



**2017**

Annual Report  
Varun Beverages Limited

**Consistently Refreshing.  
Refreshingly Consistent.**





# WHAT'S INSIDE?

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### 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 cautious in our assumptions.



# CONSISTENT AND REFRESHING

Two different words with impact. Put together, the impact multiplies manifold.

This is explicit from the fact that we have for over two decades:

- Consistently delighted millions of consumers with high quality, refreshing PepsiCo beverages.
- Consistently catered to diverse consumer segments by adding new refreshing products to portfolio.
- Consistently grown volumes and territories.
- Consistently addressed business nuances and seasonality factor to deliver strong performance and sustained returns.

With our experience and expertise, vision and values, reach and presence, we are confident that the future will unlock new possibilities and potential.



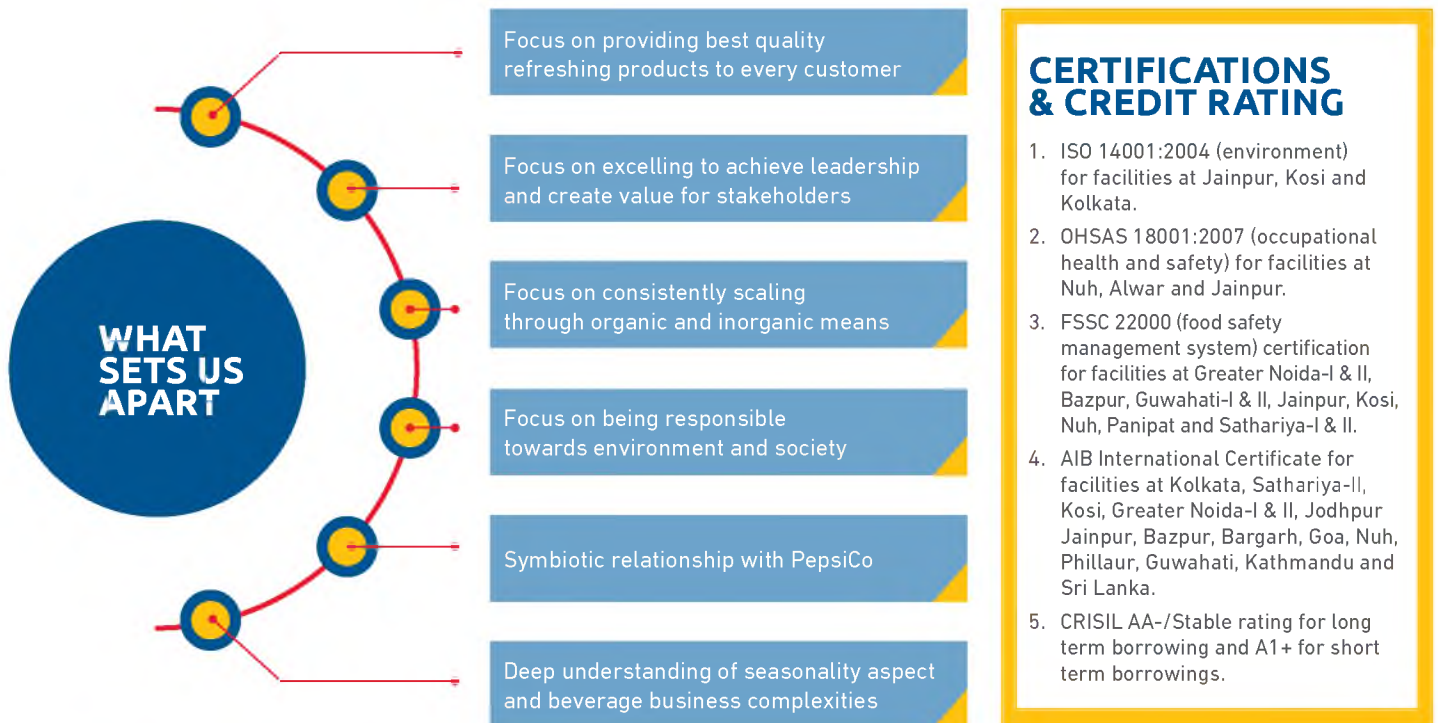


# NOT JUST PARTNERS, WE ARE BUSINESS ENABLERS

We account for ~51% of PepsiCo's beverage sales volume in India.

With 279 million cases of beverages sold in 2017 across 6 countries, we are its second largest carbonated soft drinks (CSDs) and non-carbonated beverages (NCBs) franchisee in the world (outside the USA).

## We are Varun Beverages Limited.



### COMPANY FACTS

**6**

Countries

**21**

States & 2 Union Territories in India

**25**

Production facilities

**~950 mn**

Access to Total Population

**~1 mn**

Access to retail outlets

**474,500**

Visi-coolers

**220 mn**

Cases CSD\*\*

**14 mn**

Cases NCB\*\*

**45 mn**

Cases Packaged Drinking Water\*\*

**Note** - \* A unit case is equal to 5.678 liters of beverage divided in 24 bottles of ~ 237 ml each  
# The above figure are for sales volume in CY 2017



### 2017 India existing sub-territories

- |                    |   |
|--------------------|---|
| 1 Himachal Pradesh | 11 Arunachal Pradesh                          |
| 2 Chandigarh       | 12 Nagaland                                   |
| 3 Punjab           | 13 Meghalaya                                  |
| 4 Uttarakhand      | 14 Manipur                                    |
| 5 Haryana          | 15 Tripura                                    |
| 6 Delhi            | 16 Mizoram                                    |
| 7 Rajasthan        | 17 Certain designated parts of Maharashtra    |
| 8 Uttar Pradesh    | 18 Goa  |
| 9 West Bengal      | 19 Certain designated parts of Madhya Pradesh |
| 10 Assam           |   |

### 2018 India new sub-territories

- 19 Certain designated parts of Madhya Pradesh  
20 Chhattisgarh  
21 Bihar  
22 Jharkhand  
23 Odisha

### 2017 International existing sub-territories

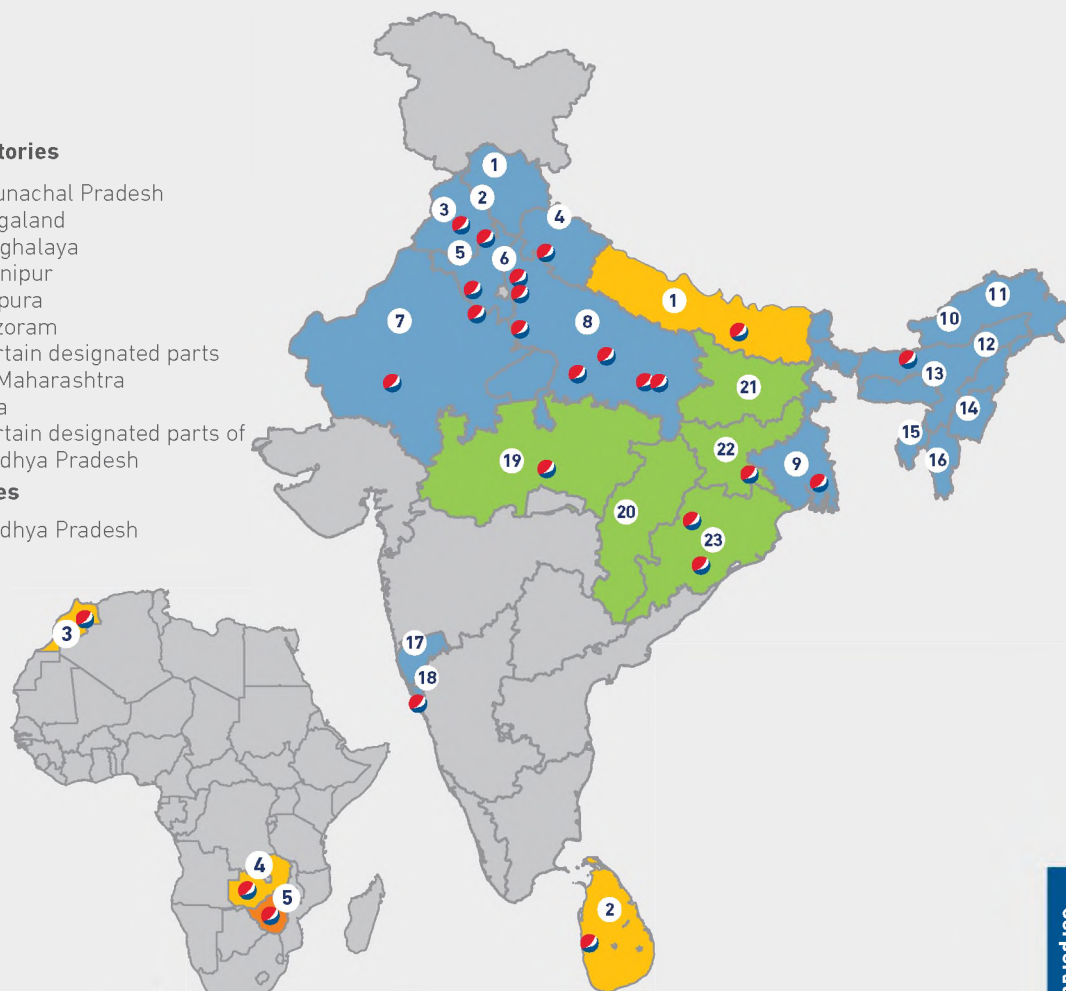
- 1 Nepal | 2 Sri Lanka |  
3 Morocco | 4 Zambia

### 2018 International new sub-territories

- 5 Zimbabwe

### Manufacturing plants

Phillaur, Panipat, Nuh, Bazpur, Greater Noida I & II, Kosi, Hardoi, Sathariya I & II, Jainpur, Bhiwadi, Jodhpur, Guwahati unit I & II, Sonarpur, Goa, Mandideep, Bargarh, Cuttack, Jamshedpur, Nepal, Sri Lanka, Morocco, Zambia & Zimbabwe



Note: Map not to scale

## AWARDS

### 1997

PepsiCo's International Bottler of the Year

### 2008

Chairman's Club – PepsiCo SAMEA region

### 2009

BU Best Quality Plant Team Award for Kosi production facility

### 2010

PepsiCo AMEA Food Safety Award – Bronze for Greater Noida I production facility

### 2011

- PepsiCo's Bottler of the Year – Beverages
- PepsiCo AMEA Food Safety Award – Silver for Greater Noida I production facility
- PepsiCo Quality Excellence Bronze Award for Kosi production facility



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

### 2012

PepsiCo AMEA Food Safety Award – Gold for Greater Noida I production facility

### 2014

- CII National Award for Food Safety for Nuh production facility
- PepsiCo's Bottler of the Year

### 2015

VB Sri Lanka – FOB0 Unit of the year

### 2016






- VBL India – FOB0 Unit of the year
- VB Sri Lanka – FOB0 Country of the year

### 2017

- VB Nepal – Best Unit of the year
- VB Sri Lanka – Donald M. Kendall award by PepsiCo for Small Developing Markets
- VBL Sonarpur Plant – Best Plant Of The Year
- VBL Sonarpur Plant – CII Award for Food Safety

# DIVERSIFIED AND SOLID PORTFOLIO OF PEPSICO LICENSED BRANDS

## CARBONATED SOFT DRINKS




PRODUCT	VARIANTS & DESCRIPTION
<b>PEPSI-COLA</b> 	<ul style="list-style-type: none"> <li>• Pepsi – Classic cola drink</li> <li>• Diet Pepsi – Low-calorie and sugar-free cola</li> <li>• Pepsi Max – Low-calorie and sugar-free cola</li> <li>• Pepsi Black – Zero calorie cola</li> </ul>
<b>SEVEN-UP</b> 	<ul style="list-style-type: none"> <li>• Seven-Up – Lemon-lime flavor soft drink</li> </ul>
<b>MOUNTAIN DEW</b> 	<ul style="list-style-type: none"> <li>• Citrus flavored drink</li> </ul>
<b>MIRINDA</b> 	<ul style="list-style-type: none"> <li>• Fruit-flavored drink. Available in orange, pineapple, apple and lemon flavor</li> </ul>
<b>EVERVESS</b> 	<ul style="list-style-type: none"> <li>• Evervess – Club soda</li> <li>• Teem Soda – Club soda</li> <li>• Duke's Soda – Club soda</li> </ul>








## FRUIT PULP / JUICE-BASED DRINKS

PRODUCT	VARIANTS & DESCRIPTION
<b>TROPICANA SLICE</b> 	<ul style="list-style-type: none"> <li>Mango-based drink</li> </ul>
<b>SEVEN-UP NIMBOOZ</b> 	<ul style="list-style-type: none"> <li>Real lemon juice, juice-based drink</li> </ul>
<b>TROPICANA FRUTZ</b> 	<ul style="list-style-type: none"> <li>Fruit juice in lychee, apple, mango, mix-fruit and orange flavors</li> </ul>

## CARBONATED JUICE BASED DRINK

PRODUCT	VARIANTS & DESCRIPTION
<b>SEVEN-UP NMS</b> 	<ul style="list-style-type: none"> <li>Seven-Up Nimbooz Masala Soda – Real lemon juice with tangy taste, juice-based drink</li> </ul>

## PACKAGED DRINKING WATER

PRODUCT	VARIANTS & DESCRIPTION
<b>AQUAFINA</b> 	<ul style="list-style-type: none"> <li>Packaged drinking water</li> </ul>



## CONSISTENTLY LAUNCHING NEW BRANDS

# PORTFOLIO WITH PURPOSE 2025



### PEPSI BLACK

MAX  
TASTE.  
ZERO  
CALORIES.

<b>About</b>	A zero calorie cola flavor CSD product
<b>Launch Rationale</b>	A part of PepsiCo's strategy to enhance focus on health and nutrition aspect in products, while reducing sugar content
<b>Market Opportunity</b>	Low-calorie carbonated beverages market in India pegged at 15.8 million liters in 2017 is expected to grow at a CAGR of 2.1% during the next five years to reach 17.5 million liters in 2022 (Source: Euromonitor Report)



### STING

ELECTRIFYING  
ENERGY,  
ULTIMATE  
TASTE.

<b>About</b>	A carbonated energy drink containing 50% less sugar than regular CSD products
<b>Launch Rationale</b>	A part of PepsiCo's strategy to venture in the energy drink segment. Availability at competitive price points compared to other brands in the segment would ensure market share build-up
<b>Market Opportunity</b>	Sports Energy drinks market in India pegged at 19.7 million liters in 2017 is expected to grow at a CAGR of 1.4% during the next five years and reach 21.1 million liters in 2022 (Source: Euromonitor Report)

"We are investing to reduce sugars in our global beverages in line with our 'portfolio with purpose 2025' goal. We are looking forward to bringing more variants of existing products in zero calories or no-sugar category. We'll keep rolling out products every 2-3 months" -Vipul Prakash, Senior Vice-President (beverages category), PepsiCo India.



# ACQUIRED DISTRIBUTION RIGHTS FOR AN ALL-NEW PORTFOLIO



<b>About</b>	Real healthy fruit juice with no added sugar
<b>Launch Rationale</b>	Target the growing segment of health conscious consumers
<b>Market Opportunity</b>	Juice market pegged at 336 mn cases in 2017 is expected to grow strongly at a CAGR of 16.9% during the next five years and reach 495 mn cases in 2022 (Source: Euromonitor Report)



<b>About</b>	Nutritional sports drink
<b>Launch Rationale</b>	Sports themed beverage for rehydration
<b>Market Opportunity</b>	Sports drinks market in India pegged at 25.8 million liters in 2017 is expected to grow at a CAGR of 14.2% during the next five years and reach 50.2 million liters in 2022 (Source: Euromonitor Report)



<b>About</b>	A unique and nutritious combination of milk, fiber and oats while retaining smooth milky texture
<b>Launch Rationale</b>	Convenient on-the-go solution to boost morning nutrition for young Indians leading a rushed lifestyle
<b>Market Opportunity</b>	It is a completely new category launched by PepsiCo and is expected to grow very fast



# PERFORMING IN A CHALLENGING YEAR

## FINANCIAL HIGHLIGHTS, 2017

Revenue growth

**3.7%**

Over 2016

EBITDA growth

**5.0%**

Over 2016

PAT growth

**345.6%**

Over 2016

Net worth growth

**8.9%**

Over 2016

EBITDA margin growth

**30 bps**

Over 2016

PAT margin growth

**411 bps**

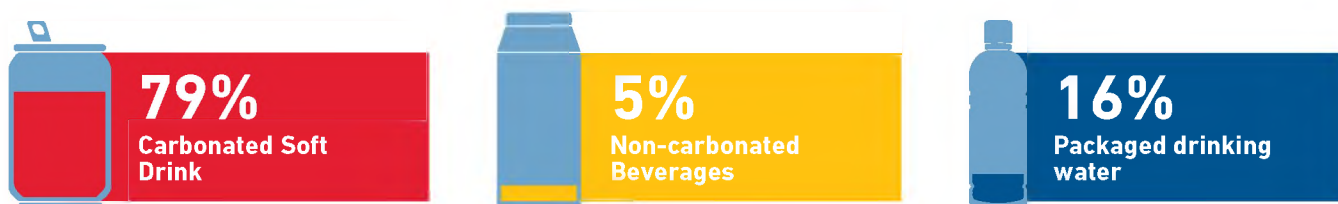
Over 2016

\* bps – basis points

<b>75%</b>	<b>25%</b>
Revenues from Indian operations	Revenues from International operations



## Segment-wise sales volume mix 2017

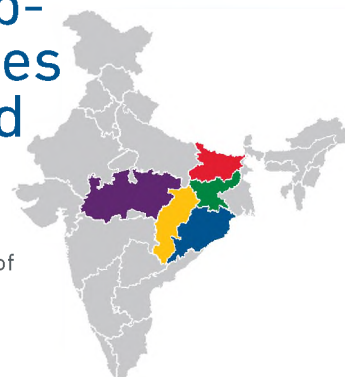


**1** New territory added



**5** New sub-territories acquired in India

- Odisha
- Certain designated parts of Madhya Pradesh
- Bihar
- Chhattisgarh
- Jharkhand



Corporate Overview

**2** New products added to portfolio

- Pepsi Black
- Sting



**3** New products-distribution and selling rights acquired

- Tropicana (100%, Essentials, Delight)
- Gatorade
- Quaker Oats Milk





## CHAIRMAN'S MESSAGE

In a difficult external environment, we have focused on operational efficiencies, strengthening business with several value accretive acquisitions and enhanced our product mix, and are primed for growth in improving market conditions

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*Dear Shareholders,*

It gives me immense pleasure to place before you the 23<sup>rd</sup> Annual Report of the Company.

### OVERVIEW

We are happy to report a strong performance in the first year post our listing. A combination of our agility, robust product portfolio and resilient business model enabled us to drive margin improvement and record strong profit growth. The performance has to be viewed against the backdrop of a challenging market environment where volume growth was impacted on account of the residual impact of demonetization and the de-stocking by the trade ahead of the GST implementation, both of which will benefit us in the long run. In such an environment, we focused on initiatives where we can drive the outcome and improve operating parameters to create a more efficient and sustainable business, prepared to take advantage of the improving external conditions and accelerate growth. Overall, it has been a busy and progressive year for us where we have undertaken multiple strategic initiatives to deliver sustainable growth and better utilization of our resources in the future.

### ACQUISITION OF NEW TERRITORIES

Over the past two decades, 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 effectively utilized retained earnings for inorganic growth through acquisition of new territories. Acquisitions have been a key component of our growth strategy for last many years that substantially accelerated the Company's revenue trajectory, while making positive contribution to the net income and cash flow. The Company believes it evaluates acquisitions in a measured manner to ensure a conservative acquisition cost and has the experience to drive efficiency and benefits of scale to realize strong value and

earnings from its acquisitions. VBL applies stringent strategic and financial criteria to any potential acquisition or partnership. To further enhance transparency, the Board has approved a set of guidelines during the year to further the Company's M&A activities for viable acquisitions in India.

In line with these guidelines, we have furthered our strategic intent to expand into contiguous territories when an opportunity has presented. The learning, knowledge and mastery of the process that we have attained in one market/territory have been successfully leveraged to expand into other markets/territories. During the year, we have concluded the acquisition of PepsiCo India's previously franchised sub-territories of the State of Odisha, parts of Madhya Pradesh, Chhattisgarh, Bihar and Jharkhand. These regions being highly under-penetrated with low per capita incomes provide huge opportunity for enhancing volumes and market share, which is currently sub-par and significantly below the national average. Further, expansion into contiguous territories helps the Company drive better operating leverage and asset utilization through economies of scale. The above acquisitions will help in garnering an incremental ~6% of PepsiCo India's beverage sales volumes and provide access to an additional consumer base representing ~21% of India's population. VBL is now a franchisee for PepsiCo products across 21 States and 2 Union Territories in India and accounts for ~51% of its beverage sales volumes in India from ~45% a year ago.

**Acquisitions have been a key component of our growth strategy for last many years that substantially accelerated the Company's revenue trajectory.**

In our international operations, we increased stake in our Zambia subsidiary to 90% from 60% earlier. The acquisition came at a reasonable valuation with an attractive payback given growth prospects and promising earnings potential. It will enable VBL to consolidate a higher share of profits from the subsidiary going forward. In Mozambique subsidiary, we have divested 41% stake in view of limited opportunity to scale up operations and turn around the loss-making operation. In 2016,

VBL is now a franchisee for PepsiCo products across 21 States and 2 Union Territories in India and accounts for

**~51%** of its beverage sales volumes in India from  
**~45%** a year ago.



the subsidiary contributed only 0.6% to the net revenue and recorded a loss of ₹ 135 million. Further, towards the end of the year, we established a greenfield production facility in Zimbabwe for selling and distributing PepsiCo's products. Commercial production and operations of the unit commenced in February 2018. This is an untapped market with huge potential and as the sole franchisee for PepsiCo in Zimbabwe, we are confident of replicating Zambia's success here as well. We are also in the process of setting up a second plant in Nepal which is a highly profitable market for us. This plant will facilitate deeper penetration in new markets within Nepal thereby opening opportunities for significant market share gains. We will also expand our product basket by adding a juice and water line in Nepal which did not exist earlier, thus adding another vector for volume expansion.

#### NEW PRODUCT LAUNCHES

We remain agile by keeping on top of new trends and changes in consumer preferences, working closely with PepsiCo India to adjust our product portfolio and processes accordingly. This year, we have launched Pepsi Black, a zero-calorie carbonated beverage in line with PepsiCo's plan to intensify focus on health and nutrition by reducing sugar contents in beverages. The year also saw the launch of 'Sting', a new carbonated energy drink from the PepsiCo stable. Coming at a highly competitive price point, it will have ~50% less sugar than the regular CSD products translating into less than 70 calories per 250 ml serving. We entered into a strategic partnership for selling and distribution of the larger Tropicana portfolio that includes Tropicana Juices (100%, Delight & Essentials), Gatorade in the Sports drink category and Quaker Value-Added Dairy in territories across North and East India. These products with relatively lower seasonality factor will generate better asset turns and facilitate expansion in return ratios and profitability metrics. Besides, by strengthening our presence in fast growing categories during the year, we have future proofed ourselves. We will continue to innovate and work with PepsiCo to roll-out new products in line with the changing consumer preferences to push our strategic intent of driving profitable growth.

#### DIVIDEND POLICY

We look upon good Corporate Governance practices as a key driver of sustainable corporate growth and long-term stakeholder value creation. With the listing of the Company in November 2016, the Board of Directors of the Company decided





to formalize a dividend policy during the year. Some of the salient features of which are:

- Endeavor to maintain a dividend payout in the range of 10-30% of annual standalone profit after tax
- Certain financial parameters to be considered include earnings outlook, future capex requirements, organic growth plans, capital restructuring, debt reduction, cash flows, etc.
- Certain external parameters to be considered include macro-economic environment, regulatory changes, technological changes, statutory and contractual restrictions, etc.
- For a detailed perspective, please refer to our website at [www.varunpepsi.com](http://www.varunpepsi.com)

The Board's approval of the dividend policy is a reflection of our continued focus to deliver on that commitment. The dividend policy reflect our confidence that the successful execution of our strategic plan will continue to generate strong cash flows, enabling us to strike a balance between investing in the business and regularly rewarding shareholders through dividends. The Board of Directors have recommended an interim dividend of ₹ 2.5/share in Q2 CY2017 which has been approved by the board as final dividend for CY2017 and resulted in a cash outflow of ~ ₹ 549.2 million (including dividend distribution tax payable).

### MESSAGE TO STAKEHOLDERS

The inherent strength of our robust business model has been proven through our performance during challenging times. In a difficult external environment, we have focused on operational efficiencies, strengthening business with several value

accretive acquisitions and enhanced our product mix, and are at the helm of growth in improving market conditions. We are confident of generating strong free cash flows over the coming years leveraging existing investments. We will be focused on consolidating recently acquired sub-territories and will look to garner market share by increasing our penetration further and through the continuous introduction of new product categories, staying in the path of customer relevance.

We are excited about the potential of our business and are confident of its future. We are present in geographies that offer great long-term, sustainable growth opportunities. Average per capita consumption rates are significantly lower than global averages, in contrast to the stronger GDP growth, increasing disposable incomes and young demographics. With our well-entrenched distribution network, market positioning and strong brand portfolio, we are well-positioned to capture these enormous opportunities and drive profitable growth. We have already seen a strong uptick in our domestic volumes in the second half of CY 2017 and are confident of further accelerating the momentum in line with the historical trend of strong growth and margin expansion delivered by our business.

On behalf of the Board, I thank all our stakeholders including shareholders, investors, bankers, creditors and employees for their continued support. I express my sincere gratitude to all the members of our Board for their continued insights and invaluable guidance as we explore new opportunities and move ahead with confidence.

Warm regards,

**Ravi Kant Jaipuria**  
Chairman

# BUILT ON A REFRESHING BUSINESS MODEL

## Symbiotic and strategic relation with PepsiCo

We have been an important business partner to PepsiCo for over two decades. Our deep understanding of market dynamics and seasonality factor of this business along with the demonstrated ability to implement good operational and manufacturing practices, and leverage robust infrastructure to consistently grow business, makes us a preferred franchisee. PepsiCo has reciprocated this confidence by granting us additional territories and product license.

### PepsiCo

PepsiCo provides territory based franchise rights and supplies the concentrate. It undertakes R&D for product innovation/packaging and enables demand creation through consumer marketing and brand development.



### VBL

We in turn leverage our robust infrastructure (plants and depots, technologies, distribution vehicles and visi-coolers) to provide end-to-end execution. Right from gathering climatic information to estimating demand, planning production, procuring raw material, manufacturing, quality control, marketing and distribution, and managing working capital, we adopt a holistic approach to grow volumes. This enhances our sales as well as PepsiCo's goodwill.

## A BUSINESS MODEL WITH INTEGRATION ACROSS THE VALUE CHAIN

### MANUFACTURING

#### Solid infrastructure

- 25 state-of-the-art production facilities
- Backward Integrated facilities

### DISTRIBUTION AND WAREHOUSING

#### Robust supply chain management

- 72 depots
- 2,100+ owned vehicles
- 1,000+ primary distributors

We use our extensive distribution network for deep penetration in target markets.

### CUSTOMER MANAGEMENT

#### Demand delivery

- Local level promotion and in-store activation by VBL
- Installed 474,500 visi-coolers
- Brand development and consumer marketing by PepsiCo

We use PepsiCo's brand pull and our own push strategies to create consumer demand.

### IN-MARKET EXECUTION

#### Market share gains

- Experienced region-specific sales team
- Strong marketing team to push products

Responsible for category/volume growth to enhance sales.

### COST EFFICIENCIES

#### Margin expansion

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

We consistently focus on optimizing operations to reduce costs and enhance margins.

### CASH MANAGEMENT

#### ROE expansion/future growth

- Better working capital management
- Disciplined capex
- Territory acquisition through M&A

We effectively utilize surplus cashflows to procure licenses for new territories and products necessary for scaling business.



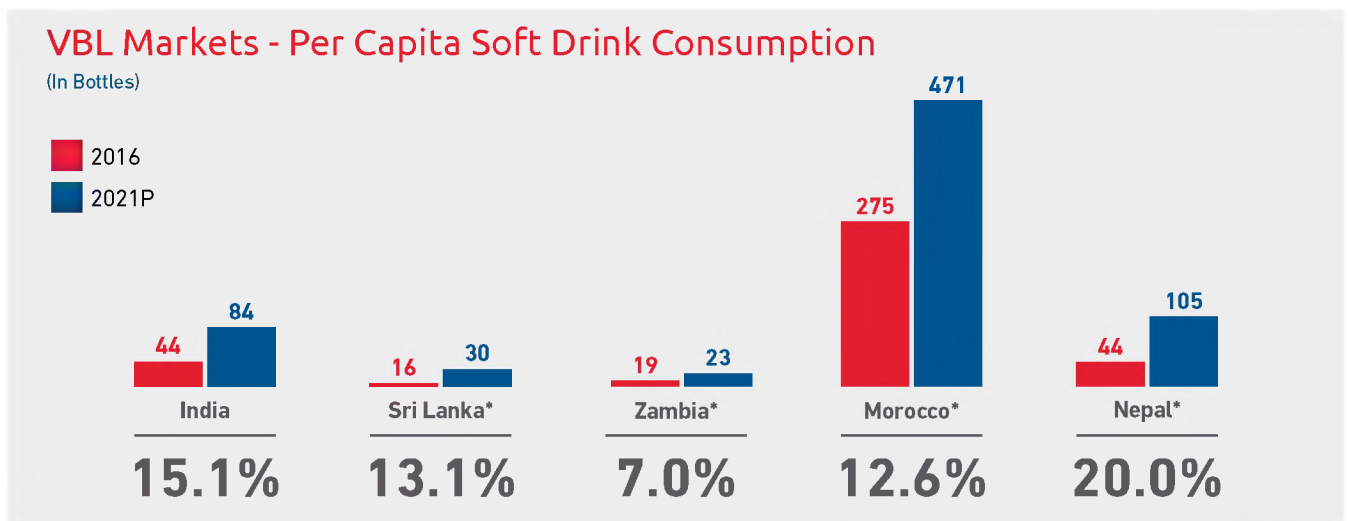
# AT VARUN BEVERAGES WE ARE EXCITED

## We are excited because...

...India has adopted some of the biggest path-defining reforms that are transpiring together into great opportunities. The outlook of the country's steadily formalizing economy looks more promising than ever. Goods and Services Tax (GST) touted as the country's one of the greatest reforms since independent India has brought in new efficiencies by bringing the entire nation under one taxation regime.

...the regions that we are present in have ideal (hot and humid) climatic conditions driving soft drink consumption. Besides being relatively underpenetrated markets, they are forecasted to be amongst the fastest growing soft drinks markets in coming years.

## STRONG GROWTH OPPORTUNITIES IN THE REGION OF OUR PRESENCE

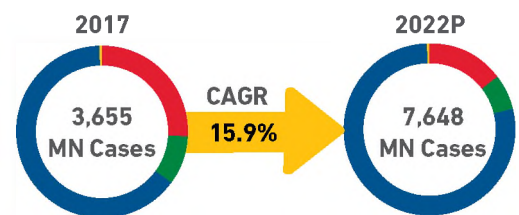


Source: Euromonitor Report; Note: \* denotes Modeled Countries; Data for modeled countries is created by pegging countries outside Euromonitor's research program to those where they do research, linking together those with a similar consumer culture and development level.

## Soft Drinks Industry - India

Million Cases	2016	2017	2022P	CAGR
Carbonates	919	949	1,122	3.4%
Juice	313	336	495	16.9%
Bottled Water	1,967	2,351	6,006	20.6%
Others**	18	19	25	6.3%
<b>Total</b>	<b>3,217</b>	<b>3,655</b>	<b>7,648</b>	<b>15.9%</b>

Source: Euromonitor Report; \*\*Others = Concentrates, RTD Tea, Sports/Energy Drinks



...the Company (PepsiCo) that we have partnered with has drawn out its vision of 'portfolio with purpose 2025' through which it will roll out relevant new products every 2-3 months to meet changing customer expectations. This is likely to enhance brand loyalty and create stronger demand for products.

Together across the licensed territories in six countries that we are present in, we have access to a population of ~950 million people.



# WE ARE EXCITED BECAUSE... **WE ARE READY TO DELIVER.**

## **We have scale and integrated operations**

which is extremely critical for profitability and long term sustainability in the beverage industry. It allows us to effectively optimize operations and reduce costs.

## **We have strong supply chain**

which allows us to achieve shortest time to market and replenish stocks in time.

## **We have experienced promoter and senior management**

who are industry veterans with deep understanding of market dynamics and strong business acumen.

## **We have deep-rooted relations**

with PepsiCo which consistently provides us access to new territories and products.



# BOARD OF DIRECTORS



**1. RAVI KANT JAIPURIA**  
**Promoter & Chairman**

He is the promoter of the Company with over 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.



**2. VARUN JAIPURIA**  
**Whole-time Director**

He attended Millfield School, Somerset, England and has 9 years of experience in the soft drinks industry. He has been with the Company for 9 years and has been responsible for the development of new business initiatives that includes implementation of sales automation tools.

**3. 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, 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 the department of electronics, Government of India.



**4. KAPIL AGARWAL**

**Whole-time Director and CEO**

He is a commerce graduate from Lucknow University and holds a 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 as CEO. He has over two decades of experience in sales and marketing.



**5. KAMLESH KUMAR JAIN**

**Whole-time Director and CFO**

He is a commerce graduate from Rajasthan University, a qualified chartered accountant. He has been with the group since 1993 and was inducted to the current post and board in 2009. He possesses nearly three decades of experience in financial management, corporate tax management, financial reporting, cost control, acquisitions and project management. He has been awarded with prestigious CFO 100 Award 2018 presented by the coveted CFO India magazine for his exceptional contribution in the field of finance.



**6. 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.

**7. 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 worldwide 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.



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**8. 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.



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**9. 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.



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**10. SANJOY MUKERJI\*****Independent Director**

He is a mechanical engineer 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).

**11. 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.



11

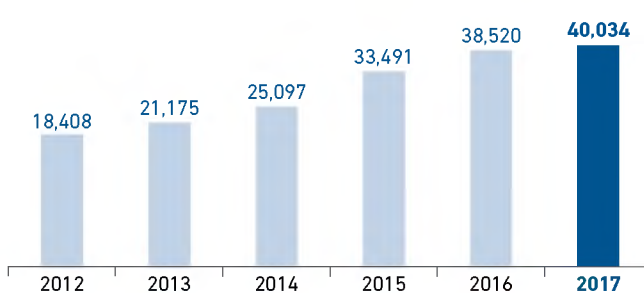
**Note:** \* cessation date with VBL is March 19, 2018



# GROWING OVER THE YEARS

## NET REVENUE FROM OPERATIONS

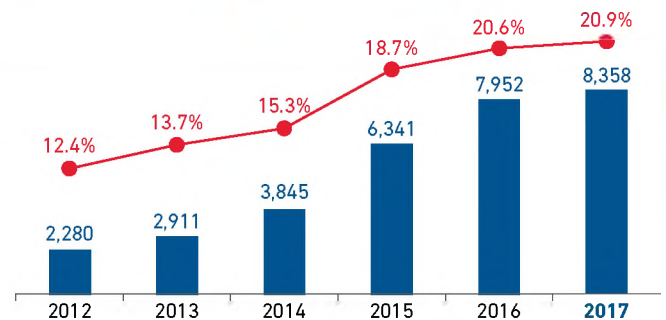
(₹ in mn)



**CAGR 16.8%**

## EBITDA & EBITDA MARGIN

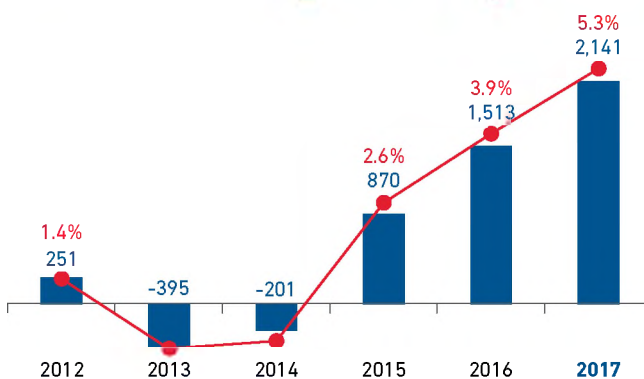
■ EBITDA (₹ million) ● EBITDA margin (%)



**CAGR 29.7%**

## PAT & PAT MARGIN

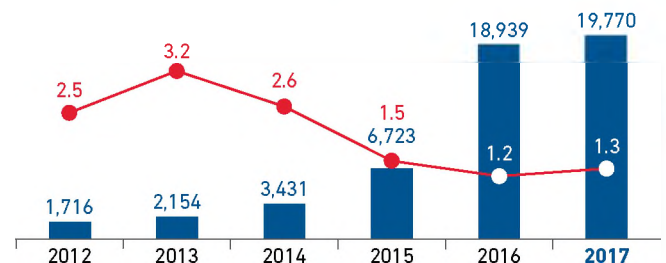
■ PAT (₹ million) ● PAT margin (%)



**CAGR 53.5%**

## NET WORTH AND NET D/E

■ Net worth (₹ million) ● Net D/E

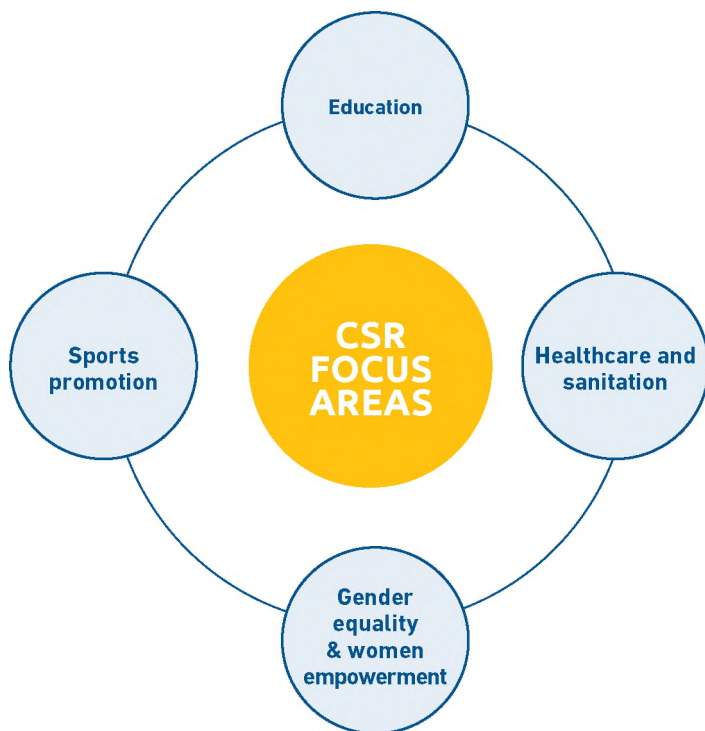


**CAGR 63.0%**

1. 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.

2. Note: CY2017 financials are as per Ind-AS and previous year numbers are as per IGAAP.

# HELPING COMMUNITIES THRIVE



## Promoting education and women empowerment

The Company supports education and focuses on holistic development of underprivileged children at Siksha Kendra, Haryana at Delhi Public School, Gurugram by funding books, stationery, uniform, bus facility, mid-day snack and lessons in music and dance. Besides, the Siksha Kendra School also runs a sewing center and beautician courses for the women from the underprivileged families.



## Promoting healthcare

The Company focused on promoting preventive healthcare by participating in "Mission TB Free Haryana" and organizing free health check-up camps near plants for the workers and villagers.



## Drinking water

The Company focused on making available safe drinking water to several villages near its plants to prevent spread of diseases.



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# Board's Report

Dear Members,

Your Directors have pleasure in presenting the 23<sup>rd</sup> (Twenty Third) Annual Report on the business and operations of your Company along with the Audited Financial Statements, for the Financial Year ended December 31, 2017.

## FINANCIAL RESULTS

The financial performance of your Company for the Financial Year ended December 31, 2017 is summarized below:

(₹ in Million)

Particulars	Standalone		Consolidated	
	Financial Year ended December 31, 2017	Financial Year ended December 31, 2016*	Financial Year ended December 31, 2017	Financial Year ended December 31, 2016*
Total Revenue	35,380.90	36,262.33	45,288.89	45,671.94
Total Expenses	32,338.97	35,120.23	42,392.85	44,902.37
Profit before tax	3,041.93	1,142.10	2,909.54	793.35
Less: Tax Expenses	685.95	247.13	768.95	312.96
Profit after tax	2,355.98	894.97	2,101.54**	423.76**
Balance brought forward from last year	614.82	(74.94)	(2,007.59)	(2,225.71)
Balance carried over to Balance Sheet	2,268.84	614.82	(594.12)	(2,007.59)
Debenture Redemption Reserve	159.17	-	159.17	-
General Reserve	191.25	191.25	191.25	191.25
Other Reserves	18,521.80	18,738.17	16,111.03	16,929.16
Reserves & Surplus carried to Balance Sheet	21,141.06	19,544.24	15,867.33	15,112.82

\* The Company has adopted Indian Accounting Standards (Ind AS) with effect from January 01, 2017, pursuant to the notification of Companies (Indian Accounting Standard) Rules, 2015 issued by the Ministry of Corporate Affairs. Previous years' figures have been restated to comply with Ind AS, accordingly figures at the beginning have been restated.

\*\* After adjustment on account of non-controlling interest and share profit of associate companies.

## CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of your Company for the Financial Year 2017, are prepared in compliance with the applicable provisions of the Companies Act, 2013 ("the Act"), Indian Accounting Standards ("Ind AS") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["SEBI (LODR) Regulations"] which shall be placed before the members in their forthcoming Annual General Meeting (AGM).

To comply with Section 129 (3) of the Act, 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 of the Company and therefore not repeated hereby to avoid duplication.

## DEPOSITS

Your Company has not accepted any deposits during the year under review, falling within the ambit of Section 73 of

the Act and the Companies (Acceptance of Deposits) Rules, 2014.

## TRANSFER TO GENERAL RESERVE

During the year under review, the Company has not transferred any amount to General Reserve.

## 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 DISTRIBUTION POLICY

During the year under review, the Board of Directors of the Company in their meeting held on August 9, 2017 approved and adopted a Policy on Distribution of Dividend to comply with Regulation 43A of SEBI (LODR) Regulations and the same is uploaded on the website of the Company at [www.varunpepsi.com](http://www.varunpepsi.com)



## DIVIDEND

During the year under review, the Board of Directors of the Company declared an interim dividend of ₹ 2.50 per Equity Share (face value of ₹ 10/- per Equity Share) for the year 2017. The Board of Directors do not recommend any final dividend for the Financial Year 2017.

Your Company has transferred the unpaid or unclaimed Interim Dividend to the Unclaimed Dividend Account – Varun Beverages Limited and the details of unpaid and unclaimed dividend amounts lying in the said Account (maintained with HDFC Bank) are uploaded on the website of the Company at [www.varunpepsi.com](http://www.varunpepsi.com)

## ACQUISITION GUIDELINES

Your Company applies stringent strategic and financial criteria to any potential acquisition or partnership and to enhance transparency, during the year under review, the Board of Directors of the Company in their meeting held on August 9, 2017 approved and adopted Acquisition Guidelines for the Company's M&A activities for viable acquisitions in India and the same is uploaded on the website of the Company at [www.varunpepsi.com](http://www.varunpepsi.com)

## ACQUISITIONS

During the year under review, your Company has:

- concluded acquisition of PepsiCo India's previously franchised territories in the State of Odisha and parts of Madhya Pradesh along with two manufacturing units at Bargarh (Odisha) w.e.f. September 26, 2017 and Bhopal (Mandideep, MP) w.e.f. September 27, 2017; and
- concluded acquisition of PepsiCo India's previously franchised territories in the State of Jharkhand along with a manufacturing unit at Jamshedpur.

After the close of the Financial Year, your Company has:

- concluded the acquisition of PepsiCo India's previously franchised territory in the State of Chhattisgarh w.e.f. January 11, 2018; and
- acquired franchisee rights of PepsiCo India's previously franchised territory in the State of Bihar w.e.f. January 17, 2018.

## CREDIT RATING

During the year under review, CRISIL has upgraded / re-affirmed your Company's credit ratings as below:

Long-Term Rating	CRISIL AA-/Stable (Upgraded from 'CRISIL A+/Positive')
Short-Term Rating	CRISIL A1+ (Reaffirmed)
₹ 300 Crore Non-Convertible Debentures	CRISIL AA-/Stable (Upgraded from 'CRISIL A+/Positive')
₹ 250 Crore Commercial Paper Programme	CRISIL A1+ (Reaffirmed)

## 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, there is no change in the Authorized Share Capital of the Company.

