

VARUN BEVERAGES LTD.

PEPSI



ANNUAL REPORT & ACCOUNTS YEAR ENDING 31ST DECEMBER, 2002

VARUN BEVERAGES LIMITED

8th ANNUAL REPORT & ACCOUNTS

For the Period ended 31st December, 2002

| | |
|---|--------------------|
| Board of Directors : | |
| Shri R.K. Jaipuria | Shri K. Shankar |
| Smt. Dhara Jaipuria | Shri Anil Gupta |
| Shri K. K. Mudgil | Shri C. K. Rastogi |
| Shri Promod Agarwala | |
| Secretary : | |
| Shri Rakesh Johar | |
| Registered Office : | |
| F-2/7, Okhla Industrial Area, Phase-I, New Delhi-110020 | |
| Works : | |
| I) Khasra No. 282, Balmukundpura, Tehsil Sanganer Distt. Jaipur (Rajasthan) | |
| II) Plot No. S.P-646, F-647-653, Matsya Inds. Area Extn. (North), RIICO Industrial, Alwar (Rajasthan) | |
| III) Plot No.-Special-159, RIICO Indl. Area, Ph.-III, Boranada, Jodhpur (Rajasthan) | |
| IV) Khasra No. 477, 478, 479, Village Dautana 107 Km. Distance Stone. Delhi-Agra Highway NH-2, Near Kosi Kalan, Mathura Distt. (U.P.) | |
| Audit Committee | |
| Shri R.K. Jaipuria Shri K. Shankar Shri C. K. Rastogi | |
| Auditors : | |
| M/s O.P. Bagla & Co., Chartered Accountants, New Delhi. | |
| Bankers : | |
| Punjab National Bank | |
| Financial Institution : | |
| Industrial Development Bank of India. | |

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VARUN BEVERAGES LIMITED

NOTICE

Notice is hereby given that the 8th Annual General Meeting of the members of M/s. **VARUN BEVERAGES LIMITED** will be held at F-2/7, Okhla Industrial Area, Ph-I, New Delhi-110020 on Wednesday, 16th April, 2003, at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt audited accounts of the company for the period of nine months ending 31st December, 2002 along with the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri. Ravi Kant Jaipuria, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri K.K. Mudgil, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration. M/s. O.P. Bagla & Co., Chartered Accountants, the retiring Auditors of the company offer themselves for re-appointment.

BY ORDER OF THE BOARD
for **VARUN BEVERAGES LTD.**

PLACE: NEW DELHI
DATE : 14th March, 2003

COMPANY SECRETARY

NOTES :

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself. A proxy need not be a member of the Company. The instrument appointing the proxy must be deposited at the registered office of the Company at least 48 hours before the commencement of the meeting.

VARUN BEVERAGES LIMITED

DIRECTORS' REPORT

TO THE MEMBERS,

The Directors hereby present the 8th Annual Report on the business and operations of the Company together with the Audited statement of Accounts for the period of nine months ending 31st December, 2002 :

FINANCIAL RESULTS :

| | (In Rs.) <u>December 31, 2002</u> | (In Rs.) <u>March 31, 2002</u> |
|----------------------------------|--------------------------------------|-----------------------------------|
| Profit before Tax | 107,823,606 | 54,546,914 |
| Provision for Tax | 8,500,000 | 4,200,000 |
| Provision for deferred Tax | 39,645,012 | -- |
| Profit after Tax | <u>59,678,594</u> | <u>50,346,914</u> |
| Balance as per last year | 172,967,116 | 123,560,079 |
| Transitional deferred Tax | (80,022,617) | -- |
| Liabilities at April 1, 2002 | | |
| Income Tax Adjustment | (596,279) | (937,663) |
| Wealth Tax Paid | (18,896) | (2,214) |
| Balance Carried to Balance Sheet | <u>152,007,918</u> | <u>172,967,116</u> |

PARTICULARS REGARDING CONSERVATION OF ENERGY ETC. :

Information in accordance with the provisions of Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Foreign Exchange Earnings and outgo and conservation of energy are annexed hereto and forms part of this report. However, the information regarding technology absorption as contained in Form 'B' of the Annexure attached to aforementioned rules is not applicable to the Company during the period under review.

AUDITORS' REPORT :

The observations made by the Auditors in their Report are specific reference to certain points contained in accounting policies and notes on accounts. The points have been well explained in the accounting policies/ notes on accounts and therefore, do not require any further clarification/explanation.

DIRECTORS :

In accordance with the requirements of the Companies Act, 1956 and Company's Articles of Association Shri Ravi Kant Jaipuria and Shri K. K. Mudgil, Directors of the Company, are due for retirement by rotation and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES:

As required by Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, there is no employee who is in receipt of a remuneration of Rs.24,00,000/- per year, if employed for the whole year or Rs.2,00,000/- per month if employed for the part of the year.

VARUN BEVERAGES LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- i) in the preparation of the accounts for the period, the applicable accounting standards had been followed and that there are no material departure;
- ii) they have, in selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the period and of the profit or loss of the company for that period;
- iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE :

The Company has an Audit Committee, whose composition, role, functions and powers are in accordance with the requirements of the Companies Act, 1956. The Audit Committee comprises of Shri C.K. Rastogi as chairman with Shri R. K. Jaipuria and Shri K. Shankar as members.

AUDITORS :

The existing Auditors M/s O. P. Bagla & Co., Chartered Accountants, who retire at this Annual General Meeting and being eligible offer themselves for re-appointment.

PUBLIC DEPOSITS :

The Company has not invited or accepted any deposits during the period from the Public under Section 58A of the Companies Act, 1956.

APPRECIATION :

Your Directors wish to place on records their deep appreciation of the support and co-operation received from the Banks and other Lending Institutions. The Directors also place on record their appreciation of the unstinting efforts put in by the employees at all levels.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
for VARUN BEVERAGES LTD.**

PLACE : NEW DELHI

DATE : 14th March, 2003

WHOLE TIME DIRECTOR

DIRECTOR

VARUN BEVERAGES LIMITED

ANNEXURE

FORM-A

(SEE RULE - 2)

ALWAR, JODHPUR AND KOSI UNITS:

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

| | CURRENT PERIOD | PREVIOUS YEAR |
|--|----------------|---------------|
| A. POWER AND FUEL CONSUMPTION | | |
| 1. ELECTRICITY | | |
| (a) PURCHASED : | | |
| Unit | 269470 | 808325 |
| Total Amount (in Rs.) | 12356571 | 3981087 |
| Rate/Unit (in Rs.) | 4.58 | 4.52 |
| (b) OWN GENERATION : | | |
| (i) Through Diesel Generator | | |
| Units | 8113972 | 14839314 |
| Units per ltr. of Diesel oil | 3.32 | 3.29 |
| Cost/Unit (in Rs.) | 5.30 | 4.80 |
| (ii) Through steam turbine/generator | N.A. | N.A. |
| Units | | |
| Units per ltr. of fuel oil/gas | | |
| Cost/Unit | | |
| 2. COAL (specify quality and where used) | N.A. | N.A. |
| Quantity (tonnes) | | |
| Total Cost | | |
| Average Rate | | |
| 3. FURNACE OIL INCLUDING LDA | | |
| Quantity (K. Ltrs.) | 608487 | 642531 |
| Total Amount (in Rs.) | 4435590 | 8069852 |
| Average Rate (in Rs.) | 7.29 | 12.56 |
| 4. OTHERS/INTERNAL GENERATION | N.A. | N.A. |
| Quantity | | |
| Total Cost | | |
| Rate/Unit | | |

