Corporate Off : Plot No.31, Institutional Area, Sec.-44, Gurgaon, Haryana-122002 (India)
Ph.: +91-124-4643100-500 • Fax: +91-124-4643303/04 E-mail : info@rjcorp.in • Visit us at : www.rjcorp.in
CIN No. : U74899DL1995PLC069839

March 20, 2017

To,

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

Subject :- Intimation of 22nd Annual General Meeting, Book Closure and E- Voting.

1. **22nd Annual General Meeting**

This is to inform you that, pursuant to Section 96 of the Companies Act, 2013, Regulation 30 and other relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR)), the 22nd Annual General Meeting (AGM) of the Company will be held on Monday, April 17, 2017 at 11:00 a.m. at Sri Sathya Sai International Center, Pragati Vihar, Bhishm Pitamah Marg, Lodhi Road, New Delhi 110 003 in order to transact, the businesses as set out in the Notice of 22nd AGM.

A copy of the notice calling 22nd AGM along with the copy of printed Annual Report, which is being sent to the shareholders, is enclosed. Both, the AGM Notice and the Annual Report, shall be uploaded on the Company's website.

2. **Shareholders' approval for further fund raising by way of debt issue**

Pursuant to Regulation 29 of SEBI (LODR), we also hereby inform you that the Shareholders' approval is being sought in the aforesaid 22nd AGM for further fund raising by way of debt issue and the Shareholders' are requested to authorize the Board of Directors to offer, from time to time, the subscription of redeemable, secured/unsecured Non-Convertible Debentures aggregating to Rs.10,000,000,000 (Rupees Ten Billion Only) on private placement basis, in one or more tranches subject to required approvals pursuant to Section 71 and Section 42 of the Companies Act, 2013 read with Companies (Share Capital & Debenture) Rules, 2014 and Companies (Prospectus & Allotment of Securities) Rules, 2014.

3. **Book Closure**

We also hereby inform you that pursuant to Section 91 of the Companies Act, 2013 and Regulation 42 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Register of Members and Share Transfer books of the Company will be closed from Tuesday, April 11, 2017 to Monday, April 17, 2017 (both days inclusive) for the purpose of Annual Closing / AGM.

In view of the provision of Section 91 of the Companies Act and the Rules made thereunder, it may be noted that the Company shall publish the notice of Book Closure and shall comply with the requirement given under Regulation 42 of the SEBI (LODR) Regulations, 2015.

VARUN BEVERAGES LIMITED NEW DELHI

VARUN BEVERAGES LIMITED

Corporate Off : Plot No.31, Institutional Area, Sec.-44, Gurgaon, Haryana-122002 (India)
Ph.: +91-124-4643100-500 • Fax: +91-124-4643303/04 E-mail : info@rjcorp.in • Visit us at : www.rjcorp.in
CIN No. : U74899DL1995PLC069839

4. E-voting, Scrutinizer of E-voting and cut-off date

Pursuant to Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, as may be amended from time to time and Regulation 44 of SEBI (LODR) and Secretarial Standard -2 issued by Institute of Company Secretaries of India, the Company is pleased to provide e-voting facility to all its Members, to enable them to cast their votes electronically for all the resolutions set out in the Notice of Annual General Meeting.

The Company has engaged the services of Karvy Computershare Private Limited (Karvy) for the purpose of providing e-voting facility to all its Members.

Mr. Sanjay Grover, Practicing Company Secretary (F4223) and Managing Partner of M/s. Sanjay Grover & Associates, Company Secretaries, New Delhi has been appointed as the Scrutinizer by the Company to scrutinize the entire voting process in a fair and transparent manner.

The remote e-voting period shall commence at 9.00 a.m. on Thursday, April 13, 2017 and will end at 5.00 p.m. on Sunday, April 16, 2017. The remote e-voting module shall be disabled by Karvy thereafter.

The cut-off date for determining the eligibility of shareholders to exercise remote e-voting rights and attendance at Annual General Meeting (AGM) is Monday, April 10, 2017. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on cut-off date, shall be entitled to avail the facility of E-voting or voting at the meeting through ballot paper.

Kindly take the same on your records and acknowledge.

Thanking You.

Yours faithfully,
For Varun Beverages Limited

VARUN BEVERAGES LIMITED NEW DELHI

Mahavir Prasad Garg
Company Secretary & Compliance Officer

Encl. As Above

Varun Beverages Limited

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, Gurugram 122 002 , (Haryana)
Tel: +91 124 4643100, Fax: +91 124 4643303
E-mail: complianceofficer@rjcorp.in; **Website:** www.varunpepsi.com
Corporate Identity Number: U74899DL1995PLC069839

NOTICE

Notice is hereby given that the 22nd Annual General Meeting of Varun Beverages Limited will be held on Monday, April 17, 2017 at 11.00 a.m. at Sri Sathya Sai International Center, Pragati Vihar, Bhishm Pitamah Marg, Lodhi Road, New Delhi - 110 003, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements (both Standalone and consolidated) of the Company for the Financial Year ended on December 31, 2016, together with the Reports of the Board of Directors and Auditors thereon.

2. To appoint a Director in place of Mr. Kapil Agarwal (DIN 02079161), who retires by rotation and, being eligible, offers himself for re-appointment.

3. To consider and, if thought fit, pass, with or without modification (s) the following resolution as an **Ordinary Resolution**:

   "**RESOLVED THAT** pursuant to the provision of Section 139 and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, as amended from time to time, the Company hereby ratifies the appointment of M/s. Walker Chandiok & Associates, Chartered Accountants, Firm Registration Number 001329N as Joint Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the 23rd AGM of the Company at a remuneration to be fixed by the Board of Directors of the Company, in addition to the service tax and actual out of pocket expenses incurred in connection with the audit of the accounts of the Company."

4. To consider and, if thought fit, pass, with or without modification (s) the following resolution as an **Ordinary Resolution**:

   "**RESOLVED THAT** pursuant to the provision of Section 139 and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, as amended from time to time and pursuant to the recommendations of the Audit Committee and the Board of Directors, M/s. APAS & Co., Chartered Accountants, Firm Registration Number 000340C, be and is hereby appointed as Joint Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the 27th AGM of the Company to be held in the year 2022 at a remuneration to be fixed by the Board of Directors of the Company, in addition to the service tax and actual out of pocket expenses incurred in connection with the audit of the accounts of the Company.."

SPECIAL BUSINESS:

5. To consider and, if thought fit, pass, with or without modification (s) the following resolution as a **Special Resolution**:

   "**RESOLVED BY WAY OF SPECIAL RESOLUTION THAT** pursuant to the provisions of Regulation 12 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, the Company hereby ratifies following Employee Stock Option Schemes (ESOS) as approved by the Shareholders on May 13, 2013 and April 27, 2016:-

   a. 7,71,700 vested options under ESOS-2013, which were pending at the time of listing of the equity shares of the Company on November 8, 2016, will continue to be governed by and under ESOS-2013, as amended from time to time and the terms and provisions of ESOS-2013 will continue to be applicable to all the options (granted/vested/ exercised) under ESOS-2013.

   b. Any further grant of options shall be governed by and under ESOS-2016, as approved by the shareholders of the Company in their meeting held on April 27, 2016 and the Company will obtain all necessary approvals under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI (Share Based Employee Benefits) Regulations, 2014 and Companies Act, 2013 (as amended from time to time) before issuing/granting any options under ESOS-2016.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do such acts /

deeds as may be considered necessary or incidental for implementation of the aforesaid schemes."

6. To consider and, if thought fit, pass, with or without modification(s) the following resolution as a **Special Resolution**:

   "RESOLVED BY WAY OF SPECIAL RESOLUTION THAT pursuant to the provisions of Sections 42, 71 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the Companies (Share Capital and Debentures) Rules, 2014 (including any statutory modification(s) or re-enactment (s) thereof, for the time being in force) and subject to the provisions of Articles of Association of the Company, approval of the members, be and is hereby accorded to the Board of Directors of the Company to offer or invite subscriptions for listed, redeemable, secured/unsecured Non-Convertible Debentures aggregating to ₹.10,000,000,000 (Rupees Ten Billion Only) on private placement basis, in one or more tranches, from such persons / Banks / Financial Institutions / Bodies Corporates and on such terms and conditions as the Board of Directors of the Company may, from time to time, determine and consider proper and most beneficial to the Company including, without limitation, as to when the said Debentures are to be issued, the consideration for the issue, mode of payment, coupon rate, redemption period, utilization of the issue proceeds and all matters connected therewith or incidental thereto;

   RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things, as it may, in its absolute discretion, deem necessary, proper or desirable, delegate all or any of these powers to Committee of Directors or Director or any Officer of the Company or any other person and to settle any question, difficulty or doubt that may arise in this regard, finalize and execute all such deeds, documents and writings as may be necessary, desirable or expedient as it may deem fit."

By Order of the Board
For Varun Beverages Limited

Mahavir Prasad Garg
Company Secretary
Membership No. F3490

Place: Gurugram
Date: February 20, 2017

IMPORTANT NOTES:

1. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, April 11, 2017 to Monday, April 17, 2017 (both days inclusive) for the purpose of AGM / annual closing.

2. Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which set outs details relating to Special Business at the meeting, is annexed hereto.

3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

   Pursuant to Section 105 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, a person shall not act as proxy for more than fifty (50) members and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

4. A blank proxy form is being sent herewith. The instrument appointing proxy, duly stamped completed and signed, should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting. Proxies submitted on behalf of companies must be supported by appropriate resolution issued on behalf of the nominating companies.

5. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the Meeting.

6. The Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.

7. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send to the Company duly certified copy of the relevant Board resolution authorizing such representatives to attend and vote on their behalf at the meeting.

8. Details of Directors seeking re-appointment in Annual General Meeting pursuant to Secretarial Standard on General Meetings (SS-2) and Regulation 26(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, are given elsewhere in the Notice.

9. All documents referred to in the accompanying Notice and the Explanatory Statement, are open for inspection by the members at the Registered Office and the Corporate Office of the Company on all working days up to the date of Annual General Meeting i.e. April 17, 2017 between 11:00 AM and 1:00 PM and also at the meeting.

10. Pursuant to Section 101 and Section 136 of the Companies Act, 2013 read with relevant Rules made thereunder, companies can serve Annual Reports and

other communications through electronic mode to those Members who have registered their e-mail address either with the Company or with the Depository Participants. Members of the Company who have registered their e-mail address are also entitled to receive such communication in physical form, upon request. Members who have not registered their e-mail address with Company can now register the same by sending a communication to the Company or to M/s Karvy Computershare Private Limited (RTA). Members holding Shares in demat form are requested to register their e-mail address with their Depository Participants only. The registered e-mail address will be used for sending future communications.

11. The Notice of AGM, Annual Report and Attendance Slip are being sent in electronic mode to members whose e-mail address are registered with the Company or the Depository Participants, unless the members have registered their request for the hard copy of the same. Physical copy of the Notice of AGM, Annual Report and Attendance Slip are being sent to those members who have not registered their e-mail address with the Company or the Depository Participants. Members may note that this Notice and the Annual Report 2016 will also be available on the Company's website viz. www.varunpepsi.com

12. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013, the Register of Contracts or Arrangements in which Directors are interested under Section 189 of the Companies Act, 2013 will be available for inspection at the AGM.

13. Members desiring any information/clarification on the accounts are requested to write to the Company at least seven days in advance so as to enable the management to keep information ready at the Annual General Meeting.

14. Members are requested to note that M/s Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31 and 32, Gachibowli Financial District, Nanakramguda, Hyderabad 500 032, is the Registrar and Transfer Agent (RTA) to look after the work related to shares held in physical and dematerialized form.

15. To prevent fraudulent transactions, Members are requested to exercise due diligence and immediately notify to the RTA any change in their address and/or bank mandate in respect of shares held in physical form and to their Depository Participants (DPs) in respect of shares held in the dematerialized form. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned DP and holdings should be verified. Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company/ RTA.

16. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company by submitting form no. SH-13 to the RTA. Members holding shares in electronic form may submit the same to their respective depository participant. The nomination form can be downloaded from the Company's website i.e. www.varunpepsi.com under the section investor relations

17. Non-Resident Indian members are requested to inform RTA, immediately of:

    a. Change in their residential status on return to India for permanent settlement.

    b. Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the Bank with pin code number.

18. Members holding shares in physical form are advised to convert their shareholding in dematerialized form with any depository participant.

19. Please bring a copy of Annual Report and duly filled in attendance slip for attending the Annual General Meeting.

20. In accordance with the provisions of Regulation 39(4) and Schedule VI of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company maintains a demat account namely 'Unclaimed Suspense Shares Demat Account – Varun Beverages Limited' with M/s Karvy Stock Broking Limited and currently holds Nil shares in this account.

21. In compliance with the provisions of Section 108 of the Act and the Rules framed thereunder, as amended from time to time, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Members are provided with the facility to cast their vote electronically, through the e-voting services provided by Karvy Computershare Private Limited, on all the resolutions set forth in this Notice. The instructions for e-voting are given elsewhere in the Notice.

22. The facility for voting either through ballot or polling paper shall also be made available by the Company at the AGM and the members attending the meeting who have not casted their vote by remote e-voting, will be able to exercise their right at the meeting through ballot or polling paper, as the case may be.

23. The members who have casted their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

24. A route map to the venue of the AGM alongwith prominent landmark for easy location is enclosed.

25. The Company does not have any unclaimed / unpaid dividend so far. Accordingly, the provisions of Section 124 and 125 of the Companies Act, 2013 do not apply.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 ("THE ACT")

RESOLUTION NO. 5:

The shareholders had approved Employee Stock Option Scheme -2013 (ESOS-2013) on May 13, 2013 and ESOS-2016 on April 27, 2016. Under ESOS-2013, 26,75,400 options were granted to the employees out of which 7,71,700 options were pending for exercise at the time of listing of equity shares of the Company i.e. as on November 8, 2016. Pursuant to the requirement of Regulation 12 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, the pre-IPO schemes need to be ratified by the Shareholders by way of Special Resolution. These schemes are available for inspection at the Registered Office as well as the Corporate Office of the Company and also at the meeting. It may be noted that under ESOS-2016 no options have been granted so far and any further grant of options shall be as per the provisions of ESOS-2016.

None of the Directors/Key Managerial Personnel of the Company/their relatives is, in any way, concerned or interested, financially or otherwise, except to the extent of options granted to them, in the resolution set out at Item No. 5 of the Notice.

Your Board recommends the Special Resolution set out at Item No. 5 of the Notice for approval by the members.

RESOLUTION NO. 6:

Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 prescribed under Section 42 of the Act deals with private placement of securities by a Company. Sub-rule (2) of the said Rule states that in case of an offer or invitation to subscribe for non-convertible debentures on private placement basis, the Company shall obtain prior approval of its shareholders by means of a special resolution. This approval will be valid for a period of one year.

In order to augment long term resources for financing, the ongoing capital expenditure and for general corporate purposes, the Board may, at an appropriate time, offer or invite subscription for secured/unsecured redeemable non-convertible debentures, in one or more series/ tranches upto ₹ 10,000,000,000 (Rupees Ten Billion only), on private placement basis.

This resolution is an enabling resolution and authorizes the Board of Directors of the Company to offer or invite subscription for non-convertible debentures, as may be required by the Company, from time to time, for one year from the date of passing this resolution.

None of the Directors/Key Managerial Personnel of the Company/their relatives is, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

Your Board recommends the Special Resolution set out at Item No. 6 of the Notice for approval by the members.

By Order of the Board
For Varun Beverages Limited

Mahavir Prasad Garg
Company Secretary
Membership No. F3490

Place: Gurugram
Date: February 20, 2017

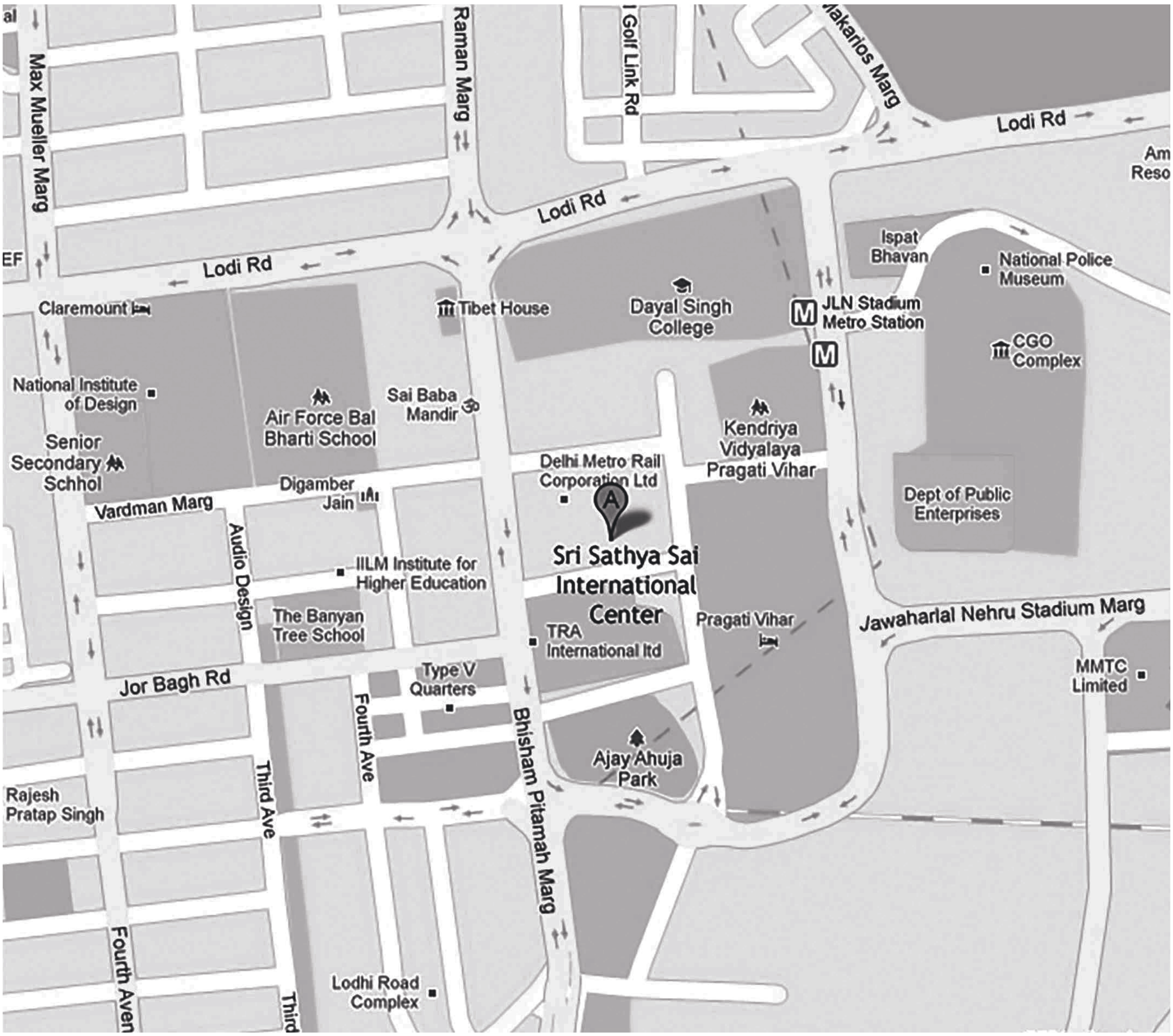
NO GIFT(S) WILL BE DISTRIBUTED IN THE ANNUAL GENERAL MEETING.

Details of the Director seeking re-appointment at the 22nd Annual General Meeting

{In pursuance of Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-2)}

Name of Director		**Mr. Kapil Agarwal (DIN: 02079161)**
i)	Date of Birth/Age	June 08, 1964 / 52 years
ii)	Qualifications	Bachelors degree in commerce from Lucknow University. Post Graduate Diploma in Business Management from the Institute of Management Technology, Ghaziabad.
iii)	Experience	**Mr. Kapil Agarwal** is presently working as Whole-time Director of the Company. He has over two decades of experience in the field of sales and marketing and has been with the group since 1991. He was inducted into the Board of Directors in 2012. He currently heads sales, marketing and operations of your Company.
iv)	Terms and Conditions of Re-appointment	Mr. Kapil Agarwal was re-appointed as the Whole-time Director of the Company for a period of 3 years effective from January 01, 2016 at a gross Salary of ₹ 26,69,280/- per month with an annual increment of such amount as may be determined of the Board or any committee thereof.
v)	Details of Remuneration sought to be paid	-
vi)	Last Remuneration drawn	₹. 39.29 Million p.a.
vii)	Date of first appointment on the Board	January 01, 2012
viii)	No. of shares held	440,429
ix)	Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	Nil
x)	No. of Board Meetings attended/held during Financial Year 2016	11/12
xi)	Directorships held in other companies	Devyani Food Industries Limited
xii)	Chairman/Member of the Committee of the Board of Directors of the Company as on December 31, 2016	Share Allotment Committee - Member
	Committee position held in other companies	
	a. Audit Committee	Nil
	b. Stakeholders Relationship Committee	Nil
	c. Other Committees	Nil

ROUTE MAP OF THE VENUE



INSTRUCTIONS FOR REMOTE E-VOTING

Pursuant to Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, as may be amended from time to time and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard -2 issued by Institute of Company Secretaries of India, the Company is pleased to provide e-voting facility to all its Members, to enable them to cast their votes electronically. The Company has engaged the services of Karvy Computershare Private Limited (Karvy) for the purpose of providing e-voting facility to all its Members. Please note that e-voting is an alternate mode to cast votes and is optional. **HOWEVER IN CASE MEMBERS CAST THEIR VOTE BOTH VIA PHYSICAL BALLOT PAPER AND E-VOTING, THEN VOTING THROUGH E-VOTING SHALL PREVAIL AND VOTING DONE BY BALLOT PAPER SHALL BE TREATED AS INVALID.**

The remote e-voting period shall commence at 9.00 a.m. on Thursday, April 13, 2017 and will end at 5.00 p.m. on Sunday, April 16, 2017. The remote e-voting module shall be disabled by Karvy at 5.00 p.m. on end date of the voting period.

The cut-off date for determining the eligibility of shareholders to exercise remote e-voting rights and attendance at Annual General Meeting (AGM) is Monday, April 10, 2017. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on cut-off date, shall be entitled to avail the facility of E-voting or voting at the meeting through ballot paper. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date. A person who is not a Member as on the cut-off date should treat this Notice for information purpose only.

Any person, who acquires shares of the Company and becomes Member of the Company after dispatch of the Notice and holding shares as on the cut-off date i.e. Monday, April 10, 2017, may obtain the login ID and password by sending an e-mail to **mohsin.mohd@karvy.com or evoting@karvy.com** by mentioning their Folio No./DP ID and Client ID. However, if you are already registered with Karvy for remote E-voting, then you can use your existing user ID and password for casting your vote.

The facility for voting through ballot paper will be made available by the Company at the AGM and the members attending the meeting who have not casted their vote by remote e-voting, will be able to exercise their right to vote at the meeting through ballot paper. The members who have casted their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again. Once the vote on a resolution is casted by the shareholder, the shareholder shall not be allowed to change it subsequently.

Mr. Sanjay Grover, Practicing Company Secretary (F4223) and Managing Partner of M/s. Sanjay Grover & Associates, Company Secretaries, New Delhi has been appointed as the Scrutinizer by the Company to scrutinize the entire voting process in a fair and transparent manner.

The Scrutinizer shall, immediately after the conclusion of voting at the AGM, first count the votes cast at the meeting, thereafter unblock the votes casted through remote e-voting in the presence of at least two witnesses not in the employment of the Company, and submit the consolidated Scrutinizer's Report of the total votes casted in favor or against, if any, to the Chairman of the Meeting or any person authorized by him in writing who shall countersign the same not later than three (3) days of the conclusion of the meeting. The results along with the Scrutinizer's Report shall be placed on the website of the Company at www.varunpepsi.com; that of Karvy at https://evoting.karvy.com and of the Stock Exchanges at www.bseindia.com and www.nseindia.com.

PROCESS FOR MEMBERS OPTING FOR E-VOTING

The procedure and instructions for members for voting electronically are as under:

i. The voting period begins at 9.00 a.m. on Thursday, April 13, 2017 and ends at 5:00 p.m. on Sunday, April 16, 2017. Members of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. Monday, April 10, 2017, may cast their vote electronically. The e-voting module shall be disabled by Karvy for voting thereafter.

ii. The shareholders should log on to the e-voting website https://evoting.karvy.com

iii. Enter the login credentials i.e., User ID and password mentioned in your email. Your Folio No/DP ID Client ID will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and Password for casting your votes.

   - For CDSL: 16 digits beneficiary ID,
   - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
   - Members holding shares in Physical Form should enter Folio Number registered with the Company.

iv. Next enter the Image Verification as displayed and Click on Login.

v. You will reach the Password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, $, etc.). It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

vi. You need to login again with the new credentials.

vii. On successful login, the system will prompt you to select the EVENT i.e. Varun Beverages Limited.

viii. On the voting page, the number of shares (which represents the number of votes) as held by the member as on the cut-off date will appear. If you desire to cast all the votes assenting/dissenting to the resolution then enter all shares and click "FOR"/ "AGAINST" as the case may be or partially in "FOR" and partially in "AGAINST", but the total number in "FOR / AGAINST" taken together should not exceed your shareholding as on cut-off date. You may also choose the option "ABSTAIN" and the shares held will not be counted under either head.

ix. Members holding multiple folios / demat accounts shall choose the voting process separately for each folio / demat account.

x. Cast your votes by selecting an appropriate option and click on "SUBMIT". A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify your vote subsequently. During the voting period, you can login multiple times till you have confirmed that you have voted on the resolution.

xi. Corporate/Institutional Members (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board resolution/authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorised to vote, to the scrutinizer through e-mail id sanjaygrover7@gmail.com. They may also upload the same in the e-voting module in their login. The scanned image of the above documents should be in the naming format "Corporate Name_EVENT No."

xii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members and e-voting User Manual available at the "download" section of https://evoting.karvy.com or call M/s Karvy Computershare Private Limited on 1800 345 4001 (toll free).

xiii. The Notice of the AGM is also placed on the website of the Company at www.varunpepsi.com and on the website of Karvy at https://evoting.karvy.com.

xiv. Details of the person who can be contacted for any grievances connected with facility for voting by electronic means:-

Mohd Mohsin Uddin, Senior Manager
M/s Karvy Computershare Private Limited
Karvy Selenium Tower-B, Plot No. 31 and 32
Gachibowli, Financial District, Nanakramguda,
Hyderabad-500 032,
Toll Free No. 1800 345 4001
Email: evoting@karvy.com or mohsin.mohd@karvy.com

xv. The Resolutions, if passed by the requisite majority, shall be deemed to have been passed on the date of the 22nd AGM i.e. April 17, 2017.

Varun Beverages Limited

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, Gurugram 122 002 , (Haryana)
Tel: +91 124 4643100, Fax: +91 124 4643303
E-mail: complianceofficer@rjcorp.in; **Website:** www.varunpepsi.com
Corporate Identity Number: U74899DL1995PLC069839

Sr. No.............................

ATTENDANCE SLIP

22nd Annual General Meeting on Monday, April 17, 2017 at 11:00 a.m. at Sri Sathya Sai International Center, Pragati Vihar, Bhishm Pitamah Marg, Lodhi Road, New Delhi - 110 003

Name (in Block Letters)	
Address	
Registered Folio No. / DP ID & Client ID	
Shareholder / Proxy / Authorized Representative	
Mobile No. E-Mail Id	

I/ We hereby record my/our presence at the 22nd Annual General Meeting (AGM) of the Company being held on Monday, April 17, 2017 at 11:00 a.m. at Sri Sathya Sai International Center, Pragati Vihar, Bhishm Pitamah Marg, Lodhi Road, New Delhi - 110 003

Signature of Shareholder/ Proxy/ Authorized Representative

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of the Annual Report to the Annual General Meeting.

ELECTRONIC VOTING PARTICULARS

EVSN (E-Voting Sequence Number)	USER ID	PASSWORD

Notes:

1) Each equity share of the Company carries one vote.
2) Please read carefully the instructions printed overleaf before exercising the vote.
3) Due to Security Reasons Mobile Phones, Cameras and Bags shall not be allowed inside the AGM Hall.

Form No. MGT-11

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN: U74899DL1995PLC069839
Name 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, Gurugram 122 002, (Haryana)
Phone: +91 11 41706720/ +91 124 4643100-500, Fax: +91 124 4643303
Website: www.varunpepsi.com / **E-mail:** complianceofficer@rjcorp.in

Name of the Member (s) :	
Registered Address :	
Folio No/ Client Id :	
DP Id :(Applicable for Investors holding shares in demat form.)	

I/We, being the member (s) of ....shares of the above named company, hereby appoint

1. Name:..Address:..
   E-mail Id:..Signature:.., or failing him

2. Name:..Address:..
   E-mail Id:..Signature:.., or failing him

3. Name:..Address:..
   E-mail Id:..Signature:..

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 22nd Annual General Meeting of the Company, to be held on Monday, April 17, 2017 at 11:00 a.m. at Sri Sathya Sai International Center, Pragati Vihar, Bhishm Pitamah Marg, Lodhi Road, New Delhi - 110 003 and at any adjournment thereof in respect of such resolutions as are indicated below:

S.NO.	RESOLUTION	FOR	AGAINST
Ordinary Business			
1.	Adoption of Audited Financial Statements (both Standalone and Consolidated) of the Company for the FY 2016 including Reports of Board of Directors and Auditors thereon.		
2.	Re-appointment of Mr. Kapil Agarwal (DIN 02079161), as Director, liable to retire by rotation.		
3.	Ratification of appointment of M/s. Walker Chandiok & Associates, Chartered Accountants, (FRN 001329N) as Joint Statutory Auditors for a period of one year from the conclusion of this AGM until the conclusion of the next AGM and fixing their remuneration.		
4.	Appointment of M/s APAS & Co., (FRN: 000340C), Chartered Accountants, as Statutory Auditors for a period of 5 years from the conclusion of 22nd AGM till the conclusion of 27th AGM and fixing their remuneration.		
Special Business			
5.	Ratification of Employee Stock Option Scheme 2013 (ESOS) and ESOS 2016.		
6.	Approval for issuance of Non-Convertible Debentures upto ₹. 10,000,000,000 on Private Placement Basis.		

Signed this...... day of ...., 2017.

Affix 30 Ps. Revenue Stamp Signature

Signature of Shareholder

Signature of Proxy holder(s)

Notes:

1. This form should be signed across the stamp as per specimen signature registered with the Company.
2. The Proxy, to be effective, should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. A proxy need not be a member of the Company.
4. Please put a √ in the appropriate column against the resolutions indicated in the Box. If you leave the For or Against column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate. This is only optional.

India First. India's First.

Annual Report
2016

VARUN BEVERAGES

Varun Beverages Limited

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People

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Awards and CSR

Forward Looking Statements

This report may contain some statements on the Company's business or financials which may be construed as forward looking based on the management's plans and assumptions. The actual results may be materially different from these forward-looking statements although we believe we have been prudent in our assumptions.

WWW

This annual report is also available online on our website : www.varunpepsi.com

The spirit of **India first** is all about our

Passion, Commitment & Determination...

to challenge limits, enhance competencies and dominate the beverage space in India

to put India on a global beverage map

to make India an important destination for PepsiCo

to create world-class manufacturing and distribution standards in India

We shall be able to achieve this spirit of **India first** by leveraging the achievements of our legacy of being **India's first** across diverse areas. This includes the distinction of being:

- Recognized as one of the first beverage manufacturers and distributors in India
- Amongst the first to receive PepsiCo's license for manufacturing and selling multiple beverage products across multiple locations in India
- Market-leaders in the Indian beverage space
- Our Chairman (Mr. Ravi Kant Jaipuria) is the first and the only Indian to have received PepsiCo's International Bottler of the Year Award in 1997
- First Indian beverage Franchisee Company with substantial backward manufacturing facilities listed on Indian Stock Exchanges.

Who We Are

WITH 21 PRODUCTION FACILITIES AND 276 MILLION CASES OF ANNUAL SALES VOLUME, VBL IS THE SECOND LARGEST PEPSICO FRANCHISEE FOR CARBONATED SOFT DRINKS (CSDs) AND NON-CARBONATED BEVERAGES (NCBs) IN THE WORLD (OUTSIDE USA).

Profile

- Incorporated in 1995 and began commercial operations in1996.
- A part of RJ Corp group, a diversified business conglomerate with interests in beverages, quick-service restaurants, dairy and healthcare.
- Promoted by Mr. Ravi Kant Jaipuria (founder Chairman).
- Engaged in the business of manufacturing and distributing PepsiCo's CSD and NCB products across licensed territories in India, Nepal, Sri Lanka (including Ole brand), Morocco,Zambia and Mozambique.

Vision

To become the most successful and profitable Beverage Company in the world having market leadership in the territories we operate.

Mission

- Offering best quality & refreshing product to every customer & consumer.
- Being a preferred employer providing consistent growth path, respect & empowerment.
- Creating value for our stakeholders by driving excellence in our operations.
- Being responsible towards environment & society.

Values

- We hold strong values in business and fully respect our customers, associates and community.
- Our diversity and unity brings creativity to our relationships within our group, and to our associates.
- We continuously excel to achieve and maintain leadership position in the chosen businesses; and delight all stakeholders by making economic value additions in all corporate functions.

Snapshot of Business Segment

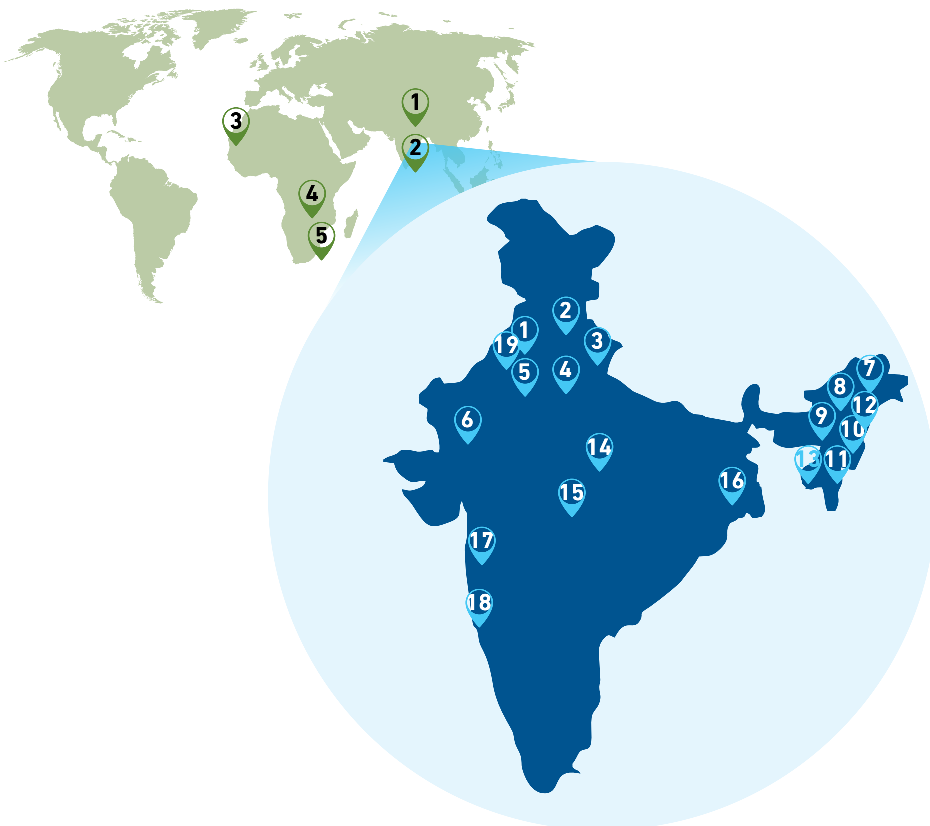
Segmental sales volume break-up, 2016

Carbonated Soft Drink segment | Non-carbonated Beverages segment | Packaged drinking water

Certifications

- ISO 14001:2004 (environment) for facilities at Jainpur, Bhiwadi, Kolkata, Nuh and Alwar
- ISO 9001:2008 (quality) for facilities at Alwar and Jaipur
- ISO 18001:2007 (operational health and safety) for facilities at Nuh and Alwar
- FSSC 22000 (food safety system) certification for facilities at Greater Noida-I &II, Goa, Kolkata and Jaipur
- AIB international certificate for facilities at Bhiwadi, Goa, Jainpur, Bazpur, Greater Noida-I & II, Kolkata, Satharia, Kosi and Nuh

Presence



India

1 - Punjab, **2** - Himachal Pradesh

3 - Uttarakhand, **4** - Delhi

5 - Haryana, **6** - Rajasthan

7 - Arunachal Pradesh, **8** - Assam

9 - Meghalaya, **10** - Manipur

11 - Mizoram, **12** - Nagaland

13 - Tripura, **14** - Uttar Pradesh

15 - Certain designated sub-territories in Madhya Pradesh

16 - West Bengal

17 - Certain designated sub-territories in Maharashtra

18 - Goa, **19** - Chandigarh

Global

1-Nepal, **2**-Sri Lanka, **3**-Morocco, **4**-Zambia, **5**-Mozambique

Journey Over the Years

1991-99

- Bottling & Trademark License Agreement with PepsiCo through a group Company in 1991
- Varun Beverages Limited incorporated as public limited company in 1995
- Commenced operations in Greater Noida in 1995 and Jaipur in 1996
- Acquired existing operations at Nepal in 1998
- Commenced operations in Alwar, Jodhpur and Kosi in 1999.