During the year under review, the paid up capital of the Company has been increased from ₹ 1,823,125,250/- (Rupees One Billion Eight Hundred and Twenty-Three Million One Hundred and Twenty-Five Thousand Two Hundred Fifty) to ₹ 1,825,869,400/- (Rupees One Billion Eight Hundred and Twenty-Five Million Eight Hundred and Sixty-Nine Thousand Four Hundred) due to exercise of 274,415 Stock Options (equivalent to 274,415 equity shares having face value of ₹ 10 each) under Varun Beverages Limited Employee Stock Option Scheme 2013.

## EMPLOYEE STOCK OPTION SCHEMES

Your Company has two Employee Stock Option Schemes viz. Varun Beverages Limited Employee Stock Option Scheme 2013 and Varun Beverages Limited Employee Stock Option Scheme 2016 and the same are in line with the provisions of SEBI (Share Based Employee Benefits) Regulations, 2014.

Your Company has received a certificate from the Statutory Auditors of the Company that these Schemes have been implemented in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 and the resolution(s) passed by the Members of the Company. The certificate would be placed at the ensuing AGM for inspection by Members of the Company.

Relevant disclosures pursuant to Rule 12 (9) of the Companies (Share Capital and Debentures) Rules, 2014 and Regulation 14 of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the same is attached to this report as **Annexure – A**.

## NON-CONVERTIBLE DEBENTURES

During the year under review, your Company has issued and allotted 3,000 Rated, Listed, Secured, Redeemable Non-convertible Debentures (NCDs) aggregating up to ₹ 3,000,000,000 (Rupees Three Billion) issued under ISIN INE200M07044 and listed on the National Stock Exchange of India Limited. Scrip code of the NCDs is VBL-22. Axis Trustee Services Limited has been appointed as the Debenture Trustee for the aforesaid Debentures and their contact details are as under:

Axis House, Ground Floor, Wadia International Centre,  
Pandurang Budhkar Marg, Worli, Mumbai- 400025  
Contact: 022-62260054/50  
E-mail: [debenturetrustee@axistrustee.com](mailto:debenturetrustee@axistrustee.com)

## RELATED PARTY TRANSACTIONS

To comply with the provisions of Section 188 of the Act and Rules made thereunder read with Regulation 23 of SEBI (LODR) Regulations, your Company took necessary prior approval of the Audit Committee before entering into related party transactions. All contracts / arrangements / transactions entered into by the Company with related parties, as defined under the Act and SEBI (LODR) Regulations during the Financial Year 2017, were in the ordinary course of business and on arm's length basis.

During the year under review, your Company had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the Policy of the Company for Related Party Transactions.

None of the transactions with any of the related parties were in conflict with the interest of the Company rather, these were synchronised and synergised 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.

Your Company has framed a Policy on Related Party Transactions in accordance with SEBI (LODR) Regulations and as per the amended provisions of the Act. 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 on the website of the Company at <http://varunpepsi.com/wp-content/uploads/2016/09/Policy-On-Related-Party-Transactions.pdf>

Since all transactions which were entered into during the Financial Year 2017 were on arm's length basis and in the ordinary course of business and there was no material related party transaction entered by the Company during the Financial Year 2017 as per Related Party Transactions Policy, hence no detail is required to be provided in Form AOC-2 prescribed under Clause (h) of Sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

## SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Your Company has following subsidiaries / associate companies:

### 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 (Zambia) Limited; and
- Varun Beverages (Zimbabwe) (Private) Limited.

### Associate Company

- Angelica Technologies Private Limited

During the year under review, your Company has increased its shareholding in Varun Beverages (Zambia) Limited from 60% to 90%. Further, your Company has divested its 41% stake in Varun Beverages Mozambique Limitada, consequently, Varun Beverages Mozambique Limitada ceased to be the subsidiary of the Company.

After close of the year under review, Varun Beverages (Zimbabwe) (Private) Limited, a subsidiary of the Company established a greenfield production facility in Zimbabwe for selling and distributing PepsiCo's products. Commercial production and operations of the unit commenced on February 19, 2018.

To comply with provisions of Section 129 of the Act a separate statement containing salient features of Financial Statements of Subsidiaries, Associates and Joint Ventures of your Company forms part of Consolidated Financial Statements.

Financial Statements of the aforesaid subsidiary companies are kept open for inspection by the Members at the Registered Office of your Company during business hours on all days except Saturday & Sunday up to the date of the AGM as required under Section 136 of the Act. 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 the Company at [www.varunpepsi.com](http://www.varunpepsi.com)

To comply with the provisions of Regulation 16(c) of SEBI (LODR) Regulations, the Board of Directors of the Company have approved and adopted a Policy for determining Material Subsidiary and as on December 31, 2017 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 website of the Company at <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

Mr. Pradeep Sardana (DIN 00682961), was appointed as an Independent Director of the Company for a period of two years with effect from March 28, 2016. Accordingly, his first term of office is expiring on March 27, 2018. Pursuant to the provisions of Section 161 of the Act and based on the performance evaluation of Independent Directors and on the recommendations of the Nomination and Remuneration Committee, the Board of Directors in their meeting held on February 16, 2018 re-appointed Mr. Pradeep Sardana as an Independent Director of the Company (subject to the approval



of members by a special resolution) with effect from March 28, 2018 for a period of upto 5 (Five) years. A notice has been received from a member of the Company proposing his candidature for being appointed as an Independent Director of the Company.

Mr. Pradeep Sardana, being eligible and offering himself for re-appointment, is proposed to be appointed as an Independent Director for a second term of upto 5 (Five) years with effect from March 28, 2018.

Further, based on the recommendations of the Nomination and Remuneration Committee, the Board of Directors have approved the appointment [subject to the approval of members by ordinary resolution(s)] of Ms. Sita Khosla (DIN : 01001803) w.e.f February 16, 2018, Dr. Ravi Gupta (DIN: 00023487) and Ms. Rashmi Dhariwal (DIN: 00337814) w.e.f March 19, 2018 as Additional Independent Directors of the Company to hold office for a period of upto 5 (Five) years.

Accordingly, Ms. Sita Khosla Dr. Ravi Gupta and Ms. Rashmi Dhariwal, would hold office up to the date of the ensuing AGM. In terms of Section 149 and other relevant provisions of the Act, Ms. Sita Khosla, Dr. Ravi Gupta and Ms. Rashmi Dhariwal, being eligible and offering themselves for appointment, are proposed to be appointed as Independent Directors for a period upto 5 (Five) years. Notice(s) proposing their candidatures under Section 160 of the Act, have been received from a Member of the Company.

Your Company has received necessary declarations from each of the Independent Directors that he / she meets the criteria of independence as laid down under Section 149 of the Act read with Schedule IV and Rules made thereunder, as well as SEBI (LODR) Regulations. The Board considered the independence of each of the Independent Directors in terms of above mentioned provisions and is of the view that they fulfill / meet the criteria of independence and accordingly, recommends the appointments of all the above-mentioned Directors.

To comply with the provisions of Section 152 of the Act and in terms of the Articles of Association of the Company, Mr. Ravi Kant Jaipuria, Non-Executive Director & Chairman and Mr. Raj Pal Gandhi, Whole-time Director are liable to retire by rotation at the ensuing AGM and being eligible, seeks re-appointment. Your Board of Directors recommend their re-appointment.

### Resignations

To comply with the provisions of Section 149(11) of the Act and Regulation 25(2) of SEBI (LODR) Regulations, Dr. Girish Ahuja and Mr. Ravindra Dhariwal ceased to be the Directors w.e.f. March 19, 2018, due to completion of their second tenure as Independent Directors of the Company.

Further, Ms. Geeta Kapoor and Mr. Sanjoy Mukerji resigned from directorship w.e.f. March 19, 2018 as their second tenure is expiring on April 26, 2018 as Independent Directors of the Company.

### Key Managerial Personnel

Mr. Kapil Agarwal, Whole-time Director & Chief Executive Officer and Mr. Kamlesh Kumar Jain, Whole-time Director & Chief Financial Officer of the Company continued to be the Key Managerial Personnel of your Company in accordance with the provisions of Section 203 of the Act read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

During the year under review, Mr. Mahavir Prasad Garg, Company Secretary & Compliance Officer resigned and Mr. Ravi Batra was appointed as Company Secretary & Compliance Officer (designated as Chief Risk Officer & Group Company Secretary) of the Company with effect from May 12, 2017 and also designated as one of the Key Managerial Personnel of the Company in terms Section 203 of the Act. read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

### BOARD EVALUATION

To comply with the provisions of Section 134(3)(p) of the Act and the rules made thereunder, and Regulation 17(10) of SEBI (LODR) Regulations, the Board has carried out the annual performance 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; and
- iv) Corporate Social Responsibility Committee.

The manner in which the annual performance evaluation has been carried out is explained in the Corporate Governance Report which forms part of this report. Board is responsible to monitor and review Directors' Evaluation framework.

Further, to comply with Regulation 25(4) of SEBI (LODR) Regulations, Independent Directors also evaluated the performance of Non Independent Directors, Chairman and Board as a body at a separate meeting of Independent Directors.

### 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 provisions of Section 173 of the Act and SEBI (LODR) Regulations.

## REMUNERATION POLICY

To comply with the provisions of Section 178 of the Act read with Rules made thereunder and Regulation 19 of SEBI (LODR) Regulations, the Company's Remuneration Policy for Directors, Key Managerial Personnel and Senior Management is uploaded on the website of the Company at [www.varunpepsi.com](http://www.varunpepsi.com)

## 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 Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached to this report as **Annexure – B**.

## STATUTORY AUDITORS

In terms of Section 139 of the Act and the rules made thereunder, M/s Walker Chandiok & Associates, Chartered Accountants was appointed as Joint Statutory Auditors of the Company for a term of 2 (Two) years by the members at their meeting held on May 30, 2016 to hold office until the conclusion of 23<sup>rd</sup> AGM of the Company scheduled on April 17, 2018.

Your Board, based on the recommendations received from the Audit Committee, recommended the appointment of M/s. Walker Chandiok & Co. LLP, (Firm Registration Number 001076N/N500013) as Joint Statutory Auditors of the Company to hold office for a term of up to 5 (Five) years from the conclusion of 23<sup>rd</sup> AGM until the conclusion of the 28<sup>th</sup> AGM of the Company to be held in the Financial Year 2023, subject to ratification by the members at every AGM of the Company.

Members of the Company in their 22<sup>nd</sup> AGM held on April 17, 2017 appointed M/s. APAS & Co., Chartered Accountants (Firm Registration Number 000340C) as Joint Statutory Auditors of the Company to hold office for a period of 5 (Five) years i.e. till the conclusion of the 27<sup>th</sup> AGM of the Company to be held in the Financial Year 2022, subject to ratification by the Members at every AGM.

Your Company has received letters from M/s. Walker Chandiok & Co. LLP, Chartered Accountants and M/s APAS & Co., Chartered Accountants to the effect that their appointment, if made/ ratified, would be in accordance with the provisions of the Act and the Companies (Audit and Auditors) Rules, 2014. The Board of Directors in their meeting held on February 16, 2018 recommended appointment / ratification of their appointment.

The Statutory Auditors' Report for the Financial Year 2017 does not contain any qualification, reservation or adverse remarks.

## COST AUDIT

In terms of Section 148 of the Act and the Companies (Cost Records and Audit) Rules, 2014 and any amendment thereto, 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 for the Financial Year 2017 is attached to this report as '**Annexure – C**'. The observation contained in the audit report is self-explanatory and does not call for any further comments.

## RISK MANAGEMENT

Your Company has a robust Risk Management Policy which identifies and evaluates business risks and opportunities. The Company recognize that these risks need to be managed and mitigated to protect the interest of the stakeholders and to achieve business objectives. The risk management framework is aimed at effectively mitigating the Company's various business and operational risks, through strategic actions.

## INTERNAL FINANCIAL CONTROLS

Your Company has in place adequate Internal Financial Controls. The report on the Internal Financial Controls issued by M/s. Walker Chandiok & Associates, Chartered Accountants and M/s. APAS & Co., Chartered Accountants, the Joint Statutory Auditors of the Company is attached to the Audit Report on the Financial Statements of the Company and does not contain any reportable weakness of the Company.

## TRAINING PROGRAM ON FOREIGN CORRUPT PRACTICES ACT (FCPA)

Your Company strive to meet the highest standards of ethical and legal practice and part of that promise is to provide ourselves with ongoing education to face fast-moving challenges in law and regulation and commercial practice. Accordingly, during the year under review, your Company organized training session on FCPA to help Employees and Board of Directors of the Company to enable them to understand, identify, address and resolve some of the toughest compliance issues.

## REPORT OF THE MONITORING AGENCY ON UTILIZATION OF INITIAL PUBLIC OFFERING (IPO) PROCEEDS

To comply with Regulation 32 of SEBI (LODR) Regulations, during the year under review, report on utilization of IPO proceeds was issued by Yes Bank Limited (Monitoring Agency) confirming that funds raised through IPO have been fully utilized in consistent with the objects to the offer as defined under the IPO documents filed with the Securities and Exchange Board of India (SEBI).

## CORPORATE SOCIAL RESPONSIBILITY

The composition, role, functions and powers of the Corporate Social Responsibility (CSR) Committee of the Company are in accordance with the requirements of the Companies Act, 2013. As on December 31, 2017 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.

After close of the year under review and consequent to the resignation of Mr. Ravindra Dhariwal, the Committee was reconstituted as follows with the following members w.e.f March 19, 2018:

Sl. No.	Name	Category	Designation
1.	Mr. Ravi Kant Jaipuria	Non-Executive Director	Chairman
2.	Mr. Raj Pal Gandhi	Executive Director	Member
3.	Ms. Rashmi Dhariwal	Independent Director	Member

Your Company has a Corporate Social Responsibility Policy which is uploaded on the website of the Company at [www.varunpepsi.com](http://www.varunpepsi.com)

Annual Report on CSR activities for the Financial Year 2017 as required under Section 134 and 135 of the Act 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 Act, the Directors state:

- that in the preparation of the annual accounts for the Financial Year ended December 31, 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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, 2017 and of the profits of the Company for the period ended on that date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts have been prepared on a going concern basis;

- 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
- 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 Regulation 34(2)(e) of SEBI (LODR) Regulations, is attached with this report.

### Business Responsibility Report

Business Responsibility Report for the year under review, as stipulated under Regulation 34(2)(f) of SEBI (LODR) Regulations, is attached with this 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 attached to this report as **Annexure - E**.

### Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The report on Corporate Governance as stipulated under the SEBI (LODR) Regulations forms an integral part of this Report and the same is attached to this report as **Annexure - F**. The requisite certificate from M/s. Sanjay Grover & Associates, Company Secretaries confirming compliance with the conditions of corporate governance is also attached with the Corporate Governance Report.

### Listing

The Equity Shares of the Company are listed on the trading terminals of the National Stock Exchange of India Limited and BSE Limited.

Both these stock exchanges have nation-wide terminals. The Company has paid the listing fee 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 Act read with the Companies (Management and Administration) Rules, 2014, is attached to this report as **Annexure - G**.



### 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 laws and regulations. Actual results may differ materially from those expressed in the statements.

### GENERAL

Your Directors confirm that no disclosure or reporting is required in respect of the following items as there was 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 Directors 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. Issue of Sweat Equity Shares.
5. No case was filed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

6. The Company is in regular compliance of the applicable provisions of Secretarial Standards issued by the Institute of Company Secretaries of India.

### 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.

Your 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 various Government Authorities, the Banks / Financial Institutions and other stakeholders such as, members, customers and suppliers, among others. Your Directors also commend the continuing commitment and dedication of the employees at all levels, which has been critical for the Company's success. Your Directors look forward to their continued support in future.

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

**Place : Gurugram  
Date : March 19, 2018**

**Ravi Kant Jaipuria  
Chairman  
DIN : 00003668**

**Statement as at December 31, 2017 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 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.

Following details are also available on the website of the Company and can be accessed at [www.varunpepsi.com](http://www.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.

Please refer Note no. 52 of Notes to the Standalone Financial Statements forming part of the Annual Report.

- B.** Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations in accordance with 'Indian Accounting Standard (Ind AS) - 33 - Earnings Per Share' 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 stock options calculated in accordance with Ind AS - 33 'Earning Per Share'	<b>ESOS - 2013</b>	<b>ESOS – 2016</b>
	₹ 12.91 on a standalone basis	Not Applicable

**C. Details Relating to ESOS – 2013**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Details</b>
(i)	(a) Date of shareholders' approval	May 13, 2013
	(b) Total number of options approved / granted	26,75,400
	(c) Vesting requirements	25% - On the date of Grant of options (First Vesting); 25% - On the 1st day of January in the calendar year succeeding the calendar year of First Vest (Second Vesting); 25% - On the 1st day of January in the calendar year succeeding the calendar year of Second Vest (Third Vesting); and 25% - On the 1st day of January in the calendar year succeeding the calendar year of Third Vest (Fourth Vesting)  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.
	(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 the 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 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> 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.  During the year under review, there was no variation in terms of options.

Sl. No.	Particulars	Details
(ii)	Method used to account for ESOS - 2013	Fair value
(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.  The impact of this difference on profits and on EPS of the Company.	During the Financial Year 2017, the Company followed Fair Value accounting of stock options. All the options have been vested & there were no accounting charge to Statement of Profit & Loss for the year.
(iv)	Option movement during Financial Year – 2017	
	Number of options outstanding at the beginning of the year	352,700
	Number of options granted during the year	Nil
	Number of options forfeited / lapsed during the year	Nil
	Number of options vested during the year	Nil
	Number of options exercised during the year	274,415
	Number of shares arising as a result of exercise of options	274,415
	Money realized by exercise of options, if scheme is implemented directly by the Company	₹ 41,027,786.65
	Loan repaid by the Trust during the year from exercise price received	Not Applicable
	Number of options outstanding at the end of the year	78,285
	Number of options exercisable at the end of the year	78,285
(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	Please refer Note no. 52 of Notes to the Standalone Financial Statements forming part of the Annual Report.

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

	Name	Designation	No. of Options granted	Exercise Price (₹)
(i)	Senior Managerial Personnel –	Nil		
(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 – Nil			
(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
(vii)	Method and significant assumptions used during the year to estimate the fair value of options including the following information:	Black-Scholes-Merton formula.		
(a)	the weighted-average values of share price	₹ 361.42		
(b)	weighted average exercise price	₹ 149.51		
(c)	Expected volatility	16.63%		
(d)	Expected option life	7.56 years for 2,006,550 options and 7.64 years for 668,850 options.		
(e)	Expected dividends	0%		
(f)	Risk-free interest rate and any other inputs to the model	7.53%		



Sl. No.	Particulars	Details
	(g) the method used and the assumptions made to incorporate the effects of expected early exercise;	N.A.
	(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 unlisted at the time of grant of options and no peer listed Company was available, average volatility of closing price of BSE 500, during the period from 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\*

Sl. No.	Particulars	Details
(i)	(a) Date of shareholders' approval	April 27, 2016
	(b) Total number of options approved / granted	Nil
	(c) 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% - One year from the date of Grant (First Vesting)
		25% - On the 1 <sup>st</sup> day of January in the calendar year succeeding the calendar year of First Vest (Second Vesting)
		25% - On the 1 <sup>st</sup> day of January in the calendar year succeeding the calendar year of Second Vest (Third Vesting)
		25% - On the 1 <sup>st</sup> day of January in the calendar year succeeding the calendar year of Third Vest (Fourth Vesting)
	(d) Exercise price or pricing formula	Not applicable.
	(e) Maximum term of options granted	Not applicable.
	(f) Source of shares (primary, secondary or combination)	Not applicable.
	(g) 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 – 2017	
	Number of options outstanding at the beginning of the year	Nil
	Number of options granted during the year	Nil
	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

Sl. No.	Particulars	Details
	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.		

\*The Company has not granted any stock options under ESOS 2016 till date.

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

Place : Gurugram  
Date : March 19, 2018

Ravi Kant Jaipuria  
Chairman  
DIN : 00003668

**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 2017, the percentage increase in remuneration of each of the Director, Chief Executive Officer, Chief Financial Officer and Company Secretary during the Financial Year 2017:

(₹ in Million)

Sl. No.	Name of Director/KMP and Designation	Remuneration of Director/KMP for Financial Year 2017	% increase in Remuneration in Financial Year 2017	Ratio of Remuneration of Director to Median Remuneration of employees
1.	Mr. Varun Jaipuria, Whole-time Director	29.42	22.28 %	113.15
2.	Mr. Raj Pal Gandhi, Whole-time Director	38.34	24.48 %	147.46
3.	Mr. Kapil Agarwal, Whole-time Director & Chief Executive Officer	44.74	13.87 %	172.08
4.	Mr. Kamlesh Kumar Jain, Whole-time Director & Chief Financial Officer	11.25	50.20 %	43.27
5.	*Mr. Mahavir Prasad Garg, Company Secretary	1.00	-	3.85 <sup>#</sup>
6.	**Mr. Ravi Batra, Chief Risk Officer & Group Company Secretary	4.25	-	16.35 <sup>®</sup>

\* Resigned with effect from May 12, 2017.

\*\* Joined with effect from May 12, 2017

<sup>#</sup> For calculation of Ratio of Remuneration of Mr. Mahavir Prasad Garg to median Remuneration figures till May 12, 2017 have been considered.

<sup>®</sup> For calculation of Ratio of Remuneration of Mr. Ravi Batra to median Remuneration figures from May 12, 2017 have been considered.

- (ii) The number of permanent employees as on December 31, 2017 were 4,896 and the median remuneration was ₹ 0.26 Million annually. The median remuneration of employees (excluding above Directors and KMPs) in Financial Year 2017 has increased by 7.97 % as the Company had set aggressive business targets and expansions for the year ahead.
- (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 at [www.varunpepsi.com](http://www.varunpepsi.com)
- (iv) The average percentile increase already made in the salaries of employees other than managerial personnel in the last financial year was 12.80% and the average percentile increase in the remuneration of managerial personnel was 27.71%. The higher percentage in the increase of managerial personnel was based on external benchmarking, growth plans of the Company and individual performance of the managerial personnel.



**Statement of particulars under Section 197(12) of the Act and Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, for the year ended December 31, 2017 (also includes the details of top ten employees of the Company)**

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	29.42	30	Attended Millfield School, Somerset, England	9	-	July 01, 2009
2.	Mr. Raj Pal Gandhi	Whole-time Director	38.34	60	FCA	37	Devyani Beverages Ltd.	November 01, 2004
3.	Mr. Kapil Agarwal	Whole-time Director & Chief Executive Officer	44.74	53	PGDM	26	Devyani Beverages Ltd.	November 01, 2004
4.	Mr. Kamlesh Kumar Jain	Whole-time Director & Chief Financial Officer	11.25	56	FCA	28	Devyani Beverages Ltd.	November 01, 2004
5.	Mr. R.J.S. Bagga	Chief Operating Officer	21.08	55	M.Tech.	31	Eveready Industries	December 11, 1995
6.	Mr. Vivek Gupta*	Executive Director	13.20	54	BA Economics Hons., PGDM (IIMA)	30	Lunarmech Technologies Pvt. Ltd.	April 01, 2015
7.	Mr. Sanjay Ranbir Bali	Group Head – HR	15.00	55	MBA	31	Samsung India Electronics Pvt. Ltd.	November 09, 2015
8.	Mr. Sudin Kumar Gaunker	Chief Operating Officer	10.23	46	B.Com.	18	Goa Bottling Company Limited	June 21, 2000
9.	Mr. Bhupender Singh	Sr. Vice President	9.53	53	MBA	27	ABInbev India Private Limited	May 01, 2015
10.	Mr. Kamal Karnatak	Sr. Vice President	8.60	45	MBA	22	Unitech Limited	October 01, 2008

\*Not a member of the Board of Directors of the Company.

**Notes:-**

1. Mr. Varun Jaipuria is the son of Mr. Ravi Kant Jaipuria, Chairman of the Company and holds 39,175,500 (21.45%) equity shares in the Company. None of the other employees hold by himself or along with his/her spouse and dependent children, 2% or more of equity shares of the Company.
2. None of the employee receive remuneration during 2017 in excess of the remuneration of any of the Directors except the details of employees forming part of this annexure.
3. Nature of employment for all these employees are permanent.

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

**Place : Gurugram  
Date : March 19, 2018**

**Ravi Kant Jaipuria  
Chairman  
DIN : 00003668**

**SECRETARIAL AUDIT REPORT**
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017**

*[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: L74899DL1995PLC069839)  
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, 2017 ended on December 31, 2017 ("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, 2017 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;
  - (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, with which the Company has generally complied with and the compliances of these regulations needs to be streamlined.

\*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 and the compliances of Secretarial Standards needs to be streamlined.

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 subject to the observations elsewhere given in this report. Further, as informed by the management, the Company is in process of filing form MGT-14 for resolution passed by the Board in their meeting held on February 20, 2017 for issue of non-convertible debentures aggregating to ₹ 3.00 billion. Though the Company has filed form MGT-14 for special resolution passed by the shareholders authorizing the issue and resolution passed by the Share Allotment Committee of the Board for allotment of non-convertible debentures.

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, however, the re-appointment(s) of two Independent Director(s) is subject to the ratification/ approval by the members of the Company at ensuing Annual General Meeting.

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.

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:

1. The shareholders of the Company at their Annual General Meeting held on April 17, 2017 passed the following special resolutions:
  - a) 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 Act & the rules made thereunder for ratifying the Employee Stock Option Scheme – 2013 (ESOS- 2013) approved by the Shareholders of the Company on May 13, 2013 and Employee Stock Option Scheme – 2016 (ESOS- 2016) approved by the Shareholders of the Company on April 27, 2016; and
  - b) pursuant to the provisions of Section 42, 71 and other applicable provisions, if any, of the Act and the rules made thereunder for approving the issue of 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.
2. Pursuant to the resolution passed by the Board at its meeting held on February 20, 2017, allotment of 3000 Secured, Rated, Listed, Redeemable, Non- Convertible Debentures ("Debenture"/ "NCD") of the face value of ₹ 1,000,000/- (One Million Only) was made by the Share Allotment Committee on Private placement basis to RBL Bank Limited and Kotak Mahindra Bank Limited amounting to ₹ 3,000,000,000/- (Rupees Three Billion Only), which were listed on National Stock Exchange of India ("NSE") w.e.f. March 07, 2017.

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

**New Delhi**  
**February 16, 2018**

**Devesh Kumar Vasisht**  
**Partner**  
**CP No.: 13700**

**ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2017**

(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 in Board's Report
(2)	Average net profit of the Company for last three Financial Years	₹ 1,381.26 Million
(3)	Prescribed CSR Expenditure (two per cent of the amount as in item 2 above)	₹ 27.63 Million
(4)	Details of CSR spent during the Financial Year 2017.	
	(a) Total amount to be spent for the Financial Year;	₹ 27.63 Million
	(b) Amount unspent, if any;	Nil
	(c) Manner in which the amount spent during the Financial Year	Details given below

(₹ in Million)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	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
1	Promoting education of poor and underprivileged children	Promoting Education	Gurugram, Haryana	24.00	24.00	24.00	Through Siksha Kendra, Delhi Public School Gurugram, under Champa Devi Jaipuria Charitable Trust
2	Providing safe drinking water	Making available safe drinking water	Kanpur, Uttar Pradesh	3.56	3.56	3.56	Direct
3	Promoting Healthcare by participating in "Mission TB Free Haryana" and Free Health Check-up Camps	Promoting Preventive Healthcare	Gurugram, Haryana	0.17	0.17	0.17	Direct
<b>Total</b>				<b>27.73</b>	<b>27.73</b>	<b>27.73</b>	

**RESPONSIBILITY STATEMENT**

"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**

**Place : Gurugram  
Date : March 19, 2018**

**Ravi Kant Jaipuria**  
Chairman  
DIN : 00003668

**Kapil Agarwal**  
Whole Time Director & CEO  
DIN : 02079161



# **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	<p>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:</p> <ol style="list-style-type: none"> <li>1. Use of frequency drive in ammonia and air compressor which saves electric energy.</li> <li>2. Heat recovery from hot compressed gases and used for heating water.</li> <li>3. Beverage filling at higher temperature leading to power savings in refrigeration.</li> <li>4. Replacement of CFL/FTL lamps with LED lamps.</li> <li>5. Replacement of low efficiency pump with energy efficient pump.</li> <li>6. Improving efficiency of energy indicator parameters like electricals, air, refrigeration, fuel and water.</li> <li>7. Optimizing the resources allocation and minimizing wastages.</li> </ol>
(ii)	the steps taken by the Company for utilizing alternate sources of energy	The Company has successfully utilized the environment friendly fuels like biomass for steam generation and solar energy.
(iii)	the capital investment on energy conservation equipments	<ol style="list-style-type: none"> <li>1. Installation and commissioning of Solar Plant at Nuh Plant.</li> <li>2. Air recovery system in Blow Moulding Machine.</li> <li>3. Green Oven for Bottle Blowing machine.</li> </ol>

## **(b) Technology absorption**

(i)	the efforts made towards technology absorption	The Company has been continuously improving on resource use efficiencies, especially that of common resources such as water and energy. The Company follows series of environment performance Indicators for monitoring natural resources consumption on per case basis and continual improvement is being achieved and sustained.
(ii)	the benefits derived like product improvement, cost reduction, product development or import substitution	Over the past ten years Company reduced water usage significantly on per case basis and significant reduction of energy consumption on per case basis.
(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	N.A.
	(b) the year of import;	N.A.
	(c) whether the technology been fully absorbed	N.A.
	(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof	N.A.
(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)			
Sl. No.	Particulars	As at December 31, 2017	As at December 31, 2016
(i)	Earnings in Foreign Currency	580.37	399.67
(ii)	Expenditure in Foreign Currency	2,376.02	1,459.05

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

Place : Gurugram  
Date : March 19, 2018

Ravi Kant Jaipuria  
Chairman  
DIN : 00003668

## **CORPORATE GOVERNANCE REPORT**

To comply with Regulation 34 read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["SEBI (LODR) Regulations"], the report containing the details of Corporate Governance of Varun Beverages Limited ("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 Code of conduct for ethical conduct of businesses.

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 following independent Board Committees; Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Share Allotment Committee, Stakeholders' Relationship Committee and Investment and Borrowing Committee.
- 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.
- 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 Personnel.
- Code of Conduct for Prohibition of Insider Trading.
- Code of practices and procedures for 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 / Information.
- Remuneration Policy for Directors, Key Managerial Personnel and Members of Senior Management Personnel.
- 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.
- Dividend Distribution Policy.
- Archival Policy; and
- Guidelines for Acquisitions in India.

## BOARD OF DIRECTORS

As at December 31, 2017, 6 (six) out of 11 (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 as on December 31, 2017 is as follows:

Category	Name of Directors
Promoter Directors	Mr. Ravi Kant Jaipuria (Non-executive Director)
	Mr. Varun Jaipuria (Executive / Whole-time Director)
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
	<sup>1</sup> Ms. Geeta Kapoor
	<sup>1</sup> Mr. Sanjoy Mukerji

\*Ceased to be Directors w.e.f March 19, 2018.

<sup>1</sup>Re-appointed on the Board of Directors of the Company for second term of 1 (One) year with effect from April 27, 2017 and resigned w.e.f March 19, 2018.

Size and composition of the Board of Directors as on March 19, 2018 is given below:

Category	Name of Directors
Promoter Directors	Mr. Ravi Kant Jaipuria (Non-executive Director)
	Mr. Varun Jaipuria (Executive / Whole-time Director)
Executive / Whole-time Directors	Mr. Raj Pal Gandhi
	Mr. Kapil Agarwal
	Mr. Kamlesh Kumar Jain
Non-executive, Independent Directors	Ms. Sita Khosla*
	Dr. Ravi Gupta**
	Ms. Rashmi Dhariwal**
	Dr. Naresh Kumar Trehan
	Mr. Pradeep Sardana

\*Appointed w.e.f February 16, 2018.

\*\* Appointed w.e.f March 19, 2018

## Inter-se Relationship among Directors

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

## 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 an Independent Directors on the Board. The Committee, inter alia, considers qualification as prescribed under the Companies Act, 2013 ("the Act") and SEBI (LODR) Regulations, positive attributes, area of expertise, 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.

A statement, in connection with fulfilling the criteria of Independence and directorships as per the requirement of the provisions of the Act and Regulation 25 of SEBI (LODR) Regulations 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 at [www.varunpepsi.com](http://www.varunpepsi.com)

## 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 of the Company at [www.varunpepsi.com](http://www.varunpepsi.com)

### Board Evaluation

The Board of Directors of the Company ensures 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, 2017 has been completed by the Company internally which included the Evaluation of the Board as a whole, Board Committees and Directors. Further, results of the Evaluation were shared with the Board.

### Internal Audit

As recommended by the Audit Committee, the Board of Directors in their meeting held on May 12, 2017 appointed M/s. O.P. Bagla & Co., Chartered Accountants as an Internal Auditor of the Company for the Financial Year 2017 to conduct Internal Audit of the Company and their report on findings is submitted to the Audit Committee on a quarterly basis.

### Separate Meeting of Independent Directors

To comply with the provisions of Schedule IV of the Act read with regulation 25 of SEBI (LODR) Regulations. During the Financial Year 2017 the Independent Directors met once on November 6, 2017 without the presence of Executive Directors and Management Representatives 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; and
- 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 also took 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.

At the end of the year under review, the Board had 5 (five) Committees, namely Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and Share Allotment Committee.

After close of the year under review, the Board in its meeting held on January 12, 2018 constituted an Investment and Borrowing Committee for the purpose of dealing with banking, investments and borrowing 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 strategies 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. 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 Chief Risk Officer & Group 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 meeting 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 inter-alia the quarterly results and performance of the Company. Additional meetings are held on a need basis.

The Company also provides facility to the Directors to attend 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.



5 (Five) Board meetings were held during the Financial Year 2017 on February 20, 2017; May 12, 2017; August 09, 2017, November 06, 2017 and December 20, 2017. The gap between two Board meetings was within the limit prescribed under Section 173(1) of the Act.

### 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 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 labour 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 Chief Risk Officer & Group Company Secretary is responsible for collation, review and distribution of all papers submitted to the Board and Committees thereof for consideration. He 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 Chief Risk Officer & Group Company Secretary attends all the meetings of the Board and its Committees, advises and assures the Board on Compliance and Governance principles.

### Recording Minutes of proceedings at Board and Committee meetings

The Chief Risk Officer & Group Company Secretary ensures appropriate recording of 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 (fifteen) days of the meetings. The minutes are entered in the Minutes Book within 30 (thirty) 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 (if any) on decisions/minutes of the previous meeting(s) is placed at the succeeding meeting of the Board/Board Committee for noting.

### 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 2017		Number of Directorships in other Companies as on December 31, 2017		Committee Membership and Chairmanship in other Companies* as on December 31, 2017		Shareholding in the Company as on December 31, 2017
		Board Meetings	AGM	Private #	Public	Chairman-ship	Member-ship	
Mr. Ravi Kant Jaipuria, Chairman (00003668)	Promoter & Non-executive Director	4/5	Yes	4	9	Nil	Nil	Nil

Name and Designation	Category	Attendance in Financial Year 2017		Number of Directorships in other Companies as on December 31, 2017		Committee Membership and Chairmanship in other Companies* as on December 31, 2017		Shareholding in the Company as on December 31, 2017
		Board Meetings	AGM	Private #	Public	Chairman-ship	Member-ship	
Mr. Varun Jaipuria, Whole-time Director (02465412)	Promoter & Whole-time / Executive Director	3/5	Yes	2	3	Nil	Nil	39,175,500
Mr. Raj Pal Gandhi, Whole-time Director (00003649)	Whole-time / Executive Director	5/5	Yes	1	8	Nil	3	411,429
Mr. Kapil Agarwal, Whole-time Director & Chief Executive Officer (02079161)	Whole-time / Executive Director	5/5	No	Nil	Nil	Nil	Nil	411,476
Mr. Kamlesh Kumar Jain, Whole-time Director & Chief Financial Officer (01822576)	Whole-time / Executive Director	4/5	Yes	7	Nil	Nil	Nil	19,090
Mr. Ravindra Dhariwal, Director (00003922)	Non-executive & Independent Director	4/5	No	5	9	1	7	Nil
Dr. Girish Ahuja, Director (00446339)	Non-executive & Independent Director	5/5	Yes	1	5	3	3	Nil
Dr. Naresh Kumar Trehan, Director (00012148)	Non-executive & Independent Director	2/5	No	10	1	Nil	Nil	Nil
Mr. Pradeep Sardana, Director (00682961)	Non-executive & Independent Director	4/5	No	Nil	Nil	Nil	Nil	858
<sup>1</sup> Ms. Geeta Kapoor, Director (07503864)	Non-executive & Independent Director	4/5	Yes	Nil	Nil	Nil	Nil	Nil
<sup>1</sup> Mr. Sanjoy Mukerji, Director (03122800)	Non-executive & Independent Director	4/5	No	2	4	Nil	3	Nil

Note:-

\*Includes only Audit Committee and Stakeholders' Relationship Committee in all public limited companies (whether listed or not) and excludes private limited companies, foreign companies and Section 8 companies.

# Does not include directorship in foreign companies.

<sup>1</sup> Re-appointed as Independent Director of the Company for second term of 1 (One) year with effect from April 27, 2017.

## 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 supervise 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.

### Procedure at Committee Meetings

The Company's guidelines related 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 requirement of Section 177 of the Act read with Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 18 of the SEBI (LODR) Regulations.

**Composition of the Committee as on December 31, 2017 is as follows:**

S. No.	Name	Category	Designation
1.	Dr. Girish Ahuja	Independent Director	Chairman
2.	Mr. Ravindra Dhariwal	Independent Director	Member
3.	Mr. Raj Pal Gandhi	Executive Director	Member

After close of the year under review and consequent to the cessation of Directorship of Dr. Girish Ahuja and Mr. Ravindra Dhariwal, the Committee was reconstituted as follows with the following members w.e.f March 19, 2018:

S. No.	Name	Category	Designation
1.	Dr. Ravi Gupta	Independent Director	Chairman
2.	Ms. Rashmi Dhariwal	Independent Director	Member
3.	Mr. Raj Pal Gandhi	Executive Director	Member

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

The Chief Risk Officer & Group Company Secretary acts as the Secretary of the Audit Committee.

#### Meetings

The Audit Committee met 5 (five) times during the Financial Year 2017 on February 20, 2017; May 12, 2017; August 09, 2017, November 06, 2017 and December 20, 2017.

The attendance of the members at the meetings held during the Financial Year 2017 are as follows:

S. No.	Name of the Member	No. of meetings attended
1.	Dr. Girish Ahuja	5/5
2.	Mr. Ravindra Dhariwal	4/5
3.	Mr. Raj Pal Gandhi	5/5

The Chairman of the Audit Committee was present at the last AGM held on April 17, 2017.

The brief terms of reference of Audit Committee are broadly as under:

- Oversight of the Company's financial reporting process, examination of the financial statement and the auditors' report thereon and the disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible.
- Recommendation for appointment, re-appointment replacement, remuneration and terms of appointment of auditors of the Company and approval of payment for any other services rendered by the statutory auditors of the Company.
- Reviewing with the Management the quarterly / annual financial statements and Auditors' Report thereon before submission to the Board for approval. This would, inter alia, include reviewing changes in the accounting policies and reasons for the same, major accounting entries involving estimates based on exercise of judgment by Management, significant adjustments made in the financial statements.
- Review the Management's Discussion and Analysis of financial condition and results of operations.
- Scrutiny of inter-corporate loans and investments.
- Evaluation of internal financial controls and risk management systems.
- Reviewing the functioning of the whistle blower / vigil mechanism.

#### ii) Stakeholders' Relationship Committee

The Composition and terms of reference of the Stakeholders' Relationship Committee satisfy the requirements of Section 178 of the Act and Regulation 20 of SEBI (LODR) Regulations.

**Composition of the Committee as on December 31, 2017 is as follows:**

S. No.	Name	Category	Designation
1.	Mr. Sanjoy Mukerji*	Independent Director	Chairman
2.	Mr. Raj Pal Gandhi	Executive Director	Member
3.	Mr. Kamlesh Kumar Jain**	Executive Director	Member

\*appointed with effect from November 06, 2017.

\*\*appointed with effect from May 12, 2017.

After close of the year under review and consequent to the resignation of Mr. Sanjoy Mukerji, the Committee was reconstituted as follows with the following members w.e.f March 19, 2018:

S. No.	Name	Category	Designation
1.	Ms. Sita Khosla	Independent Director	Chairperson
2.	Mr. Raj Pal Gandhi	Executive Director	Member
3.	Mr. Kamlesh Kumar Jain	Executive Director	Member

The Chief Risk Officer & Group Company Secretary acts as the Secretary of the Committee.

### Meetings

The Stakeholders' Relationship Committee met 6 (six) times during the Financial Year 2017 on January 17, 2017; May 23, 2017; August 10, 2017; September 11, 2017; September 26, 2017 and October 11, 2017.

The attendance of the members at the meetings held during the Financial Year 2017 are as follows:

S. No.	Name of the Member	No. of meetings attended*
1.	Mr. Ravindra Dhariwal	1/6**
2.	Mr. Raj Pal Gandhi	6/6
3.	Mr. Parth Dashrathlal Gandhi	0/1***
4.	Mr. Kamlesh Kumar Jain	5/5****
5.	Mr. Sanjoy Mukerji	0/0*****

\*Re-constituted on May 12, 2017 and thereafter on November 06, 2017.

\*\* was member and Chairman of the Committee till November 06, 2017.

\*\*\* was member of the Committee till May 12, 2017.

\*\*\*\* appointed as a member of the Committee with effect from May 12, 2017.

\*\*\*\*\* appointed as member & Chairman of the Committee with effect from November 06, 2017.

Mr. Raj Pal Gandhi, being authorised representative of Mr. Ravindra Dhariwal, Chairman of the Committee, attended AGM of the Company held on April 17, 2017.

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 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, 2017 are as follows:

Opening Balance	Received	Resolved	Closing
0	44	44	0

All the complaints received during the year 2017 were resolved to the satisfaction of shareholders.

Mr. Ravi Batra, Chief Risk Officer & Group Company Secretary is designated as Compliance Officer of the Company.

To enable investors to share their grievance or concern, Company has set up a dedicated e-mail id - complianceofficer@rjcorp.in.

### iii) Nomination and Remuneration Committee

The Composition and terms of reference of the Nomination and Remuneration Committee satisfy the requirements of Sections 178 of the Act and Regulation 19 of SEBI (LODR) Regulations and SEBI (Share Based Employee Benefits) Regulations, 2014 as amended from time to time.

### Composition of the Committee as on December 31, 2017: is as follows:

S. No.	Name	Category	Designation
1.	Mr. Ravindra Dhariwal	Independent Director	Chairman
2.	Mr. Ravi Kant Jaipuria	Non-Executive Promoter Director	Member
3.	Dr. Girish Ahuja	Independent Director	Member

After close of the year under review and consequent to the cessation of Directorship of Dr. Girish Ahuja and Mr. Ravindra Dhariwal, the Committee was reconstituted as follows with the following members w.e.f March 19, 2018:

S. No.	Name	Category	Designation
1.	Ms. Rashmi Dhariwal	Independent Director	Chairperson
2.	Mr. Ravi Kant Jaipuria	Non-Executive Promoter Director	Member
3.	Dr. Ravi Gupta	Independent Director	Member

The Chief Risk Officer & Group Company Secretary acts as the Secretary of the Committee.

### Meetings

Nomination and Remuneration Committee met 3 (three) times during the Financial Year 2017 on January 27, 2017; April 26, 2017 and May 12, 2017.



The attendance of the members at the meetings held during the Financial Year 2017 are as follows:

S. No.	Name of the Member	No. of meetings attended
1.	Mr. Ravindra Dhariwal	3/3
2.	Mr. Ravi Kant Jaipuria	1/3
3.	Dr. Girish Ahuja	3/3

Dr. Girish Ahuja, being authorised representative of Mr. Ravindra Dhariwal, Chairman of the Committee, attended AGM of the Company held on April 17, 2017.

#### Brief Terms of Reference

The Brief terms of Reference of Nomination Committee are broadly as under:

1. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board of Directors a policy relating to the remuneration of the directors, key managerial personnel and other employees, and for evaluation of the performance of independent directors and the Board of Directors;
2. Devising a policy on diversity of the Board of Directors;
3. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board of Directors their appointment and removal, and carrying out evaluations of every director's performance;
4. Determine whether to extend or continue the term of appointment of the independent director, on the

basis of the report of performance evaluation of independent directors

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

#### Performance evaluation criteria for Independent Directors

The Nomination and Remuneration policy of the Company lays down the criteria for Directors'/Key Managerial Personnel's appointment and remuneration including criteria for determining qualification, positive attributes, independence of Directors, criteria for performance evaluation of Executive and Non-Executive Directors (including Independent Directors) and other matters as prescribed under the provisions Act and the SEBI (LODR) Regulations as well as the performance evaluation criteria for Independent Directors is determined by the Nomination and Remuneration Committee. An indicative list of factors that may be evaluated including but not limited to participation and contribution by a Director, commitment, effective deployment of knowledge and expertise, effective management of relationship with stakeholders, integrity and maintenance of confidentiality and independence of behaviour and judgment.