B. CONSUMPTION PER UNIT OF PRODUCTION :

| | Standards (if any) | Current Period 1 | Previous Year 2 |
|------------------------------|-----------------------|------------------------|-----------------------|
| Products (with details) unit | C/s | 8581796 | 6874828 |
| Electricity | | 1.26 | 1.21 |
| Furnace Oil | | 0.07 | 0.02 |
| Coal (specify quality) | | - | -- |
| Others (specify) | | - | -- |

FOREIGN EXCHANGE EARNINGS AND OUTGO :

| | Current period (Rs. in Lacs) | Previous year (Rs. in Lacs) |
|---------------------------------|---------------------------------|--------------------------------|
| 1. Earning in Foreign Currency | NIL | NIL |
| 2. Outgo in Foreign Currency | | |
| Value of imports (CIF) | | |
| Capital Goods | 30.56 | 484.05 |
| Stores, Spares & Raw Material | 267.86 | 257.72 |
| Expenditure in foreign Currency | | |
| Imports | 298.42 | 741.77 |
| Travelling | 9.44 | 6.81 |
| Others | 0.30 | -- |

VARUN BEVERAGES LIMITED

AUDITORS' REPORT

The Members,

VARUN BEVERAGES LIMITED,

NEW DELHI.

We have audited the attached Balance Sheet of **VARUN BEVERAGES LIMITED** as at 31st December, 2002, Profit & Loss Account for the Period ended 31st December, 2002 and the Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and other Companies (Auditors' Report) Order 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above :-
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - b) Proper books of account, as required by law, have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Profit & Loss Account and Balance Sheet comply with the mandatory accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) In our opinion and according to representations made to us by the Directors of the Company none of the director is disqualified from being appointed as director under Section 274 (1)(g) of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and other Notes thereon in Schedule - 25 give the information as required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India.
 - i) In the case of the Balance Sheet of the state of affairs of the Company as at 31.12.2002.
 - ii) In the case of the Profit & Loss Account of the **PROFIT** for the Period Ended on that date.
 - iii) In the case of Cash Flow Statement of the Cash Flows for the period ended on that date.

For O. P. BAGLA & CO.
CHARTERED ACCOUNTANTS

PLACE : NEW DELHI

DATED : 14th March, 2003

PARTNER

VARUN BEVERAGES LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT ON ACCOUNTS FOR THE PERIOD ENDED 31st DECEMBER, 2002

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that these fixed assets have been physically verified by the management and no material discrepancies were noticed. In our opinion the frequency of verification is reasonable having regard to the size of the Company and nature of its assets.
2. None of the fixed assets have been revalued during the period.
3.
 - a) As explained to us physical verification has been conducted by the management periodically, in respect of finished goods, stores, spare parts and raw materials.
 - b) The procedure of physical verification conducted by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The discrepancies noticed on such verification between the physical stocks and book records were not significant and the same have been properly dealt with in the books of account.
 - d) On the basis of the examination of the stock records, we are of opinion that the valuation of these stocks is fair and proper in accordance with the normally accepted accounting principles.
4. In our opinion and according to the explanations and information given to us, no loans have been taken from Companies, Firms or other parties listed in the registers maintained under Section 301 and from Companies under the same Management. However in terms of sub section 6 of Section 370 of the Companies Act, 1956, provisions of the section are not applicable to a company on or after 31st October, 1998.
5. In our opinion and according to the explanations and information given to us, no loans have been given to Companies, Firms or other parties listed in the registers maintained under Section 301 and to Companies under the same Management. However in terms of sub section 6 of Section 370 of the Companies Act, 1956, provisions of the section are not applicable to a company on or after 31st October, 1998.
6. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, plant & machinery, equipment and other similar assets and for sale of goods.
7. In our opinion and according to the information and explanations given to us the transactions of purchase and sale of goods, materials and services aggregating during the period to Rs. 50,000/- or more for each party in pursuance of contracts and/or arrangements entered in register maintained under section 301 of the Companies Act, 1956 have been made at prices for such goods, material or services at which transactions for similar goods, material or services have been made with other parties.

VARUN BEVERAGES LIMITED

8. As explained to us, the Company has a reasonable procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
9. The Company has not invited/accepted any deposits from the public during the period.
10. In our opinion, the Company is maintaining reasonable records for sale and disposal of scrap. The Company has no by-products.
11. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
12. The Central Govt. has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the products of the Company.
13. According to the records of the Company, Employees' State Insurance dues and Provident Fund dues have generally been regularly deposited during the period with appropriate authorities.
14. According to the information and explanations given to us, no un-disputed amounts payable in respect of income-tax, wealth-tax, custom duty, sales-tax, and excise duty were outstanding as at 31-12-2002 for a period of more than 6 months from the date they became payable.
15. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
16. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Company (Special Provisions) Act, 1985.
17. As explained to us, in respect of goods purchased for resale, the company has a reasonable system for determination of damaged goods. Adequate provision has been made for the loss arising on the items so determined which is not of a significant value.

For O. P. BAGLA & CO.
CHARTERED ACCOUNTANTS

PLACE : NEW DELHI
DATED : 14th March, 2003

PARTNER

VARUN BEVERAGES LIMITED

BALANCE SHEET AS AT 31st DECEMBER, 2002

| PARTICULARS | SCHEDULE | AS AT 31.12.2002 Rs. | AS AT 31.03.2002 Rs. |
|--|----------|----------------------------|----------------------------|
| <u>SOURCES OF FUNDS</u> | | | |
| <u>SHAREHOLDERS' FUNDS</u> | | | |
| SHARE CAPITAL | 1 | 666,115,300 | 666,115,300 |
| RESERVES & SURPLUS | 2 | 152,007,918 | 172,967,116 |
| | | <u>818,123,218</u> | <u>839,082,416</u> |
| <u>LOAN FUNDS</u> | | | |
| SECURED LOANS | 3 | 715,423,214 | 789,987,021 |
| UNSECURED LOANS | 4 | 94,446,000 | 94,446,000 |
| | | <u>809,869,214</u> | <u>884,433,021</u> |
| | TOTAL | <u>1,627,992,432</u> | <u>1,723,515,437</u> |
| <u>APPLICATION OF FUNDS</u> | | | |
| <u>FIXED ASSETS</u> | | | |
| | 5 | | |
| a) GROSS BLOCK | | 1,933,012,147 | 1,837,036,325 |
| b) LESS: DEPRECIATION | | 345,778,159 | 184,713,757 |
| c) NET BLOCK | | <u>1,587,233,988</u> | <u>1,652,322,568</u> |
| CAPITAL WORK IN PROGRESS | | 30,376,540 | 676,068 |
| INVESTMENT | 6 | 29,040,990 | 35,625,968 |
| <u>CURRENT ASSETS, LOANS & ADVANCES</u> | | | |
| a) INVENTORIES | 7 | 120,252,188 | 111,572,652 |
| b) SUNDRY DEBTORS | 8 | 161,720,290 | 117,479,381 |
| c) CASH & BANK BALANCES | 9 | 41,319,309 | 10,811,901 |
| d) LOANS & ADVANCES | 10 | 68,758,959 | 94,700,329 |
| | | <u>392,050,746</u> | <u>334,564,263</u> |

