non-executive independent director
Mrs. Geeta Kapoor (till 19 March 2018)	Non-executive independent director
Mrs. Sita Khosla (w.e.f. 16 February 2018)	Non-executive independent director
Dr. Ravi Gupta (w.e.f. 19 March 2018)	Non-executive independent director
Mrs. Rashmi Dhariwal (w.e.f. 19 March 2018)	Non-executive independent director
Mr. Rajesh Chopra (till 30 April 2018)	KMP of parent, namely RJ Corp Limited
Mr. S.V. Singh (till 30 April 2018)	KMP of parent, namely RJ Corp Limited
Mr. Ravi Batra (w.e.f. 12 May 2017)	Company secretary
Mr. Mahavir Prasad	Company secretary of the Company till 12 May 2017 and Company secretary of parent, namely RJ Corp Limited w.e.f. 16 March 2018)
Mrs. Monika Bhardwaj (till 15 March 2018))	Company secretary of parent, namely RJ Corp Limited

II. Parent and ultimate parent

RJ Corp Limited	Parent
Ravi Kant Jaipuria & Sons (HUF)	Ultimate parent

III. Fellow subsidiaries and entities controlled by parent*

Parkview City Limited
Devyani International Limited
Devyani Food Industries Limited
Alisha Retail Private Limited
Varun Food and Beverages Zambia Limited
Wellness Holdings Limited
SVS India Private Limited
Devyani Food Street Private Limited
Ole Marketing (Private) Limited
Accor Developer (Private) Limited
Arctic International Private Limited
Accor Industries (Private) Limited
Devyani International Nepal Private Limited

IV. Associate (or an associate of any member of a group)

Lunarmech Technologies Private Limited
Angelica Technologies Private Limited
Lineage Healthcare Limited

49. Related party transactions (cont'd)

V. Entities in which a director or his/her relative is a member/director/Trustee*

Champa Devi Jaipuria Charitable Trust
SMV Beverages Private Limited
SMV Agencies Private Limited
Alisha Torrent Closure Private Limited
Nectar Beverages Private Limited
Steel City Beverages Private Limited
Jai Beverages Private Limited
Varun Developers Private Limited
Diagno Labs Private Limited

VI. Relatives of KMPs*

Mrs. Dhara Jaipuria
Mrs. Asha Chopra
Mrs. Shashi Jain
Mrs. Rachna Batra

VII. Entities which are post employment benefits plans

VBL Employees Gratuity Trust

* With whom the Group had transactions during the current year and previous year.

ii. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made in the ordinary course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

iii. Transactions with KMPs (Refer note 49A)

iv. Transactions with other related parties (Refer note 49B)

49A. Transactions with KMPs

All amounts in ₹ in million, unless otherwise stated

	For year ended 2018	For year ended 2017
I. Remuneration paid		
Mr. Varun Jaipuria	31.22	29.42
Mr. Raj Pal Gandhi	48.68	38.34
Mr. Kapil Agarwal	47.48	44.74
Mr. Kamlesh Kumar Jain	12.27	11.25
Mr. Rajesh Chopra	1.61	7.72
Mr. Ravi Batra	7.46	4.25
Mr. Mahavir Prasad	2.85	1.00
Mrs. Monika Bhardwaj	0.35	1.50
II. Director sitting fees paid		
Mr. Girish Ahuja	0.50	1.30
Mr. Pradeep Sardana	0.30	0.40
Mr. Ravindra Dhariwal	0.40	1.30
Mrs. Geeta Kapoor	0.20	0.40
Mrs. Sita Khosla	0.30	-
Dr. Ravi Gupta	0.70	-
Mrs. Rashmi Dhariwal	0.80	-
III. Professional charges paid		
Mr. Rajesh Chopra	0.76	-
Mr. Ravindra Dhariwal	3.20	-
Mr. S.V. Singh	-	2.48
IV. Dividend paid		
Mr. Varun Jaipuria	97.94	97.94
Mr. Raj Pal Gandhi	1.02	1.06
Mr. Kapil Agarwal	1.02	1.05
Mr. Kamlesh Kumar Jain	0.04	0.05
Mr. Pradeep Sardana	0.00*	-
V. Rent/ lease charges paid		
Mr. S.V. Singh	-	0.19
VI. Defined benefit obligation for KMP		
i. Gratuity		
Mr. Varun Jaipuria	22.55	19.83
Mr. Raj Pal Gandhi	31.07	24.62
Mr. Kapil Agarwal	39.83	33.84
Mr. Kamlesh Kumar Jain	8.57	7.18
Mr. Ravi Batra	0.40	0.16
Mr. Rajesh Chopra	-	3.86
Mr. Mahavir Prasad	0.07	-
Mrs. Monika Bhardwaj	-	0.34
ii. Compensated absences		
Mr. Varun Jaipuria	6.06	5.85
Mr. Raj Pal Gandhi	10.61	7.01

49A. Transactions with KMPs [Cont'd]

All amounts in ₹ in million, unless otherwise stated

	For year ended 2018	For year ended 2017
ii. Compensated absences [Cont'd]		
Mr. Kapil Agarwal	13.78	9.91
Mr. Kamlesh Kumar Jain	2.92	1.20
Mr. Ravi Batra	0.63	0.22
Mr. Rajesh Chopra	-	1.17
Mr. Mahavir Prasad	0.15	-
Mrs. Monika Bhardwaj	-	0.23
VII. Balances (payable)/ receivable outstanding at the end of the year, net		
Mr. Varun Jaipuria	(1.69)	-
Mr. Raj Pal Gandhi	(1.58)	-
Mr. Kapil Agarwal	(2.13)	-
Mr. Kamlesh Kumar Jain	(1.09)	-
Mr. Rajesh Chopra	-	8.00
Mr. Ravi Batra	(0.94)	-
Mr. Mahavir Prasad	(0.21)	-
Mrs. Monika Bhardwaj	-	0.13

*Rounded off to Nil.

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49B. Transactions with related parties

All amounts in ₹ in million, unless otherwise stated

Description	Parent and ultimate parent		Fellow subsidiaries and entities controlled by parent		Associate (or an associate of any member of a Group)		Entities in which a director or his/her relative is a member or director		Relatives of KMP		Entities which are post employment benefits plans		Total	
	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017
Sale of goods														
- Varun Food and Beverages Zambia Limited	-	-	0.00	3.11	-	-		-	-	-	-	-	**-**	**3.11**
- SMV Beverages Private Limited	-	-	-	-	-	-		12.24	-	-	-	-	**-**	**12.24**
- Lunarmech Technologies Private Limited	-	-	-	-	14.79	11.11		-	-	-	-	-	**14.79**	**11.11**
- Alisha Torrent Closure Private Limited	-	-	-	-	-	-	4.14	7.12	-	-	-	-	**4.14**	**7.12**
- Nectar Beverages Private Limited	-	-	-	-	-	-	6.82	43.14	-	-	-	-	**6.82**	**43.14**
- Steel City Beverages Private Limited	-	-	-	-	-	-		2.58	-	-	-	-	**-**	**2.58**
- Jai Beverages Private Limited	-	-	-	-	-	-	52.64	114.04	-	-	-	-	**52.64**	**114.04**
- Devyani International Limited	-	-	83.62	88.80	-	-		-	-	-	-	-	**83.62**	**88.80**
- Devyani Food Industries Limited	-	-	25.73	16.43	-	-		-	-	-	-	-	**25.73**	**16.43**
- Alisha Retail Private Limited	-	-	15.93	8.68	-	-	-	-	-	-	-	-	**15.93**	**8.68**
- Lineage Healthcare Limited	-	-	-	-	0.06	0.09	-	-	-	-	-	-	**0.06**	**0.09**
- Devyani International Nepal Private Limited	-	-	5.81	5.27	-	-	-	-	-	-	-	-	**5.81**	**5.27**
- Ole Marketing Private Limited	-	-	-	47.31	-	-	-	-	-	-	-	-	**-**	**47.31**
Sale of raw materials and stores														
- Varun Food and Beverages Zambia Limited	-	-	-	0.31	-	-	-	-	-	-	-	-	**-**	**0.31**
- RJ Corp Limited	-	0.08	-	-	-	-	-	-	-	-	-	-	**-**	**0.08**
- Jai Beverages Private Limited	-	-	-	-	-	-	3.03	-	-	-	-	-	**3.03**	**-**
- Nectar Beverages Private Limited	-	-	-	-	-	-	0.12	-	-	-	-	-	**0.12**	**-**
- Devyani Food Industries Limited	-	-	0.19	-	-	-	-	-	-	-	-	-	**0.19**	**-**
Purchase of goods														
- Nectar Beverages Private Limited	-	-	-	-	-	-	1.25	1.06	-	-	-	-	**1.25**	**1.06**
- Varun Food and Beverages Zambia Limited	-	-	0.16	-	-	-	-	-	-	-	-	-	**0.16**	**-**
Purchase of raw materials and stores														
- Lunarmech Technologies Private Limited	-	-	-	-	757.93	463.36	-	-	-	-	-	-	**757.93**	**463.36**
- Devyani Food Industries Limited	-	-	3.99		-	-	-	-	-	-	-	-	**3.99**	**-**
- RJ Corp Limited	-	0.76	-	-	-	-	-	-	-	-	-	-	**-**	**0.76**
- Jai Beverages Private Limited	-	-	-	-	-	-	0.26	-	-	-	-	-	**0.26**	**-**
- Alisha Retail Private Limited	-	-	0.77	0.76	-	-	-	-	-	-	-	-	**0.77**	**0.76**
House keeping and cleaning charges paid														
- Varun Developers Private Limited	-	-	-	-	-	-	12.70	12.44	-	-	-	-	**12.70**	**12.44**
Promotional charges paid														
- Alisha Retail Private Limited	-	-	7.41	10.70	-	-	-	-	-	-	-	-	**7.41**	**10.70**
Interest received/(paid) (net)														
- Varun Developers Private Limited	-	-	-	-	-	-	1.64	7.81	-	-	-	-	**1.64**	**7.81**
- SMV Beverages Private Limited	-	-	-	-	-	-	(3.00)	-	-	-	-	-	**(3.00)**	**-**
Loan repaid														
- Arctic International Private Limited	-	-	-	43.94	-	-	-	-	-	-	-	-	**-**	**43.94**

49B. Transactions with related parties [Cont'd]

All amounts in ₹ in millions, unless otherwise stated

Description	Parent and ultimate parent		Fellow subsidiaries and Entities controlled by Parent		Associate (or an associate of any member of a Group)		Entities in which a director or his/her relative is a member or director		Relatives of KMP		Entities which are post employment benefits plans		Total	
	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017
Contribution to corporate social responsibility activities														
- Champa Devi Jaipuria Charitable Trust	-	-	-	-	-	-	36.50	24.00	-	-	-	-	36.50	24.00
- Diagno Labs Private Limited	-	-	-	-	-	-	-	0.06	-	-	-	-	-	0.06
Travelling expenses paid														
- Wellness Holdings Limited	-	-	116.43	91.91	-	-	-	-	-	-	-	-	116.43	91.91
Contribution to gratuity trust														
- VBL Employees Gratuity Trust	-	-	-	-	-	-	-	-	-	-	31.84	21.67	31.84	21.67
Dividend paid														
- RJ Corp Limited	139.56	125.35	-	-	-	-	-	-	-	-	-	-	139.56	125.35
- Ravi Kant Jaipuria & Sons (HUF)	97.97	97.97	-	-	-	-	-	-	-	-	-	-	97.97	97.97
- Mrs. Dhara Jaipuria	-	-	-	-	-	-	-	-	0.01	-	-	-	0.01	-
- Mrs. Devyani Jaipuria	-	-	-	-	-	-	-	-	0.00*	-	-	-	0.00*	-
(Expenses incurred by the Company on behalf of others)/expenses incurred by others on behalf of the Company														
- Devyani International Limited	-	-	4.76	(2.95)	-	-	-	-	-	-	-	-	4.76	(2.95)
- RJ Corp Limited	(0.11)	(0.09)	-	-	-	-	-	-	-	-	-	-	(0.11)	(0.09)
- Lunarmech Technologies Private Limited	-	-	-	-	(0.01)	-	-	-	-	-	-	-	(0.01)	-
- Devyani Food Industries Limited	-	-	(1.48)	(2.54)	-	-	-	-	-	-	-	-	(1.48)	(2.54)
- Varun Developers Private Limited	-	-	-	-	-	-	0.03		-	-	-	-	0.03	-
- Alisha Retail Private Limited	-	-	0.28	-	-	-	-	-	-	-	-	-	0.28	-
- Nectar Beverages Private Limited	-	-	-	-	-	-	(0.01)	(0.62)	-	-	-	-	(0.01)	(0.62)
- Accor Industries (Private) Limited	-	-	0.01	-	-	-	-	-	-	-	-	-	0.01	-
Rent/ lease charges paid/(received)														
- RJ Corp Limited	99.82	88.64	-	-	-	-	-	-	-	-	-	-	99.82	88.64
- Parkview City Limited	-	-	-	(0.24)	-	-	-	-	-	-	-	-	-	(0.24)
- Ravi Kant Jaipuria & Sons (HUF)	6.86	6.56	-	-	-	-	-	-	-	-	-	-	6.86	6.56
- SVS India Private Limited	-	-	0.48	0.10	-	-	-	-	-	-	-	-	0.48	0.10
- Mrs. Dhara Jaipuria	-	-	-	-	-	-	-	-	2.34	2.13	-	-	2.34	2.13
- Mrs. Shashi Jain	-	-	-	-	-	-	-	-	-	0.25	-	-	-	0.25
- Mrs. Asha Chopra	-	-	-	-	-	-	-	-	-	0.23	-	-	-	0.23
- Mrs. Rachna Batra	-	-	-	-	-	-	-	-	-	0.05	-	-	-	0.05
- Alisha Torrent Closure Private Limited	-	-	-	-	-	-	(0.48)	(2.35)	-	-	-	-	(0.48)	(2.35)

Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements for the year ended 31 December 2018

49B. Transactions with related parties [Cont'd]

All amounts in ₹ in millions, unless otherwise stated

Description	Parent and ultimate parent		Fellow subsidiaries and Entities controlled by Parent		Associate (or an associate of any member of a Group)		Entities in which a director or his/her relative is a member or director		Relatives of KMP		Entities which are post employment benefits plans		Total	
	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017	For year ended 2018	For year ended 2017
Purchase of fixed assets														
- Devyani Food Industries Limited	-	-	-	3.21	-	-	-	-	-	-	-	-	-	3.21
- SMV Beverages Private Limited	-	-	-	-	-	-	587.50	-	-	-	-	-	587.50	-
- Steel City Beverages Private Limited	-	-	-	-	-	-	101.49	-	-	-	-	-	101.49	-
- Varun Developers Private Limited	-	-	-	-	-	-	0.22	-	-	-	-	-	0.22	-
- Ole Marketing (Private) Limited	-	-	-	5.77	-	-	-	-	-	-	-	-	-	5.77
Purchase under business combination														
- SMV Beverages Private Limited	-	-	-	-	-	-	-	832.00	-	-	-	-	-	832.00
- SMV Agencies Private Limited	-	-	-	-	-	-	552.13	470.00	-	-	-	-	552.13	470.00
IT infrastructure support fee														
- Devyani Food Industries Limited	-	-	5.94	-	-	-	-	-	-	-	-	-	5.94	-
Advance paid for acquisition of new territories														
- SMV Beverages Private Limited	-	-	-	-	-	-	-	210.60	-	-	-	-	-	210.60
- SMV Agencies Private Limited	-	-	-	-	-	-	-	40.00	-	-	-	-	-	40.00
- Steel City Beverages Private Limited	-	-	-	-	-	-	-	10.00	-	-	-	-	-	10.00
Balances outstanding at the end of the year, net														
Receivable/(payable)														
- Devyani International Limited	-	-	(1.92)	(57.27)	-	-	-	-	-	-	-	-	(1.92)	(57.27)
- RJ Corp Limited (security deposits)	32.27	34.57	-	-	-	-	-	-	-	-	-	-	32.27	34.57
- Mrs. Dhara Jaipuria	-	-	-	-	-	-	-	-	1.12	1.75	-	-	1.12	1.75
- Wellness Holdings Limited	-	-	(3.94)	(5.85)	-	-	-	-	-	-	-	-	(3.94)	(5.85)
- Devyani International Nepal Private Limited	-	-	0.57	0.53	-	-	-	-	-	-	-	-	0.57	0.53
- Varun Developers Private Limited	-	-	-	-	-	-	402.34	486.66	-	-	-	-	402.34	486.66
- Alisha Retail Private Limited	-	-	3.28	(2.26)	-	-	-	-	-	-	-	-	3.28	(2.26)
- Lunarmech Technologies Private Limited	-	-	-	-	(99.78)	(32.58)	-	-	-	-	-	-	(99.78)	(32.58)
- Ole Marketing (Private) Limited	-	-	64.45	92.25	-	-	-	-	-	-	-	-	64.45	92.25
- Accor Developer (Private) Limited	-	-	(117.15)	(128.45)	-	-	-	-	-	-	-	-	(117.15)	(128.45)
- Accor Industries (Private) Limited	-	-	0.01	-	-	-	-	-	-	-	-	-	0.01	-
- Devyani Food Street Private Limited	-	-	-	0.01	-	-	-	-	-	-	-	-	-	0.01
- SMV Beverages Private Limited	-	-	-	-	-	-	(51.25)	210.95	-	-	-	-	(51.25)	210.95
- SMV Agencies Private Limited	-	-	-	-	-	-	-	40.00	-	-	-	-	-	40.00
- Steel City Beverages Private Limited	-	-	-	-	-	-	-	10.00	-	-	-	-	-	10.00
- Alisha Torrent Closure Private Limited	-	-	-	-	-	-	0.89	3.07	-	-	-	-	0.89	3.07
- Nectar Beverages Private Limited	-	-	-	-	-	-	0.36	5.02	-	-	-	-	0.36	5.02
- Jai Beverages Private Limited	-	-	-	-	-	-	0.63	1.03	-	-	-	-	0.63	1.03
- Devyani Food Industries Limited	-	-	(0.03)	(5.09)	-	-	-	-	-	-	-	-	(0.03)	(5.09)
- Varun Food and Beverages Zambia Limited	-	-	(0.15)	-	-	-	-	-	-	-	-	-	(0.15)	-

*Rounded off to Nil.

All amounts in ₹ in million, unless otherwise stated

50. Leases

A. Operating lease:

The Group has taken certain premises and other fixed assets on operating leases. The lease agreements generally have lock-in-period of 1-5 years and are cancellable at the option of the lessee or lessor thereafter. Majority of the leases have escalation terms after certain years and are extendable by mutual consent on expiry of the lease. There are no sub-leases. During the year, lease payments under operating leases amounting to ₹ 428.19 million (31 December 2017 ₹ 408.54 million) have been recognised as an expense in the Consolidated Statement of Profit and Loss.

Non-cancellable operating lease rentals payable (minimum lease payments) for these leases are as follows:

	As at 31 December 2018	As at 31 December 2017
Payable within one year	37.82	118.52
Payable between one and five years	53.71	187.37
Payable after five years	-	1.95
Total	**91.53**	**307.84**

B. Financial lease:

The minimum lease payments and the present value of minimum lease payments in respect of arrangements classified as finance leases are as below:

	As at 31 December 2018		As at 31 December 2017	
	Minimum lease payment	Future finance charges	Minimum lease payment	Future finance charges
Payable within one year	13.78	0.71	25.97	1.91
Payable between one and five years	4.98	0.11	17.66	0.77
Payable after five years	-	-	-	-
Total	18.76	0.82	43.63	2.68
Present value of minimum lease payment		**17.94**		**40.95**

51. Segment reporting

The business activity of the Group predominantly fall within a single reportable business segment viz manufacturing and sale of beverages. There are no separate reportable business segments. As part of reporting for geographical segments, the Group operates in two principal geographical areas of the world, i.e., within India and other countries (outside India). The aforesaid is in line with review of operating results by the chief operating decision maker.

The following table presents revenue from external customers, segment non-current assets regarding geographical segments:

	As at 31 December 2018	As at 31 December 2017
Non-current assets*		
-Within India	37,047.93	33,545.12
-Outside India	11,202.98	9,240.32

* excluding financial instruments, deferred tax assets and post-employment benefit assets.

	As at 31 December 2018	As at 31 December 2017
Revenue from external customers		
-Within India	37,483.45	34,371.43
-Outside India	14,797.82	10,792.34

All amounts in ₹ in million, unless otherwise stated

52. Dues to Micro and Small Enterprises

The dues to micro and small enterprises as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent information available with the Holding Company is given below:

Particulars	31 December 2018	31 December 2017
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	2.47	8.71
Interest due on above	0.01	0.12
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006.	0.16	0.43
The amount of interest accrued and remaining unpaid at the end of each accounting year	0.91	0.74
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	0.91	0.74

53. Details of Corporate Social Responsibility (CSR) expenditure

In accordance with the provisions of section 135 of the Companies Act, 2013, the Board of Directors of the Holding Company had constituted CSR Committee. The details for CSR activities is as follows :

Particulars	For the year ended 31 December 2018	For the year ended 31 December 2017
a) Gross amount required to be spent by the Holding Company during the year	41.42	27.63
b) Amount spent during the year on the following		
1. Construction / Acquisition of any asset	-	-
2. On purpose other than 1 above	41.42	27.73

Refer note 49 B for amounts paid to Champa Devi Jaipuria Charitable Trust towards contribution for "Shiksha Kendra" for the education of poor and under privileged children and to Diagno Labs Private Limited for free health check-up camps.

All amounts in ₹ in million, unless otherwise stated

54. Acquisitions and disposals

Acquisitions and disposals during the year ended 31 December 2018:

A. Acquisitions under business combination

The Holding Company acquired PepsiCo India’s previously franchised territory in the of State of Jharkhand in India along with manufacturing unit at Jamshedpur for a total purchase consideration of ₹ 552.13 on a slump sale basis, excluding net payable of ₹ 60.33 on account of net working capital adjustment taken over as part of business.

The details of the business combination are as follows:

(₹ in million)

Particulars	Jharkhand
Name of acquiree	SMV Agencies Private Limited
Acquisition date	23 March 2018
Non-current assets recognised	
Property, plant and equipment	211.79
Other intangible assets (Franchise rights)	424.73
Deferred tax assets	11.20
Total non-current assets (a)	**647.72**
Non-current liabilities recognised	
Employee benefits payable	(32.87)
Security deposits from distributors	(62.72)
Total non-current liabilities (b)	**(95.59)**
Net current liabilities acquired	
Other current liabilities	(78.88)
Other current assets	18.55
Net current liabilities (c)	**(60.33)**
Identifiable net assets (d = a+b+c)	491.80

B. Assets acquisitions

i. On 11 January 2018, the Holding Company has acquired PepsiCo India's previously franchised territory in the State of Chhattisgarh along with certain property, plant and equipment and other intangible assets for a total purchase consideration of ₹ 150.00 from SMV Beverages Private Limited.

ii. On 17 January 2018, PepsiCo India has transferred franchise territory in the State of Bihar to the Holding Company. Subsequently on 12 December 2018, the Holding Company has paid an amount of ₹ 450.00 to Lumbini Beverages Private Limited for acquiring certain property, plant and equipment and other intangible assets for the State of Bihar.

iii. On 18 January 2018, the Holding Company has acquired a manufacturing unit at Cuttack, Odisha along with certain assets for a total purchase consideration of ₹ 437.50 from SMV Beverages Private Limited.

iv. On 05 April 2018, the Holding Company has acquired a manufacturing unit at Jamshedpur, Jharkhand along with certain assets for a total purchase consideration of ₹ 101.49 from Steel City Beverages Private Limited.

54. Acquisitions and disposals (Cont`d)

Acquisitions and disposals during the year ended 31 December 2017:

C. Acquisition under business combination

The Holding Company acquired PepsiCo India's previously franchised territories in the parts of Madhya Pradesh and State of Odisha along with two manufacturing units at Bargarh and Bhopal (Mandideep) for a total purchase consideration of ₹ 470.00 and ₹ 832.00 respectively on a slump sale basis. The aforesaid purchase consideration excludes adjustment for working capital taken over as part of business.

The details of the business combination are as follows:

(₹ in million)

Particulars	Madhya Pradesh	Odisha
Name of acquiree	SMV Beverages, a unit of SMV Agencies Private Limited	SMV Beverages Private Limited
Acquisition date	27 September 2017	26 September 2017
Recognised amounts of identifiable net assets		
Property, plant and equipment	238.85	333.27
Other intangible assets (Franchise rights)	272.85	531.42
Total non-current assets (a)	**511.70**	**864.69**
Employee benefits payable	(14.64)	(6.55)
Security deposits from distributors	(29.54)	(43.06)
Total non-current liabilities (b)	**(44.18)**	**(49.61)**
Net consideration	467.52	815.08
Net current assets acquired		
Other current liabilities	(107.29)	(87.48)
Other current assets	7.51	9.26
Net working capital (c)	**(99.78)**	**(78.22)**
Identifiable net assets (d = a+b+c)	367.74	736.86
Amount paid (e)	**370.22**	**753.78**
Goodwill (e-d)	**2.48**	**16.92**

Goodwill

Goodwill of ₹ 19.40 primarily relates to growth expectations, expected future profitability. Goodwill has been allocated to the beverages business and is deductible for tax purposes.

54. Acquisitions and disposals (Cont`d) All amounts in ₹ in million, unless otherwise stated

D. Acquisition of additional stake in Varun Beverages (Zambia) Limited

With effect from 20 February 2017, the Holding Company has acquired additional thirty percent equity, consisting of 15,000 shares, from other minority shareholders, namely, Africa Bottling Company Ltd. and Multi Treasure Ltd. in Varun Beverages (Zambia) Limited for a consideration of ₹ 685.96 million (USD 10.24 million), payable to acquiree, thereby increasing the Holding Company's ownership stake to ninety percent.

As Varun Beverages (Zambia) Limited, was already a subsidiary of the Holding Company, this transaction has not resulted in change in control. Accordingly, difference between the non-controlling interest relatable to thirty percent equity, i.e., ₹ 60.61 million and the value of consideration is directly recognised in other equity in capital reserve. The expenses incurred for acquisition amounting to ₹ 33.20 million are charged to Consolidated Statement of Profit and Loss.

E. Reduction of ownership stake in Varun Beverages Mozambique Limitada

The Holding Company sold 41% equity quota of Varun Beverages Mozambique Limitada to reduce its stake from 51% down to 10% for a consideration of ₹ 0.11 on 02 March 2017. This transaction did not have any material impact on these financial statements.
During the year ended 31 December 2018, the Holding Company sold its 10% stake in Varun Beverages Mozambique Limitada to other shareholder for a consideration of ₹ 0.03.

At the date of disposal, the carrying amounts of net assets of Varun Beverages Mozambique Limitada were as follows:

(₹ in million)

		As at March 02, 2017
Property, plant and equipment		158.69
Other intangible assets		0.31
Other		4.61
	Total non-current assets (a)	**163.61**
Inventories		60.36
Trade receivables		18.14
Cash and cash equivalents		2.35
Other		0.24
	Total current assets (b)	**81.09**
Non-current borrowings		99.40
	Total non-current liabilities (c)	**99.40**
Current borrowings		4.68
Trade payables		85.65
Other current liabilities		57.61
	Total current liabilities (d)	**147.94**
	Net identifiable assets (a+b-c-d)	**(2.64)**
Total consideration received		0.11
Gain on disposal recognised		2.75

55. The Holding Company follows calendar year as its financial year as approved by the Company Law Board, New Delhi.

56. Share-based payments

Description of share based payments arrangements

During the year ended 31 December 2013, the Holding Company granted stock options to certain employees of the Holding Company and its subsidiaries. The Holding Company has the following share-based payment arrangements for employees.

A. Employee Stock Option Plan 2013 (ESOP 2013)

The ESOP 2013 ('the Plan') was approved by the Board of Directors and the shareholders on 13 May 2013 and further amended by Board of Directors on 01 December 2015. The plan entitles key managerial personnel and employees of the Holding Company and its subsidiaries to purchase shares in the Holding Company at the stipulated exercise price, subject to compliance with vesting conditions. Stock options can be settled by issue of equity shares. As per the Plan, holders of vested options are entitled to purchase one equity share for every option at an exercise price of ₹ 149.51, which is 1.14 % above the stock price at the date of grant, i.e., 13 May 2013.

The expense recognised for employee services received during the respective years is ₹ Nil.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and changes in, share options during the year:

Particulars	31 December 2018 Number	31 December 2018 WAEP	31 December 2017 Number	31 December 2017 WAEP
Outstanding at the beginning of the year	78,285	149.51	352,700	149.51
Options exercised during the year	(55,000)	149.51	(274,415)	149.51
Outstanding at the end of the year	**23,285**		**78,285**	
Exercisable at the end of the year	23,285	-	78,285	-

The fair values of options granted under new plan were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The following principal assumptions were used in the valuation:

	Options vested and exercised	Options vested and unexercised
Number of options	2,006,550	668,850
Fair value on grant date (₹)	65.92	66.44
Share price at grant date (₹)	147.83	147.83
Exercise price (₹)	149.51	149.51
Expected volatility*	16.63%	16.63%
Expected life	7.56 years	7.64 years
Expected dividends	0%	0%
Risk-free interest rate (based on government bonds)	7.53%	7.53%

*The measure of volatility has been calculated based on the average volatility of closing market price of the BSE 500 during the period 01 January 2013 to 31 December 2013.

56. Share-based payments [Cont'd]

Particulars of Scheme	
Name of scheme	**Employee Stock Option Plan 2013**
Vesting conditions	668,850 options on the date of grant ('First vesting') 668,850 options on first day of January of the calendar year following the first vesting ('Second vesting') 668,850 options on first day of January of the calendar year following the second vesting ('Third vesting') 668,850 options on first day of January of the calendar year following the third vesting ('Fourth vesting') Notwithstanding any other clause of this Plan, no vesting shall occur until 01 December 2015 or fourth vesting, whichever is earlier
Exercise period	Stock options can be exercised within a period of 5 years from the date of vesting.
Number of share options	2,675,400
Exercise price	149.51
Method of settlement	Equity
Fair value on the grant date	Options vested: ₹ 65.92 Options to be vested : ₹ 66.44
Remaining life as on 31 December 2018	1.94 years
Remaining life as on 31 December 2017	2.94 years

The following share options were exercised during the current year:

Particulars	Options series	Number exercised	Share price at exercised date	Exercise date
Granted on 13 May 2013	ESOP 2013	12,700	₹ 717.10	24 January 2018
Granted on 13 May 2013	ESOP 2013	15,000	₹ 608.15	20 March 2018
Granted on 13 May 2013	ESOP 2013	19,500	₹ 688.25	26 July 2018
Granted on 13 May 2013	ESOP 2013	7,800	₹ 765.80	22 November 2018

The following share options were exercised during the previous year:

	Options series	Number exercised	Share price at exercised date	Exercise date
Granted on 13 May 2013	ESOP 2013	99,400	₹ 404.78	20 February 2017
Granted on 13 May 2013	ESOP 2013	98,200	₹ 473.90	24 April 2017
Granted on 13 May 2013	ESOP 2013	46,815	₹ 514.64	11 August 2017
Granted on 13 May 2013	ESOP 2013	27,000	₹ 510.98	25 September 2017
Granted on 13 May 2013	ESOP 2013	3,000	₹ 512.51	11 October 2017

B. Employee Stock Option Plan 2016 ("ESOP 2016")

The ESOS 2016 ('the Scheme') was approved by the Board of Directors and the shareholders on 27 April 2016. The Scheme entitles key managerial personnel and employees of the Holding Company and its subsidiaries to purchase shares in the Holding Company at the stipulated exercise price, subject to compliance with vesting conditions. Stock options can be settled by issue of equity shares. No options under this scheme have been granted upto year ended 31 December 2018.

57. Financial instruments risk

Financials risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of financial risks are market risk, credit risk and liquidity risk.

The respective management of the Holding Company and other companies/entities comprising the Group monitors and manages the financial risks relating to the operations of the respective entity/company on a continuous basis. The Group's risk management is coordinated at head office, in close cooperation with the management of respective entity/company, and focuses on actively securing the short to medium-term cash flows and simultaneously minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

57.1 Market risk analysis

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from its operating, investing and financing activities. Contracts to hedge exposures in foreign currencies, interest rates etc. are entered into wherever considered necessary by the management.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The functional currency of the Holding Company is Indian Rupees ('INR' or '₹'). Most of the transactions of the Holding Company and other entities/companies are carried out in the respective local currency. Exposures to currency exchange rates mainly arise from the overseas sales and purchases and external commercial borrowings etc.

To mitigate its exposure to foreign currency risk, the Group continuously monitors non-INR cash flows and hedging contracts are entered into wherever considered necessary.

The carrying amounts of the Group's foreign currency denominated monetary items are restated at the end of each reporting period. Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are as follows:

(₹ in million)

	USD	GBP	Euro	SGD	LKR	MAD	NPR	ZMW
31 December 2018								
Financial assets								
(i) Trade receivables	2.63	-	-	-	931.32	43.07	70.04	112.27
(ii) Loans	-	-	-	-	-	1.91	-	0.27
(iii) Others	1.06	-	0.36	-	-	0.01	20.82	5.25
(iv) Cash and cash equivalents	18.50	-	-	-	109.30	3.34	26.77	7.36
(v) Other bank balances	-	-	-	-	4.01	-	222.67	-
Total financial assets	**22.19**	**-**	**0.36**	**-**	**1,044.63**	**48.33**	**340.30**	**125.15**
Financial liabilities								
(i) Borrowings	27.17	-	5.35	33.13	6,266.52	398.79	248.39	192.78
(ii) Trade payables	27.76	0.01	1.13	-	300.41	71.69	974.82	83.77
(iii) Other financial liabilities	8.59	-	-	0.15	374.71	46.87	1,188.61	38.42
Total financial liabilities	**63.52**	**0.01**	**6.48**	**33.28**	**6,941.64**	**517.35**	**2,411.82**	**314.97**
31 December 2017								
Financial assets								
(i) Trade receivables	1.03	-	-	-	1,603.02	50.22	71.36	60.28
(ii) Loans	0.02	-	-	-	-	1.86	-	0.32
(iii) Others	0.89	-	-	-	-	-	11.66	-
(iv) Cash and cash equivalents	4.36	-	-	-	6.41	2.33	6.50	5.65
(v) Other bank balances	-	-	-	-	-	-	472.57	-
Total financial assets	**6.30**	**-**	**-**	**-**	**1,609.43**	**54.41**	**562.09**	**66.25**
Financial liabilities								
(i) Borrowings	14.73	-	-	-	6,694.68	341.77	899.98	203.62
(ii) Trade payables	6.85	-	0.27	-	418.37	62.17	1,036.02	54.42
(iii) Other financial liabilities	2.65	-	5.42	-	484.00	49.21	1,028.69	49.26
Total financial liabilities	**24.23**	**-**	**5.69**	**-**	**7,597.05**	**453.15**	**2,964.69**	**307.30**

57. Financial instruments risk [Cont'd]

The foreign currency sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities considering 'all other things being equal' and ignoring the impact of taxation. It assumes a +/- 1% change of the respective countries exchange rates (i.e. local currency to foreign currency) for the year ended at 31 December 2018 (31 December 2017: +/-1%). These are the sensitivity rates used when reporting foreign currency exposures internally to the key management personnel and represents respective management's assessment of the reasonably possible changes in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at end of each period reported upon. A positive number indicates an increase in profit or equity and vice-versa.

If the INR had strengthened/weakened against respective foreign currency by 1% (31 December 2017: 1%), then impact of such change on profit for the year and equity as at 31 December 2018 and 31 December 2017 will be as below:

(₹ in million)

	Profit for the year		Equity	
	+1%	-1%	+1%	-1%
31 December 2018	130.74	(130.74)	130.74	(130.74)
31 December 2017	97.28	(97.28)	97.28	(97.28)

Exposures to foreign exchange rates vary during the year depending on the volume of the overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. The Group is exposed to changes in market interest rates as some of the bank and other borrowings are at variable interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (31 December 2017: +/- 1%). These changes are considered to be reasonably possible based on management's assessment. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

(₹ in million)

	Profit for the year		Equity	
	+1%	-1%	+1%	-1%
31 December 2018	(194.36)	194.36	(194.36)	194.36
31 December 2017	(152.83)	152.83	(152.83)	152.83

Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase of sugar and pet chips and therefore require a continuous supply. In view of volatility of price of sugar and pet chips, the Group also executes various purchase contracts.

Commodity price sensitivity

The following tables shows the effect of price change in sugar and pet chips

(₹ in million)

Particulars	Change in year - end price	Effect on profit before tax		Effect on equity	
31 December 2018					
Sugar	+/-1%	(62.74)	62.74	(62.74)	62.74
Pet chips	+/-1%	(32.87)	32.87	(32.87)	32.87
31 December 2017					
Sugar	+/-1%	(63.27)	63.27	(63.27)	63.27
Pet chips	+/-1%	(18.51)	18.51	(18.51)	18.51

Other price sensitivity

The Group is not exposed to any listed equity or listed debt price risk as it does not hold any investments in listed entities.

57. Financial instruments risk [Cont'd]

57.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is operating through a network of distributors and other distribution partners based at different locations. The Group is exposed to this risk for various financial instruments, for example loans granted, receivables from customers, deposits placed etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at end of each reporting period, as summarised below:

(₹ in million)

Particulars	As at 31 December 2018	As at 31 December 2017
Classes of financial assets-carrying amounts:		
Investments (non-current)	0.01	0.04
Loans (non-current and current)	216.45	193.42
Others non-current financial assets	8.34	8.96
Trade receivables	1,280.25	1,502.45
Cash and cash equivalents	429.36	649.46
Bank balances (other than those classified as cash and cash equivalents above)	505.44	295.14
Others current financial assets	1,404.78	932.40
	3,844.63	**3,581.87**

The Group continuously monitors receivables and defaults of customers and other counterparties, and incorporates this information into its credit risk controls. Appropriate security deposits are kept against the supplies to customers and balances are reconciled at regular intervals. The Group's policy is to deal only with creditworthy counterparties.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. Trade receivables consist of a large number of customers of various scales and in different geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables. In case the receivables are not recovered even after regular follow up, measures are taken to stop further supplies to the concerned customer. The expected credit loss is based on the five years historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates.

Movement in expected credit loss allowance on trade receivables and capital advances:-

(₹ in million)

	As at 31 December 2018	As at 31 December 2017
Balance at the beginning of the year	400.14	252.37
Loss allowance measured at lifetime expected credit loss	257.40	156.74
Foreign currency translation reserve	(3.59)	(8.97)
Balance at the end of the year	**653.95**	**400.14**

The credit risk for cash and cash equivalents, bank deposits including interest accrued thereon and Government grant receivables is considered negligible, since the counterparties are reputable banks with high quality external credit ratings and State Government bodies.

In respect of financial guarantees provided by the Group, the maximum exposure to which the Group is exposed to is the maximum amount which it would have to pay if the guarantee is called upon. Based on the expectation at the end of each reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the guarantees provided.

57. Financial instruments risk [Cont'd]

57.3 Liquidity risk analysis

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities and considering the maturity profiles of financial assets and other financial liabilities as well as forecast of operational cash inflows and outflows. Liquidity needs are monitored in various time bands, on a day-to-day basis, a week-to-week basis and a month-to-month basis. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls.

Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the Group's ability to avail further credit facilities subject to creation of requisite charge on its assets. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

As at 31 December 2018, the Group’s non-derivative financial liabilities have contractual maturities as summarised below:

(₹ in million)

31 December 2018	1 to 12 months	1 to 5 years	Later than 5 years
Borrowings (current and non-current)	8,207.83	17,905.90	629.81
Trade payables	3,167.97	-	-
Other financial liabilities (current)	4,080.49	-	-
Total	**15,456.29**	**17,905.90**	**629.81**

This compares to the maturity of the Group’s non-derivative financial liabilities in the previous reporting periods as follows:

(₹ in million)

31 December 2017	1 to 12 months	1 to 5 years	Later than 5 years
Borrowings (current and non-current)	9,638.40	16,745.07	579.70
Trade payables	1,909.46	-	-
Other financial liabilities (current)	2,647.91	-	-
Total	**14,195.77**	**16,745.07**	**579.70**

As at 31 December 2018, the contractual cash flows (excluding interest thereon) of the Group’s derivative financial instruments are as follows:

(₹ in million)

31 December 2018	1 to 12 months	1 to 5 years
Cross currency interest rate swap	-	1,686.78

This compares to the contractual cash flows of the Group’s derivative financial instruments in the previous reporting periods as follows:

(₹ in million)

31 December 2017	1 to 12 months	1 to 5 years
Cross currency interest rate swap	341.50	-

58. Fair value measurements

Financial instruments by categories

The carrying values and fair values of financial instruments by categories are as follows:

(₹ in million)

	Carrying value		Fair value	
Particulars	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Financial assets				
Fair value through profit and loss ('FVTPL')				
(i) Non-current financial assets				
(i) Investment (non-current)	0.01	0.04	0.01	0.04
Amortised cost				
(i) Non-current financial assets				
(a) Loans	200.92	193.16	200.92	193.16
(b) Others	8.34	8.96	8.34	8.96
(ii) Current financial assets				
(a) Trade receivables	1,280.25	1,502.45	1,280.25	1,502.45
(b) Cash and cash equivalents	429.36	649.46	429.36	649.46
(c) Bank balances other than above	505.44	295.14	505.44	295.14
(d) Loans	15.53	0.26	15.53	0.26
(e) Others	1,404.78	932.40	1,404.78	932.40
Total	**3,844.63**	**3,581.87**	**3,844.63**	**3,581.87**
Financial liabilities				
FVTPL				
(i) Current financial liability				
(a) Liability for derivative contract	77.97	25.85	77.97	25.85
Amortised cost				
(i) Non-current borrowings (excluding those disclosed under FVTPL category above)	19,800.69	16,913.68	19,800.69	16,913.68
(ii) Current financial liabilities				
(a) Borrowings	3,776.55	3,533.65	3,776.55	3,533.65
(b) Trade payables	3,167.97	1,909.46	3,167.97	1,909.46
(c) Others	8,434.46	8,710.56	8,434.46	8,710.56
Total	**35,257.64**	**31,093.20**	**35,257.64**	**31,093.20**

Valuation technique to determine fair value

Cash and cash equivalents, other bank balances, trade receivables, other current financial assets, trade payables, current borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the long term borrowings, loans and other deferred payments are determined by using discounted cash flow method using the appropriate discount rate. The discount rate is determined using other similar instruments incorporating the risk associated.
- The fair values of the unquoted instruments and other financial assets and liabilities have been estimated using a discounted cash flow method using the appropriate discount rate. The discount rate is determined using other similar instruments incorporating the risk associated.
- The Group executed derivative financial instruments such as cross currency interest rate swap being valued using valuation techniques, which employs use of market observable inputs. The Group uses mark to market valuation provided by bank for its valuation.

Fair value hierarchy

The financial assets measured at fair value are grouped into the fair value hierarchy as on 31 December 2018 and 31 December 2017 as follows: (also refer note 3(a))

(₹ in million)

31 December 2018			**Fair value measurement using**		
	Date of valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value:					
Investment (non-current)	31 December 2018	0.01	-	-	0.01

58. Fair value measurements [Cont'd]

(₹ in million)

31 December 2018			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
(a) Liability for derivative contract	31 December 2018	77.97	-	77.97	-

There have been no transfers of financial assets and financial liabilities between the levels during the year 2018.

(₹ in million)

31 December 2017			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
Investment (non-current)	31 December 2017	0.04	-	-	0.04

31 December 2017			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
(a) Liability for derivative contract	31 December 2017	25.85	-	25.85	-

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59. Capital management

For the purpose of the Group's capital management, capital includes issued equity share capital, securities premium and all other equity reserves attributable to the equity shareholders of the Group.
The Group' s capital management objectives are:
- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, non-current and current borrowings, deferred payment liabilities, less cash and cash equivalents, excluding discontinued operations, if any.

The amounts managed as capital by the Group for the reporting periods are summarised as follows:

(₹ in million)

Particulars	**As at 31 December 2018**	**As at 31 December 2017**
Non-current borrowings (Refer note 24A)	19,800.69	16,913.68
Current borrowings (Refer note 24B)	3,776.55	3,533.65
Current portion of deferred payment liabilities (Refer note 24D)	429.58	2,976.98
Current maturities of long-term debts (Refer note 24C)	4,071.85	3,112.71
	28,078.67	**26,537.02**
Less: Cash and cash equivalents (Refer note 15)	429.36	649.46
Net debt	**27,649.31**	**25,887.56**
Equity share capital (Refer note 22)	1,826.42	1,825.87
Other equity (Refer note 23)	18,158.62	15,868.41
Total capital	**19,985.04**	**17,694.28**
Capital and net debt	**47,634.35**	**43,581.84**
Gearing ratio	**58.04%**	**59.40%**

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.
No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.
Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any borrowing in the reporting periods.

60. Assets pledged as security

The carrying amount of assets pledged as security are:

(₹ in million)

Particulars	As at 31 December 2018	As at 31 December 2017
Inventories and trade receivable	6,952.38	4,578.59
Cash and cash equivalents	429.36	649.46
Other bank deposits	1,430.60	295.14
Current loans	104.68	0.26
Other current financial assets	1,783.80	932.40
Other current assets	1,581.41	1,532.48
Other intangible assets	5,235.20	4,355.84
Property, plant and equipment (including capital work-in-progress)	37,725.97	32,198.09

61. Recent accounting pronouncements (Ind AS issued but not yet effective)

The Ministry of Corporate Affairs ("MCA") issued the Companies (Indian Accounting Standards) Amendments Rules, 2018 and Companies (Indian Accounting Standards) Second Amendments Rules, 2018, notifying Ind AS 115, 'Revenue from Contract with Customers', Appendix B to Ind AS 21, Foreign currency transactions and advance consideration and amendments to Ind AS 20, Government grants. These amendments are in line with recent amendments made by International Accounting Standards Board ("IASB"). These amendments are applicable to the Company from accounting periods beginning on or after 01 January 2019, i.e., from financial year 2019.