#### REMUNERATION OF DIRECTORS

Details of remuneration paid to Directors of the Company for the Financial Year ended on December 31, 2017 are as follows:

(₹ in Millions)

Sl. No.	Name	Sitting Fee	Salary	Perquisite	Bonus	Stock Option	Total
1	Mr. Varun Jaipuria	-	29.38	0.04	-	-	29.42
2	Mr. Raj Pal Gandhi	-	28.30	0.04	10.00	-	38.34
3	Mr. Kapil Agarwal	-	42.31	0.03	2.40	-	44.74
4	Mr. Kamlesh Kumar Jain	-	10.23	0.02	1.00	-	11.25
5	Mr. Ravindra Dhariwal	1.30	-	-	-	-	1.30
6	Dr. Girish Ahuja	1.30	-	-	-	-	1.30
7	Mr. Pradeep Sardana	0.40	-	-	-	-	0.40
8	Ms. Geeta Kapoor	0.40	-	-	-	-	0.40

During the year under review, no option was exercised by any Director of the Company under Employee Stock Option Scheme – 2013.



The details about specific service contracts, notice period and severance fees etc. are governed by the appointment letter issued to respective Director at the time of his / her appointment.

#### **Criteria of making payments to Non-Executive Directors including all pecuniary relationship or transactions of Non-Executive Directors**

The Independent Directors are not paid any remuneration other than the sitting fee for attending meetings of the Board and the Committees thereof as approved by the Board.

There has been no pecuniary relationship or transaction of the Non-Executive Directors' vis-à-vis the Company during the year except the sitting fees paid to them as detailed above.

#### **PROHIBITION OF INSIDER TRADING**

To comply with the provisions of Regulation 9 of the Securities and Exchange Board of India (Prohibition of Insider Trading Regulation), 2015, the Company has adopted a Code of Conduct for Prohibition of Insider Trading and the same is uploaded on the website of the Company at [www.varunpepsi.com](http://www.varunpepsi.com)

#### **VIGIL MECHANISM / WHISTLE BLOWER POLICY**

To comply with the provisions of Section 177 of the Act and Regulation 22 of SEBI (LODR) Regulations, the Company has adopted a Vigil Mechanism / Whistle Blower Policy for employees of the Company. Under the Vigil Mechanism Policy, the protected disclosures can be made by a victim through an e-mail or a letter to the Chief Risk Officer and Group Company Secretary (Vigilance Officer) or to the Chairperson of the Audit Committee.

The Policy provides for adequate safeguards against victimization of employees and Directors and also provides for direct access to the Vigilance Officer or the Chairperson of

the Audit Committee, in exceptional cases. No personnel of the Company 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 breach of the Company's Values or instances of violations of the Company's Code of Conduct. 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 review, no complaint under the Whistle Blower Policy was received.

#### **COMPLIANCE WITH THE CODE OF CONDUCT**

To comply with the provisions of Regulation 17(5) of SEBI (LODR) Regulations the Company has adopted the "Code of Conduct for Board of Directors and Senior Management" (Code). The Code is available on the website of the Company at [www.varunpepsi.com](http://www.varunpepsi.com)

On the basis of declarations received from Board Members and Senior Management Personnel, the Whole-time Director & Chief Executive Officer has given a declaration that the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code during the Financial Year 2017. A Copy of such declaration is also attached with this report.

#### **GENERAL BODY MEETINGS**

##### **Annual General Meeting**

The Annual General Meetings (AGM) of the Company during the preceding three years were held at the following venues, dates and times, wherein the following special resolutions were passed:

<b>AGM</b>	<b>Year</b>	<b>Date, Day &amp; Time</b>	<b>Venue</b>	<b>Brief Description of Special Resolution</b>
22 <sup>nd</sup>	2016	Monday, April 17, 2017 at 11.00 a.m.	Sri Sathya Sai International Center, Pragati Vihar, Bhishm Pitamah Marg, Lodhi Road, New Delhi 110 003	<ul style="list-style-type: none"> <li>- Ratification of Employee Stock Option Scheme (ESOS) 2013 &amp; ESOS 2016.</li> <li>- Approval for issuance of Non-convertible Debentures of ₹ 10,000,000,000 on Private Placement Basis.</li> </ul>
21 <sup>st</sup>	2015	Monday, May 30, 2016 at 4.00 p.m.	Registered Office of the Company at F-2/7, Okhla Industrial Area, Phase – I, New Delhi – 110 020	No Special Resolution was passed.
20 <sup>th</sup>	2014	Friday, May 22, 2015 at 3.00 p.m.	Registered Office of the Company at F-2/7, Okhla Industrial Area, Phase – I, New Delhi – 110 020	

None of the Special Resolutions were passed during last year through postal ballot.

## Details of voting

Details of results of above referred special resolutions are as under:

Details of Agenda	No. of Valid Votes	Votes cast in favor of the resolution (no. and % age)	Votes cast against the resolution (no. and % age)
Ratification of Employee Stock Option Scheme (ESOS) 2013 and ESOS 2016.	112,165,357	101,347,069 (90.3551%)	10,818,288 (9.6449%)
Approval of issuance of Non-Convertible Debentures upto ₹ 10,000,000,000 on Private Placement Basis	112,165,390	112,165,291 (99.9999%)	99 (0.0001%)

## Extraordinary General Meeting

Apart from the Annual General Meeting, no other General Meeting was held during the Financial Year 2017.

## Postal Ballot

During the year, no special resolution was passed through postal ballot. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require special resolution through postal ballot.

Further, Resolutions (if required) shall be passed by Postal Ballot as per the prescribed procedure under the Companies Act, 2013 and SEBI (LODR) Regulations.

## 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 at [www.varunpepsi.com](http://www.varunpepsi.com) and have also been submitted to the Stock Exchanges to enable them to put on their websites and communicate to their members. The quarterly / half-yearly / annual financial results are published in English and Hindi language newspapers normally in Business Standard. Moreover, a report on Management Discussion and Analysis as well as Business Responsibility Report also forms a part of the Board's Report. The Company is electronically filing all reports / information including quarterly results, shareholding pattern and Corporate Governance Report and so on, on NSE website [www.connect2nse.com](http://www.connect2nse.com) and on BSE website [www.listing.bseindia.com](http://www.listing.bseindia.com)

## GENERAL SHAREHOLDERS INFORMATION

### A) Annual General Meeting

Date: April 17, 2018

Time: 11.00 a.m.

Venue: PHD Chamber of Commerce and Industry, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi - 110016

### B) Financial Year

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

### C) Financial Calendar 2018 (tentative)

First Quarter Results	: On or before May 15, 2018
Second Quarter Results	: On or before August 14, 2018
Third Quarter Results	: On or before November 14, 2018
Audited Annual Results for the year ending on December 31, 2018	: On or before March 1, 2019
Annual Book Closure	: April 10, 2018 to April 17, 2018 (both days inclusive)

### D) Dividend and its Payment

During the year under review, the Board of Directors in their meeting held on August 9, 2017 declared an interim dividend of ₹ 2.50/- per equity share (face value of ₹ 10/- per equity share) dividend to the eligible equity shareholders of the Company.

The Company has transferred the unpaid or unclaimed Interim Dividend to the Unclaimed Dividend Account – Varun Beverages Limited and the details of unpaid and unclaimed dividend amounts lying in the said Account (maintained with HDFC Bank) are uploaded on the website of the Company at [www.varunpepsi.com](http://www.varunpepsi.com)

#### E) Listing of Shares on Stock Exchanges and Stock Code

Sl. No.	Name and Address of the Stock Exchange	Stock code
1	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 2017 has been paid to the BSE Limited and the National Stock Exchange of India Limited.

#### F) Listing of Debt Instruments on Stock Exchanges and Codes

During the year, the following Debt Instruments were listed on the National Stock Exchange of India Limited.

Particulars	ISIN	Security code
7.7% Rated, Listed, Secured, Redeemable NCDs of face value of ₹ 1 Million each	INE200M07044	VBL22

#### Debenture Trustee

Axis Trustee Services Private Limited

Axis House, Ground Floor, Wadia International Centre,

Pandurang Budhkar Marg, Worli, Mumbai- 400025

Contact: 022-62260054/50

E-mail: debenturetrustee@axistrustee.com

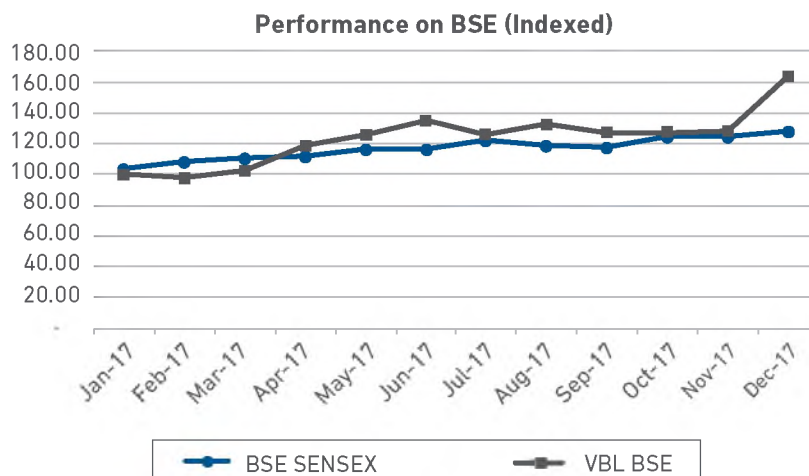
#### G) Market Price Data for the period January 1, 2017 to December 31, 2017

Month	BSE			NSE		
	High	Low	Volumes (Nos.)	High	Low	Volumes (Nos.)
Jan-17	418.40	382.70	64,562	419.95	381.05	463,545
Feb-17	416.00	382.50	64,273	407.30	380.15	900,582
Mar-17	408.00	341.25	277,629	420.00	340.00	2,352,532
Apr-17	499.00	400.60	411,836	499.00	400.00	2,598,399
May-17	507.90	461.85	1,021,107	506.00	461.00	2,871,747
Jun-17	558.00	476.50	194,247	561.05	486.30	2,800,676
Jul-17	569.65	488.05	954,417	569.40	476.10	3,095,907
Aug-17	573.30	481.20	622,271	573.40	490.30	2,458,627
Sep-17	546.00	501.00	60,562	547.00	493.75	506,967
Oct-17	527.20	486.25	33,303	530.00	491.00	241,089
Nov-17	545.90	486.00	486,132	545.00	485.60	1,253,051
Dec-17	664.95	491.50	290,437	664.00	492.55	2,859,153

#### Performance in comparison to broad - based indices

#### Performance on BSE

Comparison of share price of Varun Beverages Limited with BSE Sensex is as follows:

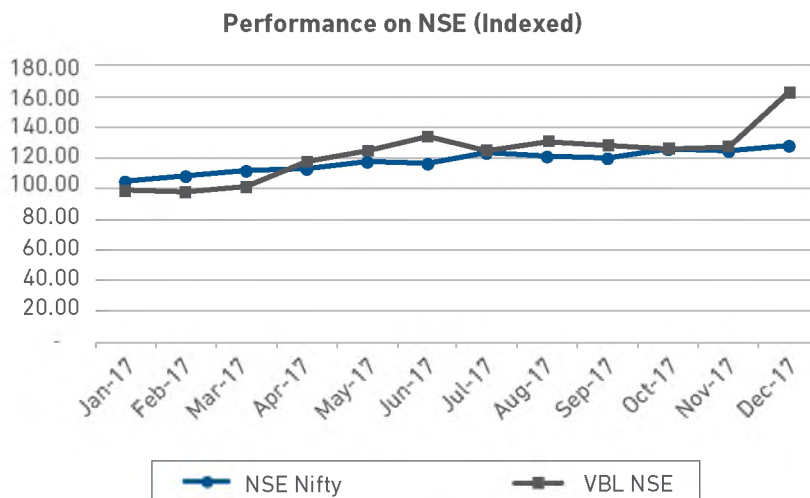


	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	July'17	Aug'17	Sept'17	Oct'17	Nov'17	Dec'17
VBL Share Price (₹)	399.45	388.65	404.75	470.85	497.55	533.55	500.20	524.30	505.80	501.25	509.30	651.35
BSE Sensex	27,655.96	28,743.32	29,620.50	29,918.40	31,145.80	30,921.61	32,514.94	31,730.49	31,283.72	33,213.13	33,149.35	34,056.83



## Performance on NSE

Comparison of share price of Varun Beverages Limited with NSE Nifty is as follows:



	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	July'17	Aug'17	Sept'17	Oct'17	Nov'17	Dec'17
VBL Share Price (₹)	397.60	390.30	404.95	470.35	498.15	534.85	498.20	523.65	510.55	503.20	508.25	653.25
NSE Nifty	8,561.30	8,879.60	9,173.75	9,304.05	9,621.25	9,520.9	10,077.1	9,917.9	9,788.6	10,335.3	10,226.55	10,530.70

## H) 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:

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 2342 0814  
 Email: einward.ris@karvy.com  
 Website: www.karvycomputershare.com  
 SEBI Registration No. INR000000221

## I) Share Transfer System

As on December 31, 2017, 182,586,930 (One Hundred Eighty Two Million Five Hundred Eighty Six Thousand Nine Hundred and Thirty) equity shares of the Company were in dematerialized form and 10 (Ten) equity shares were held in physical 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 (fifteen) 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) Regulations and files a copy of the said certificate with the Stock Exchanges.

#### J) Distribution of Shareholding

The shareholding distribution of equity shares as on December 31, 2017 is given hereunder:

(Nominal Value ₹ 10 per share)

Number of Shareholders	% of Total	Shareholding of Nominal Value of ₹ 10/-	Amount	% of Total
27,446	96.21	1 - 5000	18,642,670	1.02
549	1.92	5001 - 10000	3,877,320	0.21
244	0.86	10001 - 20000	3,510,080	0.19
67	0.23	20001 - 30000	1,691,660	0.10
37	0.13	30001 - 40000	1,309,020	0.07
34	0.12	40001 - 50000	1,594,370	0.09
59	0.21	50001 - 100000	4,408,140	0.24
91	0.32	100001 & above	1,790,836,140	98.08
<b>28,527</b>	<b>100.00</b>	<b>Total</b>	<b>1,825,869,400</b>	<b>100.00</b>

#### K) Categories of Shareholders (as on December 31, 2017)

Sl. No	Description	Total No of Equity Shares	% age
1	Banks	4,514	0.00
2	Clearing Members	178,827	0.11
3	Directors	842,853	0.46
4	Employees	445,774	0.24
5	Foreign Corporate Bodies	8,479,713	4.64
6	Foreign Institutional Investors	842,922	0.46
7	Foreign Portfolio Investors	22,761,068	12.47
8	HUFs	129,332	0.07
9	Bodies Corporates	399,747	0.22
10	Mutual Funds	2,169,118	1.19
11	NBFCs	1,833	0.00
12	Non Resident Indians	166,419	0.09
13	Non Resident Indian Non Repatriable	56,313	0.03
14	Promoter Group	171,780	0.09
15	Promoters	134,185,715	73.49
16	Resident Individuals	3,637,214	2.00
17	Trusts	8,113,798	4.44
	<b>Total:</b>	<b>182,586,940</b>	<b>100.00</b>

**L) Dematerialisation of Shares and Liquidity**

As on December 31, 2017, 99.99% of the total 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.

**M) Commodity price risk or foreign exchange risk and hedging risk.**

The details for the same have been provided in the Notes to Financial Statements of the Company for the Financial Year 2017.

**N) Plant locations**

The Plant locations have been provided at the end of the Annual Report.

**O) 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 dematerialised form (held with Depositories) and that the requests for dematerialization of shares are processed by the R&T Agents within stipulated period of 21 (Twenty One) days and uploaded with the concerned depositories.

**P) Equity Shares in the Suspense Account**

The Company has, in accordance with the procedure laid down in Schedule VI of SEBI (LODR) Regulations, 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 January 1, 2017	Nil	Nil
Number of shareholders who approached the Company for transfer of shares from suspense account during the year	Nil	Nil

Particulars	Number of shareholders	Number of equity shares
Number of shareholders to whom shares were transferred from suspense account during the year	Nil	Nil
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on December 31, 2017	Nil	Nil

**Q) Compliances under SEBI (LODR) Regulations**

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

The Company has also complied with all the mandatory requirements of SEBI (LODR) Regulations.

Further, the Company has also adopted voluntary requirement of the SEBI (LODR) Regulations relating to the "Separate posts of Chairperson and Chief Executive Officer".

**R) CEO and CFO Certification**

To comply with of Regulation 17(8) of SEBI (LODR) Regulations, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) of the Company have given Compliance Certificate stating therein matters prescribed under Part B of Schedule II of the said Regulations.

To comply with of Regulation 33(2) (a) of SEBI (LODR) Regulations, the CEO & CFO have certified the quarterly financial results while placing the financial results before the Board.

**S) Information on Deviation from Accounting Standards, if any**

The Company has adopted Indian Accounting Standards (Ind ASs) in preparation of annual accounts for the Financial Year 2017.

**T) Investor Correspondence**

Mr. Ravi Batra  
Chief Risk Officer & Group Company Secretary  
Plot No. 31, Sector – 44, Institutional Area, Gurugram 122 002 (Haryana)  
Tel: +91 124 4643100; Fax: +91 124 4643303  
Email: ravi.batra@rjcorp.in



**U) Disclosure of Compliance with Corporate Governance Requirements specified in Regulation 17 to 27 and Regulation 46 of SEBI (LODR) Regulations**

The Company has complied with the applicable provisions of SEBI (LODR) Regulations including Regulation 17 to 27 and Regulation 46 of SEBI (LODR) Regulations.

The Company submits a quarterly compliance report on corporate governance signed by Compliance Officer to the Stock Exchange within 15 (fifteen) days from the close of every quarter. Such quarterly compliance reports on corporate governance are also posted on the website of the Company.

Compliance of the Conditions of Corporate Governance has also been audited by an Independent Firm of Practising Company Secretaries. After being satisfied of the above compliances, they have issued a compliance certificate in this respect. The said certificate is attached to this report and the same will be forwarded to the Stock Exchanges along with the Annual Report of the Company.

**DISCLOSURES**

- (i) The Company has not entered into any material significant related party transactions which have potential conflict with the interests of the Company at large. Your Board of Directors had approved a Policy on Related Party Transactions and the same is uploaded at <http://varunpepsi.com/wp-content/uploads/2016/09/Policy-On-Related-Party-Transactions.pdf>
- (ii) The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the Financial Year 2017. No penalties or strictures were imposed on the Company by the Stock Exchanges, SEBI or other statutory authorities relating to the above.

- (iii) 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 2017 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**

**Place : Gurugram  
Date : March 19, 2018**

**Ravi Kant Jaipuria  
Chairman  
DIN : 00003668**



## CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To  
The Members  
Varun Beverages Limited

We have examined the compliance of conditions of Corporate Governance by Varun Beverages Limited ("the Company"), for the Financial Year ended December 31, 2017 as stipulated under regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and Para C, D and E of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. Our examination 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 substantially complied with the conditions of Corporate Governance as stipulated under regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and Para C, D and E of Schedule V to the Listing Regulations, the compliances of which needs to be further strengthened.

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

sd/-

**Sanjay Grover**  
Managing Partner  
CP No.: 3850

**New Delhi**  
**February 16, 2018**



## **CODE OF CONDUCT**

This is to certify that the Company has laid down a Code of Conduct (the Code) for all Board Members and Senior Management Personnel of the Company and a copy of the Code is put on the website of the Company viz. [www.varunpepsi.com](http://www.varunpepsi.com)

It is further confirmed that all the Directors and Senior Management have affirmed their compliance with the Code for the year ended December 31, 2017.

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

**Date : February 16, 2018  
Place : Gurugram**

**sd/-  
Kapil Agarwal  
Whole-time Director & Chief Executive Officer  
DIN : 02079161**

**CHIEF EXECUTING OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION UNDER REGULATION 17(8)  
OF SEBI (LODR) REGULATIONS, 2015**

We, Kapil Agarwal, Whole-time Director & Chief Executive Officer and Kamlesh Kumar Jain, Whole-time Director & Chief Financial Officer of Varun Beverages Limited, pursuant to the requirement of Regulation 17(8) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the best of our knowledge and belief, hereby certify that:-

- A) We have reviewed financial statements and the cash flow statement for the year ended December 31, 2017 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- C) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and that we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D) We have indicated to the auditors and the Audit committee :
- (i) significant changes in internal control over financial reporting during the Financial Year 2017;
  - (ii) significant changes in accounting policies during the said year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

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

sd/-  
**Kapil Agarwal**  
Whole-time Director &  
Chief Executive Officer  
DIN : 02079161

sd/-  
**Kamlesh Kumar Jain**  
Whole-time Director &  
Chief Financial Officer  
DIN : 01822576

**Place : Gurugram**  
**Date : February 16, 2018**

**Form No. MGT-9**
**EXTRACT OF ANNUAL RETURN**
**As on the Financial Year ended on December 31, 2017**

[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 - L74899DL1995PLC069839
- 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: +91 011 41706720; 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 2342 0814; Email: einward.ris@karvy.com Website: www.karvycomputershare.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:

Sl. 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	98.13%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiaries/ Associate	% of shares held	Applicable Section
1	Varun Beverages (Nepal) Private Limited, Sinamangal - 35, Koteswar, Kathmandu, Nepal	NA	Subsidiary	100.00	2(87) (ii)
2	Varun Beverages Morocco SA, Z. I. Bouskoura, 27182, B.P.408, Casablanca, Morocco	NA	Subsidiary	100.00	2(87) (ii)
3	Varun Beverages Lanka (Private) Limited, No. 140, Low Level Road, Embulgama, Ranala, Sri Lanka	NA	Subsidiary	100.00	2(87) (ii)
4	Ole Springs Bottlers (Private) Limited, No. 140, Low Level Road, Embulgama, Ranala, Sri Lanka	NA	Subsidiary	99.99	2(87) (ii)
5	Varun Beverages (Zambia) Limited; Plot number 37426, Mungwi Road, Box 30007, Lusaka, Zambia	NA	Subsidiary	90.00	2(87) (ii)
6	Varun Beverages (Zimbabwe) (Private) Limited; 7 Normandy Road, Alexandra Park, Harare, Zimbabwe	NA	Subsidiary	85.00	2(87) (ii)
7	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	
<b>A. Promoters &amp; Promoter Group</b>									
(1) Indian									
(a) Individual / HUF	78,535,150	-	78,535,150	43.08	78,535,150	-	78,535,150	43.02	-0.06
(b) Central Govt	-	-	-	0.00	-	-	-	0.00	0.00
(c) State Govt(s)	-	-	-	0.00	-	-	-	0.00	0.00
(d) Bodies Corp.	55,624,523	-	55,624,523	30.51	55,822,345	-	55,822,345	30.57	0.06
(e) Banks/FI	-	-	-	0.00	-	-	-	0.00	0.00
(f) Any Other	-	-	-	0.00	-	-	-	0.00	0.00
<b>Sub-Total (A)(1):-</b>	<b>134,159,673</b>	<b>-</b>	<b>134,159,673</b>	<b>73.59</b>	<b>134,357,495</b>	<b>-</b>	<b>134,357,495</b>	<b>73.59</b>	<b>0.00</b>
(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
<b>Sub-Total (A)(2):-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00</b>	<b>0.00</b>
<b>Total shareholding of Promoters &amp; Promoter Group (A) = (A)(1) + (A)(2)</b>	<b>134,159,673</b>	<b>-</b>	<b>134,159,673</b>	<b>73.59</b>	<b>134,357,495</b>	<b>-</b>	<b>134,357,495</b>	<b>73.59</b>	<b>0.00</b>
<b>B. Public Shareholding</b>									
(1) Institutions									
(a) Mutual Funds	1,861,438	-	1,861,438	1.02	2,169,118	-	2,169,118	1.19	0.17
(b) Banks/FI	5,698	-	5,698	0.00	4,514	-	4,514	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) FIs	4,993,640	-	4,993,640	2.74	842,922	-	842,922	0.46	-2.28
(h) Foreign Portfolio Investors	14,575,929	-	14,575,929	8.00	22,761,068	-	22,761,068	12.47	4.47
(i) Foreign Venture Capital Funds	12,840,202	-	12,840,202	7.04	-	-	-	0.00	-7.04
(j) Others (specify)	-	-	-	0.00	-	-	-	0.00	0.00
<b>Sub-total (B)(1):-</b>	<b>34,276,907</b>	<b>-</b>	<b>34,276,907</b>	<b>18.80</b>	<b>25,777,622</b>	<b>-</b>	<b>25,777,622</b>	<b>14.12</b>	<b>-4.68</b>
(2) Non- Institutions									
(a) Bodies Corporate									
(i) Indian	338,610	-	338,610	0.19	399,747	-	399,747	0.22	0.03
(ii) Overseas	-	-	-	0.00	-	-	-	0.00	0.00
(b) Individuals									
(i) Individual shareholders holding nominal share capital upto ₹ 1 Lakh	2,391,877	-	2,391,877	1.31	2,826,214	10	2,826,224	1.55	0.24
(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	2,125,755	-	2,125,755	1.17	2,099,617	-	2,099,617	1.15	-0.02

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	
(c) Others (specify)									
(i) Trusts	8,188,562	-	8,188,562	4.49	8,113,798	-	8,113,798	4.44	-0.05
(ii) NRIs	620,614	-	620,614	0.34	166,419	-	166,419	0.09	-0.25
(iii) NRIs (Non-Repatriation)	19,152	-	19,152	0.01	56,313	-	56,313	0.03	0.02
(iv) Clearing Members	26,301	-	26,301	0.01	178,827	-	178,827	0.10	0.08
(v) HUFs	165,074	-	165,074	0.09	129,332	-	129,332	0.07	-0.02
(vi) Foreign Bodies	-	-	-	-	8,479,713	-	8,479,713	4.64	4.64
(vii) NBFCs	-	-	-	-	1,833	-	1,833	0.00	0.00
<b>Sub-total (B)(2):-</b>	<b>13,875,945</b>	<b>-</b>	<b>13,875,945</b>	<b>7.61</b>	<b>22,451,813</b>	<b>10</b>	<b>22,451,823</b>	<b>12.30</b>	<b>4.69</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	<b>48,152,852</b>	<b>-</b>	<b>48,152,852</b>	<b>26.41</b>	<b>48,229,435</b>	<b>10</b>	<b>48,229,445</b>	<b>26.41</b>	<b>0.00</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total (A+B+C)</b>	<b>182,312,525</b>	<b>-</b>	<b>182,312,525</b>	<b>100.00</b>	<b>182,586,930</b>	<b>10</b>	<b>182,586,940</b>	<b>100.00</b>	<b>0.00</b>

## (ii) Shareholding of Promoters & Promoter Group

Sl. 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	
Promoters								
1	Ravi Kant Jaipuria & Sons (HUF)	39,187,870	21.49	0	39,187,870	21.46	0	-0.03
2	Varun Jaipuria	39,175,500	21.49	0	39,175,500	21.46	0	-0.03
3	RJ Corp Limited	49,932,870	27.39	0	55,822,345	30.57	0	3.18
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*	5,681,818	3.12	0	0	0.00	0	-3.12
7	Devyani Enterprises Private Limited*	2,270	0.00	0	0	0.00	0	0.00
8	Devyani Overseas Private Limited*	5,800	0.00	0	0	0.00	0	0.00
9	Universal Dairy Products Private Limited*	1,765	0.00	0	0	0.00	0	0.00
10	Vivek Gupta	168,000	0.09	0.09	168,000	0.09	0.09	0.00
	Total	134,159,673	73.59	0.09	134,357,495	73.59	0.09	0.00

\* Change in shareholding is due to merger vide National Company Law Tribunal order dated September 1, 2017

## (iii) Change in Promoters and Promoter Group's Shareholding

Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year / Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
<b>Ravi Kant Jaipuria &amp; Sons (HUF)</b>				
At the beginning of the year	39,187,870	21.49		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
At the end of the year			<b>39,187,870</b>	<b>21.46</b>
<b>Varun Jaipuria</b>				
At the beginning of the year	39,175,500	21.49		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
At the end of the year			<b>39,175,500</b>	<b>21.46</b>
<b>RJ Corp Limited</b>				
At the beginning of the year	49,932,870	27.39		
Increase / (Decrease) in Shareholding during the year:				
20.01.2017 (transfer)	120,633	0.07	50,053,503	27.45
27.01.2017 (transfer)	77,189	0.04	50,130,692	27.50
27.10.2017 (transfer)*	5,691,653	3.12	55,822,345	30.57
At the end of the year			<b>55,822,345</b>	<b>30.57</b>
<b>Devyani Hotels and Resorts Private Limited</b>				
At the beginning of the year	5,681,818	3.12		
Increase / (Decrease) in Shareholding during the year:				
27.10.2017 (transfer)*	(5,681,818)	-3.11		
At the end of the year			-	-
<b>Devyani Enterprises Private Limited</b>				
At the beginning of the year	2,270	0.00		
Increase / (Decrease) in Shareholding during the year:	-	-		
27.10.2017 (transfer)*	(2,270)	0.00		
At the end of the year			-	-
<b>Devyani Overseas Private Limited</b>				
At the beginning of the year	5,800	0.00		
Increase / (Decrease) in Shareholding during the year:	-	-		
27.10.2017 (transfer)*	(5,800)	0.00		
At the end of the year			-	-
<b>Universal Dairy Products Private Limited</b>				
At the beginning of the year	1,765	0.00		
Increase / (Decrease) in Shareholding during the year:	-	-		
27.10.2017 (transfer)*	(1,765)	0.00		
At the end of the year			-	-

Notes: (a) There is no change in the shareholding of Promoters / Promoters Group except as stated above. Due to allotment of equity shares under the ESOS- 2013, percentage of promoter shareholding was reduced.

(b) Figures under () denotes sale while other denotes purchase.

\* Change in shareholding is due to merger vide National Company Law Tribunal order dated September 1, 2017

(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
<b>1. MARINA III (SINGAPORE) PTE. LTD.</b>				
At the beginning of the year	-	-		
Increase / (Decrease) in Shareholding during the year:				
17.03.2017 (transfer)	12,719,569	6.97		
12.05.2017 (transfer)	(500,000)	(0.27)	12,219,569	6.70
23.06.2017 (transfer)	(224,081)	(0.12)	11,995,488	6.57
14.07.2017 (transfer)	(1,655,088)	(0.91)	10,340,400	5.67
25.08.2017 (transfer)	(1,612,341)	(0.88)	8,728,059	4.78
22.12.2017 (transfer)	(96,000)	(0.05)	8,632,059	4.73
29.12.2017 (transfer)	(152,346)	(0.08)	8,479,713	4.64
At the end of the year			<b>8,479,713</b>	<b>4.64</b>
<b>2. AION INVESTMENTS II SINGAPORE PTE LIMITED</b>				
At the beginning of the year	8,188,562	4.49		
Increase / (Decrease) in Shareholding during the year:				
27.01.2017 (transfer)	(76,932)	-0.04	8,111,630	4.45
At the end of the year			<b>8,111,630</b>	<b>4.44</b>
<b>3. SMALLCAP WORLD FUND, INC</b>				
At the beginning of the year	3,601,804	1.98		
Increase / (Decrease) in Shareholding during the year:				
06.01.2017 (transfer)	3,069	0.00	3,604,873	1.98
13.01.2017 (transfer)	26,025	0.01	3,630,898	1.99
20.01.2017 (transfer)	18,982	0.01	3,649,880	2.00
27.01.2017 (transfer)	9,991	0.01	3,659,871	2.01
03.02.2017 (transfer)	18,444	0.01	3,678,315	2.02
10.02.2017 (transfer)	71,673	0.04	3,749,988	2.06
30.06.2017 (transfer)	36,676	0.02	3,786,664	2.07
07.07.2017 (transfer)	53,559	0.03	3,840,223	2.10
14.07.2017 (transfer)	1,161,990	0.64	5,002,213	2.74
21.07.2017 (transfer)	102,919	0.06	5,105,132	2.80
28.07.2017 (transfer)	76,200	0.04	5,181,332	2.84
04.08.2017 (transfer)	448,070	0.25	5,629,402	3.08
11.08.2017 (transfer)	107,118	0.06	5,736,520	3.14
25.08.2017 (transfer)	1,148,468	0.63	6,884,988	3.77
At the end of the year			<b>6,884,988</b>	<b>3.77</b>
<b>4. NORDEA 1 SICAV - EMERGING STARS EQUITY FUND</b>				
At the beginning of the year	2,315,888	1.27		
Increase / (Decrease) in Shareholding during the year:				
06.01.2017 (transfer)	26,154	0.01	2,342,042	1.28
13.01.2017 (transfer)	13,253	0.01	2,355,295	1.29
03.03.2017 (transfer)	93,047	0.05	2,448,342	1.34
10.03.2017 (transfer)	38,652	0.02	2,486,994	1.36
24.03.2017 (transfer)	(28,341)	-0.02	2,458,653	1.35
19.05.2017 (transfer)	80,756	0.04	2,539,409	1.39
26.05.2017 (transfer)	68,700	0.04	2,608,109	1.43



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
30.06.2017 (transfer)	78,252	0.04	2,686,361	1.47
07.07.2017 (transfer)	98,904	0.05	2,785,265	1.53
14.07.2017 (transfer)	165,349	0.09	2,950,614	1.62
08.12.2017 (transfer)	2,999	0.00	2,953,613	1.62
29.12.2017 (transfer)	200,000	0.11	3,153,613	1.73
At the end of the year			<b>3,153,613</b>	<b>1.73</b>

#### 5. STICHTING DEPOSITARY APG EMERGING MARKETS EQUITY POOL

At the beginning of the year	2,167,658	1.19		
Increase / (Decrease) in Shareholding during the year:				
06.01.2017 (transfer)	1,831	0.00	2,169,489	1.19
24.02.2017 (transfer)	215,000	0.12	2,384,489	1.31
03.03.2017 (transfer)	100,000	0.05	2,484,489	1.36
07.04.2017 (transfer)	383,647	0.21	2,868,136	1.57
17.11.2017 (transfer)	7,972	0.00	2,876,108	1.58
24.11.2017 (transfer)	198,028	0.11	3,074,136	1.68
15.12.2017 (transfer)	16,703	0.01	3,090,839	1.69
22.12.2017 (transfer)	6,130	0.00	3,096,969	1.70
At the end of the year			<b>3,096,969</b>	<b>1.70</b>

#### 6. AMERICAN FUNDS INSURANCE SERIES GLOBAL SMALL CAPITALIZATION FUND

At the beginning of the year	1,200,578	0.66		
Increase / (Decrease) in Shareholding during the year:				
06.01.2017 (transfer)	1,023	0.00	1,201,601	0.66
13.01.2017 (transfer)	8,675	0.00	1,210,276	0.66
20.01.2017 (transfer)	6,327	0.00	1,216,603	0.67
27.01.2017 (transfer)	3,331	0.00	1,219,934	0.67
03.02.2017 (transfer)	6,147	0.00	1,226,081	0.67
10.02.2017 (transfer)	23,893	0.01	1,249,974	0.69
30.06.2017 (transfer)	14,683	0.01	1,264,657	0.69
07.07.2017 (transfer)	21,441	0.01	1,286,098	0.70
14.07.2017 (transfer)	465,166	0.25	1,751,264	0.96
21.07.2017 (transfer)	41,201	0.02	1,792,465	0.98
28.07.2017 (transfer)	30,504	0.02	1,822,969	1.00
04.08.2017 (transfer)	179,370	0.10	2,002,339	1.10
11.08.2017 (transfer)	42,882	0.02	2,045,221	1.12
25.08.2017 (transfer)	459,753	0.25	2,504,974	1.37
At the end of the year			<b>2,504,974</b>	<b>1.37</b>

#### 7. MONDRIAN EMERGING MARKETS SMALL CAP EQUITY FUND, L.P.

At the beginning of the year	2,438,587	1.34		
Increase / (Decrease) in Shareholding during the year:				
28.04.2017 (transfer)	(124,777)	-0.07	2,313,810	1.27
26.05.2017 (transfer)	(122,588)	-0.07	2,191,222	1.20
09.06.2017 (transfer)	(74,698)	-0.04	2,116,524	1.16
16.06.2017 (transfer)	(40,302)	-0.02	2,076,222	1.14
23.06.2017 (transfer)	(67,589)	-0.04	2,008,633	1.10
07.07.2017 (transfer)	(9,752)	-0.01	1,998,881	1.10

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
21.07.2017 (transfer)	(139,220)	-0.08	1,859,661	1.02
11.08.2017 (transfer)	(45,200)	-0.02	1,814,461	0.99
18.08.2017 (transfer)	(104,800)	-0.06	1,709,661	0.94
29.09.2017 (transfer)	(30,384)	-0.02	1,679,277	0.92
06.10.2017 (transfer)	(8,300)	0.00	1,670,977	0.92
At the end of the year			<b>1,670,977</b>	<b>0.92</b>

#### 8. SUNDARAM MUTUAL FUND A/C SUNDARAM SELECT MIDCAP

At the beginning of the year	734,817	1.34		
Increase / (Decrease) in Shareholding during the year:				
17.03.2017 (transfer)	11,053	0.01	745,870	0.41
24.03.2017 (transfer)	13,947	0.01	759,817	0.42
07.04.2017 (transfer)	39,103	0.02	798,920	0.44
14.04.2017 (transfer)	53,308	0.03	852,228	0.47
21.04.2017 (transfer)	318,379	0.17	1,170,607	0.64
12.05.2017 (transfer)	157,511	0.09	1,328,118	0.73
19.05.2017 (transfer)	1,861	0.00	1,329,979	0.73
23.06.2017 (transfer)	(9,228)	(0.01)	1,320,751	0.72
30.06.2017 (transfer)	(190,772)	(0.10)	1,129,979	0.62
14.07.2017 (transfer)	(82,733)	(0.05)	1,047,246	0.57
28.07.2017 (transfer)	(17,267)	(0.01)	1,029,979	0.56
At the end of the year			<b>1,029,979</b>	<b>0.56</b>

#### 9. ONTARIO PENSION BOARD - MONDRIAN INVESTMENT PARTNERS LIMITED

At the beginning of the year	1,065,697	0.58		
Increase / (Decrease) in Shareholding during the year:				
24.03.2017 (transfer)	2,056	0.00	1,067,753	0.59
07.07.2017 (transfer)	(4,300)	(0.00)	1,063,453	0.58
28.07.2017 (transfer)	(75,362)	(0.04)	988,091	0.54
At the end of the year			<b>988,091</b>	<b>0.54</b>

#### 10. CLSA GLOBAL MARKETS PTE. LIMITED

At the beginning of the year	1,272,578	0.70		
Increase / (Decrease) in Shareholding during the year:				
31.03.2017 (transfer)	51,619	0.03	1,324,197	0.73
07.04.2017 (transfer)	97,909	0.05	1,422,106	0.78
04.08.2017 (transfer)	(750,000)	-0.41	672,106	0.37
At the end of the year			<b>672,106</b>	<b>0.37</b>

Notes: (a) List of top 10 shareholders were taken as on 31.12.2017. The increase / (decrease) in shareholding as stated above is based on details of beneficial ownership furnished by the depository.

(b) Figures under () denotes sale while other denotes purchase.

**(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 / Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
<b>Mr. Ravi Kant Jaipuria, Non-executive Chairman</b>				
At the beginning of the year	Nil	Nil		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
No change during the year				
At the end of the year			Nil	Nil
<b>Mr. Varun Jaipuria, Whole-time Director</b>				
At the beginning of the year	39,175,500	21.49		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
No change during the year				
At the end of the year			39,175,500	21.46*
<b>Mr. Raj Pal Gandhi, Whole-time Director</b>				
At the beginning of the year	440,429	0.24		
Increase / (Decrease) in Shareholding during the year:				
16.06.2017 (transfer)	(429)	0.00	440,000	0.24
23.06.2017 (transfer)	(17,071)	-0.01	422,929	0.23
25.08.2017 (transfer)	(6,500)	0.00	416,429	0.23
22.12.2017 (transfer)	(5,000)	0.00	411,429	0.23
At the end of the year			411,429	0.23
<b>Mr. Kapil Agarwal, Whole-time Director &amp; Chief Executive Officer</b>				
At the beginning of the year	440,429	0.24		
Increase / (Decrease) in Shareholding during the year:				
16.06.2017 (transfer)	(1,846)	0.00	438,583	0.24
23.06.2017 (transfer)	(16,577)	-0.01	422,006	0.23
25.08.2017 (transfer)	(5,530)	0.00	416,476	0.23
22.12.2017 (transfer)	(5,000)	0.00	411,476	0.23
At the end of the year			411,476	0.23
<b>Mr. Kamlesh Kumar Jain, Whole-time Director &amp; Chief Financial Officer</b>				
At the beginning of the year	46,000	0.03		
Increase / (Decrease) in Shareholding during the year:				
19.05.2017 (transfer)	(1,410)	0.00	44,590	0.02
09.06.2017 (transfer)	(500)	0.00	44,090	0.02
16.06.2017 (transfer)	(15,000)	-0.01	29,090	0.02
18.08.2017 (transfer)	(10,000)	-0.01	19,090	0.01
At the end of the year			19,090	0.01
<b>Mr. Ravindra Dhariwal, Independent Director</b>				
At the beginning of the year	Nil	Nil		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
No change during the year				
At the end of the year			Nil	Nil

For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year / Shareholding at the end of the year	
<b>Dr. Girish Ahuja, Independent Director</b>	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	Nil		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
No change during the year				
At the end of the year			Nil	Nil
<b>Mr. Pradeep Sardana, Independent Director</b>				
At the beginning of the year	858	0.00		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
No change during the year				
At the end of the year	-	-	858	0.00
<b>Mr. Sanjoy Mukerji, Independent Director</b>				
At the beginning of the year	Nil	Nil		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
No change during the year				
At the end of the year			Nil	Nil
<b>Ms. Geeta Kapoor, Independent Director</b>				
At the beginning of the year	Nil	Nil		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
No change during the year				
At the end of the year			Nil	Nil
<b>Dr. Naresh Kumar Trehan, Independent Director</b>				
At the beginning of the year	Nil	Nil		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
No change during the year				
At the end of the year			Nil	Nil
<b>Mr. Mahavir Prasad Garg, Company Secretary<sup>1</sup></b>				
At the beginning of the year	Nil	Nil		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
No change during the period				
At the end of the year			Nil	Nil
<b>Mr. Ravi Batra, Chief Risk Officer &amp; Group Company Secretary<sup>2</sup></b>				
At the beginning of the year	Nil	Nil		
Increase / (Decrease) in Shareholding during the year:	-	-	-	-
No change during the period				
At the end of the year			Nil	Nil

<sup>\*</sup> Due to allotment of equity shares under the ESOS- 2013, percentage of shareholding was reduced.

<sup>1</sup> Resigned from the services of the Company with effect from May 12, 2017

<sup>2</sup> Appointed as Compliance Officer and designated as "Chief Risk Officer & Group Company Secretary" with effect from May 12, 2017

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



## V. INDEBTEDNESS

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

(₹ In Million)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	17,095.14	802.61	-	17,897.75
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	38.81	-	-	38.81
<b>Total (i+ii+iii)</b>	<b>17,133.95</b>	<b>802.61</b>	<b>-</b>	<b>17,936.56</b>
<b>Change in Indebtedness during the financial year</b>				
<b>Addition</b>	<b>11,822.54</b>	<b>83.86</b>	<b>-</b>	<b>11,906.40</b>
<b>Reduction</b>	<b>(5,729.11)</b>	<b>(210.00)</b>	<b>-</b>	<b>(5,939.11)</b>
<b>Net Change</b>	<b>6,093.43</b>	<b>(126.14)</b>	<b>-</b>	<b>5,967.29</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	23,171.19	676.47	-	23,847.66
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	56.19	-	-	56.19
<b>Total (i+ii+iii)</b>	<b>23,227.38</b>	<b>676.47</b>	<b>-</b>	<b>23,903.85</b>

Notes:

1. Indebtedness includes deferred payment liabilities:
2. The Company has adopted Indian Accounting Standards (Ind AS) with effect from 01 January 2017, pursuant to the notification of Companies (Indian Accounting Standard) Rules, 2015 issued by the Ministry of Corporate Affairs. Previous years' figures have been restated to comply with Ind AS, accordingly figures at the beginning have been restated.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(₹ In Million)

Sl. No.	Particulars of Remuneration	Mr. Varun Jaipuria, Whole-time Director	Mr. Raj Pal Gandhi, Whole-time Director	Mr. Kapil Agarwal, Whole-time Director & Chief Executive Officer	Mr. Kamlesh Kumar Jain, Whole-time Director & Chief Financial Officer	Total Amount
1	Gross Salary					
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	29.38	38.30	44.71	11.23	123.62
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0.04	0.04	0.03	0.02	0.13
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-	-	-
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
4	Commission	-	-	-	-	-
	- as % of profit					
	- others, specify...					
5	Others, please specify	-	-	-	-	-
	<b>Total (A)</b>	<b>29.42</b>	<b>38.34</b>	<b>44.74</b>	<b>11.25</b>	<b>123.75</b>
	Ceiling as per the Act	Total ₹ 291.83 Million as per Section 197 of the Companies Act, 2013				



## B. Remuneration to non-executive Directors Including Independent Directors:

(₹ In Million)

Sl. No.	Particulars of Remuneration	Name of Directors							
		Mr. Ravi Kant Jaipuria	Mr. Ravindra Dhariwal	Dr. Girish Ahuja	Dr. Naresh Kumar Trehan	Mr. Pradeep Sardana	Mr. Sanjoy Mukerji	Ms. Geeta Kapoor	Total Amount
	• Fee for attending Board/ Committee Meetings	-	1.30	1.30	-	0.40	-	0.40	3.40
	• Commission	-	-	-	-	-	-	-	-
	• Others, please specify	-	-	-	-	-	-	-	-
	<b>Total</b>	-	<b>1.30</b>	<b>1.30</b>	-	<b>0.40</b>	-	<b>0.40</b>	<b>3.40</b>
	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.							