2000-13

- Expansion into international territories – Sri Lanka and Morocco
- Investment by Standard Chartered PE (2011 & 2012)
- Consolidation of territories held by various companies into Varun Beverages Limited (includes Goa, North East, Sri Lanka, Nepal and Morocco territories)
- Acquired the business of manufacturing and marketing of soft drink beverages in Delhi, India in 2013
- Presence in 15 states and a union territory sales volume increased to 153.5 million cases

2014-15

- Investment of ₹ 4,500 million by promoter group during 2014 and 2015
- Acquired PepsiCo's India sub-territories in Uttar Pradesh*, Uttarakhand*, Himachal Pradesh, Haryana*, Punjab and the Union Territory of Chandigarh in 2015
- Investment by AION Capital in 2015
- Incorporated Varun Beverages (Zimbabwe) Private Limited
- Sales volume increased to 239.7 million cases

2016

- Acquired shareholding from Arctic International Private Limited in:
  - Varun Beverages (Zambia) Limited (60%)
  - Varun Beverages Mozambique Limitada (51%)
- The Company's shares got listed in NSE and BSE
- Acquired two co-packing facilities located at Phillaur (Punjab) and Satharia (Uttar Pradesh) for operational efficiencies
- Established new production facility in Goa
- Sales volume increased to 275.8 million cases

**Remaining parts of these sub-territories*

Flagship Brands

CARBONATED SOFT DRINKS

Product	Variants & description
Pepsi-Cola	■ Pepsi – Original cola drink ■ Pepsi Max – Low-calorie and sugar-free cola ■ Diet Pepsi – Classic sweetener blended no- calorie cola
Seven-Up	■ Seven-Up – Lemon-lime flavor, soft drink ■ Seven-Up Nimbooz Masala Soda – Real lemon juice with tangy taste, juice-based drink ■ Seven-Up Revive – Isotonic drink containing electrolytes, vital vitamins and less sugar
Mountain Dew	Citrus flavoured drink
Mirinda	Fruit-flavored drink. Available in orange, pineapple, apple and lemon flavor
Evervess	■ Evervess – Classic soda ■ Teem Soda – Classic soda ■ Duke's Soda – Various flavoured soda

NON-CARBONATED BEVERAGES

Product	Variants & description
Tropicana Slice	Mango-based drink
Seven-Up Nimbooz	With Real lemon juice, juice-based drink
Tropicana Frutz	Fruit juice in lychee, apple, mango, mix-fruit and orange flavors

PACKAGED DRINKING WATER

Product	Variants & description
Aquafina	Packaged drinking water

Refreshing Facts

Industry Facts

44 bottles

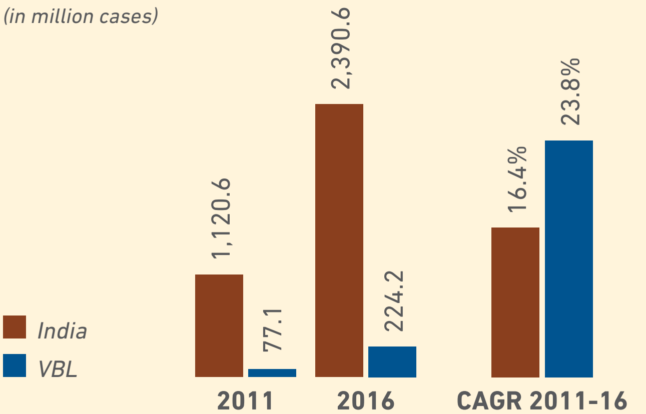
INDIA'S ANNUAL PER CAPITA SOFT DRINK CONSUMPTION IN 2016 COMPARED TO 1,489 BOTTLES IN MEXICO, 1,496 BOTTLES IN USA AND 391 BOTTLES WORLDWIDE – SIGNIFYING A HUGE OPPORTUNITY FOR GROWTH.

EXPECTED COMPOUNDED VOLUME GROWTH IN SOFT DRINK CONSUMPTION DURING 2016-21.

15.1%	20%	13.1%	12.6%	7%
India	Nepal	Sri Lanka	Morocco	Zambia

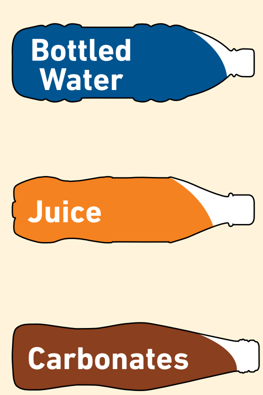
TOTAL VOLUME OF SOFT DRINK SALES IN INDIA VS. SOFT DRINK SALES OF VBL INDIA

(in million cases)



(Soft drinks include carbonates, bottled water, concentrates, juice, RTD tea, sports and energy drink)

SEGMENT-WISE FORECAST OF COMPOUNDED GROWTH IN SOFT DRINK SALES VOLUMES IN INDIA DURING 2016-21



Bottled Water 19.8%

Juice 16.9%

Carbonates 6.8%

Note - A unit case in equal to 5.678 litres beverage divided in 24 bottles of 237ml each
- Source for Industry data - Soft Drinks Report 2017 by Euromonitor International

Every Pepsi refreshes the world.

Company Facts

6 Operational countries

21 State-of-the-art production facilities

25+ yrs Of strategic association with PepsiCo

45% Market share of VBL in PepsiCo's beverage sales volume in India*

4,58,000 Visi-Coolers owned and installed

2,024 Distribution Vehicles owned

1,186 Primary distributors

6,045 Employees worldwide

Mr. Ravi Kant Jaipuria, the only Indian to have received the award for **PepsiCo's International Bottler of the Year Award** in 1997 and **Chairman's Club Award for PepsiCo's SAMEA region** in 2008.

BRANDS MANUFACTURED AND DISTRIBUTED

Carbonated Soft Drinks

Non-carbonated Beverages

Packaged Drinking Water

*Company estimates

Key Highlights for the Year

IPO Highlights

₹6,675 million Capital raised through fresh issue of shares in IPO

Financial Highlights, 2016

13.5% #Over 2015 | **20.9%** CAGR 2012-16

Revenue Growth

73.8% #Over 2015 | **56.7%** CAGR 2012-16

PAT Growth

25.4% #Over 2015 | **36.7%** CAGR 2012-16

EBITDA Growth

74.2% #Over 2015 | **34.0%** CAGR 2012-16

***Networth Growth**

** bp – basis points*

137 bp #Over 2015 | **253 bp** Over 2012

PAT Margin Growth

196 bp #Over 2015 | **824 bp** Over 2012

EBITDA Margin Growth

76% Revenues from Indian Operations

24% Revenues from International Operations

** CCD, issued to Private Equity investors are considered as equity in 2015*

 # Financials for 2015 are as per the restated consolidated financials as reported in the IPO prospectus

Product Highlights, 2016

PRODUCT-WISE SALES VOLUME GROWTH OVER 2015

12.6%	16.5%	13.2%	8.9%	20.5%	25.6%
Pepsi	Seven-Up	Mountain Dew	Tropicana Slice	Mirinda	Aquafina

SEGMENT-WISE SALES VOLUME GROWTH OVER 2015

13.9%	8.9%	25.6%
Total Carbonated Soft Drink Segment	Total Non-carbonated Beverages Segment	Packaged Drinking Water

In 2016, sales across all subsidiaries (except Mozambique) crossed 10 million+ cases volume which makes operations viable and self-sustainable.

10 million+cases club

NEW PRODUCTS LAUNCHED IN 2016

TROPICANA FRUTZ
(APPLE, LYCHEE, MANGO)

MOUNTAIN DEW
(GAME FUEL)

7-UP REVIVE

SLICE
REBRANDED AS
TROPICANA SLICE

Chairman's Message

"VBL POSSESSES DECADES OF MANUFACTURING AND DISTRIBUTION EXPERIENCE, DEEP INDUSTRY INSIGHTS, STRONG ASSET-BASE AND ENSURE END-TO-END EXECUTION ACROSS THE PRODUCT VALUE CHAIN."

Dear Shareholders,

It gives me immense pleasure to place before you the 22nd Annual Report of the Company and the maiden one since our listing on 8th November 2016.

IPO: A BIG LEAP FOR THE COMPANY

At the onset, I would like to take this opportunity to thank all the investors for their whole hearted response to our IPO which comprised a fresh issue of 15 million equity shares and offer for sale of 10 million equity shares by the promoters. The issue received a very good response, helping us raise over ₹ 11,000 million. Of the total proceeds, ₹ 6,675 million was on account of the fresh issue of shares, of which ₹ 5,400 million were utilized to pare down debt. The full benefit of interest savings are to be realized going into 2017. We have started a new chapter in our journey and are excited about the business prospects going forward. It will be our endeavour to always have best practices in investor interaction at all times.

SYMBIOTIC RELATIONSHIP WITH PEPSICO AND DEEP UNDERSTANDING OF BUSINESS DYNAMICS

Before presenting an overview of our financial performance, I would like to give you a brief introduction of our company and business model. Varun Beverages is a key player in the beverage industry with presence across the fastest growing soft drink markets across the world, 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contributing ~89% to revenues, while 3 in Africa (Morocco, Mozambique and Zambia) contributing ~11%.

We have a long-standing, synergetic relationship with PepsiCo, spanning over 25 years when the Indian economy opened the doors for global players leading to PepsiCo's entry into India. VBL has a unique business model and is not merely a "bottler" for PepsiCo, a term coined back in the past to describe small businesses which would bottle the beverage and return them to the brand-owners for a small conversion fee. VBL has end-to-end execution capabilities and presence across the entire value chain. The soft drinks business is seasonal in nature with majority of our sales taking place in the summer months from April to June. Hence we recommend monitoring the business on an annual basis. We have a strong understanding of the highly complex supply chain and distribution logistics of the soft drinks industry, owing to the nature of the packaging, refrigeration requirement, and demand forecasting and inventory management required. We have made investments in manufacturing facilities, distribution and warehousing, customer management, in-market execution, are responsible for driving market share gains and also managing our cash flows for future growth. Other than the concentrate and consumer marketing provided by PepsiCo, and the brands they own, we charter our own success with complete control over the manufacturing and supply chain process, driving market share, cost efficiencies and through judicious capital allocation strategies.

GROWTH THROUGH MARKET SHARE GAINS AND ACQUISITION OF TERRITORIES

Over the past 25 years, we have constantly demonstrated our ability of exponentially growing market share for PepsiCo in the key markets and territories that we operate in. Our track record has enabled us to consolidate 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. We have been granted franchisee for various PepsiCo products across 17 States and two Union Territories in India. We have also been granted the franchisee for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, Mozambique and Zambia.

KEY DEVELOPMENTS – 2016

a) Product launches in sync with consumer preferences

We continue to leverage our ability to implement new brands and product launches for PepsiCo including in the fast-growing NCB and non-cola space to drive further growth during the year. We introduced Tropicana Frutz in various flavors – Lychee, Apple and Mango, Seven-Up Revive, Mountain Dew (Game Fuel) and Nimbooz Masala Soda, which received a strong response. Further Slice has been rebranded as Tropicana Slice to leverage the Tropicana brand with wider recognition and stronger brand value in the NCB segment.

b) Capacity expansion

We established a new production facility in Goa this year, comprising a CSD PET line and a Packaged Drinking Water line, both of which have been operational since March 2016. In addition, we have purchased two co-packing facilities during the year located at Phillaur, Punjab and Satharia, U.P., in line with our philosophy of having integrated facilities, operational efficiencies and control over quality.

c) Consolidation of territories and international expansion

During the year gone by, we have consolidated our operations in territories that were acquired in 2015, which included Himachal Pradesh, Union Territory of Chandigarh, Punjab and remaining parts of Uttar Pradesh, Uttarakhand and Haryana, resulting in higher cost efficiencies.

As far as international expansion is concerned, we acquired bottling operations in Zambia (60% equity) and Mozambique (51% equity) at a consideration of ₹ 1.75 billion in 2016. However, in view of limited opportunity to scale-up operations which would have enabled the Company to turnaround the loss making subsidiary, we have divested 41% stake in the Mozambique subsidiary in March 2017. The subsidiary contributed only 0.6% to the net revenues in 2016. We continue to hold a residual stake of 10% in the unit. The subsidiary recorded a loss of ₹ 99 million in 2016.

Our focus is on our Zambia operations and we are hereby happy to report that in February 2017, we have further increased our stake to 90% in the Zambia subsidiary in line with our philosophy of consolidation and presence in fast growing emerging markets beyond India. We have recorded healthy volume growth in our first year of operations and are highly profitable already with strong free cash flows generation. We are confident of our ability to drive sales and profitability higher in the future. Zambia continues to be an under-penetrated market and other significant upside potential.

d) CRISIL Rating Upgrade

In lieu of the robust performance and strong growth prospects, CRISIL has upgraded VBL's credit ratings from CRISIL A/Positive to CRISIL A+/Positive for long term debt, CRISIL A1 to CRISIL A1+ for short term debt and for commercial paper.

PERFORMANCE HIGHLIGHTS - 2016

We follow a calendar year for accounting purposes. This is to rationalize the seasonality factor which is typical to our business with majority of our sales taking place in the summer months from April to June. Hence we recommend monitoring the business on an annual basis. Moreover, our overseas subsidiaries also follow the same.

We are on a strong footing financially and operationally. Total sales volumes in 2016 were up 15% YoY to 276 million unit cases as compared to 240 million unit cases in 2015. India sales volume grew 7.3% YoY while International sales increased by 67.2% YoY (including the Zambia and Mozambique acquisition in 2016). Demonetization negatively impacted Indian sales volumes in Q4 CY2016, barring which we would have reported a superior performance. The impact of demonetization has been transitory and the Company has already seen volumes steadily returning to normalcy in Q1 2017. The fourth quarter being a small contributor minimally impacted the full year financials. Additionally, we are delighted to report that in addition to continuing growth in the Indian operations, our international subsidiaries (barring Mozambique) have also delivered sales volumes beyond the key threshold of 10 million cases which allows better sweating of assets, making the operations lucrative, self-sustaining, and enabling the Company to deliver higher overall profitability.

Revenue from operations grew 13.5% YoY in 2016 to ₹ 38,520 million driven by healthy traction in existing markets along with support from new territories in India and International markets. Revenue contribution from India stood at 76% in 2016, Rest of the Indian Subcontinent (Nepal & Sri Lanka) contributed 13% and Africa (Morocco, and Zambia and Mozambique) contributed 11% to total revenue. Gross profit expanded 26.1% YoY to ₹ 21,157 million with gross margins expanding 550 bps YoY from 49.4% in 2015 to 54.9% in 2016. EBITDA increased 25.4% YoY to ₹ 7,952 million. EBITDA margins expanded 190 bps YoY to 20.6% in 2016 from 18.7% in 2015. Our investments in technology, consolidation of operations of contiguous territories acquired in 2015, and increased profitability and scale of international operations, have contributed to enhancement in operational efficiencies and margins. Profit after tax (and after minority interest) grew 73.8% YoY to ₹ 1,513 million in 2016 as compared to ₹ 870 million in 2015.

The Company's IPO significantly strengthened balance sheet resulting in a net debt to equity stood of 1.2x as on 31st December 2016 as compared to 1.5x as on 31st December 2015. The working capital cycle has improved to 29 days on the back of economies of scale achieved through acquisitions in contiguous territories. Cash generation has been robust to the tune of ₹ 5,236 million in 2016. We are confident of seeing further reduction in debt going forward resulting in substantial interest cost savings, through prudent finance management and utilizing the recent ratings upgrade by CRISIL.

STRATEGIC DIRECTION AND GROWTH OUTLOOK

The Company is well-poised to capitalize on the enormous growth potential of the sector. Going forward, the Company shall continue to build upon its strong positioning in the beverage industry with presence in the fastest growing markets, robust infrastructure and strong distribution reach. The focus will be on constantly reviewing the product mix to stay in the path of relevance of customers by periodically launching innovative products with focus on non-cola carbonated beverages, non-carbonated beverages and bottled water. We will increase our presence in rural and semi-urban areas which are currently under-penetrated by adding consolidating existing distribution network and adding new distributors, as well as strengthen the network in modern trade channels such as super-markets, hyper-markets, and e-commerce.

Additionally, we shall actively explore and evaluate organic and inorganic growth opportunities, especially in South Asia and Africa. At the same time, we want to be focused on profitable growth, and will undertake various initiatives to enhance productivity through various packaging synchronization and innovations and deploying new technologies to automate processes. Further consolidation of recently acquired contiguous territories will offer better operating leverage and asset utilization, optimizing production and logistics management.

MESSAGE TO THE SHAREHOLDERS

We look forward to your continuing support in our journey which we believe will create long-term sustainable value for all our shareholders. We are highly optimistic about our future prospects given the huge potential of our diversified product portfolio in the various markets we are present and our ability to constantly innovate, launch new projects and stay in the path of relevance of our customers. We look forward to the future with even greater enthusiasm and promise. I would like to take this opportunity to thank our shareholders, valued customers and business associates for their continuing trust and support in us. We also recognize the contribution and commitment of our staff, management and Board of Directors. Let us work together to scale greater heights in the years to come.

Warm regards,

Ravi Kant Jaipuria
Chairman

Business Model

Our Robust Business Model

MANUFACTURING

SOLID INFRASTRUCTURE

- 21 state-of-the-art production facilities across 6 countries.

VBL mixes concentrates along with necessary raw materials in the production lines and bottles them.

DISTRIBUTION AND WAREHOUSING

ROBUST SUPPLY CHAIN MANAGEMENT

- 71 owned depots
- 2,024 owned vehicles
- 1,186 primary distributor

VBL uses its extensive distributors network for deep penetration in target markets.

CUSTOMER MANAGEMENT

DEMAND DELIVERY

- Local level promotion and in-store activation by VBL
- Installed 458,000 Visi-Coolers
- Brand development and consumer marketing by PepsiCo

VBL uses PepsiCo's brand pull and own push strategies to deliver products to end consumers.

IN-MARKET EXECUTION

MARKET SHARE GAINS

- Experienced region-specific sales team
- Responsible for category value/ volume growth

VBL's strong sales team pushes products to enhance sales.

COST EFFICIENCIES

MARGIN EXPANSION

- Production optimization through investment in technologies
- Economies of scale
- Backward integration
- Innovation

VBL focuses on cost reduction initiatives to enhance margins.

CASH MANAGEMENT

ROE EXPANSION/FUTURE GROWTH

- Better working capital efficiencies
- Disciplined capex investment
- Territory acquisition

VBL effectively utilizes sale proceeds for acquision of new territories/new products for growing business.

Deep-rooted Relationships

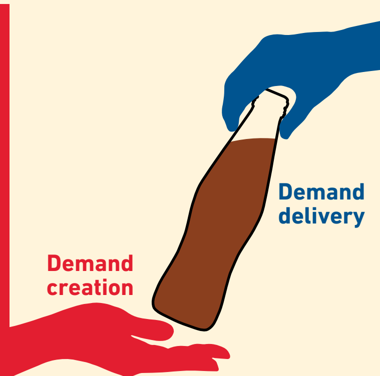
IN A CONSUMER-DRIVEN BUSINESS, ROBUST PLANNING WITH ALL PARTNERS IS A KEY TO ENSURING SEAMLESS MANUFACTURING AND DISTRIBUTION DURING THE PEAK SEASON. REALIZING THE IMPORTANCE OF THIS, WE WORK CLOSELY WITH ALL PARTNERS TO STRENGTHEN RELATIONSHIPS AND ENSURE MUTUALLY BENEFICIAL TERMS.

Relationship with PepsiCo

VBL and PepsiCo share a strong symbiotic relationship built over a period of 25 years. We work closely with PepsiCo to implement operational best practices, good manufacturing practices, and leverage strong distribution network to enhance supply chain efficiencies. Our demonstrated capability in enhancing product sales has made us a favored franchisee of PepsiCo as it continues to trust us by granting additional territory/product that were either operated by PepsiCo or other franchise.

PepsiCo

PepsiCo provides its trademark, product manufacturing rights, strong R&D capabilities, innovation strength and uses its above the line marketing strategies (brand promotion and advertising) for brand development and demand creation



VBL

VBL leverages its robust infrastructure (investments in production facilities, technologies, depots, distribution vehicles and Visi-Coolers) to provide end-to-end execution across the entire value chain right from gathering climatic information, consumer demand estimation, production planning, raw material procurement, production, quality control, sales development, marketing and distribution, and working capital management.

Relationship with suppliers, distributors and retailers

VBL enjoys a healthy relation with its suppliers, distributors and retailers. The good payment terms and sheer scale of orders enables us to have a strong bargaining power with the suppliers, who are PepsiCo approved vendors. Promotional schemes, viable credit terms, and reliable product supply enables us to have long-term relationships with the distributors. We also enjoy strong relations with the retailers by providing them attractive point-of-sale displays and Visi-Coolers that enables them to enhance sales.

People

AT VBL, WE HAVE A LEGACY OF BEING INVOLVED WITH SOME OF THE BRIGHTEST MINDS IN THE INDUSTRY WHO HAVE BEEN INSTRUMENTAL IN STEERING THE COMPANY TOWARDS THE RIGHT DIRECTION. IT IS THE KNOWLEDGE AND EXPERIENCE OF THESE PEOPLE THAT CONTRIBUTED TO THE SUCCESS OF THE ORGANIZATION.

Strong Promoter Group

The Company's promoter group comprize seasoned veterans in the beverages industry having immense knowledge and deep understanding of market dynamics, target markets, and consumer demand. This has enabled us to develop a robust business model and devise effective strategies for ensuring a consistent growth in market share and profitability.

Strong Management and Focused Leadership

The Company has qualified and professional top management team having strong industry knowledge, strategic leadership skills and experience in operational aspects of the beverage industry. It is because of their abilities that we have been able to deliver consistent growth and create strong brand value as we developed healthy relationships with PepsiCo, our vendors, distributors and retailers.

VBL's management include veterans having rich experience in the beverage space.

Board of Directors

Shows left to right in photo

Girish Ahuja,
Independent Director

He is a commerce post-graduate from SRCC, a doctorate in Faculty of Management Studies, and a Fellow of ICAI. He is a senior faculty member at SRCC, a visiting faculty member at ICAI and ICSI, ICAI's Fiscal Law Committee member, and ICSI's Editorial Board member. He has rich experience in finance and taxation. He was twice nominated to ICSI's Central Council by the Government. He is also a Board member of several companies.

Kapil Agarwal
Whole-time Director

He is a commerce graduate from Lucknow University and post graduate diploma in business management from the Institute of Management Technology, Ghaziabad. He has been with the group since 1991 and currently heads the operations and management. He has over two decades of experience in sales and marketing.

Pradeep Sardana
Independent Director

He holds a bachelor's degree in mechanical engineering from Indian Institute of Technology, Delhi. He is presently the CEO of PM Consulting, a consultancy firm in the field of food, beverages, FMCG and other industries. He has almost 40 years of experience in the field of engineering and has previously worked at senior management level with renowned companies including Polyplex Hydro Group, PepsiCo, Hindustan Lever Limited and Union Carbide and has successfully handled diverse assignments.

Raj Pal Gandhi
Whole-time Director

He is a commerce graduate from University of Delhi, qualified chartered accountant, and has over three decades of rich experience in the field of finance, accounts, strategy, legal and M&A. He has been with the group since 1993 and has been instrumental in strategizing its diversification, expansion, mergers and acquisitions, capex funding and institutional relationship. Prior to this, he was associated with a public sector undertaking under department of electronics, Government of India.

Ravindra Dhariwal
Independent Director

He is an Engineering graduate from IIT, Kanpur and an MBA from IIM, Calcutta. He has over 38 years of experience in building consumer businesses globally. He is currently the Senior Advisor in TPG India. Prior to this, he has been the CEO of Bennett & Coleman, the world-wide President of International News Media Association, and led PepsiCo's Beverages Business in India, Africa and South East Asia. He started his career with Unilever India primarily as Sales and Marketing executive.

Naresh Kumar Trehan
Independent Director

He is a medicine and surgery graduate from University of Lucknow. He attended the residency training program of the New York University Medical Center at Bellevue Hospital, University Hospital and Manhattan V.A. Hospital, New York. He is an honorary Fellow of Royal Australasian College of Surgeons. He has been awarded the Padma Bhushan in 2001 and has over 40 years of experience in the field of medicine. He is certified in Thoracic and Cardiac Surgery by the American Board of Thoracic Surgery.

Ravi Kant Jaipuria
Promoter & Chairman

He is promoter of the Company with nearly three decades of experience in conceptualizing, executing, developing and expanding food, beverages and dairy business in South Asia and Africa, he holds immense reputation as an entrepreneur and business leader. He holds the distinction of being the only Indian to receive PepsiCo's award for International Bottler of the Year, awarded in 1997.

Varun Jaipuria
Whole-time Director

He attended Millfield School, Somerset, England and has 8 years of experience in the soft drinks industry. He has been with the Company for 8 years and has been responsible for the development of new business initiatives that includes implementation of sales automation tools.

Geeta Kapoor
Independent Director

She is an arts graduate from University of Delhi and holds a diploma in tourism and travel management from Bharatiya Vidya Bhavan. She has over three decades of experience in the field of travel and hospitality. She has previously worked with Air India as an Assistant General Manager.

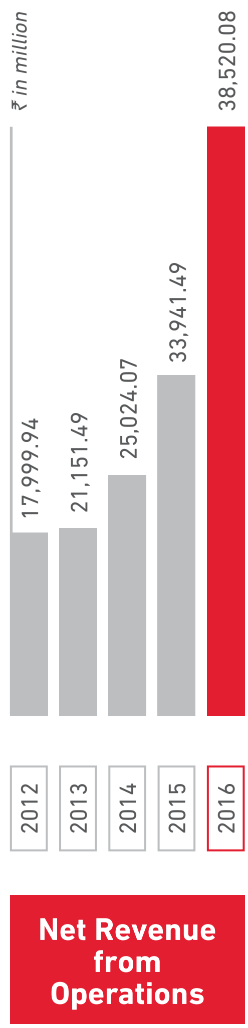
Kamlesh Kumar Jain
CFO & Whole-time Director

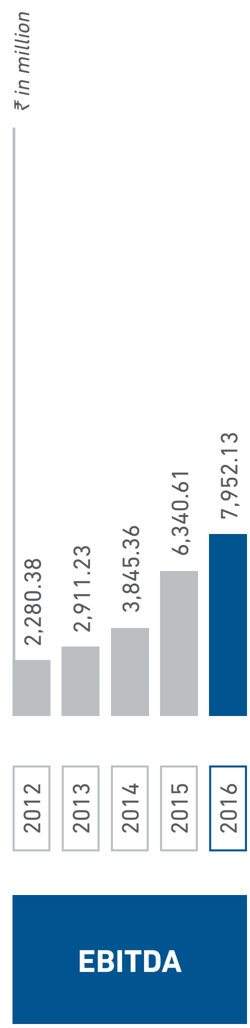
He is a commerce graduate from Rajasthan University, qualified chartered accountant and a member of the Institute of Chartered Accountants of India. He has been with the group since 1993 and was inducted to the current post and board in 2009. He has over two decades of experience in accountancy, taxation and financial management. Prior to his current role, he was Manager (Accounts) at Greater Noida-1, Commercial Head at Kosi and Executive Director and CFO in Nepal subsidiary.

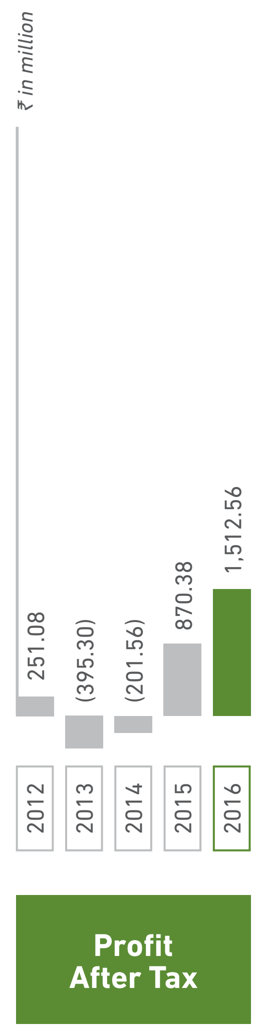
Sanjoy Mukerji
Independent Director

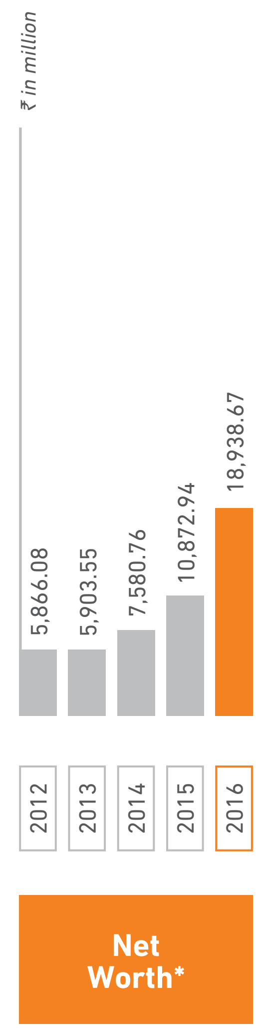
He is a mechanical engineering graduate from Indian Institute of Technology, Bombay. He has over a decade's experience in the field of food and beverages. He has previously worked with Vodafone India Limited as Chief Commercial Officer and with PepsiCo India as Unit Manager Sales (Mumbai Unit).

5-Years Highlights









KEY RATIOS (Consolidated)

	2012	2013	2014	2015	2016
Return on Capital Employed	5.91%	4.66%	2.51%	8.56%	10.80%
Debt: Equity**	2.53	3.16	2.59	1.48	1.15

* includes compulsorily convertible debentures ₹ 4,149.98 till 31 December 2015.

** Historically, till 2015, in debt equity ratio calculation, CCD's issued to Private Equity Investors were considered as Equity and deferred acquisition consideration to PepsiCo was excluded from the debt. From the year 2016, CCDs of private equity investors are converted into equity and interest free deferred acquisition consideration to PepsiCo has been considered in total debt.

Note: Financials for CY2012-15 are as per the restated consolidated financials as reported in the IPO Prospectus.

Carbonated Soft Drinks Sales Volume

Non-Carbonated Beverages Sales Volume

Packaged Drinking Water Sales Volume

KEY RATIOS (Standalone)

	2012	2013	2014	2015	2016
Return on Capital Employed	8.14%	6.41%	9.42%	11.02%	13.23%
Debt: Equity**	1.97	2.35	1.86	1.04	0.84

Awards and CSR

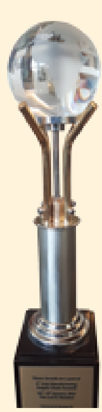
Major Awards Won

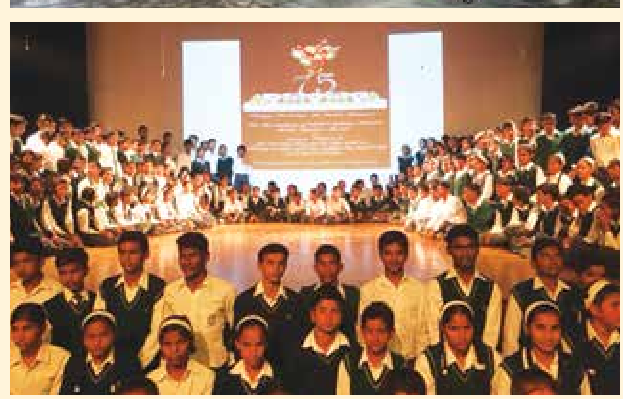
- PepsiCo's International Bottler of the Year (1997)
- Chairman's Club – PepsiCo SAMEA region (2008)
- Pepsi's Bottler of the Year – Beverages (2011)
- BU Best Quality Plant Team Award for Kosi production facility (2009)
- PepsiCo Amea Food Safety Award – Bronze in 2010, Silver in 2011 and Gold in 2012 for Greater Noida I production facility
- PepsiCo Quality Excellence Bronze Award for Kosi production facility (2011)
- Pepsi's Bottler of the Year (2014)
- CII National Award for Food Safety for Nuh production facility (2014)

Corporate Social Responsibility

The Company's CSR activities primarily focuses in the areas of healthcare and sanitation, education, gender equality, women empowerment, benefiting armed forces, and promotion of sports. In 2016, the Company spent a total of ₹ 10.69 million towards CSR activities. The major CSR activities undertaken by the Company include:

- Collaborated with Medanta Hospital in Gurugram for providing effective cure to patients of tuberculosis and funding ambulance
- Organized health camps in areas near our plants for free health check-ups of workers and villagers
- Provided funds for maintenance of water ponds
- Collaborated with local administration near plants to undertake community development activities, spreading health and sanitation awareness and providing skills training for women to enable them get means of employment





Imparting education to underprivileged children

Board's Report

Dear Members,

Your Directors have pleasure in presenting the 22nd Annual Report on the business and operations of your Company along with the Audited Financial Statements, for the Financial Year ended December 31, 2016.

FINANCIAL RESULTS

The financial performance of your Company for the Financial Year ended December 31, 2016 is summarized below:

(₹ in Million)

Particulars	Standalone		Consolidated	
	Financial Year ended 31.12.2016	Financial Year ended 31.12.2015	Financial Year ended 31.12.2016	Financial Year ended 31.12.2015
Total Revenue	30,193.81	29,104.25	38,867.85	34,084.30
Total Expenses	27,564.19	26,904.91	36,439.49	32,432.73
Profit before tax after prior period items	2,629.62	2,189.55	2,428.36	1,906.09
Less: Tax Expenses	762.28	673.08	828.50	788.57
Profit after tax	1,867.34	1,516.47	1,512.56*	1,130.42*
Balance brought forward from last year	2,094.47	597.96	364.56	(745.90)
Balance carried over to Balance Sheet	3,790.52	2,094.47	1,705.83	364.56
Debenture Redemption Reserve	-	19.96	-	19.96
General Reserve	191.25	-	191.25	-
Other Reserves	15,613.82	652.12	15,218.46	520.59
Reserves & Surplus carried to Balance Sheet	19,595.59	2,766.55	17,115.54	905.11

* Including adjustment on account of minority interest and share profit of associate.

CHANGE IN THE NATURE OF BUSINESS, IF ANY

During the year under review, there was no change in the nature of the business of the Company.

DIVIDEND

The Board of Directors of your Company have decided to retain the profits for further expansions / acquisitions and hence do not recommend any Dividend for the year under review.

CREDIT RATING

During the year under view, CRISIL has upgraded your Company's credit ratings from CRISIL A/Positive to CRISIL A+/ Positive for long term debt, CRISIL A1 to CRISIL A1+ for short term debt and for commercial paper.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of your Company for the Financial Year 2016, are prepared in compliance with the applicable provisions of the Companies Act, 2013, Accounting Standards and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 {SEBI (LODR)} which shall be placed before the members in their forthcoming Annual General Meeting.

In accordance with Section 129 (3) of the Companies Act, 2013, a statement containing the salient features of the financial statement of subsidiary/ associate/ joint venture companies is provided as Annexure in Form AOC – 1 to the consolidated financial statement and therefore not repeated to avoid duplication.

SHARE CAPITAL

The Authorized Share Capital of the Company is ₹ 10,000,000,000/- (Rupees Ten Thousand Million only) divided into 500,000,000 (Five Hundred Million) equity shares of ₹ 10/- (Rupees Ten) each and 50,000,000 (Fifty Million) Preference Shares of ₹ 100/- (Rupees Hundred) each. During the year under review, the paid up capital of the Company has increased from ₹ 5837,661,650 to ₹ 1823,125,250 due to the following:-

- Exercise of 2,264,700 Employee Stock Options under ESOS-2013;
- Allotment of 21,054,387 equity shares towards conversion of 4,149,980 Compulsorily Convertible Debentures;
- Allotment of 10,227,273 equity shares towards conversion of 45,000,000 Compulsorily Convertible Preference Shares; and

- Allotment of 15,000,000 equity shares under Initial Public Offering.

EMPLOYEE STOCK OPTION SCHEME

Your Company has two Employee Stock Option Schemes. Relevant disclosures pursuant to Rule 12 (9) of Companies (Share Capital and Debentures) Rules, 2014 and the Regulations 14 of Securities and Exchange Board of India (Share Based Employee Benefits) Regulation, 2014 and the Companies Act, 2013 are given as **Annexure – A** to this report.

NON-CONVERTIBLE DEBENTURES

During the year under review, your Company has redeemed its Rated, Listed, Secured, Redeemable Non-convertible Debentures aggregating to ₹ 2,000,000,000 (Rupees Two Billion) issued under ISIN INE200M07036 as well as it Rated, Unsecured, Listed Redeemable, Rupee Denominated Non-convertible Debentures aggregating to ₹ 3,000,000,000 (Rupees Three Billion) issued under ISIN INE200M08042.

DEPOSITS

The Company has not accepted any deposits during the year under report, falling within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

RELATED PARTY TRANSACTIONS

All transactions entered into with related parties as defined under the Companies Act, 2013 and SEBI (LODR) during the financial year were in the ordinary course of business and at arm's length basis. As per the provisions of Section 188 of the Companies Act, 2013, and Rules made thereunder read with Regulation 23 of SEBI (LODR), your Company had obtained the necessary approval of the Audit Committee under omnibus approval route before entering into such transactions.

None of the transactions with any of the related parties were in conflict with the interest of the Company rather, they synchronize and synergies with the Company's operations. Attention of members is drawn to the disclosure of transactions with the related parties set out in Note no. 44 of the Standalone Financial Statements, forming part of the Annual Report.

The Company's major related party transactions are generally with its subsidiaries. These transactions are entered into based on consideration of various business exigencies, such as synergy in operations, sectoral specialization, liquidity and capital resource of subsidiaries and all such transactions are at arm's length basis.