Ind AS 115, Revenue from Contract with Customers:

Ind AS 115 supersedes Ind AS 11, Construction Contracts and Ind AS 18, Revenue. Ind AS 115 requires an entity to report information regarding nature, amount, timing and uncertainty of revenue and cash flows arising from contract with customers. The principle of Ind AS 115 is that entity should recognize revenue that demonstrates the transfer of promised goods and services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard can be applied either retrospectively to each prior reporting period presented or can be applied retrospectively with recognition of cumulative effects of contracts that are not completed contacts at the date of initial application of the standard.

The Holding Company is evaluating the requirements of the standard and the effect on the financial statements.

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

The appendix clarifies that the date of transaction for the purpose of determining the exchange rate to use an initial recognition of the asset, expense or income (or part of it) is the date on which an entity initially recognizes the non- monetary asset or non-monetary liability arising from the payment or receipt of advance consideration towards such assets, expense or income. If there are multiple payments or receipts of advance, then an entity must determine transaction date for each payment or receipts of advance consideration.

The Holding Company is evaluating the requirements of the amendment and the effect on the financial statements.

Ind AS 20, Government grant:

The amendment provides alternative to recognition of government grants related to assets and non-monetary grant. Government grant related to assets can also be presented by deducting the grant from the carrying amount of the asset and non-monetary grant can be recognised at a nominal amount.

The Holding Company has evaluated the requirements of the amendment and is not expecting to use such options.

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62. Additional information, as required to Consolidated Financial Statements pursuant to Schedule III to the Companies Act, 2013

All amounts in ₹ in million, unless otherwise stated

Name of the company/entity	Net assets i.e., total assets minus total liabilities		Share of profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
For the year ended 31 December 2018								
Holding Company								
Varun Beverages Limited	129.04%	25,889.39	110.84%	3,323.59	7.83%	(14.76)	117.75%	3,308.83
Subsidiaries								
Varun Beverages (Nepal) Private Limited	8.94%	1,793.19	12.93%	387.62	0.00%	-	13.79%	387.62
Varun Beverages Lanka (Private) Limited (Consolidated)	-0.77%	(154.67)	-9.91%	(297.22)	-3.19%	6.01	-10.36%	(291.21)
Varun Beverages Morocco SA	0.48%	96.13	-22.63%	(678.64)	0.00%	-	-24.15%	(678.64)
Varun Beverages (Zambia) Private Limited	1.21%	243.56	6.94%	208.20	0.00%	-	7.41%	208.20
Varun Beverages (Zimbabwe) (Private) Limited	3.94%	790.52	27.18%	815.12	0.00%	-	29.01%	815.12
Minority interest in all subsidiaries	0.39%	77.68	2.34%	70.22	0.00%	-	2.50%	70.22
Associate (as per equity method)								
Angelica Technologies Private Limited (Consolidated)	0.56%	112.44	1.01%	30.20	0.00%	-	1.07%	30.20
Inter group eliminations	-43.79%	(8,785.52)	-28.70%	(860.46)	95%	(179.82)	-37.02%	(1,040.28)
Total	**100.00%**	**20,062.72**	**100.00%**	**2,998.63**	**100.00%**	**(188.57)**	**100.00%**	**2,810.06**
For the year ended 31 December 2017								
Holding Company								
Varun Beverages Limited	129.91%	22,968.01	110.06%	2,355.98	-9.82%	6.39	113.82%	2,362.37
Subsidiaries								
Varun Beverages (Nepal) Private Limited	4.02%	709.91	20.47%	438.17	0.43%	(0.28)	21.10%	437.89
Varun Beverages Lanka (Private) Limited (Consolidated)	0.62%	110.40	-5.56%	(119.01)	-2.03%	1.32	-5.67%	(117.69)
Varun Beverages Morocco SA	0.76%	134.48	-18.60%	(398.12)	0.00%	-	-19.18%	(398.12)
Varun Beverages (Zambia) Private Limited	-0.75%	(133.34)	6.50%	139.13	0.00%	-	6.70%	139.13
Varun Beverages (Mozambique) Limitada	0.00%	-	1.92%	41.03	0.00%	-	1.98%	41.03
Varun Beverages (Zimbabwe) (Private) Limited	-0.16%	(27.81)	-1.66%	(35.60)	0.00%	-	-1.72%	(35.61)
Minority interest in all subsidiaries	-0.08%	(14.32)	1.82%	39.05	0.00%	-	1.88%	39.05
Associate (as per equity method)								
Angelica Technologies Private Limited (Consolidated)	0.47%	82.23	0.63%	13.50	0.00%	-	0.65%	13.50
Inter group eliminations	-34.79%	(6,149.60)	-15.58%	(333.54)	111.42%	(72.51)	-19.56%	(406.05)
Total	**100.00%**	**17,679.96**	**100.00%**	**2,140.59**	**100.00%**	**(65.08)**	**100.00%**	**2,075.50**

63. Summarised financial information for Associate:

The Group has a 47.30% ownership interest in Angelica Technologies Private Limited ("Angelica"), an associate. The Holding company's interest in Angelica is accounted at cost using the equity method in these financial statements. Summarised financial information of Angelica, is set out below:

A. **Principal place of business:** India

B. **Summarised balance sheet** (₹ in million)

Particulars	31 December 2018	31 December 2017
Cash and cash equivalents	3.68	3.59
Other assets	299.47	194.91
Current Assets (A)	**303.15**	**198.50**
Non-Current Assets (B)	**240.66**	**284.64**
Trade payables and provisions	73.94	36.33
Current liabilities (excluding trade payables and provisions)	104.09	143.61
Current Liabilities ('C)	**178.04**	**179.94**
Trade payables and provisions	2.82	2.54
Non-current liabilities (excluding trade payables and provisions)	43.06	67.03
Non-Current Liabilities (D)	**45.88**	**69.57**
Net Assets (A+B-C-D)	**319.90**	**233.62**
Net Assets attributable to non-controlling interest	(82.20)	(59.77)
Net Assets attributable to Holding Company	**237.70**	**173.85**

C. **Reconciliation to carrying amounts** (₹ in million)

Particulars	31 December 2018	31 December 2017
Opening net assets	**173.85**	**145.31**
Net profit for the year	63.85	28.54
Total net assets	**237.70**	**173.85**
Group's share in %	47.30%	47.30%
Group's share in ₹	112.43	82.23
Carrying amount of investment	**112.43**	**82.23**

D. **Summarised statement of profit and loss** (₹ in million)

Particulars	31 December 2018	31 December 2017
Revenue	781.12	561.28
Other income	11.54	6.19
Total Revenue (A)	**792.65**	**567.46**
Cost of materials consumed	461.40	291.68
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress	(4.32)	(0.47)
Excise duty on sale of goods	-	31.37
Employee benefits expense	42.19	39.45
Depreciation and amortisation	46.82	45.73
Finance costs	7.02	11.14
Other expenses	113.42	92.84
Total Expenses (B)	**666.54**	**511.73**
Profit before tax (C=A-B)	**126.11**	**55.73**
Tax expense (D)	40.27	17.21
Profit after Tax (E=C-D)	**85.84**	**38.52**
Other comprehensive income (F)	0.44	0.02
Total Comprehensive Income (G=E+F)	**86.28**	**38.54**

63. Summarised financial information for Angelica: [Cont'd]

(₹ in million)

Particulars	31 December 2018	31 December 2017
Net profit attributable to:		
(a) Owners	63.52	28.53
(b) Non-controlling interest	22.32	9.99
Other comprehensive income attributable to:		
(a) Owners	0.33	0.02
(b) Non-controlling interest	0.11	0.01
Total comprehensive income attributable to:		
(a) Owners	63.85	28.54
(b) Non-controlling interest	22.43	10.00
Group's share in % (H)	47.30%	47.30%
Group's share of profit after tax (G*H)	30.20	13.50
Profit recognised in the Consolidated Statement of Profit and Loss	30.20	13.50

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Independent Auditor's Report

To the Members of Varun Beverages Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Varun Beverages Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its associates, which comprise the Consolidated Balance Sheet as at 31 December 2017, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated cash flows and consolidated changes in equity of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The Holding Company's Board of Directors and the respective Board of Directors of the subsidiaries included in the Group, and its associates are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms of the provisions of the Act, the respective Board of Directors of the companies included in the Group, and its associate companies covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 9 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries and associates, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs (consolidated financial position) of the Group and its associates as at 31 December 2017, and their consolidated profit (consolidated financial performance including other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Other Matters

9. We did not audit the financial statements of seven subsidiaries, whose financial statements reflect total assets of ₹ 13,007.42 million and net assets of ₹ 793.36 million as at 31 December 2017, total revenues of ₹ 11,653.25 million and net cash inflows amounting to ₹ 160.47 million for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit (including other comprehensive income) of ₹ 13.50 million for the year ended 31 December 2017, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of the other auditors.

   Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

10. The Holding Company had prepared separate sets of consolidated financial statements for the year ended 31 December 2016 and 31 December 2015 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other accounting principles generally accepted in India, which were audited jointly by Walker Chandiok & Associates, Chartered Accountants and O.P. Bagla & Co., Chartered Accountants who expressed an unmodified opinion vide audit reports dated 20 February 2017 and 28 March 2016 respectively. The standalone financial statements of the Holding Company and the consolidated financial statements have been adjusted for the differences in the accounting principles adopted by the Holding Company on transition to Ind AS, which have been audited jointly by Walker Chandiok & Associates, Chartered Accountants and APAS & Co., Chartered Accountants and by other auditors in case of the standalone financial statements of the seven subsidiaries and two associates whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far it related to the amounts and disclosures included in respect of these subsidiaries and associates are based solely on the reports of such other auditors. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

11. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries and associates, we report, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) In our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under Section 133 of the Act;

On the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors of its associate companies covered under the Act, none of the directors of the Group companies and its associate companies covered under the Act, are disqualified as on 31 December 2017 from being appointed as a director in terms of Section 164(2) of the Act;

e) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, and its associate companies covered under the Act and the operating effectiveness of such controls, refer to our separate report in 'Annexure 1'; and

f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and associates:

(i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates as detailed in Note 45 to the consolidated financial statements;

(ii) the Group and its associates did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

(iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its associate companies covered under the Act during the year ended 31 December 2017; and

(iv) These consolidated financial statements have made requisite disclosures in Note 14 as to holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 by the Holding Company and its associate companies covered under the Act. Based on the audit procedures performed and taking into consideration reports of the other auditors on separate financial statements of associate companies and the information, explanations and representations given to us by the management of the Holding Company, we report that the amounts disclosed in the said Note is in accordance with the books of accounts maintained by the Holding Company and its associate companies covered under the Act, except for disclosure in the said Note in relation to permitted receipts and permitted payments upon which we are unable to comment in the absence of necessary details.

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No: 001329N

per **Nitin Toshniwal**
Partner
Membership No. 507568

Place: Gurugram
Date: 16 February 2018

L-41 Connaught Place,
New Delhi 110 001

For **APAS & Co.**
Chartered Accountants
Firm Registration No: 000340C

per **Sumit Kathuria**
Partner
Membership No. 520078

Place: Gurugram
Date: 16 February 2018

8/14 Basement, Kalkaji Extension
New Delhi 110 019

Annexure 1

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of Varun Beverages Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its associates as at and for the year ended 31 December 2017, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company and its associate companies, which are companies covered under the Act, as at that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company and its associate companies, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company, its subsidiary companies and its associate companies, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note, issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company, its subsidiary companies and its associate companies as aforesaid.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with

generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion and based on the consideration of the reports of the other auditors on IFCoFR of the associate companies, which are companies covered under the Act, have in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 December 2017, based on the internal financial control over financial reporting criteria established by the respective company considering the essential components of internal financial controls stated in the Guidance Note issued by the ICAI.

Other Matters

9. We did not audit the IFCoFR in so far as it relates to two associate companies, which are companies covered under the Act, in respect of which, the Group's share of net profit (including other comprehensive income) of ₹ 13.50 million for the year ended 31 December 2017 has been considered in the consolidated financial statements. The IFCoFR in so far as it relates to such associate companies have been audited by other auditor whose reports has been furnished to us by the management and our report on the adequacy and operating effectiveness of the IFCoFR for the Holding Company and its associate companies, as aforesaid, under Section 143(3)(i) of the Act in so far as it relates to such associate companies is based solely on the report of the auditor of such companies. Our opinion is not modified in respect of this matter with respect to our reliance on the work done by and on the report of the other auditor.

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No: 001329N

per **Nitin Toshniwal**
Partner
Membership No. 507568

Place: Gurugram
Date: 16 February 2018

L-41 Connaught Place,
New Delhi 110 001

For **APAS & Co.**
Chartered Accountants
Firm Registration No: 000340C

per **Sumit Kathuria**
Partner
Membership No. 520078

Place: Gurugram
Date: 16 February 2018

8/14 Basement, Kalkaji Extension,
New Delhi 110 019

Consolidated Balance Sheet as at 31 December 2017

(₹ in million)

	Note	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Assets				
Non-current assets				
(a) Property, plant and equipment	4	35,411.66	33,558.49	31,778.78
(b) Capital work-in-progress	4	1,454.38	955.78	420.67
(c) Goodwill	55A	19.40	-	-
(d) Other intangible assets	5	4,374.15	3,596.46	3,633.41
(e) Investment in associates	6	82.23	68.73	44.95
(f) Financial assets				
(i) Investments	7	0.04	0.01	0.01
(ii) Loans	8	192.19	163.19	145.16
(iii) Others	9	8.96	8.47	1.48
(g) Deferred tax assets (Net)	10	80.04	68.35	386.02
(h) Other non-current assets	11	1,525.85	1,367.45	991.10
Total non-current assets		**43,148.90**	**39,786.93**	**37,401.58**
Current assets				
(a) Inventories	12	4,388.94	4,899.26	4,507.06
(b) Financial assets				
(i) Trade receivables	13	1,502.45	1,313.45	1,444.67
(ii) Cash and cash equivalents	14	649.46	325.00	294.60
(iii) Bank balances other than (ii) above	15	295.14	332.02	337.84
(iv) Others	16	933.63	204.45	67.44
(c) Current tax assets (Net)	17	0.13	0.07	7.72
(d) Other current assets	18	1,532.48	1,451.39	1,230.24
Total current assets		**9,302.23**	**8,525.64**	**7,889.57**
Assets classified as held for sale	19	384.95	-	-
Total assets		**52,836.08**	**48,312.57**	**45,291.15**
Equity and liabilities				
Equity				
(a) Equity share capital	20	1,825.87	1,823.13	1,337.66
(b) Other equity	21	15,868.41	15,112.82	(3,504.52)
Equity attributable to owners of the Holding Company		**17,694.28**	**16,935.95**	**(2,166.86)**
Non-controlling interest		(14.32)	(129.06)	(185.68)
Total equity		**17,679.96**	**16,806.89**	**(2,352.54)**
Liabilities				
Non-current liabilities				
(a) Financial liabilities				
(i) Borrowings	22A	16,869.95	12,183.61	30,219.72
(ii) Other financial liabilities	23	45.98	12.24	13.16
(b) Provisions	24	732.64	605.88	445.34
(c) Deferred tax liabilities (Net)	10	1,501.51	1,286.39	-
(d) Other non-current liabilities	25	73.83	142.23	110.74
Total non-current liabilities		**19,223.91**	**14,230.35**	**30,788.96**
Current liabilities				
(a) Financial liabilities				
(i) Borrowings	22B	3,533.65	4,111.29	3,399.23
(ii) Trade payables	26	1,909.46	2,745.90	2,645.78
(iii) Other financial liabilities	27	8,781.33	8,344.68	9,087.41
(b) Other current liabilities	28	1,471.92	1,848.32	1,346.76
(c) Provisions	24	167.50	135.20	137.28
(d) Current tax liabilities (Net)	29	68.35	89.94	238.27
Total current liabilities		**15,932.21**	**17,275.33**	**16,854.73**
Total liabilities		**35,156.12**	**31,505.68**	**47,643.69**
Total equity and liabilities		**52,836.08**	**48,312.57**	**45,291.15**

Significant accounting policies 3

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached

For and on behalf of the Board of Directors of Varun Beverages Limited

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No.: 001329N

per **Nitin Toshniwal**
Partner
Membership no.: 507568

For **APAS & Co.**
Chartered Accountants
Firm Registration No.: 000340C

per **Sumit Kathuria**
Partner
Membership no.: 520078

Varun Jaipuria
Whole Time Director
DIN 02465412

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Kapil Agarwal
Chief Executive Officer and Whole Time Director
DIN 02079161

Kamlesh Kumar Jain
Chief Financial Officer and Whole Time Director
DIN 01822576

Place: Gurugram
Dated: 16 February 2018

Ravi Batra
Chief Risk Officer & Group Company Secretary
Membership No. F- 5746

Consolidated Statement of Profit and Loss for the year ended 31 December 2017

(₹ in million)

		Year ended 31 December 2017	Year ended 31 December 2016
Income			
Revenue from operations	30	45,162.36	45,314.61
Other income	31	126.53	357.33
Total income		**45,288.89**	**45,671.94**
Expenses			
Cost of materials consumed	32	18,555.09	16,768.99
Excise duty		5,128.37	6,702.78
Purchases of stock-in-trade	33	277.69	928.39
Changes in inventories of finished goods, stock-in-trade and work-in-progress	34	(732.22)	(318.55)
Employee benefits expense	35	4,628.44	4,210.30
Finance costs	36	2,121.75	4,325.35
Depreciation and amortisation expense	37	3,466.41	3,222.08
Other expenses	38	8,947.32	9,063.03
Total expenses		**42,392.85**	**44,902.37**
Profit before tax and share of profit in associate		**2,896.04**	**769.57**
Share of profit in associate		13.50	23.78
Profit before tax		**2,909.54**	**793.35**
Tax expense			
(a) Current tax	29	547.85	442.30
(b) Adjustment of tax relating to earlier periods	29	1.60	(2.80)
(c) Deferred tax	10	219.50	(126.54)
Total tax expense		**768.95**	**312.96**
Net profit for the year		**2,140.59**	**480.39**
Other comprehensive income	39		
(a) Items that will not to be reclassified to profit or loss:			
(i) Re-measurement gains/(losses) on defined benefit plans		10.83	(52.31)
(ii) Income tax relating to items that will not be reclassified to statement of profit and loss		(3.39)	17.96
(b) Items that will be reclassified to profit or loss:			
(i) Exchange differences arising on translation of foreign operations		(94.27)	(122.43)
(ii) Income tax relating to items that will be reclassified to statement of profit and loss		21.75	28.25
Total other comprehensive income		**(65.08)**	**(128.53)**
Total comprehensive income for the year (including non-controlling interest)		**2,075.51**	**351.86**
Net profit attributable to:			
(a) Owners of the Company		2,101.54	423.76
(b) Non-controlling interest		39.05	56.63
Other comprehensive income attributable to:			
(a) Owners of the Company		(65.08)	(128.53)
(b) Non-controlling interest		-	-
Total comprehensive income attributable to:			
(a) Owners of the Company		2,036.46	295.23
(b) Non-controlling interest		39.05	56.63
Earnings per equity share of face value of ₹ 10 each			
Basic (₹)	43	11.52	2.92
Diluted (₹)	43	11.51	2.51
Significant accounting policies	3		

The accompanying notes are an integral part of the consolidated financial statements.
As per our report of even date attached

For and on behalf of the Board of Directors of Varun Beverages Limited

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No.: 001329N

For **APAS & Co.**
Chartered Accountants
Firm Registration No.: 000340C

Varun Jaipuria
Whole Time Director
DIN 02465412

Raj Pal Gandhi
Whole Time Director
DIN 00003649

per **Nitin Toshniwal**
Partner
Membership no.: 507568

per **Sumit Kathuria**
Partner
Membership no.: 520078

Kapil Agarwal
Chief Executive Officer and Whole Time Director
DIN 02079161

Kamlesh Kumar Jain
Chief Financial Officer and Whole Time Director
DIN 01822576

Ravi Batra
Chief Risk Officer & Group Company Secretary
Membership No. F- 5746

Place: Gurugram
Dated: 16 February 2018

Consolidated Cash Flow Statement for the year ended 31 December 2017

(Indirect Method)

(₹ in million)

Particulars	Year ended 31 December 2017	Year ended 31 December 2016
A. Operating activities		
Profit before tax and share of profit in associate	2,896.04	769.57
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation on property, plant and equipment	3,412.46	3,143.65
Amortisation of intangible assets	53.95	78.43
Interest paid	2,026.05	4,255.24
Interest received	(53.93)	(89.08)
Profit on sale of current investments	(0.44)	(0.97)
Business combination expenses	33.20	84.21
Excess provisions written back	(1.02)	(205.94)
Profit on dilution of control in a subsidiary	(2.75)	-
Share based payment to employees	-	0.05
Property, plant and equipment written off	77.94	113.20
(Profit)/loss on disposal of property, plant and equipment (net)	(21.91)	113.34
Bad debts and advances written off	81.36	5.49
Government grant income	(1.41)	(0.92)
Allowance for doubtful debts and advances	156.74	50.85
Unrealised exchange fluctuation	69.62	(115.19)
Operating profit before working capital changes	8,725.90	8,201.93
Working capital adjustments		
Decrease/(increase) in inventories	449.97	(392.20)
(Increase)/ decrease in trade receivables	(344.30)	74.88
Increase in current and non-current financial assets and other current and non-current assets	(997.63)	(381.89)
(Decrease)/ increase in current and non-current financial liabilities and other current and non-current liabilities and provisions	(1,072.04)	1,335.70
Total cash from operations	**6,761.90**	**8,838.42**
Income tax paid	(571.11)	(580.59)
Net cash flows from operating activities (A)	**6,190.79**	**8,257.83**
B. Investing activities		
Purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors)	(8,949.53)	(7,923.96)
Proceeds from disposal of property, plant and equipment and intangible assets	165.08	120.87
Acquisition of business for consolidated consideration	(1,395.79)	(1,057.75)
Advance given for purchase of business	(260.60)	-
Purchase of controlling stake in subsidiaries (net of cash acquired)	(719.16)	(1,700.88)
Dilution of controlling stake in subsidiary (net of cash)	(2.24)	-
Interest received	53.09	84.66
Purchase of current investments	(350.00)	(350.00)
Proceeds from sale of current investments	350.44	350.19
Decrease/(increase) in other bank balances	36.39	(1.17)
Net cash used in investing activities (B)	**(11,072.32)**	**(10,478.04)**
C. Financing activities		
Proceeds from borrowings	7,472.04	6,937.38
Repayments of borrowings	(2,629.47)	(6,769.13)
Proceeds/(repayments) from/(of) short term borrowings (net)	(572.96)	712.06
Procceds from issue of non-convertible debentures	3,000.00	1,800.00
Redemption of non-covertible debentures	-	(5,000.00)
Proceeds from issue of share capital (including share premium thereon)	41.01	7,013.60
Share application money received	1.08	-
Interest paid	(1,556.53)	(2,185.68)
Share issue expenses paid	-	(205.91)
Dividend paid	(456.29)	-
Dividend distribution tax paid	(92.89)	-
Net cash flows from financing activities (C)	**5,205.99**	**2,302.32**
Net change in cash and cash equivalents (D=A+B+C)	**324.46**	**82.11**
Cash and cash equivalents at the beginning of year (E)	325.00	242.89
Cash and cash equivalents at the end of year (D+E)	**649.46**	**325.00**

Consolidated Cash Flow Statement for the year ended 31 December 2017

Consolidated Cash Flow Statement [Cont'd]

1. Components of Cash & Cash Equivalents as at end of the year		
Balance with banks:		
- on current accounts	553.09	274.08
Cash and cheques on hand	96.37	50.92
Cash and cash equivalents as per Cash Flow Statement	**649.46**	**325.00**

2. Components of Cash & Cash Equivalents as at 01 January 2016	
Balance with banks:	
- on current accounts	276.13
Cash and cheques on hand	18.47
Less: cash acquired on acquisition of controlling stake in subsidiaries (refer note 55 E)	(51.71)
Cash and cash equivalents as per Cash Flow Statement	**242.89**

The accompanying notes are an intergral part of the consolidated financial statements.
As per our report of even date attached

For and on behalf of the Board of Directors of
Varun Beverages Limited

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No.: 001329N

For **APAS & Co.**
Chartered Accountants
Firm Registration No.: 000340C

Varun Jaipuria
Whole Time Direct
DIN 02465412

Raj Pal Gandhi
Whole Time Director
DIN 00003649

per **Nitin Toshniwal**
Partner
Membership no.: 507568

per **Sumit Kathuria**
Partner
Membership no.: 520078

Kapil Agarwal
Chief Executive Officer and Whole Time Director
DIN 02079161

Kamlesh Kumar Jain
Chief Financial Officer and Whole Time Director
DIN 01822576

Ravi Batra
Chief Risk Officer & Group Company Secretary
Membership No. F- 5746

Place: Gurugram
Dated: 16 February 2018

Statement of changes in equity for the year ended 31 December 2017

A Equity share capital

(₹ in million)

Particulars	Notes	Number of shares	Amount
Balance as at 01 January 2016		133,766,165	1,337.66
Changes in equity share capital during the year 2016	20	48,546,360	485.47
Balance as at 31 December 2016		**182,312,525**	**1,823.13**
Balance as at 01 January 2017		182,312,525	1,823.13
Changes in equity share capital during the year 2017	20	274,415	2.74
Balance as at 31 December 2017		**182,586,940**	**1,825.87**

B Other Equity

(₹ in million)

Particulars	Note	Attributable to Owners of the Company											Non-controlling interests	Total
		Reserve and surplus								Share application money pending allotment	Exchange differences on translating the financial statements of foreign operations*	Total attributable to owners of the Company		
		Capital reserve on consolidation	Capital reserve	Debenture redemption reserve	Security premium reserve	Share based payment reserve	General reserve	Retained earnings	Foreign currency monetary item translation difference account (FCMITDA)					
Balance as at 01 January 2016	21	(1,533.21)	196.03	19.96	-	44.39	-	(2,225.71)	(5.98)	-	-	(3,504.52)	(185.68)	(3,690.20)
Profit for the year		-	-	-	-	-	-	423.76	-	-	-	423.76	56.63	480.39
Other comprehensive income for the year ended														
Re-measurement losses on defined benefit plans (Net of deferred tax of ₹ 17.96)		-	-	-	-	-	-	(34.35)	-	-	-	(34.35)	-	(34.35)
Exchange differences arising on translation of foreign operations (Net of deferred tax of ₹ 28.25)		-	-	-	-	-	-	-	-	-	(94.18)	(94.18)	-	(94.18)
Transfer to debenture redemption reserve		-	-	171.29	-	-	-	(171.29)	-	-	-	-	-	-
Transfer to general reserve on redemption of non-convertible debentures		-	-	(191.25)	-	-	191.25	-	-	-	-	-	-	-
Addition made in FCMITDA for the year		-	-	-	-	-	-	-	10.95	-	-	10.95	-	10.95
FCMITDA charged to Statement of Profit and Loss		-	-	-	-	-	-	-	6.83	-	-	6.83	-	6.83
Addition made in share based payment reserve on account of employee compensation cost for ESOPs		-	-	-	-	0.05	-	-	-	-	-	0.05	-	0.05
Reversal made in share based payment reserve on account of options		-	-	-	-	(0.96)	-	-	-	-	-	(0.96)	-	(0.96)
Transfer to security premium reserve on exercise of employee stock options		-	-	-	37.62	(37.62)	-	-	-	-	-	-	-	-
Depreciation on assets received for no consideration		-	(6.53)	-	-	-	-	-	-	-	-	(6.53)	-	(6.53)
Additions made pursuant to exercise of employee stock options		-	-	-	315.95	-	-	-	-	-	-	315.95	-	315.95
Additions made on issue of equity shares pursuant to IPO**		-	-	-	6,525.00	-	-	-	-	-	-	6,525.00	-	6,525.00
Amount utilised for share issue expenses					(222.15)							(222.15)		(222.15)
Additions made on conversion of compulsorily convertible debentures into equity shares (Net of deferred tax assets of ₹ 1,776.17) (Refer note 10)		-	-	-	7,295.24	-	-	-	-	-	-	7,295.24	-	7,295.24
Additions made on conversion of compulsorily convertible preference shares into equity shares		-	-	-	4,397.73	-	-	-	-	-	-	4,397.73	-	4,397.73
Balance as at 31 December 2016		**(1,533.21)**	**189.50**	**-**	**18,349.39**	**5.86**	**191.25**	**(2,007.59)**	**11.80**	**-**	**(94.18)**	**15,112.82**	**(129.06)**	**14,983.76**

Statement of changes in equity for the year ended 31 December 2017

B **Other Equity [Cont'd]**

(₹ in million)

Particulars	Note	Attributable to Owners of the Company											Non-controlling interests	Total
		Reserve and surplus								Share application money pending allotment	Exchange differences on translating the financial statements of foreign operations*	Total attributable to owners of the Company		
		Capital reserve on consolidation	Capital reserve	Debenture redemption reserve	Security premium reserve	Share based payment reserve	General reserve	Retained earnings	Foreign currency monetary item translation difference account (FCMITDA)					
Balance as at 31 December 2016 [Cont'd]	21	(1,533.21)	189.50	-	18,349.39	5.86	191.25	(2,007.59)	11.80	-	(94.18)	15,112.82	(129.06)	14,983.76
Profit for the year		-	-	-	-	-	-	2,101.54	-	-	-	2,101.54	39.05	2,140.59
Other comprehensive income for the year ended														
Re-measurement losses on defined benefit plans (Net of deferred tax of ₹ 3.39)		-	-	-	-	-	-	7.44	-	-	-	7.44	-	7.44
Exchange differences arising on translation of foreign operations (Net of deferred tax of ₹ 21.75)		-	-	-	-	-	-	-	-	-	(72.52)	(72.52)	-	(72.52)
Dividend paid**		-	-	-	-	-	-	(456.29)	-	-	-	(456.29)	-	(456.29)
Dividend distribution tax		-	-	-	-	-	-	(92.89)	-	-	-	(92.89)	-	(92.89)
Share application money received pending allotment		-	-	-	-	-	-	-	-	1.08	-	1.08	-	1.08
Transfer to debenture redemption reserve		-	-	159.17	-	-	-	(159.17)	-	-	-	-	-	-
Addition made in FCMITDA for the year ended		-	-	-	-	-	-	-	(26.41)	-	-	(26.41)	-	(26.41)
FCMITDA charged to Statement of Profit and Loss		-	-	-	-	-	-	-	(10.90)	-	-	(10.90)	-	(10.90)
Created on subsequent acquisition of 30% stake in a subsidiary from non-controlling interest		(746.57)	-	-	-	-	-	-	-	-	-	(746.57)	60.67	(685.90)
Adjustment on account of dilution of controlling interest in a subsidiary		-	-	-	-	-	-	12.84	-	-	-	12.84	15.02	27.86
Additions made pursuant to exercise of employee stock options		-	-	-	38.27	-	-	-	-	-	-	38.27	-	38.27
Transfer to security premium reserve on exercise of employee stock options		-	-	-	4.56	(4.56)	-	-	-	-	-	-	-	-
Balance as at 31 December 2017		**(2,279.78)**	**189.50**	**159.17**	**18,392.22**	**1.30**	**191.25**	**(594.12)**	**(25.51)**	**1.08**	**(166.70)**	**15,868.41**	**(14.32)**	**15,854.09**

*Exchange differences arising on translation of foreign operations
**Transaction with owners in their capacity as owners.

As per our report of even date attached

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No.: 001329N

per **Nitin Toshniwal**
Partner
Membership no.: 507568

For **APAS & Co.**
Chartered Accountants
Firm Registration No.: 000340C

per **Sumit Kathuria**
Partner
Membership no.: 520078

For and on behalf of the Board of Directors of Varun Beverages Limited

Varun Jaipuria
Whole Time Director
DIN 02465412

Raj Pal Gandhi
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Chief Executive Officer and Whole Time Director
DIN 02079161

Kamlesh Kumar Jain
Chief Financial Officer and Whole Time Director
DIN 01822576

Ravi Batra
Chief Risk Officer & Group Company Secretary
Membership No. F- 5746

Place: Gurugram
Dated: 16 February 2018

Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements for the year ended 31 December 2017

4 Property, plant and equipment

(₹ in million)

	Land freehold*	Land leasehold #	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Containers	Post-mix vending machines and refrigerators (Visi Cooler)	Total
Gross carrying amount											
Balance as at 01 January 2017	4,296.89	2,530.77	5,448.68	18,351.65	158.22	1,693.44	158.01	179.71	5,064.54	8,999.80	46,881.71
Additions for the year	5.83	502.05	907.01	2,706.39	17.20	104.82	21.16	29.97	856.11	582.32	5,732.86
Acquired on business acquisition during the year (Refer note 55 A)	17.54	12.96	125.63	138.21	2.43	22.10	1.91	0.95	101.20	149.19	572.12
Assets classified as held for sale (Refer note 19)	(345.41)	(0.02)	(25.46)	(99.75)	-	-	-	-	-	-	(470.64)
Disposals for the year	-	(0.03)	(24.08)	(142.28)	(0.56)	(31.93)	(3.94)	(5.30)	(502.02)	(434.03)	(1,144.17)
Transfer/ adjustment	(42.94)	-	-	-	-	-	-	-	-	-	(42.94)
Adjustment on account of cessation of a subsidiary (Refer note 55 C)	(39.08)	-	(35.50)	(130.68)	(1.82)	(46.72)	(2.32)	(1.12)	(141.47)	(67.13)	(465.84)
Foreign exchange fluctuation for the year	(19.35)	(0.01)	(35.41)	(72.20)	(0.84)	(11.75)	(0.48)	(1.01)	(62.74)	(48.12)	(251.91)
Balance as at 31 December 2017	3,873.48	3,045.72	6,360.87	20,751.34	174.63	1,729.96	174.34	203.20	5,315.62	9,182.03	50,811.19
Depreciation and impairment											
Balance as at 01 January 2017	-	95.27	1,137.52	4,882.18	90.86	1,026.19	94.46	113.80	1,991.35	3,891.59	13,323.22
Depreciation charge for the year	-	35.34	204.79	1,157.38	12.75	168.91	18.78	29.16	738.02	1,047.33	3,412.46
Assets classified as held for sale (Refer note 19)	-	(0.02)	(11.55)	(13.70)	-	-	-	-	-	-	(25.27)
Reversal on disposal of assets for the year	-	-	(0.99)	(76.16)	(0.34)	(23.53)	(2.53)	(3.43)	(408.39)	(408.19)	(923.56)
Adjustment on account of cessation of a subsidiary (Refer note 55 C)	-	-	(32.94)	(92.08)	(1.12)	(38.94)	(0.79)	(1.69)	(108.99)	(30.60)	(307.15)
Foreign exchange fluctuation for the year	-	-	(3.65)	(10.09)	(0.66)	(6.29)	(0.28)	(0.85)	(31.82)	(26.53)	(80.17)
Balance as at 31 December 2017	-	130.59	1,293.18	5,847.53	101.49	1,126.34	109.64	136.99	2,180.17	4,473.60	15,399.53
Carrying amount as at 31 December 2017	**3,873.48**	**2,915.13**	**5,067.69**	**14,903.81**	**73.14**	**603.62**	**64.70**	**66.21**	**3,135.45**	**4,708.43**	**35,411.66**

(₹ in million)

	Land freehold*	Land leasehold #	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Containers	Post-mix vending machines and refrigerators (Visi Cooler)	Total
Gross carrying amount											
Balance as at 01 January 2016	3,710.42	2,146.85	4,784.15	16,612.45	138.23	1,324.34	139.66	149.51	4,266.82	8,182.20	41,454.63
Consolidation of subsidiaries under common control (Refer note 55 E)	58.30	0.14	250.14	747.73	11.50	184.83	4.98	6.79	599.18	345.82	2,209.41
Fair value adjustment on account of deferred payment liabilities (Refer note iii below)	(26.67)	(71.86)	(66.95)	(314.26)	(1.35)	(0.97)	(1.54)	-	(50.40)	(160.33)	(694.33)
Balance as at 01 January 2016	3,742.05	2,075.13	4,967.34	17,045.92	148.38	1,508.20	143.10	156.30	4,815.60	8,367.69	42,969.71
Additions for the year	360.86	244.58	281.43	976.20	4.10	224.78	16.75	33.67	872.60	1,140.42	4,155.39
Acquired on business acquisition during the year (Refer note 55 D)	219.63	211.04	198.02	422.08	5.85	-	0.62	0.51	-	-	1,057.75
Disposals for the year	-	-	-	(81.44)	(0.27)	(30.39)	(1.52)	(10.59)	(596.28)	(498.91)	(1,219.40)
Foreign exchange fluctuation for the year	(25.65)	0.02	1.89	(11.11)	0.16	(9.15)	(0.94)	(0.18)	(27.38)	(9.40)	(81.74)
Balance as at 31 December 2016	4,296.89	2,530.77	5,448.68	18,351.65	158.22	1,693.44	158.01	179.71	5,064.54	8,999.80	46,881.71
Depreciation and impairment											
Balance as at 01 January 2016	-	66.49	903.56	3,726.65	68.52	779.16	77.45	90.09	1,480.13	3,145.82	10,337.87
Consolidation of subsidiaries under common control (Refer note 55 E)	-	0.01	65.75	205.59	7.04	109.98	1.84	6.75	346.41	109.69	853.06
Balance as at 01 January 2016	-	66.50	969.31	3,932.24	75.56	889.14	79.29	96.84	1,826.54	3,255.51	11,190.93
Depreciation charge for the year	-	28.78	182.26	1,025.93	15.27	169.50	16.24	26.96	631.05	1,054.19	3,150.18
Reversal on disposal of assets for the year	-	-	-	(43.72)	(0.20)	(22.39)	(0.85)	(9.54)	(438.90)	(411.51)	(927.11)
Foreign exchange fluctuation for the year	-	(0.01)	(14.05)	(32.27)	0.23	(10.06)	(0.22)	(0.46)	(27.34)	(6.60)	(90.78)
Balance as at 31 December 2016	-	95.27	1,137.52	4,882.18	90.86	1,026.19	94.46	113.80	1,991.35	3,891.59	13,323.22
Carrying amount as at 01 January 2016	**3,742.05**	**2,008.63**	**3,998.03**	**13,113.68**	**72.82**	**619.06**	**63.81**	**59.46**	**2,989.06**	**5,112.18**	**31,778.78**
Carrying amount as at 31 December 2016	**4,296.89**	**2,435.50**	**4,311.16**	**13,469.47**	**67.36**	**667.25**	**63.55**	**65.91**	**3,073.19**	**5,108.21**	**33,558.49**

* Gross block includes revaluation of land amounting to ₹ 2,782.95 as on 01 January 2012 based on valuation determined by external valuer.

#During the year ended 31 December 2016, the Holding Company had acquired leasehold land at Pathankot for ₹ 197.10 million which is yet to be registered in the name of the Holding Company, pending full and final payment.

4 Property, plant and equipment [Cont'd]

i. Asset under construction/ Capital work in progress

Capital work in progress as at 31 December 31 2017 comprised capital expenditure mainly for the set-up of new plant at Varun Beverages (Nepal) Private Limited, Varun Beverages (Zimbabwe) Private Limited. During the year ended 31 December 2016, it comprised of capital expenditure mainly for the set up of new plant at Sandila (Uttar Pradesh) which was capitalised during the year 2017 on 03 May 2017.

Capital work in progress includes net block of plant and equipment of ₹ 60.42 pursuant to classification as "Asset classified as held for sale" which is subsequently sold to Varun Beverages (Nepal) Private Limited and ₹ 25.64 expense incurred for making asset fit for sale.

(₹ in million)

Net Book Value	31 December 2017	31 December 2016	01 January 2016
Capital Work-in-progress	1,454.38	955.78	420.67
Total	**1,454.38**	**955.78**	**420.67**

ii. Refer note 61 for information on property, plant and equipment pledged as security by the Group.

iii. Ind AS 101 Exemption: The Group has availed the exemption available under Ind AS 101, where the carrying value of property, plant and equipment as at 01 January 2016 has been carried forwarded at the amount as determined under the Indian GAAP.
The adjustments made to these carrying values is for fair value of deferred payment liabilities for property, plant and equipment acquired in business combinations (Refer note 64 I) and consolidation of subsidiaries under common control (Refer note 55 E). The deemed cost as at 01 January 2016 is the gross carrying amount less accumulated depreciation as on that date.

iv. The above schedule includes assets taken on finance lease in one of the subsidiary, details of assets wise are as under:

(₹ in million)

	Plant & equipment	Vehicles	Post-mix vending machines and refrigerators (Visi Cooler)	Total
Gross carrying amount				
Balance as at 01 January 2017	12.72	219.49	54.16	286.37
Addition for the year	-	-	-	-
Foreign exchange fluctuation for the year	0.24	4.12	1.02	5.38
Balance as at 31 December 2017	12.96	223.61	55.18	291.75
Depreciation and impairment				
Balance as at 01 January 2017	3.58	142.04	20.43	166.05
Depreciation for the year	0.63	26.72	5.37	32.72
Foreign exchange fluctuation for the year	0.08	3.43	0.53	4.04
Balance as at 31 December 2017	4.29	172.19	26.33	202.81
Carrying amount as at 31 December 2017	**8.67**	**51.42**	**28.85**	**88.94**
Gross carrying amount				
Balance as at 01 January 2016	12.71	187.85	54.09	254.65
Addition for the year	-	31.92	-	31.92
Foreign exchange fluctuation for the year	0.01	(0.28)	0.07	(0.20)
Balance as at 31 December 2016	12.72	219.49	54.16	286.37
Depreciation and impairment				
Balance as at 01 January 2016	2.94	103.62	15.00	121.56
Depreciation for the year	0.65	38.92	5.51	45.08
Foreign exchange fluctuation for the year	(0.01)	(0.50)	(0.08)	(0.59)
Balance as at 31 December 2016	3.58	142.04	20.43	166.05
Carrying amount as at 01 January 2016	**9.77**	**84.23**	**39.09**	**133.09**
Carrying amount as at 31 December 2016	**9.14**	**77.45**	**33.73**	**120.32**

v. Pre-operative expenses incurred and capitalised during the year are as under:

(₹ in million)

Net Book Value	31 December 2017	31 December 2016
Balance at the beginning of the year	100.51	74.19
Add: Incurred during the year		
Net gain on foreign currency transactions	(7.49)	1.53
Finance costs	51.56	36.22
Other expenses	180.60	26.22
Less: Capitalised during the year	127.22	37.65
Amount carried over	**197.96**	**100.51**

5 Other intangible assets

(₹ in million)

	Market infrastructure	Franchise rights/ trademarks	Computer software	Total
Gross carrying amount				
Balance as at 01 January 2017	333.44	4,142.24	231.90	4,707.58
Additions for the year	5.64	-	22.42	28.06
Disposals for the year	-	-	(29.83)	(29.83)
Acquired on business acquisition during the year (Refer note 55 A)	-	804.27	-	804.27
Adjustment on account of cessation of a subsidiary (Refer note 55 C)	-	-	(1.47)	(1.47)
Foreign exchange fluctuation for the year	6.42	(0.06)	(0.14)	6.22
Balance as at 31 December 2017	345.50	4,946.45	222.88	5,514.83
Amortisation and impairment				
Balance as at 01 January 2017	303.09	657.20	150.83	1,111.12
Amortisation charge for the year	18.85	0.04	35.06	53.95
Reversal on disposal of assets for the year	-	-	(29.31)	(29.31)
Adjustment on account of cessation of a subsidiary (Refer note 55 C)	-	-	(1.16)	(1.16)
Foreign exchange fluctuation for the year	6.23	(0.02)	(0.13)	6.08
Balance as at 31 December 2017	328.17	657.22	155.29	1,140.68
Carrying amount as at 31 December 2017	**17.33**	**4,289.23**	**67.59**	**4,374.15**

(₹ in million)

	Market infrastructure	Franchise rights/ trademarks	Software	Total
Gross carrying amount				
Balance as at 01 January 2016	327.68	4,350.12	192.24	4,870.04
Consolidation of subsidiaries under common control (Refer note 55 E)	-	0.78	5.48	6.26
Fair value adjustment on account of deferred payment (Refer note i below)	-	(208.76)	-	(208.76)
Balance as at 01 January 2016	327.68	4,142.14	197.72	4,667.54
Additions for the year	5.43	-	34.73	40.16
Disposals for the year	-	-	(0.27)	(0.27)
Foreign exchange fluctuation for the year	0.33	0.10	(0.28)	0.15
Balance as at 31 December 2016	333.44	4,142.24	231.90	4,707.58
Amortisation and impairment				
Balance as at 01 January 2016	261.29	656.97	112.87	1,031.13
Consolidation of subsidiaries under common control (Refer note 55 E)	-	0.16	2.84	3.00
Balance as at 01 January 2016	261.29	657.13	115.71	1,034.13
Amortisation charge for the year	42.15	0.05	36.23	78.43
Reversal on disposal of assets for the year	-	-	(0.10)	(0.10)
Foreign exchange fluctuation for the year	(0.35)	0.02	(1.01)	(1.34)
Balance as at 31 December 2016	303.09	657.20	150.83	1,111.12
Carrying amount as at 01 January 2016	**66.39**	**3,485.01**	**82.01**	**3,633.41**
Carrying amount as at 31 December 2016	**30.35**	**3,485.04**	**81.07**	**3,596.46**

i. **Ind AS 101 Exemption:** The Group has availed the exemption available under Ind AS 101, where the carrying value of other intangible assets as at 01 January 2016 has been carried forwarded at the amount as determined under the Indian GAAP.
The adjustment made to these carrying values is for fair value of deferred payment liabilities for other intangible assets acquired in business combinations (Refer note 64 I) and consolidation of subsidiaries under common control (Refer note 55 E). The deemed cost as at 01 January 2016 is the gross carrying amount less accumulated amortisation as on that date.

ii. In the year ended on 31 December 2017, the Group acquired PepsiCo India Holdings Private Limited (PepsiCo India's) previously franchised territories in the State of Odisha and parts of Madhya Pradesh along with two manufacturing units at Bargarh and Bhopal (Mandideep) from other franchisees. This resulted into recognition of among other assets, franchise rights and goodwill (Refer note 55 A).

iii. In the past, the Company had carried out similar acquisitions of territories along with manufacturing facilities from PepsiCo India and other franchisees. The assets so acquired were fair valued which resulted into recognition of franchise rights amounting of ₹ 4,350.12.