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

(₹ In Million)

Sl. No.	Particulars of Remuneration	Mr. Ravi Batra, Chief Risk Officer & Group Company Secretary*	Mr. Mahavir Prasad Garg, Company Secretary **	Total Amount
1	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	4.24	0.99	5.23
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0.01	0.01	0.02
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify...	-	-	-
5	Others, please specify	-	-	-
	<b>Total</b>	<b>4.25</b>	<b>1.00</b>	<b>5.25</b>

Notes:-

\*Appointed as Compliance Officer and designated as "Chief Risk Officer & Group Company Secretary" with effect from May 12, 2017

\*\*Resigned with effect from May 12, 2017

## 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)
<b>A. Company</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>B. Directors</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>C. Other Officers in Default</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

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

Place : Gurugram  
Date : March 19, 2018

Ravi Kant Jaipuria  
Chairman  
DIN : 00003668

# Management Discussion & Analysis

## ECONOMIC OVERVIEW & OUTLOOK

### Global economy

Global economic activity, which has been on an upswing since mid-2016, continues to firm up in 2017. Global output is estimated to have grown by 3.7% in 2017 led by broad-based growth, with positive surprises in Europe and Asia. It is further encouraging that global growth forecasts for 2018 and 2019 have been revised upward by 0.2 percentage points to 3.9%, reflective of the increased global growth momentum. (Source: IMF)

### Indian economy

2017 was an interesting year for the Indian economy. Firstly, the path-breaking Goods and Services Tax (GST) became a reality. Leaving aside the initial short-term disruptions associated with any major structural reform, the benefits of GST over the medium term are indisputable.

The year also witnessed significant steps being undertaken towards resolution of problems associated with non-performing assets of the banks under the Bankruptcy Code, the implementation of a bank recapitalization package for public sector banks, further liberalization of the foreign direct investment regime, etc. Further strengthening the momentum of reforms was the Union Budget 2018, which focused on uplifting the rural economy, strengthening of the agriculture sector, healthcare for the economically less privileged, infrastructure creation and improvement in the quality of education of the country.

The Indian economy is now a US\$2.5 trillion economy, the seventh largest in the world and is estimated to grow

at 6.6% in 2017-18, as per second advanced estimates released by CSO. Given the positive developments and the series of major reforms undertaken over the past year, the IMF estimates the Indian economy to regain its fastest growing economy tag by growing 7.4% in 2018 and 7.8% in 2019. The key engines supporting the upturn are largely domestic and policy-driven, though a synchronous upturn in global growth will, undoubtedly, provide some tailwind. (Source: IMF)

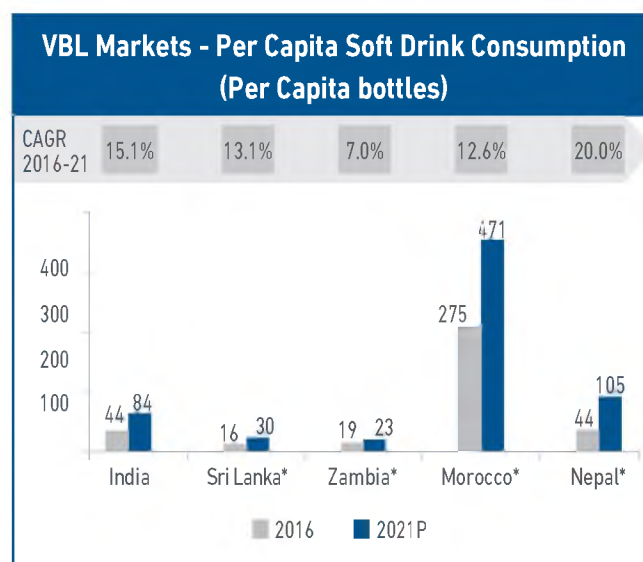
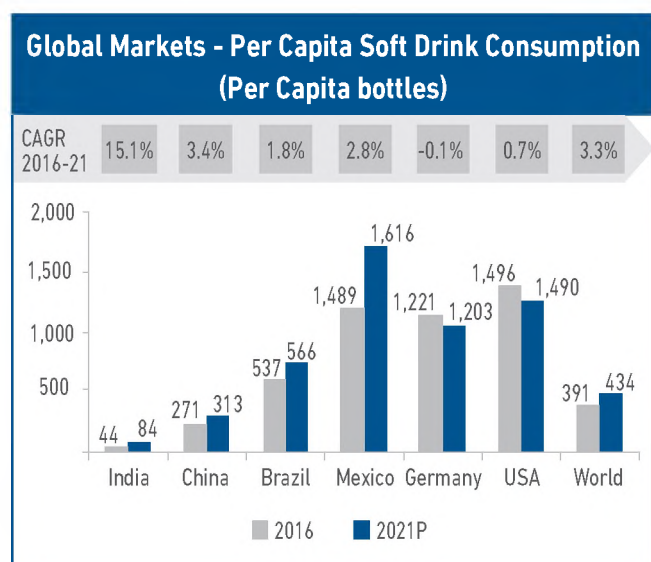
## SOFT DRINKS MARKET OVERVIEW & OUTLOOK

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

### World soft drinks market

The Global soft drink market comprises 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 2016-21 in India (15.1%), Sri Lanka (13.1%), Morocco (12.6%), Nepal (20.0%), Zambia (7.0%), and Zimbabwe (6.1%) where the Company's recently established presence surpasses the projections of several other global markets.



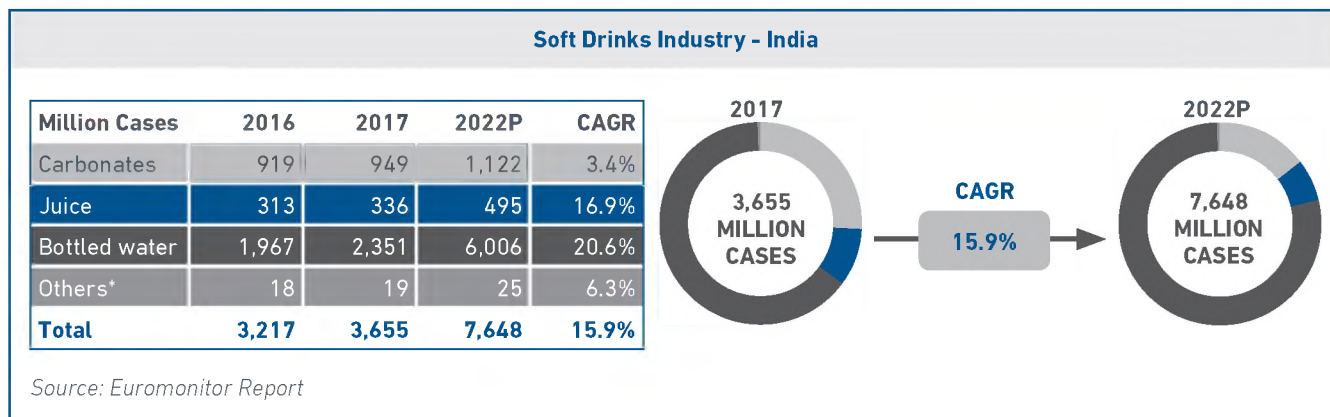
**Source:** Euromonitor Report; **Note:** \* denotes modeled Countries; Data for Modeled countries is created by pegging countries outside Euromonitor's research program to those they research, linking together those with a similar consumer culture and development level.



## Soft drinks market in India

The Indian soft drinks market is estimated to be a ₹ 355 billion opportunity and is expected to continue its robust growth

trajectory with a projected volume CAGR of 15.9% over the next five years, led by broad-based growth across the various categories, especially juices and bottled water.



## Key Growth Drivers

**Low per capita consumption:** 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) and even the developing markets like Brazil (537 bottles). India's per capita soft drinks consumption is expected to almost double and reach 84 bottles by 2021.

**Growing middle-class:** India's economic liberalization in 1991 opened the floodgates for the arrival of a robust middle-class. Strong aspirations of the Indian middle-class will lead to an increase in the demand for premium products including beverages.

**Electrification in India:** The Union government's ambitious plan to complete rural electrification of 18,458 villages by May 1, 2018 is set to be achieved before target.

**Rising affordability:** Aggregate consumer expenditure is likely to increase from ₹ 45 trillion in 2010 to nearly ₹ 150 trillion by 2020 - a more than threefold increase in 10 years. This will be accompanied by an increase in affluent and aspiring households from 48 million to more than 100 million in the same time period. The growing aspirations combined with rising affordability are expected to contribute towards a growing market for beverages in India.

**Increasing urbanization and innovation:** Rising urbanization in India has accelerated the demand for beverages. Higher

spending on packaged products and 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. VBL's core markets in India are expected to continue their growth momentum with increased penetration in rural and semi-urban markets and rising brand awareness.

**Location:** Majority of Indian population lives in hot and dry climatic regions or temperate regions being potential consumers for Varun Beverages.

**Shift from unorganized to organized:** With increased compliance post the roll-out of the Goods and Services Tax (GST), a shift of business is expected from the unorganized to organized players, which would translate into increased market share for organized players like Varun Beverages.

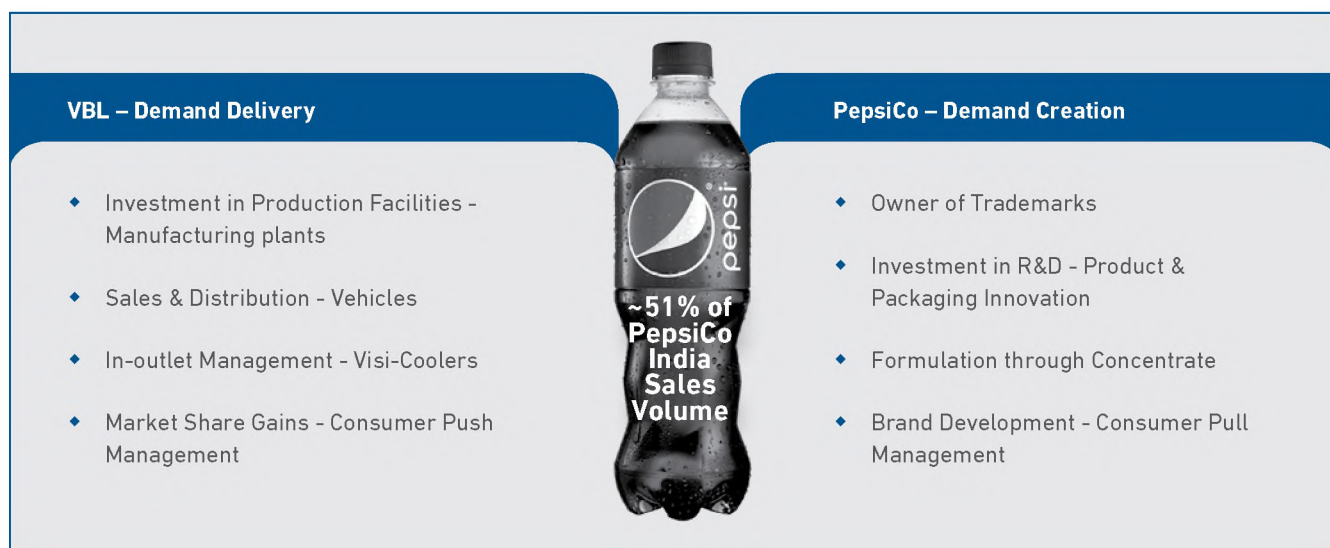
## BUSINESS OVERVIEW – A KEY PLAYER IN THE BEVERAGE INDUSTRY

### VBL Presence

Varun Beverages Limited (VBL) is a key 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, Zambia and Zimbabwe) contributing ~10%.

### Symbiotic Relationship with PepsiCo

The Company enjoys a strong, symbiotic and long-standing relationship with PepsiCo spanning over two decades, since their entry into India. It accounts for ~51% of PepsiCo's sales volumes in India. The Company tactfully combines PepsiCo's insights, resources and experience with its own bottling, distribution and sales to ensure a win-win situation.



VBL manufactures, sells and distributes products under trademarks and brands owned by PepsiCo which includes carbonated soft drinks, carbonated juices, juice-based drinks, energy drinks and packaged bottled water, through its extensive manufacturing facilities and well-entrenched distribution network. The Company has been granted franchise rights for various PepsiCo products across 21 States and two Union Territories in India, as well as for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe.

#### Business Model

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, consumer marketing and brands provided by PepsiCo, VBL charts 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.

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 approved 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 it has 20 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. Further, it constantly looks for avenues to optimize these costs.

VBL has a robust supply chain with 72 depots, 2,100+ owned vehicles and 1,000+ 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. It undertakes local level promotion, in-store activations, customer relation management, merchandizing, individual account management and evaluation of high demand region for strategic placement of vending machines and visi-coolers. Presently, it has installed ~474,500 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 handheld device system called SAMNA (Sales Automation Management for the New Age) for real-time sales information.

The Company has presence in 21 States and two Union Territories in 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.





## KEY BUSINESS DEVELOPMENTS – 2017

### Acquisition of new territories

- Concluded the acquisition of PepsiCo India's previously franchised sub-territories of the State of Odisha and parts of Madhya Pradesh along with two manufacturing units at Bargarh (Odisha) and Mandideep (MP) w.e.f. Sep 27, 2017
- Concluded the acquisition of PepsiCo India's previously franchised sub-territory of the State of Chhattisgarh w.e.f. Jan 11, 2018
- Acquired franchisee rights of PepsiCo India's previously franchised sub-territory of the State of Bihar w.e.f. Jan 17, 2018
- Acquired a manufacturing unit at Cuttack (Odisha) w.e.f. Jan 19, 2018
- Concluded the acquisition of PepsiCo India's previously franchised sub-territory of the State of Jharkhand along with a manufacturing unit at Jamshedpur.
- Total consideration for above acquisitions is ~₹2,550 million and the Company intend to further spend ~₹350 million in upgrading the plant & machinery and marketing assets in these sub-territories
- Above acquisitions will help in garnering incremental PepsiCo India's volumes of ~6% and further providing access to an additional consumer base of ~21% of India's population
- VBL is now a franchisee for PepsiCo products across 21 States and two Union Territories in India and accounts for ~51% of PepsiCo's beverage sales volumes in India

### New product launches

- Launched Pepsi Black, a zero calorie cola flavor CSD product currently available in 250ml cans and 250 ml non-returnable glass bottles
  - Launch is part of PepsiCo's plan to intensify focus on health and nutrition, reduce sugar content in beverages
- Launched Sting for the next season, a carbonated energy drink available in 250ml cans and 250 ml PET bottles at a highly competitive price point as compared to other brands in the segment
  - The energy drink contains ~50% less sugar than the regular CSD products and 70 calories per 250ml serving
- Entered into a strategic partnership for selling and distribution of the larger Tropicana portfolio that includes Tropicana Juices (100%, Delight, Essentials) in territories across North and East India
- Entered into a strategic partnership for selling and distribution of Gatorade and Quaker Value-Added Dairy in territories across North and East India

### Ratings upgrade

- Company's credit rating for long-term debt of VBL got upgraded by one notch and short-term debt rating continued to remain at top notch

- Long-Term Debt: CRISIL A+/Positive to CRISIL AA-/Stable
- Short-Term Debt / Commercial Paper: CRISIL A1+

### Capacity expansion / rationalization

- Set up a new unit for manufacturing PepsiCo range of products at District Hardoi, Uttar Pradesh; commercial production / operation started with effect from May 3, 2017
- Goa operations got consolidated into a single larger facility to bring in operational efficiencies
- One CSD glass line each from Sathariya-1 and Bazpur plant were shifted to Nepal and Zimbabwe respectively
- Shut down 4 depots in India as part of rationalization exercise post GST implementation
- Capex for CY17 is in line with depreciation and to substantially reduce going forward

### Expanded presence in Africa

- Increased stake in Zambia subsidiary, Varun Beverages (Zambia) Limited, to 90% from 60% at reasonable valuations with an attractive payback given growth prospects and promising earnings potential
  - Enables VBL to consolidate a higher share of profits from the subsidiary going forward (2017 sales volumes of ~10 million cases; 2017 EBITDA of ₹ 275 million and 2017 PAT of ₹ 178 million)
- Established a greenfield production facility in Zimbabwe, an untapped market with huge potential where it will sell and distribute PepsiCo's products as sole franchisee

### Divestment

- Divested 41% stake in its Mozambique subsidiary, Varun Beverages Mozambique Limitada in view of limited opportunity to scale-up operations to turnaround the loss making subsidiary
- Subsidiary contributed only 0.6% to the net revenues from operations in 2016 and recorded a loss of ₹ 135 million in 2016

### Dividend Policy

With the listing of the Company in November 2016, the Company's Board of Directors decided to formalize a dividend policy, in line with good Corporate Governance practices.

### Salient Features

- Endeavor to maintain a dividend payout in the range of 10-30% of annual profit after tax on standalone financials
- Consider certain financial parameters such as earnings outlook, future capex requirements, organic growth plans, capital restructuring, debt reduction, cash flows, etc.
- Consider certain external parameters such as macro-economic environment, regulatory changes, technological changes, statutory and contractual restrictions, etc.
- For a detailed perspective, please refer to our website [www.varunpepsi.com](http://www.varunpepsi.com)

- The Board of Directors have recommended an interim dividend of ₹ 2.5/share in Q2 CY2017 which has been approved by the board as final dividend for CY2017. This resulted in a cash outflow of ~ ₹ 549.2 million (including dividend distribution tax payable)

#### Guidelines for Acquisition in India

Varun Beverages effectively utilizes retained earnings for inorganic growth through acquisition of new territories. Acquisitions have been a key component of the Group's growth strategy for many years and substantially accelerated its revenue growth rate, leading to significant positive contribution to its net income and cash flow. VBL applies stringent strategic and financial criteria to any potential acquisition or partnership. Further, to enhance transparency, the Board has decided to set few guidelines to further its M&A activities.

#### Acquisition Criteria

- The consideration for the target territory/sub-territory shall be up to 1.0x revenue (net of GST)  $\pm$  20%
- The investment will be made such that the consolidated Debt/EBITDA ratio remains under 3x post acquisition
- Acquisition of any territory/sub-territory shall be at an EV of under 6x
  - EV = Volume x EBITDA x 6
  - Volume = last one year proforma volumes of target territory/sub-territory
  - EBITDA = VBL's last one year EBITDA per unit case
- Any M&A related to PepsiCo franchise in the target territory/sub-territory shall be through VBL only
- For a detailed perspective, please refer to our website [www.varunpepsi.com](http://www.varunpepsi.com)

#### PERFORMANCE HIGHLIGHTS – 2017 VS 2016

(₹ in million)

Particulars	CY 2017	CY 2016	YoY (%)
1. Income			
(a) Revenue from operations	45,162.4	45,314.6	-0.3%
(b) Other income	126.5	357.3	-64.6%
<b>Total income from operations*</b>	<b>45,288.9</b>	<b>45,671.9</b>	<b>-0.8%</b>
2. Expenses			
(a) Cost of materials consumed	18,555.1	16,769.0	10.7%
(b) Excise duty	5,128.4	6,702.8	-23.5%
(c) Purchase of stock-in-trade	277.7	928.4	-70.1%
(d) Changes in inventories of FG, WIP and stock-in-trade	(732.2)	(318.6)	NA
(e) Employee benefits expense	4,628.4	4,210.3	9.9%
(f) Finance costs	2,121.8	4,325.4	-50.9%
(g) Depreciation and amortization expense	3,466.4	3,222.1	7.6%
(h) Other expenses	8,947.3	9,063.0	-1.3%
<b>Total expenses</b>	<b>42,392.8</b>	<b>44,902.4</b>	<b>-5.6%</b>
3. Profit/(loss) before tax and share of profit in associate (1-2)	2,896.0	769.6	276.3%
4. Share of profit in associate	13.5	23.8	-43.2%
5. Profit/(loss) before tax (3-4)	2,909.5	793.4	266.7%
6. Tax expense	769.0	313.0	145.7%
7. Net profit/(loss) for the period (5-6)	2,140.6	480.4	345.6%
8. Minority Interest	39.0	56.6	-31.1%

\*Refer the table below

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

Further, consequent to the introduction of Goods and Services Tax (GST) with effect from July 01 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, unlike Excise Duties, levies like GST, VAT, etc. are not part of Revenue. To facilitate comparison, adjusted revenue calculations are provided below:

(₹ in million)

Particulars	CY 2017	CY 2016	YoY (%)
Gross sales/income from operations (A)	45,162.4	45,314.6	-0.3%
Excise duty on sale* (B)	5,128.4	6,702.8	-23.5%
Net sales from operations (A-B)	40,034.0	38,611.8	3.7%

\*Excise duty has been merged with GST from Q3 CY2017 onwards in India. Current number is pertaining to excise duty in India in H1 CY2017 and excise duty & other similar taxes in jurisdictions other than India

Revenue from operations, adjusted for excise/GST, grew 3.7% Y-o-Y in CY2017 to ₹ 40,034 million. The Indian operations contributed 75% of the revenue, rest of the Indian Subcontinent i.e. Nepal and Sri Lanka contributed 14% while the African

contribution stood at 11% in CY2017. Total sales volumes increased marginally by 1.1% Y-o-Y at 278.8 million cases in CY2017 as compared to 275.8 million unit cases in CY2016, impacted on account of the residual impact of demonetization and inventory de-stocking ahead of GST implementation during the first half of the year in India. The performance in the international operations was better, recording a volume growth of 5.9% in CY2017.

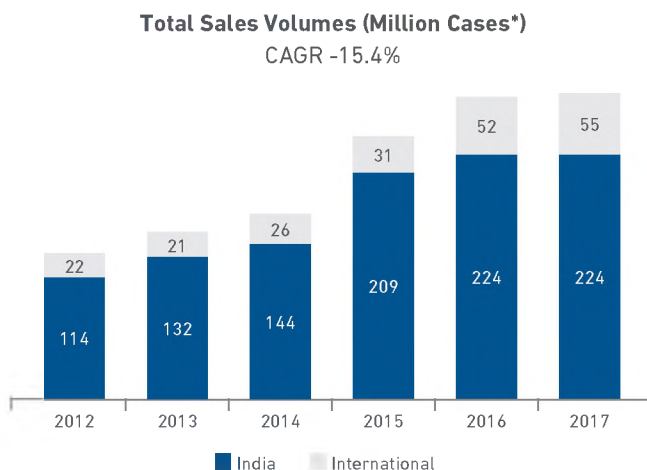
EBITDA increased by 5.0% Y-o-Y to ₹ 8,358 million in CY2017 against ₹ 7,960 million in CY2016. EBITDA margins expanded 30 bps Y-o-Y to 20.9% in CY2017. The Company was able to successfully offset the 9.3% Y-o-Y increase in sugar prices during the year through cost efficiencies on account of the consolidation of contiguous territories, proximity of new plants to demand and solid backward integration infrastructure. The Company consolidated its Goa operations into a single larger facility from two earlier, shifted one CSD glass line each from Sathariya-1 (U.P.) and Bazpur (Uttarakhand) plant to Nepal and Zimbabwe respectively and have shut down 4 depots in India as part of rationalization exercise post GST implementation. The Company will continue to undertake consolidation of smaller plants and rationalization of depots to bring in operational efficiencies and are confident of sustaining margins in this range going forward.

PAT increased by 346% to ₹ 2,141 million in CY2017 from ₹ 480 million in CY2016 driven by operational improvements, interest cost savings and Ind-AS adjustments. Another big positive for the Company during the year was the CRISIL rating upgrade of its long-term debt facilities to AA-/Stable from A+/Positive. This is testimony to the strength of the operations and cash flow generation. The Company had already secured top rating for short-term debt i.e. CRISIL A1+.

Net working capital days remained steady at 30 days in CY2017. Net debt to equity stood at 1.3x primarily due to incremental debt availed towards the end of the year for the acquisition of new sub-territories in India and adjustment in equity due to Ind-AS implementation. The Company expects the debt to normalize by the end of its peak season in H1CY2018 on the back of strong internal accruals. Net capex during CY2017

was ₹ 6,615 million which includes organic capex of ~ ₹ 3,915 million and in-organic capex of ~ ₹ 2,700 million for acquisition of parts of MP and Odisha sub-territories and CWIP for setting-up a green field plant in Nepal and Zimbabwe. With majority of the capex behind, the Company expects strong free cash flows from existing investments in the coming years.

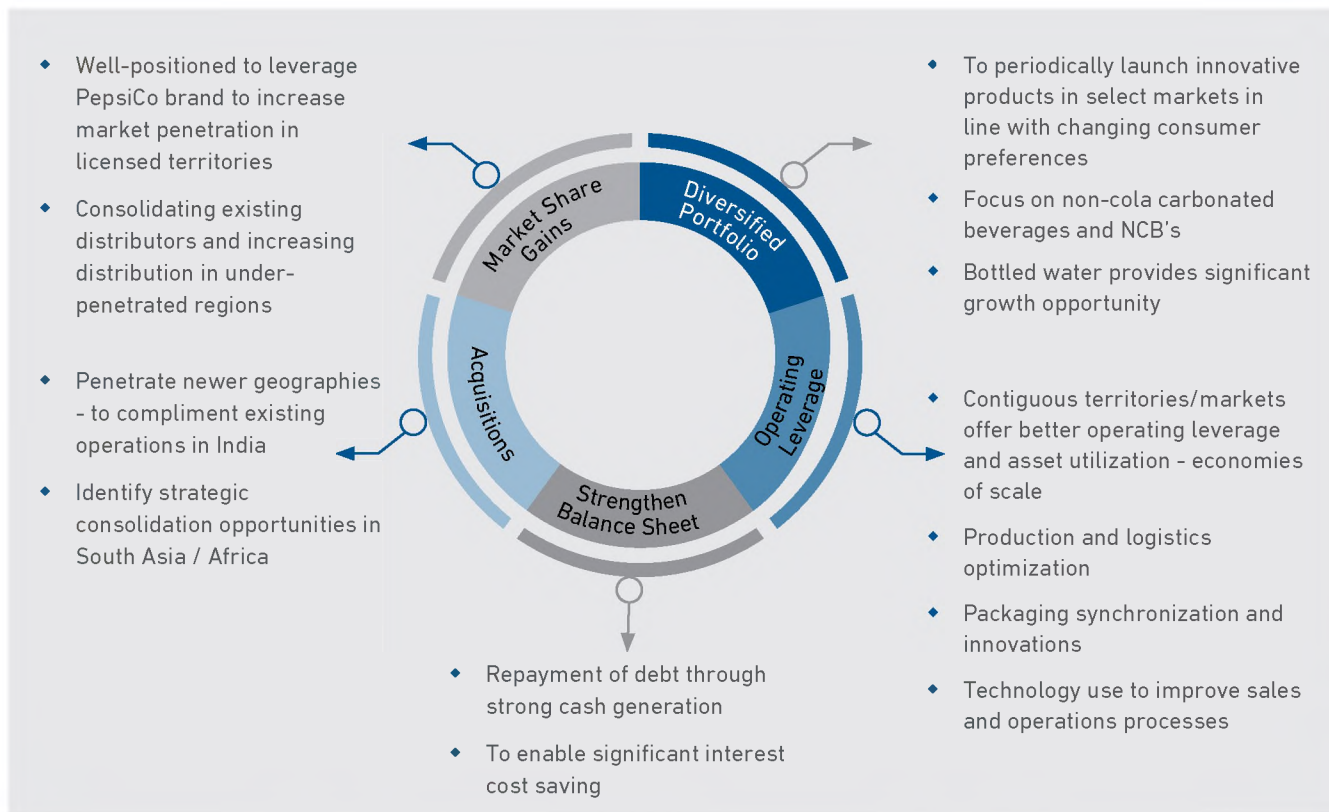
## Sales Volumes (2012-17)



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

The Company has undertaken several business strengthening initiatives over the years and has a strong execution track record with demonstrated ability to grow market share, revenues and profitability. In a difficult external environment prevailing during the year, the Company focused on enhancing operational efficiencies, creating a stronger business with several value accretive acquisitions, and optimizing product mix. With this, it is attractively placed and prepared to grow as the industry revives. Going forward, the Company shall continue to build upon its competitive positioning in the beverage industry. The focus would be on consolidating and penetrating deeper in the recently acquired sub-territories to garner market share. The Company will remain agile by keeping on top of macroeconomic trends and changes in consumer preferences, to realign portfolio and processes thereby offering innovation and choice.

## GROWTH OUTLOOK



VBL's presence in the fastest growing markets, offers great long term, sustainable growth opportunities. Its robust infrastructure and scale, diversified product portfolio, well-entrenched distribution reach, resilient business model and experienced management team with strong understanding of the business complexities, positions it well to capitalize on the significant growth potential in its underpenetrated target markets.

## 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. It has Risk Management Policy in place which is monitored and reviewed under the guidance of Audit Committee.

**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 years by offering the right brand, at the right price, in the right package, and through the right channel. Moreover, the Company has presence in relatively underpenetrated markets having appropriate demographics, favorable 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:** The Company relies on strategic relationship 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 for over two decades and over the years it has consolidated 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 portfolio, and expanding distribution network. Moreover, the Company also has a demonstrated ability of significantly enhancing PepsiCo's market share making it a favorable partner. 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 Company's products being targeted for discriminatory tax and packaging waste recovery may adversely impact 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 best 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 it operates, 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 the Company's business and future financial performance.

**Mitigation:** VBL applies stringent strategic and financial criteria to any potential acquisition or partnership such that it is value accretive, in line with the acquisition guidelines formulated by the Board. Further, 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. Acquisition of new territories has been a key component of the Group's growth strategy for many years and substantially accelerated our revenue growth rate, and made a significantly positive contribution to our net income and cash flow.

**Concentrate pricing risk:** PepsiCo is entitled to various rights under the PepsiCo India and PepsiCo International Agreements, including the right to unilaterally determine the price of the PepsiCo beverage concentrates. In the event any such right is exercised by PepsiCo in a manner adverse to the Company's business interest, it may materially and adversely affect business prospects and future financial performance.

**Mitigation:** VBL is an important strategic partner to PepsiCo with a long legacy spanning over two decades, and has emerged as the second largest PepsiCo franchisee in the world (outside USA), accounting for ~51% of its sales volumes in India. VBL has a strong track of execution and delivering market share gain in its territories of operation. As a result of this key role played by VBL, the concentrate price is determined by PepsiCo after discussions with VBL, taking into account factors such as selling price, taxation, input costs and 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 the Company's 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. It further leverages its scale of operations to achieve better bargaining power with suppliers resulting in 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 its 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 December 31, 2017, VBL employed 6,675 full time employees (4,896 in India and 1,779 in foreign subsidiaries). The Company recognizes the need for change management and talent management throughout the business and its criticality to the 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 as well as at leading management institutions of India.

## 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 the business in which it operates. These stringent and comprehensive controls put in place ensures optimal and efficient utilization of resources to an extent 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, Chartered Accountants & M/s APAS & Co., Chartered Accountants, the Joint Statutory Auditors of the Company to report on the Financial Controls of the Company.



# Business Responsibility Report 2017

## Section A: General information about the Company

Sl. No.	Particulars	Details
1	Corporate Identity Number (CIN) of the Company	L74899DL1995PLC069839
2	Name of the Company	Varun Beverages Limited
3	Registered address	F-2/7 Okhla Industrial Area, Phase – I, New Delhi – 110020
4	Website	www.varunpepsi.com
5	E-mail id	complianceofficer@rjcorp.in
6	Financial Year reported	January 1, 2017 to December 31, 2017
7	Sector(s) that the Company is engaged in (industrial activity code wise)	(ITC Code – 220600) Manufacturing and Distribution of Carbonated, Non-carbonated beverages and packaged drinking water.
8	List three key products / services that the Company manufactures / provides (as in balance sheet)	Mountain Dew, Aquafina & Pepsi
9	Total number of locations where business activity is undertaken by the Company:	
	(i) Number of International Locations (Provide details of major 5):	Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe as on date.
	(ii) Number of National Locations:	Presence in 21 States and 2 Union Territories as on date.
10	Markets served by the Company Local / State / National / International	India, Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe.

## Section B: Standalone Financial details of the Company

Sl. No.	Particulars	Details	
1	Paid up Capital	₹ 1825.87 million	
2	Total Turnover	₹ 34,905.58 million	
3	Total profit after taxes	₹ 2,355.98 million	
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.01 % of average profit for previous three years in respect of standalone VBL	
5	List of activities in which expenditure in 4 above has been incurred	Category	(₹ in Million)
		Promoting education for poor and underprivileged children	24.00
		Providing safe drinking water	3.56
		Promoting Healthcare by participating in “Mission TB Free Haryana” and Free Health Check-up Camps	0.17
		Total	27.73

## Section C: Other details

Sl. No.	Particulars	Details
1	Does the Company have any Subsidiary Company/ Companies?	Yes
2	Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No
3	Do any other entity/entities (e.g. suppliers, distributors, etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	No

## Section D: Business Responsibility Information

### 1. Details of Director/Directors responsible for BR

Sl. No.	Particulars	Details	
1	Details of the Director/Directors responsible for implementation of the BR policy/policies	DIN	02079161
		Name	Mr. Kapil Agarwal
		Designation	Whole-time Director and Chief Executive Officer
2	Details of the BR head	DIN	01822576
		Name	Mr. Kamlesh Kumar Jain
		Designation	Whole-time Director & Chief Financial Officer
		Telephone number	+91-124-4643100
		E-mail id	kamlesh.jain@rjcorp.in

### 2. Principle wise (as per NVGs) BR Policy/policies

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These briefly are as follows:

P1	Business should conduct and govern themselves with ethics, Transparency and Accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
P3	Businesses should promote the wellbeing of all employees
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
P5	Businesses should respect and promote human rights
P6	Business should respect, protect, and make efforts to restore the environment
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner.

### 3. Details of compliance (Reply in Y/N)

Sl. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy / policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national/international standards?	Y	Y	Y	Y	Y	Y	Y	Y	Y
4	Has the policy been approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online.	*	**	***	**	***	****	****	**	****
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

\* VBL - Code of Conduct for Board of Directors and Senior Management (<http://varunpepsi.com/wp-content/uploads/2017/06/CODE-OF-CONDUCT-FOR-BOARD-OF-DIRECTORS-AND-SENIOR-MANAGEMENT-Revised.pdf>);

\*\* VBL - Philosophy (<http://varunpepsi.com/philosophy/>);

\*\*\* VBL - Employee Code of Conduct at [www.varunpepsi.com](http://www.varunpepsi.com)

\*\*\*\* VBL - EHS Policy at [www.varunpepsi.com](http://www.varunpepsi.com)

#### 4. Governance related to BR

Sl. No.	Particulars	Details
1	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO meet to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year	Annually
2	Does the Company publish a BR or Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Guidelines for preparation of Business Responsibility Report (BRR) are applicable 1st time on the Company i.e. for the Financial Year 2017, accordingly, no BRR or sustainability report was issued in past.

### Section E: Principle-wise performance

#### Principle 1:

Sl. No.	Particulars	Details
1	Does the policy relating to ethics, bribery, and corruption cover only the company?	Yes
2	Does it extend to the Group/Joint Ventures/Suppliers/Contractors/ NGOs/Others?	No
3	How many stakeholder complaints have been received in the past Financial Year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so	No complaint was received from any stakeholder of the Company during the Financial Year 2017.

#### Principle 2:

**1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities:**

VBL is in the business of providing high quality products to consumers such as carbonated, non-carbonated sweetened beverages and packaged drinking water and endeavours to make its business and ecosystem sustainable. The Company tries to embed the principles of sustainability, as far as practicable, into the various stages of product, procurement of raw material, manufacturing of product, transportation of raw materials and supply of finished goods. In order to continuously reduce the Company environmental footprint, the Company is improving efficiencies, especially on critical resources such as water and energy, optimising the resource consumption and minimising wastages, increasing green cover in manufacturing plants and also developing on outside establishments. The Company has implemented the guidance provided by international standards such as ISO 14001, OHSAS 18001 and all our unit are AIB and FSSAI certified.

**2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

**(a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?**

The Company follows a number of key Environmental Indicators to monitor the efficiency and consumption of natural resources in manufacturing such as water consumption and reuse, fuel consumption, energy consumption, raw materials yields and waste generation. The Company regularly track these consumptions of critical in nature, resources and track with its goals. However, currently, it is not feasible to measure the same in per unit.

**(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

Reduction in Greenhouse Gases emission which is measured in units of carbon dioxide. Number of initiatives have already been implemented across various units. Some of the key improvements done are use of fuels like biomass for steam generation, Usage of Solar energy and Optimising the water requirements in the manufacturing plants.

**3. Does the company have procedures in place for sustainable sourcing (including transportation)? Yes**

**(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.**

With a responsible supply chain, the Company has developed a comprehensive and dynamic model, to engage with its suppliers and transporters on material aspects. Regular capacity building and assessments are carried out for key suppliers. However, currently, it is not feasible to measure the same in percentage.

**4. Has the company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? Yes**

**(a) If yes, what steps have been taken to improve the capacity and capability of local and small vendors?**

The Company has tried to create new paths and provide opportunities to the entrepreneurs and establish local vendors by uplifting their skills in effective manner. The Company also strive to provide opportunities in distressed areas and has devised unique models for empowerment of people in such areas. These sort of interventions not only improve the efficiency and enhance productivity but also contribute to substantial employment creation in communities surrounding the workplaces.

**5. Does the company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so:**

The Company is committed towards reduction of environmental footprint of its products, waste and packaging materials. The Company focuses on the 3R's: REDUCE, RECYCLE and RECOVER. Such practices includes segregation of different types of waste material so as to regulate the recyclability, anti-litter and recyclable marks on products to remind consumers to dispose in a safe and environment friendly way. The Company supports initiatives to recycle materials and has installed small machineries for shredding the waste; which helps to minimise the volume and also ease the transportation to the recycling agencies. One of the major product segment consists of glass bottle beverages which after consumption of its quality product is returned and reused after taking care of thorough food safety. However, currently, it is not feasible to measure the same in percentage.

**Principle 3:**

Sl. No.	Particulars	Details
1	Please indicate the Total number of employees	4,896 employees as on December 31, 2017
2	Please indicate the Total number of employees hired on temporary/ contractual/casual basis	5,441 employees as on December 31, 2017
3	Please indicate the Number of permanent women employees	165 employees as on December 31, 2017
4	Please indicate the Number of permanent employees with disabilities	40 employees as on December 31, 2017
5	Do you have an employee association that is recognized by the management?	Yes.
6	What percentage of your permanent employees are members of this recognized employee association?	15.83 %
7	Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment, discriminatory employment in the last financial year and pending, as on the end of the Financial Year	Nil
8	What percentage of your under mentioned employees were given safety & skill upgradation training in the last year?	(a) Permanent Employees - 90%; (b) Permanent Women Employees - 90%; (c) Casual/Temporary/Contractual Employees - 50%; (d) Employees with Disabilities - 100%.

**Principle 4:**

Sl. No.	Particulars	Details
1	Has the company mapped its internal and external stakeholders?	Yes. Details of Shareholders / Investors banks, employees, business partners are available with the Company.
2	Out of the above, has the company identified the disadvantaged, vulnerable and marginalized stakeholders?	No
3	Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable, and marginalized stakeholders? If so, provide details thereof, in about 50 words or so?	These are covered under the CSR policy of our Company.

**Principle 5:**

Sl. No.	Particulars	Details
1	Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/NGOs/Others?	Policy is applicable only to the Company.
2	How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?	No complaint of any stakeholder was received.

**Principle 6:****1 Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/ Contractors/NGOs/ others.**

The policy is applicable to VBL as protection of the environment, health and safety carries very high importance. The Company's Environment, Health and Safety (EHS) policy – refer to the best practices and offers safe and healthy operations for employees, contractors and visitors and displayed as posters and instructions. Having ISO 14001 and OHSAS 18001 certifications for many of plants – demonstrates the commitment towards reaching the industries best levels.

**2 Does the company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc? Yes. If yes, please give hyperlink for webpage etc:**

Yes, the Company is committed to reach the industry best standards in terms of water usage, energy consumption and other environmental parameters. The progress is documented at the corporate and plant levels and tracked at regular intervals. For hyperlink, please refer Section D on Page no. 76 of BRR.

**3 Does the company identify and assess potential environmental risks? Yes****4 Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

VBL has undertaken initiatives to reduce Carbon footprint through reduction in the amount of Greenhouse Gases emissions. Some of the key renewable energy projects contributing to GHG savings include installation and commissioning solar plant at the Company's NUH plant and other energy reduction projects. Use of fuels like biomass for steam generation in number of Company's plants. The Company files annual and other environment compliance reports as per Pollution Control Board requirements.

**5 Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Yes. If yes, please give hyperlink for web page etc:**

The Company is proactively open to accept new technologies that use cleaner fuels and forms energy. Having commissioned a solar power at its manufacturing set up at NUH and redesigned the power generation units in many locations, to use the BIO Mass instead of the non-renewable natural resources. For hyperlink, please refer Section D on Page no. 76 of BRR.

**6 Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported? Yes****7 Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year. Nil****Principle 7:**

Sl. No.	Particulars	Details
1	Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with	Yes, the Company is a member of Federation of Indian Chambers of Commerce & Industry.
2	Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/ No; if yes, specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)	No



**Principle 8:**

1. **Does the company have specified programmes/initiatives/ projects in pursuit of the policy related to Principle 8? If yes, details thereof?**

The Company do have various initiatives and programs for community development and their wellbeing. Some of them are giving scholarship to school children especially for girls, providing reading material and stationery to poor children, providing funds for safe drinking water facility and wash rooms facility, providing basic food safety and hygiene training and awareness to school children, pond cleaning in different villages, creating awareness for water conservation along with rural and slum area development etc.

2. **Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/ any other organization?**

All the community development initiatives were undertaken by in-house team of professionals and sometime with the help of external agencies/ organizations.

3. **Have you done any impact assessment of your initiative?**

Yes. Informal feedbacks were taken from time to time.

4. **What is your company's direct contribution to community development projects - Amount in INR and the details of the projects undertaken?**

The Company has spent ₹ 27.73 Million towards promoting education for poor and underprivileged children, drinking water and promoting health services under its various CSR initiatives. Apart from this, the Company has also contributed to community development initiatives like environment protection and driving Swatch Bharat Abhiyan etc. at plant levels, however, presently it is not feasible to quantify the amount contributed towards the same.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words or so.**

Yes. The Company has ensured the same through internal tracking mechanisms and field visits. Informal Feedback also obtained from the community for such initiatives.

**Principle 9:**

Sl. No.	Particulars	Details
1	What percentage of customer complaints/consumer cases are pending as on the end of financial year?	76.63 % of complaints are pending resolution.
2	Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)	Yes, the Company provides information related to storage conditions and consumption days.
3	Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anticompetitive behavior during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so:	Yes, there are three cases pending before different consumer forums for putting different MRP of same products but sold at different Point of Sales, which are alleged to be an unfair trade practice.  There are no cases alleging irresponsible advertising and / or anti-competitive behavior.
4	Did your company carry out any consumer survey/ consumer satisfaction trends?	No

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

Place : Gurugram  
Date : March 19, 2018

**Ravi Kant Jaipuria**  
Chairman  
DIN : 00003668

# Independent Auditor's Report

To the Members of Varun Beverages Limited

## Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Varun Beverages Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its associates, which comprise the Consolidated Balance Sheet as at 31 December 2017, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated cash flows and consolidated changes in equity of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The Holding Company's Board of Directors and the respective Board of Directors of the subsidiaries included in the Group, and its associates are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms of the provisions of the Act, the respective Board of Directors of the companies included in the Group, and its associate companies covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.
7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 9 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.