Your Company has framed a Policy on Related Party Transactions in accordance with SEBI (LODR) and as per the amended provisions of the Companies Act, 2013. The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and related parties. The policy is uploaded at the below web link: http://varunpepsi.com/policies/

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans, Guarantees, Securities and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the Notes to Financial Statements.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Your Company follows its global ambition to become the most successful and profitable Beverage Company in the world having market leadership in the territories we operate. It has created multiple subsidiaries and associate for facilitating these operations in various countries. A separate statement containing salient features of Financial Statements of Subsidiaries, Associate and Joint Ventures of your Company forms part of Consolidated Financial Statements in terms of Section 129 of the Companies Act, 2013. The Company has following:

Subsidiaries

- Varun Beverages (Nepal) Private Limited;
- Varun Beverages Morocco SA;
- Varun Beverages Lanka (Private) Limited;
- Ole Springs Bottlers (Private) Limited (step-down subsidiary)
- Varun Beverages Mozambique Limitada;
- Varun Beverages (Zambia) Limited; and
- Varun Beverages (Zimbabwe) (Private) Limited

Associate Company

- Angelica Technologies Private Limited

The Financial Statements of the above companies are kept open for inspection by the shareholders at the Registered Office of your Company during business hours on all days except Saturdays, Sundays and public holidays up to the date of the Annual General Meeting (AGM) as required under Section 136 of the Companies Act, 2013. Any member desirous of obtaining a copy of the said financial statements may write to the Company at its Registered Office or Corporate Office. The financial statements including the consolidated financial statements and all other documents required to be attached to this report have been uploaded on the website of your Company viz. www.varunpepsi.com

Your Company has framed a policy for determining "Material Subsidiary" in terms of Regulation 16(c) of SEBI (LODR). As on December 31, 2016, none of the subsidiary is a Material Subsidiary of the Company in terms of the said policy. The policy on Material Subsidiary has been uploaded on the Company's website http://varunpepsi.com/wp-content/uploads/2016/09/Policy-For-Determination-Of-Material-Subsidiary-And-Governance-Of-Subsidiaries.pdf

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Appointments

During the year under review, the Board of Directors in its meetings held on March 28, 2016 appointed Mr. Pradeep Sardana and on April 27, 2016 appointed Mr. Sanjoy Mukerji and Mrs. Geeta Kapoor as Additional Non-executive Independent Directors. Subsequently, the Shareholders of the Company in their Extra-ordinary General Meeting held on April 27, 2016 approved their appointments as Non-executive Independent Directors of the Company.

Key Managerial Personnel

Mr. Kapil Agarwal, Whole-time Director, Mr. Kamlesh Kumar Jain, Whole-time Director & Chief Financial Officer and Mr. Mahavir Prasad Garg, Company Secretary & Compliance Officer of the Company continue to be the Key Managerial Personnel of your Company in accordance with the provisions of Section 2 (51) and Section 203 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Resignations

Mr. Christopher White resigned from the position of Whole-time Director with effect from March 28, 2016, Mrs. Devyani Jaipuria and Mr. Parth Dasharathlal Gandhi resigned from the position of Non-Executive Director and Non-executive Nominee Director of the Company respectively, with effect from April 27, 2016.

Your Directors would like to record their deep sense of appreciation for the enormous contributions made by them during their respective tenures.

Retirement by Rotation

In accordance with the provisions of Section 152 of the Companies Act, 2013 and in terms of the Articles of Association of the Company, Mr. Kapil Agarwal, Whole-time Director is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. Your Board of Directors recommends his re-appointment.

BOARD EVALUATION

Pursuant to the provisions of Section 134 (3) (p) of the Companies Act, 2013 and the rules made thereunder, the Board was required to carry out the Annual Performance Evaluation of the Board, its Committees and individual Directors. Additionally, as per provision of Regulation 17 (10) of SEBI (LODR) the performance evaluation of the independent directors was also to be done by the Board of Directors. Accordingly, the Board has carried out the annual evaluation of the Directors individually including the Independent Directors (wherein the concerned director being evaluated did not participate), Board as a whole, and following Committees of the Board of Directors.

i) Audit Committee;

ii) Nomination and Remuneration Committee;

iii) Stakeholders' Relationship Committee;

iv) Corporate Social Responsibility Committee; and

v) Share Allotment Committee

The manner in which the evaluation has been carried out is explained in the Corporate Governance Report. The Board approved the evaluation results recommended by the Nomination and Remuneration Committee.

MEETINGS OF THE BOARD AND COMMITTEES

The number of Meetings of the Board and various Committees of your Company are set out in the Corporate Governance Report which forms part of this report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and SEBI (LODR), as applicable.

DECLARATION BY INDEPENDENT DIRECTORS

Your Company has received necessary declarations from each Independent Director that he / she meets the criteria of independence as laid down under the Companies Act, 2013 read with Schedule IV and Rules made thereunder, as well as SEBI (LODR). The Board considered the independence of each of the Independent Directors in terms of above provisions and is of the view that they fulfill / meet the criteria of independence.

REMUNERATION POLICY

In accordance with the provisions of Section 178 of the Companies Act, 2013 read with Rules made thereunder and SEBI (LODR), the Company's policy on Nomination and Remuneration of Directors, KMPs and Senior Management is uploaded on the website of the Company http://varunpepsi.com/policies/

Remuneration of Directors, Key Managerial Personnel and Particulars of Employees

The information required to be disclosed in the Board's Report pursuant to Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is set out in the **Annexure – B** to this report.

STATUTORY AUDITORS

In terms of Section 139 of the Companies Act, 2013 and the rules made thereunder, M/s Walker Chandiok & Associates, Chartered Accountants were appointed as the joint Statutory Auditors of the Company for a period of two years i.e. upto 31st December, 2017, subject to ratification by the members of the Company at every Annual General Meeting.

M/s. O.P. Bagla & Co., Chartered Accountants has completed the tenure as permissible under the Companies Act, 2013. Therefore, your Board, based on the recommendation received from the Audit Committee, recommends the appointment of M/s. APAS & Co., Chartered Accountants as the joint Statutory Auditors of the Company to hold office for a period of five years from the conclusion of this Annual General Meeting until the conclusion of the 27th Annual General Meeting i.e. till the financial year ended 31st December, 2021 subject to ratification by the Shareholders at every Annual General Meeting.

The Company has received a letter from M/s. APAS & Co., Chartered Accountants and M/s Walker Chandiok & Associates, Chartered Accountants to the effect that their appointment, if made / ratified, would be in accordance with the provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014. Your Directors recommend appointment / ratification of their re-appointment.

The Auditors' Report for the financial year 2016 does not contain any qualification, reservation or adverse remarks.

COST AUDIT

In terms of Section 148 of the Companies Act, 2013 and Companies (Cost Records and Audit) Rules, 2014 and any amendment thereto, the Cost Audit is not applicable to the Company.

SECRETARIAL AUDITORS

Your Board, on the recommendation of the Audit Committee, has appointed M/s. Sanjay Grover & Associates, Company Secretaries to conduct the Secretarial Audit of your Company. The Secretarial Audit Report is annexed herewith as **Annexure - C** to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

RISK MANAGEMENT

The Company has in place a robust risk management policy which identifies and evaluates business risks and opportunities. The Company recognizes that these risks need to be managed and mitigated to protect the interest of the stakeholders, to achieve business objectives and enable sustainable growth. The risk management framework is aimed at effectively mitigating the Company's various business and operational risks, through strategic actions. The risks are reviewed for the change in the nature and extent of the major risks identified since the last assessment. It also provides control measures for risk and future action plans.

An extensive program of internal audits and regular reviews by the Audit Committee is carried out to ensure compliance with the best practices.

INTERNAL FINANCIAL CONTROLS

The Company has in place adequate Internal Financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weakness in the design or operations were observed. The report on the Internal Financial Control issued by M/s. O.P. Bagla & Co., Chartered Accountants and M/s. Walker Chandiok & Associates, Chartered Accountants, the Joint Statutory Auditors of the Company in view of the provisions under the Companies Act, 2013 is given elsewhere in this report.

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility (CSR) Committee of the Company has been re-constituted on April 27, 2016, whose composition, role, functions and powers are in accordance with the requirements of the Companies Act, 2013. Presently, the CSR Committee comprises of Mr. Ravi Kant Jaipuria as Chairman, Mr. Raj Pal Gandhi (Whole-time Director) and Mr. Ravindra Dhariwal (Independent Director) as members of the Committee.

The CSR Committee has formulated and recommended to the Board, a Corporate Social Responsibility Policy which is available at http://varunpepsi.com/policies/

The Company has identified promoting health, education of underprivileged children and conservation of water (by undertaking the recharge to groundwater in such a way so as to exceed the limits stipulated by the Central Ground Water Authority), as area of engagement. The Company would also initiate need based initiatives in compliance with Schedule VII to the Act. During the year, the Company has spent ₹ 10.69 Million on CSR Activities.

The Annual Report on the Corporate Social Responsibility (CSR) activities for the Financial Year 2016 as required under Section 134 and 135 of the Companies Act, 2013 read with Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and Rule 9 of the Companies (Accounts) Rules, 2014 is attached to this Report as **Annexure - D**.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 (3) (c) read with Section 134 (5) of the Companies Act, 2013, the Directors state:

(a) that in the preparation of the annual accounts for the year ended December 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(b) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at December 31, 2016 and of the profits of the Company for the year ended on that date;

(c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

(d) that the annual accounts have been prepared on a going concern basis;

(e) that proper internal financial controls laid down by the Directors were followed by the Company and that such internal financial controls are adequate and were operating effectively; and

(f) that proper systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

OTHER INFORMATION

Management Discussion and Analysis Report

Management Discussion and Analysis Report for the year under review, as stipulated under the Companies Act, 2013 and SEBI (LODR) is given elsewhere in the report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated under Section 134 (3) (m) read with Rule 8 of the Companies (Accounts) Rules, 2014 is annexed herewith as **Annexure - E** to this Report.

Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by Securities and Exchange Board of India. The Company has also implemented several best corporate governance practices as prevalent globally. The report on Corporate Governance as stipulated under the SEBI (LODR) forms an integral part of this Report and the same is annexed herewith as **Annexure – F** to this Report. The requisite certificate from M/s. O.P. Bagla & Co., joint Statutory Auditors of the Company confirming compliance with the conditions of corporate governance is also annexed to the Corporate Governance Report.

Listing

The Board of Directors of your Company have pleasure in informing that during the year under review, your Company successfully floated its Initial Public Offer (IPO) for 25,000,000 equity shares consisting of fresh issue of 15,000,000 equity shares and an offer for sale of 10,000,000 equity shares from the promoter shareholders of the Company. The IPO was a success and consequent to that, the equity shares of the Company were admitted to listing on the trading terminals of the National Stock Exchange of India Limited and the BSE Limited with effect from November 8, 2016.

Both these stock exchanges have nation-wide terminals and therefore, shareholders/Investors are not facing any difficulty in trading in the shares of the Company from any part of the country. The Company has paid the listing fees to both the Stock Exchanges.

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form No. MGT – 9 in accordance with the provisions of Section 92 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, are set out herewith as **Annexure - G** to this Report.

Research and Development (R&D)

During the year under review, no Research & Development was carried out.

Cautionary Statement

Statements in the Board's Report and the Management Discussion & Analysis describing the Company's objectives, expectations or forecasts may be forward looking within the meaning of applicable securities laws and Regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government Regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transaction on these items during the year under review:-

1. Issue of equity shares with differential voting rights as to dividend, voting or otherwise.
2. The Whole-time Director of the Company does not receive any remuneration or commission from any of its subsidiaries.

3. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
4. Sweat Equity Shares.
5. No cases were filed pursuant to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Acknowledgements

Your Company's organizational culture upholds professionalism, integrity and continuous improvement across all functions, as well as efficient utilization of the Company's resources for sustainable and profitable growth.

The Directors wish to place on record their appreciation for the sincere services rendered by employees of the Company at all levels. Your Directors also wish to place on record their appreciation for the valuable co-operation and support received from the Government of India, various State Governments, the Banks / Financial Institutions and other stakeholders such as, shareholders, customers and suppliers, among others. The Directors also commend the continuing commitment and dedication of the employees at all levels, which has been critical for the Company's success. The Directors look forward to their continued support in future.

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Ravi Kant Jaipuria
Chairman
DIN : 00003668

Place : Gurugram
Date : February 20, 2017

ANNEXURE - A

Statement as at December 31, 2016 pursuant to Rule 12 (9) of Companies (Share Capital and Debentures) Rules, 2014 and the Regulations 14 of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014:

The Company has two pre-IPO Employee Stock Option Schemes viz. Employee Stock Option Scheme – 2013 (ESOS-2013) and Employee Stock Option Scheme - 2016 (ESOS – 2016). All the relevant details of these schemes are provided below.

The following details are also available on the website of the Company and can be accessed at http://varunpepsi.com/

A. Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time.

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.

B. Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by ICAI or any other relevant accounting standards as prescribed from time to time.

Disclosure on diluted EPS

Fully diluted EPS pursuant to issue of Equity Shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share'	**ESOS - 2013**	**ESOS – 2016**
	₹ 11.04 on a standalone basis	Not Applicable

C. DETAILS RELATING TO ESOS – 2013

Sr. No.	Particulars	Details
(i)	(a) Date of shareholders' approval	May 13, 2013
	(b) Total number of options approved / granted	26,75,400
	(c) Vesting requirements	All the options granted under this scheme have been vested on or before January, 2016.
	(d) Exercise price or pricing formula	₹ 149.51 per equity share / Based on Black-Scholes-Merton formula
	(e) Maximum term of options granted	5 years for exercising the options from the date of vesting
	(f) Source of shares (primary, secondary or combination)	Primary
	(g) Variation in terms of options	Under the erstwhile ESOS 2013, the vesting was to occur at the time of filing of the Red Herring Prospectus by your Company for the purpose of IPO and the exercise period was to commence only after the IPO. The vesting period got amended by the Board of Directors on December 1, 2015 in such a way that the 1st, 2nd and 3rd vesting occurred on December 1, 2015 and the restriction on exercise of the option after IPO was removed. Thereafter, the ESOS 2013 was amended on November 2, 2016 removing the restriction to exercise the Options in full in respect of the shares vested on a Vesting Date.
(ii)	Method used to account for ESOS - 2013	Intrinsic value

Sr. No.	Particulars	Details
(iii)	Difference between the employee compensation cost using the intrinsic value of stock options and the employee compensation cost that shall have been recognized if it had used the fair value of the options.	Since the intrinsic value is less than the fair value, there is no employee compensation cost that is to be recognized. For further details please see notes to the financial statements.
	The impact of this difference on profits and on EPS of the Company.	For FY16, the Company's net profit after tax would have been lower by Nil (previous year ₹ 101.36 million) and basic earnings per share would have been ₹ 12.86 (previous year ₹ 10.58) and diluted earnings per share would have been ₹ 11.04 (previous year ₹ 10.51).
(iv)	Option movement during Financial Year – 2016	
	Number of options outstanding at the beginning of the period	26,75,400
	Number of options granted during the year	Nil
	Number of options forfeited / lapsed during the year	58,000
	Number of options vested during the year	668,850 in January, 2016
	Number of options exercised during the year	2,264,700
	Number of shares arising as a result of exercise of options	2,264,700
	Money realized by exercise of options (₹), if scheme is implemented directly by the Company	₹ 338,595,297
	Loan repaid by the Trust during the year from exercise price received	Not Applicable
	Number of options outstanding at the end of the year	352,700
	Number of options exercisable at the end of the year	352,700
(v)	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	Weighted-average exercise price ₹ 149.51 Kindly refer Note No. 48 to Standalone Financial Statements for Weighted-average fair value of options

(vi) Employee wise details of the shares issued to:

		Name	Designation	No. of Options granted	Exercise Price (₹)
	(i) Senior Managerial Personnel				
		Mr. Raj Pal Gandhi	Whole-time Director	440,000	₹ 149.51
		Mr. Kapil Agarwal	Whole-time Director	440,000	₹ 149.51
		Mr. Kamlesh Kumar Jain	Whole-time Director & CFO	46,000	₹ 149.51
	(ii) any other employee who receives a grant in any one year of option (in 2013) amounting to 5% or more of option granted during that year				
		Mr. Vivek Gupta	Executive Director	168,000	₹ 149.51
		Mr. Madhusudan Parikh	Principle Officer	144,000	₹ 149.51
		Mr. Rajinderjeet Singh Bagga	Group Head - Technical	144,000	₹ 149.51
	(iii) identified employees who were granted option during any one year equal to or exceeding 1% of the issued capital of the company (excluding outstanding warrants and conversions) at the time of grant.	Nil	Nil	Nil	Nil

(vii)	Method and significant assumptions used during the year to estimate the fair value of options including the following information:	Black-scholes method
	(a) the weighted-average value of share price	₹ 381.30 as on December 31, 2016
	(b) weighted-average exercise price,	₹ 149.51
	(c) weighted-average expected volatility,	16.63%
	(d) weighted-average expected option life,	7.56 years for 2,006,550 options and 7.64 years for 668,850 options
	(e) weighted-average expected dividends,	0.00%
	(f) weighted-average risk-free interest rate and any other inputs to the model;	7.53%
	(g) the method used and the assumptions made to incorporate the effects of expected early exercise;	NA
	(h) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	Since the Company was an unlisted Company, and no peer listed Company was available, average volatility of closing price of BSE 500, during the period January 1, 2013 to December 31, 2013 was considered.
	(i) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	Not considered

D. DETAILS RELATING TO ESOS – 2016

Sr. No.	Particulars	Details
(i)	(h) Date of shareholders' approval	April 27, 2016
	(i) Total number of options approved / granted	Nil
	(j) Vesting requirements	Unless otherwise specified in ESOS-2016, the continuation of the Grantee in the services of the Company shall be primary requirement of the Vesting
		25% of the options shall vest on completion of one year from the date of grant ('First vesting')
		25% of the options shall vest on first day of January of the calendar year following the first vesting ('Second vesting')
		25% of the options shall vest on first day of January of the calendar year following the second vesting ('Third vesting')
		25% of the options shall vest on first day of January of the calendar year following the third vesting ('Fourth vesting')
	(k) Exercise price or pricing formula	Not applicable.
	(l) Maximum term of options granted	Not applicable.
	(m) Source of shares (primary, secondary or combination)	Not applicable.
	(n) Variation in terms of options	Not applicable.
(ii)	Method used to account for ESOS – 2016	Not applicable.
(iii)	Difference between the employee compensation cost using the intrinsic value of stock options and the employee compensation cost that shall have been recognized if it had used the fair value of the options.	Not applicable.
	The impact of this difference on profits and on EPS of the Company.	Not applicable.
(iv)	Option movement during Financial Year – 2016	
	Number of options outstanding at the beginning of the period	Nil
	Number of options granted during the year	Nil

Sr. No.	Particulars	Details
	Number of options forfeited / lapsed during the year	Nil
	Number of options vested during the year	Nil
	Number of options exercised during the year	Nil
	Number of shares arising as a result of exercise of options	Nil
	Money realized by exercise of options (₹), if scheme is implemented directly by the Company	Not applicable
	Loan repaid by the Trust during the year from exercise price received	Not Applicable
	Number of options outstanding at the end of the year	Nil
	Number of options exercisable at the end of the year	Nil
(v)	Weighted-average exercise prices and weighted-average fair values of options whose exercise price either equals or exceeds or is less than the market price of the stock	Not applicable

(vi)	Employee wise details of the shares issued to:				
		Name	**Designation**	**No. of Options granted**	**Exercise Price (₹)**
	(i) Senior Managerial Personnel				
		Not applicable.			
	(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year				
		Not applicable.			
	(iii) identified employees who were granted option during any one year equal to or exceeding 1% of the issued capital of the company (excluding outstanding warrants and conversions) at the time of grant.	Not applicable.			
(vii)	Description of the method and significant assumptions used during the year to estimate the fair value of options including the following information: (a) the weighted-average values of share price, exercise price, expected volatility, expected option life, expected dividends, the risk-free interest rate and any other inputs to the model; (b) the method used and the assumptions made to incorporate the effects of expected early exercise; (c) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and (d) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	Not applicable.			

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Ravi Kant Jaipuria
Chairman
DIN : 00003668

Place : Gurugram
Date : February 20, 2017

ANNEXURE - B

Details pertaining to Remuneration as required under Section 197 (12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

(i) Ratio of the remuneration of each director to the median remuneration of the employees of the Company for the Financial Year 2016, the percentage increase in remuneration of each of the Director, Chief Financial Officer and Company Secretary during the Financial Year 2016:

(₹ in million)

Sr. No.	Name of Director/KMP and Designation	Remuneration of Director/ KMP for financial year 2016	% increase in Remuneration in Financial Year 2016	Ratio of Remuneration of Director to Median Remuneration of employees
1.	Mr. Varun Jaipuria, Whole-time Director	24.06	Nil	100.25
2.	Mr. Raj Pal Gandhi, Whole-time Director	30.80	10.71 %	128.33
3.	Mr. Kapil Agarwal, Whole-time Director	39.29	19.35 %	163.71
4.	Mr. Kamlesh Kumar Jain, Whole-time Director & CFO	7.49	9.50 %	31.21
5.	Mr. Christopher White*, Whole-time Director	4.70	Nil	78.33**
6.	Mr. Mahavir Prasad Garg Company Secretary	2.45	8.41 %	10.21

* Resigned from the Board with effect from March 28, 2016.

** For calculation of Ratio of Remuneration of Mr. Christopher White to median Remuneration; figures for three months have been considered.

(ii) The number of permanent employees as on December 31, 2016 were 4,454 and the median remuneration was ₹ 0.24 Million annually. The median remuneration of employees (excluding above Directors and KMPs) in Financial Year 2016 has increased by 10.41 % as the Company had set an aggressive business targets and expansions for the year ahead. The average increase was also in line with the projected increase of approx. 10.70 % across all sectors.

(iii) The remuneration of Directors, KMPs and other employees is in accordance with the Remuneration Policy of the Company which is uploaded on the website of the Company http://varunpepsi.com/policies/

Statement containing particulars of employees who are in receipt of remuneration in excess of the limit prescribed under Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 & forming part of the Board's Report for the year ended December 31, 2016

S. No.	Name	Designation	Remuneration Received (₹ in million)	Age	Qualification	Experience in years	Last Employment	Date of Commencement of Employment
1.	Mr. Varun Jaipuria	Whole-time Director	24.06	29	Attended Millfield School, Somerset, England	8	-	01.07.2009
2.	Mr. Raj Pal Gandhi	Whole-time Director	30.80	59	FCA	36	Devyani Beverages Limited	01.11.2004
3.	Mr. Kapil Agarwal	Whole-time Director	39.29	52	PGDM	25	Devyani Beverages Limited	01.11.2004
4.	Mr. Christopher White	President & CEO	21.76	55	LL.B	33	Nestle UK	01.07.2008
5.	Mr. R.J.S. Bagga	Chief Operating Officer	18.38	54	M.Tech.	30	Eveready Industries	11.12.1995
6.	Mr. Vivek Gupta	Executive Director	13.20	53	BA Economics Hons., PGDM (IIMA)	29	Lunarmech Technologies Private Limited	01.04.2015

S. No.	Name	Designation	Remuneration Received (₹ in million)	Age	Qualification	Experience in years	Last Employment	Date of Commencement of Employment
7.	Mr. Sanjay Ranbir Bali	Group Head – HR	15.00	54	MBA	30	Samsung India Electronics Private Limited	09.11.2015
8.	Mr. Rajan Singhal	Executive Director – Corporate HR	9.09	60	MA (BE) & MBA (HR)	35	DS Construction India Limited	01.06.2011
9.	Mr. Sudin Kumar Gaunker	Chief Operating Officer	8.94	45	B.Com.	17	Goa Bottling Company Limited	21.06.2000
10.	Mr. Bhupender Singh	Sr. Vice President	8.22	52	MBA	26	ABinbev India Private Limited	01.05.2015
11.	Mr. Kamal Karnatak	Sr. Vice President	7.75	44	MBA	21	Unitech Limited	01.10.2008

Notes:

1. Mr. Varun Jaipuria is the son of Mr. Ravi Kant Jaipuria, Chairman of the Company and holds 39,175,500 (21.49%) equity shares in the Company. None of the other employees hold by himself or alongwith his/her spouse and dependent children, 2% or more of equity shares of the Company.
2. None of the employee receive remuneration during 2016 in excess of the remuneration of any of the Directors except the details of employees forming part of this annexure.

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Ravi Kant Jaipuria
Chairman
DIN : 00003668

Place : Gurugram
Date : February 20, 2017

ANNEXURE - C

Form No. MR-3

SECRETARIAL AUDIT REPORT

For the Financial Year Ended December 31, 2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Varun Beverages Limited
(CIN: U74899DL1995PLC069839)[1]
F-2/7 Okhla Industrial Area, Phase I
New Delhi-110020

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Varun Beverages Limited (the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

We report that-

a) Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

b) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

c) We have not verified the correctness and appropriateness of the financial statements of the Company.

d) Wherever required, we have obtained the management representation about the compliances of laws, rules and regulations and happening of events etc.

e) The compliance of the provisions of the corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.

f) The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year started from January 1, 2016 ended on December 31, 2016 ("audit period") complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on December 31, 2016 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

   (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

   (e) *The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

[1] The equity shares of the Company were listed at National Stock Exchange of India Limited and BSE Limited with effect from November 08, 2016 and an application for updation in CIN has been submitted with Registrar of Companies, NCT of Delhi and Haryana.

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) *The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

(h) *The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and

(i) The Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015;

*No event took place under these regulations during the audit period.

We have also examined compliance with the applicable clauses of the Secretarial Standard on Meetings of the Board of Directors (SS-1) and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, with which the Company has generally complied with.

During the audit period, the Company has complied with the provisions of the Act, Rules, Regulations and Guidelines to the extent applicable, as mentioned above.

The Company is engaged in the business of manufacturing, selling, bottling and distribution of beverages of Pepsi brand. As informed by the Management, Food Safety & Standards Act, 2006, Rules and Regulations made thereunder, are specifically applicable to the Company.

In our opinion and to the best of our information and according to explanations given to us, we believe that the Company is having systems in place to check the compliance of laws specifically applicable to the Company, which needs to be further strengthened. Further, the quarterly report of compliance should be placed before the Board of Directors of the Company.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the audit period were carried out in compliance with the provisions of the Act.

Advance notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Few meetings of the Board were also convened at shorter notice in compliance with Section 173 of the Act wherein Independent Director(s) were present and detailed notes on agenda were provided at such meetings.

Board decisions are carried out with unanimous consent and therefore, no dissenting views were required to be captured and recorded as part of the minutes.

We further report that there are systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines, however, quarterly report of compliance of applicable laws should be placed before the Board of Directors of the Company.

We further report that during the audit period:

a) The Initial Public Offering (IPO) of the 2,50,00,000 (Two Crores Fifty Lakh) Equity Shares of the Company was made for cash at a price of ₹ 445/- (Rupees Four Hundred and Forty Five Only) [including a premium of ₹ 435/- (Rupees Four Hundred and Thirty Five Only)] per Equity Shares and bid/ offer pursuant to such IPO was open for public from October 26, 2016 to October 28, 2016 and Equity Shares of the Company were listed and admitted to dealing on BSE Limited and National Stock Exchange of India Limited with effect from November 08, 2016.

b) The shareholders of the Company at their Extra-Ordinary General Meeting held on March 28, 2016 passed the special resolution pursuant to Section 62 (1) (b) of the Act read with rules made thereunder, to issue up to a maximum of 26,75,400 (Twenty Six Lakh Seventy Five Thousand Four Hundred) Equity Shares of face value of ₹ 10/- (Rupees Ten Only) each of the Company, in one or more tranches, to the Employees of the Company and/or its subsidiary/ associate company(ies) on exercise of vested options at such exercise price and other terms and conditions in terms of the Employee Stock Option Scheme – 2013.

c) The shareholders of the Company at their Extra-Ordinary General Meeting held on April 27, 2016 passed the special resolution(s):

- pursuant to Section 14 of the Act, for adoption of new sets of Articles of Associations of the Company;
- pursuant to Section 62(1)(b) of the Act and SEBI (Share Based Employee Benefits) Regulations, 2014, for approval of the Employees Stock Option Scheme 2016;
- pursuant to Section 180(1)(c) of the Act, for increase in the borrowing limits from one or more banks, financial institutions and other persons, firms, bodies corporate which may at any time not to exceed ₹ 5000,00,00,000/- (Rupees Five Thousand Crores Only) notwithstanding the money already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) and monies to be borrowed by the Company exceeds the aggregate of the paid up share capital and free reserves of the Company;

- pursuant to Section 180(1)(a) of the Act, to mortgage and/ or charge any of its movable and/ or immovable properties, wherever situated, both present and future, or to sell, lease or otherwise dispose off, the whole or substantially whole of the undertaking of the Company which may at any time not to exceed ₹ 5000,00,00,000/- (Rupees Five Thousand Crore Only);
- pursuant to Section 62(1)(c) and other applicable provisions of the Act, to create, offer and allot up to 1,80,00,000 (One Crore and Eighty Lakh) Equity Shares of the face value of ₹ 10/- (Rupees Ten Only) each and offer for sale up to 1,00,00,000 (One Crore) Equity Shares of the face value of ₹ 10/- (Rupees Ten Only) each by the Promoters/ Promoter Group.

d) The shareholders of the Company at their Extra-Ordinary General Meeting held on November 3, 2016 passed the special resolution(s):

- pursuant to Section 71 and 42 of the Act, to issue and make offer of such number of Listed, Secured/ Unsecured, Redeemable, Non-Convertible Debentures of such face value per debenture, as may be decided by the Board, aggregating to ₹ 600,00,00,000 (Rupees Six Hundred Crore only), on private placement basis;
- Pursuant to Section 14 of the Act, to alter Articles of Association (AOA) of the Company by way of deletion of Chapter II and Chapter III of AOA of the Company.

e) The board of directors in their meeting held on December 3, 2016, approved the early redemption/ call/ purchase of 300 (Three Hundred) listed [at National Stock Exchange of India Limited (NSE)] rated, unsecured, redeemable non-convertible debentures of the face value of ₹ 1,00,00,000/- (Rupees One Crore Only) each, aggregating to ₹ 300,00,00,000 (Rupees Three Hundred Crores Only) from the existing holders of such instruments and consequent delisting of the same from NSE.

f) The board of directors in their meeting held on October 3, 2016, approved the conversion of 41,49,980 (Forty One Lakh Forty Nine Thousand Nine Hundred and Eighty) Compulsorily Convertible Debentures of ₹ 1,000/- (Rupees One Thousand Only) each into 2,10,54,387 (Two Crore Ten Lakh Fifty Four Thousand Three Hundred and Eighty Seven) Equity Shares of the face value of ₹ 10/- (Rupees Ten Only) each by way of credit of ₹ 21,05,43,870/- (Rupees Twenty One Crore Five Lakh Forty Three Thousand Eight Hundred and Seventy Only) in the Equity Share Capital Account and credit of ₹ 393,94,36,130/- (Rupees Three Hundred Ninety Three Crore Ninety Four Lakh Thirty Six Thousand One Hundred and Thirty Only) in the Securities Premium Account of the Company.

g) The board of directors in their meeting held on October 7, 2016, approved the conversion of 4,50,00,000 (Four Crore Fifty Lakh) Compulsorily Convertible Preference Shares of the face value of ₹ 100/- (Rupees One Hundred Only) each into 1,02,27,273 (One Crore Two Lakh Twenty Seven Thousand Two Hundred and Seventy Three) Equity Shares of the face value of ₹ 10/- (Rupees Ten Only) each by way of credit of ₹ 10,22,72,730/- (Ten Crore Twenty Two Lakh Seventy Two Thousand Seven Hundred and Thirty Only) in the Equity Share Capital Account and credit of ₹ 439,77,27,270/- (Rupees Four Hundred Thirty Nine Crore Seventy Seven Lakh Twenty Seven Thousand Two Hundred and Seventy Only) in the Securities Premium Account of the Company.

For **Sanjay Grover & Associates**
Company Secretaries
Firm Registration No. P2001DE052900

Vijay Kumar Singhal
Partner
CP No. 10385

New Delhi
February 20, 2017

ANNEXURE - D

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2016

(1)	A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or Programs and Composition of the CSR Committee.	Refer Section on Corporate Social Responsibility
(2)	Average net profit of the Company for last three financial years	₹ 534.33 Million
(3)	Prescribed CSR Expenditure (two per cent of the amount as in item 2 above)	₹ 10.69 Million
(4)	Details of CSR spent during the financial year 2016	
	Total amount to be spent for the financial year;	₹ 10.69 Million
	Amount unspent, if any;	Nil
	Manner in which the amount spent during the financial year	Details given below

(₹ in Million)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
CSR project or activity identified	**Sector in which the project is covered**	**Projects or Programs (1) Local area or (2) Other Specify the state and district where projects or programs was undertaken**	**Amount outlay (budget) project or Program wise**	**Amount spent on the projects or Programs Sub Heads; (1) Direct expenditure on projects or programs (2) Overheads**	**Cumulative expenditure up to the reporting period**	**Amount spent direct or through implementing agency**
Promoting healthcare by purchasing an ambulance for use in Mission TB Free Haryana – a collaborative effort between Medanta – The Medicity, Government of Haryana, the International Union against Tuberculosis and Lung Disease (the Union) and the Central TB division of Ministry of Health and Family Welfare, Government of India	Promoting health care	Gurugram, Haryana	₹ 4.3	₹ 4.3	₹ 4.3	Direct
Promoting education of underprivileged children and providing safe drinking water.	Promoting Education and providing safe drinking water	Guwahati (Assam), Jainpur, Greater Noida, Satharia, Kosi, (Uttar Pradesh), Sonarpur (West Bengal), Panipat, Nuh (Haryana), Bhiwadi, Jodhpur (Rajasthan), Phillor (Punjab) and Bazpur (Uttrakhand)	₹ 1.4	₹ 1.4	₹ 1.4	Direct

(₹ in Million)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
CSR project or activity identified	**Sector in which the project is covered**	**Projects or Programs (1) Local area or (2) Other Specify the state and district where projects or programs was undertaken**	**Amount outlay (budget) project or Program wise**	**Amount spent on the projects or Programs Sub Heads; (1) Direct expenditure on projects or programs (2) Overheads**	**Cumulative expenditure up to the reporting period**	**Amount spent direct or through implementing agency**
Promoting education, including special education especially among poor children and the differently abled students and providing safe drinking water.	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and livelihood enhancement projects	Gurugram, Haryana	₹ 5.0	₹ 5.0	₹ 5.0	Through Siksha Kendra, Delhi Public School Gurugram, run under Champa Devi Jaipuria Charitable Trust

RESPONSIBILITY STATEMENT

A responsibility statement of the CSR Committee is reproduced below:

"The implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR Objectives and Policy of the Company".

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Ravi Kant Jaipuria
Chairman
DIN : 00003668

Place : Gurugram
Date : February 20, 2017

ANNEXURE – E

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO REQUIRED UNDER THE COMPANIES (ACCOUNTS) RULES, 2014

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

a) Conservation of energy

(i)	the steps taken or impact on conservation of energy	A multi-pronged approach is deployed in plants as well as products to infuse the concept of energy conservation. Some of the energy conservation measures adopted across the Company were: 1. Use of frequency drive in ammonia and air compressor which saves electric energy 2. Heat recovery from hot compressed gases and used for heating water 3. Beverage filling at higher temperature leading to power savings in refrigeration 4. Replacement of CFL/FTL lamps with LED lamps 5. Replacement of low efficiency pump with energy efficient pump
(ii)	the steps taken by the Company for utilizing alternate sources of energy	The Company has successfully replaced the usage of Furnace oil and Pet coke by environment friendly Briquettes prepared from agricultural waste
(iii)	the capital investment on energy conservation equipments	1. Investment in power factor improvement through Power Capacitor Banks 2. Installation of Solar Street lighting in Nuh Plant 3. Air recovery system in Blow Moulding Machine 4. Green Oven for Bottle Blowing machine

(b) Technology absorption

(i)	the efforts made towards technology absorption	The Company has adapted the technology to develop products offering better value for money to consumers and also address the current issues in the global scenario for energy efficiency, eco friendliness and global warming.
(ii)	the benefits derived like product improvement, cost reduction, product development or import substitution	The Company continues to focus on the rapid technological changes and train the manpower accordingly to improve the productivity and drive cost reduction.
(iii)	in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) -	There is no imported technology involved in the operation of the Company
	(a) the details of technology imported	NA
	(b) the year of import;	NA
	(c) whether the technology been fully absorbed	NA
	(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof	NA
(iv)	the expenditure incurred on Research and Development	Due to the nature of its business, the Company is not initiating any specific research and development activities

(c) Foreign Exchange Earnings & Outgo:

(₹ in Million)

S. No.	Particulars	As at 31 December 2016	As at 31 December 2015
1	Earnings in Foreign Currency	399.67	263.96
2	Expenditure in Foreign Currency	1,459.05	2,271.29

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Ravi Kant Jaipuria
Chairman
DIN : 00003668

Place : Gurugram
Date : February 20, 2017

ANNEXURE - F

CORPORATE GOVERNANCE REPORT

In accordance with Regulation 34 read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR"), the report containing the details of Corporate Governance of the Company (VBL) is as follows:

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is creation and enhancing long-term sustainable value for the stakeholders through ethically driven business process. At VBL, it is imperative that your Company affairs are being managed in a fair and transparent manner.