VARUN BEVERAGES LIMITED

BALANCE SHEET AS AT 31st DECEMBER, 2002

| PARTICULARS | SCHEDULE | AS AT 31.12.2002 Rs. | AS AT 31.03.2002 Rs. |
|--|----------|-----------------------------|-----------------------------|
| LESS : CURRENT LIABILITIES & PROVISIONS | 11 | 291,096,751 | 299,740,566 |
| NET CURRENT ASSETS | | <u>100,953,995</u> | <u>34,823,697</u> |
| NET DEFERRED TAX ASSETS / (LIABILITIES) | 12 | (119,667,629) | -- |
| MISCELLANEOUS EXPENDITURE BRANCH BALANCES | 13 | 54,548 | 67,136 |
| TOTAL | | <u><u>1,627,992,432</u></u> | <u><u>1,723,515,437</u></u> |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | 25 | | |

IN TERMS OF OUR REPORT
OF EVEN DATE ANNEXED

For O.P.BAGLA & CO.
CHARTERED ACCOUNTANTS

PARTNER

WHOLE TIME DIRECTOR

DIRECTOR

PLACE : NEW DELHI
DATED : 14th March, 2003

SECRETARY

VARUN BEVERAGES LIMITED

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31st DECEMBER, 2002

| PARTICULARS | SCHEDULE | PERIOD ENDED | YEAR ENDED |
|---|--------------|----------------------|----------------------|
| | | 31.12.2002 | 31.03.2002 |
| | | Rs. | Rs. |
| <u>INCOME</u> | | | |
| SALES | 14 | 1,453,430,326 | 1,338,305,757 |
| OTHER INCOME | 15 | 7,657,624 | 8,459,784 |
| REALISATION AGAINST TRANSPORTATION, CONTAINER SERVICE & OTHER SERVICE CHARGES | | 142,170,263 | 122,194,616 |
| INCREASE/(DECREASE) IN STOCKS | 16 | 10,719,530 | (9,781,600) |
| | TOTAL | 1,613,977,743 | 1,459,178,557 |
| <u>EXPENDITURE</u> | | | |
| PURCHASES | | 21,036,968 | 59,677,387 |
| RAW MATERIAL CONSUMED | 17 | 653,309,528 | 601,521,957 |
| STORES CONSUMED | 18 | 14,020,995 | 15,188,990 |
| EXCISE DUTY | | 326,623,970 | 309,658,027 |
| POWER, FUEL & WATER CHARGES | | 52,392,067 | 59,362,536 |
| SALARIES, WAGES & AMENITIES | 19 | 42,110,521 | 47,694,467 |
| REPAIR & MAINTENANCE | 20 | 39,255,546 | 28,566,438 |
| ADMINISTRATIVE EXPENSES | 21 | 26,007,468 | 34,095,851 |
| TRANSPORTATION, HANDLING & DISTRIBUTION COSTS | 22 | 67,933,476 | 54,502,148 |
| BREAKAGE LEAKAGE & BURST ETC. | | 9,949,553 | 7,007,572 |
| SELLING & OTHER EXPENSES | 23 | 20,812,202 | 14,578,189 |
| DEPRECIATION | | 93,074,004 | 68,737,602 |
| LOSS ON SALE OF FIXED ASSETS | | 443,176 | 5,120,942 |
| PROVISION FOR DOUBTFUL DEBTS | | 497,154 | 86,136 |
| FINANCIAL CHARGES | 24 | 68,911,358 | 104,053,051 |
| | TOTAL | 1,436,377,986 | 1,409,851,293 |

VARUN BEVERAGES LIMITED

| PARTICULARS | SCHEDULE | PERIOD ENDED | YEAR ENDED |
|---|-----------|--------------------|--------------------|
| | | 31.12.2002 Rs. | 31.03.2002 Rs. |
| PROFIT BEFORE EXTRAORDINARY ITEMS | | 177,599,757 | 49,327,264 |
| DEPRECIATION OF EARLIER YEARS (Refer Note No. 16 in Notes On Accounts) | | (69,776,151) | 5,219,650 |
| NET PROFIT BEFORE TAX | | 107,823,606 | 54,546,914 |
| PROVISION FOR TAX | | 8,500,000 | 4,200,000 |
| PROVISION FOR DEFERRED TAX | | 39,645,012 | - |
| NET PROFIT AFTER TAX | | 59,678,594 | 50,346,914 |
| BALANCE AS PER LAST YEAR | | 172,967,116 | 123,560,079 |
| Transitional Deferred Tax Liabilities at April 1, 2002 | | (80,022,617) | - |
| WEALTH TAX PAID | | (18,896) | (2,214) |
| INCOME TAX ADJUSTMENT | | (596,279) | (937,663) |
| BALANCE CARRIED TO BALANCE SHEET | | 152,007,918 | 172,967,116 |
| BASIC/DILUTED EARNING PER SHARE | | 11.81 | 9.88 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | 25 | | |

IN TERMS OF OUR REPORT
OF EVEN DATE ANNEXED

For O.P.BAGLA & CO.
CHARTERED ACCOUNTANTS

PARTNER

WHOLE TIME DIRECTOR

DIRECTOR

PLACE : NEW DELHI
DATED : 14th March, 2003

SECRETARY

VARUN BEVERAGES LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

| DESCRIPTION | AS AT 31.12.2002 Rs. | AS AT 31.03.2002 Rs. |
|--|----------------------------|----------------------------|
| <u>SCHEDULE-1 : SHARE CAPITAL</u> | | |
| <u>Authorised</u> | | |
| 6,000,000 Equity Shares of Rs. 10/- each | 60,000,000 | 60,000,000 |
| 6,200,000 Preference Shares of Rs. 100/- each | 620,000,000 | 620,000,000 |
| | <u>680,000,000</u> | <u>680,000,000</u> |
| <u>Issued, Subscribed & Paid up</u> | | |
| 5,000,000 Equity Shares of Rs. 10/- each fully paid up in cash | 50,000,000 | 50,000,000 |
| 6,161,153 Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up redeemable at par (Refer Note no. 5 in Notes on Accounts for date of Redemption & Dividend) | 616,115,300 | 616,115,300 |
| AS PER BALANCE SHEET | <u>666,115,300</u> | <u>666,115,300</u> |
| <u>SCHEDULE-2 : RESERVES & SURPLUS</u> | | |
| <u>Capital Reserve</u> | | |
| Amount b/f | -- | 79,435,982 |
| Amount adjusted during the year | -- | (79,435,982) |
| | -- | -- |
| Profit & Loss Account | 152,007,918 | 172,967,116 |
| AS PER BALANCE SHEET | <u>152,007,918</u> | <u>172,967,116</u> |