## Independent Auditor's Report to the members of Varun Beverages Limited, on the Consolidated Financial Statements for the year ended 31 December 2017 (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 separate financial statements and on the other financial information of the subsidiaries and associates, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs (consolidated financial position) of the Group and its associates as at 31 December 2017, and their consolidated profit (consolidated financial performance including other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

### Other Matters

9. We did not audit the financial statements of seven subsidiaries, whose financial statements reflect total assets of ₹ 13,007.42 million and net assets of ₹ 793.36 million as at 31 December 2017, total revenues of ₹ 11,653.25 million and net cash inflows amounting to ₹ 160.47 million for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit (including other comprehensive income) of ₹ 13.50 million for the year ended 31 December 2017, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of the other auditors.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

10. The Holding Company had prepared separate sets of consolidated financial statements for the year ended 31 December 2016 and 31 December 2015 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other accounting principles generally accepted in India, which were audited jointly by Walker Chandio & Associates, Chartered Accountants and O.P. Bagla & Co., Chartered Accountants who expressed an unmodified opinion vide audit reports dated 20 February 2017 and 28 March 2016 respectively. The Standalone financial statements of the Holding Company and the consolidated financial statements have been adjusted for the differences in the accounting principles adopted by the Holding Company on transition to Ind AS, which have been audited jointly by Walker Chandio & Associates, Chartered Accountants and APAS & Co., Chartered Accountants and by other auditors in case of the standalone financial statements of the seven subsidiaries and two associates whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far it related to the amounts and disclosures included in respect of these subsidiaries and associates are based solely on the reports of such other auditors. Our opinion is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

11. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries and associates, we report, to the extent applicable, that:
- 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;
  - 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;
  - 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;

## Independent Auditor's Report to the members of Varun Beverages Limited, on the Consolidated Financial Statements for the year ended 31 December 2017 (Cont'd)

- d) In our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under Section 133 of the Act;

On the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors of its associate companies covered under the Act, none of the directors of the Group companies and its associate companies covered under the Act, are disqualified as on 31 December 2017 from being appointed as a director in terms of Section 164(2) of the Act;

- e) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, and its associate companies covered under the Act and the operating effectiveness of such controls, refer to our separate report in 'Annexure 1'; and
- f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and associates:
- (i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates as detailed in Note 45 to the consolidated financial statements;
  - (ii) the Group and its associates did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its associate companies covered under the Act during the year ended 31 December 2017; and
  - (iv) These consolidated financial statements have made requisite disclosures in Note 14 as to holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 by the Holding Company and its associate companies covered under the Act. Based on the audit procedures performed and taking into consideration reports of the other auditors on separate financial statements of associate companies and the information, explanations and representations given to us by the management of the Holding Company, we report that the amounts disclosed in the said Note is in accordance with the books of accounts maintained by the Holding Company and its associate companies covered under the Act, except for disclosure in the said Note in relation to permitted receipts and permitted payments upon which we are unable to comment in the absence of necessary details.

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

per **Nitin Toshniwal**  
Partner  
Membership No. 507568

Place: Gurugram  
Dated: 16 February 2018

L-41 Connaught Place,  
New Delhi 110 001

For **APAS & Co.**  
Chartered Accountants  
Firm Registration No: 000340C

per **Sumit Kathuria**  
Partner  
Membership No. 520078

Place: Gurugram  
Dated: 16 February 2018

8/14 Basement, Kalkaji Extension  
New Delhi 110 019



## **Annexure 1 to the Independent Auditor's Report of even date to the members of Varun Beverages Limited on the Consolidated Financial Statements for the year ended 31 December 2017**

### **Annexure 1**

#### **Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

1. In conjunction with our audit of the consolidated financial statements of Varun Beverages Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its associates as at and for the year ended 31 December 2017, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company and its associate companies, which are companies covered under the Act, as at that date.

#### **Management's Responsibility for Internal Financial Controls**

2. The respective Board of Directors of the Holding Company and its associate companies, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditor's Responsibility**

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company, its subsidiary companies and its associate companies, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note, issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company, its subsidiary companies and its associate companies as aforesaid.

#### **Meaning of Internal Financial Controls over Financial Reporting**

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of



## Annexure 1 to the Independent Auditor's Report of even date to the members of Varun Beverages Limited on the Consolidated Financial Statements for the year ended 31 December 2017 (Cont'd)

the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

8. In our opinion and based on the consideration of the reports of the other auditors on IFCoFR of the associate companies, which are companies covered under the Act, have in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 December 2017, based on the internal financial control over financial reporting criteria established by the respective company considering the essential components of internal financial controls stated in the Guidance Note issued by the ICAI.

### Other Matters

9. We did not audit the IFCoFR in so far as it relates to two associate companies, which are companies covered under the Act, in respect of which, the Group's share of net profit (including other comprehensive income) of ₹ 13.50 million for the year ended 31 December 2017 has been considered in the consolidated financial statements. The IFCoFR in so far as it relates to such associate companies have been audited by other auditor whose reports has been furnished to us by the management and our report on the adequacy and operating effectiveness of the IFCoFR for the Holding Company and its associate companies, as aforesaid, under Section 143(3)(i) of the Act in so far as it relates to such associate companies is based solely on the report of the auditor of such companies. Our opinion is not modified in respect of this matter with respect to our reliance on the work done by and on the report of the other auditor.

For **Walker Chandiok & Associates**

Chartered Accountants  
Firm Registration No: 001329N

per **Nitin Toshniwal**

Partner  
Membership No. 507568

Place: Gurugram  
Dated: 16 February 2018

L-41 Connaught Place,  
New Delhi 110 001

For **APAS & Co.**

Chartered Accountants  
Firm Registration No: 000340C

per **Sumit Kathuria**

Partner  
Membership No. 520078

Place: Gurugram  
Dated: 16 February 2018

8/14 Basement, Kalkaji Extension,  
New Delhi 110 019



# Consolidated Balance Sheet

As at 31 December 2017

(₹ in million)

	Notes	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Assets</b>				
<b>Non-current assets</b>				
(a) Property, plant and equipment	4	35,411.66	33,558.49	31,778.78
(b) Capital work-in-progress	4	1,454.38	955.78	420.67
(c) Goodwill	55A	19.40	-	-
(d) Other intangible assets	5	4,374.15	3,596.46	3,633.41
(e) Investment in associates	6	82.23	68.73	44.95
(f) Financial assets				
(i) Investments	7	0.04	0.01	0.01
(ii) Loans	8	192.19	163.19	145.16
(iii) Others	9	8.96	8.47	1.48
(g) Deferred tax assets (Net)	10	80.04	68.35	386.02
(h) Other non-current assets	11	1,525.85	1,367.45	991.10
<b>Total non-current assets</b>		<b>43,148.90</b>	<b>39,786.93</b>	<b>37,401.58</b>
<b>Current assets</b>				
(a) Inventories	12	4,388.94	4,899.26	4,507.06
(b) Financial assets				
(i) Trade receivables	13	1,502.45	1,313.45	1,444.67
(ii) Cash and cash equivalents	14	649.46	325.00	294.60
(iii) Bank balances other than (ii) above	15	295.14	332.02	337.84
(iv) Others	16	933.63	204.45	67.44
(c) Current tax assets (Net)	17	0.13	0.07	7.72
(d) Other current assets	18	1,532.48	1,451.39	1,230.24
<b>Total current assets</b>		<b>9,302.23</b>	<b>8,525.64</b>	<b>7,889.57</b>
Assets classified as held for sale	19	384.95	-	-
<b>Total assets</b>		<b>52,836.08</b>	<b>48,312.57</b>	<b>45,291.15</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
(a) Equity share capital	20	1,825.87	1,823.13	1,337.66
(b) Other equity	21	15,868.41	15,112.82	(3,504.52)
<b>Equity attributable to owners of the Holding Company</b>		<b>17,694.28</b>	<b>16,935.95</b>	<b>(2,166.86)</b>
Non-controlling interest		(14.32)	(129.06)	(185.68)
<b>Total equity</b>		<b>17,679.96</b>	<b>16,806.89</b>	<b>(2,352.54)</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings	22A	16,869.95	12,183.61	30,219.72
(ii) Other financial liabilities	23	45.98	12.24	13.16
(b) Provisions	24	732.64	605.88	445.34
(c) Deferred tax liabilities (Net)	10	1,501.51	1,286.39	-
(d) Other non-current liabilities	25	73.83	142.23	110.74
<b>Total non-current liabilities</b>		<b>19,223.91</b>	<b>14,230.35</b>	<b>30,788.96</b>
<b>Current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings	22B	3,533.65	4,111.29	3,399.23
(ii) Trade payables	26	1,909.46	2,745.90	2,645.78
(iii) Other financial liabilities	27	8,781.33	8,344.68	9,087.41
(b) Other current liabilities	28	1,471.92	1,848.32	1,346.76
(c) Provisions	24	167.50	135.20	137.28
(d) Current tax liabilities (Net)	29	68.35	89.94	238.27
<b>Total current liabilities</b>		<b>15,932.21</b>	<b>17,275.33</b>	<b>16,854.73</b>
<b>Total liabilities</b>		<b>35,156.12</b>	<b>31,505.68</b>	<b>47,643.69</b>
<b>Total equity and liabilities</b>		<b>52,836.08</b>	<b>48,312.57</b>	<b>45,291.15</b>
Significant accounting policies	3			

The accompanying notes are an integral part of the consolidated financial statements.  
As per our report of even date attached.

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

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

per **Nitin Toshniwal**  
Partner  
Membership no.: 507568

For **APAS & Co.**  
Chartered Accountants  
Firm Registration No.: 000340C

per **Sumit Kathuria**  
Partner  
Membership no.: 520078

**Varun Jaipuria**  
Whole-time Director  
DIN 02465412

**Kapil Agarwal**  
Chief Executive Officer and  
Whole-time Director  
DIN 02079161

**Raj Pal Gandhi**  
Whole-time Director  
DIN 00003649

**Kamlesh Kumar Jain**  
Chief Financial Officer  
and Whole-time Director  
DIN 01822576

**Ravi Batra**  
Chief Risk Officer &  
Group Company Secretary  
Membership No. F- 5746

Place : Gurugram  
Dated : 16 February 2018

# Consolidated Statement of Profit and Loss

For the year ended 31 December 2017

(₹ in million)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
<b>Income</b>			
Revenue from operations	30	45,162.36	45,314.61
Other income	31	126.53	357.33
<b>Total income</b>		<b>45,288.89</b>	<b>45,671.94</b>
<b>Expenses</b>			
Cost of materials consumed	32	18,555.09	16,768.99
Excise duty		5,128.37	6,702.78
Purchases of stock-in-trade	33	277.69	928.39
Changes in inventories of finished goods, stock-in-trade and work-in-progress	34	(732.22)	(318.55)
Employee benefits expense	35	4,628.44	4,210.30
Finance costs	36	2,121.75	4,325.35
Depreciation and amortisation expense	37	3,466.41	3,222.08
Other expenses	38	8,947.32	9,063.03
<b>Total expenses</b>		<b>42,392.85</b>	<b>44,902.37</b>
<b>Profit before tax and share of profit in associate</b>		<b>2,896.04</b>	<b>769.57</b>
Share of profit in associate		13.50	23.78
<b>Profit before tax</b>		<b>2,909.54</b>	<b>793.35</b>
<b>Tax expense</b>			
(a) Current tax	29	547.85	442.30
(b) Adjustment of tax relating to earlier periods	29	1.60	(2.80)
(c) Deferred tax	10	219.50	(126.54)
<b>Total tax expense</b>		<b>768.95</b>	<b>312.96</b>
<b>Net profit for the year</b>		<b>2,140.59</b>	<b>480.39</b>
<b>Other comprehensive income</b>	39		
(a) Items that will not be reclassified to profit or loss:			
(i) Re-measurement gains/(losses) on defined benefit plans		10.83	(52.31)
(ii) Income tax relating to items that will not be reclassified to statement of profit and loss		(3.39)	17.96
(b) Items that will be reclassified to profit or loss:			
(i) Exchange differences arising on translation of foreign operations		(94.27)	(122.43)
(ii) Income tax relating to items that will be reclassified to statement of profit and loss		21.75	28.25
<b>Total other comprehensive income</b>		<b>(65.08)</b>	<b>(128.53)</b>
<b>Total comprehensive income for the year (including non-controlling interest)</b>		<b>2,075.51</b>	<b>351.86</b>
<b>Net profit attributable to:</b>			
(a) Owners of the Company		2,101.54	423.76
(b) Non-controlling interest		39.05	56.63
<b>Other comprehensive income attributable to:</b>			
(a) Owners of the Company		(65.08)	(128.53)
(b) Non-controlling interest		-	-
<b>Total comprehensive income attributable to:</b>			
(a) Owners of the Company		2,036.46	295.23
(b) Non-controlling interest		39.05	56.63
<b>Earnings per equity share of face value of ₹ 10 each</b>			
Basic (₹)	43	11.52	2.92
Diluted (₹)	43	11.51	2.51
Significant accounting policies	3		

The accompanying notes are an integral part of the consolidated financial statements.  
As per our report of even date attached.

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

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

per **Nitin Toshniwal**  
Partner  
Membership no.: 507568

Place : Gurugram  
Dated : 16 February 2018

For **APAS & Co.**  
Chartered Accountants  
Firm Registration No.: 000340C

per **Sumit Kathuria**  
Partner  
Membership no.: 520078

**Varun Jaipuria**  
Whole-time Director  
DIN 02465412

**Kapil Agarwal**  
Chief Executive Officer and  
Whole-time Director  
DIN 02079161

**Raj Pal Gandhi**  
Whole-time Director  
DIN 00003649

**Kamlesh Kumar Jain**  
Chief Financial Officer  
and Whole-time Director  
DIN 01822576

**Ravi Batra**  
Chief Risk Officer &  
Group Company Secretary  
Membership No. F- 5746



# Consolidated Cash Flow Statement

For the year ended 31 December 2017

(Indirect Method)

(₹ in million)

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

(Indirect Method)

(₹ in million)

Particulars	Year ended 31 December 2017	Year ended 31 December 2016
<b>C. Financing activities</b>		
Proceeds from borrowings	7,472.04	6,937.38
Repayments of borrowings	(2,629.47)	(6,769.13)
Proceeds/(repayments) from/(of) short term borrowings (net)	(572.96)	712.06
Proceeds from issue of non-convertible debentures	3,000.00	1,800.00
Redemption of non-convertible debentures	-	(5,000.00)
Proceeds from issue of share capital (including share premium thereon)	41.01	7,013.60
Share application money received	1.08	-
Interest paid	(1,556.53)	(2,185.68)
Share issue expenses paid	-	(205.91)
Dividend paid	(456.29)	-
Dividend distribution tax paid	(92.89)	-
<b>Net cash flows from financing activities (C)</b>	<b>5,205.99</b>	<b>2,302.32</b>
<b>Net change in cash and cash equivalents (D=A+B+C)</b>	<b>324.46</b>	<b>82.11</b>
Cash and cash equivalents at the beginning of year (E)	325.00	242.89
<b>Cash and cash equivalents at the end of year (D+E)</b>	<b>649.46</b>	<b>325.00</b>
<b>1. Components of Cash &amp; Cash Equivalents as at end of the year</b>		
Balance with banks:		
- on current accounts	553.09	274.08
Cash and cheques on hand	96.37	50.92
<b>Cash and cash equivalents as per Cash Flow Statement</b>	<b>649.46</b>	<b>325.00</b>
<b>2. Components of Cash &amp; Cash Equivalents as at 01 January 2016</b>		
Balance with banks:		
- on current accounts	276.13	
Cash and cheques on hand	18.47	
Less: cash acquired on acquisition of controlling stake in subsidiaries (refer note 55 E)	(51.71)	
<b>Cash and cash equivalents as per Cash Flow Statement</b>	<b>242.89</b>	

The accompanying notes are an integral part of the consolidated financial statements.  
As per our report of even date attached.

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

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

per **Nitin Toshniwal**  
Partner  
Membership no.: 507568

Place : Gurugram  
Dated : 16 February 2018

For **APAS & Co.**  
Chartered Accountants  
Firm Registration No.: 000340C

per **Sumit Kathuria**  
Partner  
Membership no.: 520078

**Varun Jaipuria**  
Whole-time Director  
DIN 02465412

**Kapil Agarwal**  
Chief Executive Officer and  
Whole-time Director  
DIN 02079161

**Raj Pal Gandhi**  
Whole-time Director  
DIN 00003649

**Kamlesh Kumar Jain**  
Chief Financial Officer  
and Whole-time Director  
DIN 01822576

**Ravi Batra**  
Chief Risk Officer &  
Group Company Secretary  
Membership No. F- 5746



# Statement of Changes in Equity

For the year ended 31 December 2017



## A. Equity share capital

(₹ in million)

Particulars	Notes	Number of shares	Amount
Balance as at 01 January 2016		133,766,165	1,337.66
Changes in equity share capital during the year 2016	20	48,546,360	485.47
<b>Balance as at 31 December 2016</b>		<b>182,312,525</b>	<b>1,823.13</b>
<b>Balance as at 01 January 2017</b>		<b>18,2312,525</b>	<b>1,823.13</b>
Changes in equity share capital during the year 2017	20	274,415	2.74
<b>Balance as at 31 December 2017</b>		<b>182,586,940</b>	<b>1,825.87</b>

## B. Other Equity

(₹ in million)

Particulars	Notes	Attributable to Owners of the Company											Non-controlling interests	Total
		Reserve and surplus								Share application money pending allotment	Exchange differences on translating the financial statements of foreign operations*	Total attributable to owners of the Company		
		Capital reserve on consolidation	Capital reserve	Debenture redemption reserve	Security premium reserve	Share based payment reserve	General reserve	Retained earnings	Foreign currency monetary item translation difference account (FCMITDA)					
Balance as at 01 January 2016	21	(1,533.21)	196.03	19.96	-	44.39	-	(2,225.71)	(5.98)	-	-	(3,504.52)	(185.68)	(3,690.20)
Profit for the year		-	-	-	-	-	-	423.76	-	-	-	423.76	56.63	480.39
Other comprehensive income for the year ended														
Re-measurement losses on defined benefit plans (Net of deferred tax of ₹ 17.96)		-	-	-	-	-	-	(34.35)	-	-	-	(34.35)	-	(34.35)
Exchange differences arising on translation of foreign operations (Net of deferred tax of ₹ 28.25)		-	-	-	-	-	-	-	-	-	(94.18)	(94.18)	-	(94.18)
Transfer to debenture redemption reserve		-	-	171.29	-	-	-	(171.29)	-	-	-	-	-	-
Transfer to general reserve on redemption of non-convertible debentures		-	-	(191.25)	-	-	191.25	-	-	-	-	-	-	-
Addition made in FCMITDA for the year		-	-	-	-	-	-	-	10.95	-	-	10.95	-	10.95
FCMITDA charged to Statement of Profit and Loss		-	-	-	-	-	-	-	6.83	-	-	6.83	-	6.83
Addition made in share based payment reserve on account of employee compensation cost for ESOPs		-	-	-	-	0.05	-	-	-	-	-	0.05	-	0.05

(₹ in million)

Particulars	Notes	Attributable to Owners of the Company											Non-controlling interests	Total
		Reserve and surplus								Share application money pending allotment	Exchange differences on translating the financial statements of foreign operations*	Total attributable to owners of the Company		
		Capital reserve on consolidation	Capital reserve	Debenture redemption reserve	Security premium reserve	Share based payment reserve	General reserve	Retained earnings	Foreign currency monetary item translation difference account (FCMITDA)					
Reversal made in share based payment reserve on account of options		-	-	-	-	(0.96)	-	-	-	-	-	(0.96)	-	(0.96)
Transfer to security premium reserve on exercise of employee stock options		-	-	-	37.62	(37.62)	-	-	-	-	-	-	-	-
Depreciation on assets received for no consideration		-	(6.53)	-	-	-	-	-	-	-	-	(6.53)	-	(6.53)
Additions made pursuant to exercise of employee stock options		-	-	-	315.95	-	-	-	-	-	-	315.95	-	315.95
Additions made on issue of equity shares pursuant to IPO**		-	-	-	6,525.00	-	-	-	-	-	-	6,525.00	-	6,525.00
Amount utilised for share issue expenses					(222.15)							(222.15)		(222.15)
Additions made on conversion of compulsorily convertible debentures into equity shares (Net of deferred tax assets of ₹ 1,776.17) (Refer note 10)		-	-	-	7,295.24	-	-	-	-	-	-	7,295.24	-	7,295.24
Additions made on conversion of compulsorily convertible preference shares into equity shares		-	-	-	4,397.73	-	-	-	-	-	-	4,397.73	-	4,397.73
<b>Balance as at 31 December 2016</b>	21	<b>(1,533.21)</b>	<b>189.50</b>	<b>-</b>	<b>18,349.39</b>	<b>5.86</b>	<b>191.25</b>	<b>(2,007.59)</b>	<b>11.80</b>	<b>-</b>	<b>(94.18)</b>	<b>15,112.82</b>	<b>(129.06)</b>	<b>14,983.76</b>
Profit for the year		-	-	-	-	-	-	2,101.54	-	-	-	2,101.54	39.05	2,140.59
Other comprehensive income for the year ended														
Re-measurement losses on defined benefit plans (Net of deferred tax of ₹ 3.39)		-	-	-	-	-	-	7.44	-	-	-	7.44	-	7.44
Exchange differences arising on translation of foreign operations (Net of deferred tax of ₹ 21.75)		-	-	-	-	-	-	-	-	-	(72.52)	(72.52)	-	(72.52)
Dividend paid**		-	-	-	-	-	-	(456.29)	-	-	-	(456.29)	-	(456.29)
Dividend distribution tax		-	-	-	-	-	-	(92.89)	-	-	-	(92.89)	-	(92.89)
Share application money received pending allotment		-	-	-	-	-	-	-	-	1.08	-	1.08	-	1.08
Transfer to debenture redemption reserve		-	-	159.17	-	-	-	(159.17)	-	-	-	-	-	-



# Statement of Changes in Equity (Cont'd)

For the year ended 31 December 2017

(₹ in million)

Particulars	Notes	Attributable to Owners of the Company											Non-controlling interests	Total
		Reserve and surplus								Share application money pending allotment	Exchange differences on translating the financial statements of foreign operations*	Total attributable to owners of the Company		
		Capital reserve on consolidation	Capital reserve	Debenture redemption reserve	Security premium reserve	Share based payment reserve	General reserve	Retained earnings	Foreign currency monetary item translation difference account (FCMITDA)					
Addition made in FCMITDA for the year ended		-	-	-	-	-	-	-	(26.41)	-	-	(26.41)	-	(26.41)
FCMITDA charged to Statement of Profit and Loss		-	-	-	-	-	-	-	(10.90)	-	-	(10.90)	-	(10.90)
Created on subsequent acquisition of 30% stake in a subsidiary from non-controlling interest		(746.57)	-	-	-	-	-	-	-	-	-	(746.57)	60.67	(685.90)
Adjustment on account of dilution of controlling interest in a subsidiary		-	-	-	-	-	-	12.84	-	-	-	12.84	15.02	27.86
Additions made pursuant to exercise of employee stock options		-	-	-	38.27	-	-	-	-	-	-	38.27	-	38.27
Transfer to security premium reserve on exercise of employee stock options		-	-	-	4.56	(4.56)	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	21	(2,279.78)	189.50	159.17	18,392.22	1.30	191.25	(594.12)	(25.51)	1.08	(166.70)	15,868.41	(14.32)	15,854.09

\*Exchange differences arising on translation of foreign operations

\*\*Transaction with owners in their capacity as owners.

As per our report of even date attached.

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

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

For **APAS & Co.**  
Chartered Accountants  
Firm Registration No.: 000340C

**Varun Jaipuria**  
Whole-time Director  
DIN 02465412

**Raj Pal Gandhi**  
Whole-time Director  
DIN 00003649

per **Nitin Toshniwal**  
Partner  
Membership no.: 507568

per **Sumit Kathuria**  
Partner  
Membership no.: 520078

**Kapil Agarwal**  
Chief Executive Officer and  
Whole-time Director  
DIN 02079161

**Kamlesh Kumar Jain**  
Chief Financial Officer  
and Whole-time Director  
DIN 01822576

Place : Gurugram  
Dated : 16 February 2018

**Ravi Batra**  
Chief Risk Officer &  
Group Company Secretary  
Membership No. F- 5746

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 1. Corporate information

Varun Beverages Limited ("VBL" or "the 'Company'") is a public limited Company domiciled in India and is listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India (NSE). The Company was incorporated on 16 June 1995 under the provisions of the Companies Act 1956.

The Company together with its subsidiaries and associates (hereinafter, "the Group") is engaged in manufacturing, selling, bottling and distribution of beverages of Pepsi brand in geographically pre-defined territories of India, Sri Lanka, Nepal, Zambia, Morocco, Zimbabwe and Mozambique as per franchisee agreement with PepsiCo India Holdings Private Limited ("PepsiCo India") and its affiliates.

### 2. Basis of preparation

These Consolidated Financial Statements ("the CFS") of the Group have been prepared in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standard) Rules, 2015 and stipulations contained in Schedule III (revised) as applicable under Section 133 of the Companies Act, 2013 ("the Act") as amended from time to time and other pronouncements/ provisions of applicable laws.

For all periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with the Accounting Standards notified under the Section 133 of the Act read together with Rule 7 of the Companies (Accounts) Rules 2014 ("Indian GAAP"). These consolidated financial statements of the Group are authorised for issue on 16 February 2018 in accordance with a resolution of the Board of Directors. The revision to financial statements are permitted by Board of Directors after obtaining necessary approvals or at the instance of regulatory authorities as per provisions of Companies Act, 2013.

The CFS for the year ended 31 December 2017 is the first time that the Group has prepared in accordance with Ind AS. The transition to Ind AS was carried out retrospectively as on the transition date of 01 January 2016. The CFS contains an opening balance sheet as on 01 January 2016, comparative information for 31 December 2016 presented under Ind AS and reconciliation for key changes for amounts reported under Indian GAAP and Ind AS.

The CFS have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- i. Derivative financial instruments;
- ii. Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments);
- iii. Defined benefit plans- plan assets measured at fair value; and
- iv. Share based payments;

The Group presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is treated as current if it satisfies any of the following conditions:

- i. Expected to be realised or intended to sold or consumed in normal operating cycle
- ii. Held primarily for the purpose of trading
- iii. Expected to be realised within twelve months after the reporting period,
- iv. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current if it satisfies any of the following conditions:

- i. It is expected to be settled in normal operating cycle;
- ii. It is held primarily for the purpose of trading;
- iii. It is due to be settled within twelve months after the reporting period, or
- iv. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and its realisation in cash and cash equivalents. The Group has identified twelve months as its operating cycle.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts disclosed in the CFS and notes have been rounded off to the nearest million as per the requirement of Schedule III to the Act, unless otherwise stated.

### 2.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and associate. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a) The contractual arrangement with the other vote holders of the investee;
- b) The rights arising from other contractual arrangements;
- c) The Group's voting rights and potential voting rights; and
- d) The size of the Group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

An associate is an entity over which the Group has significant influence, i.e., the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended 31 December. When the end of the reporting period of the parent is different from that of a subsidiary/ associate, the subsidiary/ associate prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

The following consolidation procedures are adopted:

#### Subsidiary:

- a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date;
- b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill; and
- c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Ind AS 12 'Income Taxes' applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in Consolidated Statement of Profit and Loss;
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

### Associates:

Interests in associates are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet. When a member of the Group transacts with an associate of the Group, profits and losses from transactions with the associate are recognised in the CFS only to the extent of interests in the associate that are not related to the Group.

The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment.

The Consolidated Statement of Profit and Loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the Consolidated Statement of Profit and Loss.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the Consolidated Statement of Profit and Loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant and the fair value of the retained investment and proceeds from disposal is recognised in the Consolidated Statement of Profit and Loss.

### 3. Summary of significant accounting policies

#### a) Fair value measurements

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

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

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

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

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

measurement is directly or indirectly observable; and

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

### b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates, taking into account contractually defined terms of payment and excludes taxes/duties collected on behalf of the government.

#### Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Excise duty is a levy on manufacture irrespective of ultimate sale of goods and hence the recovery of excise duty flows to the Group on its own account. Accordingly, revenues from sale of goods are stated gross of excise

duty. GST, sales tax and value added tax (VAT) are not received by the Group on its own account but collected on behalf of the government and accordingly, are excluded from revenue.

#### Interest income

Interest income is recognised on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate ("EIR"). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial assets. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in finance income in the Consolidated Statement of Profit and Loss.

#### Dividends

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

#### Services rendered

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

### c) Inventories

Inventories are valued as follows:

- 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.
- 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.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### iii. Intermediate goods/ Finished goods:

- a) **Self manufactured** - At lower of cost and net realisable value. Cost for this purpose includes material, labour and appropriate allocation of overheads. Cost is determined on a weighted average basis.
- b) **Traded** - At lower of cost and net realisable value. Cost represents purchase price and other direct costs and is determined on a weighted average cost basis.

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

### d) Property, plant and equipment

Property, plant and equipment and capital work in progress is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

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

- a. it is probable that future economic benefits associated with the item will flow to the entity; and
- b. the cost of the item can be measured reliably.

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

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

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

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

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

Depreciation on property, plant and equipment is provided over the useful life of assets as specified in Schedule II to the Act, except where the management, based on independent technical assessment, depreciates certain assets over estimated useful lives which are different from the useful life prescribed in the Schedule II to the Act. The Group has used the remaining useful lives to compute depreciation on its property, plant and equipment, acquired under the business transfer agreement based on external technical evaluation.

Depreciation on property, plant and equipment which are added/disposed off during the year is provided on a pro-rata basis with reference to the month of addition/deletion. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

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

### e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in Consolidated Statement of Profit and Loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Consolidated Statement of Profit and Loss.

Intangible assets are amortized on straight line basis using the estimated useful life as follows:

Intangible assets	Useful lives (years)
Software	3-5 Years
Market infrastructure	5 Years

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Profit and Loss when the asset is derecognised.

### f) Borrowing costs

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 asset.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

### g) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2016, the Group has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

#### Group as a lessee

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

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

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

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

#### Group as a lessor

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

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

### h) Employee benefits

#### Contribution to provident and other funds

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund.

The Group recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

#### Gratuity

Gratuity is a defined benefit scheme. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The Group recognises termination benefit as a liability and an expense when the Group has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the termination benefits fall due more than twelve months after the balance sheet date, they are measured at present value of future cash flows using the discount rate determined by reference to market yields at the balance sheet date on government bonds.



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

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 few subsidiary companies where gratuity liability is provided on full cost basis.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in Consolidated Statement of Profit and Loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring cost

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises the following changes in the net defined benefit obligation as an expense in the Consolidated Statement of Profit and Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

### Compensated absences

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit which are computed based on the actuarial valuation using the projected unit credit method at the year end except for few subsidiary companies where accumulated leave liability is provided on full cost basis. Actuarial gains/losses are immediately taken to the Consolidated Statement of Profit and Loss and are not deferred. The Group presents the leave as a current liability in the balance sheet to the extent it does not have an unconditional right to defer its settlement for twelve months after the reporting date. Where Group has the unconditional legal and contractual right to defer the settlement for a period beyond twelve months, the balance is presented as a non-current liability.

Accumulated leave, which is expected to be utilized within the 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.

All other employee benefits payable/available within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages, bonus, etc. are recognised in the Consolidated Statement of Profit and Loss in the period in which the employee renders the related service.

### i) **Share-based payments**

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments, which are classified as equity-settled transactions.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised as an employee benefit expense with a corresponding increase in 'Share- Based Payment Reserves' in other equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through Consolidated Statement of Profit and Loss.

### j) Foreign currencies

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

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

Exchange differences arising on settlement or translation of monetary items are recognised in the Consolidated Statement of Profit and Loss.

Exchange differences pertaining to long-term foreign currency monetary items obtained or given on or before 31 December 2016: Exchange differences arising on conversion of long term foreign currency monetary items used for acquisition of depreciable fixed assets are added to the cost of fixed assets and is depreciated over the remaining life of the

respective fixed asset and in other cases, is recorded under the head 'Foreign Currency Monetary Item Translation Difference Account' and is amortised over the period of maturity of underlying long term foreign currency monetary items, in accordance with the option available under Ind AS 101.

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

### Group companies

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

Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition. Gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the date of transition but includes only translation differences arising after the transition date.

### k) Business combinations and goodwill

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 'Income Taxes' and Ind AS 19 'Employee Benefits' respectively.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets

acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

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

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in Consolidated Statement of Profit and Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

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

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

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

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- Except for adjustments made to harmonise accounting policies, no adjustments are made to reflect fair values, or recognise any new assets or liabilities;
- The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve;
- The identity of the reserves is preserved and the reserves of the transferor become the reserves of the transferee; and
- The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

### l) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with and that the grant will be received.

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

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

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

### m) Taxes

Tax expense is the aggregate amount included in the determination of profit or loss for the period and comprises current and deferred tax.

#### Current income 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 and respective local jurisdictions of members of the Group.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in OCI or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their book bases. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income taxes are not provided on the undistributed earnings of subsidiaries where it is expected that the earnings of the subsidiary will not be distributed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset

to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Minimum Alternate Tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the relevant members of the Group will pay normal income tax during the specified period. Such asset is reviewed at each reporting period end and the adjusted based on circumstances then prevailing.

### n) Segment reporting

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

### o) Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Consolidated Statement of Profit and Loss

### p) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates



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the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change

in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Consolidated Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### q) Financial instruments

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

#### Financial assets

##### Initial recognition and measurement

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

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

##### a) Debt instruments at amortised cost

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

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

##### b) Debt instruments at Fair Value Through Other Comprehensive Income

Assets that are held for collection of contractual cashflows and for selling the financial assets, where the cash flow represent solely payments of principal

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

and interest, are measured at fair value through other comprehensive income ("FVOCI"). The Group has not designated any debt instrument in this category.

### c) Debt instruments at Fair Value Through Profit or Loss

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

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

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

### d) Equity instruments

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

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

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

### De-recognition

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

### Impairment of financial assets

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

### **Financial liabilities**

#### Initial recognition and measurement

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

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

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

#### Subsequent measurement

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

#### a) Financial liabilities at FVTPL

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

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

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

### b) Financial liabilities at amortised cost

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

### De-recognition

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

### Offsetting of financial instruments

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

### **Derivative financial instruments**

Derivatives are initially recognised at fair value on the date of executing a derivative contract and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial

liabilities when the fair value is negative. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### r) **Non-current assets and liabilities classified as held for sale**

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

### s) **Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

### t) **Dividend distribution to equity holders of the parent**

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

### u) **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Consolidated Statement of Profit and Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### v) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements. Contingent assets are only disclosed when it is probable that the economic benefits will flow to the entity.

### w) Earnings 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, other than conversion of potential equity shares, that have changed the number of equity shares outstanding without a corresponding change in resources.

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.

### 3.1. Significant accounting judgements, estimates and assumptions

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

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

#### i) Judgements

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

##### a) Contingencies

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

##### b) Recognition of deferred tax assets

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

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

economic limits or uncertainties in various tax jurisdictions.

### c) Classification of leases

The Group has various leasing arrangements and its classification between finance or operating leases is based on assessment of several factors such as lessee's option to purchase including estimated certainty of exercise of such option, proportion of lease term to the asset's economic life, proportion of present value of minimum lease payments to fair value of leased assets and transfer of ownership of leased asset at end of lease term.

### ii) Estimates and assumptions

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

#### a) Useful lives of depreciable assets

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

#### b) Defined benefit obligation

The cost of the defined benefit plan and other post-employment benefits and the present value of such obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. In view of the

complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

### c) Inventories

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

### d) Business combinations

The Group uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

### e) Impairment of non-financial assets and goodwill

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

### f) Fair value measurement of financial instruments

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



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017



### 4. Property, plant and equipment

₹ in million

	Land freehold*	Land leasehold#	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Containers	Post-mix vending machines and refrigerators (Visi Cooler)	Total
<b>Gross carrying amount</b>											
Balance as at 01 January 2017	4,296.89	2,530.77	5,448.68	18,351.65	158.22	1,693.44	158.01	179.71	5,064.54	8,999.80	46,881.71
Additions for the year	5.83	502.05	907.01	2,706.39	17.20	104.82	21.16	29.97	856.11	582.32	5,732.86
Acquired on business acquisition during the year (Refer note 55 A)	17.54	12.96	125.63	138.21	2.43	22.10	1.91	0.95	101.20	149.19	572.12
Assets classified as held for sale (Refer note 19)	(345.41)	(0.02)	(25.46)	(99.75)	-	-	-	-	-	-	(470.64)
Disposals for the year	-	(0.03)	(24.08)	(142.28)	(0.56)	(31.93)	(3.94)	(5.30)	(502.02)	(434.03)	(1,144.17)
Transfer/ adjustment	(42.94)	-	-	-	-	-	-	-	-	-	(42.94)
Adjustment on account of cessation of a subsidiary (Refer note 55 C)	(39.08)	-	(35.50)	(130.68)	(1.82)	(46.72)	(2.32)	(1.12)	(141.47)	(67.13)	(465.84)
Foreign exchange fluctuation for the year	(19.35)	(0.01)	(35.41)	(72.20)	(0.84)	(11.75)	(0.48)	(1.01)	(62.74)	(48.12)	(251.91)
Balance as at 31 December 2017	3,873.48	3,045.72	6,360.87	20,751.34	174.63	1,729.96	174.34	203.20	5,315.62	9,182.03	50,811.19
<b>Depreciation and impairment</b>											
Balance as at 01 January 2017	-	95.27	1,137.52	4,882.18	90.86	1,026.19	94.46	113.80	1,991.35	3,891.59	13,323.22
Depreciation charge for the year	-	35.34	204.79	1,157.38	12.75	168.91	18.78	29.16	738.02	1,047.33	3,412.46
Assets classified as held for sale (Refer note 19)	-	(0.02)	(11.55)	(13.70)	-	-	-	-	-	-	(25.27)
Reversal on disposal of assets for the year	-	-	(0.99)	(76.16)	(0.34)	(23.53)	(2.53)	(3.43)	(408.39)	(408.19)	(923.56)
Adjustment on account of cessation of a subsidiary (Refer note 55 C)	-	-	(32.94)	(92.08)	(1.12)	(38.94)	(0.79)	(1.69)	(108.99)	(30.60)	(307.15)
Foreign exchange fluctuation for the year	-	-	(3.65)	(10.09)	(0.66)	(6.29)	(0.28)	(0.85)	(31.82)	(26.53)	(80.17)
Balance as at 31 December 2017	-	130.59	1,293.18	5,847.53	101.49	1,126.34	109.64	136.99	2,180.17	4,473.60	15,399.53
Carrying amount as at 31 December 2017	3,873.48	2,915.13	5,067.69	14,903.81	73.14	603.62	64.70	66.21	3,135.45	4,708.43	35,411.66

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

₹ in million

	Land freehold*	Land leasehold#	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Containers	Post-mix vending machines and refrigerators (Visi Cooler)	Total
<b>Gross carrying amount</b>											
Balance as at 01 January 2016	3,710.42	2,146.85	4,784.15	16,612.45	138.23	1,324.34	139.66	149.51	4,266.82	8,182.20	41,454.63
Consolidation of subsidiaries under common control (Refer note 55 E)	58.30	0.14	250.14	747.73	11.50	184.83	4.98	6.79	599.18	345.82	2,209.41
Fair value adjustment on account of deferred payment liabilities (Refer note iii below)	(26.67)	(71.86)	(66.95)	(314.26)	(1.35)	(0.97)	(1.54)	-	(50.40)	(160.33)	(694.33)
Balance as at 01 January 2016	3,742.05	2,075.13	4,967.34	17,045.92	148.38	1,508.20	143.10	156.30	4,815.60	8,367.69	42,969.71
Additions for the year	360.86	244.58	281.43	976.20	4.10	224.78	16.75	33.67	872.60	1,140.42	4,155.39
Acquired on business acquisition during the year (Refer note 55 D)	219.63	211.04	198.02	422.08	5.85	-	0.62	0.51	-	-	1,057.75
Disposals for the year	-	-	-	(81.44)	(0.27)	(30.39)	(1.52)	(10.59)	(596.28)	(498.91)	(1,219.40)
Foreign exchange fluctuation for the year	(25.65)	0.02	1.89	(11.11)	0.16	(9.15)	(0.94)	(0.18)	(27.38)	(9.40)	(81.74)
<b>Balance as at 31 December 2016</b>	<b>4,296.89</b>	<b>2,530.77</b>	<b>5,448.68</b>	<b>18,351.65</b>	<b>158.22</b>	<b>1,693.44</b>	<b>158.01</b>	<b>179.71</b>	<b>5,064.54</b>	<b>8,999.80</b>	<b>46,881.71</b>
<b>Depreciation and impairment</b>											
Balance as at 01 January 2016	-	66.49	903.56	3,726.65	68.52	779.16	77.45	90.09	1,480.13	3,145.82	10,337.87
Consolidation of subsidiaries under common control (Refer note 55 E)	-	0.01	65.75	205.59	7.04	109.98	1.84	6.75	346.41	109.69	853.06
Balance as at 01 January 2016	-	66.50	969.31	3,932.24	75.56	889.14	79.29	96.84	1,826.54	3,255.51	11,190.93
Depreciation charge for the year	-	28.78	182.26	1,025.93	15.27	169.50	16.24	26.96	631.05	1,054.19	3,150.18
Reversal on disposal of assets for the year	-	-	-	(43.72)	(0.20)	(22.39)	(0.85)	(9.54)	(438.90)	(411.51)	(927.11)
Foreign exchange fluctuation for the year	-	(0.01)	(14.05)	(32.27)	0.23	(10.06)	(0.22)	(0.46)	(27.34)	(6.60)	(90.78)
Balance as at 31 December 2016	-	95.27	1,137.52	4,882.18	90.86	1,026.19	94.46	113.80	1,991.35	3,891.59	13,323.22
<b>Carrying amount as at 01 January 2016</b>	<b>3,742.05</b>	<b>2,008.63</b>	<b>3,998.03</b>	<b>13,113.68</b>	<b>72.82</b>	<b>619.06</b>	<b>63.81</b>	<b>59.46</b>	<b>2,989.06</b>	<b>5,112.18</b>	<b>31,778.78</b>
<b>Carrying amount as at 31 December 2016</b>	<b>4,296.89</b>	<b>2,435.50</b>	<b>4,311.16</b>	<b>13,469.47</b>	<b>67.36</b>	<b>667.25</b>	<b>63.55</b>	<b>65.91</b>	<b>3,073.19</b>	<b>5,108.21</b>	<b>33,558.49</b>

\*Gross block includes revaluation of land amounting to ₹ 2,782.95 as on 01 January 2012 based on valuation determined by external valuer.

#During the year ended 31 December 2016, the Holding Company had acquired leasehold land at Pathankot for ₹ 197.10 million which is yet to be registered in the name of the Holding Company, pending full and final payment.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 4. Property, plant and equipment (Cont'd)

#### i. Asset under construction/ Capital work in progress

Capital work in progress as at 31 December 2017 comprised capital expenditure mainly for the set-up of new plant at Varun Beverages (Nepal) Private Limited, Varun Beverages (Zimbabwe) Private Limited. During the year ended 31 December 2016, it comprised of capital expenditure mainly for the set up of new plant at Sandila (Uttar Pradesh) which was capitalised during the year 2017 on 03 May 2017.

Capital work in progress includes net block of plant and equipment of ₹ 60.42 pursuant to classification as "Asset classified as held for sale" which is subsequently sold to Varun Beverages (Nepal) Private Limited and ₹ 25.64 expense incurred for making asset fit for sale.

(₹ in million)

Net Book Value	31 December 2017	31 December 2016	01 January 2016
Capital work-in-progress	1,454.38	955.78	420.67
<b>Total</b>	<b>1,454.38</b>	<b>955.78</b>	<b>420.67</b>

#### ii. Refer Note 61 for information on property, plant and equipment pledged as security by the Group.

#### iii. Ind AS 101 Exemption: The Group has availed the exemption available under Ind AS 101, where the carrying value of property, plant and equipment as at 01 January 2016 has been carried forward at the amount as determined under the Indian GAAP.

The adjustments made to these carrying values is for fair value of deferred payment liabilities for property, plant and equipment acquired in business combinations (Refer note 64 I) and consolidation of subsidiaries under common control (Refer note 55 E). The deemed cost as at 01 January 2016 is the gross carrying amount less accumulated depreciation as on that date.