Corporate Governance is all about maintaining a valuable relationship and trust with all stakeholders. We consider stakeholders as partners in our success, and we remain committed to maximizing stakeholders' value, be it shareholders, employees, suppliers, customers, investors, communities or policy makers. This approach to value creation emanates from our belief that sound governance system, based on relationship and trust, is integral to creating enduring value for all. We have a defined policy framework for ethical conduct of business.

We believe, Corporate Governance is not just a destination, but a journey to constantly improve sustainable value creation. It is an upward-moving target that we collectively strive towards achieving. Our multiple initiatives towards maintaining the highest standards of governance are detailed in the following pages.

The Corporate Governance framework of the Company is based on the following broad practices:

a) Engaging a diverse and highly professional, experienced and competent Board of Directors, with versatile expertise in industry, finance, management and law;

b) Deploying well defined governance structures that establishes checks and balances and delegates decision making to appropriate levels in the organization;

c) Adoption and implementation of fair, transparent and robust systems, processes, policies and procedures;

d) Making high levels of disclosures for dissemination of corporate, financial and operational information to all its stakeholders;

e) Having strong systems and processes to ensure full and timely compliance with all legal and regulatory requirements and zero tolerance for non-compliance.

Best Corporate Governance practices

VBL maintains the highest standards of Corporate Governance. It is the Company's constant endeavour to adopt the best Corporate Governance practices keeping in view the international codes of Corporate Governance and practices of well-known global companies. Some of the best implemented global governance norms include the following:

- All securities related filings with Stock Exchanges and SEBI are reviewed by the Company's Board of Directors.
- The Company has independent Board Committees for matters related to Corporate Social Responsibility, Security Allotment, Nomination and Remuneration of Directors, Key Managerial Personnel and Senior Management etc.
- The Company also undergoes secretarial audit conducted by an independent Company Secretaries Firm. The Secretarial Audit Report is placed before the Board and is included in the Annual Report.
- Internal Audit is conducted regularly and report on findings of Internal Auditor are submitted to the Audit Committee periodically.
- Observance and adherence of the Secretarial Standards issued by the Institute of Company Secretaries of India.

Governance Policies

At VBL, we strive to conduct our business and strengthen our relationships in a manner that is dignified, distinctive and responsible. We adhere to ethical standards to ensure integrity, transparency, independence and accountability in dealing with all stakeholders. Therefore, we have adopted various codes and policies to carry out our duties in an ethical manner. Some of these codes and policies are:

- Code of Conduct for Board of Directors and Senior Management
- Code of Conduct for Prohibition of Insider Trading which includes Code of fair disclosure of Unpublished Price Sensitive Information
- Policy on Related Party Transactions
- Corporate Social Responsibility Policy
- Policy for Determination of Material Subsidiary and Governance of Subsidiaries
- Policy for Determination of Materiality of Events or Information
- Remuneration Policy for Directors, Key Managerial Personnel and member of Senior Management
- Familiarization Programme for Independent Directors
- Vigil Mechanism/ Whistle Blower Policy
- Policy for Preservation of Documents

- Policy on Diversity of the Board of Directors
- Policy on Risk Management

Board of Directors

As at December 31, 2016, Six out of Eleven Directors on the Board are Independent Directors. At VBL, it is our belief that an enlightened Board consciously creates a culture of leadership to provide a long-term vision and policy approach to improve the quality of governance. The Board's actions and decisions are aligned with the Company's best interests. The Board critically evaluates the Company's strategic direction, management policies and their effectiveness.

Size and composition of the Board of Directors during the financial year 2016

Category	Name of Directors
Promoter Directors	Mr. Ravi Kant Jaipuria (Non-executive Director)
	Mr. Varun Jaipuria (Whole-time Director)
Executive/ Whole-time Directors	Mr. Raj Pal Gandhi
	Mr. Kapil Agarwal
	Mr. Kamlesh Kumar Jain
	[1]Mr. Christopher White
Non-executive, Independent Directors	Mr. Ravindra Dhariwal
	Dr. Girish Ahuja
	Dr. Naresh Kumar Trehan
	[2]Mr. Pradeep Sardana
	[3]Mrs. Geeta Kapoor
	[3]Mr. Sanjoy Mukerji
Nominee Director of Standard Chartered Private Equity, Mauritius II Limited (Investor)	[4]Mr. Udai Dhawan
Nominee Director of Axis Trustee Services Limited (Acting on behalf of AION Investments II Singapore Pte. Limited) (Investor)	[5]Mr. Parth Dasharathlal Gandhi
Non-executive Director	[5]Mrs. Devyani Jaipuria

[1] Resigned from the Board of Directors of the Company with effect from March 28, 2016

[2] Appointed on the Board of Directors of the Company with effect from March 28, 2016

[3] Appointed on the Board of Directors of the Company with effect from April 27, 2016

[4] Resigned from the Board of Directors of the Company with effect from December 2, 2016.

[5] Resigned from the Board of Directors of the Company with effect from April 27, 2016

Inter-se Relationship among Directors

None of the Director is a relative of other Director(s) except Mr. Varun Jaipuria who is the son of Mr. Ravi Kant Jaipuria, Promoter and Chairman of the Company.

Directors' Profile

A brief resume of Directors, nature of their expertise in specific functional areas and names of companies in which they hold Directorships, Memberships/ Chairmanships of Board Committees and shareholding in the Company are provided in this Report.

Selection of Independent Directors

Considering the requirement of skill sets on the Board, eminent people having an independent standing in their respective field/ profession, and who can effectively contribute to the Company's business and policy decisions are considered by the Nomination and Remuneration Committee, for appointment, as Independent Directors on the Board. The Committee, inter alia, considers qualification, positive attributes, area of expertise and number of Directorships and Memberships held in various committees of other companies by such persons in accordance with the Company's Policy for Selection of Directors and determining Directors' independence. The Board considers the Committee's recommendation, and takes appropriate decision. Every Independent Director, at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year, gives a declaration that he meets the criteria of independence as provided under law.

A statement, in connection with fulfilling the criteria of Independence and directorships as per the requirement of the provisions of the Companies Act, 2013 ("the Act") and the Regulation 25 of SEBI LODR received from each of Independent Directors, is disclosed in the Board's Report. Your Company had also issued formal appointment letters to all the Independent Directors in the manner provided under the Act. Terms and Conditions for appointment of Independent Directors are available on the website of the Company and can be accessed through the following link: http://varunpepsi.com/wp-content/uploads/2016/12/Terms-and-conditions-of-appointment-of-the-Independent-Directors.pdf

The maximum tenure of the Independent Directors is in compliance with the Act.

Directors' Induction and Familiarization

The provision of an appropriate induction programme for new Directors and ongoing training for existing Directors is a major contributor to the maintenance of high Corporate Governance standards of the Company. The Whole-time Director and the Company Secretary are jointly responsible for ensuring such induction and training programmes are provided to the Directors. The management provides such information and training either at the meeting of Board of Directors or otherwise. The details of such familiarization programmes for Independent Directors are posted on the website and can be accessed from below link: http://varunpepsi.com/wp-content/uploads/2016/12/Familiarisation-Programme-For-Independent-Directors.pdf

Board Evaluation

The Board of Directors of the Company ensures the formation and monitoring of robust Evaluation framework of the Individual Directors including Chairman of the Board, Board as whole and various Committee thereof and carries out the evaluation of the Board, the Committee of the Board and Individual Directors, including the Chairman of the Board on annual basis.

Board Evaluation for the financial year ended December 31, 2016 have been completed by the Company internally which included the Evaluation of the Board as a whole, Board Committee and Directors. The Evaluation process focused on various aspects of the Board and Committee functioning such as composition of the Board and Committees, experience and competencies, performance of specific duties and obligations, governance issues etc. Separate exercise was carried out to evaluate the performance of individual Directors on parameter such as attendance, contribution and independent judgement.

The results of the Evaluation were shared with the Board and based on the outcome of the Evaluation, the Board has agreed on the action plan to improve on the identified parameters.

Internal Audits and Compliance Management

At the recommendations of the Audit Committee, the Board in its meeting held on March 28, 2016 had appointed M/s. APAS & Co., Chartered Accountants as its Internal Auditor, for the financial year 2016, that Audits and reviews internal controls and operating systems and procedures of the Company. The report on findings of Internal Auditor are submitted to the Audit Committee periodically. The Corporate Secretariat Department ensures that the Company conducts its businesses with high standards of legal, statutory and regulatory compliances. VBL is in the process of instituting a web based online legal Compliance Management System (CMS) in conformity with the best international standards, supported by a robust online system.

Separate Meeting of Independent Directors

In terms of the provisions of Schedule IV of the Companies Act, 2013 read with Regulation 25 of SEBI LODR, the Independent Directors were required to meet at least once in a year without the presence of Executive Directors and Management representatives.

During the Financial year, the Independent Directors met once on December 3, 2016 and *inter alia* discussed:

- The performance of non-Independent Directors and the Board as a whole
- The performance of the Chairman of the Company, taking into account the views of Executive Directors and Non-executive Directors
- The quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

In addition to formal meetings, interactions outside the Board Meetings also take place between the Chairman and Independent Directors.

BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND PROCEDURES

The Board of Directors is the apex body constituted by shareholders for overseeing the Company's overall functioning. The Board provides and evaluates the Company's strategic direction, management policies and their effectiveness, and ensures that shareholders' long-term interests are being served.

The Board has constituted its five Committees, namely Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and Share Allotment Committee. The Board is also authorized to constitute additional functional Committees, from time to time, depending on business needs. During the year under review, the Board in its meeting held on April 27, 2016 constituted an IPO Committee for the purpose of dealing with IPO related matters of the Company.

The Company's internal guidelines for Board/ Board Committee meetings facilitate the decision- making process at its meetings in an informed and efficient manner.

Board Meetings

The Board meets at regular intervals to discuss and decide on Company/ business policies and strategy apart from other regular business matters. The Board/ Committee Meetings are pre-scheduled and a tentative annual calendar of the Board and Committee Meetings circulated to all Directors and invitees well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. However in case of a special and urgent business needs, the Board's approval is taken by passing resolution by circulation, for the matters permitted by law, which is noted and confirmed in the subsequent meeting. Business Unit heads and senior management personnel make presentations to the Board. The Board is updated on the discussions held at the Committee meetings and the recommendations made by various Committees.

The agenda of the Board/ Committee Meetings is set by the Company Secretary in consultation with the Whole-time Director and the Chairman of the Company. The agenda is generally circulated a week prior to the date of the meetings and includes detailed notes on items to be discussed at the meeting to enable the Directors to take an informed decision.

However, in case of urgency the agenda is circulated along with the shorter notice as per the provisions of the Secretarial Standards on Meetings of the Board of Directors. Usually meetings of the Board are held at the Corporate Office of the Company at Gurugram.

Board meets at least once in a quarter to review the quarterly results, performance of the Company and other items on the agenda. Additional meetings are held when necessary on need basis.

The Company also provides facility to the Directors to attend the meetings of the Board and its Committees through Video Conferencing mode except in respect of those meetings wherein transactions are not permitted to be carried out by way of video conferencing, to enable their participation.

Twelve Board meetings were held during the Financial Year 2016 on February 29, 2016; March 28, 2016; March 31, 2016; April 27, 2016; May 27, 2016; August 11, 2016; September 22, 2016; October 3, 2016; October 7, 2016; October 18, 2016; November 2, 2016 and December 3, 2016. The gap between the two Board meetings was within the limit prescribed under the Companies Act, 2013.

Board Business

The normal business of the Board includes:

- Framing and overseeing progress of the Company's annual plan and operating framework
- Framing strategies for shaping of portfolio and direction of the Company and for corporate resource allocation
- Reviewing financial plans of the Company
- Reviewing the Annual Report including Audited Annual Financial Statements for adoption by the Members
- Reviewing progress of various functions and businesses of the Company
- Reviewing the functioning of the Board and its Committees
- Reviewing the functioning of subsidiary companies
- Considering/ approving declaration/ recommendation of dividend
- Reviewing and resolving fatal or serious accidents or dangerous occurrences, any material significant effluent or pollution problems or significant labor issues, if any
- Reviewing the details of significant development in human resources and industrial relations front
- Reviewing details of foreign exchange exposure and steps taken by the management to limit the risks of adverse exchange rate movement
- Reviewing compliance with all relevant legislations and regulations and litigation status, including materiality, important show cause, demand, prosecution and penalty notices, if any.
- Reviewing Board Remuneration Policy and Individual remuneration packages of the Directors.
- Advising on corporate restructuring such as merger, acquisition, joint venture or disposals, if any.
- Appointing Directors on the Board and Key Managerial Personnel, if any
- Reviewing various policies of the Company and monitoring implementation thereof
- Reviewing details of risk evaluation and internal controls
- Reviewing reports on progress made on the ongoing projects
- Monitoring and reviewing board evaluation framework.

Board Support

The Company Secretary is responsible for collation, review and distribution of all papers submitted to the Board and Committees thereof for consideration. The Company Secretary is also responsible for preparation of Agenda in consultation with the Whole-time Director and the Chairman of the Company and convening of Board and Committee Meetings. The Company Secretary attends all the meetings of the Board and its Committees, advises and assures the Board on Compliance and Governance principles and ensures appropriate recording of minutes of the meetings.

Recording minutes of proceedings at Board and Committee Meetings

The Company Secretary records minutes of proceedings of each Board and Committee meeting. Draft minutes of the proceedings of the meeting are circulated to Board/ Board Committee members for their comments within 15 days of the meetings. The minutes are entered in the Minutes Book within 30 days from the conclusion of the meeting as per the Secretarial Standards issued by the Institute of Company Secretaries of India.

Post meeting follow-up mechanism

The guidelines for Board and Board Committee meetings facilitate an effective post meeting follow-up, review and reporting process for decisions taken by the Board and Board Committees thereof. Important decisions taken at Board/ Board Committee meetings are communicated promptly to the concerned departments/ divisions. Action-taken report on decisions/ minutes of the previous meeting(s) is placed at the succeeding meeting of the Board/ Board Committee for noting.

Compliance

The Company Secretary, while preparing the agenda, notes on agenda and minutes of the meeting(s), is responsible to report the Board about compliance with the provisions of Companies Act, 2013; the rules made thereunder and other laws applicable to the Company as well as to ensure compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and SEBI LODR.

Attendance of Directors at Board Meetings, Last Annual General Meeting (AGM) and number of Other Directorships and Chairmanships/ Memberships of Committees and Shareholdings of each director in the Company:

Name and Designation	Category	Attendance in Financial Year 2016		Number of Directorships in other Companies as on December 31, 2016		Committee Membership and Chairmanship in other Companies* as on December 31, 2016		Shareholding in the Company** as on December 31, 2016
		Board Meetings	AGM	Private#	Public	Chairmanship	Membership	
Mr. Ravi Kant Jaipuria, Chairman (00003668)	Promoter & Non-executive	6/12	No	7	6	Nil	Nil	Nil
Mr. Varun Jaipuria, Director (02465412)	Promoter & Whole-time/ Executive Director	6/12	No	3	2	Nil	Nil	39,175,500
Mr. Raj Pal Gandhi, Director (00003649)	Whole-time/ Executive Director	12/12	Yes	3	5	Nil	2	440,429
Mr. Kapil Agarwal, Whole-time Director (02079161)	Whole-time/ Executive Director	11/12	No	Nil	1	Nil	Nil	440,429
Mr. Kamlesh Kumar Jain, CFO and Whole-time Director (01822576)	Whole-time/ Executive Director	12/12	No	9	Nil	Nil	Nil	46,000
Mr. Ravindra Dhariwal, Director (00003922)	Non-executive & Independent Director	9/12	Yes	5	8	2	7	Nil
Dr. Girish Ahuja, Director (00446339)	Non-executive & Independent Director	8/12	No	1	3	Nil	4	Nil
Dr. Naresh Kumar Trehan, Director (00012148)	Non-executive & Independent Director	1/12	No	10	1	Nil	Nil	Nil
[1] Mr. Pradeep Sardana, Director (00682961)	Non-executive & Independent Director	6/10	No	Nil	Nil	Nil	Nil	858
[2] Mrs. Geeta Kapoor, Director (07503864)	Non-executive & Independent Director	4/8	No	Nil	Nil	Nil	Nil	Nil
[2] Mr. Sanjoy Mukerji, Director (03122800)	Non-executive & Independent Director	8/8	No	3	1	Nil	1	Nil
[3] Mr. Christopher White, Director (01564507)	Whole-time/ Executive Director	0/2	No	NA	NA	NA	NA	Nil
[4] Mrs. Devyani Jaipuria, Director (00044672)	Non-executive Director	1/4	No	NA	NA	NA	NA	1,765
[4] Mr. Parth Dasharathlal Gandhi, Director (01658253)	Nominee Director	3/4	No	NA	NA	NA	NA	Nil
[5] Mr. Udai Dhawan, Director (03048040)	Nominee Director	7/11	No	NA	NA	NA	NA	Nil

Note:

* Includes only Audit Committee and Shareholders'/ Investors' Grievance Committee in all public limited companies (whether listed or not) and excludes private limited companies, foreign companies and Section 8 companies.

** The Company has not issued any convertible securities

Does not include directorship in foreign companies

[1] Appointed as Independent Director of the Company with effect from March 28, 2016

[2] Appointed as Independent Directors of the Company with effect from April 27, 2016

[3] Resigned from the position of Whole-time Director of the Company with effect from March 28, 2016

[4] Resigned from the position of Non-executive Director and Nominee Director of the Company, respectively, with effect from April 27, 2016

[5] Resigned from the position of Nominee Director of the Company with effect from December 2, 2016.

COMMITTEES OF THE BOARD

The Board Committees play a vital role in strengthening the Corporate Governance practices and focus effectively on the issues and ensure expedient resolution of the diverse matters. The Board Committees are set up under formal approval of the Board to carry out clearly defined roles which are considered to be performed by members of the Board as a part of good governance practice. The Board supervises the execution of its responsibilities by the Committees and is responsible for their action. The minutes of the proceedings of the meetings of all Committees are placed before the Board for review. The Board Committees can request special invitees to join the meeting, as appropriate.

Meetings of Board Committees held during the year and Members' attendance:

Board Committees	Audit Committee	Nomination and Remuneration Committee	Corporate Social Responsibility Committee	Stakeholders' Relationship Committee	** Share Allotment Committee
Meetings held	4	3	3	0	2
Members' Attendance					
Mr. Ravindra Dhariwal	4/4	3/3	2/3	0/0	-
Dr. Girish Ahuja	3/4	3/3	-	-	-
[1]Mr. Udai Dhawan	2/4	1/3	1/2	-	-
[2]Mr. Parth Dasharathlal Gandhi	-	2/2	0/1	0/0	-
[3]Mr. Ravi Kant Jaipuria	-	0/1	0/2	-	1/2
Mr. Raj Pal Gandhi	-	-	3/3	0/0	2/2
Mr. Varun Jaipuria	-	-	-	-	0/2
Mr. Kapil Agarwal	-	-	-	-	2/2
Mr. Kamlesh Kumar Jain	-	-	-	-	2/2
Mr. Sanjoy Mukerji	-	-	-	-	2/2

[1] was a member upto December 2, 2016

[2] was a member upto April 27, 2016

[3] was a member since April 27, 2016

** constituted on November 2, 2016

Procedure at Committee Meetings

The Company's guidelines relating to Board meetings are applicable to Committee meetings as far as practicable. Each Committee has the authority to engage outside experts, advisors and counsels to the extent it considers appropriate to assist in its function. Minutes of proceedings of Committee meetings are circulated to the members and placed before Board meetings for noting.

i) Audit Committee

The Composition and terms of reference of the Audit Committee satisfy the Section 177 of the Act read with Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 18 of the SEBI LODR.

Composition of the Committee as on December 31, 2016

Dr. Girish Ahuja	Independent Director	Chairman
Mr. Ravindra Dhariwal	Independent Director	Member
*Mr. Raj Pal Gandhi	Whole-time Director	Member

* Appointed as member with effect from December 3, 2016.

The Audit Committee invites such executives, as it considers appropriate, representatives of Statutory Auditors and representatives of Internal Auditors to attend the meetings. The Company Secretary acts as the Secretary of the Audit Committee.

Meetings

During the year, the Audit Committee was re-constituted as per the requirements of SEBI LODR on March 28, 2016 and thereafter on December 3, 2016. The Committee met four times during the Financial Year 2016 on February 29, 2016; March 28, 2016; August 11, 2016 and September 16, 2016.

The Chairman of the Audit Committee was not present at the last AGM held on May 30, 2016. Mr. Ravindra Dhariwal, member of the Audit Committee was authorized to attend the AGM.

The primary objective of the Audit Committee is to monitor and provide an effective supervision of the Management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting. The Committee oversees the work carried out in the financial reporting process by the Management, the internal auditor, the statutory auditor and the secretarial auditor and notes the processes and safeguards employed by each of them.

ii) Stakeholders' Relationship Committee

Stakeholders' Relationship Committee's composition and the terms of reference meet with the requirements of Regulation 20 of SEBI LODR and provisions of the Act.

Composition of the Committee as on December 31, 2016

Mr. Ravindra Dhariwal	Non-executive Independent Director	Chairman
Mr. Raj Pal Gandhi	Whole-time Director	Member

The Company Secretary acts as the Secretary of the Committee.

Meetings

During the year, Stakeholders' Relationship Committee was constituted on March 28, 2016 and then re-constituted on April 27, 2016. The Equity Shares of the Company got listed on the Stock Exchanges on November 8, 2016. Hence, the Committee did not meet during the financial year 2016.

The objective of the Stakeholders' Relationship Committee is to consider and resolve the grievances of security holders of the Company, including complaints related to transfer of shares, non- receipt of balance sheet, non-receipt of declared dividends, balance sheets of the Company or any other documents or information to be sent by the Company to its shareholders under the applicable laws.

Investor Grievances/ Complaints

The details of the Investor Complaints received and resolved during the financial year ended December 31, 2016 are as follows:

Opening Balance	Received	Resolved	Closing
0	46	46	0

Mr. Mahavir Prasad Garg, Company Secretary is designated as Compliance Officer of the Company.

The Company has set up a dedicated e-mail id - complianceofficer@rjcorp.in for investors to send their grievances.

Prohibition of Insider Trading

With a view to regulate trading in securities by the Directors and designated employees, the Company has adopted a Code of Conduct for Prohibition of Insider Trading as per SEBI (Prohibition of Insider Trading Regulation), 2015.

iii) Nomination and Remuneration Committee

The Nomination and Remuneration Committee's constitution and terms of reference are in compliance with provisions of the Companies Act, 2013, and Regulation 19 of SEBI LODR and SEBI (Share Based Employee Benefits) Regulations, 2014 as amended from time to time.

Composition of the Committee as on December 31, 2016

Mr. Ravindra Dhariwal	Independent Director	Chairman
Dr. Girish Ahuja	Independent Director	Member
*Mr. Ravi Kant Jaipuria	Non-Executive Director	Member

*Appointed with effect from April 27, 2016

Senior Officers of HR department are the permanent invitees. The Company Secretary acts as the Secretary of the Committee.

Meetings

Nomination and Remuneration Committee got re-constituted on April 27, 2016 and met three times during the financial year 2016 on March 28, 2016; April 27, 2016 and September 1, 2016.

The primary objective of the Nomination and Remuneration Committee is to review the candidates qualified for the position of Executive Directors, Non-Executive Directors and Independent Directors, consistent with the criteria approved for their appointment and recommend suitable candidates to the Board for their approval. The Nomination and Remuneration Committee reviews and recommend to the Board (i) Remuneration package of persons proposed to be appointed as Directors, Key managerial Personnel and in the senior management and (ii) Revisions of remunerations package of persons appointed as Directors and in the senior management. The Nomination and Remuneration Committees evaluates the performance of Executive Directors, Non-Executive Directors and Independent Directors on yearly basis and submits its report to the Board through Chairman. The Committee is empowered to administer the Employee Stock Options Schemes of the Company for all purposes as stipulated in the Scheme(s). Further, the Committee is also responsible for framing suitable policies and systems to ensure that there is no violation, by an employee as well as by the Company of any applicable laws in India or overseas, including:

(i) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; or

(ii) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.

REMUNERATION OF DIRECTORS

Details of remuneration paid to Directors of the Company for the financial year ended on December 31, 2016 are as follows:

(₹ in Million)

Sr. No.	Name	Sitting Fee	Salary	Perquisite	Bonus	Stock Option	Total
1	Mr. Varun Jaipuria	-	24.02	0.04	-	-	24.06
2	Mr. Raj Pal Gandhi	-	24.06	0.04	6.7	32.79	63.59
3	Mr. Kapil Agarwal	-	35.25	0.04	4.0	32.79	72.08
4	Mr. Kamlesh Kumar Jain	-	7.45	0.04	-	3.43	10.92
5	Mr. Ravindra Dhariwal	1.81	-	-	-	-	1.81
6	Dr. Girish Ahuja	1.41	-	-	-	-	1.41
7	Mr. Pradeep Sardana	0.61	-	-	-	-	0.61
8	Mrs. Geeta Kapoor	0.40	-	-	-	-	0.40
9	Mr. Christopher White	-	4.69	0.01	-	-	4.70

VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The Company has adopted a Vigil Mechanism/ Whistle Blower Policy for employees. Under the Vigil Mechanism Policy, the protected disclosures can be made by a victim through an e-mail or a letter to the Vigilance Officer or to the Chairperson of the Audit Committee. The Policy provides for adequate safeguards against victimization of employees and directors who avail of the vigil mechanism and also provides for direct access to the Vigilance Officer or the Chairperson of the Audit Committee, in exceptional cases. No personnel has been denied access to the Audit Committee. The main objective of this policy is to provide a platform to Directors and employees to raise concerns regarding any irregularity, misconduct or unethical matters/ dealings within the Company which have a negative bearing on the organization either financially or otherwise. This policy provides an additional channel to the normal management hierarchy for employees to raise concerns about any such breaches of the Company's Values or instances of Company Code of Conduct violations. Therefore, it's in line with the Company's commitment to open communication and to highlight any such matters which may not be getting addressed in a proper manner. During the year under Report, no Complaint was received.

GENERAL BODY MEETINGS

Annual General Meeting

The Annual General Meetings (AGM) of the Company during the preceding three years were held at Registered Office of the Company at F-2/7, Okhla Industrial Area, Phase – I, New Delhi – 110 020 on the following dates and times, wherein the following special resolutions were passed:

AGM	Year	Date, Day & Time	Brief Description of Special Resolution
21st	2015	Monday, May 30, 2016 at 4.00 p.m.	No Special resolution was passed in the Annual General Meeting.
20th	2014	Friday, May 22, 2015 at 3.00 p.m.	No Special resolution was passed in the Annual General Meeting.
19th	2013	Tuesday, June 24, 2014 at 5.00 p.m.	- Approval of limits under Section 186 to make/ give loan/ advances/ investments, to give guarantee or provide security in connection with any loan to any other bodies corporate/ firms/ person from time to time - Approval of limits under Section 180 (1) (c) for borrowings - Approval of limits under Section 180 (1) (a) for creation of pledge/ mortgage etc.

Extraordinary General Meeting

Apart from the Annual General Meeting, following three Extraordinary General Meetings (EGM) were held during the financial year 2016 at the Registered Office of the Company at F-2/7, Okhla Industrial Area, Phase – I, New Delhi – 110 020:

EGM	Date, Day & Time	Brief Description of Special Resolution
1/2016	Monday, March 28, 2016 at 4.00 p.m.	Approval for variation in the Employee Stock Option Scheme (ESOS – 2013) and for issuance of up to a maximum of 2,675,400 Equity Shares of face value of ₹ 10/- each of the Company, in one or more tranches, to the Employees of the Company and/or its subsidiary/ associate company(ies) on exercise of vested options in terms of the ESOS – 2013
2/2016	Wednesday, April 27, 2016 at 3.00 p.m.	- Re-appointment of Dr. Girish Ahuja as a Non-executive Independent Director on the Board - Re-appointment of Mr. Ravindra Dhariwal as a Non-executive Independent Director on the Board - Re-appointment of Mr. Varun Jaipuria as Whole-time Director on the Board - Re-appointment of Mr. Raj Pal Gandhi as Whole-time Director on the Board - Re-appointment of Mr. Kapil Agarwal as a Whole-time Director on the Board - Re-appointment of Mr. Kamlesh Kumar Jain as Whole-time Director & CFO on the Board - Adoption of new set of Articles of Association of the Company in place of old Articles of Association pursuant to the Companies Act, 2013 - Approval for new Employee Stock Option Scheme (ESOS – 2016) - Approval of revising the limits under Section 180 (1) (c) for borrowings - Approval of revising the limits under Section 180 (1) (a) for creation of pledge / mortgage etc. - Approval for IPO of the equity shares of the Company
3/2016	Thursday, November 3, 2016 at 5.00 p.m.	- Approval for issuance of Non-Convertible Debentures - Approval for Amendment in Articles of Association

In none of the above resolutions the process of e-voting and poll was conducted.

Postal Ballot

No resolution was passed through postal ballot during the Financial Year ended December 31, 2016.

MEANS OF COMMUNICATION

Information like quarterly/ half yearly/ annual financial results and press releases on significant developments in the Company that have been made available from time to time, to the press and presentations made to institutional investors or to the analysts, if any, are hosted on the Company's website www.varunpepsi.com and have also been submitted to the Stock Exchanges to enable them to put them on their websites and communicate to their members. The quarterly/ half-yearly/ annual financial results are published in English and Hindi language newspapers. Moreover, a report on Management Discussion and Analysis has been given elsewhere in this report. The Company is electronically filing all reports/ information including quarterly results, shareholding pattern and Corporate Governance Report and so on, on the BSE website listing.bseindia.com and NSE website www.connect2nse.com.

GENERAL SHAREHOLDERS INFORMATION

A) ANNUAL GENERAL MEETING

Date: April 17, 2017

Time: 11:00 a.m.

Venue: Sri Sathya Sai International Center, Pragati Vihar, Bhishm Pitamah Marg, Lodhi Road, New Delhi - 110 003

B) FINANCIAL YEAR

The financial year of the Company starts from January 1 and ends on December 31 every year.

C) FINANCIAL CALENDAR 2017

First Quarter Results	: On or before May 15, 2017
Second Quarter Results	: On or before August 14, 2017
Third Quarter Results	: On or before November 14, 2017
Audited Annual Results for the year ending on December 31, 2017	: On or before March 1, 2018

D) DIVIDEND AND ITS PAYMENT

No dividend has been recommended by the Board of Directors for the financial year 2016.

E) LISTING OF SHARES ON STOCK EXCHANGES AND STOCK CODES

Sr. No.	Name and Address of the Stock Exchange	Stock code
1	The BSE Limited, 1st Floor, New Trading Ring, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai-400 001	540180
2	The National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051	VBL EQ

Annual listing fee for the year 2016 has been paid to BSE and NSE.

F) LISTING OF DEBT INSTRUMENTS ON STOCK EXCHANGES AND CODES

During the year, the following Debt Instruments were listed on National Stock Exchange of India Limited. However, all these instruments got redeemed during the year and as on December 31, 2016 no such instrument was listed:

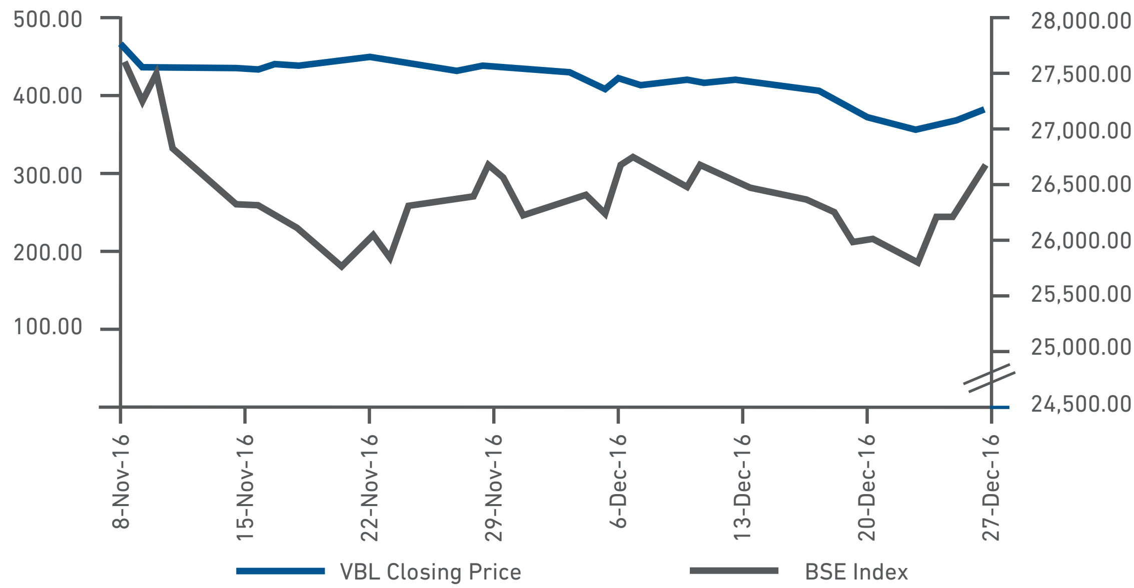
Particulars	ISIN	Security code
14% Rated, Unsecured, Listed Redeemable, Rupee Denominated NCDs of face value of ₹ 10 Million each	INE200M08042	-
9.9% Rated, Listed, Secured, Redeemable NCDs of face value of ₹ 1 Million each	INE200M07036	VBL20

G) MARKET PRICE DATA – BSE

Month	BSE Sensex		Share Price		
	High	Low	High Price (₹)	Low Price (₹)	No. of Shares Traded
November, 2016	28029.80	25717.93	471.00	391.50	62,54,794
December, 2016	26803.76	25753.74	439.50	345.00	1,92,085

Comparison of share price of VBL has been made with Sensex.

Performance on BSE

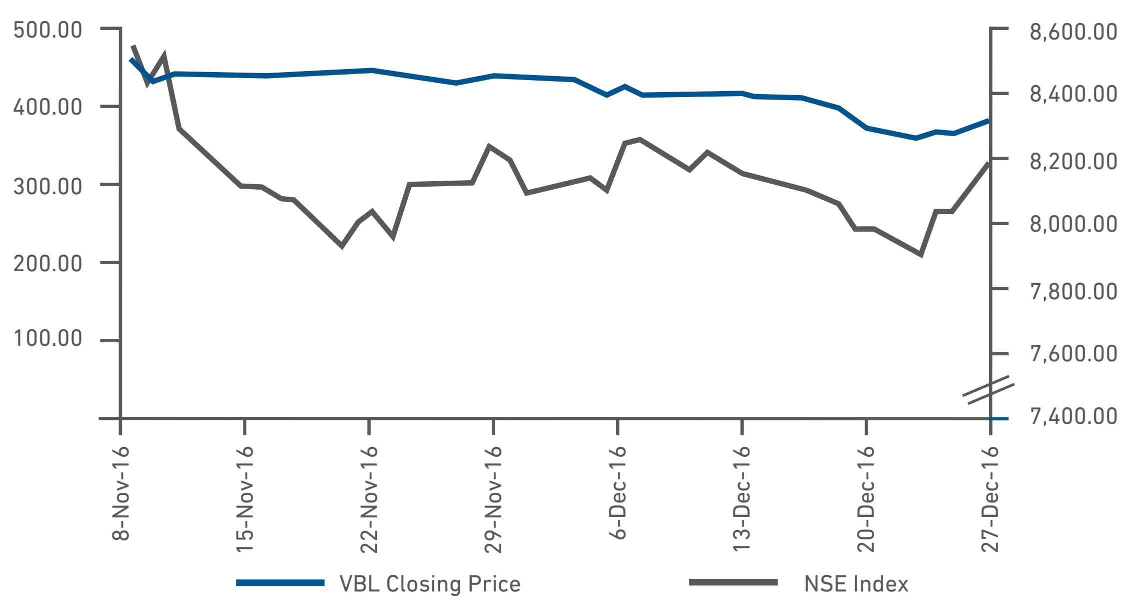


H) MARKET PRICE DATA – NSE

Month	S&P CNX Nifty		VBL Share Price		
	High	Low	High Price (₹)	Low Price (₹)	No. of Shares Traded
November, 2016	8598.45	7916.40	471.75	393.00	2,09,69,828
December, 2016	8274.95	7893.80	439.90	351.00	6,10,114

Comparison of share price of VBL has been made with Nifty 50.

Performance on NSE



I) REGISTRARS AND TRANSFER AGENTS

All the work relating to the shares held in the physical form as well as the shares held in the electronic (demat) form is being done at one single point and for this purpose SEBI registered category I Registrars and Transfer Agents (R&T Agents) has been appointed, whose details are given below:

Karvy Computershare Private Limited
Karvy Selenium Tower B,
Plot 31 and 32, Gachibowli
Financial District, Nanakramguda
Hyderabad 500 032
Tel: +91 40 6716 2222
Fax: +91 40 2343 1551
Email: dpcorp@karvy.com
Website: www.karisma.karvy.com
SEBI Registration No. INR000000221

J) SHARE TRANSFER SYSTEM

As on December 31, 2016 entire 182,312,525 equity shares of the Company were in dematerialized form. Transfers of Equity Shares in dematerialized form are done through depositories with no involvement of the Company. With regard to transfer of Equity Shares in Physical Form, the Share transfer instruments, received in physical form, are processed by our R&T Agents, M/s Karvy Computershare Private Limited and the share certificates are dispatched within a period of 15 days from the date of receipt thereafter subject to the documents being complete and valid in all respects. The Company obtains a half-yearly certificate from a Company Secretary in Practice in respect of the share transfers as required under Regulation 40(9) of SEBI LODR and files a copy of the said certificate with the Stock Exchanges.