VARUN BEVERAGES LIMITED

| DESCRIPTION | AS AT 31.12.2002 Rs. | AS AT 31.03.2002 Rs. |
|--|----------------------------|----------------------------|
| <u>SCHEDULE-3 : SECURED LOANS</u> | | |
| A. <u>From Punjab National Bank</u> | | |
| (Secured by hypothecation of Land, Building, Plant & Machinery including utilities, Electrical Fittings and appliances (Both present & future) of Jaipur, and certain assets at Kosi Plant and personal guarantee of the Directors.) | | |
| - Term Loan | -- | 77,500,000 |
| - Cash Credit Account | 82,565,928 | 65,182,797 |
| B. <u>From IDBI</u> | | |
| (Secured by first charge on all immovable and movable properties of the company except Jaipur Unit and certain assets of Kosi Plant & personal guarantee of some of the Directors of the company) | | |
| - Term Loan | 317,500,000 | 364,500,000 |
| C. <u>From IDBI Bank Ltd.</u> | | |
| (Secured by subseqent & subservient charge on entire current/moveable assets of the company). | | |
| | - | 100,000,000 |
| D. <u>From UTI Bank Ltd.</u> | | |
| (Secured by exclusive charge on some of the plant & machinery of Kosi plant, Pari-passu second charge on entire fixed assets of the company & personal guarantee of some of the Directors & their concerns.) | | |
| | 165,875,000 | - |
| E. <u>From Limited Companies</u> | | |
| i) Amount due under hire purchase agreement secured against hire purchase assets. | 4,535,179 | 5,619,024 |
| ii) Pepsico India Holdings Ltd. (Secured against hypothecation of assets acquired) | 144,947,107 | 177,185,200 |
| AS PER BALANCE SHEET | <u>715,423,214</u> | <u>789,987,021</u> |
| <u>SCHEDULE-4 : UNSECURED LOANS</u> | | |
| From Limited Companies | <u>94,446,000</u> | <u>94,446,000</u> |
| | <u>94,446,000</u> | <u>94,446,000</u> |

VARUN BEVERAGES LIMITED

SCHEDULE-5

FIXED ASSETS AS AT 31st DECEMBER, 2002

| DESCRIPTION | C O S T | | | | D E P R E C I A T I O N | | | | W . D . V . | |
|-------------------------------|-------------------|-----------------------------------|----------------------------|------------------------------|-------------------------|-------------------|------------------|------------------------------|---------------------|--------------------|
| | AS ON 1-4-2002 | ADDITIONS DURING THE PERIOD | SALES/ ADJUST- MENTS | TOTAL AS ON 31-12-2002 | AS ON 31-3-2002 | FOR THE PERIOD | ADJUST- MENTS | TOTAL AS ON 31-12-2002 | AS ON 31-12-2002 | AS ON 31-3-2002 |
| MARKET INFRASTRUCTURE | 9,000,000 | -- | -- | 9,000,000 | 3,614,795 | 1,356,164 | -- | 4,970,959 | 4,029,041 | 5,385,205 |
| LAND & SITE DEVELOPMENT | 51,864,281 | 5,551,302 | 960,000 | 56,455,583 | -- | -- | -- | 56,455,583 | 51,864,281 | 51,864,281 |
| BUILDING | 400,092,552 | 2,568,644 | -- | 402,661,196 | 37,041,026 | 10,104,990 | -- | 47,146,016 | 355,515,180 | 363,051,526 |
| PLANT & MACHINERY | 898,275,110 | 20,306,802 | -- | 918,581,912 | 84,219,857 | 30,090,607 | -- | 114,310,464 | 804,271,448 | 814,055,253 |
| FURNITURE & FIXTURES | 6,193,004 | 811,531 | -- | 7,004,535 | 855,527 | 306,134 | -- | 1,161,661 | 5,842,874 | 5,337,477 |
| COMPUTER | 5,857,418 | 488,239 | -- | 6,345,657 | 1,998,512 | 752,691 | -- | 2,751,203 | 3,594,454 | 3,858,906 |
| OFFICE EQUIPMENTS | 3,019,505 | 264,342 | 20,300 | 3,263,547 | 344,005 | 113,067 | 1,287 | 455,785 | 2,807,762 | 2,675,500 |
| VEHICLES | 43,953,806 | 3,096,486 | 90,400 | 46,959,892 | 14,917,196 | 3,687,687 | 42,157 | 18,562,726 | 28,397,166 | 29,036,610 |
| VISCOOLERS & PMX MACHINES | 232,280,079 | 30,196,731 | -- | 262,476,810 | 21,853,730 | 108,703,277 | -- | 130,557,007 | 131,919,803 | 210,426,349 |
| CONTAINERS (Bottles & Shells) | 186,500,570 | 45,984,099 | 12,221,654 | 220,263,015 | 19,869,109 | 7,735,538 | 1,742,309 | 25,862,338 | 194,400,677 | 166,631,461 |
| CURRENT PERIOD | 1,837,036,325 | 109,268,176 | 13,292,354 | 1,933,012,147 | 184,713,757 | 162,850,155 | 1,785,753 | 345,778,159 | 1,587,233,988 | 1,652,322,568 |
| PREVIOUS YEAR | 1,623,346,477 | 232,077,638 | 18,387,790 | 1,837,036,325 | 117,978,095 | 68,737,601 | 2,001,939 | 184,713,757 | 1,652,322,568 | 1,505,368,382 |

VARUN BEVERAGES LIMITED

SCHEDULE-6

INVESTMENTS AS AT 31st DECEMBER, 2002

| PARTICULARS | OPENING STOCK | | PURCHASES | | SALES | | CLOSING STOCK | | INVESTMENT | |
|---|-------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|------------------|
| | FACE VALUE | COST/BOOK VALUE | FACE VALUE | COST/BOOK VALUE | FACE VALUE | COST/BOOK VALUE | FACE VALUE | COST/BOOK VALUE | TRADE | OTHERS |
| LONG TERM INVESTMENTS | | | | | | | | | | |
| QUOTED SHARES | | | | | | | | | | |
| 9745 Shares of Bank of Rajasthan @ Rs. 10/- per share fully paid up | 5,274,920 | 6,803,466 | -- | -- | 5,177,470 | 6,677,778 | 97,450 | 125,688 | -- | 125,688 |
| 33,900 Shares of PNB Gilts Ltd. @ Rs. 10/- per share fully paid up | 339,000 | 1,017,000 | -- | -- | -- | -- | 339,000 | 1,017,000 | -- | 1,017,000 |
| 5800 Shares of Union Bank of India Ltd. @ Rs. 10/- per share fully paid up | -- | -- | 58,000 | 92,800 | -- | -- | 58,000 | 92,800 | -- | 92,800 |
| UNQUOTED SHARES | | | | | | | | | | |
| 14,400 Shares of Varun Beverages (Nepal) Pvt. Ltd. @ Rs. 1000/-NR per share fully paid up | 8,991,570 | 27,805,502 | -- | -- | -- | -- | 8,991,570 | 27,805,502 | 27,805,502 | -- |
| (Aggregate market value of quoted Shares Rs. 1081218/- Previous Year Rs. 7405098/-) | | | | | | | | | | |
| CURRENT PERIOD | 14,605,490 | 35,625,968 | 58,000 | 92,800 | 5,177,470 | 6,677,778 | 9,486,020 | 29,040,990 | 27,805,502 | 1,235,488 |
| PREVIOUS YEAR | 12,008,530 | 33,029,008 | 2,596,960 | 2,596,960 | -- | -- | 14,605,490 | 35,625,968 | 27,805,502 | 7,820,466 |