#### iv. The above schedule includes assets taken on finance lease in one of the subsidiary, details of assets wise are as under:

(₹ in million)

	Plant & equipment	Vehicles	Post-mix vending machines and refrigerators (Visi Cooler)	Total
<b>Gross carrying amount</b>				
Balance as at 01 January 2017	12.72	219.49	54.16	286.37
Addition for the year	-	-	-	-
Foreign exchange fluctuation for the year	0.24	4.12	1.02	5.38
<b>Balance as at 31 December 2017</b>	<b>12.96</b>	<b>223.61</b>	<b>55.18</b>	<b>291.75</b>
<b>Depreciation and impairment</b>				
Balance as at 01 January 2017	3.58	142.04	20.43	166.05
Depreciation for the year	0.63	26.72	5.37	32.72
Foreign exchange fluctuation for the year	0.08	3.43	0.53	4.04
<b>Balance as at 31 December 2017</b>	<b>4.29</b>	<b>172.19</b>	<b>26.33</b>	<b>202.81</b>
<b>Carrying amount as at 31 December 2017</b>	<b>8.67</b>	<b>51.42</b>	<b>28.85</b>	<b>88.94</b>
<b>Gross carrying amount</b>				
Balance as at 01 January 2016	12.71	187.85	54.09	254.65
Addition for the year	-	31.92	-	31.92
Foreign exchange fluctuation for the year	0.01	(0.28)	0.07	(0.20)
<b>Balance as at 31 December 2016</b>	<b>12.72</b>	<b>219.49</b>	<b>54.16</b>	<b>286.37</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million)

	Plant & equipment	Vehicles	Post-mix vending machines and refrigerators (Visi Cooler)	Total
<b>Depreciation and impairment</b>				
Balance as at 01 January 2016	2.94	103.62	15.00	121.56
Depreciation for the year	0.65	38.92	5.51	45.08
Foreign exchange fluctuation for the year	(0.01)	(0.50)	(0.08)	(0.59)
Balance as at 31 December 2016	3.58	142.04	20.43	166.05
<b>Carrying amount as at 01 January 2016</b>	<b>9.77</b>	<b>84.23</b>	<b>39.09</b>	<b>133.09</b>
<b>Carrying amount as at 31 December 2016</b>	<b>9.14</b>	<b>77.45</b>	<b>33.73</b>	<b>120.32</b>

### v. Pre-operative expenses incurred and capitalised during the year are as under:

(₹ in million)

Net Book Value	31 December 2017	31 December 2016
Balance at the beginning of the year	100.51	74.19
<b>Add: Incurred during the year</b>		
Net gain on foreign currency transactions	(7.49)	1.53
Finance costs	51.56	36.22
Other expenses	180.60	26.22
<b>Less: Capitalised during the year</b>	<b>127.22</b>	<b>37.65</b>
<b>Amount carried over</b>	<b>197.96</b>	<b>100.51</b>

### 5. Other intangible assets

(₹ in million)

	Market infrastructure	Franchise rights/ trademarks	Computer software	Total
<b>Gross carrying amount</b>				
Balance as at 01 January 2017	333.44	4,142.24	231.90	4,707.58
Additions for the year	5.64	-	22.42	28.06
Disposals for the year	-	-	(29.83)	(29.83)
Acquired on business acquisition during the year (Refer note 55 A)	-	804.27	-	804.27
Adjustment on account of cessation of a subsidiary (Refer note 55 C)	-	-	(1.47)	(1.47)
Foreign exchange fluctuation for the year	6.42	(0.06)	(0.14)	6.22
<b>Balance as at 31 December 2017</b>	<b>345.50</b>	<b>4,946.45</b>	<b>222.88</b>	<b>5,514.83</b>
<b>Amortisation and impairment</b>				
Balance as at 01 January 2017	303.09	657.20	150.83	1,111.12
Amortisation charge for the year	18.85	0.04	35.06	53.95
Reversal on disposal of assets for the year	-	-	(29.31)	(29.31)
Adjustment on account of cessation of a subsidiary (Refer note 55 C)	-	-	(1.16)	(1.16)
Foreign exchange fluctuation for the year	6.23	(0.02)	(0.13)	6.08
<b>Balance as at 31 December 2017</b>	<b>328.17</b>	<b>657.22</b>	<b>155.29</b>	<b>1,140.68</b>
<b>Carrying amount as at 31 December 2017</b>	<b>17.33</b>	<b>4,289.23</b>	<b>67.59</b>	<b>4,374.15</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million)

	Market infrastructure	Franchise rights/ trademarks	Computer software	Total
<b>Gross carrying amount</b>				
Balance as at 01 January 2016	327.68	4,350.12	192.24	4,870.04
Consolidation of subsidiaries under common control (Refer note 55 E)	-	0.78	5.48	6.26
Fair value adjustment on account of deferred payment (Refer note i below)	-	(208.76)	-	(208.76)
Balance as at 01 January 2016	327.68	4,142.14	197.72	4,667.54
Additions for the year	5.43	-	34.73	40.16
Disposals for the year	-	-	(0.27)	(0.27)
Foreign exchange fluctuation for the year	0.33	0.10	(0.28)	0.15
Balance as at 31 December 2016	333.44	4,142.24	231.90	4,707.58
<b>Amortisation and impairment</b>				
Balance as at 01 January 2016	261.29	656.97	112.87	1,031.13
Consolidation of subsidiaries under common control (Refer note 55 E)	-	0.16	2.84	3.00
Balance as at 01 January 2016	261.29	657.13	115.71	1,034.13
Amortisation charge for the year	42.15	0.05	36.23	78.43
Reversal on disposal of assets for the year	-	-	(0.10)	(0.10)
Foreign exchange fluctuation for the year	(0.35)	0.02	(1.01)	(1.34)
Balance as at 31 December 2016	303.09	657.20	150.83	1,111.12
<b>Carrying amount as at 01 January 2016</b>	<b>66.39</b>	<b>3,485.01</b>	<b>82.01</b>	<b>3,633.41</b>
<b>Carrying amount as at 31 December 2016</b>	<b>30.35</b>	<b>3,485.04</b>	<b>81.07</b>	<b>3,596.46</b>

- i. **Ind AS 101 Exemption:** The Group has availed the exemption available under Ind AS 101, where the carrying value of other intangible assets as at 01 January 2016 has been carried forward at the amount as determined under the Indian GAAP.

The adjustment made to these carrying values is for fair value of deferred payment liabilities for other intangible assets acquired in business combinations (Refer note 64 I) and consolidation of subsidiaries under common control (Refer note 55 E). The deemed cost as at 01 January 2016 is the gross carrying amount less accumulated amortisation as on that date.

- ii. In the year ended on 31 December 2017, the Group acquired PepsiCo India Holdings Private Limited (PepsiCo India's) previously franchised territories in the State of Odisha and parts of Madhya Pradesh along with two manufacturing units at Bargarh and Bhopal (Mandideep) from other franchisees. This resulted into recognition of among other assets, franchise rights and goodwill (Refer note 55 A).
- iii. In the past, the Company had carried out similar acquisitions of territories along with manufacturing facilities from PepsiCo India and other franchisees. The assets so acquired were fair valued which resulted into recognition of franchise rights amounting of ₹ 4,350.12.

Under the erstwhile Indian GAAP, the Group followed an accounting policy of amortisation of these acquired franchise rights over 10 years as indefinite life was not permitted, based on the initial tenure these rights were granted. Post transition to Ind AS, the Group has considered the related provisions of Ind AS 38 on 'Intangibles Assets' which permit certain intangible assets to have an indefinite life and accordingly the carrying value of these franchise rights on the transition date have been considered to have an indefinite life. These franchise rights meet the prescribed criteria of renewal at no nominal cost, renewal at no specific conditions attached and is supported by evidences of being renewed. Management is of the opinion that, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the franchise rights is expected to generate net cash inflows for the Group.



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

The assumptions used in this impairment assessment are most sensitive to following:

- Weighted average cost of capital "WACC" of 16.10%.
- For arriving at the terminal value, approximate growth rate of 5% is considered.

### 6. Investments in associates

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Investment in equity shares in associates (unquoted)</b>			
35,474 (31 December 2016: 35,474, 01 January 2016: 35,474) fully paid equity shares of ₹ 10 each in Angelica Technologies Private Limited	12.56	12.56	12.56
Add: Share in profit	69.67	56.17	32.39
	<b>82.23</b>	<b>68.73</b>	<b>44.95</b>
Aggregate amount of unquoted investments	<b>82.23</b>	<b>68.73</b>	<b>44.95</b>
The above investment is for business purposes			

The Holding Company has 47.30% interest in Angelica Technologies Private Limited, which in turn holds 74% ownership stake in Lunarmech Technologies Private Limited. The interest in Angelica Technologies Private Limited is accounted for using the equity method and the following is its summarised financial information:

(₹ in million)

	Year ended 31 December 2017	Year ended 01 January 2016
Profit for the year	13.50	23.78
Other comprehensive income	-	-
Total comprehensive income	13.50	23.78

### 7. Investments

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Fair value through Profit or Loss</b>			
<b>Investment in equity shares (unquoted)</b>			
10% equity quota (31 December 2016: 51%, 01 January 2016: 51%) in Varun Beverages Mozambique Limitada*	0.03	-	-
200 (31 December 2016: 200, 01 January 2016: 200) shares of ₹ 50 each in The Margao Urban Co-operative Bank Limited	0.01	0.01	0.01
250 (31 December 2016: 250, 01 January 2016: 250) shares of ₹ 10 each in The Goa Urban Co-operative Bank Limited**	0.00	0.00	0.00
	<b>0.04</b>	<b>0.01</b>	<b>0.01</b>
*Refer note 55 for disinvestment details of this subsidiary.			
**Rounded off to Nil.			
Aggregate amount of unquoted investments	<b>0.04</b>	<b>0.01</b>	<b>0.01</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 8. Loans

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Loans carried at amortised cost</b>			
Unsecured, considered good			
Security deposits	192.19	163.19	145.16
	<b>192.19</b>	<b>163.19</b>	<b>145.16</b>

### 9. Other non-current financial assets

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Financial assets at amortised cost</b>			
Balance in deposit accounts with more than 12 months maturity#	8.96	8.47	1.48
	<b>8.96</b>	<b>8.47</b>	<b>1.48</b>

# Pledged as security with electricity department/banks.

### 10. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

(₹ in million)

Deferred tax liabilities/(assets)	As at 01 January 2017	Recognised in other equity	Recognised in other comprehensive income	Recognised in Statement of Profit and Loss*	As at 31 December 2017
Accelerated depreciation for tax purposes	2,830.38	-	-	479.54	3,309.92
Benefit accrued on government grants	111.98	-	-	132.10	244.08
Carry forward of unused tax credits/MAT credit	(1,029.34)	-	-	(378.60)	(1,407.94)
Carry forward of unused tax losses	(59.60)	-	-	10.23	(49.37)
Allowance for doubtful debts	(67.37)	-	-	(31.63)	(99.00)
Provision for bonus	(14.41)	-	-	(1.97)	(16.38)
Foreign currency monetary item translation difference account	(66.94)	-	-	88.13	21.19
Provision for retirement benefits	(238.22)	-	3.39	(55.52)	(290.35)
Fair valuation of financial instruments	(157.85)	-	-	(72.87)	(230.72)
Borrowings	(0.14)	-	-	(0.26)	(0.40)
Other expenses allowable on payment basis	(62.20)	-	-	52.64	(9.56)
Exchange differences arising on translation of foreign operations	(28.25)	-	(21.75)	-	(50.00)
	<b>1,218.04</b>	<b>-</b>	<b>(18.36)</b>	<b>221.79</b>	<b>1,421.47</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million)

Deferred tax liabilities/(assets)	As at 01 January 2016	Recognised in other equity	Recognised in other comprehensive income	Recognised in Statement of Profit and Loss*	As at 31 December 2016
Accelerated depreciation for tax purposes	2,312.00	-	-	518.38	2,830.38
Benefit accrued on government grants	119.95	-	-	(7.97)	111.98
Carry forward of unused tax credits/MAT credit	(690.06)	-	-	(339.28)	(1,029.34)
Carry forward of unused tax losses	(514.31)	-	-	454.71	(59.60)
Allowance for doubtful debts	(56.08)	-	-	(11.29)	(67.37)
Provision for bonus	(13.03)	-	-	(1.38)	(14.41)
Foreign currency monetary item translation difference account	(64.95)	-	-	(1.99)	(66.94)
Provision for retirement benefits	(184.10)	-	(17.96)	(36.16)	(238.22)
Fair valuation of financial instruments	(1,240.64)	1,776.17	-	(693.38)	(157.85)
Borrowings	0.98	-	-	(1.12)	(0.14)
Other expenses allowable on payment basis	(55.78)	-	-	(6.42)	(62.20)
Exchange differences arising on translation of foreign operations	-	-	(28.25)	-	(28.25)
	<b>(386.02)</b>	<b>1,776.17</b>	<b>(46.21)</b>	<b>(125.90)</b>	<b>1,218.04</b>

\* Includes foreign exchange fluctuation amounting to ₹ 2.29 (31 December 2016: ₹ 0.64).

### Notes:

- The above net deferred tax is after setting off deferred tax assets aggregating ₹ 80.04 (31 December 2016: ₹ 68.35; 01 January 2016: ₹ Nil) in respect of certain subsidiary companies.
- The amounts recognised in other comprehensive income relates to the re-measurement of net defined retirement benefit liability and exchange differences arising on translation of foreign operations. Refer note 39 for the amount of the income tax relating to these components of other comprehensive income.

## 11. Other non-current assets

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(Unsecured, considered good)			
Capital advances	1,344.94	1,243.85	879.31
Less: Provision for doubtful advances	100.94	-	-
	<b>1,244.00</b>	<b>1,243.85</b>	<b>879.31</b>
Advances other than capital advances			
- Security deposits	15.05	13.09	11.80
- Income tax paid (includes amount paid under protest)	217.01	51.73	51.73
- Balance with statutory authorities (paid under protest)	21.09	37.47	20.76
- Prepaid expenses	28.70	21.31	27.50
	<b>1,525.85</b>	<b>1,367.45</b>	<b>991.10</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 12. Inventories

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(valued at lower of cost or net realisable value)			
Raw materials	1,749.48	2,461.95	2,069.49
Raw material in transit	39.06	83.89	394.41
Work in progress	72.73	87.31	86.16
Intermediate goods	1,098.34	823.55	663.19
Finished goods (including goods in transit of ₹ 9.82 (31 December 2016: ₹ 14.75, 01 January 2016: ₹ 9.92))	648.25	651.30	624.29
Stores and spares	781.08	791.26	669.52
	<b>4,388.94</b>	<b>4,899.26</b>	<b>4,507.06</b>

The Group manufactures as well as purchases the same product from market for sale. In the absence of demarcation between manufactured and purchased goods, which are not significant, stock in trade values are not separately ascertainable.

### 13. Trade receivables

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Unsecured, considered good	1,502.45	1,313.45	1,444.67
Unsecured, considered doubtful	299.20	252.37	221.06
	1,801.65	1,565.82	1,665.73
Less : Allowance for expected credit losses	299.20	252.37	221.06
	<b>1,502.45</b>	<b>1,313.45</b>	<b>1,444.67</b>

Includes amounts due from private companies in which director of the Holding Company is also a director:

i. Devyani Food Street Private Limited	0.01	-	1.84
ii. Alisha Retail Private Limited	-	-	0.11

Trade receivables are non-interest bearing and credit period generally falls in the range of 0 to 90 days terms.

### 14. Cash and cash equivalents

(also for the purpose of Cash Flow Statement)

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Balance with banks in current accounts	553.09	274.08	276.13
Cheques/drafts on hand	78.66	27.29	4.37
Cash on hand	17.71	23.63	14.10
	<b>649.46</b>	<b>325.00</b>	<b>294.60</b>

#### Specified Bank Notes (SBN\*) disclosure

During the previous year ended on 31 December 2016, the Holding Company had specified bank notes or other denomination notes as defined in the MCA notification G.S.R. 308 (E) dated 31 March 2017 on the details of SBNs\* held and transacted during the period from 08 November 2016 to 30 December 2016, the denomination wise SBNs and other notes as per the notification is given below:

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 08 November 2016	6.39	2.92	9.31
(+) Withdrawal from bank accounts	-	5.09	5.09
(+) Permitted receipts	-	16.46	16.46
(-) Permitted payments	-	(11.64)	(11.64)
(-) Amount deposited in bank accounts	(6.39)	(8.65)	(15.04)
<b>Closing cash in hand as on 30 December 2016</b>	<b>-</b>	<b>4.18</b>	<b>4.18</b>

The information relating to Associate Companies namely Angelica Technologies Private Limited and Lunarmech Technologies Private Limited is given below:

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 08 November 2016	0.38	0.02	0.40
(+) Withdrawal from bank accounts	-	0.60	0.60
(+) Permitted receipts	-	0.01	0.01
(-) Permitted payments	-	(0.43)	(0.43)
(-) Amount deposited in bank accounts	(0.38)	-	(0.38)
<b>Closing cash in hand as on 30 December 2016</b>	<b>-</b>	<b>0.20</b>	<b>0.20</b>

\*For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification number S.O. 3407 (E) dated the 08 November 2016.

### 15. Bank balances other than cash and cash equivalents

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Deposits with original maturity more than 3 months but less than 12 months *	295.08	332.02	337.84
Unpaid dividend account**	0.06	-	-
	<b>295.14</b>	<b>332.02</b>	<b>337.84</b>

\*Pledged as security with statutory authorities/banks

\*\*These balances are not available for use by the Group and corresponding balance is disclosed as unclaimed dividend in note 27.

### 16. Other current financial assets

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(Unsecured, considered good)			
Interest accrued on:			
- Term deposits	6.74	3.46	2.40
- Others	6.73	9.17	5.81
Security deposits	1.24	39.34	9.99
Government grant receivable	781.53	51.35	38.37
Claims receivable	77.45	101.13	10.87
Other receivables	59.94	-	-
	<b>933.63</b>	<b>204.45</b>	<b>67.44</b>



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 17. Current tax assets (Net)

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Advance payment of tax (net of provision)	0.13	0.07	7.72
	<b>0.13</b>	<b>0.07</b>	<b>7.72</b>

### 18. Other current assets

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(Unsecured, considered good)			
Security deposits	7.93	9.15	3.25
Other advances:			
- Employees	87.18	78.85	50.91
- Contractors and suppliers	728.10	770.29	435.16
- Prepaid expenses	69.83	79.49	89.83
- Balance with statutory/government authorities	437.93	371.38	387.98
- Other advances	201.51	142.23	263.11
	<b>1,532.48</b>	<b>1,451.39</b>	<b>1,230.24</b>

### 19. Assets classified as held for sale

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Property, plant and equipment			
Land	345.41	-	-
Buildings	13.91	-	-
Plant and equipment	25.63	-	-
	<b>384.95</b>	<b>-</b>	<b>-</b>

- In June 2017, in view of setting up of new production unit in Goa, the Holding Company had decided to sell certain land and building situated at Goa which was originally acquired with acquisition of Goa territory. The Holding Company is in process of receiving and evaluating proposals from various parties and expects the sale to be completed before June 2018.
- Property, plant and equipment classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, which did not impact the Statement of Profit and Loss.

### 20. Equity share capital

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Authorised share capital:</b>			
500,000,000 (31 December 2016: 500,000,000, 01 January 2016: 500,000,000) equity shares of ₹ 10 each	5,000.00	5,000.00	5,000.00
	<b>5,000.00</b>	<b>5,000.00</b>	<b>5,000.00</b>
<b>Issued, subscribed and fully paid up:</b>			
182,586,940 (31 December 2016: 182,312,525, 01 January 2016: 133,766,165) equity shares of ₹ 10 each	1,825.87	1,823.13	1,337.66
	<b>1,825.87</b>	<b>1,823.13</b>	<b>1,337.66</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### a) Reconciliation of share capital

Particulars	No. of shares	Amount
Balance as at 01 January 2017	182,312,525	1,823.13
Add: Shares issued on exercise of employee stock options during the year ended	274,415	2.74
<b>Balance as at 31 December 2017</b>	<b>182,586,940</b>	<b>1,825.87</b>

Particulars	No. of shares	Amount
Balance as at 01 January 2016	133,766,165	1,337.66
Add: Shares issued on conversion of compulsorily convertible debentures	21,054,387	210.55
Add: Shares issued on conversion of compulsorily convertible preference shares	10,227,273	102.27
Add: Shares issued on initial public offering	15,000,000	150.00
Add: Shares issued on exercise of employee stock options	2,264,700	22.65
<b>Balance as at 31 December 2016</b>	<b>182,312,525</b>	<b>1,823.13</b>

### b) Terms/rights attached to shares

The Holding Company has only one class of equity shares having a par value of ₹ 10 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Holding Company, holders of equity shares will be entitled to receive any of the remaining assets of the Holding Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

### c) List of shareholders holding more than 5% of the equity share capital of the Holding Company at the beginning and at the end of the year:

Shareholders as at 31 December 2017	No. of shares	%
R J Corp Limited	55,822,345	30.57%
Ravi Kant Jaipuria & Sons (HUF)	39,187,870	21.46%
Mr. Varun Jaipuria	39,175,500	21.46%

Shareholders as at 31 December 2016	No. of shares	%
R J Corp Limited	49,932,870	27.39%
Ravi Kant Jaipuria & Sons (HUF)	39,187,870	21.49%
Mr. Varun Jaipuria	39,175,500	21.49%
Standard Chartered Private Equity Mauritius II Limited	12,840,202	7.04%

Shareholders as at 01 January 2016	No. of shares	%
R J Corp Limited	45,387,415	33.93%
Ravi Kant Jaipuria & Sons (HUF)	44,187,870	33.03%
Mr. Varun Jaipuria	44,175,500	33.02%

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

As per records of the Holding Company, including its register of shareholders/members and other declaration received from the shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

**d) Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:**

During the year 2013, the 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 12 March 2013. Also, 107,012,932 equity shares of ₹10 each have been issued in the ratio of 4:1 as bonus shares during the year 2013.

**e) Shares reserved for issue under options**

Under Employee Stock Option Scheme, 2013:

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
No. of equity shares of ₹ 10 each at an exercise price of ₹ 149.51 per share			
Options outstanding at the beginning of the year	352,700	2,675,400	2,675,400
Less: Options lapsed during the year	-	58,000	-
Less: Shares issued on exercise of employee stock options	274,415	2,264,700	-
	<b>78,285</b>	<b>35,2700</b>	<b>2,675,400</b>

Also refer note 57.

**f) Pursuant to Initial Public Offering (IPO), 15,000,000 equity shares of the Holding Company of ₹ 10 each were allotted at ₹ 445 per equity share:**

Date of allotment	No. of shares	Amount
04 November, 2016	15,000,000	6,675,000,000
The equity shares of the Holding Company were listed on Bombay Stock Exchange and National Stock Exchange w.e.f. 08 November 2016.		

**g) Shares held by holding/ ultimate holding company**

Out of equity shares issued by the Company, shares held by its holding company/ ultimate holding company are as below:

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
RJ Corp Limited, Parent company	558.22	499.33	453.87
55,822,345 (31 December 2016: 49,932,870, 01 January 2016: 45,387,415) fully paid equity shares of ₹ 10 each			
Ravi Kant Jaipuria & Sons (HUF), Ultimate Parent	391.88	391.88	441.88
39,187,870 (31 December 2016: 39,187,870, 01 January 2016: 44,187,870) fully paid equity shares of ₹ 10 each			
	<b>950.10</b>	<b>891.21</b>	<b>895.75</b>

**h) Preference share capital**

The Holding Company also has authorised preference share capital of 50,000,000 (31 December 2016: 50,000,000 and 01 January 2016: 50,000,000) preference shares of ₹ 100 each. The Holding Company does not have any outstanding issued preference shares.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 21. Other equity

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Capital reserve on consolidation</b>			
Balance at the beginning of the year	(1,533.21)	(1,533.21)	
Add: Subsequent acquisition of 30% non-controlling interest in a subsidiary (Refer note 55 B)	(746.57)	-	
Balance at the end of the year	<b>(2,279.78)</b>	<b>(1,533.21)</b>	<b>(1,533.21)</b>
<b>Capital reserve</b>			
Balance at the beginning of the year	189.50	196.03	
Less: Depreciation on assets received for no consideration	-	6.53	
Balance at the end of the year	<b>189.50</b>	<b>189.50</b>	<b>196.03</b>
<b>General reserve</b>			
Balance at the beginning of the year	191.25	-	
Add: Transfer from debenture redemption reserve	-	191.25	
Balance at the end of the year	<b>191.25</b>	<b>191.25</b>	<b>-</b>
<b>Debenture redemption reserve</b>			
Balance at the beginning of the year	-	19.96	
Add: Additions made during the year	159.17	171.29	
Less: Transfer to general reserve	-	191.25	
Balance at the end of the year	<b>159.17</b>	<b>-</b>	<b>19.96</b>
<b>Securities premium reserve</b>			
Balance at the beginning of the year	18,349.39	-	
Add: Additions made on issue of equity shares pursuant to IPO	-	6,525.00	
Add: Additions made on conversion of compulsorily convertible debentures into equity shares (Net of deferred tax)	-	7,295.24	
Add: Additions made on conversion of compulsorily convertible preference shares into equity shares	-	4,397.73	
Add: Additions made pursuant to exercise of employee stock options	42.83	353.57	
Less: Amount utilised for share issue expenses (Refer note 53)	-	222.15	
Balance at the end of the year	<b>18,392.22</b>	<b>18,349.39</b>	<b>-</b>
<b>Retained earnings</b>			
Balance at the beginning of the year	(2,007.59)	(2,225.71)	
Less: Dividend paid	456.29	-	
Less: Dividend distribution tax	92.89	-	
Less: Transfer to debenture redemption reserve	159.17	171.29	
Add: Profit for the reporting period/year	2,101.54	423.76	
Less: Adjustment on account of dilution of controlling interest in subsidiary	(12.84)	-	
	<b>(601.56)</b>	<b>(1,973.24)</b>	<b>(2,225.71)</b>
Add: Items of other comprehensive income recognised:			
Remeasurement of post-employment benefit obligation, net of tax	7.44	(34.35)	-
Balance at the end of the year	<b>(594.12)</b>	<b>(2,007.59)</b>	<b>(2,225.71)</b>

The disaggregation of changes in OCI by each type of reserves in equity is disclosed in Note 39.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Share based payment reserve</b>			
Balance at the beginning of the year	5.86	44.39	
Add: Change during the year	(4.56)	(38.53)	
Balance at the end of the year	<b>1.30</b>	<b>5.86</b>	<b>44.39</b>
<b>Exchange differences on translating the financial statements of foreign operations</b>			
Balance at the beginning of the year	(94.18)	-	
Add: Exchange differences arising on translation of foreign operations (Net of deferred tax of ₹ 21.75 (31 December 2016: ₹ 28.25))	(72.52)	(94.18)	
Balance at the end of the year	<b>(166.70)</b>	<b>(94.18)</b>	<b>-</b>
<b>Share application money pending allotment</b>			
Balance at the beginning of the year	-	-	
Add: Change during the year	1.08	-	
Balance at the end of the year	<b>1.08</b>	<b>-</b>	<b>-</b>
<b>Foreign currency monetary item translation difference account</b>			
Balance at the beginning of the year	11.80	(5.98)	
Add: Additions made during the year	(26.41)	10.95	
Less: Amortised during the year	10.90	(6.83)	
Balance at the end of the year	<b>(25.51)</b>	<b>11.80</b>	<b>(5.98)</b>
	<b>15,868.41</b>	<b>15,112.82</b>	<b>(3,504.52)</b>

### Description of nature and purpose of each reserve:

**Capital reserve on consolidation** - Created on additional consideration paid in form of cash on business combinations involving entities including businesses/entities under common control.

**Capital reserve** - Created on merger of Varun Beverages International Limited with the Holding Company pursuant to and in accordance with the Court approved scheme of amalgamation, prior to the transition date. Comparative period also includes reserve created on account of assets received without any consideration by a subsidiary.

**General reserve** - Created by way of transfer from debenture redemption reserve on redemption of debentures and is not an item of other comprehensive income.

**Debenture redemption reserve** - Created as per provisions of the Companies Act, 2013 (as applicable to Holding Company) out of the distributable profits and can only be utilised for redemption of debentures.

**Securities premium reserve** - Created to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

**Retained earnings** - Created from the profit / loss of the Group, as adjusted for distributions to owners, transfers to other reserves, etc.



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

**Exchange differences on translating the financial statements of foreign operations** - Exchange differences arising on translation of the foreign operations of the Group, recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

**Share based payment reserve** - Created for recording the grant date fair value of options issued to employees under employee stock option schemes and is adjusted on exercise/ forfeiture of options.

**Foreign currency monetary item translation difference account** - Created for recording exchange differences arising on restatement of long term foreign currency monetary items, other than for acquisition of fixed assets, and is being amortised over the maturity period of such monetary items.

### 22. Borrowings (Also refer note 60)

#### A. Non-current borrowings:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Debentures			
- Compulsorily convertible debentures (unsecured) (Refer note a)	-	-	8,174.70
- Non-convertible debentures (secured) (Refer note b(i) and b(ii))	2,990.50	-	179.88
- Non-convertible debentures (unsecured) (Refer note b(iii))	-	-	3,000.00
Term loans (secured) (Refer note 22C)			
- Loans from banks	12,597.33	7,992.24	7,230.90
- Loans from financial institutions	339.02	435.77	1,128.39
- Loans from others	16.89	40.18	44.48
Compulsorily convertible preference shares (unsecured) (Refer note c)	-	-	4,127.93
Deferred value added tax/ excise (unsecured) (Refer note 22C)	588.53	749.83	984.44
Deferred payment liabilities (secured) (Refer Note 22D)	337.68	2,965.59	5,349.00
	<b>16,869.95</b>	<b>12,183.61</b>	<b>30,219.72</b>

Loans and borrowing above are recognised at amortised cost/ fair value taking into account any discount or premium on acquisition and fee or costs that are part of effective interest rate, accordingly the outstanding balances above may not necessarily agree with repayment amounts.

#### a) Terms and conditions of issue and conversion/redemption of compulsorily convertible debentures (CCDs) are as under:

All the CCDs have been converted to equity share capital during the year ended 31 December 2016 and hence there are no CCDs outstanding as at 31 December 2016. The particulars as at 01 January 2016 are as under and were recorded at face value of ₹ 4,198.98 as per Indian GAAP.

No. of debentures	Date of issue	Face value (₹)
12,49,980	18 July 2011	1,000.00
12,50,000	30 November 2011	1,000.00
16,50,000	05 October 2012	1,000.00

The Holding Company was required to conduct a qualified initial public offer ('QIPO') not later than 48 months from the date of issue of first tranche. If a QIPO by the Holding Company could not be completed prior to the QIPO deadline date on account of the market conditions or non-receipt of internal or external approvals that may be required for such initial public offering, the Holding Company and the promoters (as defined in the subscription agreement) shall ensure that such QIPO occurs within six years from the first completion date. The CCDs shall be converted into such number of equity shares based on the lower-end of the price band at which the QIPO is proposed to enable the debenture holders to realise the agreed return

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

of 18.5% from the equity shares resulting from such conversion. CCDs were compulsorily convertible into equity shares in an initial public offer (IPO). In the event the Holding Company had not filed a Draft Red Herring Prospectus for QIPO with the Securities and Exchange Board of India on or before 31 May 2017, the debenture holders had various exit options including 14% per annum coupon and put option on promoters at an agreed return. The coupon in that case was payable as per the terms of underlying agreement.

### b) Terms and conditions of issue and redemption of Non-convertible debentures (NCDs) are as under:

#### i) Issued to Kotak Mahindra Bank Limited and RBL Bank Limited

During the year ended 31 December 2017, the Holding Company has issued 1,500 NCDs each to Kotak Mahindra Bank Limited and RBL Bank Limited. Details of NCDs as at 31 December 2017 are as under:

No. of debentures	Date of issue	Face value (₹)
3,000	23 March 2017	10,00,000

The Rated Secured Listed Redeemable Rupee Denominated NCDs (3000) are redeemable at par in 5 years and 4 months from the deemed date of allotment and carry a coupon rate of 7.70% per annum. The NCDs are redeemable 10%, 25%, 30% and 35% at 30 June 2019, 2020, 2021 and 2022 respectively unless redeemed earlier. These NCDs are secured by way of first pari passu charge on the moveable and immoveable fixed assets of the Holding Company providing a security cover of 1.30 times.

(₹ in million)

Details of utilisation	31 December 2017	31 December 2016	01 January 2016
Gross proceeds received	3,000	-	-
Amount utilised till end of the year	3,000	-	-
<b>Unutilised amount at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Audit Committee and Board of Directors of the Holding Company noted the utilisation of the proceeds of NCDs for the year ended 31 December 2017, which was in line with utilisation schedule approved by the Board of Directors.

#### ii) Issued to RBL Bank Limited

During the year ended 31 December 2016, the Holding Company had called-up the balance amount of ₹ 1,800 in single instalment, i.e. 90 percent of the face value of debenture, as per the terms of the underlying agreement. The NCDs were repaid during the previous year from the proceeds of IPO. There were no NCDs outstanding as at 31 December 2016 and details of NCDs as at 01 January 2016 are as under and were recorded at cost of ₹ 2,000 as per Indian GAAP.

No. of debentures	Date of issue	Face value (₹)	Paid-up value (₹)
2,000	01 December 2015	10,00,000	1,00,000

The Rated Secured Listed Redeemable Rupee Denominated NCD (2000) were redeemable at par in 5 years from the deemed date of allotment and carried a coupon rate of SBI base rate plus 60 basis points. The NCDs were redeemable 30%, 30% and 40% at the end of year third, fourth and fifth years respectively unless redeemed earlier. These NCDs were secured by way of first pari passu charge on the specified fixed assets of the Holding Company to the extent of 1.25 times of NCDs outstanding.

(₹ in million)

Details of utilisation	31 December 2017	31 December 2016
Gross proceeds received	-	1,800
Amount utilised till end of the year	-	1,800
<b>Unutilized amount at the end of the year</b>	<b>-</b>	<b>-</b>

The Audit Committee and Board of Directors of the Holding Company noted the utilisation of the proceeds of NCDs for the year ended 31 December 2016, which was in line with utilisation schedule approved by the Board of Directors.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

iii) Issued to AION Investments II Singapore PTE Ltd

During the year ended 31 December 2016, the Company had redeemed all the NCDs issued to AION Investments II Singapore PTE Ltd and there were no NCDs outstanding as at 31 December 2016. Details of NCDs as at 01 January 2016 are as under and were recorded at cost of ₹ 3000 as per Indian GAAP.

No. of debentures	Date of issue	Face value (₹)
300	30 September 2015	1,00,00,000

NCDs were rated unsecured and carried a coupon rate of 14% for the first eighteen months and 17% thereafter. NCDs were redeemable by the Holding Company on the tenth anniversary from the date of allotment ('Final Redemption Date'). The Holding Company and its affiliates (as defined in the underlying agreement) had right to redeem the NCDs, prior to the final redemption date, under the circumstances and subject to the conditions stated in the underlying agreement.

### c) Terms and conditions of issue and conversion of Compulsorily convertible preference shares (CCPS) are as under:

All the CCPS have been converted to equity share capital during the year ended 31 December 2016 and hence there are no CCPS outstanding as at 31 December 2016. The particulars as at 01 January 2016 are as under and were recorded at face value of ₹ 4,500 as per Indian GAAP. CCPS were compulsorily convertible into equity shares upon expiry of five years from allotment date at a price which was to be calculated at the valuation of the Holding Company computed by an independent valuer or at a price not lower than breakup value (as defined in share subscription agreement), whichever was higher. CCPS were to be mandatorily converted into equity shares prior to a) filing of the red herring prospectus or, b) a third party private equity investment or, c) the conversion of Compulsorily Convertible Debentures. The holders of preference shares had no rights to receive notices of, attend or vote at general meetings except in certain limited circumstances.

Each CCPS was entitled to receive dividend at the rate of 10% in the fourth year and at the rate of 20% in the fifth year from the date of issue. There is no dividend for the first three years from the date of issue.

## B. Current borrowings:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Loans repayable on demand from:			
- bodies corporate (unsecured)*	278.06	339.26	472.83
-others (unsecured)*	6.96	7.40	7.25
Working capital facilities			
-from banks (secured)	3,120.18	3,626.57	2,602.49
-from financial institutions (secured)	-	1.30	58.47
-from bodies corporate (unsecured)*	128.45	136.76	258.19
	<b>3,533.65</b>	<b>4,111.29</b>	<b>3,399.23</b>

- In case of the Holding Company, the working capital facilities from banks are secured by first charge on entire current assets of the Holding Company ranking pari passu amongst the banks and second charge on the movable and immovable assets of the Holding Company pertaining to specific manufacturing units. These working capital facilities carry interest rates ranging between 8.50 to 9.70% (31 December 2016: 9.50 to 10.90% and 01 January 2016: 11 to 12%).
- Working capital facilities in case of subsidiaries, except working capital facilities of Varun Beverages (Zambia) Limited amounting to ₹ 1,194.29 (31 December 2016: ₹ 1,826.92, 01 January 2016: ₹ 1,653.95), are secured mainly by charge on trade receivables, inventories and other current assets of the respective subsidiary company, ranking pari passu and charge on certain movable and immovable assets of the respective subsidiary. Working capital facilities from banks at Varun Beverages (Zambia) Limited amounting to ₹ 0.01 (31 December 2016 ₹ 317.09, 01 January 2016: ₹ 267.82) are secured along with securities of term loans taken from Zambia National Commercial Bank Plc. and Indo Zambia Bank. Some of the facilities of subsidiaries are guaranteed by the Holding Company and by respective subsidiary company, as per the terms of respective agreements. In earlier years, some of the facilities were further secured by personal guarantee of Mr. Ravi Kant Jaipuria. The amount of personal guarantees outstanding at the end of current year is ₹ Nil (31 December 2016: ₹ 222.14, 01 January 2016 ₹ 1,620.80). The working capital facilities carry interest rates ranging between 5.27% to 14.07% (31 December 2016: 5.27% to 33.75% and 01 January 2016: 6% to 14.5%).

\*These loans/facilities are interest free.



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### C. Terms and conditions/details of securities for loans:

(₹ in million)

Particulars	Loan outstanding					
	31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
<b>Loans from banks (secured)</b>						
Loan carrying rate of interest of LIBOR+1.40% (31 December 2016 and 01 January 2016: LIBOR+2.65%) and is repayable in two equal instalments of USD 2.5 million each in May 2018 and August 2018. The Company has separately executed contracts for cross currency interest plus rate swap on aforesaid loan and interest there on. This loan is secured on first pari passu charge on the entire movable and immovable property, plant and equipment of the Holding Company including the territory /franchise rights acquired under the acquisition under slump sale basis.	-	319.63	339.77	339.77	663.20	331.63
Loan carrying rate of interest of LIBOR+2.5% (31 December 2016 and 01 January 2016: LIBOR+2.5%) and is repayable in 16 equal quarterly instalments of USD 1.25 million each ending January 2016. This loan is secured by way of first pari passu charge on movable and immovable fixed assets of Holding Company's units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II and movable assets in the name of the Company at head office, Gurugram (excluding the assets exclusively charged to other lenders).	-	-	-	-	-	82.91
Loans carrying weighted average rate of interest 8.29% (31 December 2016: 9.78%, 31 December 2015: 11.11%) depending upon tenure of the loans. For repayment terms refer note 22E. These loans are secured on first pari passu charge on the entire movable and immovable property, plant and equipment of the Holding Company including the territory /franchise rights acquired under the acquisition under slump sale basis.	11,824.36	1,896.21	6,799.82	1,061.38	4,761.79	1,038.25
Loans carrying rate of interest in range of 7.90-10.33% (31 December 2016: 8.13-10.33%, 01 January 2016: 9-11%). They are repayable generally over a period of three to five years in instalments as per the terms of the respective agreements. Vehicle loans are secured against respective asset financed.	62.21	57.39	106.53	71.77	83.87	66.09
Loans of Varun Beverages Morocco SA, carry rate of interest of 5.50% for 31 December 2016 (01 January 2016: 5.50%). For repayment terms refer note 22E. This loan is secured by way of first pari passu charge on movable and immovable property, plant and equipment of this company, assignment of insurance policy in favour of the lenders and promissory note in favour of lenders.	-	-	-	93.56	90.55	224.30

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million)

Particulars	Loan outstanding					
	31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
Loans of Varun Beverages (Zambia) Private Limited, carry rate of interest of 30% to 39% for 31 December 2016 (01 January 2016: 5.60% to 39%). For repayment terms refer note 22E. These loans are mainly secured by charge on subsidiary company's factory premises and all other moveable, immovable and current assets of the respective subsidiary company and loan subordination of the Holding Company and letter of undertaking from the other shareholder. In earlier years, these loans were also secured by personal guarantee of Mr. Ravi Kant Jaipuria.	-	-	107.70	53.99	400.17	-
Loans of Varun Beverages (Zambia) Private Limited carrying rate of interest in range from 30% to 30.5%. Vehicle loans are secured against respective asset financed. For repayment terms refer note 22E.	-	-	25.78	21.40	32.47	-
Loans of Varun Beverages (Zimbabwe) (Private) Limited, carry rate of interest of 4% to 7% (31 December 2016: 7% (01 January 2016: 7%). For repayment terms refer note 22E. One of these loans is secured by charge on subsidiary company's land and other loan is secured by corporate guarantee of the Holding Company.	708.41	130.04	230.93	5.26	230.39	-
Loans of Varun Beverages Mozambique Limitada carry rate of interest of 29% to 30% for 31 December 2016 (1 January 2016 29% to 30%). For repayment terms refer note 22E. One of the term loans (other than vehicle loans) is secured by hypothecation of plant and machinery of sixty million meticals and other by hypothecation of inventory and trade receivables. Vehicle loan is secured by charge over respective vehicle financed.	-	-	41.59	9.49	57.69	-
"Loans from banks at Varun Beverages Lanka (Private) Limited carry rate of interest of 13% (31 December 2016 3.91% to 14%, 1 January 2016 3.68% to 14%). For repayment terms refer note 22E." These term loans (other than vehicle loans) are secured by mortgage of moveable and immovable assets of the subsidiary company and corporate guarantee of the Holding Company and subsidiary company. Vehicle loan is secured by charge over respective vehicles financed.	2.35	-	340.12	325.24	910.77	-
<b>Total loans from banks (secured)</b>	<b>12,597.33</b>	<b>2,403.27</b>	<b>7,992.24</b>	<b>1,981.86</b>	<b>7,230.90</b>	<b>1,743.18</b>



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million)

Particulars	Loan outstanding					
	31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
<b>Loans from financial institutions (secured)</b>						
Loan carrying rate of interest of 9.75% (31 December 2016: 10.50%, 31 December 2015: 11.25%). The amount repayable in June 2018: ₹ 200, July 2018: ₹ 200 and June 2019: ₹ 150. This loan is secured on first pari passu charge on the entire movable and immovable property, plant and equipment of the Holding Company including the territory /franchise rights acquired under the acquisition under slump sale basis.	149.19	400.00	347.83	200.00	1,096.12	100.00
Loan from The Pradeshia Industrial & Investment Corporation of U.P. Limited for the year 2014-2015 is repayable in one instalment after expiry of seven years from the date of disbursement, i.e., 25 December 2023. The loan is discounted at the weighted average rate of borrowings, i.e., 9.72%. Loan is secured against bank guarantee equivalent to 100% of loan amount valid upto the repayment date of loan plus six months grace period.	83.61	-	79.12	-	-	-
Loan from The Pradeshia Industrial & Investment Corporation of U.P. Limited for the year 2015-2016 is repayable in one instalment after expiry of seven years from the date of disbursement, i.e., 30 November 2024. The loan is discounted at the weighted average rate of borrowings, i.e., 8.52%. Loan is secured against bank guarantee equivalent to 100% of loan amount valid upto the repayment date of loan plus six months grace period.	103.82	-	-	-	-	-
Loans of Varun Beverages Lanka (Private) Limited carry rate of interest of 14% to 14.50% (31 December 2016 14% to 15%, 1 January 2016 14% to 15%). These loans are repayable in 7-12 remaining monthly instalments of LKR 0.09 million to 1.24 million each. These term loans are secured by mortgage over respective vehicles financed and machinery spares.	2.40	5.71	8.82	8.93	32.27	-
<b>Total loans from financial institutions (secured)</b>	<b>339.02</b>	<b>405.71</b>	<b>435.77</b>	<b>208.93</b>	<b>1,128.39</b>	<b>100.00</b>
<b>Loans from others (secured)</b>						
These are repayable generally over a period of three to five years in instalments as per the terms of the respective agreements. These loans are secured against respective asset financed	16.89	24.06	40.18	32.20	44.48	51.32
<b>Total loans from others (secured)</b>	<b>16.89</b>	<b>24.06</b>	<b>40.18</b>	<b>32.20</b>	<b>44.48</b>	<b>51.32</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million)

Particulars	Loan outstanding					
	31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
<b>Deferred value added tax/ excise (unsecured)</b>						
Deferred value added tax related to the Holding Company is repayable in 34 quarterly instalments starting from July 2013 to October 2021, first 33 quarterly instalments of ₹ 52.50 and last quarterly instalment of ₹ 51.59. The loan is discounted at the weighted average rate of borrowings, i.e., 11.51%.	466.47	210.00	592.62	210.00	705.10	210.00
Deferred value added tax and deferred excise relating to Varun Beverages (Zambia) Limited is repayable in instalments from October 2015 and will be spread over five years. Both of these are interest free.	122.06	69.67	157.21	125.17	279.34	-
<b>Total deferred value added tax/ excise (unsecured)</b>	<b>588.53</b>	<b>279.67</b>	<b>749.83</b>	<b>335.17</b>	<b>984.44</b>	<b>210.00</b>
<b>Total</b>	<b>13,541.77</b>	<b>3,112.71</b>	<b>9,218.02</b>	<b>2,558.16</b>	<b>9,388.21</b>	<b>2,104.50</b>

### D. Deferred payment liabilities (Secured)

(₹ in million)

Description	Loan outstanding					
	31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
<b>(i) Assets acquired under deferred payment terms under business acquisition</b>						
Deferred payment for business acquired from PepsiCo India by Holding Company. There is no interest payable, the consideration payable as per repayment schedule are as following; February 29, 2016: ₹ 3,000; 28 February 2017: ₹ 3,235 and 28 February 2018: ₹ 3,000. The payments are secured against bank guarantees provided by the Holding Company to PepsiCo India for equivalent amount outstanding at each year end.	-	3,000.00	2,652.43	3,235.00	5,331.90	3,000.00
<b>(ii) Plant and equipment acquired under deferred payment terms</b>						
The payments are secured against a letter of credit issued by the Holding Company's banker. The amount is repayable in various tranches from January 2019 to April 2019.	337.68	-	-	-	-	-
<b>(iii) Land purchased under deferred payment terms</b>						
a) The Holding Company had purchased leasehold land from Punjab Small Industries & Export Corporation Limited for a total consideration of ₹ 197.10. The outstanding balance is payable as follows : 2017: ₹ 39.42, 2018: ₹ 20.71. This balance carries rate of interest of 11 percent.	-	20.71	20.71	39.42	-	-

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million)

Description	Loan outstanding					
	31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
b) The Holding Company had purchased leasehold land from Goa Industrial Development Corporation for a total consideration of ₹ 28.50. The Holding Company had paid ₹ 5.70 initially and the balance amount is repayable in four equally instalments with regular interval of one year from the year 2016. The Holding Company has paid all outstanding amount in year 2016. This balance carried rate of interest of 11 percent.	-	-	-	-	17.10	5.70
c) The Holding Company had purchased leasehold land from U.P. State Industrial Development Corporation Limited for a total consideration of ₹ 425.38. The outstanding balance amount of ₹ 319.04 is repayable in twelve half yearly equal instalments of ₹ 26.59 starting from July 2017. The Holding Company has paid all outstanding amounts in year 2017. This balance carried rate of interest of 14 percent with a rebate of 2 percent if the Holding Company pays the instalments and the interest on the due date.	-	-	292.45	26.59	-	-
<b>Total</b>	<b>337.68</b>	<b>3,020.71</b>	<b>2,965.59</b>	<b>3,301.01</b>	<b>5,349.00</b>	<b>3,005.70</b>

### E. Repayment terms:

(₹ in million, unless stated otherwise)

S. N.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
1	Term loan - 1	-	-	209.05	160.00	368.70	160.00	Six instalments of ₹ 80 each due in May 2016, June 2016, May 2017, June 2017, May 2018 and June 2018 and one instalment of ₹ 49.40 due in January 2019.
2	Term loan - 2	-	-	279.48	280.00	558.93	200.00	Two instalments of ₹ 100 each due in June 2016, July 2016 and four instalments of ₹ 140 each due in June 2017, July 2017, June 2018 and July 2018.
3	Term loan - 3	-	-	-	-	-	12.69	Instalments of ₹ 6.08 due in July 2016 and ₹ 6.61 due in October 2016.
4	Term loan - 4	-	-	-	-	478.57	160.00	Two instalments of ₹ 80 each due in June 2016 and July 2016 and four instalments of ₹ 120 each due in June 2017, July 2017, June 2018 and July 2018.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million, unless stated otherwise)

S. N.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
5	Term loan - 5	-	-	-	-	-	5.56	One instalment of ₹ 5.56 due in Jan 2016.
6	Term loan - 6	457.76	57.30	514.85	57.30	-	-	Two instalments of ₹ 28.65 each due in May 2017 and June 2017, two instalments of ₹ 28.65 each due in May 2018 and June 2018, two instalments of ₹ 42.98 each due in May 2019 and June 2019, two instalments of ₹ 57.30 each due in May 2020 and June 2020, two instalments of ₹ 57.30 each due in May 2021 and June 2021 and two instalments of ₹ 71.63 each due in May 2022 and June 2022.
7	Term loan - 7	1,400.00	100.00	-	-	-	-	Two instalments of ₹ 50 each due in May 2018 and June 2018, two instalments of ₹ 175 each due in May 2019 and June 2019, two instalments of ₹ 175 each due in May 2020 and June 2020, two instalments of ₹ 175 each due in May 2021 and June 2021, two instalments of ₹ 175 each due in May 2022 and June 2022.
8	Term loan - 8	-	-	-	-	766.34	150.00	Three instalments of ₹ 50 each due in May 2016, June 2016 and July 2016, six instalments of ₹ 75 each due in May 2017, June 2017, July 2017, May 2018, June 2018, July 2018, one instalment of ₹ 125 due in May 2019 and two instalments of ₹ 100 each due in June 2019 and July 2019.
9	Term loan - 9	1,792.30	200.00	1,990.08	-	-	-	Two instalments of ₹ 100 each due in May 2018 and June 2018, two instalments of ₹ 150 each due in May 2019 and June 2019, two instalments of ₹ 200 each due in May 2020 and June 2020, two instalments of ₹ 250 each due in May 2021 and June 2021 and two instalments of ₹ 300 each due in May 2022 and June 2022.