K) RECONCILIATION OF SHARE CAPITAL AUDIT

The Reconciliation of Share Capital Audit is conducted by a Company Secretary in practice to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited ("Depositories") and the total issued and listed capital. The audit confirms that the total issued/ paid-up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialized form (held with Depositories) and that the requests for dematerialization of shares are processed by the R&T Agents agent within stipulated period of 21 days and uploaded with the concerned depositories.

L) EQUITY SHARES IN THE SUSPENSE ACCOUNT

The Company has, in accordance with the procedure laid down in Schedule VI of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, opened a dematerialization account namely, 'UNCLAIMED SUSPENSE SHARES DEMAT ACCOUNT – VARUN BEVERAGES LIMITED'. The details of shares transferred to shareholders out of this account are given below:

Particulars	Number of shareholders	Number of equity shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on November 4, 2016	1	66
Number of shareholders who approached the Company for transfer of shares from suspense account during the year	1	66
Number of shareholders to whom shares were transferred from suspense account during the year	1	66
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on December 31, 2016	Nil	Nil

The voting rights on the shares outstanding in the suspense account as at the end of the financial year shall remain frozen till the rightful owner(s) of such shares claim the shares.

M) DISTRIBUTION OF SHAREHOLDING

The shareholding distribution of equity shares as on December 31, 2016 is given hereunder:

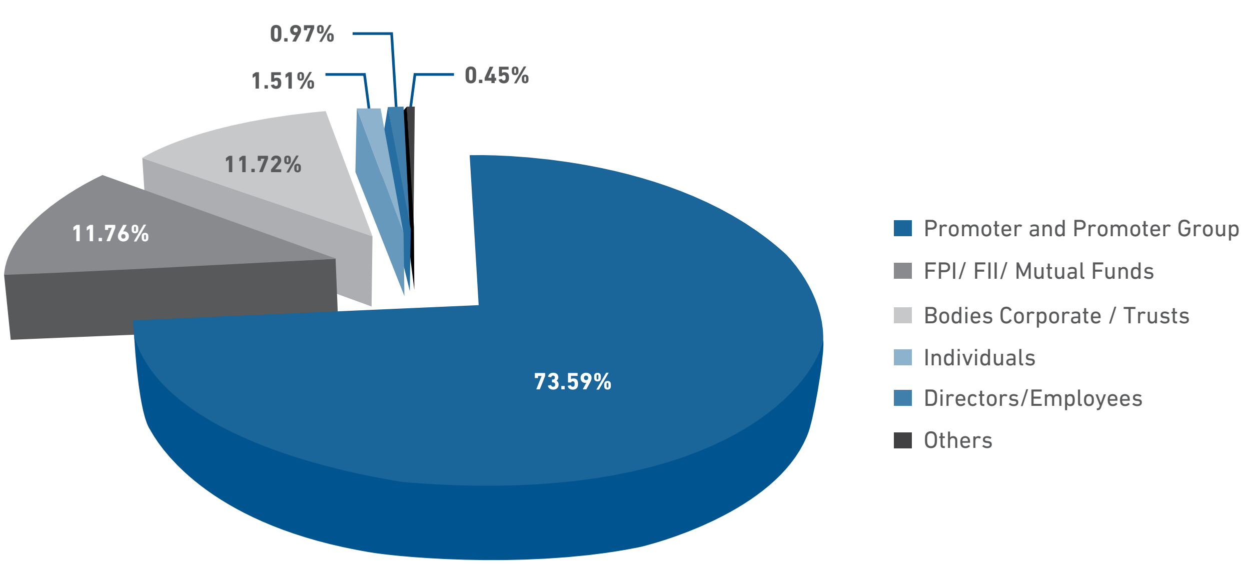
(Nominal Value ₹ 10 per share)

Number of Shareholders	% of Total	Shareholding of Nominal Value of ₹ 10/-	Amount	% of Total
55,936	99.40	upto 1 - 5000	27,748,120.00	1.52
113	0.20	5001 - 10000	879,460.00	0.05
62	0.11	10001 - 20000	899,720.00	0.05
28	0.05	20001 - 30000	720,230.00	0.04
14	0.02	30001 - 40000	475,010.00	0.03
21	0.04	40001 - 50000	953,620.00	0.05
26	0.05	50001 - 100000	1,713,540.00	0.09
74	0.13	100001 & above	1,789,735,550.00	98.17
56,274	100.00	Total	1,823,125,250.00	100.00

N) CATEGORIES OF SHAREHOLDERS (AS ON DECEMBER 31, 2016)

Sr. No.	Particulars	Total No. of Equity Shares	% age
1	Promoter and Promoter Group	134,159,673	73.59
2	Mutual Funds	1,861,438	1.02
3	Financial Institutions/ Banks	5,698	0.00
4	Directors	927,716	0.51
5	HUF	165,074	0.09
6	Foreign Institutional Investors	4,993,640	2.74
7	Employees	837,160	0.46
8	Bodies Corporate	13,178,812	7.23
9	Individuals	2,752,756	1.51
10	Trusts	8,188,562	4.49
11	Non Resident Indians	620,614	0.34
12	Non Resident Indians – Non Repatriation	19,152	0.01
13	Foreign Portfolio Investor	14,575,929	8.00
14	Clearing Members	26,301	0.01
	Total	**182,312,525**	**100.00**

TOTAL SHAREHOLDING AS % OF TOTAL NO. OF EQUITY



O) DEMATERIALISATION OF SHARES AND LIQUIDITY

As on December 31, 2016, the entire 182,312,525 (100%) equity shares were held in dematerialised form.

The Company does not have any GDR's/ ADR's/ Warrants or any Convertible instruments having any impact on equity.

P) COMPLIANCES UNDER LISTING REGULATIONS

The Company is regularly complying with the Listing Regulations as stipulated under SEBI LODR. Information, certificates and returns as required under the provisions of Listing Agreement and SEBI LODR are sent to the stock exchanges within the prescribed time.

Q) CEO AND CFO CERTIFICATION

In terms of Regulation 17(8) of SEBI LODR, the Whole-time Director and the CFO of the Company have given Compliance Certificate stating therein matters prescribed under Part B of Schedule II of the said regulations.

In terms of Regulation 33(2)(a) of SEBI LODR, the Whole-time Director and the CFO certified the quarterly financial results while placing the financial results before the Board.

R) INFORMATION ON DEVIATION FROM ACCOUNTING STANDARDS, IF ANY.

There has been no deviation from the Accounting Standards in preparation of annual accounts for the financial year 2016.

T) INVESTOR CORRESPONDENCE

Mr. Mahavir Prasad Garg
Company Secretary and Compliance Officer
Plot No. 31, Sector – 44,
Institutional Area, Gurugram 122 002 (Haryana)
Tel: +91 124 4643100
Fax: +91 124 4643303
Email: mahavir.garg@rjcorp.in

U) COMMODITY PRICE RISK OR FOREIGN EXCHANGE RISK AND HEDGING RISK.

The details for the same have been provided elsewhere in the Report.

V) PLANT LOCATIONS

The Plant Locations have been provided elsewhere in this report.

DISCLOSURES

(i) The Company has not entered into any materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large. Your Board of Directors had approved a Policy on Related Party Transactions. The policy can be accessed through http://varunpepsi.com/policies/

(ii) The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets since listing of its shares on November 8, 2016. No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or other statutory authorities relating to the above.

(iii) The Company has complied with all the mandatory requirements of Corporate Governance as prescribed under the SEBI LODR.

(iv) Policy for Determination of Material Subsidiary and Governance of Subsidiaries can be accessed at http://varunpepsi.com/wp-content/uploads/2016/09/Policy-For-Determination-Of-Material-Subsidiary-And-Governance-Of-Subsidiaries.pdf

Green Initiative

Pursuant to Section 101 and 136 of the Act read with Companies (Management and Administration) Rules, 2014 and Companies (Accounts) Rules, 2014, the Company can send Notice of Annual General Meeting, financial statements and other communication in electronic forms. Your Company is sending the Annual Report including the Notice of Annual General Meeting, audited financial statements, Board's Report along with their annexure etc. for the financial year 2016 in the electronic mode to the shareholders who have registered their email ids with the Company and/ or their respective Depository Participants (DPs).

Shareholders who have not registered their e-mail addresses so far are requested to register their e-mail addresses. Those holding shares in demat form can register their e-mail addresses with their concerned DPs. Shareholders who hold shares in physical form are requested to register their e-mail addresses with the Company, by sending a letter, duly signed by the first/ sole holder quoting details of Folio No.

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Ravi Kant Jaipuria
Chairman
DIN : 00003668

Place : Gurugram
Date : February 20, 2017

CODE OF CONDUCT

Code of conduct for Board of Directors and Senior Management of the Company has been laid down with a view to promote good corporate governance and exemplary personal conduct and is applicable to all the Directors and Senior Managerial Personnel of the Company. This Code is also available on the website of the Company, viz. www.varunpepsi.com.

In Compliance of Regulation 26 (3) of SEBI LODR, all the Directors and Senior Management of the Company have affirmed compliance of code of conduct as on December 31, 2016.

Declaration of compliance of the Code of Conduct in terms of Schedule V of SEBI LODR is given hereunder:

"The Board of Directors of Varun Beverages Limited has pursuant to Regulation 17(5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 laid down Code of Conduct for all Board members and senior managerial personnel of the Company which has also been posted on the website of the Company, viz. www.varunpepsi.com

In terms of Schedule V of the said regulations and as per 'affirmation of compliance' letters received from the Directors and the members of senior managerial personnel of the Company, I hereby declare that Directors and the members of senior management of the Company have complied with the Code of Conduct during the Financial Year 2016."

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Kapil Agarwal
Whole-time Director
DIN : 02079161

Place : Gurugram
Date : February 20, 2017

To
The Board of Directors,
Varun Beverages Limited,
F-2/7, Okhla Industrial Area,
Phase – I, New Delhi – 110 020

CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

We have examined the compliance of conditions of Corporate Governance by Varun Beverages Limited, for the year ended December 31, 2016 as stipulated in Regulations 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure) Requirements, 2015 (collectively referred to as "SEBI Listing Regulations, 2015). The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance, issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations, 2015. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of **O.P. BAGLA & CO.**
Chartered Accountants
Firm Registration No.:000018N

Neeraj Kumar Agarwal
Partner
Membership No. : 094155

Date : February 20, 2017
Place : Gurugram

Form No. MGT-9 **ANNEXURE - G**

EXTRACT OF ANNUAL RETURN

As on the Financial Year ended on 31.12.2016

[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i) Corporate Identity Number - U74899DL1995PLC069839

ii) Registration Date - 16.06.1995

iii) Name of the Company - **Varun Beverages Limited**

iv) Category/ Sub-Category of the Company - Public Company/ Limited by Shares

v) Address of the Registered office and Contact Details - F-2/7, Okhla Industrial Area, Phase – I, New Delhi – 110020; Tel: +91 124 4643100; Fax: +91 124 4643303; E-mail: complianceofficer@rjcorp.in

vi) Whether Listed Company - Yes. Equity shares are listed on the National Stock Exchange of India Limited and the BSE Limited

vii) Name, Address and Contact Details of Registrar and Transfer Agent - M/s Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31 and 32, Gachibowli, Financial District, Nanakramguda, Hyderabad 500 032; Tel: +91 40 6716 2222; Fax: +91 40 2343 1551; Email: dpcorp@karvy.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sr. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the Company
1	Manufacturing of Beverages	1104	98.71%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiaries/ Associate	% of shares held	Applicable Section
1	Varun Beverages (Nepal) Private Limited, Sinamangal, Koteshwar, Kathmandu, Nepal	NA	Subsidiary	100.00	2(87)
2	Varun Beverages Morocco SA, Z. I. Bouskoura, 27182, B.P.408, Casablanca, Morocco	NA	Subsidiary	100.00	2(87)
3	Varun Beverages Lanka (Private) Limited, No. 140, Low Level Road, Embulgama, Ranala, Sri Lanka	NA	Subsidiary	100.00	2(87)
4	Ole Springs Bottlers (Private) Limited, No. 140, Low Level Road, Embulgama, Ranala, Sri Lanka	NA	Subsidiary	99.99	2(87)
5	Varun Beverages (Zambia) Limited, Plot No. 37426, Mungwi Road, Box 30007, Lusaka, Zambia	NA	Subsidiary	60.00	2(87)
6	Varun Beverages (Zimbabwe) (Private) Limited, 7, Normandy Road, Alexandra Park, Harare, Zimbabwe	NA	Subsidiary	85.00	2(87)
7	Varun Beverages Mozambique Limitada, Avenida da Namaacha, Parcela No. 728B, Lingamo, Matola, Mozambique	NA	Subsidiary	51.00	2(87)
8	Angelica Technologies Private Limited, F-2/7, Okhla Industrial Area, Phase – I, New Delhi – 110020	U30005DL2006PTC147252	Associate	47.30	2(6)

IV. SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)

i) Category wise Shareholder:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
(a) Individual/ HUF	88,363,370	-	88,363,370	66.06	78,363,370	-	78,363,370	42.98	-23.08
(b) Central Govt	-	-	-	0.00	-	-	-	0.00	0.00
(c) State Govt(s)	-	-	-	0.00	-	-	-	0.00	0.00
(d) Bodies Corp.	45,387,415	-	45,387,415	33.93	49,932,870	-	49,932,870	27.39	-6.54
(e) Banks/ FI	-	-	-	0.00	-	-	-	0.00	0.00
(f) Any Other...	-	-	-	0.00	-	-	-	0.00	0.00
Promoter Group									
Individual	3,780	-	3,780	0.00	171,780	-	171,780	0.09	0.09
Bodies Corp.	9,835	-	9,835	0.01	5,691,653	-	5,691,653	3.13	3.12
Sub-Total (A)(1):	**133,764,400**	**-**	**133,764,400**	**100.00**	**134,159,673**	**-**	**134,159,673**	**73.59**	**-26.41**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Foreign									
(a) NRIs - Individuals	-	-	-	0.00	-	-	-	0.00	0.00
(b) Other - Individuals	-	-	-	0.00	-	-	-	0.00	0.00
(c) Bodies Corporate	-	-	-	0.00	-	-	-	0.00	0.00
(d) Banks/ FI	-	-	-	0.00	-	-	-	0.00	0.00
(e) Any Other...	-	-	-	0.00	-	-	-	0.00	0.00
Sub-Total (A)(2):	**-**	**-**	**-**	**0.00**	**-**	**-**	**-**	**0.00**	**0.00**
Total shareholding of Promoter (A) = (A)(1) + (A)(2)	**133,764,400**	**-**	**133,764,400**	**100.00**	**134,159,673**	**-**	**134,159,673**	**73.59**	**-26.41**
B. Public Shareholding									
(1) Institutions									
(a) Mutual Funds	-	-	-	0.00	1,861,438	-	1,861,438	1.02	1.02
(b) Banks/FI	-	-	-	0.00	5,698	-	5,698	0.00	0.00
(c) Central Govt	-	-	-	0.00	-	-	-	0.00	0.00
(d) State Govt(s)	-	-	-	0.00	-	-	-	0.00	0.00
(e) Venture Capital Funds	-	-	-	0.00	-	-	-	0.00	0.00
(f) Insurance Companies	-	-	-	0.00	-	-	-	0.00	0.00
(g) FIIs	-	-	-	0.00	4,993,640	-	4,993,640	2.74	2.74
(h) Foreign Venture Capital Funds	-	1,765	1,765	0.00	12,840,202	-	12,840,202	7.04	7.04
(i) Others (specify)	-	-	-	0.00	-	-	-	0.00	0.00
Sub-total (B)(1):	**-**	**1,765**	**1,765**	**0.00**	**19,700,978**	**-**	**19,700,978**	**10.80**	**10.80**
(2) Non- Institutions									
(a) Bodies Corp.									
(i) Indian	-	-	-	0.00	338,610	-	338,610	0.19	0.19
(ii) Overseas	-	-	-	0.00	-	-	-	0.00	0.00
(b) Individuals									
(i) Individual shareholders holding nominal share capital upto ₹ 1 Lakh	-	-	-	0.00	2,391,877	-	2,391,877	1.31	1.31
(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	0.00	2,125,755	-	2,125,755	1.17	1.17
(c) Others (specify)									
(i) Trust	-	-	-	0.00	8,188,562	-	8,188,562	4.49	4.49
(ii) NRIs	-	-	-	0.00	639,766	-	639,766	0.35	0.35
(iii) Foreign Portfolio Investors	-	-	-	0.00	14,575,929	-	14,575,929	8.00	8.00
(iv) Clearing Members	-	-	-	0.00	26,301	-	26,301	0.01	0.01
(v) HUF	-	-	-	0.00	165,074	-	165,074	0.09	0.09
Sub-total (B)(2):	**-**	**-**	**-**	**0.00**	**28,451,874**	**-**	**28,451,874**	**15.61**	**15.61**
Total Public Shareholding (B) = (B)(1) + (B)(2)	**-**	**1,765**	**1,765**	**0.00**	**48,152,852**	**-**	**48,152,852**	**26.41**	**26.41**
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	**133,764,400**	**1,765**	**133,766,165**	**100.00**	**182,312,525**	**-**	**182,312,525**	**100.00**	**0.00**

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
1	Ravi Kant Jaipuria & Sons (HUF)	44,187,870	33.03	0	39,187,870	21.49	0	-11.54
2	Varun Jaipuria	44,175,500	33.02	8.71	39,175,500	21.49	0	-11.54
3	RJ Corp Limited	45,387,415	33.93	22.3	49,932,870	27.39	0	-6.54
Promoter Group								
4	Devyani Jaipuria	1,765	0.00	0	1,765	0.00	0	0.00
5	Dhara Jaipuria	2,015	0.00	0	2,015	0.00	0	0.00
6	Devyani Hotels and Resorts Private Limited	-	0.00	0	5,681,818	3.12	0	3.12
7	Devyani Enterprises Private Limited	2,270	0.00	0	2,270	0.00	0	0.00
8	Devyani Overseas Private Limited	5,800	0.00	0	5,800	0.00	0	0.00
9	Universal Dairy Products Private Limited	1,765	0.00	0	1,765	0.00	0	0.00
10	Vivek Gupta	-	0.00	0	168,000	0.09	0.09	0.09
	Total	**133,764,400**	**100.00**	**31.01**	**134,159,673**	**73.59**	**0.09**	**-26.41**

(iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
Ravi Kant Jaipuria & Sons (HUF)	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	44,187,870	33.03		
Increase / Decrease in Shareholding during the year:				
04.11.2016 (Offer For Sale)	(5,000,000)	-2.75	39,187,870	21.54
At the end of the year	**39,187,870**		**39,187,870**	**21.49**
Varun Jaipuria	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	44,175,500	33.02		
Increase / Decrease in Shareholding during the year:				
04.11.2016 (Offer For Sale)	(5,000,000)	-2.75	39,175,500	21.53
At the end of the year	**39,175,500**		**39,175,500**	**21.49**
RJ Corp Limited	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	45,387,415	33.93		
Increase / Decrease in Shareholding during the year:				
07.10.2016 (Conversion of CCPs)	4,545,455	2.72	49,932,870	29.91
At the end of the year	**49,932,870**		**49,932,870**	**27.39**
Devyani Hotels and Resorts Private Limited	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
07.10.2016 (Conversion of CCPs)	5,681,818	3.40	5,681,818	3.40
At the end of the year	**5,681,818**		**5,681,818**	**3.12**
Vivek Gupta	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
31.03.2016 (Under ESOS-2013)	168,000	0.12	168,000	0.12
At the end of the year			**168,000**	**0.09**

Note: There is no change in the shareholding of Promoters / Promoters Group except as stated above.

(iv) Shareholding Pattern of top ten Shareholders (other than Directors ,Promoters and Holders of GDRs and ADRs):

For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	STANDARD CHARTERED PRIVATE EQUITY (MAURITIUS) II LIMITED			
At the beginning of the year	1,765	0.00		
Increase / Decrease in Shareholding during the year:				
03.10.2016	12,838,437	8.19	12,840,202	8.19
At the end of the year	**12,840,202**		**12,840,202**	**7.04**
2	AION INVESTMENTS II SINGAPORE PTE LIMITED			
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
03.10.2016	8,188,562	5.22	8,188,562	5.22
At the end of the year	**8,188,562**		**8,188,562**	**4.49**
3	NORDEA 1 SICAV - ASIAN FOCUS EQUITY FUND			
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
04.11.2016	2,598,058	1.43	2,598,058	1.43
11.11.2016	3,300	0.00	2,601,358	1.43
11.11.2016	(56,999)	-0.03	2,544,359	1.40
02.12.2016	(11,024)	-0.01	2,533,335	1.39
At the end of the year	**2,533,335**		**2,533,335**	**1.39**
4	SMALLCAP WORLD FUND, INC			
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
04.11.2016	2,394,437	1.32	2,394,437	1.32
11.11.2016	555,256	0.31	2,949,693	1.62
18.11.2016	215,608	0.12	3,165,301	1.74
25.11.2016	279,800	0.15	3,445,101	1.89
02.12.2016	66,996	0.04	3,512,097	1.93
09.12.2016	23,203	0.01	3,535,300	1.94
16.12.2016	36,888	0.02	3,572,188	1.96
23.12.2016	29,616	0.02	3,601,804	1.98
At the end of the year	**3,601,804**		**3,601,804**	**1.98**
5	STICHTING DEPOSITARY APG EMERGING MARKETS EQUITY POOL			
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
04.11.2016	2,167,658	1.19	2,167,658	1.19
At the end of the year	**2,167,658**		**2,167,658**	**1.19**
6	SUNDARAM MUTUAL FUND A/C SUNDARAM SELECT MIDCAP			
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
04.11.2016	1,789,361	0.98	1,789,361	0.98
18.11.2016	(40,412)	-0.02	1,748,949	0.96
25.11.2016	(31,783)	-0.02	1,757,578	0.97
02.12.2016	(9,118)	-0.01	1,748,460	0.96
At the end of the year	**1,708,048**		**1,708,048**	**0.94**
7	CLSA GLOBAL MARKETS PTE. LIMITED			
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
04.11.2016	1,272,578	0.70	1,272,578	0.70
At the end of the year	**1,272,578**		**1,272,578**	**0.70**
8	ABU DHABI INVESTMENT AUTHORITY - MERLION			
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
04.11.2016	1,185,625	0.65	1,185,625	0.65
At the end of the year	**1,185,625**		**1,185,625**	**0.65**

9	**MONDRIAN EMERGING MARKETS SMALL CAP EQUITY FUND**			
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
04.11.2016	1,019,421	0.56	1,019,421	0.56
11.11.2016	1,419,166	0.78	2,438,587	1.34
At the end of the year	**2,438,587**		**2,438,587**	**1.34**
10	**AMERICAN FUNDS INSURANCE SERIES GLOBAL SMALL CAPITAL**			
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
04.11.2016	798,110	0.44	798,110	0.44
11.11.2016	185,364	0.10	983,474	0.54
18.11.2016	71,622	0.04	1,055,096	0.58
25.11.2016	93,199	0.05	1,148,295	0.63
02.12.2016	22,383	0.01	1,170,678	0.64
09.12.2016	7,734	0.00	1,178,412	0.65
16.12.2016	12,354	0.01	1,190,766	0.65
23.12.2016	9,812	0.01	1,200,578	0.66
At the end of the year	**1,200,578**		**1,200,578**	**0.66**

Note: List of top 10 shareholders were taken as on 31.12.2016. The increase / (decrease) in shareholding as stated above is based on details of benefical ownership furnished by the depository.

(v) Shareholding of Directors and Key Managerial Personnel:

For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
Mr. Ravi Kant Jaipuria, Non-Executive Chairman	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	Nil			
Increase / Decrease in Shareholding during the year:				
No change during the year				
At the end of the year	Nil	Nil	Nil	Nil
Mr. Varun Jaipuria, Whole-time Director	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	44,175,500	33.02		
Increase / Decrease in Shareholding during the year:				
04.11.2016 (Offer for Sale)	(5,000,000)	-2.75	39,175,500	21.53
At the end of the year			39,175,500	21.49
Mr. Raj Pal Gandhi, Whole-time Director	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
31.03.2016	440,000	0.32	440,000	0.32
04.11.2016	429	0.00	440,429	0.24
At the end of the year			440,429	0.24
Mr. Kapil Agarwal, Whole-time Director	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
31.03.2016	440,000	0.32	440,000	0.32
04.11.2016	429	0.00	440,429	0.24
At the end of the year			440,429	0.24
Mr. Kamlesh Kumar Jain, Whole-time Director & CFO	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
31.03.2016	46,000	0.03	46,000	0.03
At the end of the year			46,000	0.03
Mr. Christopher White, Whole-time Director[1]	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	Nil			
Increase / Decrease in Shareholding during the year:				
No change during the year				
At the end of the year	Nil	Nil	Nil	Nil

Mr. Ravindra Dhariwal, Independent Director	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	Nil			
Increase / Decrease in Shareholding during the year:				
No change during the year				
At the end of the year	Nil	Nil	Nil	Nil
Dr. Girish Ahuja, Independent Director	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	Nil			
Increase / Decrease in Shareholding during the year:				
No change during the year				
At the end of the year	Nil	Nil	Nil	Nil
Mr. Pradeep Sardana, Independent Director[2]	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	-	0.00		
Increase / Decrease in Shareholding during the year:				
04.11.2016	858	0.00	858	0.00
At the end of the year			858	0.00
Mr. Parth Dasharathlal Gandhi, Nominee Director[3]	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	Nil			
Increase / Decrease in Shareholding during the year:				
No change during the year				
At the end of the year	Nil	Nil	Nil	Nil
Mrs. Devyani Jaipuria, Non-executive Director[3]	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	1,765	0.00		
Increase / Decrease in Shareholding during the year:				
No change during the year			1,765	
At the end of the year	1,765	0.00	1,765	0.00
Mr. Sanjoy Mukerji, Independent Director[4]	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	Nil			
Increase / Decrease in Shareholding during the year:				
No change during the year				
At the end of the year	Nil	Nil	Nil	Nil
Ms. Geeta Kapoor, Independent Director[4]	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	Nil			
Increase / Decrease in Shareholding during the year:				
No change during the year				
At the end of the year	Nil	Nil	Nil	Nil
Dr. Naresh Kumar Trehan, Independent Director	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	Nil			
Increase / Decrease in Shareholding during the year:				
No change during the year				
At the end of the year	Nil	Nil	Nil	Nil
Mr. Udai Dhawan, Nominee Director[5]	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	Nil			
Increase / Decrease in Shareholding during the year:				
No change during the year				
At the end of the year	Nil	Nil	Nil	Nil

Mr. Mahavir Prasad Garg, Company Secretary	**No. of shares**	**% of total shares of the Company**	**No. of shares**	**% of total shares of the Company**
At the beginning of the year	Nil			
Increase / Decrease in Shareholding during the year:				
04.11.2016	199	0.00	199	0.00
08.11.2016	(199)	0.00	-	-
At the end of the year			-	-

Notes:

[1] Resigned from the Board of Directors with effect from March 28, 2016

[2] Appointed on the Board of Directors with effect from March 28, 2016

[3] Resigned from the Board of Directors with effect from April 27, 2016

[4] Appointed on the Board of Directors with effect from April 27, 2016

[5] Resigned from the Board of Directors with effect from December 2, 2016.

Note: Figures under () denotes sale while other denotes purchase.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding /accrued but not due for payment

	Secured Loans excluding deposits	**Unsecured Loans**	**Deposits**	**(₹ In Million) Total Indebtedness**
Indebtedness at the beginning of the financial year				
i) Principal Amount	9,131.41	8,409.06	-	17,540.47
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	31.29	108.64	-	139.93
Total (i+ii+iii)	**9,162.70**	**8,517.70**	**-**	**17,680.40**
Change in Indebtedness during the financial year				
• **Addition**	**10,499.35**	**0.00**	**-**	**10,499.35**
• **Reduction***	**(8,711.25)**	**(7,468.62)**	**-**	**(16,179.87)**
Net Change	**1,788.10**	**(7,468.62)**	**-**	**(5,680.52)**
Indebtedness at the end of the financial year				
i) Principal Amount	10,950.80	1,049.08	-	11,999.88
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	38.81		-	38.81
Total (i+ii+iii)	**10,989.61**	**1,049.08**		**12,038.69**

*Reduction in unsecured loans include conversion of CCPs amounting to ₹ 4149.98 million.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ In Million)

Sr. No.	**Particulars of Remuneration**	**Mr. Varun Jaipuria, Whole-time Director**	**Mr. Raj Pal Gandhi, Whole-time Director**	**Mr. Kapil Agarwal, Whole-time Director**	**Mr. Christopher White, Whole-time Director***	**Total Amount**
1	Gross Salary					
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	24.02	30.76	39.25	4.69	98.72
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0.04	0.04	0.04	0.01	0.13
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	0	-	-
2	Stock Option	-	32.79	32.79	-	65.58
3	Sweat Equity	-	-	-	-	-
4	Commission	-	-	-	-	-
	- as % of profit					
	- others, specify...					
5	Others, please specify					
	Total (A)	**24.06**	**63.59**	**72.08**	**4.70**	**164.43**
	Ceiling as per the Act	Total ₹ 275.14 as per section 197 of the Companies Act, 2013				

* Resigned from the Board of Directors with effect from March 28, 2016

B. Remuneration to other directors:

1. Independent Directors

Sr. No.	Particulars of Remuneration	Name of Directors						(₹ In Millions)
		Mr. Ravindra Dhariwal	Dr. Girish Ahuja	Dr. Naresh Kumar Trehan	Mr. Pradeep Sardana*	Mr. Sanjoy Mukerji#	Mrs. Geeta Kapoor#	Total Amount
	Fee for attending Board/ Committee Meetings	1.81	1.41	-	0.61	-	0.40	4.23
	Commission	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-
	Total	**1.81**	**1.41**	**-**	**0.61**	**-**	**0.40**	**4.23**
	Overall Ceiling as per the Act	Maximum amount of ₹ 1 Lakh for each director as sitting fee for attending each meeting of the Board or its Committee is allowed under the Act.						

* Appointed with effect from March 28, 2016

Appointed with effect from April 27, 2016

C. Remuneration to Key Managerial Personnel Other than MD/ Manager/ WTD

(₹ In Millions)

Sr. No.	Particulars of Remuneration	Mr. Mahavir Prasad Garg, Company Secretary	Mr. Kamlesh Kumar Jain, Whole-time Director & CFO	Total Amount
1	**Gross Salary**			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	2.43	7.45	9.88
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0.02	0.04	0.06
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock Option	0	3.43	3.43
3	Sweat Equity	0	0	0
4	Commission	0	0	0
	- as % of profit	0	0	0
	- others, specify...	0	0	0
5	Others, please specify	0	0	0
	Total	**2.45**	**10.92**	**13.37**

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment Compounding fees imposed	Authority [RD/ NCLT/ COURT]	Appeal made, if any (give details)
A. Company					
Penalty			None		
Punishment					
Compounding					
B. Directors					
Penalty			None		
Punishment					
Compounding					
C. Other Officers in Default					
Penalty			None		
Punishment					
Compounding					

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Ravi Kant Jaipuria
Chairman
DIN : 00003668

Place : Gurugram
Date : February 20, 2017

Management Discussion & Analysis

ECONOMIC OVERVIEW & OUTLOOK

Global economy

The global economy, witnessed a lackluster outturn in 2016 with a growth of 3.1% compared to 3.2% in 2015 primarily driven by low demand in advanced economies, adjustments by commodity exporters to counter declining trade, China's economic rebalancing and geopolitical uncertainties. However, economic activity is projected to pick up pace in 2017 and 2018 driven by a rebound in economic activities during the second half of 2016 as well as a projected fiscal stimulus in the United States.

Indian economy

The year 2016 was a critical one for the Indian economy driven by a series of reforms, especially the bold demonetization move that despite causing certain disruptions was essential for India to graduate to the next level of growth. It would enable the country to put a check on its parallel economy, and enhance its brand image, thereby attracting more foreign investment. Driven by this, the International Monetary Fund (IMF), downgraded the country's growth forecast for 2016-17 to 6.6% from its earlier estimate of 7.6%.

The early quarterly estimates pegs India's Q3 Financial Year 2016-17 GDP growth at 7% on account of a sharp rise in agricultural growth and a pickup in manufacturing activities, as India continued to be the fastest growing economy in the world with sound macro-economic indicators. The well-distribution of monsoon in 2016 effectively brought an end to the drought conditions of last two years, providing significant relief to the rural and agricultural economy.

The 2017 outlook for Indian economy remains strong driven by bounce back in agricultural activities, government's commitment to fiscal targets, and roll out of a progressive Union Budget 2017 that lays emphasis on fiscal prudence, rural economy, public infrastructure spending, housing, job creation and skill development. The IMF expects Indian economic growth momentum to be back on track with a forecasted GDP growth of 7.2%. Continued progress in reforms bodes well for a marked improvement in medium-term prospects, with the adoption of goods and services tax (GST) poised to raise India's medium term GDP growth to above eight per cent, as per the IMF. India continues to outperform global economies on the back of robust macro-economic stability and structural reforms.

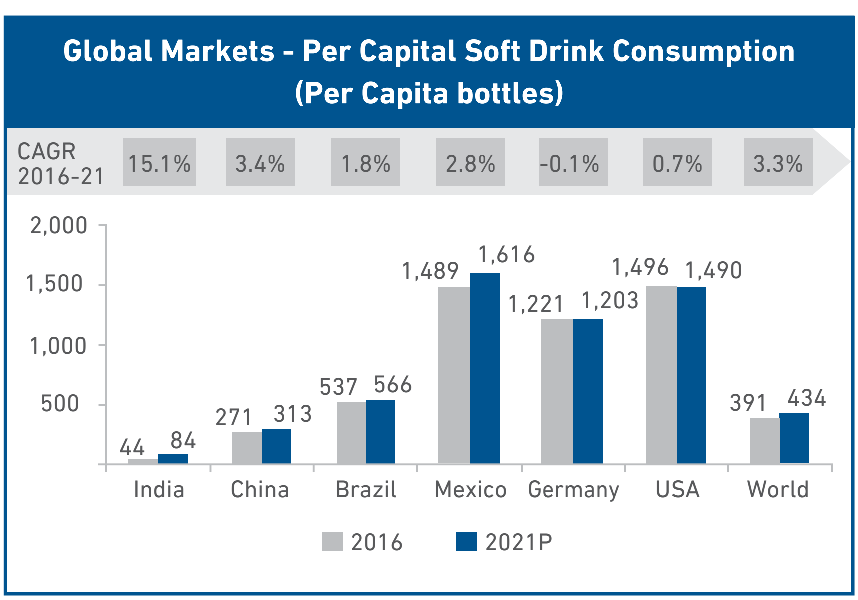
SOFT DRINKS MARKET OVERVIEW & OUTLOOK

The information in this section includes data published by Euromonitor international Limited.

World soft drinks market

The Global soft drink market, comprising carbonates, packaged juices, bottled water, sports/energy drinks, ready to drink tea and coffee.

The per capita global soft drink consumption increased from 353 bottles in 2011 to 391 bottles in 2016 and is further expected to reach 434 bottles by 2021. In terms of per capita consumption of soft drinks, Asian and African economies (VBL's key markets) are well behind mature markets like US and Germany. The forecasted per capita volume consumption CAGR for the period of 2016-2021 in India (15.1%), Sri Lanka (13.1%), Morocco (12.6%), Nepal (20.0%), Zambia (7.0%) and Zimbabwe (6.1% - where the Company anticipates commencing operations), surpasses the projections in some of the other global markets.



Source: *Euromonitor Report; Note: * denotes Modelled Countries: Data for modelled countries is created by pegging countries outside Euromonitor's research programme to those we do research, linking together those with a similar consumer culture and development level.*

Soft drinks market in India

The Indian soft drinks market is estimated to be a ₹ 336 billion opportunity. In terms of total volumes, the soft drinks market in India grew from 1,120.6 million cases in 2011 to 2,390.6 million cases in 2016, a CAGR of 16%. The primary constituents of the Indian soft drinks market (carbonates, juices and bottled water) together accounted for over 99% of the total volumes sold in 2016. In value terms carbonates are the largest category while bottled water is the largest in volume terms. In volume terms, the CAGR during 2011-16 for carbonates was 10%, 22% for bottled water and 20% for packaged juice. Segments such as concentrates, ready-to-drink tea/coffee, sports and energy drinks are still at a nascent stage of evolution with negligible share of overall volumes in 2016.

In terms of distribution channels, the soft drinks market is divided into off-trade (sales at retail outlets like grocery stores, hypermarkets, super markets etc) and on-trade (sales at food service outlets, restaurants, bars, clubs, etc). The distinction between the off-trade and on-trade channels holds particular relevance in the soft drinks industry, since on-trade sales generally take place at higher prices. Over the next five years, off-trade is expected to grow faster with majority of the volumes being contributed by grocery retailers due to their easy accessibility and penetration.