VARUN BEVERAGES LIMITED

| DESCRIPTION | AS AT 31.12.2002 Rs. | AS AT 31.03.2002 Rs. |
|--|----------------------------|----------------------------|
| <u>SCHEDULE-7: INVENTORIES</u> | | |
| (As Certified by the Management) | | |
| Finised Goods | 29,451,994 | 18,342,940 |
| Work in Progress | 129,755 | 137,448 |
| Raw Material | 53,619,951 | 58,596,048 |
| Store Spares & other materials | 35,019,639 | 29,396,113 |
| Advertisement material | 1,489,908 | 2,953,636 |
| Material in Transit | 76,101 | 1,299,795 |
| Goods in transit - Beverages | 464,840 | 846,672 |
| AS PER BALANCE SHEET | 120,252,188 | 111,572,652 |
| <u>SCHEDULE-8 : SUNDRY DEBTORS (Unsecured)</u> | | |
| <u>Other Debts</u> | | |
| i) Debts outstanding for a period exceeding six months | | |
| - Considered Good | 20,284,770 | 20,323,204 |
| - Considered Doubtful | 1,542,551 | 1,045,396 |
| ii) Other Debts | | |
| - Considered Good | 141,435,520 | 97,156,177 |
| | 163,262,841 | 118,524,777 |
| Less : Provision for Doubtful Debts | 1,542,551 | 1,045,396 |
| AS PER BALANCE SHEET | 161,720,290 | 117,479,381 |
| <u>SCHEDULE-9 : CASH & BANK BALANCES</u> | | |
| In Hand & Imprest | 986,102 | 3,134,073 |
| In Current Account with Scheduled Banks | 804,813 | 389,279 |
| In Margin & FDR account with Scheduled Banks | 2,781,012 | 775,000 |
| Cheque Deposited but not credited / Cheques in Hand | 36,747,382 | 6,513,549 |
| AS PER BALANCE SHEET | 41,319,309 | 10,811,901 |

VARUN BEVERAGES LIMITED

| DESCRIPTION | AS AT 31.12.2002 Rs. | AS AT 31.03.2002 Rs. |
|---|----------------------------|----------------------------|
| <u>SCHEDULE-10 : LOANS & ADVANCES</u> | | |
| (Unsecured considered good by the management) | | |
| Advances to suppliers, contractors and others (Including Rs. 67590 doubtful, P.Y. 67,590/-) | 29,949,317 | 45,483,409 |
| <u>Security Deposits</u> | | |
| - With Govt. Departments | 3,210,984 | 3,202,861 |
| - With Others | 2,036,175 | 2,362,625 |
| Amount receivable in cash or kind | 21,852,092 | 22,271,252 |
| Balance recoverable from Excise Authorities | 6,603,293 | 19,679,166 |
| Claims Receivable | 109,201 | 385,290 |
| Prepaid Expenses | 975,583 | 1,287,040 |
| Income Tax Payments | 4,022,314 | 28,686 |
| AS PER BALANCE SHEET | 68,758,959 | 94,700,329 |
| <u>SCHEDULE-11 : CURRENT LIABILITIES & PROVISIONS</u> | | |
| <u>A. Current Liabilities</u> | | |
| Sundry Creditors | 158,508,285 | 175,234,707 |
| Due to Dealers | 2,433,695 | 5,517,487 |
| Security Deposits Received | 72,652,071 | 61,938,143 |
| Other Liabilities | 14,132,737 | 16,981,091 |
| Cheque issued but not presented | 34,869,963 | 35,869,138 |
| <u>B. Provisions</u> | | |
| Income Tax | 8,500,000 | 4,200,000 |
| AS PER BALANCE SHEET | 291,096,751 | 299,740,566 |
| <u>SCHEDULE-12 : NET DEFERRED TAX LIABILITIES</u> | | |
| <u>Deferred Tax Liability</u> | | |
| - As at April 1, 2002 | 238,126,204 | -- |
| - Additional adjustment for the current period | 917,512 | -- |
| | 239,043,716 | -- |
| <u>Deferred Tax Asset</u> | | |
| - As at April 1, 2002 | 158,103,587 | -- |
| - Additional adjustment for the current period | (38,727,500) | -- |
| | 119,376,087 | -- |
| AS PER BALANCE SHEET | 119,667,629 | -- |
| <u>SCHEDULE -13 : MISCELLANEOUS EXPENDITURE</u> | | |
| (To the extent not w/off or adjusted) | | |
| <u>Preliminary Expenses</u> | | |
| Balance b/f | 67,136 | 83,920 |
| Less : 1/10th written off | 12,588 | 16,784 |
| AS PER BALANCE SHEET | 54,548 | 67,136 |

VARUN BEVERAGES LIMITED

| DESCRIPTION | PERIOD ENDED | YEAR ENDED |
|---|-----------------------------|-----------------------------|
| | 31.12.2002 | 31.03.2002 |
| | Rs. | Rs. |
| <u>SCHEDULE -14 : SALES</u> | | |
| Beverages | 1,275,614,055 | 1,228,829,361 |
| Others | 181,454,061 | 161,974,239 |
| | <u>1,457,068,116</u> | <u>1,390,803,600</u> |
| Less : Discount & Incentives | 3,637,790 | 50,348,803 |
| Less : Commission Paid | -- | 2,149,040 |
| AS PER PROFIT & LOSS ACCOUNT | <u>1,453,430,326</u> | <u>1,338,305,757</u> |
| <u>SCHEDULE-15 : OTHER INCOME</u> | | |
| Realisation on sale of scrap etc. | 4,672,126 | 5,495,261 |
| Interest Received | 75,593 | 151,493 |
| Dividend Received | 42,477 | 94,920 |
| Excess Provision Written Back | 382,433 | 733,657 |
| Hire Charges Received | 75,000 | 1,787,500 |
| Profit on Sale of Investments | 2,175,421 | -- |
| Misc. Income | 234,574 | 196,953 |
| AS PER PROFIT & LOSS ACCOUNT | <u>7,657,624</u> | <u>8,459,784</u> |
| <u>SCHEDULE-16 : INCREASE / (DECREASE) IN STOCKS</u> | | |
| <u>Stock as on 1.4.2002</u> | | |
| Beverages | 15,797,574 | 23,081,183 |
| Work in Progress | 137,448 | 109,091 |
| Others | 2,545,365 | 5,700,249 |
| Goods in Transit | 846,672 | 218,136 |
| TOTAL 'A' | <u>19,327,059</u> | <u>29,108,659</u> |
| <u>Stock as on 31.12.2002</u> | | |
| Beverages | 16,153,698 | 15,797,574 |
| Work in Progress | 129,755 | 137,448 |
| Others | 13,298,296 | 2,545,365 |
| Goods in Transit | 464,840 | 846,672 |
| TOTAL 'B' | <u>30,046,589</u> | <u>19,327,059</u> |
| AS PER PROFIT & LOSS ACCOUNT (B-A) | <u>10,719,530</u> | <u>(9,781,600)</u> |

VARUN BEVERAGES LIMITED

| DESCRIPTION | PERIOD ENDED 31.12.2002 Rs. | YEAR ENDED 31.03.2002 Rs. |
|---|-----------------------------------|---------------------------------|
| <u>SCHEDULE -17 : RAW MATERIAL CONSUMED</u> | | |
| Opening Stock | 58,596,048 | 65,571,785 |
| Add : Purchases | 651,174,503 | 600,373,146 |
| | <u>709,770,551</u> | <u>665,944,931</u> |
| Less : Closing Stock | 53,619,951 | 58,596,048 |
| : Sales | 2,841,072 | 5,826,926 |
| AS PER PROFIT & LOSS ACCOUNT | <u>653,309,528</u> | <u>601,521,957</u> |
| <u>SCHEDULE-18 : STORES CONSUMED</u> | | |
| Opening Stock | 29,396,113 | 15,778,046 |
| Add : Purchases | 19,644,521 | 28,807,057 |
| | <u>49,040,634</u> | <u>44,585,103</u> |
| Less : Closing Stock | 35,019,639 | 29,396,113 |
| AS PER PROFIT & LOSS ACCOUNT | <u>14,020,995</u> | <u>15,188,990</u> |
| <u>SCHEDULE-19 : SALARIES, WAGES & AMENITIES</u> | | |
| Salaries, Wages & Allowances | 38,998,439 | 42,614,219 |
| Staff Welfare & Amenities | 3,112,082 | 5,080,248 |
| AS PER PROFIT & LOSS ACCOUNT | <u>42,110,521</u> | <u>47,694,467</u> |
| <u>SCHEDULE -20 : REPAIRS & MAINTENANCE</u> | | |
| - Plant & Machinery | 21,721,915 | 20,732,048 |
| - Building | 2,275,203 | 1,721,199 |
| - Others | 15,258,428 | 6,113,191 |
| AS PER PROFIT & LOSS ACCOUNT | <u>39,255,546</u> | <u>28,566,438</u> |
| <u>SCHEDULE-21 : ADMINISTRATIVE EXPENSES</u> | | |
| Rent, Rates & Taxes | 2,838,948 | 3,148,759 |
| Printing & Stationery | 1,169,790 | 1,910,051 |
| Postage, Telegrams & Telephone etc. | 3,449,234 | 4,718,844 |
| Conveyance & Travelling | 7,206,182 | 7,845,684 |
| Electricity & Generator Exp. | 1,127,003 | 788,078 |
| Vehicle Running and Maintenance | 3,759,914 | 5,891,672 |