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million, unless stated otherwise)

S. N.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
10	Term loan - 10	-	-	-	-	300.00	100.00	Eight instalments of ₹ 50 each due in June 2016, July 2016, June 2017, July 2017, June 2018, July 2018, June 2019 and July 2019.
11	Term loan - 11	-	-	-	-	1,060.00	250.00	Instalments of ₹ 20 due in August 2017, ₹ 113.30 in June 2018, ₹ 113.30 in July 2018 and ₹ 113.40 in August 2018. Two instalment of ₹ 125 due on June 2016 and July 2016 and four instalments due on ₹ 175 million due on June 2017, July 2017, June 2018 and July 2018.
12	Term loan - 12	898.17	150.00	1,047.53	150.00	-	-	Two instalments of ₹ 75 each due in May 2017 and June 2017, two instalments of ₹ 75 each due in May 2018 and June 2018, two instalments of ₹ 100 each due in May 2019 and June 2019, two instalments of ₹ 100 each due in May 2020 and June 2020, two instalments of ₹ 125 each due in May 2021 and June 2021 and two instalments of ₹ 125 each due in May 2022 and June 2022.
13	Term loan - 13	860.00	260.00	1,120.00	240.00	-	-	Two instalments of ₹ 120 each due in May 2017 and June 2017, two instalments of ₹ 130 each due in May 2018 and June 2018, two instalments of ₹ 130 each due in May 2019 and June 2019, two instalments of ₹ 150 each due in May 2020 and June 2020 and two instalments of ₹ 150 each due in May 2021 and June 2021.
14	Term loan - 14	1,374.28	200.00	-	-	-	-	Two instalments of ₹ 100 each due in May 2018 and June 2018, two instalments of ₹ 100 each due in May 2019 and June 2019, two instalments of ₹ 200 each due in May 2020 and June 2020, two instalments of ₹ 300 each due in May 2021 and June 2021 and two instalments of ₹ 300 each due in May 2022 and June 2022.



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million, unless stated otherwise)

S. N.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
15	Term loan - 15	-	-	-	-	319.23	-	- Instalments of ₹ 53.312 due in June 2017, ₹ 53.344 in July 2017, ₹ 53.34 in August 2017, ₹ 53.31 in June 2018, ₹ 53.34 in July 2018 and ₹ 53.34 in August 2018.
16	Term loan - 16	-	-	392.91	120.00	910.02	-	- Two instalments of ₹ 60 each due in June 2017 and July 2017, two instalments of ₹ 80 each due in June 2018 and July 2018 and four instalments of ₹ 160 each due in June 2019, July 2019, June 2020 and July 2020.
17	Term loan - 17	1,375.11	206.25	1,245.92	54.08	-	-	- Two instalments of ₹ 34.32 each due in May 2017 and June 2017, two instalments of ₹ 103.13 millions each due in May 2018 and June 2018, two instalments of ₹ 137.44 due in May 2019 and ₹ 183.31 due in June 2019, two instalments of ₹ 183.31 each due in May 2020 and June 2020, two instalments of ₹ 183.31 millions each due in May 2021 and June 2021 and two instalments of ₹ 183.31 due in May 2022 and ₹ 137.77 due in June 2022.
18	Term loan - 18	434.80	65.20	-	-	-	-	- Two instalments of ₹ 32.60 each due in May 2018 and June 2018, two instalments of ₹ 43.45 due in May 2019 and ₹ 57.95 due in June 2019, two instalments of ₹ 57.95 each due in May 2020 and June 2020, two instalments of ₹ 57.95 each due in May 2021 and June 2021 and two instalments of ₹ 57.95 due in May 2022 and ₹ 43.65 due in June 2022.
19	Term loan - 19	400.00	100.00	-	-	-	-	- Two instalments of ₹ 50 each due in May 2018 and June 2018, two instalments of ₹ 50 each due in May 2019 and June 2019, two instalments of ₹ 50 each due in May 2020 and June 2020, two instalments of ₹ 50 each due in May 2021 and June 2021 and two instalments of ₹ 50 each due in May 2022 and June 2022.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million, unless stated otherwise)

S. N.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
20	Term loan - 20	400.00	-	-	-	-	-	- Two instalments of ₹ 40 each due in May 2019 and June 2019, two instalments of ₹ 40 each due in May 2020 and June 2020, two instalments of ₹ 40 each due in May 2021 and June 2021, two instalments of ₹ 40 each due in May 2022 and June 2022 and two instalments of ₹ 40 each due in May 2023 and June 2023.
21	Term loan - 21	400.00	100.00	-	-	-	-	- Two instalments of ₹ 50 each due in June 2018 and July 2018, two instalments of ₹ 50 each due in June 2019 and July 2019, two instalments of ₹ 75 each due in June 2020 and July 2020 and two instalments of ₹ 75 each due in June 2021 and July 2021.
22	Term loan - 22	1,131.94	357.46	-	-	-	-	- Two instalments of ₹ 360 each due in May 2018 and June 2018, two instalments of ₹ 300 each due in May 2019 and June 2019, two instalments of ₹ 300 each due in May 2020 and June 2020, two instalments of ₹ 300 each due in May 2021 and June 2021 and two instalments of ₹ 240 each due in May 2022 and June 2022.
23	Term loan - 23	900.00	100.00	-	-	-	-	- Two instalments of ₹ 50 each due in May 2018 and June 2018, two instalments of ₹ 50 each due in May 2019 and June 2019, two instalments of ₹ 100 each due in May 2020 and June 2020, two instalments of ₹ 150 each due in May 2021 and June 2021 and two instalments of ₹ 150 each due in May 2022 and June 2022.
24	Term loan - 24	488.28	127.85	-	-	-	-	- Balance amount as at 31 December 2017 is repayable in 15 quarterly instalments of USD 1 million starting from June 2018.
25	Term loan - 25	220.13	2.19	230.93	5.26	230.39	-	- Balance amount as at 31 December 2017 is repayable in 180 monthly instalments of USD 31,458 each.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million, unless stated otherwise)

S. N.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
26	Term loan - 26	1.63	-	1.74	0.38	-	-	- Balance amount as at 31 December 2017 is repayable in 41 monthly instalments of LKR 0.12 million.
27	Term loan - 27	0.72	-	0.76	0.17	-	-	- Balance amount as at 31 December 2017 is repayable in 41 monthly instalments of LKR 0.12 million.
28	Term loan - 28	-	-	-	7.72	21.30	-	- Balance amount as at 31 December 2016 is repayable in 7 monthly instalments of LKR 2.5 million.
29	Term loan - 29	-	-	5.87	14.83	36.05	-	- Balance amount as at 31 December 2016 is repayable in 17 monthly instalments of LKR 2.8 million.
30	Term loan - 30	-	-	-	5.72	23.84	-	- Balance amount as at 31 December 2016 is repayable in 4 monthly instalments of LKR 3.3 million.
31	Term loan - 31	-	-	1.10	13.24	28.64	-	- Balance amount as at 31 December 2016 is repayable in 13 monthly instalments of LKR 2.5 million.
32	Term loan - 32	-	-	8.47	17.66	45.99	-	- Balance amount as at 31 December 2016 is repayable in 18 monthly instalments of LKR 3.3 million.
33	Term loan - 33	-	-	12.45	5.57	30.23	-	- Balance amount as at 31 December 2016 is repayable in 33 monthly instalments of LKR 1.50 million.
34	Term loan - 34	-	-	242.53	224.72	673.97	-	- Balance amount as at 31 December 2016 is repayable in 4 semi-annual instalments of LKR 264.66 million.
35	Term loan - 35	-	-	9.15	5.52	21.02	-	- Balance amount as at 31 December 2016 is repayable in 32 semi-annual instalments of LKR 1.04 million.
36	Term loan - 36	-	-	23.69	9.81	-	-	- Balance amount as at 31 December 2016 is repayable in 41 monthly instalments of LKR 1.85 million.
37	Term loan - 37	-	-	27.92	8.85	-	-	- Balance amount as at 31 December 2016 is repayable in 50 monthly instalments of LKR 1.67 million.
38	Term loan - 38	-	-	6.42	11.04	29.73	-	- Balance amount as at 31 December 2016 is repayable in 19 monthly instalments of LKR 2.08 million.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million, unless stated otherwise)

S. N.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
39	Term loan - 39	-	-	-	93.56	90.55	92.22	Balance amount as at 31 December 2016 is repayable in 3 quarterly instalments of MAD 4.66 million.
40	Term loan - 40	-	-	-	-	-	132.08	Balance amount as at 1 January 2016 is repayable in 2 quarterly instalments of MAD 5.775 million and last instalment of MAD 8.25 million.
41	Term loan - 41	-	-	41.59	9.49	57.69	-	- Balance amount consists of four term loans from the bank repayable in: a) instalments of MZN 0.09 million and last instalment of MZN 25.67 million. b) instalments of MZN 0.05 million each. c) instalments of MZN 0.54 million each. d) instalments of MZN 0.25 million each.
42	Term loan - 42	-	-	67.40	31.80	106.86	-	- Balance amount as at 31 December 2016 is repayable in 37 monthly instalments of ZMW 0.40 million each.
43	Term loan - 43	-	-	40.69	22.19	75.28	-	- Balance amount as at 31 December 2016 is repayable in 34 monthly instalments of ZMW 0.27 million each.
44	Term loan - 44	-	-	20.09	10.32	6.37	-	- Balance amount as at 31 December 2016 is repayable in 36 monthly instalments of ZMW 0.13 million each.
45	Term loan - 45	-	-	5.32	11.09	26.10	-	- Balance amount as at 31 December 2016 is repayable in 18 monthly instalments of ZMW 0.14 million each.
46	Term loan - 46	-	-	-	-	218.03	-	- Balance amount as at 1 January 2016 is repayable in 4 quarterly instalments of USD 0.83 each.
		<b>12,535.12</b>	<b>2,026.25</b>	<b>7,545.94</b>	<b>1,570.32</b>	<b>6,483.83</b>	<b>1,262.55</b>	

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 23. Other non-current financial liabilities

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Deferred revenue on government grant	45.98	12.24	13.16
	<b>45.98</b>	<b>12.24</b>	<b>13.16</b>

### 24. Provisions

(Refer Note 42)

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Non-current</b>			
Defined benefit liability (net)	534.27	460.07	333.72
Other long term employee obligations	198.37	145.81	111.62
	<b>732.64</b>	<b>605.88</b>	<b>445.34</b>
<b>Current</b>			
Defined benefit liability (net)	74.15	65.02	83.62
Other short term employee obligations	93.35	70.18	53.66
	<b>167.50</b>	<b>135.20</b>	<b>137.28</b>

### 25. Other non-current liabilities

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Provision for liability	73.83	142.23	110.74
	<b>73.83</b>	<b>142.23</b>	<b>110.74</b>

### 26. Trade payables

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Total outstanding dues of-			
Micro and small enterprises (Refer note 51)	8.71	7.23	1.44
Others	1,900.75	2,738.67	2,644.34
	<b>1,909.46</b>	<b>2,745.90</b>	<b>2,645.78</b>



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 27. Other current financial liabilities

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Current maturities of long-term debts (Refer note 22C)	3,112.71	2,558.16	2,104.50
Interest accrued but not due on borrowings	82.37	60.16	160.79
Current portion of deferred payment liabilities (Refer note 22D)	3,020.71	3,301.01	3,005.70
Payable for capital expenditures	436.66	158.67	1,957.92
Employee related payables	183.35	225.70	167.14
Unclaimed dividends#	0.06	-	-
Security deposits	1,900.78	2,023.46	1,689.50
Liability for foreign currency derivative contract**	25.85	17.52	-
Bank overdraft	17.65	-	-
Deferred revenue on government grant	1.19	-	-
Others	-	-	1.86
	<b>8,781.33</b>	<b>8,344.68</b>	<b>9,087.41</b>

#Not due for deposit to the Investor Education Protection Fund.

\*\*The Holding Company executed a cross currency interest rate swap with the intention of reducing the foreign exchange risk on its foreign currency borrowings. This contract is measured at fair value through profit or loss.

### 28. Other current liabilities

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Advances from customers	709.67	957.86	605.54
Statutory dues payable	762.25	890.46	741.22
	<b>1,471.92</b>	<b>1,848.32</b>	<b>1,346.76</b>

### 29. Current tax liabilities (net)

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Provision for tax, net of advance taxes paid	68.35	89.94	238.27
	<b>68.35</b>	<b>89.94</b>	<b>238.27</b>

The key components of income tax expense for the year ended 31 December 2017 and 31 December 2016 are:

### A. Consolidated Statement of Profit and Loss:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016
(i) Profit and loss section		
(a) Current tax	547.85	442.30
(b) Adjustment of tax relating to earlier periods	1.60	(2.80)
(c) Deferred tax	219.50	(126.54)
<b>Income tax expense reported in the Consolidated Statement of Profit and Loss</b>	<b>768.95</b>	<b>312.96</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million)

	As at 31 December 2017	As at 31 December 2016
(ii) OCI section		
Deferred tax related to items recognised in OCI during the year:		
(a) Net loss/(gain) on remeasurements of defined benefit plans	3.39	(17.96)
(b) Net loss/(gain) on exchange differences arising on translation of foreign operations set to be zero	(21.75)	(28.25)
<b>Income tax charged to OCI</b>	<b>(18.36)</b>	<b>(46.21)</b>

### B. Reconciliation of tax expense between accounting profit at applicable tax rate and effective tax rate:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016
<b>Accounting profit before tax</b>	<b>2,909.54</b>	<b>793.35</b>
Tax expense at statutory income tax rate of 34.608% (31 December 2016: 34.608%)	1,006.93	274.56
Adjustments in respect of current income tax of previous years	1.37	(2.14)
Non deductible expenses	13.48	8.07
Deduction claimed u/s 32 AC of Income-tax Act, 1961 at Holding Company	(185.78)	(72.75)
Deduction claimed u/s 80 IE of Income-tax Act, 1961 at Holding Company	(210.04)	(93.16)
Effect of deferred tax on liabilities under business combinations	5.47	28.27
Effect of deferred tax on capital gain on assets classified as assets held for sale in Parent Company	59.14	-
Tax impact of dividend distributed by a subsidiary taxable in hands of Holding Company	32.96	65.91
Deferred tax not created on losses in subsidiaries	200.08	230.32
Tax rate differential for taxes provided in subsidiaries	(167.75)	(167.44)
Others	13.09	41.32
<b>Income tax expense at effective tax rate reported in the Consolidated Statement of Profit and Loss</b>	<b>768.95</b>	<b>312.96</b>

During the year ended 31 December 2017, the Holding Company and a subsidiary paid dividend to its shareholders. This has resulted in payment of Dividend Distribution Tax to the taxation authorities. The Holding Company believes that Dividend Distribution Tax represents additional payment to taxation authority on behalf of the shareholders. Hence, Dividend Distribution Tax paid is charged to equity.

### 30. Revenue from operations

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Sale of products (inclusive of excise duty)	44,073.46	44,905.04
Other operating revenue	1,088.90	409.57
	<b>45,162.36</b>	<b>45,314.61</b>

Sale of goods includes excise duty collected from customers of ₹ 5,128.37 million (31 December 2016: ₹ 6,702.78 million).

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 31. Other income

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Interest income on items at amortised cost:		
- bank deposits	28.89	15.05
- others	25.04	74.03
Net gain on foreign currency transactions and translations	-	10.26
Profit on sale of current investments	0.44	0.97
Excess provisions written back	1.02	205.94
Guarantee commission/commission income	0.80	1.86
Gain on sale of fixed assets (Net)	21.91	-
Government grant income	1.41	0.92
Profit on dilution of control in a subsidiary (Refer note 55 C)	2.75	-
Miscellaneous	44.27	48.30
	<b>126.53</b>	<b>357.33</b>

### 32. Cost of materials consumed

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
<b>Raw material and packing material consumed</b>		
Inventories at beginning of the year	2,461.95	1,896.47
Acquired on acquisitions of subsidiaries	-	173.02
Purchases during the year (Net)	18,153.67	17,244.13
	<b>20,615.62</b>	<b>19,313.62</b>
Sold during the year	311.05	82.68
Inventories at end of the year	1,749.48	2,461.95
	<b>18,555.09</b>	<b>16,768.99</b>

### 33. Purchases of stock-in-trade

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Beverages	188.52	841.37
Others	89.17	87.02
	<b>277.69</b>	<b>928.39</b>

### 34. Changes in inventories of finished goods, work-in-progress and traded goods

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
<b>As at the beginning of the year</b>		
- Finished goods	651.30	587.92
- Intermediate goods	823.55	668.82
- Work in progress	87.31	86.16
	<b>1,562.16</b>	<b>1,342.90</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
<b>Acquired on acquisitions of subsidiaries</b>		
- Finished goods	-	30.76
<b>Adjustment on account of dilution of controlling interest in a subsidiary</b>		
- Finished goods	9.16	-
- Work in progress	0.57	-
	9.73	-
<b>As at the closing of the year</b>		
- Finished goods	648.25	651.30
- Intermediate goods	1,098.34	823.55
- Work in progress	72.73	87.31
	1,819.32	1,562.16
<b>Excise duty adjustment on inventories</b>	168.55	(24.12)
<b>Finished goods used as fixed assets*</b>	(296.78)	(154.17)
	<b>(732.22)</b>	<b>(318.55)</b>

\*The Holding Company and a subsidiary manufactures plastic shells at some of their manufacturing facilities. The shells manufactured are used for beverages operations of the Group as property, plant and equipment (under the head containers). These plastic containers are also sold to third parties. The cost of manufacturing of plastic shells is being shown here separately with a corresponding debit to property, plant and equipment.

### 35. Employee benefits expense

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Salaries, wages and bonus	4,146.60	3,791.87
Contribution to provident fund and other funds	254.90	226.45
Share based payment to employees	-	0.05
Staff welfare expenses	226.94	191.93
	<b>4,628.44</b>	<b>4,210.30</b>

### 36. Finance costs

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
<b>Interest on items at amortised cost:</b>		
- Term loans	1,129.96	1,110.17
- Working capital facilities	224.04	398.86
- Non-convertible debentures	194.29	552.97
- Financial liabilities	447.31	690.88
- Others	30.45	23.04
<b>Interest on item at FVTPL:</b>		
- Financial liabilities	-	1,479.32
<b>Other ancillary borrowing costs:</b>		
- Processing fees	95.70	70.11
	<b>2,121.75</b>	<b>4,325.35</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 37 Depreciation and amortization expense

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Depreciation on property, plant and equipment	3,412.46	3,150.18
Amortisation of intangible assets	53.95	78.43
Less: Transferred from capital reserve	-	(6.53)
	<b>3,466.41</b>	<b>3,222.08</b>

### 38. Other expenses

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Power and fuel	1,600.38	1,562.15
Repairs to plant and equipment	669.64	684.42
Repairs to buildings	91.21	67.13
Other repairs	371.08	382.24
Consumption of stores and spares	412.92	412.85
Rent	284.54	297.11
Rates and taxes	69.89	136.24
Insurance	32.29	33.65
Printing and stationery	40.28	37.77
Communication	71.50	83.48
Travelling and conveyance	436.12	351.66
Directors' sitting fee	3.42	4.23
Payment to auditors*	17.37	20.54
Vehicle running and maintenance	170.99	184.71
Lease and hire	124.00	184.87
Security and service charges	199.16	197.80
Professional and consultancy	135.46	102.64
Bank charges	24.17	22.08
Advertisement and sales promotion	797.24	671.89
Meeting and conferences	8.95	8.59
Royalty	251.84	213.93
Freight, octroi and insurance paid (net)	1,774.84	2,021.05
Delivery vehicle running and maintenance	489.15	442.21
Distribution expenses	126.07	224.82
Loading and unloading charges	229.48	216.88
Donations	0.46	0.98
Property, plant and equipment written off	77.94	113.20
Loss on disposal of property, plant and equipment (net)	-	113.34
Bad debts and advances written off	81.36	5.49
Allowance for doubtful debts and advances	156.74	50.85
Corporate social responsibility expenditure (Refer note 52)	27.73	10.69
Net loss on foreign currency transactions and translations	58.79	-
Business combination expenses	33.20	84.21
General office and other miscellaneous	79.11	119.33
	<b>8,947.32</b>	<b>9,063.03</b>

\*Excludes expense of ₹ Nil (previous year ₹ 12.03) towards fee related to initial public offer of equity shares, which has been adjusted with the securities premium reserve as share issue expense.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 39. Other comprehensive income (OCI)

The disaggregation of changes to OCI by each type of reserves in equity is shown below:

(₹ in million)

	Retained earnings
<b>During the year ended 31 December 2017</b>	
Re-measurement gains/(losses) on defined benefit plans	10.83
Tax impact on re-measurement gains/(losses) on defined benefit plans	(3.39)
Exchange differences arising on translation of foreign operations	(94.27)
Tax impact on exchange differences arising on translation of foreign operations	21.75
	<b>(65.08)</b>
<b>During the year ended 31 December 2016</b>	
Re-measurement gains/(losses) on defined benefit plans	(52.31)
Tax impact on re-measurement gains/(losses) on defined benefit plans	17.96
Exchange differences arising on translation of foreign operations	(122.43)
Tax impact on exchange differences arising on translation of foreign operations	28.25
	<b>(128.53)</b>

### 40. Composition of the Group

These consolidated financial statements include the respective financial statements of Varun Beverages Limited (the 'Parent Company' or the 'Holding Company'), its subsidiaries and the results of operations of its associates as listed below. The principal activity of the Parent Company, subsidiaries and associates, predominantly comprise manufacturing and sale of beverages.

Name of the company/entity	Country of incorporation and principal place of business	Proportion of ownership interests held by the Group at year end		
		As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Varun Beverages (Nepal) Private Limited ('VBL Nepal')	Nepal	100%	100%	100%
Varun Beverages Lanka (Private) Limited ('VBL Lanka')	Sri Lanka	100%	100%	100%
Varun Beverages Morocco SA ('VBL Morocco')	Morocco	100%	100%	100%
Ole Spring Bottlers Private Limited ('Ole')*	Sri Lanka	100%	100%	100%
Varun Beverages (Zambia) Private Limited ('VBL Zambia')^	Zambia**	90%	60%	60%
Varun Beverages (Mozambique) Limitada ('VBL Mozambique')~	Mozambique**	10%	51%	51%
Varun Beverages (Zimbabwe) (Private) Limited ('VBL Zimbabwe')	Zimbabwe**	85%	85%	85%
Angelica Technologies Private Limited	India	47.30%	47.30%	47.30%
Lunarmech Technologies Private Limited∞	India	35%	35%	35%

\* subsidiary of VBL Lanka.

^ became subsidiary w.e.f. 1 January 2016 and increase of ownership stake from 60% to 90% effective 20 February 2017

~ became subsidiary w.e.f. 1 January 2016 and decrease of ownership stake from 51% to 10% effective 02 March 2017, thereby VBL Mozambique ceased to be the subsidiary w.e.f. 02 March 2017

∞ Angelica Technologies Private Limited holds 74% ownership stake in Lunarmech Technologies Private Limited

\*\*Also refer note 55 E



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### 41. Information under Section 186 (4) of the Companies Act, 2013

There are no investments or loans given or guarantees provided or security given by the Group other than the investments, loans, guarantees and security details as stated in these consolidated financial statements, which have been made predominantly for the purpose of business.

### 42. Gratuity and other post-employment benefit plans

Parent Company and other components of the Group provide its employees gratuity and compensated absences benefits in accordance with the respective local statutory requirements and entity's policies. The following tables summaries the changes in their present values over the reporting periods, components of expense recognised in the Consolidated Statement of Profit and Loss, their funded status and amounts recognised in the consolidated balance sheet:

	Gratuity			Compensated Absences		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
<b>Changes in present values are as follows:</b>						
Balance at the beginning of the year	553.96	423.50	227.74	215.99	165.28	113.19
Acquired on business acquisitions	10.61	-	-	7.38	-	-
Past service cost	-	-	97.13	-	-	10.35
Current service cost	79.29	70.87	55.94	73.03	50.66	45.94
Interest cost	38.04	30.51	16.57	14.41	12.51	8.38
Benefits settled	(22.53)	(24.84)	(13.27)	(19.70)	(16.74)	(8.27)
Actuarial (gain)/loss	(10.83)	55.91	41.62	1.90	4.47	(4.31)
Foreign exchange translation reserve	(1.46)	(1.99)	(2.23)	(1.29)	(0.19)	-
<b>Balance at the end of the year</b>	<b>647.08</b>	<b>553.96</b>	<b>423.50</b>	<b>291.72</b>	<b>215.99</b>	<b>165.28</b>

	Gratuity			Compensated Absences		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
<b>Changes in fair value of plan assets are as follows:</b>						
Plan assets at the beginning of the year	28.87	6.16	6.40	-	-	-
Expected income on plan assets	1.93	0.54	0.59	-	-	-
Actuarial gain/(loss)	0.62	1.80	(0.08)	-	-	-
Contribution during the year	21.63	31.56	1.19	-	-	-
Benefits settled	(14.39)	(11.19)	(1.94)	-	-	-
<b>Plan assets at the end of the year</b>	<b>38.66</b>	<b>28.87</b>	<b>6.16</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Holding Company has taken an insurance policy against its liability towards gratuity, the same has been disclosed as plan assets above.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

	Gratuity			Compensated Absences		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>						
Present value of obligation at the end of the respective year	647.08	553.96	423.50	291.72	215.99	165.28
Plan assets at the end of the respective year	38.66	28.87	6.16	-	-	-
<b>Net liability recognised in the consolidated balance sheet</b>	<b>608.42</b>	<b>525.09</b>	<b>417.34</b>	<b>291.72</b>	<b>215.99</b>	<b>165.28</b>

	Gratuity		Compensated Absences	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Amount recognised in consolidated statement of profit and loss:</b>				
Current service cost	79.29	70.87	73.03	50.66
Interest cost	38.04	30.51	14.41	12.51
Expected income on plan assets	(1.93)	(0.54)	-	-
Actuarial loss	-	-	1.90	4.47
<b>Net cost recognised</b>	<b>115.40</b>	<b>100.84</b>	<b>89.34</b>	<b>67.64</b>

	Gratuity		Compensated Absences	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Amount recognised in other comprehensive income:</b>				
Actuarial changes arising from changes in financial assumptions	(27.40)	41.39	-	-
Experience adjustments	17.19	12.72	-	-
Return on plan assets	(0.62)	(1.80)	-	-
<b>Amount recognised (gain)/loss</b>	<b>(10.83)</b>	<b>52.31</b>	<b>-</b>	<b>-</b>

	Gratuity			Compensated Absences		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
<b>Assumptions used:</b>						
Mortality	IALM (2006-08) ultimate and A 67/70 mortality table (issued by Institute of Actuaries, London)			IALM (2006-08) ultimate and A 67/70 mortality table (issued by Institute of Actuaries, London)		
Discount rate	7.5%-13.00%	6.70-13%	8-10%	7.50%	6.70-13%	8-10%
Rate of return on plan assets	7.84%	6.29%	8.75%	Not applicable	Not applicable	Not applicable
Withdrawal rate	3%-11%	3-11%	3-11%	11.00%	3-11%	3-11%
Salary increase	9-13%	9-13%	11-12%	11-12%	9-13%	11-12%
Rate of availing leave in the long run	-	-	-	20-25%	20-25%	20.00%
Retirement age (Years)	55-65 years	55-60 years	55-60 years	58-65 years	55-60 years	55-60 years

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

These assumptions were developed by management of the respective company/entity with the assistance of independent actuaries. Discount factors are determined close to each year-end by reference to market yields of high quality corporate bonds that are denominated in the respective currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligations. Other assumptions are based on current actuarial benchmarks and respective management's historical experience.

The defined benefit obligation and plan assets are composed by geographical locations as follows:

<b>31 December 2017</b>	<b>India</b>	<b>Outside India</b>	<b>Total</b>
Defined benefit obligation	573.50	73.58	647.08
Fair value of plan assets	38.66	-	38.66
<b>31 December 2016</b>	<b>India</b>	<b>Outside India</b>	<b>Total</b>
Defined benefit obligation	489.10	64.87	553.96
Fair value of plan assets	28.87	-	28.87
<b>01 January 2016</b>	<b>India</b>	<b>Outside India</b>	<b>Total</b>
Defined benefit obligation	362.10	61.40	423.50
Fair value of plan assets	6.16	-	6.16

A quantitative sensitivity analysis for significant assumption is as shown below:

	<b>Sensitivity level</b>		<b>Gratuity</b>		<b>Compensated Absences</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Discount rate	+1%	+1%	(40.29)	(34.23)	(7.03)	(5.38)
	-1%	-1%	45.63	43.12	7.45	5.72
Salary increase	+1%	+1%	43.50	40.98	7.08	5.39
	-1%	-1%	(39.28)	(33.16)	(6.81)	(5.18)
Withdrawal rate	+1%	+1%	(10.65)	(10.89)	(3.55)	(2.69)
	-1%	-1%	11.81	12.11	3.77	2.87

The sensitivity analysis above has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

### Risk associated:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government Bonds Yield. If plan liability is funded and return on plan assets is below this rate, it will create a plan deficit.
Interest risk (discount rate risk)	A decrease in the bond interest rate (discount rate) will increase the plan liability.
Mortality risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. For the purpose of these consolidated financial statements Indian Assured Lives Mortality (2006-08) ultimate table and A 67/70 mortality table issued by Institute of Actuaries, London, have been used. A change in mortality rate will have a bearing on the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

The following payments are maturity profile in future years:

	Gratuity		Compensated Absences	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
i) Weighted average duration of the defined benefit obligation	6.40 years - 11 years	7.51 years - 11 years	-	-
ii) Duration of defined benefit obligation				
Duration (years)				
1	62.59	60.95	87.45	63.55
2	55.50	42.19	61.09	42.35
2 to 5	193.49	122.42	96.10	67.27
Above 5	331.15	295.03	43.24	34.10
	<b>642.73</b>	<b>520.59</b>	<b>287.88</b>	<b>207.27</b>
iii) Duration of defined benefit payments				
Duration (years)				
1	61.86	62.41	90.67	65.64
2	59.00	44.02	68.09	46.67
2 to 5	243.17	145.13	121.94	83.34
Above 5	784.09	628.75	76.45	56.96
	<b>1,148.12</b>	<b>880.31</b>	<b>357.15</b>	<b>252.61</b>

### Defined contribution plan:

Contribution to defined contribution plans, recognised as expense for the year is as under:

Employer's contribution to provident and other funds ₹ 254.90 million (31 December 2016 ₹ 226.45 million)

### 43 Earnings per share (EPS)

	31 December 2017	31 December 2016
Profit attributable to the equity shareholders	2,101.54	423.76
Weighted average number of equity shares outstanding during the year for calculating basic earnings per share (nos.)	18,24,91,620	14,51,89,806
Employee stock options (nos.)	60,368	2,14,422
Conversion of the compulsorily convertible debentures and compulsorily convertible preference shares (nos.)	-	2,37,01,222
Weighted average number of equity shares for calculation of diluted earnings per share (nos.)	18,25,51,987	16,91,05,450
Nominal value per equity shares (₹)	10.00	10.00
Basic earnings per share (₹)	11.52	2.92
Diluted earnings per share (₹)	11.51	2.51



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### 44. Dividend paid by Holding Company

	31 December 2017	31 December 2016
Interim dividend (Year ended on 31 December 2017: ₹ 2.50 per share, 31 December 2016 : ₹ Nil)	456.29	-
Dividend distribution tax on interim dividend	92.89	-

### 45. Contingent liabilities and commitments

	As at 31 December 2017	As at 31 December 2016
a. Guarantees issued on behalf of other companies	338.89	339.80
b. Claims against the Group not acknowledged as debts (being contested):		
i. For excise, customs and service tax	148.85	121.34
ii. For sales tax (VAT)/entry tax	197.69	796.46
iii. For income tax	264.28	308.56
iv Others*	236.47	243.12

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

### 46. Capital commitments

	As at 31 December 2017	As at 31 December 2016
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances ₹ 1,344.94 (31 December 2016 ₹ 1,243.85))	1,713.84	2,771.35

47. Pursuant to transfer pricing legislations under the Income-tax Act, 1961, the Holding Company is required to use specified methods for computing arm's length price in relation to specified international and domestic transactions with its associated enterprises. Further, the Holding Company is required to maintain prescribed information and documents in relation to such transactions. The appropriate method to be adopted will depend on the nature of transactions/ class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Holding Company is in the process of updating its transfer pricing documentation for the current financial year. Based on the preliminary assessment, the management is of the view that the update would not have a material impact on the tax expense recorded in these consolidated financial statements. Accordingly, these consolidated financial statements do not include any adjustments for the transfer pricing implications, if any.

### 48. Related party transactions

Following are the related parties and transactions entered with related parties for the relevant financial year:

#### i. List of related parties and relationships:-

#### I. Key managerial personnel (KMPs)

Mr. Ravi Kant Jaipuria	Director and KMP of ultimate parent namely Ravi Kant Jaipuria & Sons (HUF)
Mr. Varun Jaipuria	Whole-time Director
Mr. Raj Pal Gandhi	Whole-time Director
Mr. Kapil Agarwal	Whole-time Director
Mr. Kamlesh Kumar Jain	Whole-time Director and Chief financial officer
Mr. Christopher White (till 28 March 2016)	Whole-time Director
Dr. Girish Ahuja	Non-executive independent director
Mr. Pradeep Sardana	Non-executive independent director
Mr. Ravindra Dhariwal	Non-executive independent director
Ms. Geeta Kapoor	Non-executive independent director
Mr. Rajesh Chopra	KMP of parent namely RJ Corp Limited
Mr. S.V. Singh	KMP of parent namely RJ Corp Limited
Mr. Ravi Batra (from 12 May 2017)	Company Secretary
Mr. Mahavir Prasad Garg (till 12 May 2017)	Company Secretary
Mrs. Monika Bhardwaj	Company Secretary of parent namely RJ Corp Limited

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### II. Parent and ultimate parent

RJ Corp Limited

Ravi Kant Jaipuria & Sons (HUF)

### III. Fellow subsidiaries and entities controlled by parent\*

Parkview City Limited

Devyani International Limited

Devyani Food Industries Limited

Alisha Retail Private Limited

Varun Food and Beverages Zambia Limited

Wellness Holdings Limited

SVS India Private Limited

Devyani Food Street Private Limited

Ole Marketing (Private) Limited

Accor Developer (Private) Limited

Arctic International Private Limited

Accor Industries (Private) Limited

Devyani International Nepal Private Limited

### IV. Associate (or an associate of any member of a group)

Lunarmech Technologies Private Limited

Angelica Technologies Private Limited

### V. Entities in which a director or his/her relative is a member or director\*

Champa Devi Jaipuria Charitable Trust

SMV Beverages Private Limited

SMV Agencies Private Limited

Alisha Torrent Closure Private Limited

Nector Beverages Private Limited

Steel City Beverages Private Limited

Pearl Drinks Private Limited

Jai Beverages Private Limited

Varun Developers Private Limited

Diagno Labs Private Limited

### VI. Relatives of KMPs\*

Mrs. Dhara Jaipuria

Mrs. Asha Chopra

Mrs. Shashi Jain

Mrs. Rachna Batra



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### VII. Entities which are post employment benefits plans

VBL Employees Gratuity Trust

\* With whom the Group had transactions during the current year and previous year.