Going forward, the soft drink industry is expected to continue its robust growth trajectory with a projected CAGR of 15.1% over 2016-21, led by broad-based growth across the various categories, especially juices and bottled water. At 44 bottles per capita consumption in 2016, the soft drinks market in India is relatively under-penetrated compared to matured markets like U.S. (1,496 bottles), Mexico (1,489 bottles) and Germany (1,221 bottles). The growth is expected to be broad-based across categories. Within carbonates, non-cola carbonates, especially lemon based are expected to grow at a faster rate. The bottled water category is expected to see robust growth in volumes with increasing awareness and consciousness among consumers about water borne diseases and shortages in drinking water in the urban areas. Rising health awareness is driving juice consumption and it is increasingly becoming a part of the regular breakfasts and social gatherings. In India, there is a steady decline in rural-urban consumer gap driven by increasing interest and readiness to spend in the rural markets. VBL's core markets in India, North and East, are expected to continue their growth momentum with increased penetration in rural and semi-urban markets and rising brand awareness.

India's per capita soft drinks consumption is expected to almost double and reach 84 bottles by 2021. Favorable demographics, low per capita consumption, long summers and higher spending on packaged products is expected to drive this growth. Continuous innovations catering to specific requirements, especially in rural India, in terms of pack sizes and glass bottles to enhance product affordability will strengthen growth rates.

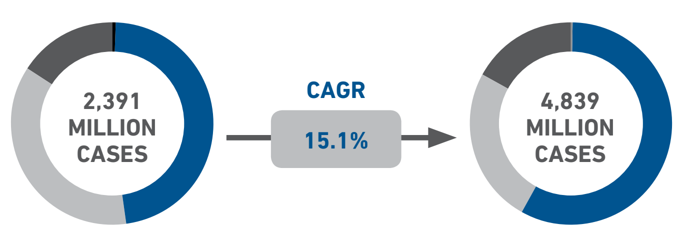
Segmental share of constituents in Indian soft drinks markets

Segment	2016	2021
Carbonates	36.3%	24.9%
Bottled water	47.3%	57.8%
Juice	15.6%	16.9%
Others	0.7%	0.5%

[to come as pie-chart] Source: Euromonitor Report

Soft Drinks Industry - India

Million Cases	2016	2021P	CAGR
Carbonates	868	1205	6.8%
Bottled water	373	816	16.9%
Juice	1,132	2,795	19.8%
Others	18	23	5.1%
Total	**2,391**	**4,839**	**15.1%**



Source: Euromonitor Report

BUSINESS OVERVIEW – A KEY PLAYER IN THE BEVERAGE INDUSTRY

VBL - presence across the globe

Varun Beverages Limited (VBL) is a leading beverage player with presence across 6 countries, 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contributing ~90% to revenues, while 3 in Africa (Morocco, Mozambique and Zambia) contributing ~10%.

The Company enjoys a strong, symbiotic and long standing relationship with PepsiCo spanning over 25 years, since their entry into India, accounting for ~45% of PepsiCo's sales volumes in India. VBL manufactures, sells and distributes products under trademarks and brands owned by PepsiCo which includes carbonated soft drinks (CSD's) - Pepsi, Diet Pepsi, Seven-Up, Mirinda Orange, Mirinda Lemon, Mountain Dew, Seven-Up Nimbooz Masala Soda, Seven-Up Revive and Evervess, non-carbonated beverages (NCB's) - Tropicana Slice, Tropicana Frutz (Lychee, Apple and Mango), Nimbooz and packaged bottled water - Aquafina, through its extensive manufacturing facilities and well-entrenched distribution network. The Company has been granted franchise rights for various PepsiCo products across 17 States and two Union Territories in India, as well as for the territories of Nepal, Sri Lanka, Morocco, Mozambique and Zambia.

VBL's unique business model, end-to-end execution capabilities and presence across the entire value chain (from investments in manufacturing facilities, distribution and warehousing, customer management and in-market execution, to managing cash flows and future growth) makes it an undisputed leader in the industry. Other than the concentrate and the consumer marketing provided by PepsiCo and the brands, VBL charters its own success through having complete control over the manufacturing and supply chain process, driving market share gains, enhancing operational excellence for cost efficiencies and judicious capital allocation strategies.

VBL - Demand Delivery

- Investment in Production Facilities - manufacturing plants
- Sales & Distribution - Vehicles
- In-outlet Management - Visi-Coolers
- Market Share Gains - Consumer Push Management

PepsiCo – Demand Creation

- Owner of Trademarks
- Investment in R&D - Product & Packaging Innovation
- Concentrate Supply
- Brand Development - Consumer Pull Management

The soft drinks distribution entails relatively complex logistics because of the nature of the packaging, and refrigeration requirements. The Company procures raw material (concentrate from PepsiCo and sugar/other raw materials from chosen local suppliers), manages manufacturing, bottling and packaging at its production facilities, transports finished goods to the warehouses in trucks and delivers them to the retail outlets through its extensive distribution reach, and also in some cases directly. The products are stored by the retailer in Visi-Coolers provided and owned by VBL.

The Company has invested significantly in creating a solid infrastructure and as on 31st December, 2016, it has 16 state-of-the-art manufacturing facilities in India and 5 internationally. It has also made investments in setting-up backward integration facilities for production of preforms, crowns, corrugated boxes and pads, plastic crates and shrink-wrap films to ensure operational efficiencies and quality standards. The Company's production facilities are strategically located near target markets, facilitating logistics costs optimization and VBL is constantly looking for avenues for further optimize these costs.

VBL has a robust supply chain with 71 owned depots, 2,024 owned vehicles and 1,186 primary distributors. The Company, with its dedicated and experienced sales staff focuses on driving growth and expanding market share across categories through consumer push management within its designated sales regions in licensed territories. The Company undertakes local level promotion, in-store activations, customer relation management, merchandising, individual account management and evaluation of high demand region for strategic placement of vending machines and Visi-Coolers. The Company has presently installed 458,000 Visi-Coolers across various markets.

VBL has also significantly invested in technology to maximize its distribution efficacy, and automate field work processes through GPRS-enabled hand held device system called SAMNA (Sales Automation Management for the New Age) for real-time sales information from production facilities, warehouses and distribution centers.

The Company has presence in North & East India. It leverages its strong execution track record for expanding operations through acquisition of several new sub-territories from PepsiCo, contiguous to existing operations, offering economies of scale advantage. As far as international expansion is concerned, the Company has a growing presence in emerging markets beyond India, characterized by low per capita consumption and expected to deliver volume growth significantly above the world average. The Company plans to further explore opportunities into new geographical markets where it could leverage its operational experience or the market offers significant volume growth.

Business model

VBL - END-TO-END-EXECUTION ACROSS VALUE CHAIN

MANUFACTURING: Concentrate (PepsiCo); Other Raw Materials; Bottling	• 21 state-of-the-art production facilities	SOLID INFRASTRUCTURE
DISTRIBUTION & WAREHOUSING	• 71 owned depots • 2,024 owned vehicles • 1,186 primary distributors	ROBUST SUPPLY CHAIN
CUSTOMER MANAGEMENT	• VBL - local level promotion and in-store activation • Installed 458,000 visi-coolers • PepsiCo - brand development* consumer marketing	DEMAND DELIVERY
IN-MARKET EXECUTION	• Experienced region-specific sales team • Responsible for category value/volume growth	MARKET SHARE GAINS
COST EFFICIENCIES	• Production optimization • Backward integration • Innovation (packaging etc)	MARGIN EXPANSION
CASH MANAGEMENT	• Working capital efficiencies • Disciplined capex investment • Territory acquisition	ROE EXPANSION/ FUTURE GROWTH

KEY BUSINESS DEVELOPMENTS – 2016

In October 2016, VBL successfully completed its Initial Public Offering comprising a fresh issue of 15 million shares and an Offer for Sale of 10 million shares by the promoters. The IPO proceeds from the fresh issue were to the tune of ₹ 6,675 million, of which ₹ 5,400 million were utilized to pare down debt. The full benefit of interest savings are to be realized going into 2017.

VBL continued to leverage its ability to implement new brand and product launches for PepsiCo, particularly in the fast-growing NCB and non-cola space, to drive further growth. During the year, the Company introduced Tropicana Frutz in various flavors (Lychee/Apple/Mango), Seven-Up Revive, Mountain Dew (Game fuel) and Nimbooz Masala Soda, which received a strong response. Further, Slice has been rebranded as Tropicana Slice, to leverage the Tropicana brand having wider recognition and stronger brand value in the NCB segment.

The Company established a new production facility at Goa this year, comprising a CSD PET line and a Packaged Drinking Water line, both of which have been operational since March 2016. In addition, VBL purchased two co-packing facilities during the year located at Phillaur, Punjab and Satharia, U.P., in line with the Company's philosophy of having integrated facilities focused on improving operational efficiencies and having control over quality.

The Company consolidated its operations in territories that were acquired in 2015, which included remaining parts of Uttar Pradesh, Uttarakhand and Haryana, Himachal Pradesh, Union Territory of Chandigarh and Punjab, resulting in higher cost efficiencies.

VBL also acquired bottling operations in Zambia (60% equity) and Mozambique (51% equity) at a consideration of ₹ 1.75 billion in 2016. Given the small scale of operations and losses in Mozambique, the Board has recently (in February 2017) approved the divestment of the Company's equity stake in Varun Beverages Mozambique Limitada. The focus is on the Zambia subsidiary where the Board has approved to enhance Company's stake to 90%, in line with its philosophy of consolidating presence in fast growing emerging markets beyond India. In its first year of operations in Zambia, VBL has recorded healthy volumes and operations are already highly profitable with strong free cash flow generation. The Company is confident of its ability to drive sales and profitability higher in the future. Zambia continues to be an under-penetrated market and offers significant upside potential.

Further, CRISIL has upgraded VBL's credit ratings from CRISIL A/Positive to CRISIL A+/Positive for long term debt, CRISIL A1 to CRISIL A1+ for short term debt and for commercial paper.

PERFORMANCE HIGHLIGHTS – 2016 VS 2015

(₹ in Million)

Particulars	2016	2015*	YoY (%)
Revenue from operations (gross)	45,222.86	39,058.94	15.78%
Less : Excise duty	6,702.78	5,117.45	30.98%
Revenue from operations (net)	**38,520.08**	**33,941.49**	**13.49%**
Other income	347.77	142.81	143.52%
Total	**38,867.85**	**34,084.30**	**14.03%**
Cost of materials consumed	16,767.95	14,253.08	17.64%
Purchases of stock in trade	911.04	3,201.51	-71.54%
Changes in inventory	-315.91	-289.85	NA
Employee benefits expense	4,263.56	3,237.51	31.69%
Other expenses	8,941.31	7,198.63	24.21%
Total	**30,567.95**	**27,600.88**	**10.75%**
EBITDA	**7,952.13**	**6,340.61**	**25.42%**
EBITDA Margin (%)	**20.64%**	**18.68%**	
Depreciation and amortization	3,723.64	3,174.09	17.31%
Finance costs	2,147.90	1,687.91	27.25%
Profit Before Tax	**2,428.36**	**1,621.42**	**49.77%**
Tax Expense	828.50	766.21	8.13%

**Financials for 2015 are as per the restated consolidated financials as reported in the IPO prospectus*

(₹ in Million)

Particulars	2016	2015*	YoY (%)
+/- Share of profit/loss in associate / transfer to minority interest	-87.30	15.17	NA
Profit After Tax	**1,512.56**	**870.38**	**73.79%**
Profit After Tax Margin (%)	**3.93%**	**2.56%**	

**Financials for 2015 are as per the restated consolidated financials as reported in the IPO prospectus*

It is pertinent to note that the Company follows a calendar year of reporting owing to the seasonality aspect of soft drinks business whereby majority of the sales happen in the summer months. Revenues and profits follow a bell-curve with significant portion accruing in the Apr-June quarter.

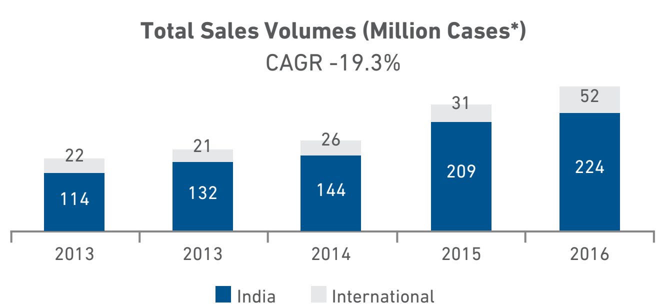
The Company has a strong financial and operational footing. Its total sales volumes in 2016 were up 15% YoY to 276 million unit cases as compared to 240 million unit cases in 2015. India sales volume grew 7.3% YoY while International sales increased by 67.2% YoY (including the Zambia and Mozambique acquisition in 2016). Demonetization negatively impacted Indian sales volumes in Q4 CY2016, barring which it would have reported a superior performance. The impact of demonetization has been transitory and the Company has already seen volumes steadily returning to normalcy in Q1 CY2017. The fourth quarter being a small contributor minimally impacted the full year financials. Additionally, VBL's international subsidiaries have also delivered sales volumes beyond the key threshold of 10 million cases which allows better sweating of assets, making the operations lucrative, self-sustaining, and enabling the Company to deliver higher overall profitability.

Revenue from operations grew 13.5% YoY in 2016 to ₹ 38,520 million driven by healthy traction in existing markets along with support from new territories in India and International markets. Revenue contribution from India stood at 76% in 2016, Rest of the Indian Subcontinent (Nepal & Sri Lanka) contributed 13% and Africa (Morocco, and Zambia and Mozambique) contributed 11% to total revenue. Gross profit expanded 26.1% YoY to ₹ 21,157 million with gross margins expanding 550 bps YoY from 49.4% in 2015 to 54.9% in 2016. EBITDA increased 25.4% YoY to ₹ 7,952 million. EBITDA margins expanded 190 bps YoY to 20.6% in 2016 from 18.7% in 2015. Our investments in technology, consolidation of operations of contiguous territories acquired in 2015, and increased profitability and scale of international operations, have contributed to enhancement in operational efficiencies and margins. Profit after tax (and after minority interest) grew 73.8% YoY to ₹ 1,513 million in 2016 as compared to ₹ 870 million in 2015.

The Company's IPO significantly strengthened The balance sheet has been significantly strengthened post the IPO. The networth of the company stands at ₹ 18,939 million as on December 31, 2016 as compared to ₹ 6,723 million as on December 31, 2015. It would be important to note that historically, till 2015, CCD's issued to Private Equity (PE) Investors amounting to ₹ 4,150 million were considered as Equity and deferred acquisition consideration to PepsiCo was excluded from the debt. From 2016 onwards, CCDs of PE investors are converted into equity and interest free deferred acquisition consideration to PepsiCo has been considered in total debt. The IPO proceeds of ₹ 6,675 million have been used to repay debt and to cover issue expenses. The net debt to equity stood at 1.2x as on 31st December, 2016 as compared to 1.5x as on 31st December 2015.

The working capital cycle has improved to 29 days on the back of economies of scale achieved through acquisitions in contiguous territories. Cash generation has been robust to the tune of ₹ 5,236 million in 2016. We are confident of seeing further reduction in debt going forward resulting in substantial interest cost savings, through prudent finance management and utilizing the recent ratings upgrade by CRISIL.

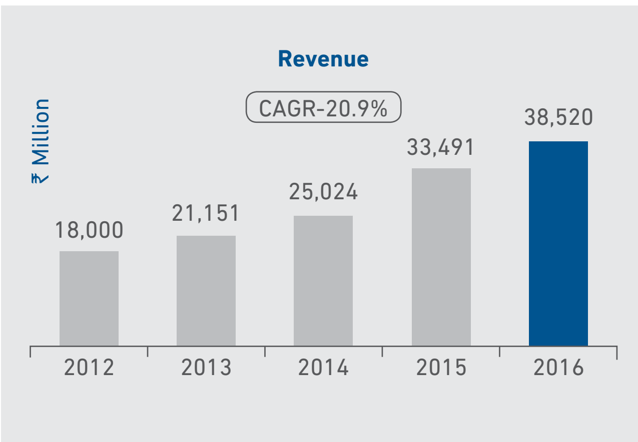
Sales Volumes (2012-16)

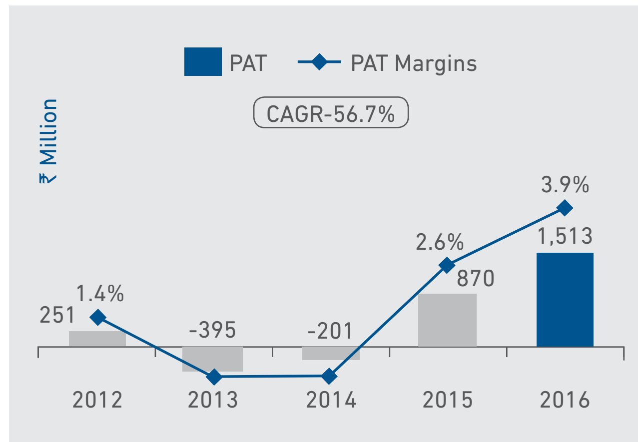


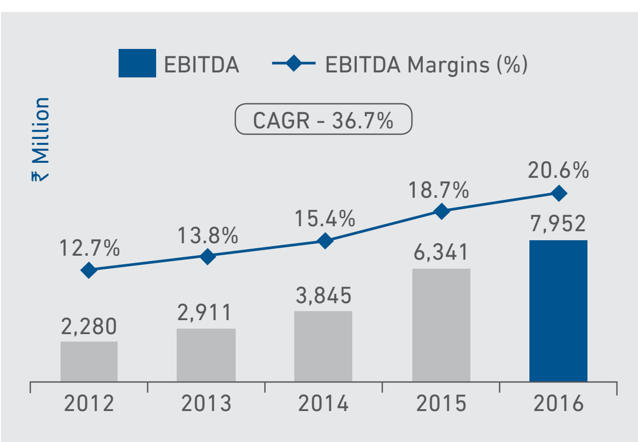
**A unit case is equal to 5.678 liters of beverage divided in 24 bottles of ~ 237 ml each*

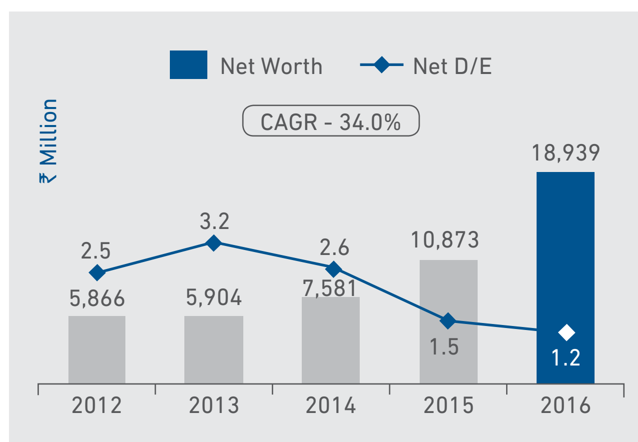
During 2012-16, VBL's India sales volumes grew at 19.3% CAGR driven by increased focus on non-cola carbonates and newer products, especially lemon-based drinks like Mountain Dew, Nimbooz Masala Soda and Seven-Up Revive. With consumer preferences evolving, NCB's and bottled water have been key volume drivers as well. An important growth strategy during this period has been geographical expansion to newer territories – In January 2012, VBL acquired Goa and North East sub-territories; in Jan 2013, the Company further acquired the Rest of Delhi sub-territory; in February 2015, VBL acquired a large portion of PepsiCo owned sub-territories in North India; while in 2016, VBL acquired 60% stake in Zambia and 51% stake in Mozambique.

Financial Highlights (2012-16)







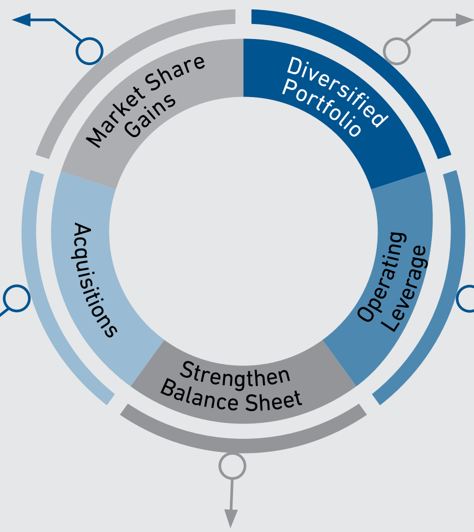


Note: *Historically, till 2015, in debt equity ratio calculation, CCD's issued to Private Equity Investors were considered as Equity and deferred acquisition consideration to PepsiCo was excluded from the debt. From the year 2016, CCDs of private equity investors are converted into equity and interest free deferred acquisition consideration to PepsiCo has been considered in total debt.*

GROWTH OUTLOOK

- Well-positioned to leverage PepsiCo brand to increase market penetration in licensed territories
- Consolidating existing distributors and increasing distribution in under-penetrated-regions

- Penetrate newer geographies - to compliment existing operations in India
- Identify strategic consolidation opportunities in South Asia/ Africa



- To periodically launch innovative products in select markets in line with changing consumer preferences
- Focus on non-cola carbonated beverages and NCB's
- Bottled water provides significant growth opportunity

- Contiguous territories/markets offer better operating leverage and asset utilization - economies of scale
- Production and logistics optimization
- Packaging synchronization and innovations
- Technology use to improve sales and operations processes

- Repayment of debt using IPO proceeds and through strong cash generation
- To enable significant interest cost saving

VBL's execution track record , ability to grow market share and report rapid growth in revenues and profitability has been a hallmark of the Company. Going forward, the Company shall continue to build upon its strong positioning in the beverage industry with presence in the fastest growing markets, robust infrastructure and strong distribution reach. The Company is well-poised to capitalize on the enormous growth potential of the sector leveraging its diversified product portfolio in the various markets, ability to constantly innovate, launch new products and stay in the path of relevance of customers. Over the long run, the Company intends to focus on enhancing productivity and lowering cost by scaling and deploying new technologies to automate processes.

THREATS, RISKS AND CONCERNS

In any business, risks and opportunities are inseparable components. The Company's Directors and management take proactive decisions to protect stakeholder interests.

Demand Risk: *A cyclical downturn can lead to a slowdown in markets where the Company operates, impacting sales velocity.*

Mitigation: The Company has demonstrated ability of driving significant growth in sales volumes over the year by seeking to offer the right brand, at the right price, in the right package, and through the right channel. Moreover, the Company has presence in relatively under penetrated markets having appropriate demographics, climatic conditions and rising population facilitating steady growth in demand. The Company also has a wide range of product portfolio enabling it to cater to diverse consumer segments.

Business Agreement Risk: *We rely on our strategic relationships and agreements with PepsiCo. Termination of agreements, or less favorable renewal terms than currently experienced, could adversely affect profitability.*

Mitigation: The Company has been associated with PepsiCo since 1990s and over the years we have consolidated our business association with them – increasing the number of licensed territories and sub-territories covered, producing and distributing a wider range of PepsiCo beverages, introducing various SKUs in our portfolio, and expanding distribution network. Moreover, the Company also has a demonstrated ability of significantly enhancing PepsiCo's market share making us a favorable partners. The Company enjoys a symbiotic relationship with PepsiCo, working closely together as effective partners for growth, engaging in joint projects and business planning with a focus on strategic issues

Regulatory Risk: *Regulations on consumer health and the risk of the targeting of our products for discriminatory tax and packaging waste recovery may adversely impact our business.*

Mitigation: The Company proactively works with PepsiCo, governments and regulatory authorities to ensure that the facts are clearly understood and that its products are not singled out unfairly. VBL adheres to good manufacturing practices and takes the issues of sustainability relating to packaging and waste recovery very seriously. It works closely and constantly engages with stakeholders, including NGOs and the communities in which we operate, to develop sustainable strategies focused on protecting the environment.

Business Viability Risk: *An inability to integrate the operations of, or leverage potential operating and cost efficiencies from, the newly acquired territories and sub-territories may adversely affect our business and future financial performance.*

Mitigation: The Company invests significant management time and financial resources to integrate and manage newly acquired operations, develop market strategies, overcome local market challenges (including potential cultural and language barriers), and assimilate business practices to ensure business viability of those territories.

Concentrate Pricing Risk: *PepsiCo are entitled to various rights under the PepsiCo India Agreements and the PepsiCo International Agreements, including the right to unilaterally determine the price of the PepsiCo beverage concentrates we purchase. In the event any such right is exercised by PepsiCo in a manner adverse to our business interest, our business prospects and future financial performance will be materially and adversely affected.*

Mitigation: VBL is an important partner to PepsiCo with a long legacy. It effectively leverages its presence in the world's fastest growing market, and its robust manufacturing and distribution infrastructure to effectively benefit PepsiCo. As a result of this key role played by VBL PepsiCo after taking into account the selling price, input price and other relevant market conditions.

Consumer Preference Risk: *Failure to adapt to changing consumer -health trends and addressing the misconceptions on the health impact of soft drinks.*

Mitigation: VBL's sales team works closely with PepsiCo to ascertain the changing consumer habits and constantly focuses on product innovation and expanding range of products so as to remain in the path of relevance to the consumer.

Raw Material Risk: *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.*

Mitigation: As an integral part of VBL's continuing efforts targeted at ensuring cost efficiencies, the Company has 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 centralized procurement team. VBL has introduced lower weight plastic bottles and decreased size of bottle caps, which has enabled the Company to reduce polyethylene terephthalate ("PET") costs. Further, the increase in scale of operations provides better bargaining power with our suppliers and ensures better working capital management. As an added advantage, the Company is able to get benefits of operating leverage through improved asset-utilization and is able to amortize overheads on a wider base. Additionally, the Company continues to introduce advanced technologies in order to improve operational efficiencies and work processes in our operations, 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.

HUMAN RESOURCES

As of 31st December, 2016, VBL employed over 6,000 full time employees 4,400 in India and 1,600 in international subsidiaries. The Company recognizes the need for change management and talent management throughout the business and just how critical these aspects are to its future growth and success as any other element of its commercial strategy. A significant emphasis is placed on training personnel, increasing their skill levels, and fostering ongoing employee engagement. VBL organizes in-house training for employees through skill building programs and professional development programs at all levels and across all functions. Key employees also attend management and staff development programs organized by PepsiCo.

Risk Management, Audit and Internal Control System

The Company has well-equipped and operative internal control systems in place commensurate to the size and nature of business in which it operates. These stringent and comprehensive controls that we have put in place ensure the optimal and efficient utilization of resources making sure that the assets and interests of the Company are safeguarded, transactions are authorized,recorded and properly reported, and reliability and correctness of accounting data is warranted with checks and balances. An extensive program of internal audits and regular reviews by the Audit Committee is carried out to ensure compliance with the best practices. The Company has employed Walker Chandiok & Associates as their joint statutory auditors.

Consolidated Financial **Statements**

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 December 31, 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 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.

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.

Independent Auditors' Report to the members of Varun Beverages Limited, on the Consolidated Financial Statements for the year ended December 31, 2016 (Cont'd)

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 December 31, 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 a December 31, 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 December 31, 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.

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 December 31, 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 Holidng Company and its associates incorporated in India is disqualified as on December 31, 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 December 31, 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 February 20, 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 December 31, 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: February 20, 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: February 20, 2017

8/12, Kalkaji Extension,
New Delhi 110 019

Annexure 1 to the Independent Auditors' Report of even date to the members of Varun Beverages Limited, on the consolidated financial statements for the year ended December 31, 2016

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 December 31, 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 authorizations of management and Directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Annexure 1 to the Independent Auditors' Report of even date to the members of Varun Beverages Limited, on the consolidated financial statements for the year ended December 31, 2016

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 December 31, 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 December 31, 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: February 20, 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: February 20, 2017

8/12, Kalkaji Extension,
New Delhi 110 019

Consolidated Balance Sheet
As at December 31, 2016

₹ in million, except as stated otherwise

	Notes	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

Kamlesh Kumar Jain
Chief Financial Officer

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Mahavir Prasad Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : February 20, 2017

Consolidated Statement of Profit and Loss

for the year ended December 31, 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 amortization 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**
Tax expense:			
Current tax		647.16	528.25
Minimum alternate tax 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 associate		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

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

Kamlesh Kumar Jain
Chief Financial Officer

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Mahavir Prasad Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : February 20, 2017

Consolidated Cash Flow Statement
for the year ended December 31, 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 amortization 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
	Unrealized exchange fluctuation	(133.91)	11.50
	Provision for bad and doubtful debts	18.09	20.26
	Interest expense (including prior period 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)**

₹ in million, except as stated otherwise

		Year ended 31 December 2016	Year ended 31 December 2015
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 period	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 the consolidated financial statements.

This is the Consolidated Cash Flow Statement 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

Kamlesh Kumar Jain
Chief Financial Officer

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Mahavir Prasad Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : February 20, 2017

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

1. CORPORATE INFORMATION

Varun Beverages Limited was incorporated on June 16, 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 recognized 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

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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) Limited (with effect from January 1, 2016)	Zambia	60.00%	-
Varun Beverages Mozambique Limitada (with effect from January 1, 2016)	Mozambaique	51.00%	-
Varun Beverages (Zimbabawe) (Private) Limited (with effect from April 5, 2016)	Zimbabawe	85.00%	-

* Subsidiary of VBL Lanka

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 January 21, 2015.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

2.3 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A. Revenue recognition

Revenue is recognized 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 recognized 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 recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

iii) Dividend:

Dividend income is recognized in the period in which right to receive such payment is established.

iv) Commission:

Commission income is recognized 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 recognized 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 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. Subsequent expenditure relating to fixed assets is capitalized 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 de-recognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is de-recognized.

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 capitalized 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 amortization 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.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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

Assets	Estimated Useful Lives
Post-mix vending machines and refrigerators (Visi -Cooler)	7 - 10years
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 amortization 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.

Amortization 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
Franchise rights and trademarks are amortized 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 recognized 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.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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 capitalized 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 capitalized.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalized 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 recognized in the Consolidated Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the consolidated statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Consolidated Statement of Profit and Loss.

H. Investments

Investments, which are readily realizable 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 recognize 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.

I. Inventories

Inventories are valued as follows:

i) **Raw materials, components and stores and spares :** At lower of cost and net realizable 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 realizable value. Cost for this purpose includes material, labor and appropriate allocation of overheads including depreciation. Cost is determined on a weighted average basis.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

iii) Finished goods:

a) Manufactured - At lower of cost and net realizable value. Cost for this purpose includes material, labor 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 realizable value. Cost represents purchase price and other direct costs and is determined on a weighted average cost basis.

Net realizable 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 cost includes interest, amortization 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 capitalized 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 recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.

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.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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 recognized 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 amortized over period not extending beyond, earlier of March 31, 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 recognized 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) Limited where gratuity liability is provided on full cost basis.

iii) Accumulated leave, which is expected to be utilized 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) 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 amortized 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).

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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 recognized 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 recognized 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 recognized because it cannot be measured reliably.

Contingent assets are not recognized.

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 recognized 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 recognized 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 recognized 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,

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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.

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 recognized 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 realized. In situations where the entity has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the entity re-assesses unrecognized deferred tax assets. It recognizes unrecognized 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 realized.

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 realized. 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.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

3. SHARE CAPITAL

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Authorized 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 January 1, 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 December 31, 2016	**182,312,525**	**1,823.13**

Particulars	No. of shares	Amount
Balance as at January 1, 2015	133,766,165	1,337.66
Add: Transactions during the year	-	-
Balance as at December 31, 2015	**133,766,165**	**1,337.66**

Compulsorily convertible preference shares ("CCPS")

Particulars	No. of shares	Amount
Balance as at January 1, 2016	45,000,000	4,500.00
Less: CCPS converted into equity shares	(45,000,000)	(4,500.00)
Balance as at December 31, 2016	-	-

Particulars	No. of shares	Amount
Balance as at January 1, 2015	20,000,000	2,000.00
Add: Issued during the year	25,000,000	2,500.00
Balance as at December 31, 2015	**45,000,000**	**4,500.00**

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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 mandatory 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.

₹ in million, except as stated otherwise

	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 utilized till end of the year	-	4,500.00
Unutilized amount at the end of the year	-	-

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 December 31, 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 December 31, 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%

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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 was no preference share capital outstanding as at December 31, 2016.

Shareholders as at December 31, 2015	No. of shares	%
RJ Corp Limited	20,000,000	44.44%
Devyani Hotels and Resorts Private Limited	25,000,000	55.56%

f) Shares reserved for issue under options and contracts:

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
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 canceled 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 March 12, 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:

₹ in million, except as stated otherwise

Date of allotment	No. of shares	Amount	
		Share capital	Securities premium
November 4, 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 with effect from November 8, 2016.

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**

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
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.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

5. LONG-TERM BORROWINGS

₹ in million, except as stated otherwise

	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 December 31, 2016. The particulars as at December 31, 2015 are as under:

No. of debentures	Date of issue	Face value (₹)
1,249,980	July 18, 2011	1,000
1,250,000	November 30, 2011	1,000
1,650,000	October 5, 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 May 31, 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 December 31, 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 December 31, 2016 and details of NCDs as at December 31, 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 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.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

Details of utilisation

₹ in million, except as stated otherwise

	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
Unutilized 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 December 31, 2016 and December 31, 2015, which was in line with utilisation schedule approved by the Board of Directors. The unutilized amount from the proceeds of NCDs as on December 31, 2016 and December 31, 2015 was ₹ Nil.

ii) Issued to AION Investments II Singapore PTE Limited

During the year ended December 31, 2016, the Company has redeemed all the NCDs issued to AION Investments II Singapore PTE Ltd, there were no NCDs outstanding as at December 31, 2016. Details of NCDs as at December 31, 2015 are as under:

No. of NCDs	Date of issue	Face value (₹)	Paid-up value (₹)
300	September 30, 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

₹ in million, except as stated otherwise

	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
Unutilized 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 December 31, 2015, which was in line with utilisation schedule approved by the Board of Directors. Out of the proceeds of ₹ 3,000, the unutilized amount from the proceeds of NCDs as on December 31, 2015 was ₹ Nil.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

c) Terms and conditions/details of securities for loans are as under:

₹ in million, except as stated otherwise

Name of the bank/instrument	As at 31 December 2016		As at 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. 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).	-	-	-	82.91
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. 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, Satharia, Phillaur and movable assets in the name of the Company at head office, Gurugram (including territory rights acquired from PepsiCo India Holdings Pvt Limited and excluding the assets exclusively charged to other lenders).	339.77	339.77	663.26	331.63
Loan carrying rate of interest of LIBOR+3.55% (previous year LIBOR+3.55%) and is repayable in half yearly instalments ending in 2019. 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	244.55	224.72	458.66	219.65
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. These loan 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, Satharia, 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).	6,821.02	1,061.38	4,784.40	1,038.24

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

Name of the bank/instrument	As at 31 December 2016		As at 31 December 2015	
	Non-current	Current	Non-current	Current
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. 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.	85.13	94.95	134.19	116.85
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. 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.	-	93.56	90.55	224.30
Loan at Varun Beverages Mozambique Limitada is carrying rate of interest of 30%. This loan is repayable in 2 years. These loans are secured by hypothecation of plant and machinery of 60 million Mozambique Meticals.	0.41	0.62	-	-
Loan at Varun Beverages Mozambique Limitada is carrying rate of interest of 29.50%. This loan is repayable in 3 years. This loan is secured by hypothecation of stock and trade receivables of Varun Beverages Mozambique Limitada.	36.39	6.17	-	-
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. 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.	67.40	31.80	-	-

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

Name of the bank/instrument	As at 31 December 2016		As at 31 December 2015	
	Non-current	Current	Non-current	Current
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. 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.	40.69	22.19	-	-
Loan at Varun Beverages (Zimbabwe) (Private) Limited is carrying rate of interest 7%. This loan is repayable in 15 years. 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.	232.58	5.26	-	-
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 institution (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, Satharia, 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

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

Name of the bank/instrument	As at 31 December 2016		As at 31 December 2015	
	Non-current	Current	Non-current	Current
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 instalments 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).

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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

₹ in million, except as stated otherwise

	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

₹ in million, except as stated otherwise

	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**

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

9. SHORT-TERM BORROWINGS

₹ in million, except as stated otherwise

	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 facility		
- 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.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

10. TRADE PAYABLES

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Trade payable		
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

₹ in million, except as stated otherwise

	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

₹ in million, except as stated otherwise

	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**

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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 January 1, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 January 1, 2012 based on valuation determined by external valuer.

~ During the period, 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).

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

14 INTANGIBLE ASSETS

₹ in million, except as stated otherwise

Gross block	Market infrastructure	Franchise rights/ trademarks	Software	Total
Balance as at January 1, 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 December 31, 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 December 31, 2016	**333.44**	**4,351.00**	**231.90**	**4,916.34**
Accumulated amortisation				
Balance as at January 1, 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 December 31, 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 December 31, 2016	**303.09**	**1,092.02**	**151.20**	**1,546.31**
Net block				
Balance as at December 31, 2015	**66.39**	**3,693.15**	**79.37**	**3,838.91**
Balance as at December 31, 2016	**30.35**	**3,258.98**	**80.70**	**3,370.03**

* Rounded off to ₹ Nil

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.		

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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

₹ in million, except as stated otherwise

	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

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 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

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

20. TRADE RECEIVABLES

₹ in million, except as stated otherwise

	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 Company 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 January 1, 2016, accordingly the amounts due as at December 31, 2016 have been eliminated in these consolidated financial statements.

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

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

22. SHORT-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)		
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
Accor Developers Private Limited	-	-
**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

₹ in million, except as stated otherwise

	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**

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**

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
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

₹ in million, except as stated otherwise

	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

₹ in million, except as stated otherwise

	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**

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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

₹ in million, except as stated otherwise

	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

₹ in million, except as stated otherwise

	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**

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

30. FINANCE COSTS

₹ in million, except as stated otherwise

	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**

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

₹ in million, except as stated otherwise

	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
Director's sitting fee	4.23	1.50

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
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

₹ in million, except as stated otherwise

	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)**

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

34. CONTINGENT LIABILITIES AND COMMITMENTS

₹ in million, except as stated otherwise

	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

₹ in million, except as stated otherwise

	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:

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Amount brought forward	24.97	1.47
Acquired from subsidiary	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**

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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:

₹ in million, except as stated otherwise

	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 April 1, 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.