VARUN BEVERAGES LIMITED

| DESCRIPTION | PERIOD ENDED 31.12.2002 Rs. | YEAR ENDED 31.03.2002 Rs. |
|--|-----------------------------------|---------------------------------|
| <u>Auditors' Remuneration</u> | | |
| - As Audit Fees | 115,500 | 115,500 |
| - For Tax matters | 54,300 | 49,175 |
| - For Reimbursement of Expenses | 53,910 | 106,051 |
| - For Company Law & Other Matters | 180,000 | 540,000 |
| Legal & Professional Charges | 1,302,276 | 1,057,596 |
| General Office & Misc. Expenses | 847,573 | 814,093 |
| Fees & Licence | 148,950 | 103,719 |
| Internal Audit Fees | 26,250 | 26,250 |
| Books & Periodicals | 349,957 | 756,275 |
| Donation & Charity | 146,701 | 1,842,105 |
| Insurance Charges | 1,369,306 | 1,717,124 |
| Security & Service Charges | 1,849,086 | 2,648,091 |
| Preliminary Exp. W/off | 12,588 | 16,784 |
| AS PER PROFIT & LOSS ACCOUNT | 26,007,468 | 34,095,851 |
| <u>SCHEDULE-22 : TRANSPORTATION, HANDLING & DISTRIBUTION COSTS</u> | | |
| Freight, Octroi & Insurance | 55,688,417 | 40,959,322 |
| Delivery Vehicle Running & Maintenance | 8,651,295 | 10,152,050 |
| Loading & Unloading Expenses | 3,593,764 | 3,390,776 |
| AS PER PROFIT & LOSS ACCOUNT | 67,933,476 | 54,502,148 |
| <u>SCHEDULE-23 : SELLING EXPENSES</u> | | |
| Advertisement & Sales Promotion Expenses | 15,359,352 | 13,562,008 |
| Meeting & Conference Expenses | 468,812 | 211,711 |
| Royalty Charges | 4,984,038 | 804,470 |
| AS PER PROFIT & LOSS ACCOUNT | 20,812,202 | 14,578,189 |
| <u>SCHEDULE-24 : FINANCIAL CHARGES</u> | | |
| Interest | 61,418,160 | 91,552,171 |
| Bank Charges | 1,151,720 | 3,684,692 |
| Lease & Hire Charges | 6,341,478 | 8,816,188 |
| AS PER PROFIT & LOSS ACCOUNT | 68,911,358 | 104,053,051 |

VARUN BEVERAGES LIMITED

SCHEDULE - 25. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of Accounting**

The Company has prepared its financial statements in accordance with applicable accounting standards and generally accepted accounting principals and also in accordance with the requirements of the Companies Act, 1956.

2. **Income and Expenditure**

Accounting of Income & Expenditure is done on accrual basis.

3. **Sales**

Sales are shown inclusive of Excise Duty and net of discount and sales tax.

4. **Fixed Assets & Depreciation**

- a) Fixed assets are stated at their original cost of acquisition inclusive of inward freight, duties and expenditure incurred in the acquisition, construction and installation.
- b) Depreciation on fixed assets is provided on Straight Line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. In case of Market Infrastructure PMX & Visi Cooler depreciation is charged @ 20% on SLM basis.
- c) Breakages of containers (Bottles & Shells) are being adjusted on "First Bought First Broken" basis.

5. **Inventories**

Inventories are valued on the following basis :

- | | |
|---------------------------------------|---|
| a) Finished Goods- (at bonded Godown) | - At lower of cost or realisable value |
| - (at duty paid Godown/depot) | - At lower of Landed Cost or realisable value |
| b) Work-in-progress | - At estimated cost |
| c) Raw Materials | - At Cost |
| d) Stores and Spares | - At Cost |

6. **Excise Duty**

- a) Excise duty is accounted for at the time of clearance of goods. However, liability towards Excise duty on closing stock lying in Bonded Warehouse is provided for as per relevant guidance note issued by the Institute of Chartered Accountants of India.
- b) Modvat credit, to the extent availed, is adjusted towards cost of materials.

7. **Retirement Benefits**

The company is accounting for Retirement Benefits of the employees on accrual basis.

8. Dividend received is accounted for in the year in which it is declared.

9. **Investments**

Long Term Investments are valued at cost. No provision for decline in the value of Long Term Investments has been made as the decline is considered to be of temporary nature by the management.

VARUN BEVERAGES LIMITED

10. Contingent Liabilities

Contingent Liabilities are determined on the basis of available information and are disclosed by way of notes to the accounts.

11. Preliminary Expenses

Preliminary Expenses are written off equally in Ten Financial Years.

12. Unless specifically stated to be otherwise, these policies are consistently followed.

B. NOTES ON ACCOUNTS

| | <u>CURRENT PERIOD</u> <u>(Rs. in Lacs)</u> | <u>PREVIOUS YEAR</u> <u>(Rs. in Lacs)</u> |
|---|---|--|
| 1. (a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) | 189.51 | 23.42 |
| (b) Letter of credit opened in favour of inland/overseas suppliers | 100.54 | 115.00 |
| (c) Guarantees issued on behalf of a Limited Company | 10.42 | 10.42 |
| 2. <u>Details of Licensed and Installed Capacities & Production.</u> | | |
| A) Licensed Capacity | N.A. | N.A. |
| B) Installed Capacity * | | |
| - Beverages BPM | 2820 | 2820 |
| - Pet Preforms PPM | 250 | 250 |
| C) Production | | |
| - Beverages Cases/Bags | 8581796 | 6874828 |
| - Pet Preforms Nos. | 91013763 | 63145601 |

* As certified by the Management & relied upon by the Auditors being a technical matter. (One case of 24/12/9/6 Bottles).