5 Other intangible assets [Cont'd]

Under the erstwhile Indian GAAP, the Group followed an accounting policy of amortisation of these acquired franchise rights over 10 years as indefinite life was not permitted, based on the initial tenure these rights were granted. Post transition to Ind AS, the Group has considered the related provisions of Ind AS 38 on 'Intangibles Assets' which permit certain intangible assets to have an indefinite life and accordingly the carrying value of these franchise rights on the transition date have been considered to have an indefinite life. These franchise rights meet the prescribed criteria of renewal at no nominal cost, renewal at no specific conditions attached and is supported by evidences of being renewed. Management is of the opinion that, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the franchise rights is expected to generate net cash inflows for the Group.

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

The assumptions used in this impairment assessment are most sensitive to following:
a) Weighted average cost of capital "WACC" of 16.10%.
b) For arriving at the terminal value, approximate growth rate of 5% is considered.

6 Investments in associates

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Investment in equity shares in associates (unquoted)			
35,474 (31 December 2016: 35,474, 01 January 2016: 35,474) fully paid equity shares of ₹ 10 each in Angelica Technologies Private Limited	12.56	12.56	12.56
Add: Share in profit	69.67	56.17	32.39
	82.23	**68.73**	**44.95**
Aggregate amount of unquoted investments	**82.23**	**68.73**	**44.95**
The above investment is for business purposes			

The Holding Company has 47.30% interest in Angelica Technologies Private Limited, which in turn holds 74% ownership stake in Lunarmech Technologies Private Limited. The interest in Angelica Technologies Private Limited is accounted for using the equity method and the following is its summarised financial information:

	Year ended 31 December 2017	Year ended 31 December 2016
Profit for the year	13.50	23.78
Other comprehensive income	-	-
Total comprehensive income	13.50	23.78

7 Investments

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Fair value through Profit or Loss			
Investment in equity shares (unquoted)			
10% equity quota (31 December 2016: 51%, 01 January 2016: 51%) in Varun Beverages Mozambique Limitada*	0.03	-	-
200 (31 December 2016: 200, 01 January 2016: 200) shares of ₹ 50 each in The Margao Urban Co-operative Bank Limited	0.01	0.01	0.01
250 (31 December 2016: 250, 01 January 2016: 250) shares of ₹ 10 each in The Goa Urban Co-operative Bank Limited**	0.00	0.00	0.00
	0.04	**0.01**	**0.01**

*Refer note 55 for disinvestment details of this subsidiary.
**Rounded off to Nil.

Aggregate amount of unquoted investments	0.04	0.01	0.01

8 Loans

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Loans carried at amortised cost			
Unsecured, considered good			
Security deposits	192.19	163.19	145.16
	192.19	**163.19**	**145.16**

9 Other non-current financial assets

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Financial assets at amortised cost			
Balance in deposit accounts with more than 12 months maturity#	8.96	8.47	1.48
	8.96	**8.47**	**1.48**

Pledged as security with electricity department/banks.

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10. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

(₹ in million)

Deferred tax liabilities/(assets)	As at 01 January 2017	Recognised in other equity	Recognised in other comprehensive income	Recognised in Statement of Profit and Loss*	As at 31 December 2017
Accelerated depreciation for tax purposes	2,830.38	-	-	479.54	3,309.92
Benefit accrued on government grants	111.98	-	-	132.10	244.08
Carry forward of unused tax credits/MAT credit	(1,029.34)	-	-	(378.60)	(1,407.94)
Carry forward of unused tax losses	(59.60)	-	-	10.23	(49.37)
Allowance for doubtful debts	(67.37)	-	-	(31.63)	(99.00)
Provision for bonus	(14.41)	-	-	(1.97)	(16.38)
Foreign currency monetary item translation difference account	(66.94)	-	-	88.13	21.19
Provision for retirement benefits	(238.22)	-	3.39	(55.52)	(290.35)
Fair valuation of financial instruments	(157.85)	-	-	(72.87)	(230.72)
Borrowings	(0.14)	-	-	(0.26)	(0.40)
Other expenses allowable on payment basis	(62.20)	-	-	52.64	(9.56)
Exchange differences arising on translation of foreign operations	(28.25)	-	(21.75)	-	(50.00)
	1,218.04	**-**	**(18.36)**	**221.79**	**1,421.47**

(₹ in million)

Deferred tax liabilities/ (assets)	As at 01 January 2016	Recognised in other equity	Recognised in other comprehensive income	Recognised in Statement of Profit and Loss*	As at 31 December 2016
Accelerated depreciation for tax purposes	2,312.00	-	-	518.38	2,830.38
Benefit accrued on government grants	119.95	-	-	(7.97)	111.98
Carry forward of unused tax credits/MAT credit	(690.06)	-	-	(339.28)	(1,029.34)
Carry forward of unused tax losses	(514.31)	-	-	454.71	(59.60)
Allowance for doubtful debts	(56.08)	-	-	(11.29)	(67.37)
Provision for bonus	(13.03)	-	-	(1.38)	(14.41)
Foreign currency monetary item translation difference account	(64.95)	-	-	(1.99)	(66.94)
Provision for retirement benefits	(184.10)	-	(17.96)	(36.16)	(238.22)
Fair valuation of financial instruments	(1,240.64)	1,776.17	-	(693.38)	(157.85)
Borrowings	0.98	-	-	(1.12)	(0.14)
Other expenses allowable on payment basis	(55.78)	-	-	(6.42)	(62.20)
Exchange differences arising on translation of foreign operations	-	-	(28.25)	-	(28.25)
	(386.02)	**1,776.17**	**(46.21)**	**(125.90)**	**1,218.04**

* Includes foreign exchange fluctuation amounting to ₹ 2.29 (31 December 2016: ₹ 0.64).

Notes:

(i) The above net deferred tax is after setting off deferred tax assets aggregating ₹ 80.04 (31 December 2016: ₹ 68.35; 01 January 2016: ₹ Nil) in respect of certain subsidiary companies.

(ii) The amounts recognised in other comprehensive income relates to the re-measurement of net defined retirement benefit liability and exchange differences arising on translation of foreign operations. Refer note 39 for the amount of the income tax relating to these components of other comprehensive income.

11 Other non-current assets

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(Unsecured, considered good)			
Capital advances	1,344.94	1,243.85	879.31
Less: Provision for doubtful advances	100.94	-	-
	1,244.00	1,243.85	879.31
Advances other than capital advances			
- Security deposits	15.05	13.09	11.80
- Income tax paid (includes amount paid under protest)	217.01	51.73	51.73
- Balance with statutory authorities (paid under protest)	21.09	37.47	20.76
- Prepaid expenses	28.70	21.31	27.50
	1,525.85	**1,367.45**	**991.10**

12 Inventories

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(valued at lower of cost or net realisable value)			
Raw materials	1,749.48	2,461.95	2,069.49
Raw material in transit	39.06	83.89	394.41
Work in progress	72.73	87.31	86.16
Intermediate goods	1,098.34	823.55	663.19
Finished goods (including goods in transit of ₹ 9.82 (31 December 2016: ₹ 14.75, 01 January 2016: ₹ 9.92))	648.25	651.30	624.29
Stores and spares	781.08	791.26	669.52
	4,388.94	**4,899.26**	**4,507.06**

The Group manufactures as well as purchases the same product from market for sale. In the absence of demarcation between manufactured and purchased goods, which are not significant, stock in trade values are not separately ascertainable.

13 Trade receivables

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Unsecured, considered good	1,502.45	1,313.45	1,444.67
Unsecured, considered doubtful	299.20	252.37	221.06
	1,801.65	1,565.82	1,665.73
Less : Allowance for expected credit losses	299.20	252.37	221.06
	1,502.45	**1,313.45**	**1,444.67**
Includes amounts due from private companies in which director of the Holding Company is also a director:			
i Devyani Food Street Private Limited	0.01	-	1.84
ii Alisha Retail Private Limited	-	-	0.11

Trade receivables are non-interest bearing and credit period generally falls in the range of 0 to 90 days terms.

14 Cash and cash equivalents

(also for the purpose of Cash Flow Statement)

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Balance with banks in current accounts	553.09	274.08	276.13
Cheques/drafts on hand	78.66	27.29	4.37
Cash on hand	17.71	23.63	14.10
	649.46	**325.00**	**294.60**

Specified Bank Notes (SBN*) disclosure

During the previous year ended on 31 December 2016, the Holding Company had specified bank notes or other denomination notes as defined in the MCA notification G.S.R. 308 (E) dated 31 March 2017 on the details of SBNs* held and transacted during the period from 08 November 2016 to 30 December 2016, the denomination wise SBNs and other notes as per the notification is given below:

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 08 November 2016	6.39	2.92	**9.31**
(+) Withdrawal from bank accounts	-	5.09	**5.09**
(+) Permitted receipts	-	16.46	**16.46**
(-) Permitted payments	-	(11.64)	**(11.64)**
(-) Amount deposited in bank accounts	(6.39)	(8.65)	**(15.04)**
Closing cash in hand as on 30 December 2016	**-**	**4.18**	**4.18**

The information relating to Associate Companies namely Angelica Technologies Private Limited and Lunarmech Technologies Private Limited is given below:

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 08 November 2016	0.38	0.02	**0.40**
(+) Withdrawal from bank accounts	-	0.60	**0.60**
(+) Permitted receipts	-	0.01	**0.01**
(-) Permitted payments	-	(0.43)	**(0.43)**
(-) Amount deposited in bank accounts	(0.38)		**(0.38)**
Closing cash in hand as on 30 December 2016	**-**	**0.20**	**0.20**

*For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification number S.O. 3407 (E) dated the 08 November 2016.

15 Bank balances other than cash and cash equivalents

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Deposits with original maturity more than 3 months but less than 12 months *	295.08	332.02	337.84
Unpaid dividend account**	0.06	-	-
	295.14	**332.02**	**337.84**

*Pledged as security with statutory authorities/banks

**These balances are not available for use by the Group and corresponding balance is disclosed as unclaimed dividend in note 27.

16 Other current financial assets

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(Unsecured, considered good)			
Interest accrued on:			
- Term deposits	6.74	3.46	2.40
- Others	6.73	9.17	5.81
Security deposits	1.24	39.34	9.99
Government grant receivable	781.53	51.35	38.37
Claims receivable	77.45	101.13	10.87
Other receivables	59.94	-	-
	933.63	**204.45**	**67.44**

17 Current tax assets (Net)

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Advance payment of tax (net of provision)	0.13	0.07	7.72
	0.13	**0.07**	**7.72**

18 Other current assets

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(Unsecured, considered good)			
Security deposits	7.93	9.15	3.25
Other advances:			
- Employees	87.18	78.85	50.91
- Contractors and suppliers	728.10	770.29	435.16
- Prepaid expenses	69.83	79.49	89.83
- Balance with statutory/government authorities	437.93	371.38	387.98
- Other advances	201.51	142.23	263.11
	1,532.48	**1,451.39**	**1,230.24**

19 Assets classified as held for sale

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Property, plant and equipment			
Land	345.41	-	-
Buildings	13.91	-	-
Plant and equipment	25.63		
	384.95	**-**	**-**

a) In June 2017, in view of setting up of new production unit in Goa, the Holding Company had decided to sell certain land and building situated at Goa which was originally acquired with acquisition of Goa territory. The Holding Company is in process of receiving and evaluating proposals from various parties and expects the sale to be completed before June 2018.

b) Property, plant and equipment classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, which did not impact the Statement of Profit and Loss.

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20 Equity share capital

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Authorised share capital:			
500,000,000 (31 December 2016: 500,000,000, 01 January 2016: 500,000,000) equity shares of ₹ 10 each	5,000.00	5,000.00	5,000.00
	5,000.00	5,000.00	5,000.00
Issued, subscribed and fully paid up:			
182,586,940 (31 December 2016: 182,312,525, 01 January 2016: 133,766,165) equity shares of ₹ 10 each	1,825.87	1,823.13	1,337.66
	1,825.87	**1,823.13**	**1,337.66**

a) Reconciliation of share capital

Particulars	No. of shares	Amount
Balance as at 01 January 2017	182,312,525	1,823.13
Add: Shares issued on exercise of employee stock options during the year ended	274,415	2.74
Balance as at 31 December 2017	**182,586,940**	**1,825.87**

Particulars	No. of shares	Amount
Balance as at 01 January 2016	133,766,165	1,337.66
Add: Shares issued on conversion of compulsorily convertible debentures	21,054,387	210.55
Add: Shares issued on conversion of compulsorily convertible preference shares	10,227,273	102.27
Add: Shares issued on initial public offering	15,000,000	150.00
Add: Shares issued on exercise of employee stock options	2,264,700	22.65
Balance as at 31 December 2016	**182,312,525**	**1,823.13**

b) Terms/rights attached to shares

The Holding Company has only one class of equity shares having a par value of ₹ 10 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Holding Company, holders of equity shares will be entitled to receive any of the remaining assets of the Holding Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

c) List of shareholders holding more than 5% of the equity share capital of the Holding Company at the beginning and at the end of the year :

Shareholders as at 31 December 2017	No. of shares	%
R J Corp Limited	55,822,345	30.57%
Ravi Kant Jaipuria & Sons (HUF)	39,187,870	21.46%
Mr. Varun Jaipuria	39,175,500	21.46%

Shareholders as at 31 December 2016	No. of shares	%
R J Corp Limited	49,932,870	27.39%
Ravi Kant Jaipuria & Sons (HUF)	39,187,870	21.49%
Mr. Varun Jaipuria	39,175,500	21.49%
Standard Chartered Private Equity Mauritius II Limited	12,840,202	7.04%

Shareholders as at 01 January 2016	No. of shares	%
R J Corp Limited	45,387,415	33.93%
Ravi Kant Jaipuria & Sons (HUF)	44,187,870	33.03%
Mr. Varun Jaipuria	44,175,500	33.02%

As per records of the Holding Company, including its register of shareholders/members and other declaration received from the shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

d) Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

During the year 2013, the Holding Company issued 26,752,733 equity shares of ₹10 each for a consideration other than cash. The Holding Company cancelled 7,999,500 equity shares of ₹10 each pursuant to the scheme of amalgamation of Varun Beverages (International) Limited with Varun Beverages Limited approved by Hon'ble High Court of Delhi on 12 March 2013. Also, 107,012,932 equity shares of ₹10 each have been issued in the ratio of 4:1 as bonus shares during the year 2013.

e) Shares reserved for issue under options

Under Employee Stock Option Scheme, 2013:

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
No. of equity shares of ₹ 10 each at an exercise price of ₹ 149.51 per share			
Options outstanding at the beginning of the year	352,700	2,675,400	2,675,400
Less: Options lapsed during the year	-	58,000	-
Less: Shares issued on exercise of employee stock options	274,415	2,264,700	-
	78,285	352,700	2,675,400

Also refer note 57.

20 Equity share capital [Cont'd]

f) Pursuant to Initial Public Offering (IPO), 15,000,000 equity shares of the Holding Company of ₹10 each were allotted at ₹445 per equity share:

Date of allotment	No. of shares	Amount
04 November 2016	15,000,000	6,675,000,000

The equity shares of the Holding Company were listed on Bombay Stock Exchange and National Stock Exchange w.e.f. 08 November 2016.

g) Shares held by holding/ ultimate holding company

Out of equity shares issued by the Company, shares held by its holding company/ ultimate holding company are as below:

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
RJ Corp Limited, Parent company	558.22	499.33	453.87
55,822,345 (31 December 2016: 49,932,870, 01 January 2016: 45,387,415) fully paid equity shares of ₹ 10 each			
Ravi Kant Jaipuria & Sons (HUF), Ultimate Parent	391.88	391.88	441.88
39,187,870 (31 December 2016: 39,187,870, 01 January 2016: 44,187,870) fully paid equity shares of ₹ 10 each			
	950.10	**891.21**	**895.75**

h) Preference share capital

The Holding Company also has authorised preference share capital of 50,000,000 (31 December 2016: 50,000,000 and 01 January 2016: 50,000,000) preference shares of ₹ 100 each. The Holding Company does not have any outstanding issued preference shares.

21 Other equity

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Capital reserve on consolidation			
Balance at the beginning of the year	(1,533.21)	(1,533.21)	
Add: Subsequent acquisition of 30% non-controlling interest in a subsidiary (Refer note 55 B)	(746.57)	-	
Balance at the end of the year	**(2,279.78)**	**(1,533.21)**	**(1,533.21)**
Capital reserve			
Balance at the beginning of the year	189.50	196.03	
Less: Depreciation on assets received for no consideration	-	6.53	
Balance at the end of the year	**189.50**	**189.50**	**196.03**
General reserve			
Balance at the beginning of the year	191.25	-	
Add: Transfer from debenture redemption reserve	-	191.25	
Balance at the end of the year	**191.25**	**191.25**	**-**
Debenture redemption reserve			
Balance at the beginning of the year	-	19.96	
Add: Additions made during the year	159.17	171.29	
Less: Transfer to general reserve	-	191.25	
Balance at the end of the year	**159.17**	**-**	**19.96**
Securities premium reserve			
Balance at the beginning of the year	18,349.39	-	
Add: Additions made on issue of equity shares pursuant to IPO	-	6,525.00	
Add: Additions made on conversion of compulsorily convertible debentures into equity shares (Net of deferred tax)	-	7,295.24	
Add: Additions made on conversion of compulsorily convertible preference shares into equity shares	-	4,397.73	
Add: Additions made pursuant to exercise of employee stock options	42.83	353.57	
Less: Amount utilised for share issue expenses (Refer note 53)	-	222.15	
Balance at the end of the year	**18,392.22**	**18,349.39**	**-**
Retained earnings			
Balance at the beginning of the year	(2,007.59)	(2,225.71)	
Less: Dividend paid	456.29	-	
Less: Dividend distribution tax	92.89	-	
Less: Transfer to debenture redemption reserve	159.17	171.29	
Add: Profit for the reporting period/year	2,101.54	423.76	
Less : Adjustment on account of dilution of controlling interest in subsidy	(12.84)	-	
	(601.56)	**(1,973.24)**	**(2,225.71)**
Add: Items of other comprehensive income recognised:			
Remeasurement of post-employment benefit obligation, net of tax	7.44	(34.35)	-
Balance at the end of the year	**(594.12)**	**(2,007.59)**	**(2,225.71)**

The disaggregation of changes in OCI by each type of reserves in equity is disclosed in Note 39.

21 Other equity [Cont'd]

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Share based payment reserve			
Balance at the beginning of the year	5.86	44.39	
Add: Change during the year	(4.56)	(38.53)	
Balance at the end of the year	**1.30**	**5.86**	**44.39**
Exchange differences on translating the financial statements of foreign operations			
Balance at the beginning of the year	(94.18)	-	
Add: Exchange differences arising on translation of foreign operations (Net of deferred tax of ₹ 21.75 (31 December 2016: ₹ 28.25))	(72.52)	(94.18)	
Balance at the end of the year	**(166.70)**	**(94.18)**	**-**
Share application money pending allotment			
Balance at the beginning of the year	-	-	
Add: Change during the year	1.08	-	
Balance at the end of the year	**1.08**	**-**	**-**
Foreign currency monetary item translation difference account			
Balance at the beginning of the year	11.80	(5.98)	
Add: Additions made during the year	(26.41)	10.95	
Less: Amortised during the year	10.90	(6.83)	
Balance at the end of the year	**(25.51)**	**11.80**	**(5.98)**
	15,868.41	**15,112.82**	**(3,504.52)**

Description of nature and purpose of each reserve:

Capital reserve on consolidation - Created on additional consideration paid in form of cash on business combinations involving entities including businesses/entities under common control.

Capital reserve - Created on merger of Varun Beverages International Limited with the Holding Company pursuant to and in accordance with the Court approved scheme of amalgamation, prior to the transition date. Comparative period also includes reserve created on account of assets received without any consideration by a subsidiary.

General reserve - Created by way of transfer from debenture redemption reserve on redemption of debentures and is not an item of other comprehensive income.

Debenture redemption reserve - Created as per provisions of the Companies Act, 2013 (as applicable to Holding Company) out of the distributable profits and can only be utilised

Securities premium reserve - Created to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

Retained earnings - Created from the profit / loss of the Group, as adjusted for distributions to owners, transfers to other reserves, etc.

Exchange differences on translating the financial statements of foreign operations - Exchange differences arising on translation of the foreign operations of the Group, recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

Share based payment reserve - Created for recording the grant date fair value of options issued to employees under employee stock option schemes and is adjusted on exercise/ forfeiture of options.

Foreign currency monetary item translation difference account - Created for recording exchange differences arising on restatement of long term foreign currency monetary items, other than for acquisition of fixed assets, and is being amortised over the maturity period of such monetary items.

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22 Borrowings (Also refer note 60)

A Non-current borrowings:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Debentures			
- Compulsorily convertible debentures (unsecured) (Refer note a)	-	-	8,174.70
- Non-convertible debentures (secured) (Refer note b(i) and b(ii))	2,990.50	-	179.88
- Non-convertible debentures (unsecured) (Refer note b(iii))	-	-	3,000.00
Term loans (secured) (Refer note 22C)			
- Loans from banks	12,597.33	7,992.24	7,230.90
- Loans from financial institutions	339.02	435.77	1,128.39
- Loans from others	16.89	40.18	44.48
Compulsorily convertible preference shares (unsecured) (Refer note c)	-	-	4,127.93
Deferred value added tax/ excise (unsecured) (Refer note 22C)	588.53	749.83	984.44
Deferred payment liabilities (secured) (Refer Note 22D)	337.68	2,965.59	5,349.00
	16,869.95	**12,183.61**	**30,219.72**

Loans and borrowing above are recognised at amortised cost/ fair value taking into account any discount or premium on acquisition and fee or costs that are part of effective interest rate, accordingly the outstanding balances above may not necessarily agree with repayment amounts.

a) Terms and conditions of issue and conversion/redemption of compulsorily convertible debentures (CCDs) are as under:

All the CCDs have been converted to equity share capital during the year ended 31 December 2016 and hence there are no CCDs outstanding as at 31 December 2016. The particulars as at 01 January 2016 are as under and were recorded at face value of ₹ 4,198.98 as per Indian GAAP.

No. of debentures	Date of issue	Face value (₹)
1,249,980	18 July 2011	1,000.00
1,250,000	30 November 2011	1,000.00
1,650,000	05 October 2012	1,000.00

The Holding Company was required to conduct a qualified initial public offer ('QIPO') not later than 48 months from the date of issue of first tranche. If a QIPO by the Holding Company could not be completed prior to the QIPO deadline date on account of the market conditions or non-receipt of internal or external approvals that may be required for such initial public offering, the Holding Company and the promoters (as defined in the subscription agreement) shall ensure that such QIPO occurs within six years from the first completion date. The CCDs shall be converted into such number of equity shares based on the lower-end of the price band at which the QIPO is proposed to enable the debenture holders to realise the agreed return of 18.5% from the equity shares resulting from such conversion. CCDs were compulsorily convertible into equity shares in an initial public offer (IPO). In the event the Holding Company had not filed a Draft Red Herring Prospectus for QIPO with the Securities and Exchange Board of India on or before 31 May 2017, the debenture holders had various exit options including 14% per annum coupon and put option on promoters at an agreed return. The coupon in that case was payable as per the terms of underlying agreement.

b) Terms and conditions of issue and redemption of Non-convertible debentures (NCDs) are as under:

i) Issued to Kotak Mahindra Bank Limited and RBL Bank Limited

During the year ended 31 December 2017, the Holding Company has issued 1,500 NCDs each to Kotak Mahindra Bank Limited and RBL Bank Limited. Details of NCDs as at 31 December 2017 are as under:

No. of debentures	Date of issue	Face value (₹)
3,000	23 March 2017	1,000,000

The Rated Secured Listed Redeemable Rupee Denominated NCDs (3000) are redeemable at par in 5 years and 4 months from the deemed date of allotment and carry a coupon rate of 7.70% per annum. The NCDs are redeemable 10%, 25%, 30% and 35% at 30 June 2019, 2020, 2021 and 2022 respectively unless redeemed earlier. These NCDs are secured by way of first pari passu charge on the moveable and immoveable fixed assets of the Holding Company providing a security cover of 1.30 times.

(₹ in million)

Details of utilisation	31 December 2017	31 December 2016	01 January 2016
Gross proceeds received	3,000	-	-
Amount utilised till end of the year	3,000	-	-
Unutilised amount at the end of the year	**-**	**-**	**-**

The Audit Committee and Board of Directors of the Holding Company noted the utilisation of the proceeds of NCDs for the year ended 31 December 2017, which was in line with utilisation schedule approved by the Board of Directors.

22 Borrowings [Cont'd]

A Non-current borrowings [Cont'd]

ii) Issued to RBL Bank Limited

During the year ended 31 December 2016, the Holding Company had called-up the balance amount of ₹ 1,800 in single instalment, i.e. 90 percent of the face value of debenture, as per the terms of the underlying agreement. The NCDs were repaid during the previous year from the proceeds of IPO. There were no NCDs outstanding as at 31 December 2016 and details of NCDs as at 01 January 2016 are as under and were recorded at cost of ₹ 2,000 as per Indian GAAP.

No. of debentures	Date of issue	Face value (₹)	Paid-up value (₹)
2,000	01 December 2015	1,000,000	100,000

The Rated Secured Listed Redeemable Rupee Denominated NCD (2000) were redeemable at par in 5 years from the deemed date of allotment and carried a coupon rate of SBI base rate plus 60 basis points. The NCDs were redeemable 30%, 30% and 40% at the end of year third, fourth and fifth years respectively unless redeemed earlier. These NCDs were secured by way of first pari passu charge on the specified fixed assets of the Holding Company to the extent of 1.25 times of NCDs outstanding.

(₹ in million)

Details of utilisation	31 December 2017	31 December 2016
Gross proceeds received	-	1,800
Amount utilised till end of the year	-	1,800
Unutilised amount at the end of the year	**-**	**-**

The Audit Committee and Board of Directors of the Holding Company noted the utilisation of the proceeds of NCDs for the year ended 31 December 2016, which was in line with utilisation schedule approved by the Board of Directors.

iii) Issued to AION Investments II Singapore PTE Ltd

During the year ended 31 December 2016, the Holding Company has redeemed all the NCDs issued to AION Investments II Singapore PTE Ltd and there were no NCDs outstanding as at 31 December 2016. Details of NCDs as at 01 January 2016 are as under and were recorded at cost of ₹ 3000 as per Indian GAAP.

No. of debentures	Date of issue	Face value (₹)
300	30 September 2015	10,000,000

NCDs were rated unsecured and carried a coupon rate of 14% for the first eighteen months and 17% thereafter. NCDs were redeemable by the Holding Company on the tenth anniversary from the date of allotment ('Final Redemption Date'). The Holding Company and its affiliates (as defined in the underlying agreement) had right to redeem the NCDs, prior to the final redemption date, under the circumstances and subject to the conditions stated in the underlying agreement.

c) Terms and conditions of issue and conversion of Compulsorily convertible preference shares (CCPS) are as under:

All the CCPS have been converted to equity share capital during the year ended 31 December 2016 and hence there are no CCPS outstanding as at 31 December 2016. The particulars as at 01 January 2016 are as under and were recorded at face value of ₹ 4,500 as per Indian GAAP. CCPS were compulsorily convertible into equity shares upon expiry of five years from allotment date at a price which was to be calculated at the valuation of the Holding Company computed by an independent valuer or at a price not lower than breakup value (as defined in share subscription agreement), whichever was higher. CCPS were to be mandatorily converted into equity shares prior to a) filing of the red herring prospectus or, b) a third party private equity investment or, c) the conversion of Compulsorily Convertible Debentures. The holders of preference shares had no rights to receive notices of, attend or vote at general meetings except in certain limited circumstances.

Each CCPS was entitled to receive dividend at the rate of 10% in the fourth year and at the rate of 20% in the fifth year from the date of issue. There is no dividend for the first three years from the date of issue.

B. Current borrowings:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Loans repayable on demand from:			
- bodies corporate (unsecured)*	278.06	339.26	472.83
-others (unsecured)*	6.96	7.40	7.25
Working capital facilities			
-from banks (secured)	3,120.18	3,626.57	2,602.49
-from financial institutions (secured)	-	1.30	58.47
-from bodies corporate (unsecured)*	128.45	136.76	258.19
	3,533.65	**4,111.29**	**3,399.23**

i) In case of the Holding Company, the working capital facilities from banks are secured by first charge on entire current assets of the Holding Company ranking pari passu amongst the banks and second charge on the movable and immovable assets of the Holding Company pertaining to specific manufacturing units. These working capital facilities carry interest rates ranging between 8.50 to 9.70% (31 December 2016: 9.50 to 10.90% and 01 January 2016: 11 to 12%).

22 Borrowings [Cont'd]

B. Current borrowings [Cont'd]:

ii.) Working capital facilities in case of subsidiaries, except working capital facilities of Varun Beverages (Zambia) Limited amounting to ₹ 1,194.29 (31 December 2016: ₹ 1,826.92, 01 January 2016: ₹ 1,653.95), are secured mainly by charge on trade receivables, inventories and other current assets of the respective subsidiary company, ranking pari passu and charge on certain movable and immovable assets of the respective subsidiary. Working capital facilities from banks at Varun Beverages (Zambia) Limited amounting to ₹ 0.01 (31 December 2016 ₹ 317.09, 01 January 2016: ₹ 267.82) are secured along with securities of term loans taken from Zambia National Commercial Bank Plc. and Indo Zambia Bank. Some of the facilities of subsidiaries are guaranteed by the Holding Company and by respective subsidiary company, as per the terms of respective agreements. In earlier years, some of the facilities were further secured by personal guarantee of Mr. Ravi Kant Jaipuria. The amount of personal guarantees outstanding at the end of current year is ₹ Nil (31 December 2016: ₹ 222.14, 01 January 2016 ₹ 1,620.80). The working capital facilities carry interest rates ranging between 5.27% to 14.07% (31 December 2016: 5.27% to 33.75% and 01 January 2016: 6% to 14.5%).

* These loans/facilities are interest free.

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22C. Terms and conditions/details of securities for loans:

(₹ in million)

Particulars	Loan outstanding 31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
Loans from banks (secured)						
Loan carrying rate of interest of LIBOR+1.40% (31 December 2016 and 01 January 2016: LIBOR+2.65%) and is repayable in two equal instalments of USD 2.5 million each in May 2018 and August 2018. The Company has separately executed contracts for cross currency interest plus rate swap on aforesaid loan and interest there on.	-	319.63	339.77	339.77	663.20	331.63
This loan is secured on first pari passu charge on the entire movable and immovable property, plant and equipment of the Holding Company including the territory /franchise rights acquired under the acquisition under slump sale basis.						
Loan carrying rate of interest of LIBOR+2.5% (31 December 2016 and 01 January 2016: LIBOR+2.5%) and is repayable in 16 equal quarterly instalments of USD 1.25 million each ending January 2016.	-	-	-	-	-	82.91
This loan is secured by way of first pari passu charge on movable and immovable fixed assets of Holding Company's units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II and movable assets in the name of the Company at head office, Gurgaon (excluding the assets exclusively charged to other lenders).						
Loans carrying weighted average rate of interest 8.29% (31 December 2016: 9.78%, 31 December 2015: 11.11%) depending upon tenure of the loans. For repayment terms refer note 22E.	11,824.36	1,896.21	6,799.82	1,061.38	4,761.79	1,038.25
These loans are secured on first pari passu charge on the entire movable and immovable property, plant and equipment of the Holding Company including the territory /franchise rights acquired under the acquisition under slump sale basis.						
Loans carrying rate of interest in range of 7.90-10.33% (31 December 2016: 8.13-10.33%, 01 January 2016: 9-11%). They are repayable generally over a period of three to five years in instalments as per the terms of the respective agreements. Vehicle loans are secured against respective asset financed.	62.21	57.39	106.53	71.77	83.87	66.09
Loans of Varun Beverages Morocco SA, carry rate of interest of 5.50% for 31 December 2016 (01 January 2016: 5.50%). For repayment terms refer note 22E.	-	-	-	93.56	90.55	224.30
This loan is secured by way of first pari passu charge on movable and immovable property, plant and equipment of this company, assignment of insurance policy in favour of the lenders and promissory note in favour of lenders.						
Loans of Varun Beverages (Zambia) Private Limited, carry rate of interest of 30% to 39% for 31 December 2016 (01 January 2016: 5.60% to 39%). For repayment terms refer note 22E.	-	-	107.70	53.99	400.17	-
These loans are mainly secured by charge on subsidiary company's factory premises and all other moveable, immovable and current assets of the respective subsidiary company and loan subordination of the Holding Company and letter of undertaking from the other shareholder. In earlier years, these loans were also secured by personal guarantee of Mr. Ravi Kant Jaipuria.						
Loans of Varun Beverages (Zambia) Private Limited carrying rate of interest in range from 30% to 30.5%. Vehicle loans are secured against respective asset financed. For repayment terms refer note 22E.	-	-	25.78	21.40	32.47	-
Loans of Varun Beverages (Zimbabwe) (Private) Limited, carry rate of interest of 4% to 7% (31 December 2016: 7% (01 January 2016: 7%). For repayment terms refer note 22E.	708.41	130.04	230.93	5.26	230.39	-
One of these loans is secured by charge on subsidiary company's land and other loan is secured by corporate guarantee of the Holding Company.						

22C. Terms and conditions/details of securities for loans [Cont'd]

(₹ in million)

Particulars	Loan outstanding					
	31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
Loans of Varun Beverages Mozambique Limitada carry rate of interest of 29% to 30% for 31 December 2016 (1 January 2016 29% to 30%). For repayment terms refer note 22E.	-	-	41.59	9.49	57.69	-
One of the term loans (other than vehicle loans) is secured by hypothecation of plant and machinery of sixty million meticals and other by hypothecation of inventory and trade receivables. Vehicle loan is secured by charge over respective vehicle financed.						
Loans from banks at Varun Beverages Lanka (Private) Limited carry rate of interest of 13% (31 December 2016 3.91% to 14%, 1 January 2016 3.68% to 14%). For repayment terms refer note 22E.	2.35	-	340.12	325.24	910.77	-
These term loans (other than vehicle loans) are secured by mortgage of moveable and immovable assets of the subsidiary company and corporate guarantee of the Holding Company and subsidiary company. Vehicle loan is secured by charge over respective vehicles financed.						
Total loans from banks (secured)	**12,597.33**	**2,403.27**	**7,992.24**	**1,981.86**	**7,230.90**	**1,743.18**
Loans from financial institutions (secured)						
Loan carrying rate of interest of 9.75% (31 December 2016: 10.50%, 31 December 2015: 11.25%). The amount repayable in June 2018: ₹ 200, July 2018: ₹ 200 and June 2019: ₹ 150.	149.19	400.00	347.83	200.00	1,096.12	100.00
This loan is secured on first pari passu charge on the entire movable and immovable property, plant and equipment of the Holding Company including the territory /franchise rights acquired under the acquisition under slump sale basis.						
Loan from The Pradeshiya Industrial & Investment Corporation of U.P. Limited for the year 2014-2015 is repayable in one instalment after expiry of seven years from the date of disbursement, i.e., 25 December 2023. The loan is discounted at the weighted average rate of borrowings, i.e., 9.72%. Loan is secured against bank guarantee equivalent to 100% of loan amount valid upto the repayment date of loan plus six months grace period.	83.61	-	79.12	-	-	-
Loan from The Pradeshiya Industrial & Investment Corporation of U.P. Limited for the year 2015-2016 is repayable in one instalment after expiry of seven years from the date of disbursement, i.e., 30 November 2024. The loan is discounted at the weighted average rate of borrowings, i.e., 8.52%. Loan is secured against bank guarantee equivalent to 100% of loan amount valid upto the repayment date of loan plus six months grace period.	103.82	-	-	-	-	-
Loans of Varun Beverages Lanka (Private) Limited carry rate of interest of 14% to 14.50% (31 December 2016 14% to 15%, 1 January 2016 14% to 15%). These loans are repayable in 7-12 remaining monthly instalments of LKR 0.09 million to 1.24 million each.	2.40	5.71	8.82	8.93	32.27	-
These term loans are secured by mortgage over respective vehicles financed and machinery spares.						
Total loans from financial institutions (secured)	**339.02**	**405.71**	**435.77**	**208.93**	**1,128.39**	**100.00**
Loans from others (secured)						
These are repayable generally over a period of three to five years in instalments as per the terms of the respective agreements. These loans are secured against respective asset financed	16.89	24.06	40.18	32.20	44.48	51.32
Total loans from others (secured)	**16.89**	**24.06**	**40.18**	**32.20**	**44.48**	**51.32**
Deferred value added tax/ excise (unsecured)						
Deferred value added tax related to the Holding Company is repayable in 34 quarterly instalments starting from July 2013 to October 2021, first 33 quarterly instalments of ₹ 52.50 and last quarterly instalment of ₹ 51.59. The loan is discounted at the weighted average rate of borrowings, i.e.,11.51%.	466.47	210.00	592.62	210.00	705.10	210.00
Deferred value added tax and deferred excise relating to Varun Beverages (Zambia) Limited is repayable in instalments from October 2015 and will be spread over five years. Both of these are interest free.	122.06	69.67	157.21	125.17	279.34	-
Total deferred value added tax/ excise (unsecured)	**588.53**	**279.67**	**749.83**	**335.17**	**984.44**	**210.00**
Total	**13,541.77**	**3,112.71**	**9,218.02**	**2,558.16**	**9,388.21**	**2,104.50**

22D. Deferred payment liabilities (Secured)

(₹ in million)

Description	Loan outstanding					
	31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
(i) Assets acquired under deferred payment terms under business acquisition						
Deferred payment for business acquired from PepsiCo India by Holding Company. There is no interest payable, the consideration payable as per repayment schedule are as following; 29 February 2016: ₹ 3,000; 28 February 2017: ₹ 3,235 and 28 February 2018: ₹ 3,000.	-	3,000.00	2,652.43	3,235.00	5,331.90	3,000.00
The payments are secured against bank guarantees provided by the Holding Company to PepsiCo India for equivalent amount outstanding at each year end.						
(ii) Plant and equipment acquired under deferred payment terms						
The payments are secured against a letter of credit issued by the Holding Company's banker. The amount is repayable in various tranches from January 2019 to April 2019.	337.68	-	-	-	-	-
(iii) Land purchased under deferred payment terms						
a) The Holding Company had purchased leasehold land from Punjab Small Industries & Export Corporation Limited for a total consideration of ₹ 197.10. The outstanding balance is payable as follows :	-	20.71	20.71	39.42	-	-
2017: ₹ 39.42, 2018: ₹ 20.71. This balance carries rate of interest of 11 percent.						
b) The Holding Company had purchased leasehold land from Goa Industrial Development Corporation for a total consideration of ₹ 28.50. The Holding Company had paid ₹ 5.70 initially and the balance amount is repayable in four equally instalments with regular interval of one year from the year 2016. The Holding Company has paid all outstanding amount in year 2016.	-	-	-	-	17.10	5.70
This balance carried rate of interest of 11 percent.						
c) The Holding Company had purchased leasehold land from U.P. State Industrial Development Corporation Limited for a total consideration of ₹ 425.38. The outstanding balance amount of ₹ 319.04 is repayable in twelve half yearly equal instalments of ₹ 26.59 starting from July 2017. The Holding Company has paid all outstanding amounts in year 2017.	-	-	292.45	26.59	-	-
This balance carried rate of interest of 14 percent with a rebate of 2 percent if the Holding Company pays the instalments and the interest on the due date.						
Total	**337.68**	**3,020.71**	**2,965.59**	**3,301.01**	**5,349.00**	**3,005.70**

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22E. Repayment terms:

(₹ in million, unless stated otherwise)

S. No.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
1	Term loan - 1	-	-	209.05	160.00	368.70	160.00	Six instalments of ₹80 each due in May 2016, June 2016, May 2017, June 2017, May 2018 and June 2018 and one instalment of ₹ 49.40 due in January 2019.
2	Term loan - 2	-	-	279.48	280.00	558.93	200.00	Two instalments of ₹ 100 each due in June 2016, July 2016 and four instalments of ₹ 140 each due in June 2017, July 2017, June 2018 and July 2018.
3	Term loan - 3	-	-	-	-	-	12.69	Instalments of ₹ 6.08 due in July 2016 and ₹ 6.61 due in October 2016.
4	Term loan - 4	-	-	-	-	478.57	160.00	Two instalments of ₹ 80 each due in June 2016 and July 2016 and four instalments of ₹ 120 each due in June 2017, July 2017, June 2018 and July 2018.
5	Term loan - 5	-	-	-	-	-	5.56	One instalment of ₹ 5.56 due in Jan 2016.
6	Term loan - 6	457.76	57.30	514.85	57.30	-	-	Two instalments of ₹ 28.65 each due in May 2017 and June 2017, two instalments of ₹ 28.65 each due in May 2018 and June 2018, two instalments of ₹ 42.98 each due in May 2019 and June 2019, two instalments of ₹ 57.30 each due in May 2020 and June 2020 , two instalments of ₹ 57.30 each due in May 2021 and June 2021 and two instalments of ₹ 71.63 each due in May 2022 and June 2022.
7	Term loan - 7	1,400.00	100.00	-	-	-	-	Two instalments of ₹ 50 each due in May 2018 and June 2018, two instalments of ₹ 175 each due in May 2019 and June 2019, two instalments of ₹ 175 each due in May 2020 and June 2020, two instalments of ₹ 175 each due in May 2021 and June 2021 , two instalments of ₹ 175 each due in May 2022 and June 2022.
8	Term loan - 8	-	-	-	-	766.34	150.00	Three instalments of ₹ 50 each due in May 2016, June 2016 and July 2016, six instalments of ₹ 75 each due in May 2017, June 2017, July 2017, May 2018, June 2018, July 2018, one instalment of ₹ 125 due in May 2019 and two instalments of ₹ 100 each due in June 2019 and July 2019.
9	Term loan - 9	1,792.30	200.00	1,990.08	-	-	-	Two instalments of ₹ 100 each due in May 2018 and June 2018, two instalments of ₹ 150 each due in May 2019 and June 2019, two instalments of ₹ 200 each due in May 2020 and June 2020, two instalments of ₹ 250 each due in May 2021 and June 2021 and two instalments of ₹ 300 each due in May 2022 and June 2022.
10	Term loan - 10	-	-	-	-	300.00	100.00	Eight instalments of ₹ 50 each due in June 2016, July 2016, June 2017, July 2017, June 2018, July 2018, June 2019 and July 2019.

22E. Repayment terms [Cont'd]:

(₹ in million, unless stated otherwise)

S.no	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
11	Term loan - 11	-	-	-	-	1,060.00	250.00	Instalments of ₹ 20 due in August 2017, ₹ 113.30 in June 2018, ₹ 113.30 in July 2018 and ₹ 113.40 in August 2018. Two instalment of ` 125 due on June 2016 and July 2016 and four instalments due on ` 175 million due on June 2017, July 2017, June 2018 and July 2018.
12	Term loan - 12	898.17	150.00	1,047.53	150.00	-	-	Two instalments of ₹ 75 each due in May 2017 and June 2017, two instalments of ₹ 75 each due in May 2018 and June 2018, two instalments of ₹ 100 each due in May 2019 and June 2019, two instalments of ₹ 100 each due in May 2020 and June 2020, two instalments of ₹ 125 each due in May 2021 and June 2021 and two instalments of ₹ 125 each due in May 2022 and June 2022.
13	Term loan - 13	860.00	260.00	1,120.00	240.00	-	-	Two instalments of ₹ 120 each due in May 2017 and June 2017, two instalments of ₹ 130 each due in May 2018 and June 2018, two instalments of ₹ 130 each due in May 2019 and June 2019, two instalments of ₹ 150 each due in May 2020 and June 2020 and two instalments of ₹ 150 each due in May 2021 and June 2021.
14	Term loan - 14	1,374.28	200.00	-	-	-	-	Two instalments of ₹ 100 each due in May 2018 and June 2018, two instalments of ₹ 100 each due in May 2019 and June 2019, two instalments of ₹ 200 each due in May 2020 and June 2020 ,two instalments of ₹ 300 each due in May 2021 and June 2021 and two instalments of ₹ 300 each due in May 2022 and June 2022.
15	Term loan - 15	-	-	-	-	319.23	-	Instalments of ₹ 53.312 due in June 2017, ₹ 53.344 in July 2017, ₹ 53.34 in August 2017, ₹ 53.31 in June 2018, ₹ 53.34 in July 2018 and ₹ 53.34 in August 2018.
16	Term loan - 16	-	-	392.91	120.00	910.02	-	Two instalments of ₹ 60 each due in June 2017 and July 2017, two instalments of ₹ 80 each due in June 2018 and July 2018 and four instalments of ₹ 160 each due in June 2019, July 2019, June 2020 and July 2020.
17	Term loan - 17	1,375.11	206.25	1,245.92	54.08	-	-	Two instalments of ₹ 34.32 each due in May 2017 and June 2017, two instalments of ₹ 103.13millions each due in May 2018 and June 2018, two instalments of ₹ 137.44 due in May 2019 and ` 183.31 due in June 2019, two instalments of ₹ 183.31 each due in May 2020 and June 2020, two instalments of ₹ 183.31millions each due in May 2021 and June 2021 and two instalments of ₹ 183.31 due in May 2022 and ` 137.77 due in June 2022.