38. GRATUITY AND OTHER POST-EMPLOYMENT BENEFIT PLANS

₹ in million, except as stated otherwise

	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	-

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

	Gratuity		Compensated Absences	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
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)	-	-
Plans 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

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

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) 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).

39. EARNINGS PER SHARE

₹ in million, except as stated otherwise

	Year ended 31 December 2016	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 December 31, 2015, the diluted earnings per share did not include the potential impact of conversion 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 December 31, 2015 arising from conversion of CCDs and CCPS could not be estimated reliably as at the end of previous year.

For the year ended December 31, 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.

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 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 Pal Gandhi	Whole time Director
Mr. Kamlesh Kumar Jain	Whole time Director
Mr. Christopher White (till March 28, 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

IV 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.

B. The following transactions were carried out with related parties:

₹ in million, except as stated otherwise

Description	KMPs		Enterprises having significant influence		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of KMPs		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	-

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

Description	KMPs		Enterprises having significant influence		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of KMPs		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
(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 Pal 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 Pal 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 Pal 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)	-

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

41. DUES TO SMALL AND MICRO ENTERPRISES:

(All amounts in ₹ in million, unless otherwise stated)

	Year ended 31 December 2016	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 available information 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:

(All amounts in ₹ in million, unless otherwise stated)

	Year ended 31 December 2016	Year ended 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

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

43. EMPLOYEE SHARE-BASED PAYMENT

Description of share based payments arrangements

During the year ended December 31, 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 May 13, 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., May 13, 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 Plan
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 December 1, 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:

(All amounts in ₹ in million, unless otherwise stated)

	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 excerized 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

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

The options outstanding have an exercise price and a weighted average contractual life as given below:

(All amounts in ₹ in million, unless otherwise stated)

	31 December 2016	31 December 2015
The ESOP 2013 Plan	352,700	2,675,400
No. of outstanding share options	149.51	149.51
Range of exercise price	3.94 years	4.93 years
Weighted average remaining life		

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:

(All amounts in ₹ in million, unless otherwise stated)

	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 April 27, 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 December 31, 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

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

(All amounts in ₹ in million, unless otherwise stated)

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 December 31, 2015, the Company has acquired beverages manufacturing units in Satharia (Uttar Pradesh), Panipat (Haryana), Bazpur (Uttrakhand) and Jainpur (Uttar Pradesh) including franchise 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.

46. During the year ended December 31, 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 December 31, 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 acquistion	Amount
Varun Beverages (Zambia) Limited	60%	January 1, 2016	1,755.21
Varun Beverages Mozambique Limitada	51%	January 1, 2016	0.13
Varun Beverages (Zimbabwe) (Private) Limited	85%	April 5, 2016	0.06

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

(All amounts in ₹ in million, unless otherwise stated)

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.

(All amounts in ₹ in million, unless otherwise stated)

	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 expense, 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 December 31, 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)
Unutilized amount as at December 31, 2016	**-**

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 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:

(All amounts in ₹ in million, unless otherwise stated)

	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 December 31, 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.

55. 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 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)	-	-	-	-

Summary of significant accounting policies and other explanatory information on consolidated financial statements for the year ended December 31, 2016

(All amounts in ₹ in million, unless otherwise stated)

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
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

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

Kamlesh Kumar Jain
Chief Financial Officer

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Mahavir Prasad Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : February 20, 2017

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statements of subsidiaries/ associate companies:

Part"A": Subsidiaries

₹ in million, except as stated otherwise

S. No.		1	2	3	4	5	6
	Particulars	**Varun Beverages (Nepal) Private Limited**	**Varun Beverages Lanka (Private) Limited**	**Varun Beverages Morocco SA**	**Varun Beverages (Zambia) Limited**	**Varun Beverages Mozambique Limitada**	**Varun Beverages (Zimbabwe) (Private) Limited**
	Date of acquisition	**01 January 2012**	**01 January 2012**	**01 January 2012**	**01 January 2016**	**01 January 2016**	**04 April 2016**
	Financial year ending on	**31 December 2016**	**31 December 2016**	**31 December 2016**	**31 December 2016**	**31 December 2016**	**31 December 2016**
	Currency	**NPR**	**LKR**	**MAD**	**ZMW**	**MZN**	**USD**
	Exchange rate on the last day of financial year	**0.62441**	**0.4414**	**6.6793**	**6.7767**	**0.9388**	**67.9547**
	Average exchange rate during the financial year	**0.62441**	**0.4502**	**6.7891**	**6.4959**	**1.1070**	**67.1168**
1	Share capital	47.61	1,621.77	2,498.04	3.39	0.09	0.07
2	Reserve and surplus	362.24	(221.63)	(2,294.19)	(373.94)	(41.86)	3.11
3	Total assets	2,015.23	3,306.00	3,371.28	1,977.37	280.60	682.84
4	Total liabilities	1,605.38	1,905.86	3,167.43	2,347.92	322.37	679.66
5	Turnover	2,984.22	1,898.20	2,002.15	2,007.23	295.20	486.01
6	Profit before taxation	380.26	(79.65)	(418.31)	285.44	(67.22)	3.51
7	Provision for taxation	52.84	(2.82)	10.91	-	0.11	0.92
8	Profit after taxation	327.42	(76.83)	(429.22)	285.44	(67.33)	2.59
9	Proposed dividend	190.45	-	-	-	-	-
10	% of shareholding	100%	100%	100%	60%	51%	85%

Part "B": Associates

S. No.	Particulars	Angelica Technologies Private Limited
	Latest audited Balance Sheet date	**31 December 2016**
	Date of acquisition	**13 April 2012**
	Currency	**INR**
1	Shares of Associate held by the Company at year end: (Number)	35,474
	Amount of investment in Associate	0.35
	Total number of shares	75,000
	Extent of holding %	47.30%
	Description of how there is significant influence*	
2	Networth attributable to shareholding as per latest audited balance sheet	67.17
3	Profit for the year:	
	Considered in consolidation	23.46
	Not considered in consolidation	-

*There is significant influence due to percentage of Share capital.

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 Prasad Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : February 20, 2017

Standalone Financial **Statements**

Independent Auditors' Report

To the Members of Varun Beverages Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Varun Beverages Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2016, the Statement of Profit and Loss, the 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 Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company 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). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act; safeguarding the assets of the Company; 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.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.

4. 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 the standalone 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the 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 Company's Directors, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 state of affairs of the Company as at December 31, 2016, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

8. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.

Independent Auditors' Report to the members of Varun Beverages Limited, on the Standalone Financial Statements for the year ended December 31, 2016 (Cont'd)

9. Further to our comments in Annexure 1, as required by Section 143(3) of the Act, we report 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;

   b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   c. the standalone financial statements dealt with by this report are in agreement with the books of account;

   d. in our opinion, the aforesaid standalone 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 as on December 31, 2016 and taken on record by the Board of Directors, none of the Directors is disqualified as on December 31, 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 Company as of December 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated February 20, 2017 as per Annexure 2 expresses an unqualified opinion; and

   g. with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) 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 to the standalone financial statements, the Company has disclosed the impact of pending litigations on its standalone financial position;

      ii. the Company 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 Company.

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No: 001329N

Per **Arun Tandon**
Partner
Membership No. 517273

Place: Gurugram
Date: February 20, 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: February 20, 2017

8/12, Kalkaji Extension,
New Delhi 110 019

Annexure 1 to the Independent Auditors' Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended December 31, 2016

ANNEXURE 1

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets, other than refrigerators (visi coolers) and containers lying with third parties, have been physically verified by the management during the year and no material discrepancies were noticed on such verification. The Company has a regular program of physical verification of the refrigerators (visi coolers) under which such fixed assets are verified in a phased manner over a period of three years and no material discrepancies were noticed on such verification. According to the information and explanations given to us, the existence of containers lying with active third parties is considered on the basis of the confirmations obtained from such third parties. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The title deeds of all the immovable properties (which are included under the head 'fixed assets') are held in the name of the Company except for the following property, which according to the information and explanation given to us by the management, is in the process of being registered in the name of the Company, pending full and final payment.

Nature of property	Total number of cases	Whether leasehold / freehold	Gross block as on 31 December 2016	Net block on 31 December 2016
Land	1	Leasehold	₹ 197.10 million	₹ 197.10 million

(ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and stocks lying with third parties. For stocks lying with third parties at the year-end, written confirmations have been obtained by the management. No material discrepancies were noticed on the aforesaid verification.

(iii) The Company has granted unsecured loan to one party covered in the register maintained under Section 189 of the Act; and with respect to the same:

(a) in our opinion the terms and conditions of grant of such loans are not, *prima facie,* prejudicial to the Company's interest;

(b) the schedule of repayment of principal and payment of interest has been stipulated. Principal amount is not due for repayment currently however, the interest is payable on demand and since the same has not been demanded, in our opinion, repayment of interest amount is regular; and

(c) there is no overdue amount in respect of loans granted to such parties.

(iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 of the Act. The Company has complied with the provisions of Sections 186 of the Act in respect of loans, investments, guarantees, and security, as applicable.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

Annexure 1 to the Independent Auditors' Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended December 31, 2016 (Cont'd)

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of the Company's products and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) The 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, are as follows:

Name of the statute	Nature of dues	Amount (₹ million)	Amount paid under protest (₹ million)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Central excise	319.13	2.19	2005-06, February 2009-December 2016	Custom, Excise and Service Tax Appellate Tribunal, New Delhi
Central Excise Act, 1944	Central excise	2.10	0.73	January 2008 - February 2012	Additional Commissioner Appeals, Jaipur
Central Excise Act, 1944	Central excise	2.78	0.06	February 2013-April 2015, 2015-2016	Assistant Commissioner, Bhiwadi
Central Excise Act, 1944	Central excise	2.31	2.31	July 2014	Assistant Commissioner, Noida
Central Excise Act, 1944	Central excise	0.18	-	May 2009 to March 2010	Commissioner Appeals, Kolkata
Central Excise Act, 1944	Central excise	0.78	-	April 2013 to March 2015	Deputy Commissioner, Kolkata
Central Excise Act, 1944	Central excise	3.51	-	July 2014 to August 2014	Additional Commissioner, Kolkata
Central Excise Act, 1944	Central excise	0.16	-	March 2015 to October 2016	Deputy Commissioner, Panipat
Central Excise Act, 1944	Central excise	0.58	-	March 2015 to January 2016	Additional Commissioner, Sonepat
Finance Act, 1944	Service tax	2.72	-	April 2010-March 2012	Commissioner Appeal, Jaipur
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	1.61	0.11	2001-2002 to 2003-2005	Honorable Supreme Court

Annexure 1 to the Independent Auditors' Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended December 31, 2016 (Cont'd)

Name of the statute	Nature of dues	Amount (₹ million)	Amount paid under protest (₹ million)	Period to which the amount relates	Forum where dispute is pending
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	3.69	2.44	2008-2009, 2010-2011, 2012-2013, 2013-14, 2014-2015, 2015-2016, 2016-2017	Assessing Officer, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	2.72	2.72	January 2008 to March 2010	Additional Commissioner, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	0.68	0.68	2009-2010	Uttar Pradesh Commercial Tax Tribunal
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	7.09	7.09	2010-2012	Joint Commissioner, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	0.10	0.10	2010-2011	Joint Commissioner, Kanpur
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	1.91	0.57	2012-2013	Joint Commissioner, Ghaziabad
Rajasthan Value Added Tax Act, 2003	Value added tax	0.22	0.22	June 2016	Deputy Commissioner, Jaipur
Rajasthan Value Added Tax Act, 2003	Value added tax	582.46	-	2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015	Commercial Tax Officer, Rajasthan
Rajasthan Value Added Tax Act, 2003	Value added tax	0.04	0.04	April 2009-March 2010	Additional Commissioner Appeals, Jaipur
Rajasthan Value Added Tax Act, 2003	Value added tax	0.04	0.04	January 2013-December 2013	Joint Commissioner, Jaipur
Rajasthan Value Added Tax Act, 2003	Value added tax	0.08	0.08	2013-2014	Jodhpur Taxation Tribunal
Rajasthan Value Added Tax Act, 2003	Value added tax	0.12	0.12	May 2015	Deputy Commissioner, Jaipur
Rajasthan Value Added Tax Act, 2003	Value added tax	0.14	0.14	2016-2017	Commissioner, Jaipur
Punjab Value Added Tax Act, 2005	Value added tax	0.18	-	2015-2016	Assessing Officer, Mohali
Punjab Value Added Tax Act, 2005	Value added tax	0.33	-	2015-2016	Value added tax tribunal, Punjab and Chandigarh
Punjab Value Added Tax Act, 2005	Value added tax	0.19	0.14	2016-2017	The Deputy Excise and Taxation Commissioner (Appeals) cum Joint Director (Investigation), Bathinda

Annexure 1 to the Independent Auditors' Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended December 31, 2016 (Cont'd)

Name of the statute	Nature of dues	Amount (₹ million)	Amount paid under protest (₹ million)	Period to which the amount relates	Forum where dispute is pending
Punjab Value Added Tax Act, 2005	Value added tax	0.13	0.03	2016-2017	The Deputy Excise and Taxation Commissioner (Appeals) cum Joint Director (Enforcement), Jalandhar
West Bengal Value Added Tax Act, 2003	Value added tax	1.21	0.51	July 2012, September 2013, January 2015 and September 2015	West Bengal Taxation Tribunal
West Bengal Value Added Tax Act, 2003	Value added tax	0.96	0.47	April 2016, September 2016	West Bengal Taxation Tribunal
The Goa Value Added Tax Act , 2005	Value added tax	1.87	-	2005-2006	Commissioner appeals, Margao
Uttar Pradesh Tax on Entry of Goods into Local Areas Act, 2007	Entry tax	17.45	4.64	2003-2011	Honorable Supreme Court
Rajasthan Tax of Entry of Goods into Local Areas Act, 1999	Entry tax	23.11	11.08	2014-2016	Honorable High Court, Jaipur
West Bengal Tax on Entry of Goods into Local Areas Act, 2012	Entry tax	45.57	-	2013-2016	Honorable High Court, Kolkata
Goa Non-Biodegradable Garbage (Control) Act, 1996 (Act 5 of 1997)	Cess	14.69	-	April 2014 to December 2016	Honorable High Court of Bombay at Goa, Panji
Income-tax Act, 1961	Income tax	0.34	-	AY 2006-2007, 2007-2008	Income Tax Appellate Tribunal, New Delhi
Income-tax Act, 1961	Income tax	2.79	-	AY 2014-2015, 2015-2016	Commissioner Income Tax (Appeals), New Delhi

(viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or a bank or government or any dues to debenture-holders during the year.

(ix) In our opinion, the Company has applied moneys raised by way of initial public offer and the term loans for the purposes for which these were raised.

(x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) Managerial remuneration has been paid and provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

Annexure 1 to the Independent Auditors' Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended December 31, 2016 (Cont'd)

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the Directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No: 001329N

Per **Arun Tandon**
Partner
Membership No. 517273

Place: Gurugram
Date: February 20, 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: February 20, 2017

8/12, Kalkaji Extension,
New Delhi 110 019

Annexure 2 to the Independent Auditors' Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended December 31, 2016

ANNEXURE 2

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 standalone financial statements of Varun Beverages Limited ("the Company") as of and for the year ended December 31, 2016, we have audited the internal financial controls over financial reporting ("IFCoFR") of the Company as of that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal financial 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 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.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR 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 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 is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

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 authorizations of management and Directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Annexure 2 to the Independent Auditors' Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended December 31, 2016

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at December 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal financial controls stated in the Guidance Note issued by the ICAI.

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No: 001329N

Per **Arun Tandon**
Partner
Membership No. 517273

Place: Gurugram
Date: February 20, 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: February 20, 2017

8/12, Kalkaji Extension,
New Delhi 110 019

Balance Sheet

As at December 31, 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	19,595.59	2,766.55
		21,418.72	**8,604.21**
Non-current liabilities			
Long-term borrowings	5	8,612.19	15,030.60
Deferred tax liabilities (net)	6	2,225.66	1,481.82
Other long-term liabilities	7	3,313.16	6,252.10
Long-term provisions	8	556.98	384.16
		14,707.99	**23,148.68**
Current liabilities			
Short-term borrowings	9	1,482.55	681.00
Trade payables	10		
Total outstanding dues to micro enterprises and small enterprises (also refer note 45)		7.23	1.44
Total outstanding dues of creditors other than micro enterprises and small enterprises		1,436.88	991.49
Other current liabilities	11	8,378.15	7,622.07
Short-term provisions	12	418.87	366.34
		11,723.68	**9,662.34**
		47,850.39	**41,415.23**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	13	26,979.48	25,389.83
Intangible assets	14	3,337.29	3,772.03
Capital work-in-progress		689.37	320.27
Non-current investments	15	6,116.82	3,039.24
Long-term loans and advances	16	4,864.65	3,295.16
Other non-current assets	17	42.99	50.12
		42,030.60	**35,866.65**
Current assets			
Current investments	18	0.01	0.01
Inventories	19	3,599.71	3,507.85
Trade receivables	20	503.14	500.52
Cash and bank balances	21	149.39	195.84
Short-term loans and advances	22	1,354.89	1,217.65
Other current assets	23	212.65	126.71
		5,819.79	**5,548.58**
		47,850.39	**41,415.23**
Significant accounting policies	2.1		

The accompanying notes are an integral part of these standalone financial statements.

This is the 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

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

per **Arun Tandon**
Partner
Membership No. : 517273

per **Neeraj Kumar Agarwal**
Partner
Membership No. : 094155

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir Prasad Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : February 20, 2017

Statement of Profit and Loss

for the year ended December 31, 2016

₹ in million, except as stated otherwise

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Revenue			
Revenue from operations (gross)	24	35,679.57	33,188.14
Less: Excise duty		5,957.10	4,548.05
Revenue from operations (net)		29,722.47	28,640.09
Other income	25	471.34	464.16
Total revenue		**30,193.81**	**29,104.25**
Expenses			
Cost of materials consumed	26	13,023.62	12,029.53
Purchases of traded goods	27	803.47	3,164.74
Changes in inventories of finished goods, work-in-progress and traded goods	28	(168.45)	(318.44)
Employee benefits expense	29	2,852.49	2,457.47
Finance costs	30	1,750.96	1,388.53
Depreciation and amortization expense	31	2,996.18	2,626.21
Other expenses	32	6,305.92	5,556.87
Total expenses		**27,564.19**	**26,904.91**
Profit for the year before tax		2,629.62	2,199.34
Prior period items	33	-	9.79
Profit before tax after prior period items		**2,629.62**	**2,189.55**
Tax expense:			
Current tax		564.80	472.50
Minimum alternate tax credit entitlement		(544.22)	(472.50)
Tax expense earlier years (net)		(2.14)	0.36
Deferred tax expense	6	743.84	672.72
		762.28	**673.08**
Profit after tax		**1,867.34**	**1,516.47**
Earnings per equity share of face value of ₹ 10 each	43		
Basic (in ₹)		**12.86**	**11.34**
Diluted (in ₹)		**11.04**	**11.26**
Significant accounting policies	2.1		

The accompanying notes are an integral part of these standalone financial statements.

This is the 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

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

Kamlesh Kumar Jain
Chief Financial Officer

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Mahavir Prasad Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : February 20, 2017

Cash Flow Statement

for the year ended December 31, 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	2,629.62	2,189.55
Non-cash adjustments:		
Depreciation and amortisation expense (including prior period of Nil (Previous year ₹ 9.79))	2,996.18	2,636.00
Excess provisions written back	(5.16)	(0.57)
Provision for bad and doubtful debts	16.64	14.27
Interest expense	1,695.61	1,293.84
Interest income	(164.52)	(113.78)
Profit on sale of current investments	(0.19)	(52.86)
Loss on sale of fixed assets (net)	7.48	40.75
Fixed assets written off	96.79	58.42
Dividend income from non-current investment in subsidiary	(190.45)	(190.35)
Unrealised exchange fluctuation	65.92	31.27
Bad debts and advances written off	3.64	4.48
Operating profit before working capital changes	7,151.56	5,911.02
Changes in working capital		
Increase in inventories	(91.86)	(1,369.11)
Increase in trade receivables	(17.74)	(171.16)
Increase in loans and advances	(345.42)	(308.82)
Increase in trade payable, other liabilities and provisions	1,276.65	1,406.37
Cash generated from operations	7,973.19	5,468.30
Direct taxes paid	(510.00)	(366.03)
Net cash generated from operating activities	7,463.19	5,102.27
B. Cash flows from investing activities		
Purchase of fixed assets (including adjustment on account of capital work in progress, capital advances and capital creditors)	(6,585.04)	(2,446.02)
Purchase of business for consolidated consideration	(1,057.75)	(3,450.00)
Proceeds from sale of fixed assets	51.15	119.22
Loan given to subsidiaries	(1,401.42)	(1,019.31)
Proceeds from sale of current investments	350.19	5,122.65
Proceeds from redemption of non-current investments	-	94.05
Purchase of non-current investments	(2,528.15)	(356.61)
Purchase of current investments	(350.00)	(2,050.00)
(Increase)/decrease in other bank balances	(1.15)	0.41
Interest received	65.79	383.63
Dividend received from non-current investment in subsidiary	371.37	-
Net cash used in investing activities	(11,085.01)	(3,601.98)

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
C. Cash flows from financing activities		
Proceeds of long-term borrowings	6,708.66	3,319.86
Repayments of long-term borrowings	(5,739.96)	(6,566.15)
Proceeds/(repayments) of short-term borrowings (net)	801.56	(2,579.73)
Interest paid	(1,796.73)	(1,217.43)
Share issue expenses paid	(205.91)	-
Redemption of non-convertible debentures	(5,000.00)	-
Proceeds from issue of non-convertible debentures	1,800.00	3,200.00
Proceeds from issue of preference shares	-	2,500.00
Proceeds from issue of equity shares (including securities premium thereon)	7,013.59	-
Net cash generated from/(used in) financing activities	3,581.21	(1,343.45)
D. Net (decrease)/increase in cash and cash equivalents	(40.61)	156.84
E. Cash and cash equivalents at the beginning of the year	189.26	32.42
F. Cash and cash equivalents at the end of the year (refer note 21)	148.65	189.26

The accompanying notes are an integral part of these standalone financial statements.

This is the Cash Flow Statement 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

Kamlesh Kumar Jain
Chief Financial Officer

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Mahavir Prasad Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : February 20, 2017

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

1 CORPORATE INFORMATION

Varun Beverages Limited (the 'Company') was incorporated on June 16, 1995. The Company is engaged in manufacturing, selling, bottling and distribution of beverages of Pepsi brand in geographically pre-defined territories as per franchise agreement with PepsiCo India Holdings Private Limited.

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) including the Accounting Standards specified 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 financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied by the Company unless otherwise stated. All assets and liabilities have been classified as current or non-current, wherever applicable as per the operating cycle of the Company as per the guidance set out in the Schedule III to the Companies Act, 2013.

2.1 Statement of significant accounting policies

a) Use of estimates

In preparing the Company'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 reporting period. 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.

b) 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 de-recognition 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 de-recognized.

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.

c) Depreciation on tangible fixed 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 Company has used the following useful lives to compute depreciation on its tangible fixed assets:

Description	Useful lives (upto)
Containers	6 years
Leasehold land	Over lease period
Buildings-factory	30 years
Buildings-others	60 years

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

Description	Useful lives (upto)
Plant and equipment	20 years
Post-mix vending machines and refrigerators (Visi -Cooler)	8 -10 years
Office equipment	4 years
Computer equipments	4 years
Furniture and fixtures	10 years
Delivery vehicle	10 years
Vehicles (other than delivery vehicles)	7 years

The Company 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 expensed off to the Statement of Profit and Loss.

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 Company 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.

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) Amortisation of intangible assets

Amortisation of intangible assets is provided on the straight-line basis, at the rates representing the estimated useful lives.

Description	Useful lives (upto)
Softwares	4 years
Franchise rights and trademarks are amortised on a straight-line basis over the license period	

f) Impairment of tangible and intangible assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company 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 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 impairment is accordingly reversed in the Statement of Profit and Loss.

g) Leases

Where the Company is the lessee

Finance leases, which effectively transfer to the Company 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

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

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

Where the Company is the lessor

Leases in which the Company 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 Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation, are recognised as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the 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 Statement of Profit and Loss.

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 the Company is added to the cost of the finished goods inventory. 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.

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

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 Statement of Profit and Loss.

j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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.

v) Management fees and technical know-how fees:

Management fees and technical know-how fees is recognised as per the agreed terms.

k) 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.

l) Foreign currency transactions

(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 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.

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 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 period not extending beyond, earlier of March 31, 2020 or maturity date of underlying long term foreign currency monetary items.

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

(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 a 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 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.

m) Retirement and other employee benefits

(i) Contributions to the provident fund, a defined contribution scheme, are charged to the Statement of Profit and Loss for the year when the contributions are due. The Company has no other obligation, other than the contribution payable to the provident fund.

(ii) Gratuity liability under the Payment of Gratuity Act, 1972 is accrued on the basis of an actuarial valuation made at the end of each financial year. The actuarial valuation is performed by an independent actuary as per projected unit credit method.

(iii) Accumulated leave, which is expected to be utilised within next twelve months, is treated as short term employee benefit. The Company 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 Company 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.

(iv) Actuarial gains/losses are immediately taken to the Statement of Profit and Loss.

n) Income taxes

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.

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 Company 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 Company re-assesses unrecognized deferred tax assets. It recognises unrecognized 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 Company 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.

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

Minimum Alternate Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company 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 Company 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 Company will pay normal income tax during the specified period.

o) 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.

p) 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 period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

q) 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 Company 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.

r) 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.

s) 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.

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

3. SHARE CAPITAL

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
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 January 1, 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 December 31, 2016	**182,312,525**	**1,823.13**

Particulars	No. of shares	Amount
Balance as at January 1, 2015	133,766,165	1,337.66
Add: Transactions during the year	-	-
Balance as at December 31, 2015	**133,766,165**	**1,337.66**

Compulsorily convertible preference shares ("CCPS")

Particulars	No. of shares	Amount
Balance as at January 1, 2016	45,000,000	4,500.00
Less: Shares converted into equity shares	(45,000,000)	(4,500.00)
Balance as at December 31, 2016	**-**	**-**

Particulars	No. of shares	Amount
Balance as at January 1, 2015	20,000,000	2,000.00
Add: Issued during the year	25,000,000	2,500.00
Balance as at December 31, 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

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

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 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.

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 unutilized amounts have been used or invested.

₹ in million, except as stated otherwise

	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
Unutilized amount at the end of the year	-	-

d) Employee stock options

Terms attached to stock options granted to employees are described in Note 48 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 December 31, 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 December 31, 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 December 31, 2016.

Shareholders as at December 31, 2015	No. of shares	%
R J Corp Limited	20,000,000	44.44%
Devyani Hotels and Resorts Private Limited	25,000,000	55.56%

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

f) Shares reserved for issue under options and contracts:

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
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 ₹ 10 each for a consideration other than cash. The 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 March 12, 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
November 4, 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 with effect from November 8, 2016.

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/end of the year	464.44	464.44
General reserve		
Balance at the beginning of the year	-	-
Add: Transfer 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	19.96
Less: Transfer to general reserve	(191.25)	-
Balance at the end of the year	-	19.96

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Securities premium reserve		
Balance at the beginning of the year	-	-
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	3,939.44	-
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	315.94	-
Less: Amount utilised for share issue expenses (Refer Note 56)	(222.15)	-
Balance at the end of the year	14,955.96	-
Surplus in the statement of profit and loss		
Balance at the beginning of the year	2,094.47	597.96
Less: Transfer to debenture redemption reserve	(171.29)	(19.96)
Add: Profit for the year	1,867.34	1,516.47
Balance at the end of the year	3,790.52	2,094.47
Foreign currency monetary item translation difference account		
Balance at the beginning of the year	187.68	136.77
Add: Additions made during the year	54.28	82.18
Less: Amortised during the year	(48.54)	(31.27)
Balance at the end of the year	193.42	187.68
	19,595.59	**2,766.55**

The Company 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.

5. LONG-TERM BORROWINGS

₹ in million, except as stated otherwise

	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)		
Foreign currency loans from banks	339.77	663.26
Indian rupee loans from banks	6,927.55	4,868.28
Indian rupee loan from a financial institution	505.79	1,100.00
Deferred value added tax (unsecured)	839.08	1,049.08
	8,612.19	**15,030.60**

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

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 December 31, 2016. The particulars as at December 31, 2015 are as under:

No. of debentures	Date of issue	Face value (₹)
1,249,980	July 18, 2011	1,000
1,250,000	November 30, 2011	1,000
1,650,000	October 5, 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 May 31, 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 December 31, 2016, the Company has 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 year from the proceeds of IPO. There were no NCDs outstanding as at December 31, 2016 and details of NCDs as at December 31, 2015 are as under:

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 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

₹ in million, except as stated otherwise

Particulars	As at 31 December 2016	As at 31 December 2015
Gross proceeds received	1,800.00	200.00
Amount utilised till end of the year	1,800.00	200.00
Unutilized 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 December 31, 2016 and December 31, 2015, which was in line with utilisation schedule approved by the Board of Directors. The unutilized amount from the proceeds of NCDs as on December 31, 2016 and December 31, 2015 was ₹ Nil.

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

ii) Issued to AION Investments II Singapore PTE Ltd

During the year ended December 31, 2016, the Company has redeemed all the NCDs issued to AION Investments II Singapore PTE Ltd, there were no NCDs outstanding as at December 31, 2016. Details of NCDs as at December 31, 2015 are as under:

No. of debentures	Date of issue	Face value (₹)	Paid-up value ₹
300	September 30, 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

₹ in million, except as stated otherwise

	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
Unutilized 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 December 31, 2015, which was in line with utilisation schedule approved by the Board of Directors. Out of the proceeds of ₹ 3,000, the unutilized amount from the proceeds of NCDs as on December 31, 2015 was ₹ Nil.

c) Terms and conditions/details of securities for loans are as under:

₹ in million, except as stated otherwise

Name of the bank/instrument	31 December 2016		31 December 2015	
	Non-current	Current	Non-current	Current
Term loans				
Foreign currency loan 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. 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).	-	-	-	82.91

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

Name of the bank/instrument	31 December 2016		31 December 2015	
	Non-current	Current	Non-current	Current
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 separately entered into cross currency interest plus rate swap on aforesaid loan and interest there on. 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, Satharia, 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).	339.77	339.77	663.26	331.63
Indian rupee loan from banks (secured) 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. 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, Satharia, 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).	6,821.02	1,061.38	4,784.40	1,038.24
Vehicle rupee term loan (secured) Loans carrying rate of interest in range of 8.13-10.33% (Previous year 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.	106.53	71.77	83.88	66.10

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

Name of the bank/instrument	31 December 2016 Non-current	31 December 2016 Current	31 December 2015 Non-current	31 December 2015 Current
Indian rupee loan from a financial institution (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, Satharia, 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).	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	-	-	-
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 instalments of ₹ 52.50 and last quarterly instalment of ₹ 51.59. The loan is interest free.	839.08	210.00	1,049.08	210.00
Total	**8,612.19**	**1,882.92**	**7,680.62**	**1,828.88**

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)	2,656.77	2,312.00
Deferred tax assets		
Unabsorbed depreciation	-	469.35
Provision for doubtful debts	54.86	49.10
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	231.01	177.31
Other expenses allowable on payment basis	62.20	55.78
	431.11	830.18
	2,225.66	**1,481.82**

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

7. OTHER LONG-TERM LIABILITIES

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Capital creditors	3,313.16	6,252.10
	3,313.16	**6,252.10**

8. LONG-TERM PROVISIONS

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Provision for employee benefits (Refer note 42)		
Gratuity	395.75	274.73
Compensated absences	143.71	109.43
Liability for foreign currency derivative contract	17.52	-
	556.98	**384.16**

9. SHORT-TERM BORROWINGS

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Loans repayable on demand from:		
Banks-working capital facilities (secured)	1,482.55	681.00
	1,482.55	**681.00**

a) Details of securities is as under:

Banks-working capital facilities (secured)

Working capital facilities from banks 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%).

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

10. TRADE PAYABLES

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Trade payable		
Total outstanding dues to micro enterprises and small enterprises (Refer note 45)	7.23	1.44
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,436.88	991.49
	1,444.11	**992.93**

11. OTHER CURRENT LIABILITIES

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Current maturities of long-term debt	1,882.92	1,828.88
Interest accrued but not due on borrowings	38.81	139.93
Advances from customers	919.56	566.39
Capital creditors	3,353.65	3,237.03
Security deposits	1,291.13	1,175.44
Employee related payables	179.62	109.16
Lease equalisation reserve	4.87	1.92
Statutory dues payable	707.59	563.32
	8,378.15	**7,622.07**

12. SHORT-TERM PROVISIONS

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Provision for employee benefits (Refer note 42)		
Gratuity	64.49	81.21
Compensated absences	63.55	46.96
Provision for income tax (net of taxes paid)	290.83	238.17
	418.87	**366.34**

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

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 equipment	Containers	Post-mix vending machines and refrigerators (Visi Cooler)	Total
Balance as at January 1, 2015	2,501.69	1,139.63	3,033.84	8,769.34	95.96	758.00	92.76	74.45	1,720.73	4,130.97	22,317.37
Additions for the year	10.52	68.45	68.86	344.37	0.82	94.63	13.20	40.67	925.14	369.33	1,935.99
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
Disposals for the year	-	(5.11)	-	(85.44)	(0.11)	(10.04)	(2.09)	(4.10)	(260.81)	(23.30)	(391.00)
Balance as at December 31, 2015	2,858.53	2,146.85	4,000.90	13,339.21	115.78	856.33	128.94	111.02	3,164.08	6,879.11	33,600.75
Additions for the year	317.24	244.58	264.67	827.71	2.83	113.77	12.20	28.93	612.39	789.85	3,214.17
Acquired on business acquisition during the year***	219.63	211.04	198.02	422.08	5.85	-	0.62	0.51	-	-	1,057.75
Disposals for the year	-	-	-	(65.99)	(0.27)	(18.32)	(1.52)	(10.50)	(385.27)	(183.23)	(665.10)
Balance as at December 31, 2016	**3,395.40**	**2,602.47**	**4,463.59**	**14,523.01**	**124.19**	**951.78**	**140.24**	**129.96**	**3,391.20**	**7,485.73**	**37,207.57**
Accumulated depreciation											
Balance as at January 1, 2015	-	31.98	644.69	2,329.02	45.83	425.77	62.55	46.74	795.92	1,778.95	6,161.45
Depreciation charge for the year	-	34.72	128.18	764.35	11.14	68.86	11.09	16.43	448.14	739.80	2,222.71
Reversal on disposal of assets for the year	-	(0.21)	-	(16.73)	(0.06)	(7.97)	(1.09)	(2.76)	(128.64)	(15.78)	(173.24)
Balance as at December 31, 2015	-	66.49	772.87	3,076.64	56.91	486.66	72.55	60.41	1,115.42	2,502.97	8,210.92
Depreciation charge for the year	-	29.76	146.24	842.53	11.93	76.83	15.04	22.87	511.10	870.72	2,527.02
Reversal on disposal of assets for the year	-	-	-	(34.21)	(0.20)	(13.18)	(0.85)	(9.49)	(278.21)	(173.71)	(509.85)
Balance as at December 31, 2016	**-**	**96.25**	**919.11**	**3,884.96**	**68.64**	**550.31**	**86.74**	**73.79**	**1,348.31**	**3,199.98**	**10,228.09**
Net block											
Balance as at December 31, 2015	**2,858.53**	**2,080.36**	**3,228.03**	**10,262.57**	**58.87**	**369.67**	**56.39**	**50.61**	**2,048.66**	**4,376.14**	**25,389.83**
Balance as at December 31, 2016	**3,395.40**	**2,506.22**	**3,544.48**	**10,638.05**	**55.55**	**401.47**	**53.50**	**56.17**	**2,042.89**	**4,285.75**	**26,979.48**

* Gross block includes revaluation of land amounting to ₹ 2,157.65 as on January 1, 2012 based on valuation determined by external valuer.

** Refer note 50

*** Refer note 51

During the current 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.