3. Details of Raw Material Consumed :

| | <u>Unit</u> | <u>CURRENT PERIOD</u> | | <u>PREVIOUS YEAR</u> | |
|-------------|-------------|-----------------------|-------------------|----------------------|-------------------|
| | | <u>Qty</u> | <u>Value</u> | <u>Qty</u> | <u>Value</u> |
| Concentrate | Unit | 8711 | 259354762 | 8080 | 241654817 |
| Crown Corks | Gross | 971101 | 28160820 | 782981 | 23994768 |
| Sugar | Kgs. | 7256920 | 103888154 | 6691984 | 104365876 |
| Co2 | Kgs. | 600300 | 6285400 | 592558 | 5979466 |
| Caps | Nos. | 39165459 | 23029487 | 31608079 | 20554012 |
| Pet Chips | Kgs. | 3307004 | 180776137 | 2624731 | 151790325 |
| Preforms | Nos. | 5336735 | 11602651 | 7586580 | 20267381 |
| Preforms | Nos. | 3416479 | Own Production | 24323803 | Own Production |
| Others | -- | -- | 40212117 | -- | 32915312 |

VARUN BEVERAGES LIMITED

4. Particulars of Sales/Stock

| | <u>Unit</u> | <u>CURRENT PERIOD</u> | | <u>PREVIOUS YEAR</u> | |
|-----------------------------|-------------|-----------------------|--------------|----------------------|--------------|
| | | <u>Qty</u> | <u>Value</u> | <u>Qty</u> | <u>Value</u> |
| <u>Opening Stock</u> | | | | | |
| Beverages | C/s/ | | | | |
| | Bags | 128097 | 16644246 | 143881 | 23299319 |
| Preforms | Nos | 853931 | 2428660 | 1396974 | 5621011 |
| Others | | -- | 116705 | -- | 79238 |
| <u>Purchases</u> | | | | | |
| Beverages | C/s/ | | | | |
| | Bags | 172846 | 19943763 | 518779 | 59414256 |
| Others | | -- | 1093205 | -- | 263131 |
| <u>Sales</u> | | | | | |
| Beverages | C/s/ | | | | |
| | Bags | 8700512 | 1275614055 | 7400928 | 1228829361 |
| Preforms | Nos | 52194145 | 180285535 | 39364841 | 161718915 |
| Others | | -- | 1168526 | -- | 255324 |
| <u>Closing Stock</u> | | | | | |
| Beverages | C/s/ | | | | |
| | Bags | 174002 | 16618538 | 128097 | 16644246 |
| Preforms | Nos. | 5508750 | 12674557 | 853931 | 2428660 |
| Others | | -- | 623739 | -- | 116705 |

* Sales quantity includes goods given as samples.

5. Details regarding dividend and redemption of cumulative redeemable preference shares:-

| <u>No. of Shares</u> | <u>Amount</u> | <u>Particulars regarding redemption and dividend</u> |
|----------------------|---------------|---|
| 2897672 | 289767200 | Redeemable on 20-3-2009. Dividend payable @ 0% upto F.Y. 2005-2006, @ 1% p.a. for F.Y. 2006-2007 & 2007-2008 and @ 78% in F.Y. 2008-2009. |
| 1625254 | 162525400 | Redeemable on 28-2-2010. Dividend payable @ 0% upto F.Y. 2006-2007, @ 1% p.a. for F.Y. 2007-2008 & 2008-2009 and @ 78% in F.Y. 2009-2010. |
| 411997 | 41199700 | Redeemable on 29-3-2010. Dividend payable @ 0% upto F.Y. 2006-2007, @ 1% p.a. for F.Y. 2007-2008 & 2008-2009 and @ 78% in F.Y. 2009-2010. |
| 71010 | 7101000 | Redeemable on 31-3-2010. Dividend payable @ 0% upto F.Y. 2006-2007, @ 1% p.a. for F.Y. 2007-2008 & 2008-2009 and @ 78% in F.Y. 2009-2010. |
| 26230 | 2623000 | Redeemable on 26-2-2011. Dividend payable @ 0% upto F.Y. 2007-2008, @ 1% p.a. for F.Y. 2008-2009 & 2009-2010 and @ 78% in F.Y. 2010-2011. |
| 1128990 | 112899000 | Redeemable on 31-6-2010. Dividend payable @ 0% upto F.Y. 2007-2008, @ 1% p.a. for F.Y. 2008-2009 & 2009-2010 and @ 78% in F.Y. 2010-2011. |

VARUN BEVERAGES LIMITED

6. Value of Imports on CIF basis

| | <u>CURRENT PERIOD</u> (Rs. in Lacs) | <u>PREVIOUS YEAR</u> (Rs. in Lacs) |
|-------------------------------|--|---------------------------------------|
| Capital Goods | 30.56 | 484.05 |
| Stores, Spares & Raw Material | 267.86 | 257.72 |

7. Expenditure in Foreign Currency

| | | |
|--------------|--------|--------|
| - Imports | 298.42 | 741.77 |
| - Travelling | 9.44 | 6.81 |
| - Others | 0.30 | - |

8. Remuneration paid to Directors :-

| | | |
|------------------|--------|--------|
| Sh. C.K. Rastogi | 493767 | 623204 |
| Sh. Anil Gupta | 457020 | 304680 |

9. Contingent Liabilities

- a) Liability in respect of claim for Advertisement Tax raised by Municipal Corporation, Jaipur is amounting to Rs. 9.15 Lacs. The Company has gone in appeal and appropriate adjustment shall be made on disposal of the appeal.
 - b) A demand of Rs. 2.16 Lacs together with penalty of Rs. 1.00 Lac was confirmed by Deputy Commissioner of Central Excise on wrong availment of Modvat Credit. The company has gone in appeal and appropriate adjustment shall be made on disposal of the appeal.
 - c) A demand of Rs. 55.96 Lacs together with interest and penalty was raised by Commissioner Central Excise, Jaipur for wrong availment of Modvat Credit. The company has gone in appeal and appropriate adjustment shall be made on disposal of the appeal.
 - d) A demand of Rs. 2.88 Lacs was confirmed by CEGAT on wrong availment of Modvat Credit. The company is disputing the demand and appropriate adjustment shall be made on final disposal of the matter.
10. No claim has been received from any of the suppliers of their being a Small Scale Industrial Unit. Hence, the amount due to Small Scale Industrial Units as on December 31, 2002 are not ascertainable.
11. In the opinion of the management the "Current Assets" "Loans & Advances" have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet unless otherwise stated.
12. Amount Recoverable in cash or kind include following advances to directors of the company :-
- | | Advance as on
31.12.2002 | Maximum balance on any
day during the period |
|-------------------|---|---|
| Shri C.K. Rastogi | Rs. 1,841/- (Previous Year Rs. 1,841/-) | Rs. 1,841/- |
13. Balance confirmation have not been received from number of parties showing debit/credit balances. Confirmation of balances to the extent received have been reconciled/under reconciliation.
14. Tax Expense is the aggregate of current period tax and deffered tax charged to the Profit & Loss Account for the period.

VARUN BEVERAGES LIMITED

a) **Current Year Charge :**

Income Tax provision of Rs. 85 Lacs has been made pursuant to section 115JB of income Tax (MAT). However, no tax is payable on regular income for the period.

b) **Deferred Tax**

Deferred Tax arise because of difference in treatment between financial accounting and tax accounting, known as "Timing Differences". The tax effect of these timing differences is recorded as "Deferred Tax Assets" (generally items that can be used as a tax deduction or credit in future periods) and "Deferred Tax Liabilities" (Generally items for which the company has received a tax deduction but have not yet been recorded in the statement of income).

Being the first year of enactment, the cumulative net deferred tax liability of Rs. 800.23 lacs upto April, 1 2002, has been adjusted from the brought forward balance of Profit & Loss Account. The net deferred tax liability arising during the period of Rs. 396.45 lacs has been shown in the Profit & Loss Account.