22E. Repayment terms [Cont'd]:

(₹ in million, unless stated otherwise)

S.no	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
18	Term loan - 18	434.80	65.20	-	-	-	-	Two instalments of ₹ 32.60 each due in May 2018 and June 2018, two instalments of ₹ 43.45 due in May 2019 and ₹ 57.95 due in June 2019, two instalments of ₹ 57.95 each due in May 2020 and June 2020, two instalments of ₹ 57.95 each due in May 2021 and June 2021 and two instalments of ₹ 57.95 due in May 2022 and ₹ 43.65 due in June 2022.
19	Term loan - 19	400.00	100.00	-	-	-	-	Two instalments of ₹ 50 each due in May 2018 and June 2018, two instalments of ₹ 50 each due in May 2019 and June 2019, two instalments of ₹ 50 each due in May 2020 and June 2020, two instalments of ₹ 50 each due in May 2021 and June 2021 and two instalments of ₹ 50 each due in May 2022 and June 2022.
20	Term loan - 20	400.00	-	-	-	-	-	Two instalments of ₹ 40 each due in May 2019 and June 2019, two instalments of ₹ 40 each due in May 2020 and June 2020, two instalments of ₹ 40 each due in May 2021 and June 2021, two instalments of ₹ 40 each due in May 2022 and June 2022 and two instalments of ₹ 40 each due in May 2023 and June 2023.
21	Term loan - 21	400.00	100.00	-	-	-	-	Two instalments of ₹ 50 each due in June 2018 and July 2018, two instalments of ₹ 50 each due in June 2019 and July 2019, two instalments of ₹ 75 each due in June 2020 and July 2020 and two instalments of ₹ 75 each due in June 2021 and July 2021.
22	Term loan - 22	1,131.94	357.46	-	-	-	-	Two instalments of ₹ 360 each due in May 2018 and June 2018, two instalments of ₹ 300 each due in May 2019 and June 2019, two instalments of ₹ 300 each due in May 2020 and June 2020, two instalments of ₹ 300 each due in May 2021 and June 2021 and two instalments of ₹ 240 each due in May 2022 and June 2022.
23	Term loan - 23	900.00	100.00	-	-	-	-	Two instalments of ₹ 50 each due in May 2018 and June 2018, two instalments of ₹ 50 each due in May 2019 and June 2019, two instalments of ₹ 100 each due in May 2020 and June 2020, two instalments of ₹ 150 each due in May 2021 and June 2021 and two instalments of ₹ 150 each due in May 2022 and June 2022.
24	Term loan - 24	488.28	127.85	-	-	-	-	Balance amount as at 31 December 2017 is repayable in 15 quarterly instalments of USD 1 million starting from June 2018.
25	Term loan - 25	220.13	2.19	230.93	5.26	230.39	-	Balance amount as at 31 December 2017 is repayable in 180 monthly instalments of USD 31,458 each.
26	Term loan - 26	1.63	-	1.74	0.38	-	-	Balance amount as at 31 December 2017 is repayable in 41 monthy instalments of LKR 0.12 million.
27	Term loan - 27	0.72	-	0.76	0.17	-	-	Balance amount as at 31 December 2017 is repayable in 41 monthy instalments of LKR 0.12 million.

22E. Repayment terms [Cont'd]:

(₹ in million, unless stated otherwise)

S.no	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
28	Term loan - 28	-	-	-	7.72	21.30	-	Balance amount as at 31 December 2016 is repayable in 7 monthy instalments of LKR 2.5 million.
29	Term loan - 29	-	-	5.87	14.83	36.05	-	Balance amount as at 31 December 2016 is repayable in 17 monthy instalments of LKR 2.8 million.
30	Term loan - 30	-	-	-	5.72	23.84	-	Balance amount as at 31 December 2016 is repayable in 4 monthy instalments of LKR 3.3 million.
31	Term loan - 31	-	-	1.10	13.24	28.64	-	Balance amount as at 31 December 2016 is repayable in 13 monthy instalments of LKR 2.5 million.
32	Term loan - 32	-	-	8.47	17.66	45.99	-	Balance amount as at 31 December 2016 is repayable in 18 monthy instalments of LKR 3.3 million.
33	Term loan - 33	-	-	12.45	5.57	30.23	-	Balance amount as at 31 December 2016 is repayable in 33 monthy instalments of LKR 1.50 million.
34	Term loan - 34	-		242.53	224.72	673.97	-	Balance amount as at 31 December 2016 is repayable in 4 semi-annual instalments of LKR 264.66 million.
35	Term loan - 35	-	-	9.15	5.52	21.02	-	Balance amount as at 31 December 2016 is repayable in 32 semi-annual instalments of LKR 1.04 million.
36	Term loan - 36	-	-	23.69	9.81	-	-	Balance amount as at 31 December 2016 is repayable in 41 monthly instalments of LKR 1.85 million.
37	Term loan - 37	-	-	27.92	8.85	-	-	Balance amount as at 31 December 2016 is repayable in 50 monthly instalments of LKR 1.67 million.
38	Term loan - 38	-	-	6.42	11.04	29.73	-	Balance amount as at 31 December 2016 is repayable in 19 monthly instalments of LKR 2.08 million.
39	Term loan - 39	-	-	-	93.56	90.55	92.22	Balance amount as at 31 December 2016 is repayable in 3 quarterly instalments of MAD 4.66 million.
40	Term loan - 40	-	-	-	-	-	132.08	Balance amount as at 1 January 2016 is repayable in 2 quarterly instalments of MAD 5.775 million and last instalment of MAD 8.25 million.
41	Term loan - 41	-	-	41.59	9.49	57.69	-	Balance amount consists of four term loans from the bank repayable in: a) instalments of MZN 0.09 million and last instalment of MZN 25.67 million. b) instalments of MZN 0.05 million each. c) instalments of MZN 0.54 million each. d) instalments of MZN 0.25 million each.
42	Term loan - 42	-	-	67.40	31.80	106.86	-	Balance amount as at 31 December 2016 is repayable in 37 monthly instalments of ZMW 0.40 million each.
43	Term loan - 43	-	-	40.69	22.19	75.28	-	Balance amount as at 31 December 2016 is repayable in 34 monthly instalments of ZMW 0.27 million each.
44	Term loan - 44	-	-	20.09	10.32	6.37	-	Balance amount as at 31 December 2016 is repayable in 36 monthly instalments of ZMW 0.13 million each.
45	Term loan - 45	-	-	5.32	11.09	26.10	-	Balance amount as at 31 December 2016 is repayable in 18 monthly instalments of ZMW 0.14 million each.
46	Term loan - 46	-	-	-	-	218.03	-	Balance amount as at 1 January 2016 is repayable in 4 quarterly instalments of USD 0.83 each.
		12,535.12	**2,026.25**	**7,545.94**	**1,570.32**	**6,483.83**	**1,262.55**	

23 Other non-current financial liabilities

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Deferred revenue on government grant	45.98	12.24	13.16
	45.98	**12.24**	**13.16**

24 Provisions

(Refer note 42)

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Non-current			
Defined benefit liability (net)	534.27	460.07	333.72
Other long term employee obligations	198.37	145.81	111.62
	732.64	**605.88**	**445.34**
Current			
Defined benefit liability (net)	74.15	65.02	83.62
Other short term employee obligations	93.35	70.18	53.66
	167.50	**135.20**	**137.28**

25 Other non-current liabilities

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Provision for liability	73.83	142.23	110.74
	73.83	**142.23**	**110.74**

26 Trade payables

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Total outstanding dues of-			
Micro and small enterprises (Refer note 51)	8.71	7.23	1.44
Others	1,900.75	2,738.67	2,644.34
	1,909.46	**2,745.90**	**2,645.78**

27 Other current financial liabilities

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Current maturities of long-term debts (Refer note 22C)	3,112.71	2,558.16	2,104.50
Interest accrued but not due on borrowings	82.37	60.16	160.79
Current portion of deferred payment liabilities (Refer note 22D)	3,020.71	3,301.01	3,005.70
Payable for capital expenditures	436.66	158.67	1,957.92
Employee related payables	183.35	225.70	167.14
Unclaimed dividends#	0.06	-	-
Security deposits	1,900.78	2,023.46	1,689.50
Liability for foreign currency derivative contract**	25.85	17.52	-
Bank overdraft	17.65	-	-
Deferred revenue on government grant	1.19	-	-
Others	-	-	1.86
	8,781.33	**8,344.68**	**9,087.41**

Not due for deposit to the Investor Education Protection Fund.

** The Holding Company excuted a cross currency interest rate swap with the intention of reducing the foreign exchange risk on its foreign currency borrowings. This contract is measured at fair value through profit or loss.

28. Other current liabilities

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Advances from customers	709.67	957.86	605.54
Statutory dues payable	762.25	890.46	741.22
	1,471.92	**1,848.32**	**1,346.76**

29. Current tax liabilities (net)

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Provision for tax, net of advance taxes paid	68.35	89.94	238.27
	68.35	**89.94**	**238.27**

The key components of income tax expense for the year ended 31 December 2017 and 31 December 2016 are:

A. Consolidated Statement of Profit and Loss:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016
(i) Profit and loss section		
(a) Current tax	547.85	442.30
(b) Adjustment of tax relating to earlier periods	1.60	(2.80)
(c) Deferred tax	219.50	(126.54)
Income tax expense reported in the Consolidated Statement of Profit and Loss	**768.95**	**312.96**
(ii) OCI section		
Deferred tax related to items recognised in OCI during the year:		
(a) Net loss/(gain) on remeasurements of defined benefit plans	3.39	(17.96)
(b) Net loss/(gain) on exchange differences arising on translation of foreign operations set to be zero	(21.75)	(28.25)
Income tax charged to OCI	**(18.36)**	**(46.21)**

B. Reconciliation of tax expense between accounting profit at applicable tax rate and effective tax rate:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016
Accounting profit before tax	2,909.54	793.35
Tax expense at statutory income tax rate of 34.608% (31 December 2016: 34.608%)	1,006.93	274.56
Adjustments in respect of current income tax of previous years	1.37	(2.14)
Non deductible expenses	13.48	8.07
Deduction claimed u/s 32 AC of Income-tax Act, 1961 at Holding Company	(185.78)	(72.75)
Deduction claimed u/s 80 IE of Income-tax Act, 1961 at Holding Company	(210.04)	(93.16)
Effect of deferred tax on liabilities under business combinations	5.47	28.27
Effect of deferred tax on capital gain on assets classified as assets held for sale in Parent Company	59.14	-
Tax impact of dividend distributed by a subsidiary taxable in hands of Holding Company	32.96	65.91
Deferred tax not created on losses in subsidiaries	200.08	230.32
Tax rate differential for taxes provided in subsidiaries	(167.75)	(167.44)
Others	13.09	41.32
Income tax expense at effective tax rate reported in the Consolidated Statement of Profit and Loss	**768.95**	**312.96**

During the year ended 31 December 2017, the Holding Company and a subsidiary paid dividend to its shareholders. This has resulted in payment of Dividend Distribution Tax to the taxation authorities. The Holding Company believes that Dividend Distribution Tax represents additional payment to taxation authority on behalf of the shareholders. Hence, Dividend Distribution Tax paid is charged to equity.

30 Revenue from operations

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Sale of products (inclusive of excise duty)	44,073.46	44,905.04
Other operating revenue	1,088.90	409.57
	45,162.36	**45,314.61**

Sale of goods includes excise duty collected from customers of ₹ 5,128.37 million (31 December 2016: ₹ 6,702.78 million).

31 Other income

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Interest income on items at amortised cost:		
- bank deposits	28.89	15.05
- others	25.04	74.03
Net gain on foreign currency transactions and translations	-	10.26
Profit on sale of current investments	0.44	0.97
Excess provisions written back	1.02	205.94
Guarantee commission/commission income	0.80	1.86
Gain on sale of fixed assets (Net)	21.91	-
Government grant income	1.41	0.92
Profit on dilution of control in a subsidiary (Refer note 55 C)	2.75	-
Miscellaneous	44.27	48.30
	126.53	**357.33**

32 Cost of materials consumed

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Raw material and packing material consumed		
Inventories at beginning of the year	2,461.95	1,896.47
Acquired on acquisitions of subsidiaries	-	173.02
Purchases during the year (Net)	18,153.67	17,244.13
	20,615.62	19,313.62
Sold during the year	311.05	82.68
Inventories at end of the year	1,749.48	2,461.95
	18,555.09	**16,768.99**

33 Purchases of stock-in-trade

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Beverages	188.52	841.37
Others	89.17	87.02
	277.69	**928.39**

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34 Changes in inventories of finished goods, work-in-progress and traded goods

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
As at the beginning of the year		
- Finished goods	651.30	587.92
- Intermediate goods	823.55	668.82
- Work in progress	87.31	86.16
	1,562.16	1,342.90
Acquired on acquisitions of subsidiaries		
- Finished goods	-	30.76
Adjustment on account of dilution of controlling interest in a subsidiary		
- Finished goods	9.16	-
- Work in progress	0.57	-
	9.73	-
As at the closing of the year		
- Finished goods	648.25	651.30
- Intermediate goods	1,098.34	823.55
- Work in progress	72.73	87.31
	1,819.32	1,562.16
Excise duty adjustment on inventories	168.55	(24.12)
Finished goods used as fixed assets*	(296.78)	(154.17)
	(732.22)	**(318.55)**

*The Holding Company and a subsidiary manufactures plastic shells at some of their manufacturing facilities. The shells manufactured are used for beverages operations of the Group as property, plant and equipment (under the head containers). These plastic containers are also sold to third parties. The cost of manufacturing of plastic shells is being shown here separately with a corresponding debit to property, plant and equipment.

35 Employee benefit expense

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Salaries, wages and bonus	4,146.60	3,791.87
Contribution to provident fund and other funds	254.90	226.45
Share based payment to employees	-	0.05
Staff welfare expenses	226.94	191.93
	4,628.44	**4,210.30**

36 Finance costs

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Interest on items at amortised cost:		
- Term loans	1,129.96	1,110.17
- Working capital facilities	224.04	398.86
- Non-convertible debentures	194.29	552.97
- Financial liabilities	447.31	690.88
- Others	30.45	23.04
Interest on item at FVTPL:		
- Financial liabilities	-	1,479.32
Other ancillary borrowing costs:		
- Processing fees	95.70	70.11
	2,121.75	**4,325.35**

37 Depreciation and amortization expense

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Depreciation on property, plant and equipment	3,412.46	3,150.18
Amortisation of intangible assets	53.95	78.43
Less: Transferred from capital reserve	-	(6.53)
	3,466.41	**3,222.08**

38 Other expenses

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Power and fuel	1,600.38	1,562.15
Repairs to plant and equipment	669.64	684.42
Repairs to buildings	91.21	67.13
Other repairs	371.08	382.24
Consumption of stores and spares	412.92	412.85
Rent	284.54	297.11
Rates and taxes	69.89	136.24
Insurance	32.29	33.65
Printing and stationery	40.28	37.77
Communication	71.50	83.48
Travelling and conveyance	436.12	351.66
Directors' sitting fee	3.42	4.23
Payment to auditors*	17.37	20.54
Vehicle running and maintenance	170.99	184.71
Lease and hire	124.00	184.87
Security and service charges	199.16	197.80
Professional and consultancy	135.46	102.64
Bank charges	24.17	22.08
Advertisement and sales promotion	797.24	671.89
Meeting and conferences	8.95	8.59
Royalty	251.84	213.93
Freight, octroi and insurance paid (net)	1,774.84	2,021.05
Delivery vehicle running and maintenance	489.15	442.21
Distribution expenses	126.07	224.82
Loading and unloading charges	229.48	216.88
Donations	0.46	0.98
Property, plant and equipment written off	77.94	113.20
Loss on disposal of property, plant and equipment (net)	-	113.34
Bad debts and advances written off	81.36	5.49
Allowance for doubtful debts and advances	156.74	50.85
Corporate social responsibility expenditure (Refer note 52)	27.73	10.69
Net loss on foreign currency transactions and translations	58.79	-
Business combination expenses	33.20	84.21
General office and other miscellaneous	79.11	119.33
	8,947.32	**9,063.03**

*Excludes expense of ₹ Nil (previous year ₹ 12.03) towards fee related to initial public offer of equity shares, which has been adjusted with the securities premium reserve as share issue expense.

39 Other comprehensive income (OCI)

The disaggregation of changes to OCI by each type of reserves in equity is shown below:

During the year ended 31 December 2017

(₹ in million)

	Retained earnings
Re-measurement gains/(losses) on defined benefit plans	10.83
Tax impact on re-measurement gains/(losses) on defined benefit plans	(3.39)
Exchange differences arising on translation of foreign operations	(94.27)
Tax impact on exchange differences arising on translation of foreign operations	21.75
	(65.08)

39 Other comprehensive income (OCI) [Cont'd]

During the year ended 31 December 2016

(₹ in million)

	Retained earnings
Re-measurement gains/(losses) on defined benefit plans	(52.31)
Tax impact on re-measurement gains/(losses) on defined benefit plans	17.96
Exchange differences arising on translation of foreign operations	(122.43)
Tax impact on exchange differences arising on translation of foreign operations	28.25
	(128.53)

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40. Composition of the Group

These consolidated financial statements include the respective financial statements of Varun Beverages Limited (the 'Parent Company' or the 'Holding Company'), its subsidiaries and the results of operations of its associates as listed below. The principal activity of the Parent Company, subsidiaries and associates, predominantly comprise manufacturing and sale of beverages.

Name of the company/entity	Country of incorporation and principal place of business	Proportion of ownership interests held by the Group at year end		
		As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Varun Beverages (Nepal) Private Limited ('VBL Nepal')	Nepal	100%	100%	100%
Varun Beverages Lanka (Private) Limited ('VBL Lanka')	Sri Lanka	100%	100%	100%
Varun Beverages Morocco SA ('VBL Morocco')	Morocco	100%	100%	100%
Ole Spring Bottlers Private Limited ('Ole')*	Sri Lanka	100%	100%	100%
Varun Beverages (Zambia) Private Limited ('VBL Zambia')^	Zambia**	90%	60%	60%
Varun Beverages (Mozambique) Limitada ('VBL Mozambique')~	Mozambique**	10%	51%	51%
Varun Beverages (Zimbabwe) (Private) Limited ('VBL Zimbabwe')	Zimbabwe**	85%	85%	85%
Angelica Technologies Private Limited	India	47.30%	47.30%	47.30%
Lunarmech Technologies Private Limited∞	India	35%	35%	35%

* subsidiary of VBL Lanka.

^ became subsidiary w.e.f. 1 January 2016 and increase of ownership stake from 60% to 90% effective 20 February 2017

~ became subsidiary w.e.f. 1 January 2016 and decrease of ownership stake from 51% to 10% effective 02 March 2017, thereby VBL Mozambique ceased to be the subsidiary w.e.f. 02 March 2017

∞ Angelica Technologies Private Limited holds 74% ownership stake in Lunarmech Technologies Private Limited

**Also refer note 55 E

41. Information under Section 186 (4) of the Companies Act, 2013

There are no investments or loans given or guarantees provided or security given by the Group other than the investments, loans, guarantees and security details as stated in these consolidated financial statements, which have been made predominantly for the purpose of business.

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42 Gratuity and other post-employment benefit plans

All amounts ₹ in million, unless otherwise stated

Parent Company and other components of the Group provide its employees gratuity and compensated absences benefits in accordance with the respective local statutory requirements and entity's policies. The following tables summaries the changes in their present values over the reporting periods, components of expense recognised in the Consolidated Statement of Profit and Loss, their funded status and amounts recognised in the consolidated balance sheet:

	Gratuity			Compensated absences		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
Changes in present values are as follows:						
Balance at the beginning of the year	553.96	423.50	227.74	215.99	165.28	113.19
Acquired on business acquisitions	10.61	-	-	7.38	-	-
Past service cost	-	-	97.13	-	-	10.35
Current service cost	79.29	70.87	55.94	73.03	50.66	45.94
Interest cost	38.04	30.51	16.57	14.41	12.51	8.38
Benefits settled	(22.53)	(24.84)	(13.27)	(19.70)	(16.74)	(8.27)
Actuarial (gain)/loss	(10.83)	55.91	41.62	1.90	4.47	(4.31)
Foreign exchange translation reserve	(1.46)	(1.99)	(2.23)	(1.29)	(0.19)	-
Balance at the end of the year	**647.08**	**553.96**	**423.50**	**291.72**	**215.99**	**165.28**

	Gratuity			Compensated absences		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
Changes in fair value of plan assets are as follows:						
Plan assets at the beginning of the year	28.87	6.16	6.40	-	-	-
Expected income on plan assets	1.93	0.54	0.59	-	-	-
Actuarial gain/(loss)	0.62	1.80	(0.08)	-	-	-
Contribution during the year	21.63	31.56	1.19	-	-	-
Benefits settled	(14.39)	(11.19)	(1.94)	-	-	-
Plan assets at the end of the year	**38.66**	**28.87**	**6.16**	**-**	**-**	**-**

The Holding Company has taken an insurance policy against its liability towards gratuity, the same has been disclosed as plan assets above.

	Gratuity			Compensated absences		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
Reconciliation of present value of the obligation and the fair value of the plan assets:						
Present value of obligation at the end of the respective year	647.08	553.96	423.50	291.72	215.99	165.28
Plan assets at the end of the respective year	38.66	28.87	6.16	-	-	-
Net liability recognised in the consolidated balance sheet	**608.42**	**525.09**	**417.34**	**291.72**	**215.99**	**165.28**

42 Gratuity and other post-employment benefit plans [Cont'd]

All amounts ₹ in million, unless otherwise stated

	Gratuity		Compensated absences	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Amount recognised in consolidated statement of profit and loss:				
Current service cost	79.29	70.87	73.03	50.66
Interest cost	38.04	30.51	14.41	12.51
Expected income on plan assets	(1.93)	(0.54)	-	-
Actuarial loss	-	-	1.90	4.47
Net cost recognised	**115.40**	**100.84**	**89.34**	**67.64**

	Gratuity		Compensated absences	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Amount recognised in other comprehensive income:				
Actuarial changes arising from changes in financial assumptions	(27.40)	41.39	-	-
Experience adjustments	17.19	12.72	-	-
Return on plan assets	(0.62)	(1.80)	-	-
Amount recognised (gain)/loss	**(10.83)**	**52.31**	**-**	**-**

	Gratuity			Compensated absences		
	31 December 2017	**31 December 2016**	**01 January 2016**	**31 December 2017**	**31 December 2016**	**01 January 2016**
Assumptions used:						
Mortality	IALM (2006-08) ultimate and A 67/70 mortality table (issued by Institute of Actuaries, London)			IALM (2006-08) ultimate and A 67/70 mortality table (issued by Institute of Actuaries, London)		
Discount rate	7.5%-13.00%	6.70-13%	8-10%	7.50%	6.70-13%	8-10%
Rate of return on plan assets	7.84%	6.29%	8.75%	Not applicable	Not applicable	Not applicable
Withdrawal rate	3%-11%	3-11%	3-11%	11.00%	3-11%	3-11%
Salary increase	9-13%	9-13%	11-12%	11-12%	9-13%	11-12%
Rate of availing leave in the long run	-	-	-	20-25%	20-25%	20.00%
Retirement age (Years)	55-65 years	55-60 years	55-60 years	58-65 years	55-60 years	55-60 years

42 Gratuity and other post-employment benefit plans [Cont'd]

All amounts ₹ in million, unless otherwise stated

These assumptions were developed by management of the respective company/entity with the assistance of independent actuaries. Discount factors are determined close to each year-end by reference to market yields of high quality corporate bonds that are denominated in the respective currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligations. Other assumptions are based on current actuarial benchmarks and respective management's historical experience.

The defined benefit obligation and plan assets are composed by geographical locations as follows:

31 December 2017	India	Outside India	Total
Defined benefit obligation	573.50	73.58	647.08
Fair value of plan assets	38.66	-	38.66

31 December 2016	India	Outside India	Total
Defined benefit obligation	489.10	64.87	553.96
Fair value of plan assets	28.87	-	28.87

01 January 2016	India	Outside India	Total
Defined benefit obligation	362.10	61.40	423.50
Fair value of plan assets	6.16	-	6.16

A quantitative sensitivity analysis for significant assumption is as shown below:

	Sensitivity level		Gratuity		Compensated absences	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Discount rate	+1%	+1%	(40.29)	(34.23)	(7.03)	(5.38)
	-1%	-1%	45.63	43.12	7.45	5.72
Salary increase	+1%	+1%	43.50	40.98	7.08	5.39
	-1%	-1%	(39.28)	(33.16)	(6.81)	(5.18)
Withdrawal rate	+1%	+1%	(10.65)	(10.89)	(3.55)	(2.69)
	-1%	-1%	11.81	12.11	3.77	2.87

The sensitivity analysis above has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Risk associated:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government Bonds Yield. If plan liability is funded and return on plan assets is below this rate, it will create a plan deficit.
Interest risk (discount rate risk)	A decrease in the bond interest rate (discount rate) will increase the plan liability.
Mortality risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. For the purpose of these consolidated financial statements Indian Assured Lives Mortality (2006-08) ultimate table and A 67/70 mortality table issued by Institute of Actuaries, London, have been used. A change in mortality rate will have a bearing on the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

42 Gratuity and other post-employment benefit plans [Cont'd]

All amounts ₹ in million, unless otherwise stated

The following payments are maturity profile in future years:

	Gratuity		Compensated absences	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
i) Weighted average duration of the defined benefit obligation	6.40 years - 11 years	7.51 years - 11 years	-	-
ii) Duration of defined benefit obligation				
Duration (years)				
1	62.59	60.95	87.45	63.55
2	55.50	42.19	61.09	42.35
2 to 5	193.49	122.42	96.10	67.27
Above 5	331.15	295.03	43.24	34.10
	642.73	**520.59**	**287.88**	**207.27**
iii) Duration of defined benefit payments				
Duration (years)				
1	61.86	62.41	90.67	65.64
2	59.00	44.02	68.09	46.67
2 to 5	243.17	145.13	121.94	83.34
Above 5	784.09	628.75	76.45	56.96
	1,148.12	**880.31**	**357.15**	**252.61**

Defined contribution plan:

Contribution to defined contribution plans, recognised as expense for the year is as under:

Employer's contribution to provident and other funds ₹ 254.90 million (31 December 2016 ₹ 226.45 million)

43 Earnings per share (EPS)

All amounts in ₹ in million, unless otherwise stated

	31 December 2017	31 December 2016
Profit attributable to the equity shareholders	2,101.54	423.76
Weighted average number of equity shares outstanding during the year for calculating basic earnings per share (nos.)	182,491,620	145,189,806
Employee stock options (nos.)	60,368	214,422
Conversion of the compulsorily convertible debentures and compulsorily convertible preference shares (nos.)	-	23,701,222
Weighted average number of equity shares for calculation of diluted earnings per share (nos.)	182,551,987	169,105,450
Nominal value per equity shares (₹)	10.00	10.00
Basic earnings per share (₹)	11.52	2.92
Diluted earnings per share (₹)	11.51	2.51

44 Dividend paid by Holding Company

All amounts in ₹ in million, unless otherwise stated

	31 December 2017	31 December 2016
Interim dividend (Year ended on 31 December 2017: ₹ 2.50 per share, 31 December 2016 : ₹ Nil)	456.29	-
Dividend distribution tax on interim dividend	92.89	-

45 Contingent liabilities and commitments

All amounts in ₹ in million, unless otherwise stated

	As at 31 December 2017	As at 31 December 2016
a. Guarantees issued on behalf of other companies	338.89	339.80
b. Claims against the Group not acknowledged as debts (being contested):		
i. For excise, customs and service tax	148.85	121.34
ii. For sales tax (VAT)/entry tax	197.69	796.46
iii. For income tax	264.28	308.56
iv. Others*	236.47	243.12

*excludes pending matters where amount of liability is not ascertainable.

46 Capital commitments

All amounts in ₹ in million, unless otherwise stated

	As at 31 December 2017	As at 31 December 2016
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances ₹ 1,344.94 (31 December 2016 ₹ 1,243.85)	1,713.84	2,771.35

47 Pursuant to transfer pricing legislations under the Income-tax Act, 1961, the Holding Company is required to use specified methods for computing arm's length price in relation to specified international and domestic transactions with its associated enterprises. Further, the Holding Company is required to maintain prescribed information and documents in relation to such transactions. The appropriate method to be adopted will depend on the nature of transactions/ class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Holding Company is in the process of updating its transfer pricing documentation for the current financial year. Based on the preliminary assessment, the management is of the view that the update would not have a material impact on the tax expense recorded in these consolidated financial statements. Accordingly, these consolidated financial statements do not include any adjustments for the transfer pricing implications, if any.

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48 Related party transactions

Following are the related parties and transactions entered with related parties for the relevant financial year:

i. List of related parties and relationships:-

I. Key managerial personnel (KMPs)

Mr. Ravi Kant Jaipuria	Director and KMP of ultimate parent namely Ravi Kant Jaipuria & Sons (HUF)
Mr. Varun Jaipuria	Whole time Director
Mr. Raj Pal Gandhi	Whole time Director
Mr. Kapil Agarwal	Whole time Director
Mr. Kamlesh Kumar Jain	Whole time Director and Chief financial officer
Mr. Christopher White (till 28 March 2016)	Whole time Director
Mr. Girish Ahuja	Non-executive independent director
Mr. Pradeep Sardana	Non-executive independent director
Mr. Ravindra Dhariwal	Non-executive independent director
Mr. Geeta Kapoor	Non-executive independent director
Mr. Rajesh Chopra	KMP of parent namely RJ Corp Limited
Mr. S.V. Singh	KMP of parent namely RJ Corp Limited
Mr. Ravi Batra (from 12 May 2017)	Company secretary
Mr. Mahavir Prasad (till 12 May 2017)	Company secretary
Mrs. Monika Bhardwaj	Company secretary of parent namely RJ Corp Limited

II. Parent and ultimate parent

RJ Corp Limited
Ravi Kant Jaipuria & Sons (HUF)

III. Fellow subsidiaries and entities controlled by parent*

Parkview City Limited
Devyani International Limited
Devyani Food Industries Limited
Alisha Retail Private Limited
Varun Food and Beverages Zambia Limited
Wellness Holdings Limited
SVS India Private Limited
Devyani Food Street Private Limited
Ole Marketing (Private) Limited
Accor Developer (Private) Limited
Arctic International Private Limited
Accor Industries (Private) Limited
Devyani International Nepal Private Limited

IV. Associate (or an associate of any member of a group)

Lunarmech Technologies Private Limited
Angelica Technologies Private Limited

V. Entities in which a director or his/her relative is a member or director*

Champa Devi Jaipuria Charitable Trust
SMV Beverages Private Limited
SMV Agencies Private Limited
Alisha Torrent Closure Private Limited
Nector Beverages Private Limited
Steel City Beverages Private Limited
Pearl Drinks Private Limited
Jai Beverages Private Limited
Varun Developers Private Limited
Diagno Labs Private Limited

VI. Relatives of KMPs*

Mrs. Dhara Jaipuria
Mrs. Asha Chopra
Mrs. Shashi Jain
Mrs. Rachna Batra

VII. Entities which are post employment benefits plans

VBL Employees Gratuity Trust

* With whom the Group had transactions during the current year and previous year.

ii. Transactions with KMPs (Refer note 48A)

iii. Transactions with other related parties (Refer note 48B)

iv. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made in the ordinary course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

48A Transactions with KMPs

All amounts in ₹ in million, unless otherwise stated

	For year ended 2017	For year ended 2016
I. Remuneration paid		
Mr. Varun Jaipuria	29.42	24.02
Mr. Raj Pal Gandhi	38.34	31.08
Mr. Kapil Agarwal	44.74	39.25
Mr. Kamlesh Kumar Jain	11.25	7.53
Mr. Christopher White	-	10.45
Mr. Rajesh Chopra	7.72	6.60
Mr. Ravi Batra	4.25	-
Mr. Mahavir Prasad	1.00	2.49
Mrs. Monika Bhardwaj	1.50	1.34
II. Director sitting fees paid		
Mr. Girish Ahuja	1.30	1.40
Mr. Pradeep Sardana	0.40	0.60
Mr. Ravindra Dhariwal	1.30	1.80
Mrs. Geeta Kapoor	0.40	0.40
III. Professional charges paid		
Mr. S.V. Singh	2.48	0.75
IV. IPO expenses incurred on behalf of KMP and recovered from them		
Mr. Varun Jaipuria	-	63.63
V. Dividend paid		
Mr. Varun Jaipuria	97.94	-
Mr. Raj Pal Gandhi	1.06	-
Mr. Kapil Agarwal	1.05	-
Mr. Kamlesh Kumar Jain	0.05	-
VI. Rent/ lease charges paid		
Mr. S.V. Singh	0.19	0.12
VII. Shares issued pursuant to exercise of ESOP		
Mr. Raj Pal Gandhi	-	65.78
Mr. Kapil Agarwal	-	65.78
Mr. Kamlesh Kumar Jain	-	6.88
Mr. Rajesh Chopra	-	5.38
VIII. Defined benefit obligation for KMP		
i. Gratuity		
Mr. Varun Jaipuria	19.83	14.79
Mr. Raj Pal Gandhi	24.62	18.69
Mr. Kapil Agarwal	33.84	31.20
Mr. Kamlesh Kumar Jain	7.18	5.55
Mr. Ravi Batra	0.16	-
Mr. Rajesh Chopra	3.86	3.40
Mr. Mahavir Prasad	-	0.22
Mrs. Monika Bhardwaj	0.34	0.27
ii. Compensated absences		
Mr. Varun Jaipuria	5.85	4.96
Mr. Raj Pal Gandhi	7.01	3.60

Summary of significant accounting policies and other explanatory information on the consolidated financial statements for the year ended 31 December 2017

48A Transactions with KMPs [Cont'd]

All amounts in ₹ in million, unless otherwise stated

	For year ended 2017	For year ended 2016
ii. Compensated absences [Cont'd]		
Mr. Kapil Agarwal	9.91	7.57
Mr. Kamlesh Kumar Jain	1.20	1.36
Mr. Ravi Batra	0.22	-
Mr. Rajesh Chopra	1.17	1.00
Mr. Mahavir Prasad	-	0.37
Mrs. Monika Bhardwaj	0.23	0.21
IX. Balances outstanding at the end of the year, net		
Mr. Varun Jaipuria	-	(1.31)
Mr. Raj Pal Gandhi	-	(1.13)
Mr. Kapil Agarwal	-	(1.72)
Mr. Kamlesh Kumar Jain	-	(0.28)
Mr. Rajesh Chopra	8.00	-
Mrs. Monika Bhardwaj	0.13	-

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48B Transactions with related parties

All amounts in ₹ in million, unless otherwise stated

Description	Parent and ultimate parent		Fellow subsidiaries and entities controlled by parent		Associate (or an associate of any member of a Group)		Entities in which a director or his/her relative is a member or director		Relatives of KMP		Entities which are post employment benefits plans		Total	
	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016
Sale														
- Varun Food and Beverages Zambia Limited	-	-	3.11	-	-	-	-	-	-	-	-	-	**3.11**	**-**
- SMV Beverages Private Limited	-	-	-	-	-	-	12.24	39.72	-	-	-	-	**12.24**	**39.72**
- Lunarmech Technologies Private Limited	-	-	-	-	11.11	9.99	-	-	-	-	-	-	**11.11**	**9.99**
- Alisha Torrent Closure Private Limited	-	-	-	-	-	-	7.12	5.93	-	-	-	-	**7.12**	**5.93**
- Nector Beverages Private Limited	-	-	-	-	-	-	43.14	61.92	-	-	-	-	**43.14**	**61.92**
- Steel City Beverages Private Limited	-	-	-	-	-	-	2.58	-	-	-	-	-	**2.58**	**-**
- Jai Beverages Private Limited	-	-	-	-	-	-	114.04	63.03	-	-	-	-	**114.04**	**63.03**
- Devyani International Limited	-	-	88.80	115.63	-	-	-	-	-	-	-	-	**88.80**	**115.63**
- Devyani Food Industries Limited	-	-	16.43	11.79	-	-	-	-	-	-	-	-	**16.43**	**11.79**
- Pearl Drinks Private Limited	-	-	-	-	-	-	218.20	8.17	-	-	-	-	**218.20**	**8.17**
- Alisha Retail Private Limited	-	-	8.68	4.60	-	-	-	-	-	-	-	-	**8.68**	**4.60**
- Devyani International Nepal Private Limited	-	-	5.27	4.10	-	-	-	-	-	-	-	-	**5.27**	**4.10**
- Ole Marketing Private Limited	-	-	47.31	145.08	-	-	-	-	-	-	-	-	**47.31**	**145.08**
Sale of store items														
- Varun Food and Beverages Zambia Limited	-	-	0.31	-	-	-	-	-	-	-	-	-	**0.31**	**-**
- RJ Corp Limited	0.08	-	-	-	-	-	-	-	-	-	-	-	**0.08**	**-**
Purchases														
- Lunarmech Technologies Private Limited	-	-	-	-	463.36	480.86	-	-	-	-	-	-	**463.36**	**480.86**
- Nector Beverages Private Limited	-	-	-	-	-	-	1.06	29.52	-	-	-	-	**1.06**	**29.52**
- Pearl Drinks Private Limited	-	-	-	-	-	-	126.40	44.28	-	-	-	-	**126.40**	**44.28**
- Varun Developers Private Limited	-	-	-	-	-	-	12.44	20.22	-	-	-	-	**12.44**	**20.22**
- RJ Corp Limited	0.76	1.56	-	-	-	-	-	-	-	-	-	-	**0.76**	**1.56**
- Varun Food and Beverages Zambia Limited	-	-	-	6.58	-	-	-	-	-	-	-	-	**-**	**6.58**
Purchase of Stores														
- Alisha Retail Private Limited	-	-	0.76	-	-	-	-	-	-	-	-	-	**0.76**	**-**
Promotional charges paid														
- Alisha Retail Private Limited	-	-	10.70	-	-	-	-	-	-	-	-	-	**10.70**	**-**
Loan given														
- Parkview City Limited	-	-	-	5,959.70	-	-	-	-	-	-	-	-	**-**	**5,959.70**

Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements for the year ended 31 December 2017

48B Transactions with related parties [Cont'd]

All amounts in ₹ in millions, unless otherwise stated

Description	Parent and ultimate parent		Fellow subsidiaries and Entities controlled by Parent		Associate (or an associate of any member of a Group)		Entities in which a director or his/her relative is a member or director		Relatives of KMP		Entities which are post employment benefits plans		Total	
	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016
Interest received														
- Parkview City Limited	-	-	-	45.10	-	-	-	-	-	-	-	-	-	45.10
- Devyani International Nepal Private Limited	-	-	-	0.75	-	-	-	-	-	-	-	-	-	0.75
- Varun Developers Private Limited	-	-	-	-	-	-	7.81	4.49	-	-	-	-	7.81	4.49
Loan received back														
- Parkview City Limited	-	-	-	5,959.70	-	-	-	-	-	-	-	-	-	5,959.70
Loan repaid														
- Accor Developer (Private) Limited	-	-	-	37.44	-	-	-	-	-	-	-	-	-	37.44
- Arctic International Private Limited	-	-	43.94	156.48	-	-	-	-	-	-	-	-	43.94	156.48
- Accor Industries (Private) Limited	-	-	-	81.52	-	-	-	-	-	-	-	-	-	81.52
Contribution to corporate social responsibility activities														
- Champa Devi Jaipuria Charitable Trust	-	-	-	-	-	-	24.00	4.97	-	-	-	-	24.00	4.97
- Diagno Labs Private Limited	-	-	-	-	-	-	0.06	-	-	-	-	-	0.06	-
Acquisitions of controlling stakes in subsidiaries														
- Arctic International Private Limited	-	-	-	1,671.13	-	-	-	-	-	-	-	-	-	1,671.13
Travelling expenses paid														
- Wellness Holdings Limited	-	-	91.91	72.45	-	-	-	-	-	-	-	-	91.91	72.45
Contribution to gratuity trust														
- VBL Employees Gratuity Trust	-	-	-	-	-	-	-	-	-	-	21.67	31.56	21.67	31.56

Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements for the year ended 31 December 2017

48B Transactions with related parties [Cont'd]

All amounts in ₹ in millions, unless otherwise stated

Description	Parent and ultimate parent		Fellow subsidiaries and Entities controlled by Parent		Associate (or an associate of any member of a Group)		Entities in which a director or his/her relative is a member or director		Relatives of KMP		Entities which are post employment benefits plans		Total	
	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016
Dividend paid														
- RJ Corp Limited	125.35	-	-	-	-	-	-	-	-	-	-	-	**125.35**	**-**
- Ravi Kant Jaipuria & Sons (HUF)	97.97	-	-	-	-	-	-	-	-	-	-	-	**97.97**	**-**
(Expenses incurred by the Company on behalf of others)/expenses incurred by others on behalf of the Company														
- Devyani International Limited	-	-	(2.95)	(0.05)	-	-	-	-	-	-	-	-	**(2.95)**	**(0.05)**
- RJ Corp Limited	(0.09)	(5.59)	-	-	-	-	-	-	-	-	-	-	**(0.09)**	**(5.59)**
- Devyani Food Industries Limited	-	-	(2.54)	(2.89)	-	-	-	-	-	-	-	-	**(2.54)**	**(2.89)**
- Alisha Torrent Closure Private Limited	-	-	-	-	-	-	-	(8.05)	-	-	-	-	**-**	**(8.05)**
- Nector Beverages Private Limited	-	-	-	-	-	-	(0.62)	0.67	-	-	-	-	**(0.62)**	**0.67**
Rent/ lease charges paid/(received)														
- RJ Corp Limited	88.64	73.55	-	-	-	-	-	-	-	-	-	-	**88.64**	**73.55**
- Parkview City Limited	-	-	(0.24)	(0.43)	-	-	-	-	-	-	-	-	**(0.24)**	**(0.43)**
- Ravi Kant Jaipuria & Sons (HUF)	6.56	6.25	-	-	-	-	-	-	-	-	-	-	**6.56**	**6.25**
- SVS India Private Limited	-	-	0.10	0.03	-	-	-	-	-	-	-	-	**0.10**	**0.03**
- Mrs. Dhara Jaipuria	-	-	-	-	-	-	-	-	2.13	1.94	-	-	**2.13**	**1.94**
- Mrs. Shashi Jain	-	-	-	-	-	-	-	-	0.25	0.48	-	-	**0.25**	**0.48**
- Mrs. Asha Chopra	-	-	-	-	-	-	-	-	0.23	-	-	-	**0.23**	**-**
- Mrs. Rachna Batra	-	-	-	-	-	-	-	-	0.05	-	-	-	**0.05**	**-**
- Alisha Torrent Closure Private Limited	-	-	-	-	-	-	(2.35)	(9.79)	-	-	-	-	**(2.35)**	**(9.79)**
Initial Public Offering expenses incurred by the Company and recovered subsequently														
- Ravi Kant Jaipuria & Sons (HUF)	-	63.63	-	-	-	-	-	-	-	-	-	-	**-**	**63.63**
Conversion of compulsorily convertible preference shares into equity shares														
- RJ Corp Limited	-	2,000.00	-	-	-	-	-	-	-	-	-	-	**-**	**2,000.00**
Purchase of fixed assets														
- Devyani Food Industries Limited	-	-	3.21	-	-	-	-	-	-	-	-	-	**3.21**	**-**
- Ole Marketing (Private) Limited	-	-	5.77	-	-	-	-	-	-	-	-	-	**5.77**	**-**
Purchase of businesses														
- SMV Beverages Private Limited	-	-	-	-	-	-	832.00	-	-	-	-	-	**832.00**	**-**
- SMV Agencies Private Limited	-	-	-	-	-	-	470.00	-	-	-	-	-	**470.00**	**-**

Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements for the year ended 31 December 2017

48B Transactions with related parties [Cont'd]

All amounts in ₹ in million, unless otherwise stated

Description	Parent and ultimate parent		Fellow subsidiaries and Entities controlled by Parent		Associate (or an associate of any member of a Group)		Entities in which a director or his/her relative is a member or director		Relatives of KMP		Entities which are post employment benefits plans		Total	
	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016	For year ended 2017	For year ended 2016
Advance paid for acquisition of new territories														
- SMV Beverages Private Limited	-	-	-	-	-	-	210.60	-	-	-	-	-	210.60	-
- SMV Agencies Private Limited	-	-	-	-	-	-	40.00	-	-	-	-	-	40.00	-
- Steel City Beverages Private Limited	-	-	-	-	-	-	10.00	-	-	-	-	-	10.00	-
Balances outstanding at the end of the year, net														
Receivable/(payable)														
- Devyani International Limited	-	-	(57.27)	(49.78)	-	-	-	-	-	-	-	-	**(57.27)**	**(49.78)**
- RJ Corp Limited	34.57	31.90	-	-	-	-	-	-	-	-	-	-	**34.57**	**31.90**
- Wellness Holdings Limited	-	-	(5.85)	-	-	-	-	-	-	-	-	-	**(5.85)**	**-**
- Devyani International Nepal Private Limited	-	-	0.53	0.21	-	-	-	-	-	-	-	-	**0.53**	**0.21**
- Varun Developers Private Limited	-	-	-	-	-	-	486.66	466.34	-	-	-	-	**486.66**	**466.34**
- Alisha Retail Private Limited	-	-	(2.26)	-	-	-	-	-	-	-	-	-	**(2.26)**	**-**
- Lunarmech Technologies Private Limited	-	-	-	-	(32.58)	(57.57)	-	-	-	-	-	-	**(32.58)**	**(57.57)**
- Ole Marketing (Private) Limited	-	-	92.25	110.65	-	-	-	-	-	-	-	-	**92.25**	**110.65**
- Accor Developer (Private) Limited	-	-	(128.45)	(136.76)	-	-	-	-	-	-	-	-	**(128.45)**	**(136.76)**
- Devyani Food Street Private Limited	-	-	0.01	-	-	-	-	-	-	-	-	-	**0.01**	**-**
- SMV Beverages Private Limited	-	-	-	-	-	-	210.95	-	-	-	-	-	**210.95**	**-**
- SMV Agencies Private Limited	-	-	-	-	-	-	40.00	-	-	-	-	-	**40.00**	**-**
- Steel City Beverages Private Limited	-	-	-	-	-	-	10.00	-	-	-	-	-	**10.00**	**-**
- Alisha Torrent Closure Private Limited	-	-	-	-	-	-	3.07	9.17	-	-	-	-	**3.07**	**9.17**
- Arctic International Private Limited	-	-	-	(43.78)	-	-	-	-	-	-	-	-	**-**	**(43.78)**
- Nector Beverages Private Limited	-	-	-	-	-	-	5.02	5.66	-	-	-	-	**5.02**	**5.66**
- Jai Beverages Private Limited	-	-	-	-	-	-	1.03	-	-	-	-	-	**1.03**	**-**
- Devyani Food Industries Limited	-	-	(5.09)	0.07	-	-	-	-	-	-	-	-	**(5.09)**	**0.07**
- Pearl Drinks Private Limited	-	-	-	-	-	-	67.13	0.42	-	-	-	-	**67.13**	**0.42**
- Mrs. Shashi Jain	-	-	-	-	-	-	-	-	-	(0.04)	-	-	**-**	**(0.04)**

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49 Leases

A. Operating lease:

The Group has taken certain premises and other fixed assets on operating leases. The lease agreements generally have lock-in-period of 1-5 years and are cancellable at the option of the lessee or lessor thereafter. Majority of the leases have escalation terms after certain years and are extendable by mutual consent on expiry of the lease. During the year, lease payments under operating leases amounting to ₹ 408.54 million (31 December 2016 ₹481.98 million) have been recognised as an expense in the Consolidated Statement of Profit and Loss.