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

14 INTANGIBLE ASSETS

₹ in million, except as stated otherwise

Gross block	Franchise rights/ trademarks	Softwares	Total
Balance as at January 1, 2015	1,403.51	128.98	1,532.49
Additions for the year	-	54.27	54.27
Acquired on business acquisition during the year*	2,946.61	-	2,946.61
Disposals for the year	-	(0.87)	(0.87)
Balance as at December 31, 2015	4,350.12	182.38	4,532.50
Additions for the year	-	34.59	34.59
Disposals for the year	-	(0.27)	(0.27)
Balance as at December 31, 2016	**4,350.12**	**216.70**	**4,566.82**
Accumulated amortisation			
Balance as at January 1, 2015	268.78	78.66	347.44
Amortisation charge for the year	388.19	25.10	413.29
Reversal on disposal of assets for the year	-	(0.26)	(0.26)
Balance as at December 31, 2015	656.97	103.50	760.47
Amortisation charge for the year	435.01	34.15	469.16
Reversal on disposal of assets for the year	-	(0.10)	(0.10)
Balance as at December 31, 2016	**1,091.98**	**137.55**	**1,229.53**
Net block			
Balance as at December 31, 2015	**3,693.15**	**78.88**	**3,772.03**
Balance as at December 31, 2016	**3,258.14**	**79.15**	**3,337.29**

* Refer note 50

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
Trade investments (unquoted)		
Investment in subsidiaries		
Equity instruments		
7,480,000 (Previous year 5,880,000) fully paid shares of MAD 50 each in Varun Beverages Morocco SA	2,542.83	1,993.40
56,775,000 (Previous year 56,775,000) fully paid shares of LKR 10 each in Varun Beverages Lanka (Private) Limited	235.17	235.17
76,250 (Previous year 76,250) fully paid shares of NPR 1,000 each in Varun Beverages (Nepal) Private Limited	171.56	171.56
30,000 (Previous year nil) fully paid shares of ZMW 10 each in Varun Beverages (Zambia) Limited	1,755.21	-
5,100 (Previous year nil) quota in Varun Beverages Mozambique Limitada	0.13	-
935 (Previous year nil) fully paid shares of USD 1 each in Varun Beverages (Zimbabwe) (Private) Limited	0.06	-

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Preference instruments		
31,066,426 (Previous year 14,270,576) fully paid shares of LKR 100 each in Varun Beverages Lanka (Private) Limited	1,411.51	638.76
Non-trade investments (unquoted)		
Investment in associates		
35,474 (Previous year 35,474) fully paid equity shares of ₹ 10 each in Angelica Technologies Private Limited	0.35	0.35
	6,116.82	**3,039.24**
Aggregate amount of unquoted investments	**6,116.82**	**3,039.24**
The above investments are for business purposes.		

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)	51.72	51.72
MAT credit entitlement	1,234.28	690.06
Balance with statutory authorities (paid under protest)	37.04	20.75
Capital advances	389.26	218.18
Security deposits	208.09	170.14
Loan to subsidiaries	2,944.26	2,144.31
	4,864.65	**3,295.16**
a) Loans and advances include amount due from a subsidiary in which director of the Company is a director.		
Varun Beverages Morocco SA	2,292.58	2,144.31
Varun Beverages (Zimbabwe) (Private) Limited	135.91	-
Varun Beverages (Zambia) Limited	393.46	-
Varun Beverages Mozambique Limitada	122.31	-
b) Security deposits include amount due from a company in which director of the Company is a director.		
RJ Corp Limited	35.49	35.49

17. OTHER NON-CURRENT ASSETS

₹ in million, except as stated otherwise

	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

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

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) shares of ₹ 50 each in The Margao Urban Co-operative Bank Limited	0.01	0.01
250 (Previous year 250) shares of ₹ 10 each in 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

19. INVENTORIES

(valued at cost or lower of net realisable value)

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Raw material	1,757.17	1,510.79
Work-in-progress	85.13	86.16
Intermediate goods	806.59	663.19
Finished goods (including goods in transit of ₹ 14.75 (previous year ₹ 6.06))	355.59	454.34
Raw material in transit	76.04	391.08
Stores and spares	519.19	402.29
	3,599.71	**3,507.85**
Detail of raw material		
Concentrate	217.12	302.57
Sugar	292.69	109.19
Pet chips	613.67	426.45
Others	633.69	672.58
	1,757.17	1,510.79
Detail of work-in-progress		
Beverages	0.02	0.26
Crown	83.91	83.72
Lug cap	0.75	1.34
Others	0.45	0.84
	85.13	86.16
Detail of intermediate goods		
Preform	577.32	572.36
Crown	20.33	22.78
Cartons, pads and shrink film	208.94	68.05
	806.59	663.19

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Detail of finished goods		
Beverages	324.83	416.54
Crown	8.04	13.81
Lug cap	0.63	3.67
Others	22.09	20.32
	355.59	454.34

20. TRADE RECEIVABLES

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Outstanding for a period exceeding six months from the due date		
Unsecured, considered good	48.51	254.50
Unsecured, considered doubtful	158.22	140.89
	206.74	395.39
Less : Provision for bad and doubtful debts	(158.22)	(140.89)
	48.51	254.50
Other debts		
Unsecured, considered good	454.63	246.02
Unsecured, considered doubtful	0.28	0.97
	454.91	246.99
Less : Provision for bad and doubtful debts	(0.28)	(0.97)
	454.63	246.02
	503.14	**500.52**
Includes amounts due from companies in which Directors of the Company are also Directors:		
a.) Varun Beverages Morocco SA	-	11.67
b.) Ole Springs Bottlers (Private) Limited	27.96	34.80
c.) Devyani Food Street Private Limited	-	1.84
d.) Varun Beverages (Zambia) Limited	46.04	118.03
e.) Varun Beverages Mozambique Limitada	-	16.29
f.) Varun Beverages (Nepal) Private Limited	123.34	85.95
g.) Devyani International Limited	-	6.03
h.) Alisha Retail Private Limited	-	0.11
i.) Lemon Tree Hotels Limited	0.32	0.14
j.) Devyani Food Industries Limited	0.07	-
k.) Varun Beverages Lanka (Private) Limited	18.89	-

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

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	117.07	182.49
Cheques on hand	27.29	-
Cash on hand	4.29	6.77
	148.65	**189.26**
Other bank balances		
Deposits with original maturity more than 3 months but less than 12 months *	0.74	6.58
	149.39	**195.84**
*Pledged as security with statutory authorities/banks	0.74	6.58

22. SHORT-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)		
Advances to:		
Employees	60.28	25.01
Contractors and suppliers	630.09	350.91
Balance with statutory authorities	227.69	242.92
Claims receivable	99.89	8.36
Government grant receivable	310.53	297.55
Amount recoverable in cash or kind**	26.41	292.90
	1,354.89	**1,217.65**
**Amount recoverable includes amount due from companies in which Directors of the Company are also Directors:		
Varun Beverages Lanka (Private) Limited	16.94	99.01
Varun Beverages Morocco SA	1.32	1.29
RJ Corp Limited	0.01	0.01
Varun Beverages (Nepal) Private Limited	-	180.83

23. OTHER CURRENT ASSETS

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Interest accrued on:**		
Loan to subsidiaries	145.68	50.54
Term deposits	0.60	-
Others	4.76	1.77

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

	As at 31 December 2016	As at 31 December 2015
Prepaid expenses	61.61	74.40
	212.65	**126.71**
** Interest accrued includes amounts due from companies in which director is a director:		
Varun Beverages Morocco SA	136.57	50.54
Varun Beverages Mozambique Limitada	1.81	-
Varun Beverages (Zambia) Limited	6.41	-
Varun Beverages (Zimbabwe) (Private) Limited	0.89	-

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	35,266.81	32,890.26
Other operating revenue		
Technical fee from a subsidiary	161.63	44.45
Management fee from a subsidiary	80.81	61.25
Scrap sales	170.32	192.18
	35,679.57	**33,188.14**
Detail of sale of products		
Beverages	34,811.66	32,382.08
Crown	196.91	205.03
Preform	81.92	89.01
Lug cap	14.48	19.07
Others	161.84	195.07
	35,266.81	**32,890.26**

25. OTHER INCOME

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Interest on:		
- bank deposits	1.00	0.58
- loan to subsidiaries	104.15	71.83
- others	59.37	41.37

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Net gain on foreign currency transactions and translations	51.18	54.49
Profit on sale of current investments	0.19	52.86
Excess provisions written back	5.16	0.57
Guarantee commission/commission income from subsidiary	26.20	29.19
Dividend income from non-current investment in subsidiary	190.45	190.35
Miscellaneous	33.64	22.92
	471.34	**464.16**

26. COST OF MATERIALS CONSUMED

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Raw material and packing material consumed		
Inventories at beginning of the year	1,510.79	947.09
Purchases during the year (net)	13,350.70	12,781.45
	14,861.49	13,728.54
Sold during the year	(80.70)	(188.22)
Inventories at end of the year	(1,757.17)	(1,510.79)
	13,023.62	**12,029.53**
Detail of materials consumed		
Concentrate	2,924.47	3,847.48
Sugar	4,574.76	3,112.05
Pet chips	1,428.91	1,232.98
Others	4,095.48	3,837.02
	13,023.62	**12,029.53**

27. PURCHASES OF TRADED GOODS

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Beverages	733.42	3,071.80
Others	70.05	92.94
	803.47	**3,164.74**

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

28. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
As at the beginning of the year		
Finished goods	454.34	342.17
Intermediate goods	663.19	511.26
Work in progress	86.16	28.18
	1,203.69	**881.61**
As at the closing of the year		
Finished goods	355.59	454.34
Intermediate goods	806.59	663.19
Work in progress	85.13	86.16
	1,247.32	**1,203.69**
Excise duty adjustment on inventories	(24.12)	(3.64)
Finished goods used as fixed assets	(148.95)	-
	(168.45)	**(318.44)**

Note: The Company manufactures as well as purchase 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 Company 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

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Salaries and wages	2,586.59	2,234.23
Contribution to provident and other funds	140.29	116.77
Staff welfare expenses	125.61	106.47
	2,852.49	**2,457.47**

30. FINANCE COSTS

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Interest on:		
Term loans	919.72	992.85
Working capital facilities	183.26	91.57
Non-convertible debentures	552.97	108.64
Others	39.66	100.78
Other borrowing costs:		
Processing fees	55.35	94.69
	1,750.96	**1,388.53**

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

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	2,527.02	2,212.92
Amortisation of intangible assets	469.16	413.29
	2,996.18	**2,626.21**

32. OTHER EXPENSES

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Power and fuel	1,242.03	1,094.02
Repairs and maintenance		
Plant and equipment	522.79	526.47
Buildings	33.77	35.46
Others	352.42	266.13
Stores and spares consumed	308.40	265.83
Rent	200.11	191.76
Rates and taxes	32.47	100.57
Insurance	18.76	16.78
Printing and stationery	24.69	22.23
Communication	57.96	49.57
Travelling and conveyance	246.50	241.29
Directors' sitting fee	4.23	1.50
Payment to the auditors as		
Auditor	7.68	6.40
Tax audit, tax representation and certification	0.97	1.20
Other services*	3.75	1.82
Reimbursement of expenses	1.65	0.90
Vehicle running and maintenance	102.44	87.66
Lease and hire charges	175.98	148.70
Security and service charges	143.60	98.97
Professional charges and consultancy	76.77	81.88
Bank charges	8.35	8.61
Advertisement and sales promotion	144.07	135.24
Meeting and conference	6.04	6.43
Royalty	213.93	188.51
Freight, octroi and insurance paid (net)	1,527.18	1,247.29
Delivery vehicle running and maintenance	298.68	290.28
Distribution expenses	131.01	70.78
Loading and unloading charges	201.82	170.65
Donations	0.73	0.97
Fixed assets written off	96.79	58.42

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Loss on sale of fixed assets (net)	7.48	40.75
Bad debts and advances written off	3.64	4.48
Provision for bad and doubtful debts	16.64	14.27
Corporate Social Responsibility expenditure (Refer note 53)	10.69	0.92
General office and other miscellaneous expenses	81.90	80.13
	6,305.92	**5,556.87**

*Excludes expense of ₹ 12.03 (previous year Nil) towards fee related to initial public offer of equity shares, which has been adjusted with the securities premium reserve as share issue expense.

33. PRIOR PERIOD ITEMS

₹ in million, except as stated otherwise

	Year ended 31 December 2016	Year ended 31 December 2015
Depreciation of leasehold land for earlier years	-	9.79
	-	9.79

34. CONTINGENT LIABILITIES AND COMMITMENTS

All amounts in ₹ in million, unless otherwise stated

	As at 31 December 2016	As at 31 December 2015
a. Guarantees issued on behalf of subsidiary and other companies#	1,226.05	1,727.62
b. Counter guarantees given in respect of guarantees issued by the Company's bankers**	176.11	50.52
c. Claims against the Company not acknowledged as debts (being contested):		
i. For excise and service tax	91.01	14.57
ii. For sales tax / entry tax	614.61	42.71
iii. For income tax	3.13	3.13
iv. Others*	230.74	130.64

includes guarantees for loans given on behalf of Varun Beverages Lanka (Private) Limited for business purposes. Out of the guarantees given, ₹ 397.23 has been subsequently released before the date of adoption of these standalone financial statements.

* 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

All amounts in ₹ in million, unless otherwise stated

	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)	2,135.42	1,332.20

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

36. VALUE OF IMPORTS ON CIF BASIS

All amounts in ₹ in million, unless otherwise stated

	Year ended 31 December 2016	Year ended 31 December 2015
Capital goods	217.02	236.94
Stores, spares and raw material	1,160.48	1,977.28

37. EXPENDITURE IN FOREIGN CURRENCY

All amounts in ₹ in million, unless otherwise stated

	Year ended 31 December 2016	Year ended 31 December 2015
Travelling and others^	73.38	13.39
Finance costs	8.17	43.68

^ includes share issue expenses of ₹ 30.02 have been adjusted against the securities premium reserve and ₹ 19.55 which have been recovered from selling shareholders.

38. EARNINGS IN FOREIGN CURRENCY

All amounts in ₹ in million, unless otherwise stated

	Year ended 31 December 2016	Year ended 31 December 2015
FOB value of exports (intermediate and finished goods)	269.32	162.94
Interest	104.15	71.83
Guarantee commission	26.20	29.19

39. PRE-OPERATIVE EXPENSES INCURRED ON FIXED ASSETS AND CAPITALISED DURING THE YEAR ARE AS UNDER:

All amounts in ₹ in million, unless otherwise stated

	Year ended 31 December 2016	Year ended 31 December 2015
Amount brought forward	24.97	1.47
Add: **Incurred during the year**		
Net gain on foreign currency transactions	-	(0.15)
Other expenses	37.32	24.01
Less: **Capitalised during the year**	37.66	0.36
Amount carried over	**24.63**	**24.97**

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

40. In accordance with the Guidance Note on "Accounting Treatment of Excise Duty" issued by the Institute of Chartered Accountants of India, excise duty amounting to ₹ 104.75 (previous year ₹ 80.63) has been included in the value of inventories and the corresponding amount of excise duty provided for has been included in other liabilities. However, this has no impact on the profit for the current year and previous year.

41. The Company 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 ₹ 376.09 (previous year ₹ 340.46) have been recognised as an expense in the Statement of Profit and Loss.

Non-cancellable operating lease rentals payable (minimum lease payments) for these leases are as follows:

All amounts in ₹ in million, unless otherwise stated

	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**

42. GRATUITY AND OTHER POST-EMPLOYMENT BENEFIT PLANS

(All amounts in ₹ in million, unless otherwise stated)

	Gratuity		Compensated Absences	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Reconciliation of opening and closing balances of the present value:				
Obligations at the beginning of the year	362.10	173.29	156.39	104.77
Past service cost	-	97.13	-	10.35
Current service cost	61.55	46.66	45.96	43.69
Interest cost	28.97	13.86	12.51	8.38
Benefits settled	(17.25)	(10.82)	(12.06)	(6.50)
Actuarial loss/(gain)	53.73	41.98	4.46	(4.30)
Obligations at the end of the year	**489.10**	**362.10**	**207.26**	**156.39**
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	(11.20)	(1.94)	-	-
Plans assets at the end of the year, at fair value	**28.86**	**6.16**	**-**	**-**

Summary of significant accounting policies and other explanatory information on the standalone financial statements for the year ended December 31, 2016

(All amounts in ₹ in million, unless otherwise stated)

	Gratuity		Compensated Absences	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
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	489.10	362.10	207.26	156.39
Fair value of plan assets at the end of the year	**28.86**	**6.16**	**-**	**-**
Closing funded status	(460.24)	(355.94)	(207.26)	(156.39)
Unfunded net liability recognised in the Balance Sheet	**(460.24)**	**(355.94)**	**(207.26)**	**(156.39)**
Statement of Profit and Loss				
Past service cost	-	97.13	-	10.35
Current service cost	61.55	46.66	45.96	43.69
Interest cost	28.97	13.86	12.51	8.38
Expected return on plan assets	(0.54)	(0.59)	-	-
Actuarial loss/(gain)	51.93	42.06	4.46	(4.30)
Net cost recognised	**141.91**	**199.12**	**62.93**	**58.12**
Assumptions:				
Discount rate	6.70%	8.00%	6.70%	8.00%
Estimated rate of return on plan assets	6.29%	8.75%	Not Applicable	Not Applicable
Withdrawal rate	11.00%	11.00%	11.00%	11.00%
Salary increase	12.00%	12.00%	12.00%	12.00%
Retirement age (Years)	58-60	58-60	58-60	58-60

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	110.70	173.29	362.10	489.10
2) Fair value of plan assets	6.96	7.63	6.40	6.16	28.86
3) Net liability recognised in balance sheet	68.78	103.07	166.89	355.94	460.24
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 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 ₹ 140.29 (previous year ₹ 116.77)

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2016

43. EARNINGS PER SHARE

(All amounts in ₹ in million, unless otherwise stated)

	31 December 2016	31 December 2015
Profit attributable to the equity shareholders	1,867.34	1,516.47
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 per equity shares (₹)	10.00	10.00
Basic earnings per share (₹)	12.86	11.34
Diluted earnings per share (₹)	11.04	11.26

For the year ended December 31, 2015, the diluted earnings per share did not include the potential impact of conversion of the CCPS and CCD, since the conversion was dependent on future events which were not certain then. Accordingly the potential dilutive equity shares as at December 31, 2015 could not be estimated reliably as at the end of previous year. For the year ended December 31, 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.

44. RELATED PARTY TRANSACTIONS

A. Relationships

I. Key managerial personnel (KMP):

Mr. Ravi Kant Jaipuria	Director
Mr. Varun Jaipuria	Whole time Director
Mr. Raj Pal Gandhi	Whole time Director
Mr. Kamlesh Kumar Jain	Whole time Director
Mr. Christopher White (till March 28, 2016)	Whole time Director
Mr. Kapil Agarwal	Whole time Director

II. Subsidiaries/step down subsidiaries and associates

Varun Beverages Morocco SA	Subsidiary
Varun Beverages (Nepal) Private Limited	Subsidiary
Varun Beverages Lanka (Private) Limited	Subsidiary
Varun Beverages (Zambia) Limited	Subsidiary (with effect from January 1, 2016)
Varun Beverages Mozambique Limitada	Subsidiary (with effect from January 1, 2016)
Varun Beverages (Zimbabwe) (Private) Limited	Subsidiary (with effect from April 5, 2016)
Ole Spring Bottlers (Private) Limited	Step down subsidiary
Angelica Technologies Private Limited	Associate

III. Individuals/enterprises having significant influence:

RJ Corp Limited

Ravi Kant Jaipuria & Sons (HUF)

Mr. Varun Jaipuria

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2016

IV. 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 Company had transactions during the current year and previous year.

B. The following transactions were carried out with related parties :

(All amounts in ₹ in million, unless otherwise stated)

Description	KMPs		Individuals/ enterprises having significant influence		Subsidiaries/ Step down subsidiary		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of KMPs		Total	
	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015
Sale												
- Varun Beverages (Nepal) Private Limited	-	-	-	-	65.36	59.85	-	-	-	-	65.36	59.85
- Ole Spring Bottlers (Private) Limited	-	-	-	-	39.27	33.12	-	-	-	-	39.27	33.12
- Varun Beverages Morocco SA	-	-	-	-	5.81	5.42	-	-	-	-	5.81	5.42
- Varun Beverages Lanka (Private) Limited	-	-	-	-	-	0.22	-	-	-	-	-	0.22
- Varun Beverages (Zambia) Limited	-	-	-	-	88.34	-	-	-	-	-	88.34	-
- Varun Beverages Mozambique Limitada	-	-	-	-	3.30	-	-	-	-	-	3.30	-
- 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
Sale of store items												
- Varun Beverages (Nepal) Private Limited	-	-	-	-	0.11	-	-	-	-	-	0.11	-
- Varun Beverages Lanka (Private) Limited	-	-	-	-	0.07	-	-	-	-	-	0.07	-
Purchases												
- Varun Beverages Lanka (Private) Limited	-	-	-	-	-	3.40	-	-	-	-	-	3.40

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2016

(All amounts in ₹ in million, unless otherwise stated)

Description	KMPs		Individuals/ enterprises having significant influence		Subsidiaries/ Step down subsidiary		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of KMPs		Total	
	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015
Loan given												
- Varun Beverages Morocco SA	-	-	-	-	648.76	892.58	-	-	-	-	648.76	892.58
- Varun Beverages (Zambia) Limited	-	-	-	-	387.79	-	-	-	-	-	387.79	-
- Varun Beverages Mozambique Limitada	-	-	-	-	120.98	-	-	-	-	-	120.98	-
- Varun Beverages (Zimbabwe) (Private) Limited	-	-	-	-	135.66	-	-	-	-	-	135.66	-
Interest received												
- Varun Beverages Morocco SA	-	-	-	-	93.35	71.83	-	-	-	-	93.35	71.83
- Varun Beverages Mozambique Limitada	-	-	-	-	1.80	-	-	-	-	-	1.80	-
- Varun Beverages (Zimbabwe) (Private) Limited	-	-	-	-	1.05	-	-	-	-	-	1.05	-
- Varun Beverages (Zambia) Limited	-	-	-	-	7.95	-	-	-	-	-	7.95	-
Contribution to corporate social responsibility activities												
- Champa Devi Jaipuria Charitable Trust	-	-	-	-	-	-	4.97	0.92	-	-	4.97	0.92
Guarantee commission income												
- Varun Beverages Lanka (Private) Limited	-	-	-	-	26.20	29.19	-	-	-	-	26.20	29.19
Dividend income												
- Varun Beverages (Nepal) Private Limited	-	-	-	-	190.45	190.35	-	-	-	-	190.45	190.35
Investment in Preference Shares												
- Varun Beverages Lanka (Private) Limited	-	-	-	-	772.75	356.61	-	-	-	-	772.75	356.61
Redemption of Preference Shares												
- Varun Beverages Lanka (Private) Limited	-	-	-	-	-	94.05	-	-	-	-	-	94.05
Conversion of loan into investment												
- Varun Beverages Morocco SA	-	-	-	-	549.43	570.79	-	-	-	-	549.43	570.79
Management fees												
- Varun Beverages (Nepal) Private Limited	-	-	-	-	80.81	61.25	-	-	-	-	80.81	61.25
Travelling expenses paid												

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2016

(All amounts in ₹ in million, unless otherwise stated)

Description	KMPs		Individuals/ enterprises having significant influence		Subsidiaries/ Step down subsidiary		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of KMPs		Total	
	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015
- Wellness Holdings Limited	-	-	-	-	-	-	47.37	-	-	-	47.37	-
Investment in Equity Shares												
- Varun Beverages (Zimbabwe) (Private) Limited	-	-	-	-	0.06	-	-	-	-	-	0.06	-
- Varun Beverages (Zambia) Limited	-	-	-	-	1,755.21	-	-	-	-	-	1,755.21	-
- Varun Beverages Mozambique Limitada	-	-	-	-	0.13	-	-	-	-	-	0.13	-
Technical know-how fees												
- Varun Beverages (Nepal) Private Limited	-	-	-	-	161.63	44.45	-	-	-	-	161.63	44.45
(Expenses incurred by the Company on behalf of others)/ expenses incurred by others on behalf of the Company												
- Varun Beverages (Nepal) Private Limited	-	-	-	-	(0.02)	(6.14)	-	-	-	-	(0.02)	(6.14)
(Expenses incurred by the Company on behalf of others)/ expenses incurred by others on behalf of the Company												
- Ole Spring Bottlers (Private) Limited	-	-	-	-	(2.04)	(0.82)	-	-	-	-	(2.04)	(0.82)
- Varun Beverages Mozambique Limitada	-	-	-	-	3.67	-	-	-	-	-	3.67	-
- 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 Pal Gandhi	31.08	28.11	-	-	-	-	-	-	-	-	31.08	28.11
- Mr. Varun Jaipuria	24.02	24.06	-	-	-	-	-	-	-	-	24.02	24.06

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2016

(All amounts in ₹ in million, unless otherwise stated)

Description	KMPs		Individuals/ enterprises having significant influence		Subsidiaries/ Step down subsidiary		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of KMPs		Total	
	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015
- Mr. Christopher White	10.45	20.82	-	-	-	-	-	-	-	-	10.45	20.82
- Mr. Kapil Agarwal (net of amount reimbursed)	39.25	23.21	-	-	-	-	-	-	-	-	39.25	23.21
- Mr. Kamlesh Kumar Jain	7.53	6.88	-	-	-	-	-	-	-	-	7.53	6.88
Initial Public Offering expenses incurred by the Company and recovered subsequently												
- Mr. Varun Jaipuria	63.63	-	-	-	-	-	-	-	-	-	63.63	-
- Ravi Kant Jaipuria & Sons (HUF)	-	-	63.63	-	-	-	-	-	-	-	63.63	-
Financial guarantees given												
- Varun Beverages Lanka (Private) Limited	-	-	-	-	-	120.59	-	-	-	-	-	120.59
Financial guarantees closed												
- Varun Beverages Lanka (Private) Limited	-	-	-	-	228.14	223.01	-	-	-	-	228.14	223.01
Conversion of Compulsorily Convertible Preference Shares into Equity Shares												
- RJ Corp Limited	-	-	2,000.00	-	-	-	-	-	-	-	2,000.00	-
Sale of fixed assets												
- Varun Beverages (Nepal) Private Limited	-	-	-	-	17.04	-	-	-	-	-	17.04	-
- Varun Beverages Lanka (Private) Limited	-	-	-	-	18.27	-	-	-	-	-	18.27	-
- Ole Spring Bottlers (Private) Limited	-	-	-	-	-	0.78	-	-	-	-	-	0.78
Shares issued pursuant to exercise of Employee Stock Option Plan												
- Mr. Raj Pal 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 the year, net												
A. Receivable/(payable)												
- Varun Beverages Morocco SA	-	-	-	-	2,430.47	2,207.81	-	-	-	-	2,430.47	2,207.81
- Varun Beverages (Nepal) Private Limited	-	-	-	-	123.34	266.78	-	-	-	-	123.34	266.78
- Ole Spring Bottlers (Private) Limited	-	-	-	-	27.96	34.80	-	-	-	-	27.96	34.80
- Varun Beverages Lanka (Private) Limited	-	-	-	-	35.83	99.01	-	-	-	-	35.83	99.01

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2016

(All amounts in ₹ in million, unless otherwise stated)

Description	KMPs		Individuals/ enterprises having significant influence		Subsidiaries/ Step down subsidiary		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of KMPs		Total	
	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015	For year ended 2016	For year ended 2015
- Varun Beverages (Zambia) Limited	-	-	-	-	445.90	-	-	-	-	-	445.90	-
- Varun Beverages Mozambique Limitada	-	-	-	-	124.12	-	-	-	-	-	124.12	-
- Varun Beverages (Zimbabwe) (Private) Limited	-	-	-	-	136.80	-	-	-	-	-	136.80	-
- Devyani International Limited	-	-	-	-	-	-	(49.78)	6.03	-	-	(49.78)	6.03
- RJ Corp Limited	-	-	35.50	35.50	-	-	-	-	-	-	35.50	35.50
- Mr. Christopher White	-	(0.38)	-	-	-	-	-	-	-	-	-	(0.38)
- Mr. Varun Jaipuria	(1.31)	-	-	-	-	-	-	-	-	-	(1.31)	-
- Mr. Raj Pal 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)	-
B. Financial guarantees												
- Varun Beverages Lanka (Private) Limited	-	-	-	-	1,225.51	1,468.19	-	-	-	-	1,225.51	1,468.19

45. DUES TO SMALL AND MICRO ENTERPRISES

(All amounts in ₹ in million, unless otherwise stated)

	Year ended 31 December 2016	Year ended 31 December 2015
Principal amount outstanding	7.23	1.44
Interest due thereon	0.01	-
Interest paid by the Company 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 available information with the Company.

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2016

46. The business activities of the Company predominantly fall within a single primary business segment, i.e., manufacturing and sale of beverages within India. There are no separate reportable businesses or geographical segments that meet the criteria prescribed in Accounting Standard (AS-17) on Segment Reporting.

47. UNHEDGED FOREIGN CURRENCY EXPOSURE

All amounts in ₹ in million, unless otherwise stated

Particulars	Foreign Currency (FC)	As at 31 December 2016		As at 31 December 2015	
		FC millions	₹ millions	FC millions	₹ millions
Trade receivables	USD	1.54	101.29	2.75	182.32
Receivables for guarantee commission	USD	0.27	18.26	1.51	100.30
Receivables for interest	USD	2.14	145.68	0.76	50.54
Loan given to Varun Beverages (Zambia) Limited	USD	5.79	393.46	-	-
Loan given to Varun Beverages Mozambique Limitada	USD	1.80	122.31	-	-
Loan given to Varun Beverages (Zimbabwe) (Private) Limited	USD	2.00	135.91	-	-
Loan given to Varun Beverages Morocco SA	USD	33.74	2,292.58	32.33	2,144.31
			3,209.49		**2,477.47**
Loan from banks#	USD	-	-	16.25	1,077.80
Trade payables	USD	2.53	171.96	6.15	407.67
	GBP	0.00	0.05	-	-
	EURO	-	-	0.02	1.30
Interest payable	USD	-	-	0.06	4.04
			172.01		**1,490.81**

* Closing rate as at December 31, 2016 1 USD = ₹ 67.95 (December 31, 2015: 1 USD = ₹ 66.33)

* Closing rate as at December 31, 2016 1 Euro = ₹ 71.62 (December 31, 2015: 1 Euro = ₹ 72.50)

* Closing rate as at December 31, 2016 1 GBP = ₹ 83.42 (December 31, 2015: 1 GBP = ₹ 98.35)

The Company has entered into cross currency interest rate swap transaction (derivative contract) for USD 15 million during the year ended December 31, 2016.

In addition to above the Company has given certain advances amounting to USD 0.21 (previous year 0.26) and Euro 1.39 (previous year 0.25).

48. EMPLOYEE SHARE-BASED PAYMENT

Description of share based payments arrangements

During the year ended December 31, 2013, the Company granted stock options to certain employees of the Company and its subsidiaries. The Company has the following share-based payment arrangements for employees.

Employee Stock Option Plan 2013 (ESOP 2013)

The ESOP 2013 ("the Plan") was approved by the Board of Directors and the shareholders on May 13, 2013 and further amended by Board of Directors on 01 December 2015. The plan 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. 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., May 13, 2013.

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2016

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 reporting period and previous year.

Particulars	Employee Stock
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:

All amounts in ₹ in million, unless otherwise stated

	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 excerised 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:

All amounts in ₹ in million, unless otherwise stated

	31 December 2016	31 December 2015
The ESOP 2013 Plan		
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

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.

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2016

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 Company's net profit after tax would have been lower by Nil (previous year ₹ 101.36) and basic earnings per share would have been ₹ 12.86 (previous year ₹ 10.58) and diluted earnings per share would have been ₹ 11.04 (previous year ₹ 10.51) (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:

All amounts in ₹ in million, unless otherwise stated

	31 December 2016		31 December 2015	
	Options vested	Options to be 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 April 27, 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 year ended December 31, 2016.

49. 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 financial statements. Accordingly, these standalone financial statements do not include any adjustments for the transfer pricing implications, if any.

Provision for income tax is net of taxes paid of ₹ 273.97 (previous year ₹ 234.33) for current year tax and ₹ 564.66 (previous year ₹ 160.05) related to earlier assessment years for which assessment are not concluded."

50. During the previous year ended December 31, 2015, the Company has acquired beverages manufacturing units in Satharia (Uttar Pradesh), Panipat (Haryana), Bazpur (Uttrakhand) and Jainpur (Uttar Pradesh) including franchise 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.

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2016

All amounts in ₹ in million,
unless otherwise stated

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 on account of net working capital adjustment.

51. During the year ended December 31, 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 acquisitions have been recorded based on the fair valuation of respective assets as assessed by the independent valuer as on the date of the respective acquisitions 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**

52. During the year ended December 31, 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%	January 1, 2016	1,755.21
Varun Beverages Mozambique Limitada	51%	January 1, 2016	0.13
Varun Beverages (Zimbabwe) (Private) Limited	85%	April 5, 2016	0.06

53. 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.

(All amounts in ₹ in million, unless otherwise stated)

Particulars	31 December 2016	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

54. The sale of products of the Company is seasonal.

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2016

All amounts in ₹ in million, unless otherwise stated

55. The Company follows calendar year as its financial year as approved by the Company Law Board, New Delhi.

56. 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 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 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.

57. During the year ended December 31, 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)
Unutilized amount as at December 31, 2016	**-**

58. Subsequent to December 31, 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.

59. 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

Kamlesh Kumar Jain
Chief Financial Officer

Raj Pal Gandhi
Whole Time Director
DIN 00003649

Mahavir Prasad Garg
Company Secretary
Membership No. F-3490

Place : Gurugram
Dated : February 20, 2017

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PLANT LOCATIONS IN INDIA

S. No.	Manufacturing Facilities	Location
1	Greater Noida – 1	Plot No. 2, Surajpur Bypass, Greater Noida - 201 306 (U.P).
2	Greater Noida – 2	2E, Udyog Kendra, Ecotech - III, Greater Noida.
3	Kosi	Plot No. 477 to 479, Village Dautana, 107, Kilometer Distance Stone, Agra – Delhi Highway, N.H. No. II, Near Kosi Kalan, Distt. Mathura - 282 401 (U.P.).
4	Bhiwadi	Plot No. SP 290-292, RIICO Industrial Area, Phase - VII, Chopanki, Bhiwadi, Distt. Alwar.
5	Jodhpur	Plot No. Special 159, RIICO Industiral Area, Ph - III, Boranada, Jodhpur - 342 001.
6	Sonarpur	Plot No. JL-47, Barhans, Farthabad, 24, Charaktala, Sonarpur, Kolkata - 700 084 (West Bengal).
7	Nuh	Village Tajpur, Tehsil Nuh, District Mewat, Haryana.
8	Bazpur	Plot No. A-2, UPSIDC Industrial Area, Site - II, Bazpur Distt., Udham Singh Nagar, Uttrakhand- 262 401.
9a	Guwahati – Unit 1	Drag no. 171-174, Rani (Patgaon), Guwahati - 781 017, Assam.
9b	Guwahati – Unit 2	Drag no. 163-164, Rani (Patgaon), Guwahati - 781 017, Assam.
10	Panipat	Village Ali Asgarpur, PO Ganjbar, GT Road, Panipat - 132103, Haryana.
11	Jainpur	Plot No. A-2, UPSIDC Industrial Area, Jainpur, Distt. Kanpur Dehat - 209 311, Uttar Pradesh.
12	Satharia – 1	A-36, Industrial Area Satharia, Jaunpur -222202.
13	Satharia – 2	E-71 to E-76 and E-92 to E-96, Industrial Area Satharia, Jaunpur – 222202, U.P.
14	Goa – 1	Arlem, Raia, Salcete, Goa – 403 720.
15	Goa - 2	Plot no. 4A, Sanguem Industrial Estate Village Xelpem-Cotarli, Taluka Sanguem, District South Goa, Goa.
16	Phillaur	G.T. Road, Phillaur, Distt. Jalandhar – 144418, Punjab
	Backward Integration	**Location**
17	Jaipur	Khasra No. 282, Balmukandpura, Ajmer Road, Tehsil Sanganer, Jaipur, Rajasthan.
18	Alwar	Plot No. SP-646 & F-647-653, Approach Road No. 2 (Near Engg. College), Matsya Industrial Area Extn. (North), RIICO Industiral Estate, Alwar - 301 030.

Corporate Information

BOARD OF DIRECTORS

Category	Name of Directors
Promoter Directors	Mr. Ravi Kant Jaipuria
	Mr. Varun Jaipuria
Executive/ Whole-time Directors	Mr. Raj Pal Gandhi
	Mr. Kapil Agarwal
	Mr. Kamlesh Kumar Jain
Non-executive, Independent Directors	Mr. Ravindra Dhariwal
	Dr. Girish Ahuja
	Dr. Naresh Kumar Trehan
	Mr. Pradeep Sardana
	Mrs. Geeta Kapoor
	Mr. Sanjoy Mukerji

CHIEF FINANCIAL OFFICER

Mr. Kamlesh Kumar Jain

COMPANY SECRETARY

Mr. Mahavir Prasad Garg

JOINT STATUTORY AUDITORS

M/s. O. P. Bagla & Co.,
Chartered Accountants, New Delhi

M/s Walker Chandiok & Associates
Chartered Accountants, New Delhi

HEAD OFFICE

RJ Corp House, Plot No. - 31,
Institutional Area, Sector - 44,
Gurugram - 122 002 (Haryana)

REGISTERED OFFICE

F-2/7, Okhla Industrial Area, Phase-I
New Delhi - 110 020

REGISTRARS AND TRANSFER AGENTS

Karvy Computershare Private Limited
Karvy Selenium Tower B,
Plot 31 and 32, Gachibowli
Financial District, Nanakramguda
Hyderabad 500 032
Tel: +91 40 6716 2222
Fax: +91 40 2343 1551
Email: dpcorp@karvy.com
Website: www.karisma.karvy.com
SEBI Registration No. INR000000221

BANKERS

HDFC Bank Limited
Yes Bank Limited
Induslnd Bank Limited
Axis Bank Limited
The RBL Bank Limited
DBS Bank Limited
Standard Chartered Bank
Kotak Mahindra Bank Limited
IDBI Bank Limited
IDFC Bank Limited
ICICI Bank Limited

VARUN BEVERAGES

RJ Corp House, Plot No. - 31, Institutional Area,
Sector - 44, Gurugram - 122002 (Haryana)
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Concept, Content & Design
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COMMUNICATIONS
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