The principal components of the net deferred tax balance are as follows :-

| Particulars | Opening as at 01.04.02 (Rs. in Lacs) | Charge/Credit during the period (Rs. in Lacs) | Closing as at 31.12.02 (Rs. in Lacs) |
|--|--------------------------------------|---|--------------------------------------|
| <u>Deffed Tax Liabilities</u> | | | |
| Depreciation | 2381.26 | 9.18 | 2390.44 |
| <u>Deferred Tax Assets</u> | | | |
| Depreciation C/f as per Income Tax Act | 1581.03 | (387.27) | 1193.76 |
| Net Deferred Tax Liability | 800.23 | 396.45 | 1196.68 |

Based on historical pre-tax earnings and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is virtually certain that the deferred tax assets would be realised.

15. In view of the high wear & tear of PMX Machine & Visicoolers in market, the rate of depreciation on these assets has now been changed from 4.75% straight line method (SLM) to 20% straight line method (SLM).

In compliance with the Accounting Standard (AS6) issued by the Institute of Chartered Accountant of India, depreciation has been recomputed from the date these assets were put to use at 20%. Consequent to this change there is an additional charge during the period of Rs. 697.76 Lacs relating to previous years. Had there been no change in the method of depreciation the charge for the current period would have been lower by Rs. 296.83 Lacs consequently profit for the period and net block of fixed assets would have been higher by Rs. 296.83 Lacs.

VARUN BEVERAGES LIMITED

16. Earnings per share (EPS) - The numerators and denominators used to calculate Basic and Diluted Earning per share

| | Period Ended 31.12.2002 | Year Ended 31.03.2002 |
|--|----------------------------|--------------------------|
| Profit after Tax | 107,823,606 | 54,546,914 |
| Less : Provision for Income Tax | 48,145,012 | 4,200,000 |
| Less : Income Tax / W.Tax Adjustment | 615,175 | 939,877 |
| Profit attributable to the Equity Shareholders - (A) | 59,063,419 | 49,407,037 |
| Basic/Weighted average number of Equity Shares outstanding during the year (B) | 5,000,000 | 5,000,000 |
| Nominal value of Equity Shares (Rs) | 10 | 10 |
| Basic/Diluted Earnings per share (Rs) - (A) / (B) | 11.81 | 9.88 |

17. **Related Party Disclosures :**

| Name of the Party | Relationship | Nature of Transactions | Amounts w/off or w/back in respect of debts due |
|----------------------|--------------------|---|---|
| (a) Sh Anil Gupta | Working Director | Remuneration & Perquisites paid Rs. 4.57 lacs Balance outstanding Rs. NIL Maximum Debit balance on any during the period Nil. | NIL |
| (b) Sh. C.K. Rastogi | Wholetime Director | Remuneration & perquisites paid Rs 4.94 lacs Balance due on 31.12.02 Rs. 0.02 Lacs Maximum balance due at any time during the year Rs 0.02 lacs | NIL |

18. **Segment Reporting**

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company.

As part of Secondary reporting, the company has no geographical segment by location.

VARUN BEVERAGES LIMITED

| Information about Business Segment- Primary | | | (Rs. In Lacs) |
|---|-----------------|----------------|-----------------|
| Reportable segments | Beverages | Preform | Total |
| Revenue | | | |
| Sales and other income | 14206.04 | 1802.86 | 16008.90 |
| Inter-Segment Sales | -- | 739.37 | 739.37 |
| Total Revenue | 14206.04 | 2542.22 | 16748.26 |
| Segment Result\Operating Profit | | | |
| Financial Charges | 2179.24 | 262.19 | 2441.43 |
| Interest/Dividend Income/Profit on Sale of Investments. | | | (688.36) |
| Extraordinary Items | | | 22.93 |
| | | | (697.76) |
| Profit Before Tax | | | 1078.24 |
| Less : Provision for Tax/Adjustment | | | 487.60 |
| Profit After Tax | | | 590.63 |
| Other Information | | | |
| Segment Assets | 17964.09 | 2091.62 | 20056.39 |
| Unallocated Assets | | | 331.18 |
| Total Assets | | | 20387.57 |
| Segment Liabilities | 2669.36 | 156.61 | 2,825.97 |
| Unallocated Liabilities | | | 9380.37 |
| Total Liabilities | | | 12206.34 |
| Depreciation | 1566.66 | 61.84 | 1628.50 |
| Non-Cash Expenditure Other than Depreciation (Amortisation & Breakages) | | | 99.62 |

Notes :

- a) Unallocated assets include investments, Income Tax Advances and Miscellaneous expenditure.
 - b) Unallocated Liabilities include interest bearing liabilities and Income tax provisions.
19. Previous year figures have been regrouped or recasted wherever necessary. However the same are not comparable since the current period figures are for nine months.

IN TERMS OF OUR REPORT
OF EVEN DATE ANNEXED

For O.P.BAGLA & CO.
CHARTERED ACCOUNTANTS

PARTNER

WHOLE TIME DIRECTOR

DIRECTOR

PLACE : NEW DELHI

DATED : 14th March, 2003

SECRETARY

VARUN BEVERAGES LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (AS PER SCHEDULE VI, PART (IV) OF THE COMPANIES ACT, 1956)

| | | |
|-------------|---|---------------------|
| I. | <u>REGISTRATION DETAILS</u> | |
| | Registration No. | 69839 |
| | State Code | 55 |
| | Balance Sheet Date | 31st December, 2002 |
| II. | <u>CAPITAL RAISED DURING THE YEAR</u> | |
| | Public Issue | NIL |
| | Rights Issue | NIL |
| | Private Placement | NIL |
| | Bonus Issue | NIL |
| III. | <u>POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS</u> | |
| | Total Liabilities | 1,919,089,183 |
| | Total Assets | 1,919,089,183 |
| | <u>SOURCES OF FUNDS</u> | |
| | Paid up Capital | 666,115,300 |
| | Reserves & Surplus | 152,007,918 |
| | Secured Loans | 715,423,214 |
| | Unsecured Loans | 94,446,000 |
| | <u>APPLICATION OF FUNDS</u> | |
| | Net Fixed Assets | 1,587,233,988 |
| | Investments | 29,040,990 |
| | Net Current Assets | 100,953,995 |
| | Misc. Expenditure | 54,548 |
| | Capital Work-in-progress | 30,376,540 |
| | Deferred Tax Assets/Liabilities | (119,667,629) |
| | Accumulated Losses | NIL |
| IV. | <u>PERFORMANCE OF THE COMPANY</u> | |
| | Turnover including other income | 1,603,258,213 |
| | Total Expenditure | 1,495,434,607 |
| | Profit before tax | 107,823,606 |
| | Profit After Tax | 59,063,419 |
| | Earnings Per Share (Rs.) | 11.81 |
| | Dividend Rate (%) | NIL |
| V. | <u>GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY</u> | |
| | Item code no. (ITC Code) | 220210.10 |
| | Product description | Aerated Soft Drinks |

IN TERMS OF OUR REPORT OF EVEN DATE ANNEXED

For O.P.BAGLA & CO.
CHARTERED ACCOUNTANTS

PARTNER

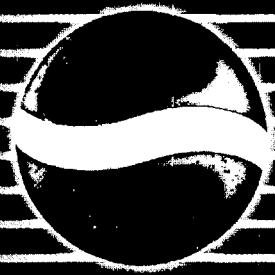
WHOLE TIME DIRECTOR

DIRECTOR

PLACE : NEW DELHI

DATED : 14th March, 2003

SECRETARY



PEPSI