Non-cancellable operating lease rentals payable (minimum lease payments) for these leases are as follows:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Payable within one year	118.52	101.32	73.30
Payable between one and five years	187.37	176.29	129.19
Payable after five years	1.95	9.75	17.54
Total	**307.84**	**287.36**	**220.03**

B. Financial lease:

The minimum lease payments and the present value of minimum lease payments in respect of arrangements classified as finance leases are as below:

(₹ in million)

	As at 31 December 2017		As at 31 December 2016		As at 01 January 2016	
	Minimum lease payment	Future finance charges	Minimum lease payment	Future finance charges	Minimum lease payment	Future finance charges
Payable within one year	25.97	1.91	35.96	3.76	56.02	4.70
Payable between one and five years	17.66	0.77	42.82	2.63	47.31	2.84
Payable after five years	-	-	-	-	-	-
Total	43.63	2.68	78.78	6.39	103.33	7.54
Present value of minimum lease payment		**40.95**		**72.39**		**95.79**

50 Segment reporting

The business activity of the Group predominantly fall within a single reportable business segment viz manufacturing and sale of beverages. There are no separate reportable business segments. As part of reporting for geographical segments, the Group operates in two principal geographical areas of the world, i.e., within India and other countries (outside India). The aforesaid is in line with review of operating results by the chief operating decision maker.

The following table presents revenue from external customers, segment non-current assets regarding geographical segments:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Non-current assets*			
-Within India	33,545.12	31,113.09	28,906.24
-Outside India	9,240.32	8,365.09	7,917.68

* excluding financial instruments, deferred tax assets and post-employment benefit assets.

(₹ in million)

	As at 31 December 2017	As at 31 December 2016
Revenue from external customers		
-Within India	34,370.03	35,308.47
-Outside India	10,792.33	10,006.14

All amounts in ₹ in million, unless otherwise stated

51 Dues to Micro and Small Enterprises

The dues to micro and small enterprises as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent information available with the Holding Company is given below:

(₹ in million)

Particulars	31 December 2017	31 December 2016	01 January 2016
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year			
Principal amount due to micro and small enterprises	8.71	7.23	1.44
Interest due on above	0.12	0.01	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	0.43	0.24	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	0.55	0.25	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	0.55	0.25	-

52 Details of Corporate Social Responsibility (CSR) expenditure

In accordance with the provisions of section 135 of the Companies Act, 2013, the Board of Directors of the Holding Company had constituted CSR Committee. The details for CSR activities is as follows :

(₹ in million)

Particulars	For the year ended 31 December 2017	For the year ended 31 December 2016
a) Gross amount required to be spent by the Holding Company during the year	27.63	10.69
b) Amount spent during the year on the following		
1. Construction / Acquisition of any asset	-	-
2. On purpose other than 1 above	27.73	10.69

Refer note 48 B for amounts paid to Champa Devi Jaipuria Charitable Trust towards contribution for "Shiksha Kendra" for the education of poor and under privileged children and to Diagno Labs Private Limited for free health check-up camps.

53 During the year ended 31 December 2016, amount utilised for share issue expenses primarily includes payments made towards merchant banker fees, legal counsel fees, brokerage and selling commission, auditors fees, registrar to the issue, printing and stationary expenses, advertising and marketing expenses, statutory fees to regulator and stock exchanges and other incidental expenses towards Initial Public Offering ('IPO'). Of the total share issue expenses, expenses aggregating to ₹ 222.15 have been adjusted towards the securities premium reserve and expenses aggregating to ₹ 127.26 have been reimbursed by the selling shareholders in the proportion of shares offered for sale by the selling shareholders to total shares offered for IPO for all expenses except for expenses exclusively related to the Holding Company.

54 During the year ended 31 December 2016, pursuant to IPO, 25,000,000 equity shares of ₹ 10 each were allotted at a premium of ₹ 435 per share consisting of fresh issue of 15,000,000 equity shares and offer for sale of 10,000,000 equity shares by the selling shareholders for the purpose of repayment of debts and general corporate purposes. The Audit Committee and the Board of Directors noted the utilisation of funds raised through fresh issue of equity shares pursuant to IPO to be in line with the objects of the issue, the details of which are as follows:

(₹ in million)

Particulars	Amount
Gross proceeds received from IPO	6,675.00
Less: Share issue expenses	222.15
Net proceeds received from IPO	6,452.85
Amount utilised for:	
Repayment of debts	(5,400.00)
General corporate purposes	(1,052.85)
Unutilised amount as at 31 December 2016	**-**

All amounts in ₹ in million, unless otherwise stated

55 Acquisitions and disposals

Acquisitions and disposals during the year ended 31 December 2017

A. Acquisition of business

The Holding Company acquired PepsiCo India's previously franchised territories in the parts of Madhya Pradesh and State of Odisha in India along with two manufacturing units at Bargarh and Bhopal (Mandideep) from other franchisees for a total purchase consideration of ₹ 470.00 and ₹ 832.00 respectively on a slump sale basis. The aforesaid purchase consideration excludes adjustment for working capital taken over as part of business.

The details of the business combination are as follows:

(₹ in million)

Particulars	Madhya Pradesh	Odisha
Name of acquiree	SMV Beverages, a unit of SMV Agencies Private Limited	SMV Beverages Private Limited
Acquisition date	27 September 2017	26 September 2017
Recognised amounts of identifiable net assets		
Property, plant and equipment	238.85	333.27
Other intangible assets (Franchise rights)	272.85	531.42
Total non-current assets (a)	**511.70**	**864.69**
Employee benefits payable	(14.64)	(6.55)
Security deposits from distributors	(29.54)	(43.06)
Total non-current liabilities (b)	**(44.18)**	**(49.61)**
Net current assets acquired		
Other current liabilities	(107.29)	(87.48)
Other current assets	7.51	9.26
Net working capital (c)	**(99.78)**	**(78.22)**
Identifiable net assets (d = a+b+c)	367.74	736.86
Amount paid (e)	**370.22**	**753.78**
Goodwill (e-d)	**2.48**	**16.92**

Goodwill

Goodwill primarily relates to growth expectations, expected future profitability. Goodwill has been allocated to the beverages segment and is deductible for tax purposes.

B. Acquisition of additional stake in Varun Beverages (Zambia) Limited

With effect from 20 February 2017, the Holding Company has acquired additional thirty percent equity, consisting of 15,000 shares, from other minority shareholders, namely, Africa Bottling Company Ltd. and Multi Treasure Ltd. in Varun Beverages (Zambia) Limited for a consideration of ₹ 685.96 million (USD 10.24 million), payable to acquiree, thereby increasing the Holding Company's ownership stake to ninety percent.

Since Varun Beverages (Zambia) Limited, was already a subsidiary of the Holding Company, this transaction has not resulted in change in control. Accordingly, difference between the non-controlling interest relatable to thirty percent equity, i.e., ₹ 60.61 million and the value of consideration is directly recognised in other equity in capital reserve. The expenses incurred for acquisition amounting to ₹ 33.20 million are charged to Consolidated Statement of Profit and Loss.

All amounts in ₹ in million, unless otherwise stated

C. Reduction of ownership stake in Varun Beverages Mozambique Limitada

On 02 March 2017, the Holding Company sold 4,100 equity quota of Varun Beverages Mozambique Limitada for a total consideration of ₹ 0.11 million. Pursuant to the aforementioned sale transaction, the ownership stake of the Holding Company has reduced from 51% to 10%.

At the date of disposal, the carrying amounts of Varun Beverages Mozambique Limitada's net assets were as follows:

(₹ in million)

	As at 02 March 2017
Property, plant and equipment	158.69
Other intangible assets	0.31
Other	4.61
Total non-current assets (a)	**163.61**
Inventories	60.36
Trade receivables	18.14
Cash and cash equivalents	2.35
Other	0.24
Total current assets (b)	**81.09**
Non-current borrowings	99.40
Total non-current liabilities (c)	**99.40**
Current borrowings	4.68
Trade payables	85.65
Other current liabilities	57.61
Total current liabilities (d)	**147.94**
Net identifiable assets (a+b-c-d)	**(2.64)**
Total consideration received	0.11
Gain on disposal recognised	2.75

Acquisitions during the year ended 31 December 2016

D. Acquisition of business

The Holding Company had acquired two beverages manufacturing units located at Phillaur (Punjab) and Satharia (Uttar Pradesh) in India for a total consideration paid of ₹ 574.00 and ₹ 500.00 respectively on a slump sale basis.

The details of the business combination are as follows:

(₹ in million)

Particulars	Phillaur (Punjab)	Sathariya (Uttar Pradesh)
Name of acquiree	Dhillon Kool Drinks & Beverages Private Limited	NRVS Enterprises Private Limited
Date of acquisition	28 March 2016	22 September 2016
Recognised amounts of identifiable net assets		
Property, plant and equipment	564.19	493.56
Total non-current assets (a)	**564.19**	**493.56**
Employee benefits payable	(0.74)	(1.32)
Total non-current liabilities (b)	**(0.74)**	**(1.32)**
Net current assets acquired		
Inventories	28.90	6.12
Other current assets	5.05	1.64
Trade payable	(23.14)	-
Other liabilities	(0.26)	-
Net working capital (c)	**10.55**	**7.76**
Identifiable net assets (a+b+c)	574.00	500.00

All amounts in ₹ million, unless otherwise stated

E. The Holding Company had acquired controlling stakes in entities which own manufacturing facilities and franchise rights for beverages of Pepsi brand in the Republics of Mozambique, Zambia and Zimbabwe. As the aforementioned entities were under common control along with the Holding Company, the transaction has been accounted for in accordance with the Appendix C to Ind AS 103 "Business combinations of entities under common control", which requires retroactive accounting from the date common control was established. Accordingly, the consolidated financial statements as on 01 January 2016, being the earliest period presented, and all periods thereafter, have been restated to give effect of these acquisitions.

Particulars	**Zambia**	**Mozambique**	**Zimbabwe**
Names of the entities	Varun Beverages (Zambia) Limited	Varun Beverages Mozambique Limitada	Varun Beverages (Zimbabwe) (Private) Limited
Date of control	01 January 2016	01 January 2016	01 January 2016
Percentage of the ownership stake	60%	51%	85%
Recognised amounts of identifiable net assets			
Property, plant and equipment (net of depreciation)	1,052.84	303.14	0.36
Capital work-in-progress	4.47	-	37.08
Other intangible assets (net of amortisation)	2.30	0.96	-
Investments	0.07	-	-
Other non-current financial assets	0.97	-	-
Other non-current assets	-	-	232.14
Total non-current assets (a)	**1,060.65**	**304.10**	**269.58**
Inventories	161.49	96.25	2.71
Trade receivables	383.96	30.49	14.70
Cash and cash equivalents	42.02	9.41	0.28
Loans	-	1.30	0.05
Other current assets	64.04	1.67	4.11
Total current assets (b)	**651.51**	**139.12**	**21.85**
Borrowings	711.97	57.69	230.40
Provisions	2.21	-	-
Total non-current liabilities (c)	**714.18**	**57.69**	**230.40**
Borrowings	747.90	32.00	-
Trade payables	510.72	238.67	58.30
Other financial liabilities	176.35	80.83	-
Provisions	2.21	1.27	-
Current tax liability	-	-	0.03
Other current liabilities	53.89	9.88	0.81
Total current liabilities (d)	**1,491.07**	**362.65**	**59.14**
Net identifiable assets (a+b-c-d)	**(493.09)**	**22.88**	**1.89**
Share capital on the date of acquisition	3.00	0.14	0.07
Share capital attributable to Holding Company	1.80	0.07	0.06
Purchase consideration settled through payment	1,671.00	0.13	0.06
Amount (reduced from)/transferred to capital reserve	(1,669.20)	(0.06)	-
Share of identifiable net assets attributable to:			
Non-controlling interest	(197.18)	11.21	0.28
Holding Company	(296.02)	11.67	1.63
Business combination expense charged to other expenses	84.21	-	-

56 The Company follows calendar year as its financial year as approved by the Company Law Board, New Delhi.

57 Share-based payments

Description of share based payments arrangements

During the year ended 31 December 2013, the Holding Company granted stock options to certain employees of the Company and its subsidiaries. The Company has the following share-based payment arrangements for employees.

A. Employee Stock Option Plan 2013 (ESOP 2013)

The ESOP 2013 ('the Plan') was approved by the Board of Directors and the shareholders on 13 May 2013 and further amended by Board of Directors on 01 December 2015. The plan entitles key managerial personnel and employees of the Holding Company and its subsidiaries to purchase shares in the Holding Company at the stipulated exercise price, subject to compliance with vesting conditions. Stock options can be settled by issue of equity shares. As per the Plan, holders of vested options are entitled to purchase one equity share for every option at an exercise price of ₹ 149.51, which is 1.14 % above the stock price at the date of grant, i.e., 13 May 2013.

The expense recognised for employee services received during the respective years is shown in the following table:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Expense arising from equity-settled share-based payment transactions	-	0.05
Total expense arising from share-based payment transactions	**-**	**0.05**

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

Particulars	31 December 2017 Number	31 December 2017 WAEP	31 December 2016 Number	31 December 2016 WAEP
Outstanding at the beginning of the year	352,700	149.51	2,675,400	149.51
Options exercised during the year	(274,415)	149.51	(2,264,700)	149.51
Expired/lapsed during the year	-	-	(58,000)	149.51
Outstanding at the end of the year	**78,285**		**352,700**	
Exercisable at the end of the year	78,285	-	352,700	-

The fair values of options granted under new plan were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The following principal assumptions were used in the valuation:

	31 December 2017		31 December 2016	
	Options vested and exercised	Options vested and unexercised	Options vested	Options to be vested
Number of options	2,006,550	668,850	2,006,550	668,850
Fair value on grant date (₹)	65.92	66.44	65.92	66.44
Share price at grant date (₹)	147.83	147.83	147.83	147.83
Fair value at exercise date (₹)	361.42	361.42	-	-
Exercise price (₹)	149.51	149.51	149.51	149.51
Expected volatility	16.63%	16.63%	16.63%	16.63%
Expected life	7.56 years	7.64 years	7.56 years	7.64 years
Expected dividends	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	7.53%	7.53%	7.53%	7.53%

Particulars of Scheme

Name of scheme	**Employee Stock Option Plan 2013 (ESOP 2013)**
Vesting conditions	668,850 options on the date of grant ('First vesting') 668,850 options on first day of January of the calendar year following the first vesting ('Second vesting') 668,850 options on first day of January of the calendar year following the second vesting ('Third vesting') 668,850 options on first day of January of the calendar year following the third vesting ('Fourth vesting') Notwithstanding any other clause of this Plan, no vesting shall occur until 01 December 2015 or fourth vesting, whichever is earlier
Exercise period	Stock options can be exercised within a period of 5 years from the date of vesting.
Number of share options	2,675,400
Exercise price	149.51
Method of settlement	Equity
Fair value on the grant date	Options vested: ₹ 65.92 Options to be vested : ₹ 66.44
Remaining life as on 31 December 2017	2.94 years
Remaining life as on 31 December 2016	3.94 years

57 Share-based payments [Cont'd]

The following share options were exercised during the year:

Particulars	Options series	Number exercised	Share price at exercised date	Exercise date
Granted on 13 May 2013	ESOP 2013	99,400	₹ 404.78	20 February 2017
Granted on 13 May 2013	ESOP 2013	98,200	₹ 473.90	24 April 2017
Granted on 13 May 2013	ESOP 2013	46,815	₹ 514.64	11 August 2017
Granted on 13 May 2013	ESOP 2013	27,000	₹ 510.98	25 September 2017
Granted on 13 May 2013	ESOP 2013	3,000	₹ 512.51	11 October 2017

The following share options were exercised during the previous year:

	Options series	Number exercised	Share price at exercised date	Exercise date
Granted on 13 May 2013	ESOP 2013	1,903,700	Stock not listed on exercise date	31 March 2016
Granted on 13 May 2013	ESOP 2013	361,000	₹ 435.77	01 December 2016

B. Employee Stock Option Plan 2016 (ESOP 2016)

The ESOS 2016 ('the Scheme') was approved by the Board of Directors and the shareholders on 27 April 2016. The Scheme entitles key managerial personnel and employees of the Holding Company and its subsidiaries to purchase shares in the Holding Company at the stipulated exercise price, subject to compliance with vesting conditions. Stock options can be settled by issue of equity shares. No options under this scheme have been granted upto year ended 31 December 2017.

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58 Financial instruments risk

Financials risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of financial risks are market risk, credit risk and liquidity risk.

The respective management of the Holding Company and other companies/entities comprising the Group and manage the financial risks relating to the operations of the respective entity/company on a continuous basis. The Group's risk management is coordinated at head office, in close cooperation with the management of respective entity/company, and focuses on actively securing the short to medium-term cash flows and simultaneously minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

58.1 Market risk analysis

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from its operating, investing and financing activities. Contracts to hedge exposures in foreign currencies, interest rates etc. are entered into wherever considered necessary by the management.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The functional currency of the Holding Company is Indian Rupees ('INR' or '₹'). Most of the transactions of the Holding Company and other entities/companies are carried out in the respective local currency. Exposures to currency exchange rates mainly arise from the overseas sales and purchases, lending to overseas subsidiary companies, external commercial borrowings etc.

To mitigate its exposure to foreign currency risk the Group continuously monitors non-INR cash flows and hedging contracts are entered into wherever considered necessary.

The carrying amounts of the Group's foreign currency denominated monetary items are restated at the end of each reporting period. Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are as follows:

(in million)

	USD	GBP	Euro	LKR	MAD	NPR	MZN	ZMW
31 December 2017								
Financial assets								
(i) Trade receivables	1.03	-	-	1,603.02	50.22	71.36	-	60.28
(ii) Loans	0.02	-	-	-	1.86	-	-	0.32
(iii) Others	0.89	-	-	-	-	11.66	-	-
(iv) Cash and cash equivalents	4.36	-	-	6.41	2.33	6.50	-	5.65
(v) Other bank balances	-	-	-	-	-	472.57	-	-
Total financial assets	**6.30**	**-**	**-**	**1,609.43**	**54.41**	**562.09**	**-**	**66.25**
Financial liabilities								
(i) Borrowings	14.73	-	-	6,694.68	341.77	899.98	-	203.62
(ii) Trade payables	6.85	-	0.27	418.37	62.17	1,036.02	-	54.42
(iii) Other financial liabilities	2.65	-	5.42	484.00	49.21	1,028.69	-	49.26
Total financial liabilities	**24.23**	**-**	**5.69**	**7,597.05**	**453.15**	**2,964.69**	**-**	**307.30**
31 December 2016								
Financial assets								
(i) Trade receivables	1.73	-	-	922.69	52.96	90.79	36.24	54.73
(ii) Loans	0.01	-	-	-	1.44	-	1.48	0.22
(iii) Others	-	-	-	-	-	11.66	-	-
(iv) Cash and cash equivalents	1.45	-	-	78.40	3.22	2.68	9.94	1.53
(v) Other bank balances	-	-	-	-	-	530.54	-	-
Total financial assets	**3.19**	**-**	**-**	**1,001.09**	**57.62**	**635.67**	**47.66**	**56.48**
Financial liabilities								
(i) Borrowings	5.40	-	-	5,070.51	349.50	1,287.70	173.90	198.28
(ii) Trade payables	6.57	0.00*	-	611.70	75.84	461.54	103.09	66.10
(iii) Other financial liabilities	0.34	-	-	1,168.31	41.37	544.34	59.60	70.74
Total financial liabilities	**12.31**	0.00*	**-**	**6,850.52**	**466.71**	**2,293.58**	**336.59**	**335.12**

58 Financial instruments risk [Cont'd]

01 January 2016

(in million)

	USD	GBP	Euro	LKR	MAD	NPR	MZN	ZMW
Financial assets								
(i) Trade receivables	0.24	-	-	566.87	56.35	54.10	21.77	64.03
(ii) Loans	-	-	-	-	1.28	-	0.93	0.16
(iii) Others	-	-	-	-	-	10.32	-	0.01
(iv) Cash and cash equivalents	0.02	-	-	64.05	2.39	13.69	6.72	7.01
(v) Other bank balances	-	-	-	-	-	530.51	-	-
Total financial assets	**0.26**	**-**	**-**	**630.92**	**60.02**	**608.62**	**29.42**	**71.21**
Financial liabilities								
(i) Borrowings	19.72	-	-	5,445.98	339.15	993.36	64.04	243.46
(ii) Trade payables	7.03	-	0.02	639.30	82.07	384.06	170.41	85.17
(iii) Other financial liabilities	0.06	-	-	148.32	44.78	771.34	57.71	29.41
	26.81	**-**	**0.02**	**6,233.60**	**466.00**	**2,148.76**	**292.16**	**358.04**

*Rounded off to nil

The foreign currency sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities considering 'all other things being equal' and ignoring the impact of taxation. It assumes a +/- 1% change of the respective countries exchange rates (i.e. local currency to foreign currency) for the year ended at 31 December 2017 (31 December 2016: +/-1%). These are the sensitivity rates used when reporting foreign currency exposures internally to the key management personnel and represents respective management's assessment of the reasonably possible changes in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at end of each period reported upon. A positive number indicates an increase in profit or equity and vice-versa.

If the INR had strengthened against respective foreign currency by 1% (31 December 2016: 1%), then profit for the year and equity as at 31 December 2017 would have been higher by ₹ 97.28 million (31 December 2016: ₹ 88.09 million). If the INR had weakened against respective foreign currency by 1% (31 December 2016: 1%), then profit for the year and equity as at the would have been lower by ₹ 97.28 million (31 December 2016: ₹ 88.09 million).

Exposures to foreign exchange rates vary during the year depending on the volume of the overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. The Group is exposed to changes in market interest rates as some of the bank and other borrowings are at variable interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (31 December 2016: +/- 1%). These changes are considered to be reasonably possible based on management's assessment. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

(` in million)

	Profit for the year		Equity	
	+1%	-1%	+1%	-1%
31 December 2017	(152.83)	152.83	(152.83)	152.83
31 December 2016	(98.39)	98.39	(98.39)	98.39

58 Financial instruments risk [Cont'd]

Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase of sugar and pet chips and therefore require a continuous supply. In view of volatility of price of sugar and pet chips, the Group also executes various purchase contracts.

Commodity price sensitivity

The following tables shows the effect of price change in sugar and pet chips

Particulars	Change in year - end price	Effect on profit before tax (₹ in million)	
31 December 2017			
Sugar	+/-1%	(63.27)	63.27
Pet chips	+/-1%	(18.51)	18.51
31 December 2016			
Sugar	+/-1%	(58.79)	58.79
Pet chips	+/-1%	(15.74)	15.74

Other price sensitivity

The Group is not exposed to any listed equity or listed debt price risk as it does not hold any investments in listed entities.

58.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is operating through a network of distributors and other distribution partners based at different locations. The Group is exposed to this risk for various financial instruments, for example loans granted, receivables from customers, deposits placed etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at end of each reporting period, as summarised below:

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Classes of financial assets-carrying amounts:			
Investments (non-current)	0.04	0.01	0.01
Loans	192.19	163.19	145.16
Others non-current financial assets	8.96	8.47	1.48
Trade receivables	1,502.45	1,313.45	1,444.67
Cash and cash equivalents	649.46	325.00	294.60
Bank balances (other than those classified as cash and cash equivalents above)	295.14	332.02	337.84
Others current financial assets	933.63	204.45	67.44
	3,581.87	**2,346.59**	**2,291.20**

The Group continuously monitors receivables and defaults of customers and other counterparties, and incorporates this information into its credit risk controls. Appropriate security deposits are kept against the supplies to customers and balances are reconciled at regular intervals. The Group's policy is to deal only with creditworthy counterparties.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. Trade receivables consist of a large number of customers of various scales and in different geographical areas. Based on historical information about customer default rates, respective management considers the credit quality of trade receivables. In case the receivables are not recovered even after regular follow up, measures are taken to stop further supplies to the concerned customers.

The credit risk for cash and cash equivalents, bank deposits including interest accrued thereon and Government grant receivables is considered negligible, since the counterparties are reputable banks with high quality external credit ratings and Government bodies.

In respect of financial guarantees provided by the Group, the maximum exposure to which the Group is exposed to is the maximum amount which it would have to pay if the guarantee is called upon. Based on the expectation at the end of each reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the guarantees provided.

58 Financial instruments risk [Cont'd]

58.3 Liquidity risk analysis

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities and considering the maturity profiles of financial assets and other financial liabilities as well as forecast of operational cash inflows and outflows. Liquidity needs are monitored in various time bands, on a day-to-day basis, a week-to-week basis and a month-to-month basis. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls.

Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the Group's ability to avail further credit facilities subject to creation of requisite charge on its assets. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

As at 31 December 2017, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

31 December 2017	1 to 12 months	1 to 5 years	Later than 5 years
Borrowings (current and non-current)	9,638.40	16,745.07	579.70
Trade payables	1,909.46	-	-
Other financial liabilities (current and non-current)	2,647.91	45.98	-
Total	**14,195.77**	**16,791.05**	**579.70**

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows:

31 December 2016	1 to 12 months	1 to 5 years	Later than 5 years
Borrowings (current and non-current)	9,914.86	11,354.54	1,591.37
Trade payables	2,745.90	-	-
Other financial liabilities (current and non-current)	2,485.51	12.24	-
Total	**15,146.27**	**11,366.78**	**1,591.37**

01 January 2016	1 to 12 months	1 to 5 years	Later than 5 years
Borrowings (current and non-current)	8,458.14	23,054.69	405.55
Trade payables	2,645.78	-	-
Other financial liabilities (current and non-current)	3,977.21	13.16	-
Total	**15,081.13**	**23,067.85**	**405.55**

As at 31 December 2017, the contractual cash flows (excluding interest thereon) of the Group's derivative financial instruments are as follows:

31 December 2017	Within 12 months	After 12 months
Cross currency interest rate swap		
- Cash outflow	341.50	-

This compares to the contractual cash flows of the Group's derivative financial instruments in the previous reporting periods as follows:

31 December 2016	Within 12 months	After 12 months
Cross currency interest rate swap		
- Cash outflow	341.50	341.50

01 January 2016	Within 12 months	After 12 months
Cross currency interest rate swap		
- Cash outflow	-	-

59 Fair value measurements

Financial instruments by categories

The carrying values and fair values of financial instruments by categories are as follows:

(₹ in million)

Particulars	Carrying value			Fair value		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
(i) Investment (non-current)	0.04	0.01	0.01	0.04	0.01	0.01
Amortised cost						
(i) Non-current financial assets						
(a) Loans	192.19	163.19	145.16	192.19	163.19	145.16
(b) Others	8.96	8.47	1.48	8.96	8.47	1.48
(ii) Current financial assets						
(a) Trade receivables	1,502.45	1,313.45	1,444.67	1,502.45	1,313.45	1,444.67
(b) Cash and cash equivalents	649.46	325.00	294.60	649.46	325.00	294.60
(c) Bank balances other than those included in cash and cash equivalents	295.14	332.02	337.84	295.14	332.02	337.84
(d) Others	933.63	204.45	67.44	933.63	204.45	67.44
Total	**3,581.87**	**2,346.59**	**2,291.20**	**3,581.87**	**2,346.59**	**2,291.20**
Financial liabilities						
FVTPL						
(i) Non-current borrowings						
(a) Compulsorily convertible debentures ('CCD')	-	-	8,174.70	-	-	8,174.70
(b) Compulsorily convertible preference shares ('CCPS')	-	-	4,127.93	-	-	4,127.93
(ii) Current financial liability						
(a) Liability for derivative contract	25.85	17.52	-	25.85	17.52	-
Amortised cost						
(i) Non-current borrowings (excluding those disclosed under FVTPL category above)	16,869.95	12,183.61	17,917.09	16,869.95	12,183.61	17,917.09
(ii) Others	45.98	12.24	13.16	45.98	12.24	13.16
(iii) Current financial liabilities						
(a) Borrowings	3,533.65	4,111.29	3,399.23	3,533.65	4,111.29	3,399.23
(b) Trade payables	1,909.46	2,745.90	2,645.78	1,909.46	2,745.90	2,645.78
(c) Others	8,755.48	8,327.16	9,087.41	8,755.48	8,327.16	9,087.41
Total	**31,140.37**	**27,397.72**	**45,365.30**	**31,140.37**	**27,397.72**	**45,365.30**

Valuation technique to determine fair value

Cash and cash equivalents, other bank balances, trade receivables, other current financial assets, trade payables, current borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
The following methods and assumptions were used to estimate the fair values:

- The fair values of the long term borrowings, loans and other deferred payments are determined by using discounted cash flow method using the appropriate discount rate. The discount rate is determined using other similar instruments incorporating the risk associated.

- The fair values of the unquoted instruments and other financial assets and liabilities have been estimated using a discounted cash flow method using the appropriate discount rate. The discount rate is determined using other similar instruments incorporating the risk associated.

- The fair values of compulsorily convertible debentures have been estimated by using discounted cash flow method by discounting the expected cash flows using the appropriate discount rate under different conversion events. Probabilities are then attached to each conversion event to derive final valuation. The discount rate is determined using other similar instruments incorporating the risk associated and probabilities are based on management's expectations.

- The fair values of compulsorily convertible preference shares have been estimated by using discounted cash flow method by discounting the expected cash flows using the appropriate discount rate under different conversion events. Probabilities are then attached to each conversion event to derive final valuation. The discount rate is determined using other similar instruments incorporating the risk associated and probabilities are based on management's expectations.

- The Group enters into derivative financial instruments such as cross currency interest rate swap being valued using valuation techniques, which employs use of market observable inputs. The Group uses mark to market valuation provided by bank for its valuation.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 1 January 2016 are as shown below. There are no significant financial instruments categorised within Level 3 of the fair value hierarchy as at 31 December 2016 and 31 December 2017.

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59 Fair value measurements [Cont'd]

Description of significant unobservable inputs to valuation as at 01 January 2016:

Particulars	Significant unobservable inputs	Range	Sensitivity of the fair value measurement to input	
			Impact of 1% increase	Impact of 1% decrease
CCD	Discount rate	11.08%-11.53%	82.43	(85.42)
			Impact of 5% increase in probability of IPO (i.e. 95:5)	Impact of 5% decrease in probability of IPO (i.e. 85:15)
	Probability of occurrence of conversion events	90:10	(122.55)	122.55
			Impact of 1% increase	Impact of 1% decrease
CCPS	Discount rate	10.99%-11.27%	38.34	(39.34)
			Impact of 5% increase in probability of IPO (i.e. 95:5)	Impact of 5% decrease in probability of IPO (i.e. 85:15)
	Probability of occurrence of conversion events	90:10	(15.52)	15.52

The following table presents the changes in level 3 items for the periods ended 31 December 2017 and 31 December 2016:

Particulars	CCD	CCPS
As at 01 January 2016	8,174.70	4,127.93
Impact of fair value movement	1,107.26	381.34
Converted during the year	(9,281.96)	(4,509.27)
As at 31 December 2016	**-**	**-**
Issued during the year	-	-
Impact of fair value movement	-	-
Converted during the year	-	-
As at 31 December 2017	**-**	**-**

Fair value hierarchy

The financial assets measured at fair value are grouped into the fair value hierarchy as on 31 December 2017, 31 December 2016 and 01 January 2016 as follows: (also refer note 3.1)

31 December 2017			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
Investment (non-current)	31 December 2017	0.04	-	-	0.04

31 December 2017			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
(a) Liability for derivative contract	31 December 2017	25.85	-	25.85	-

There have been no transfers of financial assets and financial liabilities between the levels during the year 2017.

31 December 2016			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
Investment (non-current)	31 December 2016	0.01	-	-	0.01

59 Fair value measurements [Cont'd]

31 December 2016			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
(a) Liability for derivative contract	31 December 2016	17.52	-	17.52	-

There have been no transfers of financial assets and financial liabilities between the levels during the year 2016.

01 January 2016			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
Investment (non-current)	01 January 2016	0.01	-	-	0.01

01 January 2016			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
CCD	01 January 2016	8,174.70	-	-	8,174.70
CCPS	01 January 2016	4,127.93	-	-	4,127.93

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60 Capital management

For the purpose of the Group's capital management, capital includes issued equity share capital, instruments compulsorily convertible into equity, share premium and all other equity reserves. The primary objective of the Group's capital management is to maximise the shareholder value and provide adequate returns to shareholders.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions, the requirements of the financial covenants and the risk characteristics of the underlying assets.

The amounts managed as capital by the Group for the reporting periods are summarised as follows:

(₹ in million)

Particulars	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Non-current borrowings other than compulsorily convertible preference shares and compulsorily convertible debentures (Refer note 22A)	16,869.95	12,183.61	17,917.09
Current borrowings (Refer note 22B)	3,533.65	4,111.29	3,399.23
Current portion of deferred payment liabilities (Refer note 22D)	3,020.71	3,301.01	3,005.70
Current maturities of long-term debts (Refer note 22C)	3,112.71	2,558.16	2,104.50
	26,537.02	**22,154.07**	**26,426.52**
Less: Cash and cash equivalents (Refer note 14)	649.46	325.00	294.60
Net debt	**25,887.56**	**21,829.07**	**26,131.92**
Equity share capital (Refer note 20)	1,825.87	1,823.13	1,337.66
Other equity (Refer note 21)	15,868.41	15,112.82	(3,504.52)
Compulsorily convertible debentures (Refer note 22A)	-	-	8,174.70
Compulsorily convertible preference shares (Refer note 22A)	-	-	4,127.93
Total capital	**17,694.28**	**16,935.95**	**10,135.77**
Capital and net debt	**43,581.84**	**38,765.02**	**36,267.69**
Gearing ratio	**59.40%**	**56.31%**	**72.05%**

Financing documents require the Holding Company and other entities of the Group to meet certain covenants, failing which the respective lenders have the right to demand accelerated repayment. There are no material breaches of such covenants.

61 Assets pledged as security

The carrying amount of assets pledged as security are:

(₹ in million)

Particulars	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Inventories and trade receivable	4,578.59	4,835.59	4,662.92
Other bank deposits	295.14	332.02	337.84
Other intangible assets	4,355.84	3,563.77	3,563.50
Property, plant and equipment (including capital work-in-progress)	32,198.09	32,789.11	30,889.39

62 Recent accounting pronouncements (Ind AS issued but not yet effective)

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are applicable to the Company from accounting periods beginning on or after 1 April 2017, i.e., from financial year 2018.

Amendment to Ind AS 7:

The amendments to Ind AS 7 inter-alia require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Holding Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

Amendment to Ind AS 102:

The amendments to Ind AS 102 inter-alia provide specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes. The requirements of the amendment have no material impact on these financial statements.

63 First-time adoption of Ind AS

1. These financial statements, for the year ended 31 December 2017, are the first the Group has prepared in accordance with Ind AS. For periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Group's (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Group has prepared financial statements which comply with Ind AS applicable for periods ended on 31 December 2017, together with the comparative period data as at and for the year ended 31 December 2016 and in the preparation of opening Ind AS balance sheet as at 01 January 2016, as described in the summary of significant accounting policies. Further to explanations in Note 2, this Note explains the principal adjustments made by the Group in restating its Indian GAAP financial statements, including the balance sheet as at 01 January 2016 and the financial statements as at and for the year ended 31 December 2016. (Also refer Note 64 for reconciliations).

2. Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from Indian GAAP to Ind AS.

A Ind AS optional exemptions

I Deemed cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognized in the financial statements as at the date of transition to Ind AS, measured as per the Indian GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Group has elected to measure all of its property, plant and equipment and intangible assets at their Indian GAAP carrying value except where the adjustments to carrying value are only consequential and arising because of application of the transition requirements of Ind AS 101.

II Investments in subsidiaries and associates

Ind AS 101 permits the first time adopter to measure investment in subsidiaries and associates in accordance with Ind AS 27 "Separate Financial Statements". The Group has elected to consider Indian GAAP carrying amount of its investments in subsidiaries and associates on the date of transition to Ind AS as its deemed cost for the purpose of determining cost in accordance with the principles of Ind AS 27.

III Share based payment transactions

The Group has availed exemption under Ind AS 101 in respect of share-based payments that had been vested before the transition date and accordingly, vested options at the transition date have been measured at intrinsic value. For unvested options at the transition date, the Group has applied the requirements of Ind AS 102 retrospectively.

IV Long-term foreign currency monetary items

Ind AS 101 permits a first-time adopter to continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per Indian GAAP.

Accordingly, the Group has elected to continue to adjust exchange differences arising on translation/ settlement of long-term foreign currency monetary items, pertaining to the acquisition of a depreciable asset, to the cost of such asset and depreciate the same over the remaining life of the asset and in other cases, is recorded under the head 'Foreign Currency Monetary Item Translation Difference Account' and is amortised over the period of maturity of underlying long term foreign currency monetary items.

V Business combinations

Ind AS 101, allows a first-time adopter to elect not to apply Ind AS 103 retrospectively to past business combinations (business combinations that occurred before the date of transition to Ind AS). However, if a first-time adopter restates any business combination to comply with Ind AS 103, it shall restate all later business combinations and shall also apply Ind AS 110 'Consolidated Financial Statements' from that same date. The Group has chosen this exemption and accordingly none of the business combinations that have occurred prior to date of transition is restated. Accordingly, carrying amounts of assets and liabilities under business combinations, that are required to be recognised under Ind AS, is their deemed cost at the date of acquisition. After the date of acquisition, the measurement is in accordance with the respective Ind AS.

63 First-time adoption of Ind ASs [Cont'd]

VI Leases

The Group has also applied the transitional provision in Appendix C of Ind AS 17 "Determining whether an arrangement contains a Lease" and has assessed all arrangements based upon the conditions in place as at the date of transition.

VII Government grant

Government loans below market rate of interest

Para B11 of Ind AS 101, allows an entity to apply the requirements in Ind AS 109 and Ind AS 20 retrospectively to any government loan originated before the date of transition to Ind AS, provided that the information needed to do so had been obtained at the time of initially accounting for that loan. The Group has adopted the guidance and accordingly, the requirements in Ind AS 109 and Ind AS 20 'Accounting for Government Grants and Disclosure of Government Assistance' have been applied retrospectively to all government loans received at below market rate of interest and existing on the date of transition.

VIII Group has set up foreign currency transaction reserve on the date of transition to be zero as per exemption available in Ind AS 101.

B Ind AS mandatory exemptions

Estimates

I The Group's estimates in accordance with Ind AS at the date of transition to Ind AS are consistent with estimates made for the same date in accordance with Indian GAAP (after adjustments to reflect any difference in accounting policies) except for impairment of financial assets based on lifetime expected credit loss model where application of Indian GAAP did not require estimation.

The estimates used by the Group to present these amounts in accordance with Ind AS reflect conditions as at the transition date and as of 31 December 2016.

Ind AS 101 treats the information received after the date of transition to Ind AS as non-adjusting events. The entity shall not reflect that new information in its opening Ind AS Balance Sheet (unless the estimates need adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error).

II Classification of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of facts and circumstances that exist on the date of transition to Ind AS. Accordingly, the Group has applied the above requirement prospectively.

The presentation requirements under Indian GAAP differs from Ind AS, and hence, Indian GAAP information has been regrouped for ease of reconciliation with Ind AS. The regrouped Indian GAAP information is derived from the audited financial statements of the Group prepared in accordance with Indian GAAP.

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64 Reconciliation of equity

(A). Equity at the date of transition to Ind AS, i.e., 01 January 2016 reconciled with the amounts reported under previous Indian GAAP as follows:

(₹ in million)

Particulars	Notes	As at 01 January 2016	Ind AS Adjustments: Consolidation of subsidiaries (Refer note 55 E)	Ind AS Adjustments: Others	As at 01 January 2016
Assets		**Indian GAAP**			**Ind AS**
Non-current assets					
(a) Property, plant and equipment	I	31,116.77	1,356.34	(694.33)	31,778.78
(b) Capital work in progress		379.12	41.55	-	420.67
(c) Other intangible assets	I	3,838.91	3.26	(208.76)	3,633.41
(d) Investment in associates	IV	32.73	-	12.22	44.95
(e) Financial assets					
(i) Investments		0.01	-	-	0.01
(ii) Loans	V	158.27	0.97	(14.08)	145.16
(iii) Others		1.48	-	-	1.48
(f) Deferred tax assets (Net)	VII	52.97	-	333.05	386.02
(g) Other non-current assets	V	780.08	232.14	(21.12)	991.10
Total non-current assets		**36,360.34**	**1,634.26**	**(593.02)**	**37,401.58**
Current assets					
(a) Inventories		4,246.61	260.45	-	4,507.06
(b) Financial assets					
(i) Trade receivables	IX	977.00	429.15	38.52	1,444.67
(ii) Cash and cash equivalents		242.89	51.71	-	294.60
(iii) Bank balances other than (ii) above		337.84	-	-	337.84
(iv) Others	VI	325.26	1.35	(259.17)	67.44
(c) Current tax assets (Net)		7.72	-	-	7.72
(d) Other current assets	V	1,171.11	69.82	(10.69)	1,230.24
Total current assets		**7,308.43**	**812.48**	**(231.34)**	**7,889.57**
Total assets		**43,668.77**	**2,446.74**	**(824.36)**	**45,291.15**
Equity and liabilities					
Equity					
(a) Equity share capital	X	5,837.66	-	(4,500.00)	1,337.66
(b) Other equity	64D	905.11	(282.72)	(4,126.91)	(3,504.52)
(c) Non-controlling interest	III	-	(185.68)	-	(185.68)
Total equity		**6,742.77**	**(468.40)**	**(8,626.91)**	**(2,352.54)**
Liabilities					
Non-current liabilities					
(a) Financial liabilities					
(i)Borrowings	X, XI	22,363.01	1,000.06	6,856.65	30,219.72
(ii)Other financial liabilities		-	-	13.16	13.16
(b) Provisions		443.13	2.21	-	445.34
(c) Deferred tax liabilities (Net)	VII	791.77	-	(791.77)	-
(d) Other non-current liabilities		110.74	-	-	110.74
Total non-current liabilities		**23,708.65**	**1,002.27**	**6,078.04**	**30,788.96**
Current liabilities					
(a) Financial liabilities					
(i)Borrowings	IX	2,568.03	779.91	51.29	3,399.23
(ii)Trade payables		1,838.09	807.69	-	2,645.78
(iii) Other financial liabilities	III	7,155.11	257.18	1,675.12	9,087.41
(b) Other current liabilities	XVI	1,284.08	64.58	(1.90)	1,346.76
(c) Provisions		133.80	3.48	-	137.28
(d) Current tax liabilities (Net)		238.24	0.03	-	238.27
Total current liabilities		**13,217.35**	**1,912.87**	**1,724.51**	**16,854.73**
Total liabilities		**36,926.00**	**2,915.14**	**7,802.55**	**47,643.69**
Total equity and liabilities		**43,668.77**	**2,446.74**	**(824.36)**	**45,291.15**

64 Reconciliation of equity [Cont'd]

(B). Equity as at 31 December 2016 can be reconciled with the amounts reported under previous Indian GAAP as follows:

(₹ in million)

Particulars	Notes	As at 31 December 2016	Ind AS Adjustments	As at 31 December 2016
Assets		**Indian GAAP**		**Ind AS**
Non-current assets				
(a) Property, plant and equipment	I	34,131.38	(572.89)	33,558.49
(b) Capital work in progress		955.78	-	955.78
(c) Goodwill	III	2,132.08	(2,132.08)	-
(d) Other intangible assets	I, II	3,369.98	226.48	3,596.46
(e) Investment in associates	IV	56.19	12.54	68.73
(f) Financial assets				
(i) Investments		0.01	-	0.01
(ii) Loans	V	170.83	(7.64)	163.19
(iii) Others		8.47	-	8.47
(g) Deferred tax assets (Net)	VII	67.84	0.51	68.35
(h) Other non-current assets	V	1,380.66	(13.21)	1,367.45
Total non-current assets		**42,273.22**	**(2,486.28)**	**39,786.93**
Current assets				
(a) Inventories		4,899.26	-	4,899.26
(b) Financial assets				
(i) Trade receivables	IX	1,303.19	10.26	1,313.45
(ii) Cash and cash equivalents		325.00	-	325.00
(iii) Bank balances other than (ii) above		332.02	-	332.02
(iv) Others	VI	463.62	(259.17)	204.45
(c) Current tax assets (Net)		0.07	-	0.07
(d) Other current assets	V	1,457.83	(6.44)	1,451.39
Total current assets		**8,780.99**	**(255.35)**	**8,525.64**
Total assets		**51,054.21**	**(2,741.63)**	**48,312.57**
Equity and liabilities				
Equity				
(a) Equity share capital		1,823.13	-	1,823.13
(b) Other equity	64(D)	17,115.54	(2,002.72)	15,112.82
(c) Non-controlling interest	III	0.58	(129.64)	(129.06)
Total equity		**18,939.26**	**(2,132.36)**	**16,806.89**
Liabilities				
Non-current liabilities				
(a) Financial liabilities				
(i)Borrowings	X, XI	12,945.90	(762.29)	12,183.61
(ii)Other financial liabilities	VI	-	12.24	12.24
(b) Provisions		605.88	-	605.88
(c) Deferred tax liabilities (Net)	VII	1,196.33	90.06	1,286.39
(d) Other non-current liabilities		142.23	-	142.23
Total non-current liabilities		**14,890.34**	**(659.99)**	**14,230.35**
Current liabilities				
(a) Financial liabilities				
(i)Borrowings	IX	4,055.71	55.58	4,111.29
(ii)Trade payables		2,745.90	-	2,745.90
(iii) Other financial liabilities	XI	8,344.68	-	8,344.68
(b) Other current liabilities	XVI	1,853.18	(4.86)	1,848.32
(c) Provisions		135.20	-	135.20
(d) Current tax liabilities (Net)		89.94	-	89.94
Total current liabilities		**17,224.61**	**50.72**	**17,275.33**
Total liabilities		**32,114.95**	**(609.27)**	**31,505.68**
Total equity and liabilities		**51,054.20**	**(2,741.63)**	**48,312.57**

64 Reconciliation of equity [Cont'd]

(C). Reconciliation of Total Comprehensive Income for the year ended 31 December 2016:

(₹ in million)

Particulars	Notes	For the year ended 31 December 2016	Ind AS Adjustments		For the year ended 31 December 2016
			Consolidation of subsidiaries (Refer note 55 E)	Others	
Income					
Revenue from operations	XII, VI	45,222.86	18.20	73.55	45,314.61
Other income	IV, V	347.77	-	9.56	357.33
Total income		**45,570.63**	**18.20**	**83.11**	**45,671.94**
Expenses					
Cost of materials consumed		16,767.95	1.04	-	16,768.99
Excise duty		6,702.78	-	-	6,702.78
Purchases of stock-in-trade		911.04	17.35	-	928.39
Changes in inventories of finished goods, stock-in-trade and work-in-progress		(315.91)	(2.64)	-	(318.55)
Employee benefits expense	VIII, XIV	4,261.55	1.06	(52.31)	4,210.30
Finance costs	XIII	2,147.90	-	2,177.45	4,325.35
Depreciation and amortisation expense	I, II	3,723.64	0.06	(501.62)	3,222.08
Other expenses	III, IX	8,943.32	1.05	118.66	9,063.03
Total expenses		**43,142.27**	**17.92**	**1,742.18**	**44,902.37**
Profit before tax and share of profit in associate		**2,428.36**	**0.28**	**(1,659.07)**	**769.57**
Share of profit in associate		23.46	-	0.32	23.78
Profit before tax		**2,451.82**	**0.28**	**(1,658.75)**	**793.35**
Tax expense					
Current tax		442.30	-	-	442.30
Adjustment of tax relating to earlier periods		(2.80)	-	-	(2.80)
Deferred tax	VII	389.00	0.05	(515.59)	(126.54)
Total tax expense		**828.50**	**0.05**	**(515.59)**	**312.96**
Net profit for the year		**1,623.32**	**0.23**	**(1,143.16)**	**480.39**
Other comprehensive income					
(a) Items that will not to be reclassified to profit or loss:					
(i) Re-measurement gains/(losses) on defined benefit plans	VIII, XV	-	-	(52.31)	(52.31)
(ii) Income tax relating to items that will not be reclassified to profit or loss	VII, XV	-	-	17.96	17.96
(b) Items that will be reclassified to profit or loss:					
(i) Exchange differences arising on translation of foreign operations		-	-	(122.43)	(122.43)
(ii) Income tax relating to items that will be reclassified to profit or loss		-	-	28.25	28.25
Total other comprehensive income		**-**	**-**	**(128.53)**	**(128.53)**
Total comprehensive income for the year		**1,623.32**	**0.23**	**(1,271.69)**	**351.86**

(D) Reconciliation of other equity as at 31 December 2016 and 01 January 2016

(₹ in million)

	Notes		As at 31 December 2016	As at 01 January 2016
Reserves as per Indian GAAP		A	17,115.54	905.11
Effects of transition to Ind AS:				
Effect of measuring financials instruments at fair value through profit and loss/amortised cost	I, X, XI		(5,754.86)	(3,584.63)
Effect of accounting of transaction costs on borrowings as per effective interest rate			32.10	39.15
Expected credit losses on a financial asset	IX		(45.54)	(12.78)
Effect of benefit recorded in government grants	VI		146.11	74.24
Effect of intangible assets with indefinite life	II		435.00	-
Impact of business combinations	III		(1,932.60)	(2,049.73)
Securities premium reserve on conversion of financial instruments into equity	XI		3,355.80	-
Others			75.16	(0.63)
Applicable tax impact on the above	VII		1,686.11	1,124.74
		B	(2,002.72)	(4,409.63)
Other equity under Ind AS		**(A+B)**	**15,112.82**	**(3,504.52)**

(E) Reconciliation of total comprehensive income for the year ended 31 December 2016

(₹ in million)

		Year ended 31 December 2016
Net profit as per Indian GAAP (after share of profit in associate)		1,623.32
Effects of transition to Ind AS:		
Effects of measuring financial liabilities at fair value through profit and loss/amortised cost	I, X, XI	(2,170.20)
Effects of benefits recorded on government grants	VI	74.46
Effects of measurement of financial assets at fair value through profit and loss/amortised cost		(0.03)
Actuarial gain on employee defined benefit plan recognised in other comprehensive income	VIII	52.31
Fair valuation of employee stock options	XIV	0.91
Effect of accounting of transaction costs on borrowings as per effective interest rate	XIII	(7.05)
Effect of intangible assets with indefinite life	II	435.00
Expected credit loss on financial assets	IX	(32.76)
Other impacts		(10.72)
Deferred tax impact	VII	515.15
Net profit under Ind AS		**480.39**
Other comprehensive income (net of taxes)		(128.53)
Total Comprehensive Income under Ind AS as reported		**351.86**

(F) Impact of Ind AS adoption on the consolidated statements of cash flows for the year ended 31 December 2016

(₹ in million)

	Previous GAAP	Adjustments	Ind AS
Net cash flow from operating activities	8,302.70	(44.87)	8,257.83
Net cash used in investing activities	(10,679.74)	201.70	(10,478.04)
Net cash flow from financing activities	2,459.15	(156.83)	2,302.32
Net increase/(decrease) in cash and cash equivalents	**82.11**	**-**	**82.11**

Footnotes to the reconciliation of equity as at 01 January 2016 and 31 December 2016 and profit or loss for the year ended 31 December 2016

All amounts in ₹ million, unless otherwise stated

I. Tangible and intangible assets acquired as part of Business Combination on deferred payment terms

Under Indian GAAP, the purchase consideration for tangible and intangible assets acquired as part of a business included deferred payment terms, which was recorded at gross amount with a corresponding credit to capital creditors. However, as per Ind AS 16 'Property, Plant and Equipment' the cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised in accordance with Ind AS 23 'Borrowing Cost'. Accordingly, the deferred payment liabilities outstanding on the transition date are present valued at the weighted average borrowing rate. The difference between the present value and carrying value of such deferred payment liabilities is adjusted from the carrying value of property, plant and equipment at the transition date. Subsequently, interest is recorded at the discounting rate to the Statement of Profit and Loss with corresponding credit to the capital creditors. The above has resulted in adjustment of ₹ 694.33 to tangible assets and ₹ 208.76 to intangible assets on the date of transition and ₹ 627.93 and ₹ 208.76 respectively as on 31 December 2016. Consequently, an amount of ₹ 555.53 has been recorded as finance costs for the year ended 31 December 2016. Further, the entry for reversal of revaluation reserve has been resatated on availing deemed cost exemption for tangible assets amounting to ₹ 55.04.

II. Amortisation of franchise rights

Under Indian GAAP, the Group had adopted an accounting policy of amortizing franchise rights acquired as part of business combination over a period of ten years. With effect from the date of transition, the Group has evaluated franchise rights to have an indefinite life as per Ind AS 38 as explained in Note 5 (ii). Hence, the franchise rights are not amortised now but tested for impairment annually. Accordingly, amortization recorded as per Indian GAAP amounting to ₹ 435.00 for financial year 2016 has been derecognized in the Ind AS Financial Statements for the year ended 31 December 2016.

III. Consolidation of subsidiaries under common control and Non-Controlling Interest (NCI)

During the year ended 31 December 2016, the Group acquired controlling stake in three entities, namely, Varun Beverages (Zambia) Limited, Varun Beverages Mozambique Limited, Varun Beverages (Zimbabwe) (Private) Limited (collectively referred as "the subsidiaries" in this note hereinafter) leading to recognition of 'goodwill on consolidation' amounting to ₹ 2,132.08.

Under IGAAP, the debit balances in reserves and losses relatable to NCI in one of the subsidiaries were absorbed by the Group. However, under Ind AS, such debit balances in reserves and losses are allocated to NCI itself.

As detailed in note 55 (E), the Group acquired the aforesaid controlling stakes in the subsidiaries from entities under common control with the Parent Company consequent to which these subsidiaries have been consolidated as per 'Pooling of Interest Method' prescribed in Appendix C of Ind AS 103 'Business Combinations', which requires retroactive accounting, as if the business combination had occurred from the beginning of the earliest period presented in the financial statements. Accordingly, financial statements of the subsidiaries have been consolidated from the transition date after recording the following adjustments, with corresponding adjustment to 'goodwill on consolidation' recorded in Indian GAAP.

-The consideration payable amounting to ₹ 1671.20 is recognised in other current financial liabilities on transition date. This consideration was subsequently discharged.

- The excess of consideration payable over the Holding Company's proportion of share capital in the subsidiaries amounting to ₹ 1,669.26 (Deficit) is recognised separately in 'Capital Reserve on Consolidation'.

- In order to align the accounting policies of the subsidiaries with the Group's accounting policies, Ind AS adjustments amounting to ₹ 99.68 (Deficit) were recorded in the retained earnings of the subsidiaries on the date of transition.

- The Group's share in the retained earnings of these subsidiaries on the transition date has been recognised as retained loss in other equity amounting to ₹282.65 (Deficit) and balance amounting to ₹ 185.68 (Deficit) is recognised in NCI.

- The costs relatable to these business combinations amounting to ₹ 84. 21 is charged to the Consolidated Statement of Profit and Loss.

IV. Investment in associate

Under Indian GAAP, no financial impact was considered on corporate guarantee issued on behalf of an associate. Under Ind AS, the amount is fair valued and the difference is recorded as an equity contribution, amounting to ₹ 12.20, the other adjustment is on account of Ind AS adjustments in standalone financials of associate.

V. Security deposits

Under Indian GAAP, the security deposits paid for leases were recorded at the transaction value, whereas, under Ind AS, these are initially discounted and subsequently recorded at amortized cost at the end of every financial reporting period. Accordingly, the difference between the transaction and discounted value of the security deposits paid for leases is recognised as deferred lease expense of ₹ 14.08 and is amortised over the period of the lease term. Further, interest is accreted on the present value of the security deposits paid for leases.

Footnotes to the reconciliation of equity as at 01 January 2016 and 31 December 2016 and profit or loss for the year ended 31 December 2016

All amounts in ₹ million, unless otherwise stated

VI. Government grants

Under Indian GAAP, interest free loan from the government has been presented in the Balance Sheet by including it as a part of borrowings. Under Ind AS, the benefit of a government loan at a below-market rate of interest is treated as a government grant and is measured as the difference between the present value of the loan and the proceeds received/ receivable. The Company has fair valued all such loans outstanding on the date of transition retrospectively from the original date of such loans. Further, unlike Indian GAAP, Ind AS 20 requires the grant to be classified as either a capital or an income grant and does not permit recognition of government grants in the nature of promoter's contribution directly to shareholders' funds. Accordingly, contributions previously recognised in the Capital Reserve amounting to ₹ 259.17 are transferred to 'Other Equity' at the date of transition. For interest free loans previously recorded the difference amounting to ₹ 343.97 between present value of loan and proceeds are recorded in retained earnings. The loan balance is subsequently re-measured using EIR which has led to a consequent increase of ₹ 135.55 to the finance costs for the year ended 31 December 2016. The grant value of all such loans received/ receivable subsequent to date of transition amounting to ₹ 73.55 is recognised in the Statement of Profit and Loss under the head 'other operating income'.

VII. Deferred tax

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

The various transitional adjustments have resulted in temporary differences which has led to recognition of deferred taxes respectively.

VIII. Defined benefit liabilities

Both under Indian GAAP and Ind AS, the Group recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, were charged to Statement of Profit and Loss. Under Ind AS, remeasurements (comprising actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI. Thus, the employee benefits expense is reduced by such amount and a corresponding adjustment to the defined benefit plans has been recognised in OCI (net of tax) in "Other Equity".

IX. Expected credit losses (ECL) for trade receivables

Under the Indian GAAP, provision for bad debt was recognised for doubtful debtors on a case to case basis. However, under Ind AS, the Group assesses impairment based on the ECL model for measurement and recognition of impairment loss on the financial assets that are trade receivables, accounting for both non-payment and delay in payment of the receivables. Based past estimates, the Group has determined additional provisions under the ECL model. This has resulted in recognition of an additional provision of ₹ 12.77 on the date of transition and ₹ 32.76 for the year ended 31 December 2016. Further the trade receivables discounted in one of the subsidiary with recourse have been reinstated in trade receivables with corresponding recognition of borrowings amounting to ₹ 51.29 and ₹ 55.58 on the date of transition and for the year ended 31 December 2016 respectively.

X. Compulsorily convertible preference shares (CCPS)

Under Indian GAAP, the CCPS were classified as equity. Under Ind AS, CCPS are classified as financial liability based on the terms of the contract. Interest on such financial liability is recognised using fair values determined by an independent valuer on the date of transition, leading to recognition of an adjustment amounting to ₹ 372.07 to the retained earnings as at the transition date with subsequent unwinding as finance costs for the year ended 31 December 2016.

XI. Compulsory convertible debentures (CCDs)

Under Indian GAAP, the CCDs were classified as borrowings. The CCDs issued by the Company had to be converted into a variable number of equity shares with a definite rate of return from the date of issue till the date of conversion. Accordingly, the CCDs are classified as financial liability as per Ind AS 32. Interest on financial liability is recognised using fair values determined by an independent valuer on the date of transition leading to increase in borrowings by ₹ 4,024.72 with a corresponding impact to the retained earnings (Impact in retained earnings, net of deferred tax impact ₹ 2,631.76). The fair value impact of ₹ 1,107.26 (net of deferred tax impact ₹ 724.03) between the date of transition and date of conversion is recognised as finance costs during the year ended 31 December 2016. On the date of conversion, the entire fair value impact recognised in retained earnings on date transition and aforesaid interest costs is recognised in 'Security premium reserve' ₹ 3,355.80 (Net of tax).

Footnotes to the reconciliation of equity as at 01 January 2016 and 31 December 2016 and profit or loss for the year ended 31 December 2016 [Cont'd]

All amounts in ₹ million, unless otherwise stated

XII. Sale of goods

Under Indian GAAP, sale of goods was presented after netting off excise duty. However, under Ind AS, sale of goods includes excise duty and separately presented on the face of Statement of Profit and Loss. Thus, sale of goods under Ind AS has increased with a corresponding increase in total expenses. This change has resulted in an increase in total income and total expenses for the year ended 31 December 2016 by ₹ 6702.78.

XIII. Finance costs

Finance cost includes-

1. Under Indian GAAP, the transaction cost incurred in connection with borrowings were amortised and charged to Statement of Profit and Loss on the term of the related borrowing. Under Ind AS, transaction cost are included in the initial recognition amount of financial liability and charged to Statement of Profit and Loss using the effective interest method amounting to ₹ 7.05.
2. Interest expense amounting to ₹ 135.35 on interest free government loans has been recognised at the weighted average borrowing rate of the Group (also see note VI above).
3. Amortised cost of deferred payment liabilities related to business combination (Referred to in footnote I above) ₹ 555.53.
4. Interest expenses on account of fair valuation of financial instruments (CCPS and CCDs referred in notes X and XI above) ₹ 1,479.32.

XIV. Share-based payments

Under Indian GAAP, the Group recognised only the intrinsic value for the long-term incentive plan as an expense. Ind AS requires the fair value of the share options to be determined using an appropriate pricing model recognised over the vesting period. The Group has used the exemption of fair valuing only those options which remained unvested on the date of transition. Fair value impact on unvested options relatable to vesting period before the date of transition amounting to ₹ 44.39 is adjusted in the retained earnings by creating the corresponding 'Share Based Payment Reserve' which is re-classified to 'Share Premium Reserve' on exercise of the options. However, this has no impact on the Statement of Profit and Loss.

XV. Other comprehensive income

Under Indian GAAP, the concept of OCI did not exist. Under Ind AS, certain items of income and expense such as re-measurements of defined benefit plans are required to be presented as 'Other Comprehensive Income'.

XVI. Straight lining of lease payment escalations

Indian GAAP required straight lining of lease payment escalations in case of non cancellable leases. However, Ind AS 17 does not mandate straight-lining of lease escalation, if they are in line with the expected general inflation compensating the lessor for expected inflationary cost. Accordingly, the Holding Company has reversed lease equalisation reserve amounting to ₹ 1.91 outstanding in the books on the transition date.

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Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended 31 December 2017

65 Additional information, as required to Consolidated Financial Statements pursuant to Schedule III to the Companies Act, 2013

₹ in million, except as stated otherwise

Name of the company/entity	Net assets i.e., total assets minus total liabilities		Share of profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
For the year ended 31 December 2017								
Holding Company								
Varun Beverages Limited	129.91%	22,968.00	110.06%	2,355.98	-9.82%	6.39	113.82%	2,362.37
Subsidiaries								
Varun Beverages (Nepal) Private Limited	4.02%	709.91	20.47%	438.17	0.43%	(0.28)	21.10%	437.89
Varun Beverages Lanka (Private) Limited (Consolidated)	0.62%	110.40	-5.56%	(119.01)	-2.03%	1.32	-5.67%	(117.69)
Varun Beverages Morocco SA	0.76%	134.48	-18.60%	(398.12)	0.00%	-	-19.18%	(398.12)
Varun Beverages (Zambia) Private Limited	-0.75%	(133.34)	6.50%	139.13	0.00%	-	6.70%	139.13
Varun Beverages (Mozambique) Limitada	-	-	1.92%	41.03	0.00%	-	1.98%	41.03
Varun Beverages (Zimbabwe) (Private) Limited	-0.16%	(27.81)	-1.66%	(35.61)	0.00%	-	-1.72%	(35.61)
Minority interest in all subsidiaries	-0.08%	(14.32)	1.82%	39.06	0.00%	-	1.88%	39.06
Associate (as per equity method)								
Angelica Technologies Private Limited (Consolidated)	0.47%	82.23	0.63%	13.50	0.00%	-	0.65%	13.50
Inter group eliminations	-34.79%	(6,149.59)	-15.58%	(333.54)	111%	(72.51)	-19.56%	(406.05)
Total	**100.00%**	**17,679.96**	**100.00%**	**2,140.59**	**100.00%**	**(65.08)**	**100.00%**	**2,075.51**
For the year ended 31 December 2016								
Holding Company								
Varun Beverages Limited	127.13%	21,367.37	186.30%	894.97	26.39%	-33.92	244.71%	861.05
Subsidiaries								
Varun Beverages (Nepal) Private Limited	2.75%	462.18	67.69%	325.18	0.00%	-	92.42%	325.18
Varun Beverages Lanka (Private) Limited (Consolidated)	1.33%	223.87	-25.29%	-121.5	0.33%	(0.43)	-34.65%	(121.93)
Varun Beverages Morocco SA	-1.30%	(218.37)	-90.36%	(434.10)	0.00%	-	-123.37%	(434.10)
Varun Beverages (Zambia) Private Limited	-1.87%	(313.47)	53.30%	256.06	0.00%	-	72.77%	256.06
Varun Beverages (Mozambique) Limitada	-0.26%	(43.64)	-19.66%	(94.43)	0.00%	-	-26.84%	(94.43)
Varun Beverages (Zimbabwe) (Private) Limited	0.03%	4.83	0.72%	3.46	0.00%	-	0.98%	3.46
Minority interest in all subsidiaries	-0.77%	(129.06)	11.79%	56.63	0.00%	-	16.09%	56.63
Associate (as per equity method)								
Angelica Technologies Private Limited (Consolidated)	0.41%	68.73	4.95%	23.78	0.00%	-	6.76%	23.78
Inter group eliminations	-27.45%	(4,615.55)	-89.44%	(429.66)	73.28%	(94.18)	-148.87%	(523.84)
Total	**100.00%**	**16,806.89**	**100.00%**	**480.39**	**100.00%**	**(128.53)**	**100.00%**	**351.86**

66 Events occurring after the reporting period

A. Acquisitions after the reporting period:

Subsequent to the year ended 31 December 2017, the Group has completed the acquisition of Chhattisgarh territory on a slump sale basis for a total purchase consideration of ₹ 150 million. This acquisition has been executed primarily to obtain franchise rights and marketing assets of the territory, to facilitate further expansion.

(₹ in million)

	Amount
Name of acquiree	SMV Beverages Private Limited
Acquisition date	11 January 2018
Fair values of assets acquired	
Property, plant and equipment	26.80
Franchise rights	120.00
Inventories	3.20
Total assets	**150.00**

B. During December 2017, the Group executed agreements with Steel City Beverages Private Limited and SMV Agencies Private Limited to acquire certain businesses including franchise rights for the State of Jharkhand and specified manufacturing facilities and other assets on slump sale basis for a total consideration of ₹ 653.62. The closing conditions for the business transfers have not yet been met.

C. On 17 January 2018, the Board of Directors of the Holding Company have approved acquisition of PepsiCo India's franchise rights for the State of Bihar and subsequently, the Holding Company has started trading operations in the state of Bihar.

D. On 18 January 2018, the Holding Company has concluded acquisition of a manufacturing facility situated in Cuttack, Odisha along with certain specific assets from SMV Beverages Private Limited for a total consideration of ₹ 437.50 million.

(₹ in million)

	Amount
Fair values of assets acquired	
Land and building	345.47
Property, plant and equipment	92.03
Total assets	**437.50**

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached.

For and on behalf of the Board of Directors of Varun Beverages Limited

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No.: 001329N

For **APAS & Co.**
Chartered Accountants
Firm Registration No.: 000340C

Varun Jaipuria
Whole Time Director
DIN 02465412

Raj Pal Gandhi
Whole Time Director
DIN 00003649

per **Nitin Toshniwal**
Partner
Membership no.: 507568

per **Sumit Kathuria**
Partner
Membership no.: 520078

Kapil Agarwal
Chief Executive Officer and Whole Time Director
DIN 02079161

Kamlesh Kumar Jain
Chief Financial Officer and Whole Time Director
DIN 01822576

Place: Gurugram
Dated: 16 February 2018

Ravi Batra
Chief Risk Officer & Group Company Secretary
Membership No. F- 5746

Independent Auditors' Report

To the Members of Varun Beverages Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Varun Beverages Limited, ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associates, which comprise the Consolidated Balance Sheet as at 31 December 2016, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group and its associates, in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors, and the respective Board of Directors of the subsidiaries included in the Group, and of its associates are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms with the provisions of the Act, the respective Board of Directors of the Holding Company and and associates which are incorporated in India are responsible for maintenance of adequate accounting records; safeguarding the assets; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the auditors' report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditors' Report to the members of Varun Beverages Limited, on the Consolidated Financial Statements for the year ended 31 December 2016 (Cont'd)

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 9 of the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and associates as noted below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at 31 December 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matter

9. We did not audit the financial statements of seven subsidiaries, included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹ 13,881.68 million as at 31 December 2016, total revenues (after eliminating intra-group transactions) of ₹ 9,445.64 million and net cash flows amounting to ₹ 122.72 million for the year ended on that date. The consolidated financial statements also include the Group's share of net profit of ₹ 23.46 million for the year ended 31 December 2016, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of the other auditors.

   Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

Independent Auditors' Report to the members of Varun Beverages Limited, on the Consolidated Financial Statements for the year ended 31 December 2016 (Cont'd)

Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, and based on the auditors' reports of the subsidiaries and associates, we report, to the extent applicable, that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

    b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

    c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

    d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

    e) On the basis of the written representations received from the directors of the Holding Company as on 31 December 2016 taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors of its associates incorporated in India, none of the directors of the Holding Company and its associates incorporated in India is disqualified as on 31 December 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

    f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company and its associates, which are companies incorporated in India, as of 31 December 2016, in conjunction with our audit of the consolidated financial statements of the Group and its associates for the year ended on that date and our report dated 20 February 2017 as per Annexure 1 expresses unqualified opinion; and

Independent Auditors' Report to the members of Varun Beverages Limited, on the Consolidated Financial Statements for the year ended 31 December 2016 (Cont'd)

g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   (i) as included in Note 34, the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates;

   (ii) the Group and its associates did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

   (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its associates incorporated in India.

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No: 001329N

Per **Arun Tandon**
Partner
Membership No. 517273

Place: Gurugram
Date: 20 February 2017

L-41 Connaught Place,
New Delhi 110 001

For **O.P. Bagla & Co.**
Chartered Accountants
Firm Registration No: 000018N

Per **Neeraj Kumar Agarwal**
Partner
Membership No. 094155

Place: Gurugram
Date: 20 February 2017

8/12, Kalkaji Extension,
New Delhi 110 019

Annexure 1

Independent Auditors' report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the consolidated financial statements of Varun Beverages Limited ("the Holding Company") and its subsidiaries, (the Holding Company and its subsidiaries together referred to as "the Group") and its associates as of and for the year ended 31 December 2016 we have audited the internal financial controls over financial reporting ("IFCoFR") of the Holding Company and its associates, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company and its associates, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the respective company's business, including adherence to the respective company's policies, the safeguarding of the respective company's assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company, its subsidiaries and its associates as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR and the Guidance Note, issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company, its subsidiaries and its associates as aforesaid.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR includes those policies and procedures

that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company and its associates, which are companies incorporated in India, have, in all material respects, adequate IFCoFR and such IFCoFR were operating effectively as at 31 December 2016, based on the internal financial control over financial reporting criteria established by the respective company considering the essential components of internal financial controls stated in the Guidance Note issued by the ICAI.

Other Matter

9. We did not audit the IFCoFR insofar as it relates to two associates, which are companies incorporated in India, in respect of which, the Group's share of net profit of ₹ 23.46 million for the year ended 31 December 2016 has been considered in the consolidated financial statements. Our report on the adequacy and operating effectiveness of the IFCoFR for the Group and its associates, which are companies incorporated in India, under Section 143(3)(i) of the Act insofar as it relates to the aforesaid associates, which are companies incorporated in India, is solely based on the corresponding reports of the auditors of such companies. Our opinion is not modified in respect of the above matter with respect to our reliance on the work done by and the reports of the other auditors.

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No: 001329N

Per **Arun Tandon**
Partner
Membership No. 517273

Place: Gurugram
Date: 20 February 2017

L-41 Connaught Place,
New Delhi 110 001

For **O.P. Bagla & Co.**
Chartered Accountants
Firm Registration No: 000018N

Per **Neeraj Kumar Agarwal**
Partner
Membership No. 094155

Place: Gurugram
Date: 20 February 2017

8/12, Kalkaji Extension,
New Delhi 110 019

Consolidated Balance Sheet as at 31 December 2016

₹ in million, except as stated otherwise

	Note	As at 31 December 2016	As at 31 December 2015
Equity and liabilities			
Shareholders' funds			
Share capital	3	1,823.13	5,837.66
Reserves and surplus	4	17,115.54	905.11
		18,938.67	**6,742.77**
Minority interest		0.58	-
Non-current liabilities			
Long-term borrowings	5	9,632.74	15,795.19
Deferred tax liabilities (net)	6	2,225.68	1,481.82
Other long-term liabilities	7	3,455.39	6,362.84
Long-term provisions	8	623.40	443.13
		15,937.21	**24,082.98**
Current liabilities			
Short-term borrowings	9	4,055.71	2,524.12
Trade payables	10		
Total outstanding dues to micro enterprises and small enterprises (also refer note 41)		7.23	1.44
Total outstanding dues of creditors other than micro enterprises and small enterprises		2,738.69	1,844.11
Other current liabilities	11	10,183.01	8,797.92
Short-term provisions	12	430.08	372.06
		17,414.72	**13,539.65**
		52,291.18	**44,365.40**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	13	34,131.38	31,116.76
Intangible assets	14	3,370.03	3,838.91
Capital work-in-progress		955.78	379.12
Goodwill on consolidation		2,132.08	-
Non-current investments	15	56.19	32.73
Deferred tax assets (net)	6	67.84	52.97
Long-term loans and advances	16	2,790.76	1,592.77
Other non-current assets	17	42.99	50.12
		43,547.05	**37,063.38**
Current assets			
Current investments	18	0.01	0.01
Inventories	19	4,899.25	4,246.61
Trade receivables	20	1,303.15	979.10
Cash and bank balances	21	657.02	580.73
Short-term loans and advances	22	1,786.17	1,401.41
Other current assets	23	98.53	94.16
		8,744.13	**7,302.02**
		52,291.18	**44,365.40**
Significant accounting policies	2.3		

The accompanying notes are an integral part of these consolidated financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date.

For and on behalf of Board of Directors of
Varun Beverages Limited

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No.:001329N

per **Arun Tandon**
Partner
Membership No. : 517273

For **O.P. Bagla & Co.**
Chartered Accountants
Firm Registration No.:000018N

per **Neeraj Kumar Agarwal**
Partner
Membership No. : 094155

Varun Jaipuria
Whole Time Director
DIN 02465412

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir P Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : 20 February 2017

Consolidated Statement of Profit and Loss for the year ended 31 December 2016

₹ in million, except as stated otherwise

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Revenue			
Revenue from operations (gross)	24	45,222.86	39,058.94
Less: Excise duty		(6,702.78)	(5,117.45)
Revenue from operations (net)		38,520.08	33,941.49
Other income	25	347.77	142.81
Total Revenue		38,867.85	34,084.30
Expenses			
Cost of materials consumed	26	16,767.95	14,253.08
Purchases of traded goods	27	911.04	3,201.51
Changes in inventories of finished goods, work-in-progress and traded goods	28	(315.91)	(289.85)
Employee benefits expense	29	4,263.56	3,237.51
Finance costs	30	2,147.90	1,687.91
Depreciation and amortisation expense	31	3,723.64	3,174.09
Other expenses	32	8,941.31	7,168.48
Total expenses		36,439.49	32,432.73
Profit for the year before tax		2,428.36	1,651.57
Prior period items	33	-	254.52
Profit before tax after prior period items		2,428.36	1,906.09
DEPRECIATION ON GIFTED INFRASTRUCTURE ASSETS		-	-
AMOUNT TRANSFERRED FROM CAPITAL RESERVE		-	-
Profit before tax		2,428.36	1,906.09
Tax expense:			
Current tax		647.16	528.25
Minimum alternate tax (MAT) credit entitlement		(544.22)	(472.50)
Tax expense earlier years (net)		(2.77)	56.49
Deferred tax expense	7	728.33	676.33
		828.50	788.57
Profit after tax		1,599.86	1,117.52
Less : Minority interest in profit		(110.76)	-
Add: Share of profits in asscociate		23.46	12.90
Profit for the year		1,512.56	1,130.42
Earnings per equity share of face value of ₹10 each	39		
Basic (in ₹)		10.42	8.45
Diluted (in ₹)		8.94	8.39
Significant accounting policies	2.3		

The accompanying notes are an integral part of these consolidated financial statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date

For and on behalf of Board of Directors of
Varun Beverages Limited

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No.:001329N

For **O.P. Bagla & Co.**
Chartered Accountants
Firm Registration No.:000018N

Varun Jaipuria
Whole Time Director
DIN 02465412

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir P Garg
Company Secretary
Membership No. F-3490

per **Arun Tandon**
Partner
Membership No. : 517273

per **Neeraj Kumar Agarwal**
Partner
Membership No. : 094155

Place : Gurugram
Dated : 20 February 2017

Consolidated Cash Flow Statement for the year ended 31 December 2016

₹ in million, except as stated otherwise

		Year ended 31 December 2016	Year ended 31 December 2015
A	**Cash flows from operating activities**		
	Profit before tax after prior period items	2,428.36	1,906.09
	Non-cash adjustments:		
	Depreciation and amortisation expense (including prior period of ₹ Nil (Previous year ₹ 192.25))	3,723.64	2,981.84
	Excess provision written back (including prior period of ₹ Nil (Previous year ₹ 26.94))	(205.84)	(31.37)
	Rates and taxes (prior period item ₹ Nil (Previous year ₹ 77.18))	-	77.18
	Unrealised exchange fluctuation	(133.91)	11.50
	Provision for bad and doubtful debts	18.09	20.26
	Interest expense (including prior period item of ₹ Nil (Previous year ₹ 105.81))	2,084.89	1,486.31
	Interest income	(83.36)	(61.93)
	Loss on sale of fixed assets (net) (including prior period item of ₹ Nil (Previous year ₹ 6.70))	113.34	33.55
	Profit on sale of current investments	(0.19)	(52.86)
	Bad debts and advances written off	5.49	4.46
	Fixed assets written off	113.20	74.53
	Operating profit before working capital changes	8,063.71	6,449.56
	Changes in working capital		
	Increase in inventories	(389.57)	(1,354.11)
	Decrease in trade receivables	445.89	0.37
	Increase in loans and advances	(185.17)	(557.59)
	Increase in trade payable, other liabilities and provisions	948.43	1,492.72
	Cash generated from operations	8,883.29	6,030.95
	Direct taxes paid	(580.59)	(483.03)
	Net cash generated from operating activities	**8,302.70**	**5,547.92**
B	**Cash flows from investing activities**		
	Purchase of fixed assets (including adjustment on account of capital work in progress, capital advance and capital creditors)	(8,120.39)	(2,690.24)
	Purchase of business for consolidated consideration	(1,057.76)	(3,450.00)
	Proceeds from sale of fixed assets	121.33	44.84
	Purchase of current investments	(350.00)	(2,050.00)
	Acquisition of subsidiaries, net of cash acquired	(1,700.88)	-
	Increase in other bank balances	(1.17)	(38.94)
	Proceeds from sale of current investments	350.19	5,122.65
	Interest received	78.94	64.97
	Net cash used in investing activities	**(10,679.74)**	**(2,996.72)**
C	**Cash flows from financing activities**		
	Proceeds of long-term borrowings	6,708.66	3,319.86
	Repayments of long-term borrowings	(6,769.13)	(7,411.04)
	Proceeds/(repayments) of short-term borrowings (net)	1,085.08	(2,561.05)
	Interest paid	(2,173.14)	(1,407.79)
	Share issue expenses paid	(205.91)	-
	Proceeds from issue of preference shares	-	2,500.00
	Proceeds from issue of non-convertible debentures	1,800.00	3,200.00
	Redemption of non-convertible debentures	(5,000.00)	-
	Proceeds from issue of equity shares (including securities premium thereon)	7,013.59	-
	Net cash generated from/(used in) financing activities	**2,459.15**	**(2,360.02)**
D.	**Net increase in cash and cash equivalents**	82.11	191.18
E.	Cash and cash equivalents at the beginning of the year	242.89	51.71
F.	Cash and cash equivalents at the end of the year (refer note 21)	325.00	242.89

The accompanying notes are an integral part of these consolidated financial statements.
This is the Consolidated Cash Flow Statement referred to in our report of even date.

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No.:001329N

per **Arun Tandon**
Partner
Membership No. : 517273

For O.P. Bagla & Co.
Chartered Accountants
Firm Registration No.:000018N

per **Neeraj Kumar Agarwal**
Partner
Membership No. : 094155

For and on behalf of Board of Directors of
Varun Beverages Limited

Varun Jaipuria
Whole Time Director
DIN 02465412

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir P Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : 20 February 2017

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended 31 December 2016

1 Corporate information

Varun Beverages Limited was incorporated on 16 June 1995. Varun beverages Limited and its subsidiaries are engaged in manufacturing, selling, bottling and distribution of beverages of Pepsi brand in geographically pre-defined territories.

2.1 Basis of preparation of financial statements

The consolidated financial statements of Varun Beverages Limited (hereinafter referred to as the 'Company' or 'the Holding Company' or the 'Parent Company'), its subsidiaries and associates (collectively referred as 'the Group') have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) and comply with the Accounting Standards notified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), to the extent applicable. The consolidated financial statements have been prepared on accrual basis under the historical cost convention.The accounting policies have been consistently applied by the Group unless otherwise stated. All assets and liabilities have been classified as current or non-current, wherever applicable as per the operating cycle of the Group as per the guidance set out in the Schedule III to the Companies Act, 2013.

2.2 Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and associates (collectively referred as 'the Group').

The consolidated financial statements of the Group have been prepared in accordance with Accounting Standard (AS 21) 'Consolidated Financial Statements' and AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements'. The consolidated financial statements are prepared on the following basis:

i) Consolidated financial statements include consolidated balance sheet, consolidated statement of profit and loss, consolidated statement of cash flows and notes forming part of the consolidated financial statements. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for standalone financial statements.

ii) The consolidated financial statements include the financial statements of the Company and all its subsidiaries, which are more than 50 per cent owned or whose composition of Board of Directors is controlled by the Company. Investments in entities that were not more than 50 per cent owned or controlled during the year have been accounted for in accordance with the provisions of Accounting Standard 13 'Accounting for Investments', or Accounting Standard 23 'Accounting for Investments in Associates in consolidated financial statements', (as applicable).

iii) The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and resulting elimination of unrealised profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the component entity to be consolidated.

iv) The excess/deficit of cost to the Parent Company of its investment over its portion of net worth in the consolidated entities at the respective dates on which the investment in such entities was made is recognised in the financial statements as goodwill/capital reserve. Goodwill arising on consolidation is tested for impairment when the relevant indicators of impairment are applicable. The Parent Company's portion of net worth in such entities is determined on the basis of book value of assets and liabilities as per the financial statements of the entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant changes.

v) Investments in associates are accounted for using the equity method. The excess of proportionate share in equity of the associate as at the date of acquisition of stake over the cost of investment is identified as capital reserve and included in the carrying value of the investment in the associate. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the associate. However, the share of losses is accounted for only to the extent of the cost of investment. Subsequent profits of such associates are not accounted for unless the accumulated losses (not accounted for by the Group) are recouped.

vi) Minority interest in subsidiary represents the minority shareholders' proportionate share of the net assets and net income. Minorities' interest in net profit of consolidated subsidiaries for the year has been identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets has been identified and presented in the consolidated balance sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, these have been attributed to the shareholder of the Holding Company.

vii) Notes forming part of the consolidated financial statements, represents notes involving items which are considered material and are accordingly disclosed. Materiality for the purpose is assessed in relation to the information contained in the consolidated financial statements.

viii) The consolidated financial statements include the respective financial statements of the Parent Company, its subsidiaries and the results of operations of its associates listed below:

Name of subsidiaries	Country of incorporation	Percentage of ownership	
		31 December 2016	31 December 2015
Varun Beverages (Nepal) Private Limited ("VBL Nepal")	Nepal	100.00%	100.00%
Varun Beverages Lanka (Private) Limited ("VBL Lanka")	Sri Lanka	100.00%	100.00%
Varun Beverages Morocco SA ("VBL Morocco")	Morocco	100.00%	100.00%
Ole Spring Bottlers Private Limited ("Ole")*	Sri Lanka	100.00%	100.00%
Varun Beverages (Zambia) Private Limited (w.e.f. 01 January 2016)	Zambia	60.00%	-
Varun Beverages (Mozambique) Limitada (w.e.f. 01 January 2016)	Mozambaique	51.00%	-
Varun Beverages (Zimbabawe) (Private) Limited (w.e.f. 05 April 2016)	Zimbabawe	85.00%	-

* Subsidiary of VBL Lanka

2.2 Principles of consolidation (Cont'd)

Name of associates	Country of incorporation	Percentage of ownership	
		31 December 2016	31 December 2015
Angelica Technologies Private Limited	India	47.30%	47.30%
Lunarmech Technologies Private Limited*	India	35.00%	35.00%
Ole Marketing (Private Limited)**	Sri Lanka	-	33.33%

*Angelica Technologies Private Limited holds 74% ownership in Lunarmech Technologies Private Limited.
**Associate of VBL Lanka till 21 January 2015.

2.3 Statement of significant accounting policies

A. Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

i) Sale of products:
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the customer and are recorded inclusive of excise duty and net of sales tax, sales returns and trade discount.

ii) Interest:
Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

iii) Dividend:
Dividend income is recognised in the period in which right to receive such payment is established.

iv) Commission:
Commission income is recognised as per the agreed terms.

B. Use of estimates
In preparing the Group's financial statements in conformity with accounting principles generally accepted in India, the management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in the period the same is determined. Examples of such estimates include estimated useful lives of fixed assets, provision for bad and doubtful debts, provision for discounts, income taxes, etc.

C. Tangible fixed assets
Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price (net of Cenvat credit availed), borrowing costs if capitalisation criteria are met and any directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Where a group of fixed assets are purchased for a consolidated price, the consideration is apportioned to the various assets on a fair basis as determined by competent valuers.

Assets received for no consideration are capitalised with corresponding credit to capital reserve.

D. Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

E. Depreciation on tangible assets and amortisation of intangible assets
In accordance with the requirements of Schedule II of the Companies Act, 2013, management has re-assessed the useful lives of the fixed assets and on the basis of technical evaluation, management is of the view that useful lives used by management are indicative of the estimated economic useful lives of the fixed assets.

The Group has used the following useful lives to compute depreciation on its tangible fixed assets:

Assets	Estimated useful lives
Buildings-factory	20 - 50 years
Buildings-Others	59 - 60 years
Plant and equipment	4 - 20 years
Leasehold land	Over lease period
Furniture and fixtures	5 - 10 years
Containers	4 - 10 years

E. Depreciation on tangible assets and amortisation of intangible assets (Cont'd)

Assets	Estimated useful lives
Post-mix vending machines and refrigerators (Visi -Cooler)	7 - 10 years
Delivery vehicle	4 - 10 years
Office equipment	4 - 10 years
Computer equipments	3 - 5 years
Vehicles (other than delivery vehicles)	4 - 7 years

The Group has used the remaining useful lives to compute depreciation on its tangible fixed assets, acquired under the business transfer agreement based on external technical evaluation.

In case of revaluation of leasehold land, the resulting amortisation of the total revalued amount is being expensed off to the Consolidated Statement of Profit and Loss.

Depreciation on assets received for no consideration is recorded as a credit adjustment from capital reserve.

Breakages of containers are adjusted on first bought first broken basis, since it is not feasible to specifically identify the broken containers in the fixed assets records.

The Group has technically evaluated all the tangible fixed assets for determining the separate identifiable assets having different useful lives under the component approach as required under Schedule II of Companies Act, 2013. On technical evaluation of all separate identifiable components, the management is of the opinion that they do not have any different useful life from that of the principal asset.

Amortisation of intangible assets is computed on the straight-line basis, at the rates representing the estimated useful lives.

Description	Useful lives (upto)
Software	3 - 5 years
Franchisee rights and trademarks are amortised on a straight-line basis over the license period	
Market infrastructure	5 years

F. Impairment of tangible and intangible assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and the same is recognised in the Consolidated Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and the same is accordingly reversed in the Consolidated Statement of Profit and Loss.

G. Leases

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Consolidated Statement of Profit and Loss on a straight-line basis over the lease term.

Where the Group is the lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognised in the Consolidated Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation, are recognised as an expense in the consolidated statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Consolidated Statement of Profit and Loss.

H. Investments

Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost, however provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Consolidated Statement of Profit and Loss.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended 31 December 2016

I. Inventories

Inventories are valued as follows:

i) Raw materials, components and stores and spares : At lower of cost and net realisable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

ii) Work-in-progress : At lower of cost and net realisable value. Cost for this purpose includes material, labour and appropriate allocation of overheads including depreciation. Cost is determined on a weighted average basis.

iii) Finished goods:

a) Manufactured - At lower of cost and net realisable value. Cost for this purpose includes material, labour and appropriate allocation of overheads. Excise duty on inventory lying with Group is added to the cost of the finished goods inventory (where applicable). Cost is determined on a weighted average basis.

b) **Traded -** At lower of cost and net realisable value. Cost represents purchase price and other direct costs and is determined on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Provision for obsolescence is determined based on management's assessment and is charged to the Consolidated Statement of Profit and Loss.

J. Borrowing costs

Borrowing costs includes interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

K. Foreign currency transactions

Relating to overseas entities

Indian Rupee is the reporting currency for the Group. However, reporting currencies of certain non-integral overseas subsidiaries are different from the reporting currency of the Group. The translation of local currencies into Indian Rupee is performed for assets and liabilities (excluding share capital and opening reserves and surplus), using the exchange rate as at the balance sheet date.

Revenues, costs and expenses are translated using weighted average exchange rate during the year. The resultant currency translation exchange gain/ loss is carried as foreign currency translation reserve under reserves and surplus. Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment.

Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in the foreign operation is accumulated in the foreign currency translation reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

Relating to Indian entity

i) Initial recognition: Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii) Conversion: Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

iii) Exchange differences: Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

As per the amendment of the Companies (Accounting Standard) Rules, 2006-'Accounting Standard-11' relating to 'The Effects of Changes in Foreign Exchange Rates', exchange difference arising on conversion of long term foreign currency monetary items used for acquisition of depreciable fixed assets are added to the cost of fixed assets and is depreciated over the remaining life of the respective asset and in other cases, is recorded under the head 'Foreign Currency Monetary Item Translation Difference Account' and is amortised over period not extending beyond, earlier of 31 March 2020 or maturity date of underlying long term foreign currency monetary items.

(iv) Derivative instruments and hedge accounting: Outstanding contracts as at the reporting date are restated at the exchange rate prevailing on that date. In respect of contracts entered into to hedge foreign currency and interest rate risk, gain/losses on settlement and losses on restatement (by marking them to market) at the Balance Sheet date are recognised in the Consolidated Statement of Profit and Loss or in case of hedge contracts for long term foreign currency monetary items relating to acquisition of depreciable Fixed asset in which case they are adjusted to the carrying cost of such fixed assets.

L. Retirement and other employee benefits

i) Contributions to the provident fund, a defined contribution scheme, are charged to the Consolidated Statement of Profit and Loss for the period when the contributions are due.

ii) Gratuity liability is accrued on the basis of an actuarial valuation made at the end of the year. The actuarial valuation is performed by an independent actuary as per projected unit credit method, except for the subsidiary companies namely, Varun Beverages (Nepal) Private Limited and Varun Beverages (Zambia) Private Limited where gratuity liability is provided on full cost basis.

L. Retirement and other employee benefits (Cont'd)

iii) Accumulated leave, which is expected to be utilised within next twelve months, is treated as short term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are computed based on the actuarial valuation performed by an independent actuary using the projected unit credit method at the year end except for the subsidiary companies namely, Varun Beverages (Nepal) Private Limited, Varun Beverages (Zambia) Private Limited and Varun Beverages Mozambique Limitada where accumulated leave liability is provided on full cost basis.

iv) Actuarial gains/losses are immediately taken to the Consolidated Statement of Profit and Loss.

M. Employee stock options

Accounting value of stock options is determined on the basis of 'Intrinsic Value' representing the excess of the fair market value of Company's equity share on the date of grant over the exercise price of the options granted under the "Employees Stock Option Scheme" of the Company, and is being amortised as "Employee Benefits Expense" on a straight-line basis over the vesting period in accordance with the Guidance Note 18 "Share Based Payments" issued by the Institute of Chartered Accountants of India.

N. Earnings/(loss) per share

Basic earnings/ (loss) per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings/(loss) per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

O. Provisions, contingent liabilities and contingent assets

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

Contingent assets are not recognised.

P. Cash and cash equivalents

Cash and cash equivalents for cash flow statement comprises cash at bank and in hand and short-term investments with an original maturity of three months or less.

Q. Government grants

Grants from the government are recognised when there is reasonable assurance that the grant will be received and all underlying conditions will be complied with.

Where the grants are in the nature of promoter's contribution and no repayment is expected, then they are treated as capital reserve. Grants that are determined to be of revenue nature are deducted from the related expenses.

R. Income taxes

Relating to Indian entity

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Minimum Alternate Tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the entity will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and is disclosed as MAT credit entitlement. The entity reviews this balance at each balance sheet date and writes down the carrying amount to the extent there is no longer convincing evidence that the entity will pay normal income tax during the specified period.

Relating to overseas entity

Tax provisions for overseas subsidiaries/ associates are determined in accordance with the tax laws of their respective country of incorporation.

For a period of six years reckoned from the year of assessment as may be determined by the Board of Investment of Sri Lanka (BOI) ("tax exception period") the provisions of the Inland Revenue Act No. 10 of 2006 relating to the imposition, payment and recovery of income tax in respect of the profits and income of the enterprise, i.e., Varun Beverages Lanka (Private) Limited shall not apply to the profit and income of the enterprise.

R. Income taxes (Cont'd)

For the above purpose the year of assessment shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations, whichever year is earlier, as specified in a certificate issued by the Board of Investment of Sri Lanka (BOI).

After the aforesaid tax exemption period referred to above, the profits and income of the Enterprise shall be charged at the rate of fifteen percent.

Deferred taxes

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the entity has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the entity re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The entity writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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3. Share capital

	As at 31 December 2016	As at 31 December 2015
	₹ in million, except as stated otherwise	
Authorised share capital		
500,000,000 (Previous year 500,000,000) equity shares of ₹ 10 each	5,000.00	5,000.00
50,000,000 (Previous year 50,000,000) preference shares of ₹ 100 each	5,000.00	5,000.00
	10,000.00	10,000.00
Issued, subscribed and fully paid-up		
182,312,525 (Previous year 133,766,165) equity shares of ₹ 10 each	1,823.13	1,337.66
Nil (Previous year 45,000,000) compulsorily convertible preference shares of ₹ 100 each	-	4,500.00
	1,823.13	**5,837.66**

a) Reconciliation of share capital

Equity shares

Particulars	No. of shares	Amount
Balance as at 01 January 2016	133,766,165	1,337.66
Add: Shares issued on conversion of debentures	21,054,387	210.55
Add: Shares issued on conversion of compulsorily convertible preference shares	10,227,273	102.27
Add: Shares issued on initial public offering	15,000,000	150.00
Add: Shares issued on exercise of employee stock options	2,264,700	22.65
Balance as at 31 December 2016	**182,312,525**	**1,823.13**

Particulars	No. of shares	Amount
Balance as at 01 January 2015	133,766,165	1,337.66
Add: Transactions during the year	-	-
Balance as at 31 December 2015	**133,766,165**	**1,337.66**

Compulsorily convertible preference shares ("CCPS")

Particulars	No. of shares	Amount
Balance as at 01 January 2016	45,000,000	4,500.00
Less: CCPS converted into equity shares	(45,000,000)	(4,500.00)
Balance as at 31 December 2016	-	-

Particulars	No. of shares	Amount
Balance as at 01 January 2015	20,000,000	2,000.00
Add: Issued during the year	25,000,000	2,500.00
Balance as at 31 December 2015	45,000,000	4,500.00

b) Terms/rights attached to shares

Equity shares

The Company has only one class of equity shares having a par value of ₹ 10 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

Compulsorily convertible preference shares

CCPS were compulsorily convertible into equity shares upon expiry of five years from allotment date at a price which was to be calculated at the valuation of the Company computed by an independent valuer or at a price not lower than breakup value (as defined in share subscription agreement), whichever was higher. CCPS were to be mandatorily converted into equity shares prior to a) filing of the red herring prospectus or, b) a third party private equity investment or, c) the conversion of Compulsorily Convertible Debentures. The holders of CCPS had no rights to receive notices of, attend or vote at general meetings except in certain limited circumstances.

Each CCPS was entitled to receive dividend at the rate of 10% in the fourth year and at the rate of 20% in the fifth year from the date of issue. There is no dividend for the first three years from the date of issue.

c) Details about issue of shares made for a particular purpose and the whole or part of the amount has not been used for the purpose as at the balance sheet date, details of how such unutilised amounts have been used or invested.

	As at 31 December 2016	As at 31 December 2015
Balance at the beginning of the year	-	2,000.00
Gross proceeds received from the issue of CCPS	-	2,500.00
Amount utilised till end of the year	-	4,500.00
Unutilised amount at the end of the year	-	-

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3. Share capital (cont'd)

d) Employee stock options

Terms attached to stock options granted to employees are described in Note 43 regarding employee share based payments.

e) List of shareholders holding more than 5% of the equity share capital of the Company at the beginning and at the end of the year:

Shareholders as at 31 December 2016	No. of shares	%
RJ Corp Limited	49,932,870	27.39%
Ravi Kant Jaipuria & Sons (HUF)	39,187,870	21.49%
Mr. Varun Jaipuria	39,175,500	21.49%
Standard Chartered Private Equity Mauritius II Limited	12,840,202	7.04%
Shareholders as at 31 December 2015	**No. of shares**	**%**
R J Corp Limited	45,387,415	33.93%
Ravi Kant Jaipuria & Sons (HUF)	44,187,870	33.03%
Mr. Varun Jaipuria	44,175,500	33.02%

List of shareholders holding more than 5% of the preference share capital of the Company at the beginning and at the end of the year:

There are no preference share capital outstanding as at 31 December 2016.

Shareholders as at 31 December 2015	No. of shares	%
RJ Corp Limited	20,000,000	44.44%
Devyani Hotels and Resorts Private Limited	25,000,000	55.56%

	As at 31 December 2016	As at 31 December 2015
f) Shares reserved for issue under options and contracts:		
Under Employee Stock Option Scheme, 2013:		
No. of equity shares of ₹ 10 each at an exercise price of ₹ 149.51 per share	2,675,400	2,675,400
Less : Options lapsed during the year	58,000	-
Less: Shares issued on exercise of employee stock options	2,264,700	-
	352,700	**2,675,400**

g) Details of shares issued pursuant to contract without payment being received in cash, allotted as fully paid up by way of bonus issues and brought back during the last 5 years to be given for each class of shares:

During the year 2013, the Company issued 26,752,733 equity shares of Rs 10 each for consideration other than cash. The Company cancelled 7,999,500 equity shares of Rs10 each pursuant to the scheme of amalgamation of Varun Beverages (International) Limited with Varun Beverages Limited approved by Hon'ble High Court of Delhi on 12 March 2013. Also, 107,012,932 equity shares of ₹10 each have been issued in the ratio of 4:1 as bonus shares during the year 2013.

h) Pursuant to Initial Public Offering (IPO), 15,000,000 equity shares of the Company of ₹10 each were allotted at ₹445 per equity share:

Date of allotment	No. of shares	Amount	
		Share capital	Securities premium
4 November 2016	15,000,000	150.00	6,525.00

The equity shares of the Company were listed on Bombay Stock Exchange and National Stock Exchange w.e.f. 08 November 2016.

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4. Reserves and surplus

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Capital reserve		
Balance at the beginning of the year	606.37	615.02
Less: Transferred to Consolidated Statement of Profit and Loss (Refer note 2.3 C)	(6.53)	(17.37)
Less : Amount adjusted with goodwill on consolidation (Refer note 53)	(135.39)	-
Add : Other adjustments	-	8.72
Balance at the end of the year	464.45	606.37
General reserve		
Balance at the beginning of the year	-	-
Add: Transferred from debenture redemption reserve	191.25	-
Balance at the end of the year	191.25	-
Debenture redemption reserve		
Balance at the beginning of the year	19.96	-
Add: Additions made during the year	171.29	-
Less: Transferred to general reserve	(191.25)	19.96
Balance at the end of the year	-	19.96
Securities premium reserve		
Balance at the beginning of the year	-	-
Add: Additions made on issue of equity shares (Refer Note 3(h))	6,525.00	-
Add: Additions made on conversion of debentures into equity shares	3,939.44	-
Add: Additions made on conversion of preference shares into equity shares	4,397.73	-
Add: Additions made pursuant to exercise of employee stock options	315.94	-
Less: Amount utilised for share issue expenses (Refer Note 51)	(222.15)	-
Balance at the end of the year	14,955.96	-
Foreign currency translation reserve		
Balance at the beginning of the year	(79.79)	(32.68)
Add: Adjustment during the year	(133.91)	(47.11)
Balance at the end of the year	(213.70)	(79.79)
Surplus in the Consolidated Statement of Profit and Loss		
Balance at the beginning of the year	364.56	(745.90)
Less: Transferred to debenture redemption reserve	(171.29)	(19.96)
Add: Profit for the year	1,512.56	1,130.42
Balance at the end of the year	1,705.83	364.56
Foreign currency monetary item translation difference account		
Balance at the beginning of the year	(5.99)	32.53
Add: Additions made during the year	10.91	(97.14)
Less: Amortised during the year	(6.83)	(58.62)
Balance at the end of the year	11.75	(5.99)
	17,115.54	**905.11**

The Group has exercised the option granted by notification G.S.R. 914(E) dated 29 December 2011 issued by the Ministry of Corporate Affairs. Accordingly, the exchange differences arising on revaluation of long term foreign currency monetary items, other than for acquisition of fixed assets, are being amortised over the maturity period of such monetary items. It includes adjustment of ₹ 43.37 (previous year ₹ 179.32) and amortisation of ₹ 55.37 (previous year ₹ 89.89) pertaining to subsidiaries.

5. Long-term borrowings

	As at 31 December 2016	As at 31 December 2015
Compulsorily convertible debentures (unsecured)	-	4,149.98
Non-convertible debentures (secured)	-	200.00
Non-convertible debentures (unsecured)	-	3,000.00
Term loans (secured)		
from banks	8,012.01	6,233.26
from financial institutions	520.10	1,118.39
from others	40.19	44.48
Deferred value added tax (unsecured)	1,060.27	1,049.08
Deferred excise duty (unsecured)	0.17	-
	9,632.74	**15,795.19**

a) Terms and conditions of issue and conversion/redemption of Compulsorily convertible debentures (CCDs) are as under:

Since all the CCDs have been converted to equity share capital as at year end, there are no CCDs outstanding as at 31 December 2016. The particulars as at 31 December 2015 are as under:

No. of debentures	Date of issue	Face value (₹)
1,249,980	18 July 2011	1,000
1,250,000	30 November 2011	1,000
1,650,000	05 October 2012	1,000

The Company was required to conduct a qualified initial public offer ('QIPO') not later than 48 months from the date of issue of first tranche. If a QIPO by the Company had not been completed prior to the QIPO deadline date on account of the market conditions or non-receipt of internal or external approvals that were required for such QIPO, the Company and the promoters (as defined in the subscription agreement) had to ensure that such QIPO occurred within six years from the first completion date. The CCDs were to be converted into such number of equity shares based on the lower-end of the price band at which the QIPO was proposed, to enable the debenture holders to realise the agreed return of 18.5% from the equity shares resulting from such conversion. CCDs were compulsorily convertible into equity shares in an initial public offer (IPO). In the event the Company had not filed a Draft Red Herring Prospectus for QIPO with the Securities and Exchange Board of India on or before 31 May 2017, the debenture holders had various exit options including 14% per annum coupon and put option on promoters at an agreed return. The coupon in that case would have been payable as per the terms of underlying agreement.

b) Terms and conditions of issue and redemption of Non-convertible debentures (NCDs) are as under:

i) Issued to RBL Bank Limited

During the year ended 31 December 2016, the Company has called-up the balance amount of ₹ 1,800 in single installment, i.e. 90 percent of the face value of debenture, as per the terms of the underlying agreement. The NCDs were repaid during the year from the proceeds of IPO. There were no NCDs outstanding as at 31 December 2016 and details of NCDs as at 31 December 2015 are as under:

No. of NCDs	Date of issue	Face Value (₹)	Paid-up value (₹)
2,000	1 December 2015	1,000,000	100,000

The Rated Secured Listed Redeemable Rupee Denominated NCD (2000) were redeemable at par in 5 years from the deemed date of allotment and carried a coupon rate of SBI base rate plus 60 basis points. The NCDs were redeemable 30%, 30% and 40% at the end of year third, fourth and fifth years unless redeemed earlier. These NCDs were secured by way of first pari-passu charge on the specified fixed assets of the Company to the extent of 1.25 times of NCDs outstanding.

Details of utilisation

	As at 31 December 2016	As at 31 December 2015
Balance at the beginning of the year	-	-
Gross proceeds received	1,800.00	200.00
Amount utilised	1,800.00	200.00
Unutilised amount at the end of the year	-	-

The Audit Committee and Board of Directors of the Company noted the utilisation of the proceeds of NCDs for the year ended 31 December 2016 and 31 December 2015, which was in line with utilisation schedule approved by the Board of Directors. The unutilised amount from the proceeds of NCDs as on 31 December 2016 and 31 December 2015 was ₹ Nil.

ii) Issued to AION Investments II Singapore PTE Ltd

During the year ended 31 December 2016, the Company has redeemed all the NCDs issued to AION Investments II Singapore PTE Ltd, there were no NCDs outstanding as at 31 December 2016. Details of NCDs as at 31 December 2015 are as under:

No. of NCDs	Date of issue	Face value (₹)	Paid-up value (₹)
300	30 September 2015	10,000,000	10,000,000

NCDs were rated unsecured and carried a coupon rate of 14% for the first eighteen months and 17% thereafter. NCDs were redeemable by the Company on the tenth anniversary from the date of allotment ('Final Redemption Date'). The Company and its affiliates (as defined in the underlying agreement) had right to redeem the NCDs, prior to the final redemption date, under the circumstances and subject to the conditions stated in the underlying agreement.

Details of utilisation

	As at 31 December 2016	As at 31 December 2015
Gross proceeds received from the issue of NCDs	-	3,000.00
Amount utilised	-	3,000.00
Unutilised amount as at the end of the year	-	-

The Audit Committee and Board of Directors of the Company noted the utilisation of the proceeds of NCDs for the year ended 31 December 2015, which was in line with utilisation schedule approved by the Board of Directors. Out of the proceeds of ₹ 3,000, the unutilised amount from the proceeds of NCDs as on 31 December 2015 was ₹ Nil.

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5. Long-term borrowings (Cont'd)

₹ in million, except as stated otherwise

c) Terms and conditions/details of securities for loans are as under:

Name of the bank/instrument	31 December 2016		31 December 2015	
	Non-current	Current	Non-current	Current
Term loans from banks (secured)				
Loan carrying rate of interest of LIBOR+2.5% (Previous year LIBOR+2.5%) and is repayable in equal quarterly instalments ending January 2016.	-	-	-	82.91
This loan is secured by way of first pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II and movable assets in the name of the Company at head office, Gurugram (excluding the assets exclusively charged to other lenders).				
Loan carrying rate of interest of LIBOR+2.65% (Previous year LIBOR+2.65%) and is repayable in half yearly instalments ending August 2018. The Company has taken cross currency interest plus rate swap on aforesaid loan and interest there on.	339.77	339.77	663.26	331.63
This loan is secured by way of first pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida Unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II, Panipat, Jainpur, Bazpur, Sathariya, Phillaur and movable assets in the name of the Company at head office, Gurugram (including territory rigthts acquired from PepsiCo India Holdings Private Limited and excluding the assets exclusively charged to other lenders).				
Loan carrying rate of interest of LIBOR+3.55% (previous year LIBOR+3.55%) and is repayable in half yearly instalments ending in 2019.	244.55	224.72	458.66	219.65
This loan is secured by way of charge on imported plant and machinery of Varun Beverages (Lanka) Private Limited and corporate guarantee of Company, i.e., Varun Beverages Limited.				
Loans carrying weighted average rate of interest 9.78% (Previous year 11.11%) depending upon tenure of the loans. These loans are repayable in monthly / quarterly / half yearly instalments ranging from 2-6 years.	6,821.02	1,061.38	4,784.40	1,038.24
These loans are secured by way of first pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida Unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II, Panipat, Jainpur, Bazpur, Sathariya, Phillaur and movable assets in the name of the Company at head office, Gurugram (including territory rigthts acquired from PepsiCo India Holdings Private Limited and excluding the assets exclusively charged to other lenders).				
Loans at Varun Beverages Lanka (Private) Limited are carrying rate of interest of 13-15.23% (previous year 9.50-11%) depending upon tenure of the loan. These loans are repayable in 72 months after a period of one year from the date of disbursement.	85.13	94.95	134.19	116.85
These loans are secured by way of first pari-passu charge on movable and immovable fixed assets and other assets of Varun Beverages (Lanka) Private Limited and also corporate guarantee of the Company.				
Loan at Varun Beverages Morocco SA is carrying rate of interest of 5.50% (previous year : 5.45-5.50%). This loan is repayable within 1 year.	-	93.56	90.55	224.30
This loan is secured by way of first pari-passu charge on movable and immovable fixed assets of Varun Beverages Morocco SA, assignment of insurance policy in favour of the lenders and promissory note in favour of lenders.				
Loan at Varun Beverages Mozambique Limitada is carrying rate of interest of 30%. This loan is repayable in 2 years.	0.41	0.62	-	-
These loans are secured by hypothecation of plant and machinery of 60 million Mozambique Meticals.				
Loan at Varun Beverages Mozambique Limitada is carrying rate of interest of 29.50%. This loan is repayable in 3 years.	36.39	6.17	-	-
This loan is secured by hypothecation of stock and trade receivables of Varun Beverages Mozambique Limitada.				
Loan at Varun Beverages (Zambia) Limited is carrying rate of interest of 33.75%. This loan is repayable in residual forty five numbers of equated monthly instalments.	67.40	31.80	-	-
The loan is secured by way of fixed and floating debenture over all assets of Varun Beverages (Zambia) Limited, including but not limited to plant, machinery, inventories, receivables to be shared on pari passu basis with Zambia National Commercial Bank Plc (ZANACO). Legal mortgage over factory premises situated at Stand No.37426, Mungwi Road Lusaka to be shared on pari passu basis with ZANACO. Loan subordination agreement for loans from group/parent companies. Personal Guarantee (under Indian Law) from Mr. Ravi Kant Jaipuria. Letter of undertaking from the major shareholders, committing to fund any cash flow deficit in Varun Beverages (Zambia) Limited's operations, loan repayments including interest thereon.				
Loan at Varun Beverages (Zambia) Limited is carrying rate of interest of 39%. This loan is repayable in forty eight instalments of Zambian Kwacha (ZMW) 272,916.66 payable monthly commencing one month after the first draw down.	40.69	22.19	-	-
This loan is securred by way of mortgage over property Number 37426 - Lusaka,amounting to ZMW 13,100,000, personal Guarantee (under Indian Law) from Mr. Ravi Kant Jaipuria and fixed and floating debenture in the bank's standard form covering all plant and machinery registered to cover ZMW 13,100,000 to rank pari passu with ZANACO.				
Loan at Varun Beverages (Zimbabwe) (Private) Limited is carrying rate of interest 7%. This loan is repayable in 15 years.	232.58	5.26	-	-
Varun Beverages (Zimbabwe) (Private) Limited secured a credit facility of USD 3.50 million from NMB Bank Limited on 29 December 2015 which is specifically earmarked for the purchase of land situated at number 1824 Ardbennie Township, Harare.				

5. Long-term borrowings (Cont'd)

₹ in million, except as stated otherwise

c) Terms and conditions/details of securities for loans are as under:

Name of the bank/instrument	31 December 2016		31 December 2015	
	Non-current	Current	Non-current	Current
Vehicle term loans (secured)				
Loans carrying rate of interest in range of 8.13-30% (Previous year 5-11%). They are repayable generally over a period of three to five years in instalments as per the terms of the respective agreements. Vehicle loans are secured against respective asset financed. Further loan outstanding of ₹18.02 (previous year ₹23.41) from NDB Bank is additionally secured by personal guarantee of Directors (other than KMPs of the Company) of Varun Beverages Lanka (Private) Limited.	144.07	90.37	102.20	71.19
Term loans from financial institutions (secured)				
Loan carrying rate of interest of 10.50% (Previous year 11.25%). This loan is repayable in half yearly instalments from June 2015 to July 2019. This loan is secured by way of first pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida Unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II, Panipat, Jainpur, Bazpur, Sathariya, Phillaur and movable assets in the name of the Company at head office, Gurugram (including territory rights acquired from PepsiCo India Holdings Private Limited and excluding the assets exclusively charged to other lenders).	350.00	200.00	1,100.00	100.00
Loan from The Pradeshiya Industrial & Investment Corporation of U.P. Limited is repayable in one instalment after expiry of seven years from the date of disbursement, i.e., 25 December 2023. The loan is interest free. Loan is secured against bank guarantee equivalent to 100% of loan amount valid upto the repayment date of loan plus six months grace period.	155.79	-	-	-
Loans at Varun Beverages (Zambia) Limited are carrying rate of interest of 30.5%. These loans are repayable generally over a period of two to three years in instalments as per the terms of the respective agreements. These loans are secured by charge on respective asset financed.	5.49	11.08	-	-
Loans at Varun Beverages Lanka (Private) Limited are carrying rate of interest of 14-14.50% (previous year 14-14.50%) depending upon tenure of the loan. These loans is repayable in 48-60 months. These loans are secured against respective asset financed and corporate guarantee of the Company.	8.82	8.93	18.39	8.05
Finance lease obligations from others (secured)				
These are repayable generally over a period of three to five years in instalments as per the terms of the respective agreements. These loans are secured against respective asset financed.	40.19	32.20	44.48	51.32
Deferred value added tax (unsecured)				
Deferred value added tax is repayable in 34 quarterly instalments starting from July 2013 to October 2021, first 33 quarterly instaments of ₹ 52.50 and last quarterly instalment of ₹ 51.59. Deferred value added tax at Varun Beverages (Zambia) Limited is repayable in instalments started in October 2015 and will be spread over five years. These loans are interest free.	1,060.27	279.15	1,049.08	210.00
Deferred excise at Varun Beverages (Zambia) Limited is repayable in instalments started in October 2015 and will be spread over five years. This loan is interest free.	0.17	56.01	-	-
	9,632.74	**2,558.16**	**8,445.21**	**2,454.14**

Personal guarantees provided by Mr. Ravi Kant Jaipuria for above loans aggregate to ₹ 1,036.65 (Previous year ₹ Nil).

6. Deferred tax liabilities (net)

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Deferred tax liabilities		
Timing difference on fixed assets (depreciation and amortisation)	2,752.30	2,358.79
Deferred tax assets		
Unabsorbed depreciation and carry forward losses	148.59	556.90
Provision for doubtful debts	55.89	50.30
Provision for bonus	14.41	13.03
Foreign currency monetary item translation difference account	66.94	64.95
Lease equalisation reserve	1.69	0.66
Provision for retirement benefits	244.74	188.32
Other expenses allowable on payment basis	62.20	55.78
	594.46	929.94
	2,157.84	**1,428.85**

Note : After setting off deferred tax assets aggregating ₹ 67.84 (Previous year ₹ 52.97) in respect of certain subsidiary companies.

7. Other long-term liabilities

	As at 31 December 2016	As at 31 December 2015
Capital creditors	3,313.16	6,252.10
Statutory dues payable under dispute	142.23	110.74
	3,455.39	**6,362.84**

8. Long-term provisions

	As at 31 December 2016	As at 31 December 2015
Provision for employee benefits (Refer note 38)		
Gratuity	460.07	331.51
Compensated absences	145.81	111.62
Liability for foreign currency derivative contract	17.52	-
	623.40	**443.13**

9. Short-term borrowings

	As at 31 December 2016	As at 31 December 2015
Loans repayable on demand from:		
-Body corporates (unsecured)*	339.26	-
-Others (unsecured)*	7.40	-
Working capital facilities		
-From banks (secured)	3,570.99	2,207.46
-From financial institutions (secured)	1.30	58.47
-From others (unsecured)	136.76	258.19
	4,055.71	**2,524.12**

a) Details of securities are as under:

i.) Working capital facilities from banks in case of the Company amounting to ₹ 1,478.22 (previous year ₹ 681.00) are secured by first charge on entire current assets of the Company ranking pari passu amongst the banks and second charge on the movable and immovable assets of the Company pertaining to specific manufacturing units. The working capital facilities carry interest rates ranging between 9.5 to 10.90% (Previous year 11 to 12%).

ii.) Working capital facilities from banks, financial institutions and others in case of subsidiaries except Varun Beverages (Zambia) Limited amounting to ₹ 1,772.64 (previous year ₹ 1,584.93) are secured by first charge on entire current assets of the respective subsidiary company ranking pari passu amongst the banks and second charge on the movable and immovable assets of the respective subsidiary company. Working capital facilities from banks at Varun Beverages (Zambia) Limited amounting to ₹ 317.09 are secured along with securities of term loans taken from Zambia National Commercial Bank Plc. and Indo Zambia Bank. Some of the facilities of subsidiaries are guaranteed by the Company and by respective subsidiary company, as per the terms of respective agreements. Some of the facilities are further secured by personal guarantee of Mr. Ravi Kant Jaipuria. The amount of personal guarantees outstanding at the end of the year is ₹ 222.14 (previous year ₹ 1,620.80). The working capital facilities carry interest rates ranging between 5.27 to 33.75 % (previous year 6 to 14.5%).

*Loan repayable on demand from body corporates and others at Varun Beverages (Zambia) Limited are interest free.

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10. Trade payables

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Trade payables		
Total outstanding dues to micro enterprises and small enterprises (Refer note 41)	7.23	1.44
Total outstanding dues of creditors other than micro enterprises and small enterprises	2,738.69	1,844.11
	2,745.92	**1,845.55**

11. Other current liabilities

	As at 31 December 2016	As at 31 December 2015
Current maturities of long-term debt	2,558.16	2,454.14
Interest accrued but not due on borrowings	60.16	148.40
Advances from customers	957.86	605.57
Capital creditors	3,459.68	3,292.69
Security deposits	2,026.18	1,472.29
Employee related payables	225.65	147.87
Lease equalisation reserve	4.87	1.92
Statutory dues payable	890.45	675.04
	10,183.01	**8,797.92**

12. Short-term provisions

	As at 31 December 2016	As at 31 December 2015
Provision for employee benefits (Refer note 38)		
Gratuity	65.02	83.62
Compensated absences	70.18	50.27
Provision for income tax (net of taxes paid)	294.88	238.17
	430.08	**372.06**

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13 Tangible assets

₹ in million, except as stated otherwise

Gross block	Land freehold *	Land leasehold* ~	Buildings	Plant and equipment#	Furniture and fixtures	Vehicles#	Office equipment	Computer equipments	Containers	Post-mix vending machines and refrigerators (Visi Cooler)#	Total
Balance as at 1 January 2015	3,406.81	1,139.63	3,834.72	12,069.10	118.56	1,047.69	99.86	111.10	3,005.05	5,229.27	30,061.79
Additions for the year	10.52	68.45	95.48	473.84	1.66	277.72	17.12	44.62	1,029.61	645.12	2,664.14
Disposals for the year	-	(5.11)	-	(85.44)	(0.11)	(12.63)	(2.09)	(4.10)	(490.20)	(33.24)	(632.92)
Transfer/ adjustment for the year	-	-	(0.14)	13.77	-	-	-	(0.13)	-	-	13.50
Acquired on business acquisition during the year	346.32	943.88	898.20	4,310.94	19.11	13.74	25.07	-	779.02	2,402.11	9,738.39
Foreign exchange fluctuation for the year	(53.23)	-	(44.11)	(169.76)	(0.99)	(2.18)	(0.30)	(1.98)	(56.66)	(61.06)	(390.27)
Balance as at 31 December 2015	3,710.42	2,146.85	4,784.15	16,612.45	138.23	1,324.34	139.66	149.51	4,266.82	8,182.20	41,454.63
Acquired on business acquisition/subsidiaries acquisition during the year	277.93	211.19	448.17	1,170.56	17.35	185.19	5.68	7.30	599.18	345.82	3,268.37
Additions for the year	360.86	244.58	281.43	976.20	4.10	224.41	16.67	33.67	872.60	1,140.42	4,154.94
Disposals for the year	(54.99)	-	-	(81.44)	(0.27)	(30.39)	(1.52)	(10.59)	(596.28)	(498.91)	(1,274.39)
Foreign exchange fluctuation for the year	(25.65)	0.02	1.89	(11.89)	0.16	(9.15)	(0.94)	(0.18)	(27.38)	(9.40)	(82.52)
Balance as at 31 December 2016	4,268.57	2,602.64	5,515.64	18,665.88	159.57	1,694.40	159.55	179.71	5,114.94	9,160.13	47,521.03
Accumulated depreciation											
Balance as at 1 Jan 2015	-	31.98	762.08	2,959.96	57.65	599.36	67.18	73.41	1,438.29	2,318.57	8,308.48
Depreciation charge for the year^	-	34.72	146.23	807.33	11.39	195.39	11.60	20.87	414.93	880.55	2,523.01
Transfer/ adjustment for the year	-	-	(0.01)	0.01	-	-	-	(0.01)	-	(5.85)	(5.86)
Reversal on disposal of assets for the year	-	(0.21)	-	(16.73)	(0.06)	(10.43)	(1.09)	(2.76)	(351.50)	(15.78)	(398.56)
Foreign exchange fluctuation for the year	-	-	(4.74)	(23.92)	(0.46)	(5.16)	(0.24)	(1.42)	(21.59)	(31.67)	(89.20)
Balance as at 31 December 2015	-	66.49	903.56	3,726.65	68.52	779.16	77.45	90.09	1,480.13	3,145.82	10,337.87
Acquired on business acquisition/subsidiaries acquisition during the year	-	0.01	66.56	209.35	7.28	112.54	1.88	6.94	355.11	113.08	872.75
Depreciation charge for the year	-	29.76	184.90	1,047.07	15.42	169.58	16.70	26.96	642.58	1,083.80	3,216.77
Reversal on disposal of assets for the year	-	-	-	(43.72)	(0.24)	(22.39)	(0.41)	(9.54)	(438.90)	(411.50)	(926.70)
Foreign exchange fluctuation for the year	-	(0.01)	(14.86)	(36.03)	(0.01)	(12.60)	(0.27)	(0.65)	(36.03)	(10.58)	(111.04)
Balance as at 31 December 2016	-	96.25	1,140.16	4,903.32	90.97	1,026.29	95.35	113.80	2,002.89	3,920.62	13,389.65
Net block											
Balance as at 31 December 2015	**3,710.42**	**2,080.36**	**3,880.59**	**12,885.80**	**69.71**	**545.18**	**62.21**	**59.42**	**2,786.69**	**5,036.38**	**31,116.76**
Balance as at 31 December 2016	**4,268.57**	**2,506.39**	**4,375.48**	**13,762.56**	**68.60**	**668.11**	**64.20**	**65.91**	**3,112.05**	**5,239.51**	**34,131.38**

*Gross block includes revaluation of land amounting to ₹ 2,782.95 as on 01 January 2012 based on valuation determined by external valuer.

~During the year, the Company has acquired leasehold land at Pathankot for ₹ 197.10 (Previous year Nil) which is yet to be registered in the name of the Company.

^Depreciation of ₹ 3.14 for the year 2011 has been adjusted in capital reserve.

#includes gross value of assets taken on finance lease aggregating to ₹ 286.37 (previous year ₹ 246.55), accumulated depreciation of ₹ 166.06 (previous year ₹ 121.99) and depreciation for the year ₹ 45.08 (previous year ₹ 40.03).

14 Intangible assets

₹ in million, except as stated otherwise

Gross block	Market infrastructure	Franchise rights/ trademarks	Software	Total
Balance as at 1 January 2015	338.81	1,403.51	139.31	1,881.63
Additions for the year	5.68	-	54.32	60.00
Acquired on business acquisition during the year	-	2,946.61	-	2,946.61
Disposals for the year	-	-	(0.87)	(0.87)
Foreign exchange fluctuation for the year	(16.81)	-	(0.52)	(17.33)
Balance as at 31 December 2015	327.68	4,350.12	192.24	4,870.04
Additions for the year	5.43	-	34.73	40.16
Acquired on acquisition of subsidiaries during the year	-	0.78	5.48	6.26
Disposals for the year	-	-	(0.27)	(0.27)
Foreign exchange fluctuation for the year	0.33	0.10	(0.28)	0.15
Balance as at 31 December 2016	333.44	4,351.00	231.90	4,916.34
Accumulated amortisation				
Balance as at 1 January 2015	206.06	268.78	86.43	561.27
Amortisation charge for the year	64.12	388.19	27.03	479.34
Reversal on disposal of assets for the year	-	-	(0.26)	(0.26)
Foreign exchange fluctuation for the year	(8.89)	-	(0.33)	(9.22)
Balance as at 31 December 2015	261.29	656.97	112.87	1,031.13
Acquired on acquisition of subsidiaries during the year	-	-	2.84	2.84
Amortisation charge for the year	42.15	435.05	36.20	513.40
Reversal on disposal of assets for the year	-	-	(0.10)	(0.10)
Transfer/ adjustment for the year	-	-	(0.40)	(0.40)
Foreign exchange fluctuation for the year*	(0.35)	0.00	(0.21)	(0.56)
Balance as at 31 December 2016	303.09	1,092.02	151.20	1,546.31
Net block				
Balance as at 31 December 2015	**66.39**	**3,693.15**	**79.37**	**3,838.91**
Balance as at 31 December 2016	**30.35**	**3,258.98**	**80.70**	**3,370.03**

* Rounded off to ₹ Nil

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15. Non-current investments

(Valued at cost unless stated otherwise)

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Non-trade investment (unquoted)		
Investment in associate		
35,474 (Previous year 35,474) fully paid up equity shares of ₹ 10 each in Angelica Technologies Private Limited (capital reserve on acquisition amounting to ₹ 10.40 (previous year ₹ 10.40))	0.35	0.35
Add: Share in profit	55.84	32.38
	56.19	**32.73**
Aggregate amount of unquoted investment	56.19	32.73

The above investment is for business purposes.

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16. Long-term loans and advances

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
(Unsecured considered good, unless otherwise stated)		
Income tax paid (includes amount paid under protest)	52.21	59.44
MAT credit entitlement	1,234.28	690.06
Balance with statutory authorities (paid under dispute)	37.04	20.75
Capital advances	1,243.85	641.02
Security deposits	223.38	181.50
	2,790.76	1,592.77

a) Security deposits include amount due from a company in which director of the Company is a director.		
RJ Corp Limited	35.49	35.49
The security deposits have been given for business purposes.		
b) Capital Advances include amount due from a company in which director of the Company is a director.		
Varun Developers Private Limited	446.67	402.34

17. Other non-current assets

	As at 31 December 2016	As at 31 December 2015
Balance in deposit accounts with more than 12 months maturity *	8.47	1.48
Prepaid expenses	34.52	48.64
	42.99	50.12

*Pledged as security with electricity department/banks

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18. Current investments

(Valued at lower of cost and fair value) ₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Investments in equity instruments (Unquoted, non-trade)		
200 (previous year 200) fully paid-up equity shares of ₹50 each in The Margao Urban Co-operative Bank Limited	0.01	0.01
250 (previous year 250) fully paid up equity shares of ₹10 each in the The Goa Urban Co-operative Bank Limited*	0.00	0.00
	0.01	**0.01**
Aggregate amount of unquoted investments	0.01	0.01

* Rounded off to ₹ Nil

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19. Inventories (valued at lower of cost or net realisable value)

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Raw material	2,461.95	1,896.47
Work-in-progress	87.31	86.16
Intermediate goods	823.55	668.82
Finished goods (including goods in transit of ₹ 14.75 (previous year ₹ 9.92))	651.29	587.92
Raw material in transit	83.89	391.66
Stores and spares	791.26	615.58
	4,899.25	**4,246.61**
Detail of raw material		
Concentrate	468.81	445.08
Sugar	396.52	133.51
Pet chips	617.11	441.17
Others	979.51	876.71
	2,461.95	1,896.47
Detail of work-in-progress		
Beverages	2.20	0.26
Crown	83.91	83.72
Lug cap	0.75	1.34
Others	0.45	0.84
	87.31	86.16
Detail of intermediate goods		
Preform	594.28	577.98
Crown	20.33	22.78
Cartons, pads and shrink film	208.94	68.06
	823.55	668.82
Detail of finished goods		
Beverages	611.70	538.41
Crown	8.04	16.68
Lug cap	0.63	3.67
Others	30.92	29.16
	651.29	587.92

20. Trade receivables

	As at 31 December 2016	As at 31 December 2015
Outstanding for a period exceeding six months from the due date		
Unsecured, considered good	353.87	326.25
Unsecured, considered doubtful	206.28	171.36
	560.15	497.61
Less : Provision for bad and doubtful debts	(206.28)	(171.36)
	353.87	326.25
Other debts		
Unsecured, considered good	949.28	652.85
Unsecured, considered doubtful	0.80	0.97
	950.08	653.82
Less : Provision for bad and doubtful debts	(0.80)	(0.97)
	949.28	652.85
	1,303.15	**979.10**
Includes amounts due by companies in which directors of the group are also director:		
a.) Varun Beverages (Zambia) Limited**	-	136.25
b.) Varun Beverages Mozambique Limitada**	-	21.25
c.) Devyani International (Nepal) Private Limited	0.21	0.15
d.) Devyani Food Street Private Limited	-	1.84
e.) Devyani International Limited	-	6.03
f.) Alisha Retail Private Limited	-	0.11
g.) Lemon Tree Hotels Limited	0.32	0.14
h.) Devyani Food Industries Limited	0.07	-

** became subsidiary of the Company w.e.f 01 January 2016, accordingly the amounts due as at 31 December 2016 have been eliminated in these consolidated financial statements.

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21. Cash and bank balances

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Cash and cash equivalents		
Balances with banks in current accounts	274.08	225.40
Cheques on hand	27.29	-
Cash on hand	23.63	17.49
	325.00	**242.89**
Other bank balances		
Deposits with original maturity more than 3 months but less than 12 months *	332.02	337.84
	657.02	**580.73**
*Pledged as security with statutory authorities/banks	0.74	6.58

22. Short-term loans and advances

	As at 31 December 2016	As at 31 December 2015
(Unsecured considered good, unless otherwise stated)		
Advances to:		
Employees	78.85	45.54
Contractors and suppliers	770.29	433.92
Others*	85.18	174.86
Balance with statutory authorities	371.46	380.80
Security deposits	9.03	4.38
Claims receivable	101.13	10.45
Government grant receivable	310.53	297.55
Amount recoverable**	59.70	53.91
	1,786.17	**1,401.41**

*Loans and advances include amount due from the following companies in which directors of the Company are also directors:

Varun Developers Private Limited	64.00	112.40
Devyani International (Nepal) Private Limited	-	13.24

**Amount recoverable include amount due from the following companies in which directors of the Company are also directors:

RJ Corp Limited	0.01	0.01

23. Other current assets

	As at 31 December 2016	As at 31 December 2015
Interest accrued on:		
Term deposits	3.46	2.40
Others	9.17	5.81
Prepaid expenses	85.90	85.95
	98.53	**94.16**

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24. Revenue ₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Revenue from operations (gross)		
Sale of products	44,954.06	38,759.64
Other operating revenue		
Scrap sales	193.35	204.11
Others	75.45	95.19
	268.80	299.30
	45,222.86	**39,058.94**
Detail of products sold		
Beverages	44,658.29	38,263.62
Crowns	103.85	150.07
Preforms	14.68	134.17
Lug caps	14.48	19.07
Others	162.76	192.71
	44,954.06	**38,759.64**

25. Other income

	Year ended 31 December 2016	Year ended 31 December 2015
Interest on:		
-bank deposits	15.05	15.80
-others	68.31	46.13
Net gain on foreign currency transactions and translations	10.25	-
Profit on sale of current investments	0.19	52.86
Excess provision written back	205.84	4.43
Miscellaneous	48.13	23.59
	347.77	**142.81**

26. Cost of materials consumed

	Year ended 31 December 2016	Year ended 31 December 2015
Raw material and packing material consumed		
Inventories at beginning of the year	1,896.47	1,326.62
Acquired on acquisition of subsidiaries	173.02	-
Purchases during the year (net)	17,243.09	15,011.55
	19,312.58	16,338.17
Sold during the year	(82.68)	(188.62)
Inventories at end of the year	(2,461.95)	(1,896.47)
	16,767.95	**14,253.08**
Detail of materials consumed		
Concentrate	3,996.82	4,463.84
Sugar	5,879.00	3,780.78
Pet chips	1,574.64	1,284.78
Others	5,317.49	4,723.68
	16,767.95	14,253.08

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27. Purchases of traded goods

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Beverages	823.05	3,092.31
Others	87.99	109.20
	911.04	**3,201.51**

28. Changes in inventories of finished goods, work-in-progress and traded goods

	Year ended 31 December 2016	Year ended 31 December 2015
As at the beginning of the year		
Finished goods	587.92	497.37
Intermediate goods	668.82	523.86
Work-in-progress	86.16	28.18
	1,342.90	1,049.41
Acquired on acquisition of subsidiaries		
Finished goods	33.38	-
	33.38	**-**
As at the closing of the year		
Finished goods	651.29	587.92
Intermediate goods	823.55	668.82
Work-in-progress	87.31	86.16
	1,562.15	1,342.90
Excise duty adjustment on inventories	(24.13)	(3.64)
Finished goods used as fixed assets	(154.17)	-
	(315.91)	**(289.85)**

Note: The Group manufactures as well as purchases the same product from market for sale. In the absence of demarcation between manufactured and purchased goods, stock in trade values are not separately ascertainable. Further, the Group uses both imported and indigenous raw materials and stores and spares in its manufacturing operations and in absence of separate records for imported and indigenous materials, the disclosures for consumption of imported and indigenous materials is not available.

29. Employee benefits expense

	Year ended 31 December 2016	Year ended 31 December 2015
Salaries and wages	3,851.08	2,904.98
Contribution to provident and other funds	220.53	181.85
Staff welfare expenses	191.95	150.68
	4,263.56	**3,237.51**

30. Finance costs

	Year ended 31 December 2016	Year ended 31 December 2015
Interest on:		
Term loans	1,177.73	1,095.28
Working capital facilities	328.29	232.74
Non-convertible debentures	552.97	108.64
Others	25.90	155.46
Other borrowing costs:		
Processing fees	63.01	95.79
	2,147.90	**1,687.91**

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31. Depreciation and amortisation expense

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Depreciation on tangible assets	3,216.77	2,712.12
Amortisation of intangible assets	513.40	479.34
Less: Transferred from capital reserve	(6.53)	(17.37)
	3,723.64	**3,174.09**

32. Other expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Power and fuel	1,563.94	1,311.53
Repairs and maintenance		
Plant and equipment	684.61	626.34
Buildings	67.48	43.21
Others	381.66	281.43
Stores and spares consumed	413.88	324.32
Rent	294.37	218.01
Rates and taxes	136.24	156.31
Insurance	33.65	25.24
Printing and stationery	37.76	29.89
Communication	83.48	63.88
Travelling and conveyance	351.35	290.68
Directors' sitting fee	4.23	1.50
Payment to the auditors as		
Auditor	13.04	7.94
Tax audit, tax representation and certification	1.62	1.20
Other services*	3.90	2.16
Reimbursement of expenses	1.69	0.96
Vehicle running and maintenance	175.92	105.47
Lease and hire charges	178.09	181.78
Security and service charges	213.54	134.24
Professional charges and consultancy	102.64	99.23
Bank charges	22.07	13.60
Advertisement and sales promotion	671.76	530.25
Meeting and conference	8.59	10.73
Royalty	213.93	188.51
Freight, octroi and insurance paid (net)	2,052.12	1,539.57
Delivery vehicle running and maintenance	449.91	418.43
Distribution expenses	185.70	114.36
Loading and unloading charges	216.82	178.98
Donations	0.98	1.17
Net loss on foreign currency transactions and translations	-	43.27
Fixed assets written off	113.20	74.53
Loss on sale of fixed assets (net)	113.34	40.25
Bad debts and advances written off	5.49	4.46
Provision for bad and doubtful debts	18.09	20.26
Corporate Social Responsibility expenditure (Refer note 48)	10.69	0.92
General office and other miscellaneous expenses	115.53	83.87
	8,941.31	**7,168.48**

*Excludes expense of ₹ 12.03 (previous year ₹ Nil) towards fee related to IPO of equity shares, which has been adjusted with the securities premium reserve as share issue expense.

33. Prior period items

	Year ended 31 December 2016	Year ended 31 December 2015
Excess provisions written back	-	(26.94)
Rates and taxes	-	77.18
Surplus on sale of lease back assets reversed	-	(13.64)
Adjustment for leases	-	(98.87)
Depreciation and amortisation	-	(192.25)
	-	**(254.52)**

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All amounts in ₹ in million, unless otherwise stated

34. Contingent liabilities and commitments	As at 31 December 2016	As at 31 December 2015
a. Guarantees issued on behalf of other companies	339.80	669.73
b. Counter guarantees given in respect of guarantees issued by the Group's bankers**.	276.30	83.87
c. Claims against the Group not acknowledged as debts (being contested):-		
i For excise and service tax	121.34	19.84
ii For sales tax / entry tax	796.46	42.71
iii For income tax	308.56	30.34
iv Others*	243.12	130.64

* excludes pending cases where amount of liability is not ascertainable.
Also refer note 5(a)
** excluding Nil (previous year ₹5.40) already considered as contingent liability in 34(c) above.

35. Capital commitments	As at 31 December 2016	As at 31 December 2015
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	2,771.35	1,355.27

36. Pre-operative expenses incurred on fixed assets and capitalised during the year are as under:

	For year ended 31 December 2016	For year ended 31 December 2015
Amount brought forward	24.97	1.47
Acquired from subsidairy	49.22	-
Add: **Incurred during the year**		
Net gain on foreign currency transactions	1.53	69.13
Other expenses	62.44	24.01
Less: **Capitalised during the year**	37.65	69.64
Amount carried over	**100.51**	**24.97**

37. Disclosure in respect of leases pursuant to Accounting Standard (AS 19) "Leases":

Operating leases:

The Group has taken various premises and other fixed assets on operating leases. The lease agreements generally have a lock-in-period of 1-5 years and are cancellable at the option of the lessee thereafter. Majority of the leases have escalation terms after certain years and are extendable by mutual consent on expiry of the lease. During the year, lease payments under operating leases amounting to ₹ 472.46 (previous year ₹ 399.79) have been recognised as an expense in the Consolidated Statement of Profit and Loss.

Non-cancellable operating lease rentals payable (minimum lease payments) for these leases are as follows:

	As at 31 December 2016	As at 31 December 2015
Payable within one year	16.93	5.90
Payable between one and five years	44.01	27.66
Payable after five years	9.75	17.54
Total	**70.69**	**51.10**

Finance leases :

In respect of fixed assets acquired on finance lease on or after 1 April 2001, the minimum lease rentals outstanding as at the year end are as follows:

	Total minimum lease payments outstanding		Future interest on outstanding lease payments		Present value of minimum lease payments	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Within one year	35.96	56.02	3.76	4.70	32.20	51.32
Later than one year and not later than five years	42.82	47.31	2.63	2.84	40.19	44.47
Total	**78.78**	**103.33**	**6.39**	**7.54**	**72.39**	**95.79**

Assets are taken on lease over a period of 3 to 5 years. There is no escalation clause in the lease agreements.

All amounts in ₹ in million, unless otherwise stated

38 Gratuity and other post-employment benefit plans

	Gratuity		Compensated Absences	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Reconciliation of opening and closing balances of the present value:				
Balance at the beginning of the year	421.29	225.53	161.89	109.80
Liability provided on acquisition of subsidiaries	2.21	-	3.39	-
Past service cost	-	97.13	-	10.35
Current service cost	70.87	55.94	50.66	45.94
Interest cost	30.51	16.57	12.51	8.38
Benefits settled	(24.84)	(13.27)	(16.74)	(8.27)
Actuarial loss/(gain)	54.16	41.62	4.47	(4.31)
Foreign exchange translation reserve	(0.24)	(2.23)	(0.19)	-
Balance at the end of the year	**553.96**	**421.29**	**215.99**	**161.89**
Change in plan assets				
Plan assets at the beginning of the year, at fair value	6.16	6.40	-	-
Expected return on plan assets	0.54	0.59	-	-
Actuarial gain/(loss)	1.80	(0.08)	-	-
Contributions	31.56	1.19	-	-
Benefits settled	(11.19)	(1.94)	-	-
Plan assets at the end of the year, at fair value	**28.87**	**6.16**	**-**	**-**
Reconciliation of present value of the obligation and the fair value of the plan assets:				
Present value of obligation at the end of the year	553.96	421.29	215.99	161.89
Fair value of plan assets at the end of the year	28.87	6.16	-	-
Closing funded status	(525.09)	(415.13)	(215.99)	(161.89)
Unfunded net liability recognised in the consolidated balance sheet	**(525.09)**	**(415.13)**	**(215.99)**	**(161.89)**
Consolidated Statement of Profit and Loss				
Past service cost	-	97.13	-	10.35
Current service cost	70.87	55.94	50.66	45.94
Interest cost	30.51	16.57	12.51	8.38
Expected return on plan assets	(0.54)	(0.59)	-	-
Actuarial loss/(gain)	52.36	41.70	4.47	(4.31)
Net cost recognised	**153.20**	**210.75**	**67.64**	**60.36**
Assumptions:				
Discount rate	6.70-13%	8-10%	6.70-13%	8-10%
Estimated rate of return on plan assets	6.29%	8.75%	Not Applicable	Not Applicable
Withdrawal rate	3-11%	3-11%	3-11%	3-11%
Salary increase	9-13%	11-12%	9-13%	11-12%
Retirement age (Years)	55-60	55-60	55-60	55-60

Amount recognised in current year and previous four years:

Assets/Liabilities	31 December 2012	31 December 2013	31 December 2014	31 December 2015	31 December 2016
1) Present value of obligation	75.74	155.83	225.53	421.29	553.96
2) Fair value of plan assets	6.96	7.63	6.40	6.16	28.87
3) Net liability recognised in balance sheet	68.78	148.20	219.13	415.13	525.09
4) Experience adjustments on plan liabilities- Gain/(Loss)	0.20	4.63	1.50	65.05	(12.72)
5) Experience adjustments on plan assets- (Loss)/Gain	(0.09)	0.01	(0.20)	(0.07)	1.80

The liability for gratuity and compensated absences for the subsidiary companies namely Varun Beverages (Nepal) Private Limited, Varun Beverages (Zambia) Private Limited and Varun Beverages Mozambique Limitada have been included on full cost basis.

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

Defined contribution plan:

Contribution to defined contribution plans, recognised as expense for the year is as under:

Employer's contribution to provident and other funds ₹ 220.53 (previous year ₹ 181.85).

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All amounts in ₹ in million, unless otherwise stated

39. Earnings per share

	For year ended 31 December 2016	For year ended 31 December 2015
Profit attributable to the equity shareholders	1,512.56	1,130.42
Weighted average number of equity shares outstanding during the year for calculating basic earning per share (nos.)	145,189,806	133,766,165
Employee stock options (nos.)	214,422	890,009
Conversion of the compulsorily convertible debentures and compulsorily convertible preference shares (nos.)	23,701,222	-
Weighted average number of equity shares for calculation of diluted earnings per share (nos.)	169,105,450	134,656,174
Nominal value of equity shares (₹)	10.00	10.00
Basic earnings per share (₹)	10.42	8.45
Diluted earnings per share (₹)	8.94	8.39

For the year ended 31 December 2015, the diluted earnings per share did not include the potential impact of cnversion of the CCPS and CCDs, since the conversion was dependent on future events which were not certain then. Accordingly, the potential dilutive equity shares as at 31 December 2015 arising from conversion of CCDs and CCPS could not be estimated reliably as at the end of previous year.

For the year ended 31 December 2016, the diluted earnings per share includes the potential impact of conversion of CCPS and CCD, upto the date of their conversion into equity shares.

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Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended 31 December 2016

40. Related party disclosures

A. Relationships

I. **Key managerial personnel (KMP):**

Mr. Ravi Kant Jaipuria	Director
Mr. Varun Jaipuria	Whole Time Director
Mr. Raj P. Gandhi	Whole Time Director
Mr. Kamlesh Kumar Jain	Whole Time Director
Mr. Christopher White (till 28 March 2016)	Whole Time Director
Mr. Kapil Agarwal	Whole Time Director

II. **Individuals/enterprises having significant influence:**
RJ Corp Limited
Ravi Kant Jaipuria & Sons (HUF)
Mr. Varun Jaipuria

III. **Relatives of KMP**:**
Mrs. Dhara Jaipuria
Mrs. Shashi Jain

V. **Entities where KMPs or relatives of KMPs exercise significant influence**:**
Devyani International Limited
Devyani Food Industries Limited
SVS India Private Limited
Alisha Retail Private Limited
Champa Devi Jaipuria Charitable Trust
Wellness Holdings Limited

** With whom the Group had transactions during the current year and previous year.

(This space has been left blank intentionally)

40. Related party disclosures (cont'd)

All amounts in ₹ in million, unless otherwise stated

B. The following transactions were carried out with related parties :-

Description	KMPs		Enterprises having significant influence		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of KMP		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Sale										
- Devyani International Limited	-	-	-	-	115.63	125.28	-	-	**115.63**	125.28
- Devyani Food Industries Limited	-	-	-	-	11.79	33.41	-	-	**11.79**	33.41
- Alisha Retail Private Limited	-	-	-	-	4.60	1.16	-	-	**4.60**	1.16
Purchase of spares										
- RJ Corp Limited	-	-	1.52	-	-	-	-	-	**1.52**	-
Contribution to corporate social responsibility activities										
- Champa Devi Jaipuria Charitable Trust	-	-	-	-	4.97	0.92	-	-	**4.97**	0.92
Travelling expenses paid										
- Wellness Holdings Limited	-	-	-	-	72.45	-	-	-	**72.45**	-
(Expenses incurred by the Group on behalf of others)/expenses incurred by others on behalf of the Group										
- Devyani International Limited	-	-	-	-	(0.05)	(0.40)	-	-	**(0.05)**	(0.40)
- RJ Corp Limited	-	-	(5.59)	(0.09)	-	-	-	-	**(5.59)**	(0.09)
- Devyani Food Industries Limited	-	-	-	-	(2.89)	(1.89)	-	-	**(2.89)**	(1.89)
Rent/ lease charges paid/(received)										
- RJ Corp Limited	-	-	73.55	66.35	-	-	-	-	**73.55**	66.35
- Ravi Kant Jaipuria & Sons (HUF)	-	-	6.25	6.00	-	-	-	-	**6.25**	6.00
- SVS India Private Limited	-	-	-	-	0.03	0.01	-	-	**0.03**	0.01
- Mrs. Dhara Jaipuria	-	-	-	-	-	-	1.94	1.80	**1.94**	1.80
- Mrs. Shashi Jain	-	-	-	-	-	-	0.48	0.47	**0.48**	0.47
Remuneration paid to the Directors										
- Mr. Raj P. Gandhi	31.08	28.11	-	-	-	-	-	-	**31.08**	28.11
- Mr. Varun Jaipuria	24.02	24.06	-	-	-	-	-	-	**24.02**	24.06
- Mr. Christopher White	10.45	20.82	-	-	-	-	-	-	**10.45**	20.82
- Mr. Kapil Agarwal	39.25	23.21	-	-	-	-	-	-	**39.25**	23.21
- Mr. Kamlesh Kumar Jain	7.53	6.88	-	-	-	-	-	-	**7.53**	6.88
Conversion of compulsorily convertible preference shares into equity shares										
- RJ Corp Limited	-	-	2,000.00	-	-	-	-	-	**2,000.00**	-
Initial Public Offering expenses incurred by the Group and recovered subsequently										
- Mr. Varun Jaipuria	63.63	-	-	-	-	-	-	-	**63.63**	-
- Ravi Kant Jaipuria & Sons (HUF)	-	-	63.63	-	-	-	-	-	**63.63**	-
Shares issued pursuant to exercise of Employee Stock Option Plan										
- Mr. Raj P. Gandhi	65.78	-	-	-	-	-	-	-	**65.78**	-
- Mr. Kapil Agarwal	65.78	-	-	-	-	-	-	-	**65.78**	-
- Mr. Kamlesh Kumar Jain	6.88	-	-	-	-	-	-	-	**6.88**	-
Balances outstanding at the end of year, net										
A. Receivable/(payable)										
- Devyani International Limited	-	-	-	-	(49.78)	6.03	-	-	**(49.78)**	6.03
- RJ Corp Limited	-	-	34.33	35.50	-	-	-	-	**34.33**	35.50
- Ravi Kant Jaipuria & Sons (HUF)	-	-	-	-	-	-	-	-	**-**	-
- Mr. Christopher White	-	(0.38)	-	-	-	-	-	-	**-**	(0.38)
- Mr. Varun Jaipuria	(1.31)	-	-	-	-	-	-	-	**(1.31)**	-
- Mr. Raj P. Gandhi	(1.13)	-	-	-	-	-	-	-	**(1.13)**	-
- Mr. Kapil Agarwal	(1.72)	-	-	-	-	-	-	-	**(1.72)**	-
- Mr. Kamlesh Kumar Jain	(0.28)	-	-	-	-	-	-	-	**(0.28)**	-
- Alisha Retail Private Limited	-	-	-	-	-	0.11	-	-	**-**	0.11
- Devyani Food Industries Limited	-	-	-	-	0.07	-	-	-	**0.07**	-
- Mrs. Shashi Jain	-	-	-	-	-	-	(0.04)	-	**(0.04)**	-

All amounts in ₹ in million, unless otherwise stated

41. Dues to small and micro enterprises:

	For year ended 31 December 2016	For year ended 31 December 2015
Principal amount outstanding	7.23	1.44
Interest due thereon	0.01	-
Interest paid by the Group in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	-	-
Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	0.24	-
Interest accrued and remaining unpaid as at year ended	0.25	-
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	0.25	-

The details of amounts outstanding to micro and small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 are as per information available with the Group.

42. The business activity of the Group predominantly fall within a single primary business segment viz manufacturing and sale of beverages. There are no separate reportable business segments. As part of secondary reporting for geographical segments, the Group operates in two principal geographical areas of the world, i.e., in India and other countries.

The following table presents revenue from operations, segment assets, segment liabilities and capital expenditure regarding geographical segments:

	31 December 2016	31 December 2015
Segment assets		
-Within India	38,283.57	35,633.62
-Outside India	14,007.61	8,731.78
Segment liabilities		
-Within India	26,259.66	32,811.02
-Outside India	7,092.27	4,811.61
Segment revenue-external turnover		
-Within India	29,210.71	28,376.08
-Outside India	9,309.37	5,565.41
Capital expenditure		
-Within India	4,675.61	14,826.82
-Outside India	2,495.20	645.71

All amounts in ₹ in million, unless otherwise stated

43. Employee share-based payment

Description of share based payments arrangements

During the year ended 31 December 2013, the Company granted stock options to certain employees of the Group, details of which are as under:

Employee Stock Option Plan 2013 (ESOP 2013)

The ESOP 2013 ("the Plan") was approved by the Board of Directors and the shareholders on 13 May 2013 and further amended by Board of Directors on 01 December 2015. The plan entitles key managerial personnel and employees of the Group to purchase shares in the Company at the stipulated exercise price, subject to compliance with vesting conditions. Stock options can be settled by issue of equity shares. As per the Plan, holders of vested options are entitled to purchase one equity share for every option at an exercise price of ₹149.51, which is 1.14 % above the stock price at the date of grant, i.e., 13 May 2013.

As the exercise price of the option is higher than the fair value of the Company's stock as of grant date, no expense has been recorded in the current year and previous year.

Particulars	**Employee Stock Option**
Vesting conditions	668,850 options on the date of grant ('First vesting')
	668,850 options on first day of January of the calendar year following the first vesting ('Second vesting')
	668,850 options on first day of January of the calendar year following the second vesting ('Third vesting')
	668,850 options on first day of January of the calendar year following the third vesting ('Fourth vesting')
	Notwithstanding any other clause of this Plan, no vesting shall occur until 01 December 2015 or fourth vesting, whichever is earlier
Exercise period	Stock options can be exercised within a period of 5 years from the date of vesting.

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the Plan are as follows:

	As at 31 December 2016 No. of Options	**As at 31 December 2015 No. of Options**
Outstanding at the beginning of the year	2,675,400	2,675,400
Options exercised during the year	(2,264,700)	-
Expired/lapsed during the year	(58,000)	-
Outstanding at the end of the year	**352,700**	**2,675,400**
Weighted average exercise price	**149.51**	**149.51**
Exercisable at the end of the year	352,700	2,006,550

The options outstanding have an exercise price and a weighted average contractual life as given below:

The ESOP 2013 Plan	**31 December 2016**	**31 December 2015**
No. of outstanding share options	352,700	2,675,400
Range of exercise price	149.51	149.51
Weighted average remaining life	3.94 years	4.93 years

(This space has been left blank intentionally)

All amounts in ₹ in million, unless otherwise stated

43. Employee share-based payment (Cont'd)

As permitted by the Guidance Note on accounting for Employee Share - based Payment, issued by the Institute of Chartered Accountants of India, the Company has elected to account for stock options based on their intrinsic value (i.e., the excess of fair market value of the underlying share over the exercise price) at the grant date rather than their fair value at that date. Had the compensation cost for employee stock options been determined on the basis of the fair value method as described in the said Guidance Note, the Group's net profit after tax would have been lower by Nil (previous year ₹101.36) and basic earnings per share would have been ₹ 10.42 (previous year ₹ 7.69) and diluted earnings per share would have been ₹ 8.94 (previous year ₹ 7.64) (Earnings per share information is expressed as ₹).

For purposes of the above proforma disclosures, the fair values are measured based on the Black-Scholes-Merton formula. Expected volatility, an input in this formula, is estimated by considering historic average share price volatility. The inputs used in the measurement of grant-date fair values are as follows:

	31 December 2016		31 December 2015	
	Options vested	**Options vested**	**Options vested**	**Options to be vested**
Number of options	2,006,550	668,850	2,006,550	668,850
Fair value on grant date (₹)	65.92	66.44	65.92	66.44
Share price at grant date (₹)	147.83	147.83	147.83	147.83
Fair value at exercise date (₹)	361.42	361.42	-	-
Exercise price (₹)	149.51	149.51	149.51	149.51
Expected volatility	16.63%	16.63%	16.63%	16.63%
Expected life	7.56 years	7.64 years	7.56 years	7.64 years
Expected dividends	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate (based on government bonds)	7.53%	7.53%	7.53%	7.53%

Employee Stock Option Plan 2016

The ESOS 2016 ("the Scheme") was approved by the Board of Directors and the shareholders on 27 April 2016. The Scheme entitles key managerial personnel and employees of the Company and its subsidiaries to purchase shares in the Company at the stipulated exercise price, subject to compliance with vesting conditions. Stock options can be settled by issue of equity shares. No options under this scheme have been granted upto the year ended 31 December 2016.

44. Pursuant to transfer pricing legislations under the Income-tax Act, 1961, the Company is required to use specified methods for computing arm's length price in relation to specified international and domestic transactions with its associated enterprises. Further, the Company is required to maintain prescribed information and documents in relation to such transactions. The appropriate method to be adopted will depend on the nature of transactions/ class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Company is in the process of updating its transfer pricing documentation for the current financial year. Based on the preliminary assessment, the management is of the view that the update would not have a material impact on the tax expense recorded in these consolidated financial statements. Accordingly, these consolidated financial statements do not include any adjustments for the transfer pricing implications, if any.

Provision for income tax is net of taxes paid of ₹ 341.50 (previous year ₹ 239.41) for current year tax and ₹ 564.66 (previous year ₹ 160.05) related to earlier assessment years for which assessment are not concluded.

45. During the previous year ended 31 December 2015, the Company has acquired beverages manufacturing units in Sathariya (Uttar Pradesh), Panipat (Haryana), Bazpur (Uttrakhand) and Jainpur (Uttar Pradesh) including franchisee rights for Punjab, Chandigarh, Himachal Pradesh, part of Haryana, part of Uttrakhand and eastern and central Uttar Pradesh territory from PepsiCo India Holdings Private Limited and Aradhana Drinks and Beverages Private Limited for a total consideration of ₹ 12,685 .00* as per the terms of business transfer agreement.

Fixed assets acquired under the aforesaid acquisition have been recorded based on the fair valuation of respective assets as assessed by the independent valuers as on the date of the acquisition and the current assets and liabilities taken over have been recorded at carrying value.

Details of assets and liabilities acquired:

Particulars	Amount
Tangible fixed assets	9,738.39
Intangible assets	2,946.61
Net assets taken over	12,685.00

*excluding receivable of ₹80.00 on account of net working capital adjustment.

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All amounts in ₹ in million, unless otherwise stated

46. During the year ended 31 December 2016, the Company had acquired two beverages manufacturing units in Phillaur (Punjab) and Satharia (Uttar Pradesh) under slump sale for a total consideration of ₹ 574.00 and ₹ 500.00 respectively as per the terms of business transfer agreements.

Fixed assets acquired under the aforesaid acquisition have been recorded based on the fair valuation of respective assets as assessed by the independent valuer as on the date of the respective acquisition and the current assets and liabilities taken over have been recorded at carrying value.

Details of assets and liabilities acquired:

	Phillaur (Punjab)	Satharia (Uttar Pradesh)
Tangible fixed assets	564.19	493.58
Current assets	33.95	7.74
Current liabilities	(24.14)	(1.32)
Net assets taken over	**574.00**	**500.00**

47. During the year ended 31 December 2016, the Company had acquired controlling stakes in entities which own manufacturing facilities and distribution rights of carbonated drinks of Pepsi brand in the Republics of Mozambique, Zambia and Zimbabwe.

Name of company of which shares are acquired	% of holding	Date of acquisition	Amount
Varun Beverages (Zambia) Limited	60%	01 January 2016	1,755.21
Varun Beverages Mozambique Limitada	51%	01 January 2016	0.13
Varun Beverages (Zimbabwe) (Private) Limited	85%	05 April 2016	0.06

48. In accordance with the provisions of section 135 of the Companies Act, 2013, the Board of Directors of the Company had constituted a Corporate Social Responsibility ('CSR') Committee. The Company has incurred expenses aggregating to ₹ 10.69 (previous year ₹ 0.92) for CSR activities.

Particulars	For the year ended 31 December 2016	For the year ended 31 December 2015
a) Gross amount required to be spent by the Company during the year	10.69	0.92
b) Amount spent during the year on the following:		
1. Construction/Acquisition of any asset	-	-
2. On purpose other than 1 above	10.69	0.92

49. The sale of products of the Group is seasonal.

50. The Company follows calendar year as its financial year as approved by the Company Law Board, New Delhi.

51. Amount utilised for share issue expenses primarily includes payment made for merchant banker fees, legal counsel fees, brokerage and selling commission, auditors fees, registrar to the issue, printing and stationary expenses, advertising and marketing expenes, statutory fees to regulator and stock exchanges and other incidental expenses towards Initial Public Offering ('IPO'). Of the total share issue expenses, expenses aggregating to ₹ 222.15 have been adjusted towards the securities premium reserve and expenses aggregating to ₹ 127.26 have been recovered from the selling shareholders. The recovery of expenses is in the proportion of shares offered for sale by the selling shareholders to total shares offered for IPO for all expenses except for expenses exclusively related to the Company.

52. During the year ended 31 December 2016, pursuant to Initial Public Offering (IPO), 25,000,000 equity shares of ₹ 10 each were allotted at a premium of ₹ 435 per share consisting of fresh issue of 15,000,000 equity shares and offer for sale of 10,000,000 equity shares by the selling shareholders for the purpose of repayment of debts and general corporate purposes. The Audit Committee and the Board of Directors noted the utilisation of funds raised through fresh issue of equity shares pursuant to IPO to be in line with the objects of the issue, the details of which are as follows:

Particulars	Amount
Gross proceeds received from IPO	6,675.00
Less: Share issue expenses	222.15
Net proceeds received from IPO	6,452.85
Amount utilised for:	
Repayment of debts	(5,400.00)
General corporate purposes	(1,052.85)
Unutilised amount as at 31 December 2016	**-**

53. Goodwill/capital reserve on consolidation as at the end of year is net of goodwill and capital reserve on consolidation of subsidiaries, details of which are as under:

	31 December 2016	31 December 2015
Goodwill on consolidation (including pre-acquisition losses absorbed by majority shareholder net of adjustment for current year ₹ 121.48 (previous year Nil)	2,358.61	111.51
Capital reserve on consolidation	226.53	246.90
Goodwill/(capital reserve) on consolidation (net)	2,132.08	(135.39)

54. Subsequent to 31 December 2016, the Board of Directors of the Company have authorised the management to increase the Company's controlling stake in Varun Beverages (Zambia) Limited from existing 60% up to 90% by acquiring further 15,000 shares and to reduce its stake in Varun Beverages Mozambique Limitada from existing 51% to 10% stake by selling its shares, subject to necessary approvals.

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56. Previous year amounts have been regrouped/ reclassified wherever considered necessary.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For and on behalf of Board of Directors of
Varun Beverages Limited

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No.:001329N

per **Arun Tandon**
Partner
Membership No. : 517273

For **O.P. Bagla & Co.**
Chartered Accountants
Firm Registration No.:000018N

per **Neeraj Kumar Agarwal**
Partner
Membership No. : 094155

Varun Jaipuria
Whole Time Director
DIN 02465412

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir P Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : 20 February 2017

55. Additional information, as required to Consolidated Financial Statements pursuant to Schedule III to the Companies Act, 2013

₹ in million, except as stated otherwise

Name of the entity	31 December 2016				31 December 2015			
	Net assets i.e., total assets minus total liabilities		Share of profit or loss		Net assets i.e., total assets minus total liabilities		Share of profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent								
Varun Beverages Limited	113.10%	21,418.72	123.46%	1,867.34	127.61%	8,604.21	134.15%	1,516.47
Foreign Subsidiaries								
Varun Beverages (Nepal) Private Limited	2.15%	406.79	21.65%	327.42	4.81%	324.15	11.78%	133.16
Varun Beverages Lanka (Private) Limited (Consolidated)	7.50%	1,420.10	-5.89%	(89.12)	10.92%	736.48	-19.20%	(217.07)
Varun Beverages Morocco SA	0.76%	144.50	-28.39%	(429.47)	0.46%	31.06	-35.39%	(400.02)
Varun Beverages (Zambia) Limited	-1.52%	(287.66)	20.08%	303.70	-	-	-	-
Varun Beverages Mozambique Limitada	-0.38%	(71.55)	-6.24%	(94.43)	-	-	-	-
Varun Beverages (Zimbabwe) (Private) Limited	0.02%	3.83	0.22%	3.28	-	-	-	-
Minority interest in all subsidiaries	-0.003%	(0.58)	-7.32%	(110.76)	-	-	-	-
Associate (as per equity method)								
Angelica Technologies Private Limited (Consolidated)	0.30%	56.19	1.55%	23.46	0.49%	32.73	1.14%	12.90
Inter group elimination	-21.92%	(4,151.67)	-19.12%	(288.86)	-44.29%	(2,985.86)	7.52%	84.98

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DECLARATION

Our Company certifies that all relevant provisions of Chapter VI and Schedule VII of the SEBI ICDR Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VI and Schedule VII of the SEBI ICDR Regulations. Our Company further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed by:

____

Name: Raj Pal Gandhi
Designation: Whole-time Director

Date: September 3, 2019
Place: Gurugram

DECLARATION

We, the Board of Directors of the Company certify that:

(i) the Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules thereunder does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the Issue shall be used only for the purposes and objects indicated in this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by:

____

Name: Raj Pal Gandhi
Designation: Whole-time Director

I am authorized by the QIP Committee, a committee of the Board of Directors of the Company, vide resolution dated September 3, 2019 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed: ____________________

Name: Raj Pal Gandhi
Designation: Whole-time Director

Date: September 3, 2019
Place: Gurugram

REGISTERED OFFICE AND CORPORATE OFFICE OF THE COMPANY

Varun Beverages Limited

Registered Office
F-2/7, Okhla Industrial Area, Phase I
New Delhi 110 020

Corporate Office
Plot No. 31, Institutional Area, Sector – 44
Gurgaon 122 002

Website: www.varunpepsi.com; CIN: L74899DL1995PLC069839

COMPLIANCE OFFICER FOR THE ISSUE

Ravi Batra
Chief Risk Officer and Group Company Secretary
Plot No. 31, Institutional Area
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Tel: +91 124 4643100; Fax: +91 124 4643303; E-mail: complianceofficer@rjcorp.in

BOOK RUNNING LEAD MANAGERS

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Kotak Mahindra Capital Company Limited
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Mumbai 400 051
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LEGAL COUNSEL TO THE ISSUE AS TO INDIAN LAW

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LEGAL COUNSEL TO THE BRLMS AS TO INTERNATIONAL LAW

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Republic of Singapore
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STATUTORY AUDITORS

Walker Chandiok & Co. LLP, Chartered Accountants
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Tel: +91 11 42787070

APAS & Co., Chartered Accountants
8/14 Basement, Kalkaji Extension
New Delhi – 110 019
Tel: +91 771 2226673

APPLICATION FORM

Indicative format of the Application Form

An indicative format of the Application Form is set forth below.

(*Note: The format of the Application Form included herein below is indicative and for the illustrative purposes only and no Bids in this Issue can be made through the sample Application Form. Our Company, in consultation with the Book Running Lead Managers, shall identify Eligible QIBs and circulate serially numbered copies of this Preliminary Placement Document and the Application Form, specifically addressed to such Eligible QIBs. Any application to be made in the Issue should be made only upon receipt of serially numbered copies of this Preliminary Placement Document and the Application Form and not on the basis of the indicative format below.*)

Varun Beverages Limited	**APPLICATION FORM** **Name of the Bidder** ____________________ **Form. No.**______
(Incorporated in the Republic of India under the provisions of the Companies Act, 1956) **Registered Office**: F-2/7, Okhla Industrial Area, Phase I, New Delhi 110 020; **Corporate Office**: Plot No. 31, Institutional Area, Sector – 44, Gurgaon 122 002; **CIN**: L74899DL1995PLC069839; **Website**: www.varunpepsi.com **Tel:** +91 124 4643100; **Email**: complianceofficer@rjcorp.in	**Date:** ______

QUALIFIED INSTITUTIONS PLACEMENT OF [●] EQUITY SHARES OF FACE VALUE ₹ 10 EACH (THE "EQUITY SHARES") FOR CASH, AT A PRICE OF ₹[●] PER EQUITY SHARE (THE "ISSUE PRICE"), INCLUDING A PREMIUM OF ₹[●] PER EQUITY SHARE, AGGREGATING TO ₹[●] MILLION IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED (THE "COMPANIES ACT"), READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES") AND CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") BY VARUN BEVERAGES LIMITED (THE "COMPANY") (AND SUCH ISSUE THE "ISSUE").

Only Qualified Institutional Buyers ("QIBs") as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations and which are not: (a) excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; or (b) restricted from participating in the Issue under SEBI ICDR Regulations and other applicable laws; are eligible to submit this Application Form. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the state securities laws of any state of the United States and, unless so registered, may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold outside the United States in 'offshore transactions' (as defined in Regulation S under the Securities Act) in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales are made. You should note and observe the solicitation and distribution restrictions contained in the sections entitled "Selling Restrictions" and "Transfer Restrictions" in the accompanying preliminary placement document dated September 3, 2019 (the "PPD")

ELIGIBLE NON-RESIDENT QIBS CAN PARTICIPATE IN THE ISSUE IN COMPLIANCE WITH FEMA REGULATIONS. ELIGIBLE FPIS ARE PERMITTED TO PARTICIPATE THROUGH THE PORTFOLIO INVESTMENT SCHEME UNDER THE RESPECTIVE SCHEDULES OF FEMA REGULATIONS, IN THIS ISSUE, SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF ELIGIBLE FPIS DO NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD. ALLOTMENTS MADE TO AIFs AND VCFs IN THE ISSUE SHALL REMAIN SUBJECT TO THE RULES AND REGULATIONS APPLICABLE TO EACH OF THEM RESPECTIVELY. FVCIs, NON-RESIDENT MULTILATERAL AND BILATERAL DEVELOPMENT FINANCIAL INSTITUTIONS AND ANY OTHER NON-RESIDENT INVESTORS (OTHER THAN ELIGIBLE FPI THROUGH SCHEDULE 2 OF THE FEMA REGULATIONS) ARE NOT PERMITTED TO PARTICIPATE IN THE ISSUE.

To,
The Board of Directors
Varun Beverages Limited
F-2/7, Okhla Industrial Area, Phase I, New Delhi 110 020

Dear Sirs,

STATUS (Please ✓)			
FI	Scheduled Commercial Banks and Financial Institutions	**IC**	Insurance Companies
MF	Mutual Funds	**VCF**	Venture Capital Funds
NIF	National Investment Fund	**FPI**	Foreign Portfolio Investor*
IF	Insurance Funds	**AIF**	Alternative Investment Fund
SI-NBFC	Systemically Important Non-Banking Financial Companies	**OTH**	Others ____________ (Please specify)

**Foreign portfolio investors as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended excluding Category III Foreign Portfolio Investors who are not allowed to participate in the Issue*

On the basis of the serially numbered PPD and subject to the terms and conditions contained therein, and in this Application Form, we hereby submit our Application Form for the Allotment of the Equity Shares in the Issue, on the terms and price indicated below. We confirm that we are an eligible QIB in terms of Regulation 2(1)(ss) of the SEBI ICDR Regulations and are not: (a) excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; and (b) restricted from participating in the Issue under SEBI ICDR Regulations and other applicable laws and that we are not a promoter of the Company (as defined in the SEBI ICDR Regulations), or any person related to the promoters of the Company, directly or indirectly. Further, we confirm that we do not have any right under a shareholders' agreement or voting agreement entered into with promoters or persons related to promoters of the Company, veto rights or right to appoint any nominee director on the board of the Company. We confirm that the bid size / aggregate number of the Equity Shares applied for by us, and which may be Allocated to us thereon will not exceed the relevant regulatory or approved limits and further confirm that our Bid does not result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Regulations**"). We further understand and agree that (i) our names, address, contact details, PAN number and bank account details will be recorded by the Company in the format prescribed in terms of the PAS Rules; (ii) in the event that any Equity Shares are Allocated to us in the Issue, our names (as proposed Allottees) and the percentage of our post-Issue shareholding in the Company will be disclosed in the Placement Document pursuant to the requirements under Form PAS-4 of the PAS Rules; and (iii) in the event that Equity Shares are Allotted to us in the Issue, the Company will place our name in the register of members of the Company as a holder of such Equity Shares that may be Allotted to us and in the Form PAS-3 filed by the Company with the Registrar of Companies, National Capital Territory of Delhi and Haryana at New Delhi (the "**RoC**") as required in terms of the PAS Rules. Further, we are aware and agree that if we, together with any other QIBs belonging to the same group or under common control, are Allotted more than 5% of the Equity Shares in the Issue, the Company will disclose our name, along with the names of such other Allottees and the number of Equity Shares Allotted to us and to such other Allottees, on the websites of the National Stock Exchange of India Limited and BSE Limited (together referred to as the "**Stock Exchanges**"), and we consent to such disclosure.

We confirm, that we have a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to us in accordance with Chapter VI of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, and all other applicable laws, including any reporting obligations. We confirm that, in relation to our application, each foreign portfolio investor ("**FPI**") as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended (other than category III FPIs), and including persons who have been registered under these regulations (such FPIs, "**Eligible FPIs**"), have submitted separate Application Form, and asset management companies of mutual funds have specified the details of each scheme for which the application is being made along with the price and amount to be Allotted under each such scheme. We undertake that we will sign all such documents, provide such documents and do all such acts, if any, necessary on our part to enable us to be registered as the holder(s) of the Equity Shares that may be Allotted to us. We confirm that the signatory is authorized to apply on behalf of the Applicant and the Applicant has all the relevant approvals. We note that the Board of Directors of the Company, or any duly authorized committee thereof, is entitled, in consultation with CLSA India Private Limited and Kotak Mahindra Capital Company Limited (the "**BRLMs**"), in their absolute discretion, to accept or reject this Application Form without assigning any reason thereof. We hereby accept the Equity Shares that may be Allocated to us pursuant to the Confirmation of Allocation Note ("CAN") and request you to credit the same to our beneficiary account as per the details given below, subject to receipt of Application Form and Application Amount towards the Equity Shares that may be allocated to us. The amount payable by us as Application Amount for the Equity Shares applied for has been/will be remitted to the designated bank account set out in this Application Form through electronic mode, along with this duly completed Application Form within the Issue Closing Date and such Application Amount has been /will be transferred from a bank account maintained in our name. We acknowledge and agree that we shall not make any payment in cash or cheque. We are aware that (i) Allocation and Allotment in the Issue shall be at the sole discretion of the Company, in consultation with the BRLMs; and (ii) in the event that Equity Shares that we have applied for are not Allotted to us in full or at all, and/or the Application Amount is in excess of the amount equivalent to the product of the Equity Shares that will be Allocated to us and the Issue Price, or the Company is unable to issue and Allot the Equity Shares offered in the Issue or if there is a cancellation of the Issue, the Application Amount or a portion thereof, as applicable, will be refunded to the same bank account from which the Application Amount has been paid by us. Further, we agree to comply with the rules and regulations that are applicable to us, including in relation to the lock-in requirements. In this regard, we authorize the Company to issue instructions to the depositories for such lock-in requirements, as may be applicable to us.

By signing and submitting this Application Form, we hereby confirm and agree that (i) the representations and warranties as provided in the "Notice to Investors", "Representations by Investors", "Issue Procedure", "Selling Restrictions" and "Transfer Restrictions" sections of the PPD (ii) and the terms, conditions and agreements mentioned herein are true and correct and acknowledge and agree that these representations and warranties are given by us for the benefit of the Company and the BRLMs, each of which is entitled to rely on and is relying on these representations and warranties in consummating the Issue.

By signing and submitting this Application Form, we hereby represent, warrant, acknowledge and agree as follows: (1) we have been provided a serially numbered copy of the PPD along with the Application Form, have read it in its entirety including in particular, the section titled '*Risk Factors*' therein and we have relied only on the information contained in the PPD and not on any other information obtained by us either from the Company, the BRLMs or from any other source, including publicly available information; (2) we will abide by the PPD and the Placement Document, this Application Form, the CAN and the terms, conditions and agreements contained therein; (3) that if Equity Shares are Allotted to us pursuant to the Issue, we shall not sell such Equity Shares otherwise than on the floor of a recognised stock exchange in India for a period of one year from the date of Allotment; (4) we will not have the right to withdraw our Bid or revise our Bid downwards after the Issue Closing Date; (5) we will not trade in the Equity Shares credited to our beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges; (6) Equity Shares shall be Allocated and Allotted at the discretion of the Company in consultation with the BRLMs and the submission of this Application Form and payment of the corresponding Application Amount by us does not guarantee any Allocation or Allotment of Equity Shares to us in full or in part; (7) in terms of the requirements of the Companies Act, upon Allocation, the Company will be required to disclose names and percentage of our post-Issue shareholding of the proposed Allottees in the Placement Document; however, disclosure of such details in relation to us in the Placement Document will not guarantee Allotment to us, as Allotment in the Issue shall continue to be at the sole discretion of the Company, in consultation with the BRLMs; (8) the number of Equity Shares Allotted to us pursuant to the Issue, together with other Allottees that belong to the same group or are under common control as us, shall not exceed 50% of the Issue. For the purposes of this representation: The expression 'belong to the same group' shall derive meaning from Regulation 180(2) of the SEBI ICDR Regulations i.e. entities where (i) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (ii) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (iii) there is a common director, excluding nominee and independent directors, amongst the Eligible QIBs, its subsidiary or holding company and any other QIB; and 'control' shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the Takeover Regulations; (9) We agree to accept the Equity Shares applied for, or such lesser number of Equity Shares as may be Allocated to us, subject to the provisions of the memorandum of association and articles of association of the Company, applicable laws and regulations, the terms of the PPD and the Placement Document, this Application Form, the CAN upon its issuance and the terms, conditions and agreements mentioned therein and request you to credit the same to our beneficiary account with the Depository Participant as per the details given below.

We acknowledge that the Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. By signing this Application Form and checking the applicable box above, we hereby represent that we are located outside the United States and purchasing the Equity Shares in an 'offshore transaction' (as defined in Regulation S) in reliance on Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales are made.

By signing and submitting this Application Form, we further represent, warrant and agree that we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of the prospective investment in the Equity Shares and we understand the risks involved in making an investment in the Equity Shares. No action has been taken by us or any of our affiliates or representatives to permit a public offering of the Equity Shares in any jurisdiction. We satisfy any and all relevant suitability standards for investors in Equity Shares, have the ability to bear the economic risk of our investment in the Equity Shares, have adequate means of providing for our current and contingent needs, have no need for liquidity with respect to our investment in Equity Shares and are able to sustain a complete loss of our investment in the Equity Shares.

APPLICANT DETAILS (In Block Letters)			
NAME OF APPLICANT*			
REGISTERED ADDRESS			
NATIONALITY			
CITY AND CODE			
COUNTRY			
PHONE NO.		**FAX NO.**	
EMAIL			

FOR FPIs**	SEBI FPI REGISTRATION NO. ______
FOR AIFs[1]	SEBI AIF REGISTRATION NO. ______
FOR VCFs	SEBI VCF REGISTRATION NO. ______
FOR SI-NBFC	RBI REGISTRATION DETAILS______
FOR INSURANCE COMPANIES	IRDAI REGISTRATION DETAILS. ______

**Name should exactly match with the name in which the beneficiary account is held. Application Amount payable on Equity Shares applied for by joint holders shall be paid from the bank account of the person whose name appears first in the application. Mutual Fund bidders are requested to provide details of the bids made by each scheme of the Mutual Fund. Each FPI is required to fill a separate Application Form. Further, any discrepancy in the name as mentioned in this Application Form with the depository records would render the application invalid and liable to be rejected at the sole discretion of the Issuer and the BRLMs.*

*** In case you are an FPI holding a valid certificate of registration and eligible to invest in the Issue, please mention your SEBI FPI Registration Number.*

We are aware that the number of Equity Shares in the Company held by us, together with the number of Equity Shares, if any, Allocated to us in the Issue will be aggregated to disclose the percentage of our post-Issue shareholding in the Company in the Placement Document in line with the requirements under PAS-4 of the PAS Rules. For such information, the BRLMs have relied on the information provided by the Registrar for obtaining details of our shareholding and we consent and authorize such disclosure in the Placement Document.

DEPOSITORY ACCOUNT DETAILS		
Depository Name	National Securities Depository Limited	Central Depository Services (India) Limited
Depository Participant Name		
DP – ID	I N	
Beneficiary Account Number		(16-digit beneficiary A/c. No. to be mentioned above)

The demographic details like address, bank account details etc., will be obtained from the Depositories as per the beneficiary account given above. However, for the purposes of refund, if any, only the bank details as mentioned below, from which the Application Amount has been remitted for the Equity Shares applied for in the Issue will be considered.

PAYMENT DETAILS REMITTANCE BY WAY OF ELECTRONIC FUND TRANSFER
By 1:00 p.m. (IST), Friday, September 6, 2019

BANK ACCOUNT DETAILS FOR PAYMENT OF APPLICATION AMOUNT THROUGH ELECTRONIC FUND TRANSFER			
Name of the Account	Varun Beverages Limited-QIP-Escrow Account	**Account Type**	Escrow Account
Name of Bank	Axis Bank Ltd	**Address of the Branch of the Bank**	Axis Bank Limited, DLF Phase IV, Gurgaon Branch
Account No.	919020066930878	**IFSC**	UTIB0000131
Phone No.	+91 124 4050592		

Kindly make your payment only by way of electronic fund transfers, towards the Escrow Account**.** Payment of the entire Application Amount should be made along with the Application Form on or before the closure of the Issue Period i.e. within the Issue Closing Date. All payments must be made in favor of "*Varun Beverages Limited-QIP-Escrow Account*". The payment for subscription to the Equity Shares to be allotted in the Issue shall be made only from the bank account of the person subscribing to the Equity Shares and in case of joint holders, from the bank account of the person whose name appears first in the Application Form.

RUPEE BANK ACCOUNT DETAILS (FOR REMITTANCE)			
Bank Account Number		IFSC Code	
Bank Name		Bank Branch Address	

NO. OF EQUITY SHARES APPLIED FOR		PRICE PER EQUITY SHARE (RUPEES)	
(In Figures)	(In Words)	(In Figures)	(In Words)

DETAILS OF CONTACT PERSON			
Name:			
Address:			
Tel. No:		Fax No:	

[1] Allotments made to Alternative Investment Funds in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. Alternative Investment Funds should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.

Email:	____

OTHER DETAILS	
PAN*	
Signature of Authorized Signatory	

ENCLOSURES ATTACHED
☐ Copy of the PAN Card or PAN Allotment Letter
☐ FIRC
☐ Copy of the SEBI registration certificate as a Mutual Fund
☐ Copy of the SEBI registration certificate as an Eligible FPI
☐ Copy of the SEBI registration certificate as an AIF
☐ Copy of the SEBI registration certificate as a VCF
☐ Certified copy of the certificate of registration issued by the RBI as an SI-NBFC/ a Scheduled Commercial Bank
☐ Copy of notification as a public financial institution
☐ Copy of the IRDA registration certificate
☐ Certified true copy of power of attorney
☐ Others, please specify________________

**Please note that the Applicant should not submit the GIR number or any other identification number instead of the PAN as the application is liable to be rejected on this ground.*

Note 1: Capitalized terms used but not defined herein shall have the same meaning as ascribed to them in the PPD and Placement Document.
Note 2: The Application Form is liable to be rejected if any information provided is incomplete or inadequate.

The Application Form, the PPD sent to you and the Placement Document which will be sent to you, either in physical form or in electronic form or both, are specific to you and you may not distribute or forward the same and are subject to the disclaimers and restrictions contained or accompanying these documents.