### ii. Transactions with KMPs (Refer note 48A)

### iii. Transactions with other related parties (Refer note 48B)

### iv. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made in the ordinary course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

### 48A. Transactions with KMPs

All amounts in ₹ in million, unless otherwise stated

	For year ended 2017	For year ended 2016
<b>I. Remuneration paid</b>		
Mr. Varun Jaipuria	29.42	24.02
Mr. Raj Pal Gandhi	38.34	31.08
Mr. Kapil Agarwal	44.74	39.25
Mr. Kamlesh Kumar Jain	11.25	7.53
Mr. Christopher White	-	10.45
Mr. Rajesh Chopra	7.72	6.60
Mr. Ravi Batra	4.25	-
Mr. Mahavir Prasad Garg	1.00	2.49
Mrs. Monika Bhardwaj	1.50	1.34
<b>II. Director sitting fees paid</b>		
Dr. Girish Ahuja	1.30	1.40
Mr. Pradeep Sardana	0.40	0.60
Mr. Ravindra Dhariwal	1.30	1.80
Ms. Geeta Kapoor	0.40	0.40
<b>III. Professional charges paid</b>		
Mr. S.V. Singh	2.48	0.75
<b>IV. IPO expenses incurred on behalf of KMP and recovered from them</b>		
Mr. Varun Jaipuria	-	63.63

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

	For year ended 2017	For year ended 2016
<b>V. Dividend paid</b>		
Mr. Varun Jaipuria	97.94	-
Mr. Raj Pal Gandhi	1.06	-
Mr. Kapil Agarwal	1.05	-
Mr. Kamlesh Kumar Jain	0.05	-
<b>VI. Rent/ lease charges paid</b>		
Mr. S.V. Singh	0.19	0.12
<b>VII. Shares issued pursuant to exercise of ESOP</b>		
Mr. Raj Pal Gandhi	-	65.78
Mr. Kapil Agarwal	-	65.78
Mr. Kamlesh Kumar Jain	-	6.88
Mr. Rajesh Chopra	-	5.38
<b>VIII. Defined benefit obligation for KMP</b>		
<b>i. Gratuity</b>		
Mr. Varun Jaipuria	19.83	14.79
Mr. Raj Pal Gandhi	24.62	18.69
Mr. Kapil Agarwal	33.84	31.20
Mr. Kamlesh Kumar Jain	7.18	5.55
Mr. Ravi Batra	0.16	-
Mr. Rajesh Chopra	3.86	3.40
Mr. Mahavir Prasad Garg	-	0.22
Mrs. Monika Bhardwaj	0.34	0.27
<b>ii. Compensated absences</b>		
Mr. Varun Jaipuria	5.85	4.96
Mr. Raj Pal Gandhi	7.01	3.60
Mr. Kapil Agarwal	9.91	7.57
Mr. Kamlesh Kumar Jain	1.20	1.36
Mr. Ravi Batra	0.22	-
Mr. Rajesh Chopra	1.17	1.00
Mr. Mahavir Prasad Garg	-	0.37
Mrs. Monika Bhardwaj	0.23	0.21
<b>IX. Balances outstanding at the end of the year, net</b>		
Mr. Varun Jaipuria	-	(1.31)
Mr. Raj Pal Gandhi	-	(1.13)
Mr. Kapil Agarwal	-	(1.72)
Mr. Kamlesh Kumar Jain	-	(0.28)
Mr. Rajesh Chopra	8.00	-
Mrs. Monika Bhardwaj	0.13	-



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

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## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

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

Description	Parent and ultimate parent		Fellow subsidiaries and entities controlled by parent		Associate (or an associate of any member of a Group)		Entities in which a director or his/her relative is a member or director		Relatives of KMPs		Entities which are post employment benefits plans		Total	
	For year ended		For year ended		For year ended		For year ended		For year ended		For year ended		For year ended	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Purchase of stores</b>														
- Alisha Retail Private Limited	-	-	0.76	-	-	-	-	-	-	-	-	-	0.76	-
<b>Promotional charges paid</b>														
- Alisha Retail Private Limited	-	-	10.70	-	-	-	-	-	-	-	-	-	10.70	-
<b>Loan given</b>														
- Parkview City Limited	-	-	-	5,959.70	-	-	-	-	-	-	-	-	-	5,959.70
<b>Interest received</b>														
- Parkview City Limited	-	-	-	45.10	-	-	-	-	-	-	-	-	-	45.10
- Devyani International Nepal Private Limited	-	-	-	0.75	-	-	-	-	-	-	-	-	-	0.75
- Varun Developers Private Limited	-	-	-	-	-	-	7.81	4.49	-	-	-	-	7.81	4.49
<b>Loan received back</b>														
- Parkview City Limited	-	-	-	5,959.70	-	-	-	-	-	-	-	-	-	5,959.70
<b>Loan repaid</b>														
- Accor Developer (Private) Limited	-	-	-	37.44	-	-	-	-	-	-	-	-	-	37.44
- Arctic International Private Limited	-	-	43.94	156.48	-	-	-	-	-	-	-	-	43.94	156.48
- Accor Industries (Private) Limited	-	-	-	81.52	-	-	-	-	-	-	-	-	-	81.52
<b>Contribution to corporate social responsibility activities</b>														
- Champa Devi Jaipuria Charitable Trust	-	-	-	-	-	-	24.00	4.97	-	-	-	-	24.00	4.97
- Diagno Labs Private Limited	-	-	-	-	-	-	0.06	-	-	-	-	-	0.06	-

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017



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

Description	Parent and ultimate parent		Fellow subsidiaries and entities controlled by parent		Associate (or an associate of any member of a Group)		Entities in which a director or his/her relative is a member or director		Relatives of KMPs		Entities which are post employment benefits plans		Total	
	For year ended		For year ended		For year ended		For year ended		For year ended		For year ended		For year ended	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Acquisitions of controlling stakes in subsidiaries</b>														
- Arctic International Private Limited	-	-	-	1,671.13	-	-	-	-	-	-	-	-	-	1,671.13
<b>Travelling expenses paid</b>														
- Wellness Holdings Limited	-	-	91.91	72.45	-	-	-	-	-	-	-	-	91.91	72.45
<b>Contribution to gratuity trust</b>														
- VBL Employees Gratuity Trust	-	-	-	-	-	-	-	-	-	-	21.67	31.56	21.67	31.56
<b>Dividend paid</b>														
- RJ Corp Limited	125.35	-	-	-	-	-	-	-	-	-	-	-	125.35	-
- Ravi Kant Jaipuria & Sons (HUF)	97.97	-	-	-	-	-	-	-	-	-	-	-	97.97	-
<b>(Expenses incurred by the Company on behalf of others)/ expenses incurred by others on behalf of the Company</b>														
- Devyani International Limited	-	-	(2.95)	(0.05)	-	-	-	-	-	-	-	-	(2.95)	(0.05)
- RJ Corp Limited	(0.09)	(5.59)	-	-	-	-	-	-	-	-	-	-	(0.09)	(5.59)
- Devyani Food Industries Limited	-	-	(2.54)	(2.89)	-	-	-	-	-	-	-	-	(2.54)	(2.89)
- Alisha Torrent Closure Private Limited	-	-	-	-	-	-	-	(8.05)	-	-	-	-	-	(8.05)
- Nector Beverages Private Limited	-	-	-	-	-	-	(0.62)	0.67	-	-	-	-	(0.62)	0.67

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

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

Description	Parent and ultimate parent		Fellow subsidiaries and entities controlled by parent		Associate (or an associate of any member of a Group)		Entities in which a director or his/her relative is a member or director		Relatives of KMPs		Entities which are post employment benefits plans		Total	
	For year ended		For year ended		For year ended		For year ended		For year ended		For year ended		For year ended	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Rent/ lease charges paid/(received)</b>														
- RJ Corp Limited	88.64	73.55	-	-	-	-	-	-	-	-	-	-	88.64	73.55
- Parkview City Limited	-	-	(0.24)	(0.43)	-	-	-	-	-	-	-	-	(0.24)	(0.43)
- Ravi Kant Jaipuria & Sons (HUF)	6.56	6.25	-	-	-	-	-	-	-	-	-	-	6.56	6.25
- SVS India Private Limited	-	-	0.10	0.03	-	-	-	-	-	-	-	-	0.10	0.03
- Mrs. Dhara Jaipuria	-	-	-	-	-	-	-	-	2.13	1.94	-	-	2.13	1.94
- Mrs. Shashi Jain	-	-	-	-	-	-	-	-	0.25	0.48	-	-	0.25	0.48
- Mrs. Asha Chopra	-	-	-	-	-	-	-	-	0.23	-	-	-	0.23	-
- Mrs. Rachna Batra	-	-	-	-	-	-	-	-	0.05	-	-	-	0.05	-
- Alisha Torrent Closure Private Limited	-	-	-	-	-	-	(2.35)	(9.79)	-	-	-	-	(2.35)	(9.79)
<b>Initial Public Offering expenses incurred by the Company and recovered subsequently</b>														
- Ravi Kant Jaipuria & Sons (HUF)	-	63.63	-	-	-	-	-	-	-	-	-	-	-	63.63
<b>Conversion of compulsorily convertible preference shares into equity shares</b>														
- RJ Corp Limited	-	2,000.00	-	-	-	-	-	-	-	-	-	-	-	2,000.00
<b>Purchase of fixed assets</b>														
- Devyani Food Industries Limited	-	-	3.21	-	-	-	-	-	-	-	-	-	3.21	-
- Ole Marketing (Private) Limited	-	-	5.77	-	-	-	-	-	-	-	-	-	5.77	-
<b>Purchase of businesses</b>														
- SMV Beverages Private Limited	-	-	-	-	-	-	832.00	-	-	-	-	-	832.00	-
- SMV Agencies Private Limited	-	-	-	-	-	-	470.00	-	-	-	-	-	470.00	-



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017



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

Description	Parent and ultimate parent		Fellow subsidiaries and entities controlled by parent		Associate (or an associate of any member of a Group)		Entities in which a director or his/her relative is a member or director		Relatives of KMPs		Entities which are post employment benefits plans		Total	
	For year ended		For year ended		For year ended		For year ended		For year ended		For year ended		For year ended	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Advance paid for acquisition of new territories</b>														
- SMV Beverages Private Limited	-	-	-	-	-	-	210.60	-	-	-	-	-	210.60	-
- SMV Agencies Private Limited	-	-	-	-	-	-	40.00	-	-	-	-	-	40.00	-
- Steel City Beverages Private Limited	-	-	-	-	-	-	10.00	-	-	-	-	-	10.00	-
<b>Balances outstanding at the end of the year, net</b>														
<b>Receivable/(payable)</b>														
- Devyani International Limited	-	-	(57.27)	(49.78)	-	-	-	-	-	-	-	-	(57.27)	(49.78)
- RJ Corp Limited	34.57	31.90	-	-	-	-	-	-	-	-	-	-	34.57	31.90
- Wellness Holdings Limited	-	-	(5.85)	-	-	-	-	-	-	-	-	-	(5.85)	-
- Devyani International Nepal Private Limited	-	-	0.53	0.21	-	-	-	-	-	-	-	-	0.53	0.21
- Varun Developers Private Limited	-	-	-	-	-	-	486.66	466.34	-	-	-	-	486.66	466.34
- Alisha Retail Private Limited	-	-	(2.26)	-	-	-	-	-	-	-	-	-	(2.26)	-
- Lunarmech Technologies Private Limited	-	-	-	-	(32.58)	(57.57)	-	-	-	-	-	-	(32.58)	(57.57)
- Ole Marketing (Private) Limited	-	-	92.25	110.65	-	-	-	-	-	-	-	-	92.25	110.65
- Accor Developer (Private) Limited	-	-	(128.45)	(136.76)	-	-	-	-	-	-	-	-	(128.45)	(136.76)
- Devyani Food Street Private Limited	-	-	0.01	-	-	-	-	-	-	-	-	-	0.01	-
- SMV Beverages Private Limited	-	-	-	-	-	-	210.95	-	-	-	-	-	210.95	-
- SMV Agencies Private Limited	-	-	-	-	-	-	40.00	-	-	-	-	-	40.00	-
- Steel City Beverages Private Limited	-	-	-	-	-	-	10.00	-	-	-	-	-	10.00	-
- Alisha Torrent Closure Private Limited	-	-	-	-	-	-	3.07	9.17	-	-	-	-	3.07	9.17
- Arctic International Private Limited	-	-	-	(43.78)	-	-	-	-	-	-	-	-	-	(43.78)
- Nector Beverages Private Limited	-	-	-	-	-	-	5.02	5.66	-	-	-	-	5.02	5.66
- Jai Beverages Private Limited	-	-	-	-	-	-	1.03	-	-	-	-	-	1.03	-
- Devyani Food Industries Limited	-	-	(5.09)	0.07	-	-	-	-	-	-	-	-	(5.09)	0.07
- Pearl Drinks Private Limited	-	-	-	-	-	-	67.13	0.42	-	-	-	-	67.13	0.42
- Mrs. Shashi Jain	-	-	-	-	-	-	-	-	-	(0.04)	-	-	-	(0.04)

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### 49. Leases

#### A. Operating lease:

The Group has taken certain premises and other fixed assets on operating leases. The lease agreements generally have lock-in-period of 1-5 years and are cancellable at the option of the lessee or lessor thereafter. Majority of the leases have escalation terms after certain years and are extendable by mutual consent on expiry of the lease. During the year, lease payments under operating leases amounting to ₹ 408.54 million (31 December 2016 ₹ 481.98 million) have been recognised as an expense in the Consolidated Statement of Profit and Loss.

Non-cancellable operating lease rentals payable (minimum lease payments) for these leases are as follows:

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Payable within one year	118.52	101.32	73.30
Payable between one and five years	187.37	176.29	129.19
Payable after five years	1.95	9.75	17.54
<b>Total</b>	<b>307.84</b>	<b>287.36</b>	<b>220.03</b>

#### B. Financial lease:

The minimum lease payments and the present value of minimum lease payments in respect of arrangements classified as finance leases are as below:

Particulars	As at 31 December 2017		As at 31 December 2016		As at 01 January 2016	
	Minimum lease payment	Future finance charges	Minimum lease payment	Future finance charges	Minimum lease payment	Future finance charges
Payable within one year	25.97	1.91	35.96	3.76	56.02	4.70
Payable between one and five years	17.66	0.77	42.82	2.63	47.31	2.84
Payable after five years	-	-	-	-	-	-
<b>Total</b>	<b>43.63</b>	<b>2.68</b>	<b>78.78</b>	<b>6.39</b>	<b>103.33</b>	<b>7.54</b>
<b>Present value of minimum lease payment</b>		<b>40.95</b>		<b>72.39</b>		<b>95.79</b>

### 50. Segment reporting

The business activity of the Group predominantly fall within a single reportable business segment viz manufacturing and sale of beverages. There are no separate reportable business segments. As part of reporting for geographical segments, the Group operates in two principal geographical areas of the world, i.e., within India and other countries (outside India). The aforesaid is in line with review of operating results by the chief operating decision maker.

The following table presents revenue from external customers, segment non-current assets regarding geographical segments:

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Non-current assets*</b>			
- Within India	33,545.12	31,113.09	28,906.24
- Outside India	9,240.32	8,365.09	7,917.68

\*excluding financial instruments, deferred tax assets and post-employment benefit assets.

	As at 31 December 2017	As at 31 December 2016
<b>Revenue from external customers</b>		
- Within India	34,370.03	35,308.47
- Outside India	10,792.33	10,006.14

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### 51. Dues to Micro and Small Enterprises

The dues to micro and small enterprises as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent information available with the Holding Company is given below:

Particulars	31 December 2017	31 December 2016	01 January 2016
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year			
Principal amount due to micro and small enterprises	8.71	7.23	1.44
Interest due on above	0.12	0.01	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	0.43	0.24	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	0.55	0.25	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	0.55	0.25	-

### 52. Details of Corporate Social Responsibility (CSR) expenditure

In accordance with the provisions of section 135 of the Companies Act, 2013, the Board of Directors of the Holding Company had constituted CSR Committee. The details for CSR activities is as follows :

Particulars	For the year ended 31 December 2017	For the year ended 31 December 2016
a) Gross amount required to be spent by the Holding Company during the year	27.63	10.69
b) Amount spent during the year on the following		
1. Construction / Acquisition of any asset	-	-
2. On purpose other than 1 above	27.73	10.69

Refer note 48 B for amounts paid to Champa Devi Jaipuria Charitable Trust towards contribution for "Shiksha Kendra" for the education of poor and under privileged children and to Diagno Labs Private Limited for free health check-up camps.

53. During the year ended 31 December 2016, amount utilised for share issue expenses primarily includes payments made towards merchant banker fees, legal counsel fees, brokerage and selling commission, auditors fees, registrar to the issue, printing and stationery expenses, advertising and marketing expenses, statutory fees to regulator and stock exchanges and other incidental expenses towards Initial Public Offering ('IPO'). Of the total share issue expenses, expenses aggregating to ₹ 222.15 have been adjusted towards the securities premium reserve and expenses aggregating to ₹ 127.26 have been reimbursed by the selling shareholders in the proportion of shares offered for sale by the selling shareholders to total shares offered for IPO for all expenses except for expenses exclusively related to the Holding Company.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

54. During the year ended 31 December 2016, pursuant to IPO, 25,000,000 equity shares of ₹ 10 each were allotted at a premium of ₹ 435 per share consisting of fresh issue of 15,000,000 equity shares and offer for sale of 10,000,000 equity shares by the selling shareholders for the purpose of repayment of debts and general corporate purposes. The Audit Committee and the Board of Directors noted the utilisation of funds raised through fresh issue of equity shares pursuant to IPO to be in line with the objects of the issue, the details of which are as follows:

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)
<b>Unutilised amount as at 31 December 2016</b>	<b>-</b>

### 55. Acquisitions and disposals

#### Acquisitions and disposals during the year ended 31 December 2017

##### A. Acquisition of business

The Holding Company acquired PepsiCo India's previously franchised territories in the parts of Madhya Pradesh and State of Odisha in India along with two manufacturing units at Bargarh and Bhopal (Mandideep) from other franchisees for a total purchase consideration of ₹ 470.00 and ₹ 832.00 respectively on a slump sale basis. The aforesaid purchase consideration excludes adjustment for working capital taken over as part of business.

The details of the business combination are as follows:

Particulars	Madhya Pradesh	Odisha
Name of acquiree	SMV Beverages, a unit of SMV Agencies Private Limited	SMV Beverages Private Limited
Acquisition date	27 September 2017	26 September 2017
<b>Recognised amounts of identifiable net assets</b>		
Property, plant and equipment	238.85	333.27
Other intangible assets (Franchise rights)	272.85	531.42
<b>Total non-current assets (a)</b>	<b>511.70</b>	<b>864.69</b>
Employee benefits payable	(14.64)	(6.55)
Security deposits from distributors	(29.54)	(43.06)
<b>Total non-current liabilities (b)</b>	<b>(44.18)</b>	<b>(49.61)</b>
<b>Net current assets acquired</b>		
Other current liabilities	(107.29)	(87.48)
Other current assets	7.51	9.26
<b>Net working capital (c)</b>	<b>(99.78)</b>	<b>(78.22)</b>
<b>Identifiable net assets (d = a+b+c)</b>	<b>367.74</b>	<b>736.86</b>
Amount paid (e)	<b>370.22</b>	<b>753.78</b>
Goodwill (e-d)	<b>2.48</b>	<b>16.92</b>

#### Goodwill

Goodwill primarily relates to growth expectations, expected future profitability. Goodwill has been allocated to the beverages segment and is deductible for tax purposes.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### B. Acquisition of additional stake in Varun Beverages (Zambia) Limited

With effect from 20 February 2017, the Holding Company has acquired additional thirty percent equity, consisting of 15,000 shares, from other minority shareholders, namely, Africa Bottling Company Ltd. and Multi Treasure Ltd. in Varun Beverages (Zambia) Limited for a consideration of ₹ 685.96 million (USD 10.24 million), payable to acquiree, thereby increasing the Holding Company's ownership stake to ninety percent.

Since Varun Beverages (Zambia) Limited, was already a subsidiary of the Holding Company, this transaction has not resulted in change in control. Accordingly, difference between the non-controlling interest relating to thirty percent equity, i.e., ₹ 60.61 million and the value of consideration is directly recognised in other equity in capital reserve. The expenses incurred for acquisition amounting to ₹ 33.20 million are charged to Consolidated Statement of Profit and Loss.

### C. Reduction of ownership stake in Varun Beverages Mozambique Limitada

On 02 March 2017, the Holding Company sold 4,100 equity quota of Varun Beverages Mozambique Limitada for a total consideration of ₹ 0.11 million. Pursuant to the aforementioned sale transaction, the ownership stake of the Holding Company has reduced from 51% to 10%.

At the date of disposal, the carrying amounts of Varun Beverages Mozambique Limitada's net assets were as follows:

	As at March 02, 2017
Property, plant and equipment	158.69
Other intangible assets	0.31
Other	4.61
<b>Total non-current assets (a)</b>	<b>163.61</b>
Inventories	60.36
Trade receivables	18.14
Cash and cash equivalents	2.35
Other	0.24
<b>Total current assets (b)</b>	<b>81.09</b>
Non-current borrowings	99.40
<b>Total non-current liabilities (c)</b>	<b>99.40</b>
Current borrowings	4.68
Trade payables	85.65
Other current liabilities	57.61
<b>Total current liabilities (d)</b>	<b>147.94</b>
<b>Net identifiable assets (a+b-c-d)</b>	<b>(2.64)</b>
Total consideration received	0.11
Gain on disposal recognised	2.75

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### Acquisitions during the year ended 31 December 2016

#### D. Acquisition of business

The Holding Company had acquired two beverages manufacturing units located at Phillaur (Punjab) and Satharia (Uttar Pradesh) in India for a total consideration paid of ₹ 574.00 and ₹ 500.00 respectively on a slump sale basis.

The details of the business combination are as follows:

Particulars	Phillaur (Punjab)	Sathariya (Uttar Pradesh)
Name of acquiree	Dhillon Kool Drinks & Beverages Private Limited	NRVS Enterprises Private Limited
Acquisition date	28 March 2016	22 September 2016
<b>Recognised amounts of identifiable net assets</b>		
Property, plant and equipment	564.19	493.56
<b>Total non-current assets (a)</b>	<b>564.19</b>	<b>493.56</b>
Employee benefits payable	(0.74)	(1.32)
<b>Total non-current liabilities (b)</b>	<b>(0.74)</b>	<b>(1.32)</b>
<b>Net current assets acquired</b>		
Inventories	28.90	6.12
Other current assets	5.05	1.64
Trade payable	(23.14)	-
Other liabilities	(0.26)	-
<b>Net working capital (c)</b>	<b>10.55</b>	<b>7.76</b>
<b>Identifiable net assets (d = a+b+c)</b>	<b>574.00</b>	<b>500.00</b>

- E. The Holding Company had acquired controlling stakes in entities which own manufacturing facilities and franchise rights for beverages of Pepsi brand in the Republics of Mozambique, Zambia and Zimbabwe. As the aforementioned entities were under common control along with the Holding Company, the transaction has been accounted for in accordance with the Appendix C to Ind AS 103 "Business combinations of entities under common control", which requires retroactive accounting from the date common control was established. Accordingly, the consolidated financial statements as on 01 January 2016, being the earliest period presented, and all periods thereafter, have been restated to give effect of these acquisitions.

Particulars	Zambia	Mozambique	Zimbabwe
Names of the entities	Varun Beverages (Zambia) Limited	Varun Beverages Mozambique Limitada	Varun Beverages (Zimbabwe) Private Limited
Date of control	01 January 2016	01 January 2016	01 January 2016
Percentage of the ownership stake	60%	51%	85%
<b>Recognised amounts of identifiable net assets</b>			
Property, plant and equipment (net of depreciation)	1,052.84	303.14	0.36
Capital work-in-progress	4.47	-	37.08
Other intangible assets (net of amortisation)	2.30	0.96	-
Investments	0.07	-	-
Other non-current financial assets	0.97	-	-
Other non-current assets	-	-	232.14
<b>Total non-current assets (a)</b>	<b>1,060.65</b>	<b>304.10</b>	<b>269.58</b>



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

Particulars	Zambia	Mozambique	Zimbabwe
Inventories	161.49	96.25	2.71
Trade receivables	383.96	30.49	14.70
Cash and cash equivalents	42.02	9.41	0.28
Loans	-	1.30	0.05
Other current assets	64.04	1.67	4.11
<b>Total current assets (b)</b>	<b>651.51</b>	<b>139.12</b>	<b>21.85</b>
Borrowings	711.97	57.69	230.40
Provisions	2.21	-	-
<b>Total non-current liabilities (c)</b>	<b>714.18</b>	<b>57.69</b>	<b>230.40</b>
Borrowings	747.90	32.00	-
Trade payables	510.72	238.67	58.30
Other financial liabilities	176.35	80.83	-
Provisions	2.21	1.27	-
Current tax liability	-	-	0.03
Other current liabilities	53.89	9.88	0.81
<b>Total current liabilities (d)</b>	<b>1,491.07</b>	<b>362.65</b>	<b>59.14</b>
<b>Net identifiable assets (a+b-c-d)</b>	<b>(493.09)</b>	<b>22.88</b>	<b>1.89</b>
Share capital on the date of acquisition	3.00	0.14	0.07
Share capital attributable to Holding Company	1.80	0.07	0.06
Purchase consideration settled through payment	1,671.00	0.13	0.06
Amount (reduced from)/ transferred to capital reserve	(1,669.20)	(0.06)	-
<b>Share of identifiable net assets attributable to:</b>			
Non-controlling interest	(197.18)	11.21	0.29
Holding Company	(296.02)	11.67	1.63
Business combination expense charged to other expenses	84.21	-	-

56. The Company follows calendar year as its financial year as approved by the Company Law Board, New Delhi.

### 57. Share-based payments

#### Description of share based payments arrangements

During the year ended 31 December 2013, the Holding Company granted stock options to certain employees of the Company and its subsidiaries. The Company has the following share-based payment arrangements for employees.

#### A. Employee Stock Option Plan 2013 (ESOP 2013)

The ESOP 2013 ('the Plan') was approved by the Board of Directors and the shareholders on 13 May 2013 and further amended by Board of Directors on 01 December 2015. The plan entitles key managerial personnel and employees of the Holding Company and its subsidiaries to purchase shares in the Holding Company at the stipulated exercise price, subject to compliance with vesting conditions. Stock options can be settled by issue of equity shares. As per the Plan, holders of vested options are entitled to purchase one equity share for every option at an exercise price of ₹ 149.51, which is 1.14 % above the stock price at the date of grant, i.e., 13 May 2013.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

The expense recognised for employee services received during the respective years is shown in the following table:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Expense arising from equity-settled share-based payment transactions	-	0.05
<b>Total expense arising from share-based payment transactions</b>	<b>-</b>	<b>0.05</b>

### Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	31 December 2017 Number	31 December 2017 WAEP	31 December 2016 Number	31 December 2016 WAEP
Outstanding at the beginning of the year	3,52,700	149.51	26,75,400	149.51
Options exercised during the year	(2,74,415)	149.51	(22,64,700)	149.51
Expired/lapsed during the year	-	-	(58,000)	149.51
<b>Outstanding at the end of the year</b>	<b>78,285</b>		<b>3,52,700</b>	
Exercisable at the end of the year	78,285	-	3,52,700	-

The fair values of options granted under new plan were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The following principal assumptions were used in the valuation:

	31 December 2017		31 December 2016	
	Options vested and exercised	Options vested and unexercised	Options vested	Options to be vested
Number of options	20,06,550	6,68,850	20,06,550	6,68,850
Fair value on grant date (₹)	65.92	66.44	65.92	66.44
Share price at grant date (₹)	147.83	147.83	147.83	147.83
Fair value at exercise date (₹)	361.42	361.42	-	-
Exercise price (₹)	149.51	149.51	149.51	149.51
Expected volatility	16.63%	16.63%	16.63%	16.63%
Expected life	7.56 years	7.64 years	7.56 years	7.64 years
Expected dividends	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	7.53%	7.53%	7.53%	7.53%

### Particulars of Scheme

Name of scheme	Employee Stock Option Plan 2013 (ESOP 2013)
Vesting conditions	668,850 options on the date of grant ('First vesting') 668,850 options on first day of January of the calendar year following the first vesting ('Second vesting') 668,850 options on first day of January of the calendar year following the second vesting ('Third vesting') 668,850 options on first day of January of the calendar year following the third vesting ('Fourth vesting') Notwithstanding any other clause of this Plan, no vesting shall occur until 01 December 2015 or fourth vesting, whichever is earlier

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

Particulars of Scheme	
Name of scheme	Employee Stock Option Plan 2013 (ESOP 2013)
Exercise period	Stock options can be exercised within a period of 5 years from the date of vesting.
Number of share options	2,675,400
Exercise price	149.51
Method of settlement	Equity
Fair value on the grant date	Options vested: ₹ 65.92 Options to be vested : ₹ 66.44
Remaining life as on 31 December 2017	2.94 years
Remaining life as on 31 December 2016	3.94 years

The following share options were exercised during the year:

Particulars	Options series	Number exercised	Share price at exercised date	Exercise date
Granted on 13 May 2013	ESOP 2013	99,400	₹ 404.78	20 February 2017
Granted on 13 May 2013	ESOP 2013	98,200	₹ 473.90	24 April 2017
Granted on 13 May 2013	ESOP 2013	46,815	₹ 514.64	11 August 2017
Granted on 13 May 2013	ESOP 2013	27,000	₹ 510.98	25 September 2017
Granted on 13 May 2013	ESOP 2013	3,000	₹ 512.51	11 October 2017

The following share options were exercised during the previous year:

	Options series	Number exercised	Share price at exercised date	Exercise date
Granted on 13 May 2013	ESOP 2013	19,03,700	Stock not listed on exercise date	31 March 2016
Granted on 13 May 2013	ESOP 2013	3,61,000	₹ 435.77	01 December 2016

### B. Employee Stock Option Plan 2016 (ESOP 2016)

The ESOP 2016 ('the Scheme') was approved by the Board of Directors and the shareholders on 27 April 2016. The Scheme entitles key managerial personnel and employees of the Holding Company and its subsidiaries to purchase shares in the Holding Company at the stipulated exercise price, subject to compliance with vesting conditions. Stock options can be settled by issue of equity shares. No options under this scheme have been granted upto year ended 31 December 2017.

### 58. Financial instruments risk

#### Financials risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of financial risks are market risk, credit risk and liquidity risk.

The respective management of the Holding Company and other companies/entities comprising the Group and manage the financial risks relating to the operations of the respective entity/company on a continuous basis. The Group's risk management is coordinated at head office, in close cooperation with the management of respective entity/company, and focuses on actively securing the short to medium-term cash flows and simultaneously minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 58.1. Market risk analysis

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from its operating, investing and financing activities. Contracts to hedge exposures in foreign currencies, interest rates etc. are entered into wherever considered necessary by the management.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The functional currency of the Holding Company is Indian Rupees ('INR' or '₹'). Most of the transactions of the Holding Company and other entities/companies are carried out in the respective local currency. Exposures to currency exchange rates mainly arise from the overseas sales and purchases, lending to overseas subsidiary companies, external commercial borrowings etc.

To mitigate its exposure to foreign currency risk the Group continuously monitors non-INR cash flows and hedging contracts are entered into wherever considered necessary.

The carrying amounts of the Group's foreign currency denominated monetary items are restated at the end of each reporting period. Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are as follows:

	(in million)							
Particulars	USD	GBP	Euro	LKR	MAD	NPR	MZN	ZMW
<b>31 December 2017</b>								
Financial assets								
(i) Trade receivables	1.03	-	-	1,603.02	50.22	71.36	-	60.28
(ii) Loans	0.02	-	-	-	1.86	-	-	0.32
(iii) Others	0.89	-	-	-	-	11.66	-	-
(iv) Cash and cash equivalents	4.36	-	-	6.41	2.33	6.50	-	5.65
(v) Other bank balances	-	-	-	-	-	472.57	-	-
<b>Total financial assets</b>	<b>6.30</b>	<b>-</b>	<b>-</b>	<b>1,609.43</b>	<b>54.41</b>	<b>562.09</b>	<b>-</b>	<b>66.25</b>
Financial liabilities								
(i) Borrowings	14.73	-	-	6,694.68	341.77	899.98	-	203.62
(ii) Trade payables	6.85	-	0.27	418.37	62.17	1,036.02	-	54.42
(iii) Other financial liabilities	2.65	-	5.42	484.00	49.21	1,028.69	-	49.26
<b>Total financial liabilities</b>	<b>24.23</b>	<b>-</b>	<b>5.69</b>	<b>7,597.05</b>	<b>453.15</b>	<b>2,964.69</b>	<b>-</b>	<b>307.30</b>
<b>31 December 2016</b>								
Financial assets								
(i) Trade receivables	1.73	-	-	922.69	52.96	90.79	36.24	54.73
(ii) Loans	0.01	-	-	-	1.44	-	1.48	0.22
(iii) Others	-	-	-	-	-	11.66	-	-
(iv) Cash and cash equivalents	1.45	-	-	78.40	3.22	2.68	9.94	1.53
(v) Other bank balances	-	-	-	-	-	530.54	-	-
<b>Total financial assets</b>	<b>3.19</b>	<b>-</b>	<b>-</b>	<b>1,001.09</b>	<b>57.62</b>	<b>635.67</b>	<b>47.66</b>	<b>56.48</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

(in million)

Particulars	USD	GBP	Euro	LKR	MAD	NPR	MZN	ZMW
Financial liabilities								
(i) Borrowings	5.40	-	-	5,070.51	349.50	1,287.70	173.90	198.28
(ii) Trade payables	6.57	0.00*	-	611.70	75.84	461.54	103.09	66.10
(iii) Other financial liabilities	0.34	-	-	1,168.31	41.37	544.34	59.60	70.74
<b>Total financial liabilities</b>	<b>12.31</b>	<b>0.00*</b>	<b>-</b>	<b>6,850.52</b>	<b>466.71</b>	<b>2,293.58</b>	<b>336.59</b>	<b>335.12</b>
<b>01 January 2016</b>								
Financial assets								
(i) Trade receivables	0.24	-	-	566.87	56.35	54.10	21.77	64.03
(ii) Loans	-	-	-	-	1.28	-	0.93	0.16
(iii) Others	-	-	-	-	-	10.32	-	0.01
(iv) Cash and cash equivalents	0.02	-	-	64.05	2.39	13.69	6.72	7.01
(v) Other bank balances	-	-	-	-	-	530.51	-	-
<b>Total financial assets</b>	<b>0.26</b>	<b>-</b>	<b>-</b>	<b>630.92</b>	<b>60.02</b>	<b>608.62</b>	<b>29.42</b>	<b>71.21</b>
Financial liabilities								
(i) Borrowings	19.72	-	-	5,445.98	339.15	993.36	64.04	243.46
(ii) Trade payables	7.03	-	0.02	639.30	82.07	384.06	170.41	85.17
(iii) Other financial liabilities	0.06	-	-	148.32	44.78	771.34	57.71	29.41
	<b>26.81</b>	<b>-</b>	<b>0.02</b>	<b>6,233.60</b>	<b>466.00</b>	<b>2,148.76</b>	<b>292.16</b>	<b>358.04</b>

\*Rounded off to nil

The foreign currency sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities considering 'all other things being equal' and ignoring the impact of taxation. It assumes a +/- 1% change of the respective countries exchange rates (i.e. local currency to foreign currency) for the year ended at 31 December 2017 (31 December 2016: +/-1%). These are the sensitivity rates used when reporting foreign currency exposures internally to the key management personnel and represents respective management's assessment of the reasonably possible changes in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at end of each period reported upon. A positive number indicates an increase in profit or equity and vice-versa.

If the INR had strengthened against respective foreign currency by 1% (31 December 2016: 1%), then profit for the year and equity as at 31 December 2017 would have been higher by ₹ 97.28 million (31 December 2016: ₹ 88.09 million). If the INR had weakened against respective foreign currency by 1% (31 December 2016: 1%), then profit for the year and equity as at the would have been lower by ₹ 97.28 million (31 December 2016: ₹ 88.09 million).

Exposures to foreign exchange rates vary during the year depending on the volume of the overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. The Group is exposed to changes in market interest rates as some of the bank and other borrowings are at variable interest rates.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (31 December 2016: +/- 1%). These changes are considered to be reasonably possible based on management's assessment. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	+1%	-1%	+1%	-1%
<b>31 December 2017</b>	(152.83)	152.83	(152.83)	152.83
<b>31 December 2016</b>	(98.39)	98.39	(98.39)	98.39

### Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase of sugar and pet chips and therefore require a continuous supply. In view of volatility of price of sugar and pet chips, the Group also executes various purchase contracts.

### Commodity price sensitivity

The following tables shows the effect of price change in sugar and pet chips

Particulars	Change in year - end price	Effect on profit before tax	
<b>31 December 2017</b>			
Sugar	+/-1%	(63.27)	63.27
Pet chips	+/-1%	(18.51)	18.51
<b>31 December 2016</b>			
Sugar	+/-1%	(58.79)	58.79
Pet chips	+/-1%	(15.74)	15.74

### Other price sensitivity

The Group is not exposed to any listed equity or listed debt price risk as it does not hold any investments in listed entities.

## 58.2. Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is operating through a network of distributors and other distribution partners based at different locations. The Group is exposed to this risk for various financial instruments, for example loans granted, receivables from customers, deposits placed etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at end of each reporting period, as summarised below:

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Classes of financial assets-carrying amounts:			
Investments (non-current)	0.04	0.01	0.01
Loans	192.19	163.19	145.16
Others non-current financial assets	8.96	8.47	1.48
Trade receivables	1,502.45	1,313.45	1,444.67
Cash and cash equivalents	649.46	325.00	294.60
Bank balances (other than those classified as cash and cash equivalents above)	295.14	332.02	337.84
Others current financial assets	933.63	204.45	67.44
	<b>3,581.87</b>	<b>2,346.59</b>	<b>2,291.20</b>

The Group continuously monitors receivables and defaults of customers and other counterparties, and incorporates this information into its credit risk controls. Appropriate security deposits are kept against the supplies to customers and balances are reconciled at regular intervals. The Group's policy is to deal only with creditworthy counterparties.



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. Trade receivables consist of a large number of customers of various scales and in different geographical areas. Based on historical information about customer default rates, respective management considers the credit quality of trade receivables. In case the receivables are not recovered even after regular follow up, measures are taken to stop further supplies to the concerned customers.

The credit risk for cash and cash equivalents, bank deposits including interest accrued thereon and Government grant receivables is considered negligible, since the counterparties are reputable banks with high quality external credit ratings and Government bodies.

In respect of financial guarantees provided by the Group, the maximum exposure to which the Group is exposed to is the maximum amount which it would have to pay if the guarantee is called upon. Based on the expectation at the end of each reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the guarantees provided.

### 58.3. Liquidity risk analysis

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities and considering the maturity profiles of financial assets and other financial liabilities as well as forecast of operational cash inflows and outflows. Liquidity needs are monitored in various time bands, on a day-to-day basis, a week-to-week basis and a month-to-month basis. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls.

Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the Group's ability to avail further credit facilities subject to creation of requisite charge on its assets. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

As at 31 December 2017, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

<b>31 December 2017</b>	<b>1 to 12 months</b>	<b>1 to 5 years</b>	<b>Later than 5 years</b>
Borrowings (current and non-current)	9,638.40	16,745.07	579.70
Trade payables	1,909.46	-	-
Other financial liabilities (current and non-current)	2,647.91	45.98	-
<b>Total</b>	<b>14,195.77</b>	<b>16,791.05</b>	<b>579.70</b>

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows:

<b>31 December 2016</b>	<b>1 to 12 months</b>	<b>1 to 5 years</b>	<b>Later than 5 years</b>
Borrowings (current and non-current)	9,914.86	11,354.54	1,591.37
Trade payables	2,745.90	-	-
Other financial liabilities (current and non-current)	2,485.51	12.24	-
<b>Total</b>	<b>15,146.27</b>	<b>11,366.78</b>	<b>1,591.37</b>

<b>01 January 2016</b>	<b>1 to 12 months</b>	<b>1 to 5 years</b>	<b>Later than 5 years</b>
Borrowings (current and non-current)	8,458.14	23,054.69	405.55
Trade payables	2,645.78	-	-
Other financial liabilities (current and non-current)	3,977.21	13.16	-
<b>Total</b>	<b>15,081.13</b>	<b>23,067.85</b>	<b>405.55</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

As at 31 December 2017, the contractual cash flows (excluding interest thereon) of the Group's derivative financial instruments are as follows:

31 December 2017	Within 12 months	After 12 months
Cross currency interest rate swap		
- Cash outflow	341.50	-

This compares to the contractual cash flows of the Group's derivative financial instruments in the previous reporting periods as follows:

31 December 2016	Within 12 months	After 12 months
Cross currency interest rate swap		
- Cash outflow	341.50	341.50

01 January 2016	Within 12 months	After 12 months
Cross currency interest rate swap		
- Cash outflow	-	-

### 59. Fair value measurements

#### Financial instruments by categories

The carrying values and fair values of financial instruments by categories are as follows:

Particulars	Carrying value			Fair value		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
(i) Investment (non-current)	0.04	0.01	0.01	0.04	0.01	0.01
<b>Amortised cost</b>						
(i) Non-current financial assets						
(a) Loans	192.19	163.19	145.16	192.19	163.19	145.16
(b) Others	8.96	8.47	1.48	8.96	8.47	1.48
(ii) Current financial assets						
(a) Trade receivables	1,502.45	1,313.45	1,444.67	1,502.45	1,313.45	1,444.67
(b) Cash and cash equivalents	649.46	325.00	294.60	649.46	325.00	294.60
(c) Bank balances other than those included in cash and cash equivalents	295.14	332.02	337.84	295.14	332.02	337.84
(d) Others	933.63	204.45	67.44	933.63	204.45	67.44
<b>Total</b>	<b>3,581.87</b>	<b>2,346.59</b>	<b>2,291.20</b>	<b>3,581.87</b>	<b>2,346.59</b>	<b>2,291.20</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

Particulars	Carrying value			Fair value		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
<b>Financial liabilities</b>						
<b>FVTPL</b>						
(i) Non-current borrowings						
(a) Compulsorily convertible debentures ('CCD')	-	-	8,174.70	-	-	8,174.70
(b) Compulsorily convertible preference shares ('CCPS')	-	-	4,127.93	-	-	4,127.93
(ii) Current financial liability						
(a) Liability for derivative contract	25.85	17.52	-	25.85	17.52	-
<b>Amortised cost</b>						
(i) Non-current borrowings (excluding those disclosed under FVTPL category above)	16,869.95	12,183.61	17,917.09	16,869.95	12,183.61	17,917.09
(ii) Others	45.98	12.24	13.16	45.98	12.24	13.16
(iii) Current financial liabilities						
(a) Borrowings	3,533.65	4,111.29	3,399.23	3,533.65	4,111.29	3,399.23
(b) Trade payables	1,909.46	2,745.90	2,645.78	1,909.46	2,745.90	2,645.78
(c) Others	8,755.48	8,327.16	9,087.41	8,755.48	8,327.16	9,087.41
<b>Total</b>	<b>31,140.37</b>	<b>27,397.72</b>	<b>45,365.30</b>	<b>31,140.37</b>	<b>27,397.72</b>	<b>45,365.30</b>

### Valuation technique to determine fair value

Cash and cash equivalents, other bank balances, trade receivables, other current financial assets, trade payables, current borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the long term borrowings, loans and other deferred payments are determined by using discounted cash flow method using the appropriate discount rate. The discount rate is determined using other similar instruments incorporating the risk associated.
- The fair values of the unquoted instruments and other financial assets and liabilities have been estimated using a discounted cash flow method using the appropriate discount rate. The discount rate is determined using other similar instruments incorporating the risk associated.
- The fair values of compulsorily convertible debentures have been estimated by using discounted cash flow method by discounting the expected cash flows using the appropriate discount rate under different conversion events. Probabilities are then attached to each conversion event to derive final valuation. The discount rate is determined using other similar instruments incorporating the risk associated and probabilities are based on management's expectations.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

- The fair values of compulsorily convertible preference shares have been estimated by using discounted cash flow method by discounting the expected cash flows using the appropriate discount rate under different conversion events. Probabilities are then attached to each conversion event to derive final valuation. The discount rate is determined using other similar instruments incorporating the risk associated and probabilities are based on management's expectations.

- The Group enters into derivative financial instruments such as cross currency interest rate swap being valued using valuation techniques, which employs use of market observable inputs. The Group uses mark to market valuation provided by bank for its valuation.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 1 January 2016 are as shown below. There are no significant financial instruments categorised within Level 3 of the fair value hierarchy as at 31 December 2016 and 31 December 2017.

### Description of significant unobservable inputs to valuation as at 01 January 2016:

Particulars	Significant unobservable inputs	Range	Sensitivity of the fair value measurement to input	
			Impact of 1% increase	Impact of 1% decrease
CCD	Discount rate	11.08%-11.53%	82.43	(85.42)
			Impact of 5% increase in probability of IPO (i.e. 95:5)	Impact of 5% decrease in probability of IPO (i.e. 85:15)
	Probability of occurrence of conversion events	90:10	(122.55)	122.55
			Impact of 1% increase	Impact of 1% decrease
CCPS	Discount rate	10.99%-11.27%	38.34	(39.34)
			Impact of 5% increase in probability of IPO (i.e. 95:5)	Impact of 5% decrease in probability of IPO (i.e. 85:15)
	Probability of occurrence of conversion events	90:10	(15.52)	15.52

The following table presents the changes in level 3 items for the periods ended 31 December 2017 and 31 December 2016:

Particulars	CCD	CCPS
<b>As at 01 January 2016</b>	8,174.70	4,127.93
Impact of fair value movement	1,107.26	381.34
Converted during the year	(9,281.96)	(4,509.27)
<b>As at 31 December 2016</b>	-	-
Issued during the year	-	-
Impact of fair value movement	-	-
Converted during the year	-	-
<b>As at 31 December 2017</b>	-	-

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### Fair value hierarchy

The financial assets measured at fair value are grouped into the fair value hierarchy as on 31 December 2017, 31 December 2016 and 01 January 2016 as follows: (also refer note 3.1)

31 December 2017		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>					
Investment (non-current)	31 December 2017	0.04	-	-	0.04

31 December 2017		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Liabilities measured at fair value:</b>					
(a) Liability for derivative contract	31 December 2017	25.85	-	25.85	-

There have been no transfers of financial assets and financial liabilities between the levels during the year 2017.

31 December 2016		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>					
Investment (non-current)	31 December 2016	0.01	-	-	0.01

31 December 2016		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Liabilities measured at fair value:</b>					
(a) Liability for derivative contract	31 December 2016	17.52	-	17.52	-

There have been no transfers of financial assets and financial liabilities between the levels during the year 2016.

01 January 2016		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>					
Investment (non-current)	01 January 2016	0.01	-	-	0.01

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

01 January 2016		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Liabilities measured at fair value:</b>					
CCD	01 January 2016	<b>8,174.70</b>	-	-	8,174.70
CCPS	01 January 2016	<b>4,127.93</b>	-	-	4,127.93

### 60. Capital management

For the purpose of the Group's capital management, capital includes issued equity share capital, instruments compulsorily convertible into equity, share premium and all other equity reserves. The primary objective of the Group's capital management is to maximise the shareholder value and provide adequate returns to shareholders.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions, the requirements of the financial covenants and the risk characteristics of the underlying assets.

The amounts managed as capital by the Group for the reporting periods are summarised as follows:

Particulars	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Non-current borrowings other than compulsorily convertible preference shares and compulsorily convertible debentures (Refer note 22A)	16,869.95	12,183.61	17,917.09
Current borrowings (Refer note 22B)	3,533.65	4,111.29	3,399.23
Current portion of deferred payment liabilities (Refer note 22D)	3,020.71	3,301.01	3,005.70
Current maturities of long-term debts (Refer note 22C)	3,112.71	2,558.16	2,104.50
	<b>26,537.02</b>	<b>22,154.07</b>	<b>26,426.52</b>
Less: Cash and cash equivalents (Refer note 14)	649.46	325.00	294.59
<b>Net debt</b>	<b>25,887.56</b>	<b>21,829.07</b>	<b>26,131.93</b>
Equity share capital (Refer note 20)	1,825.87	1,823.13	1,337.66
Other equity (Refer note 21)	15,868.41	15,112.82	(3,504.52)
Compulsorily convertible debentures (Refer note 22A)	-	-	8,174.70
Compulsorily convertible preference shares (Refer note 22A)	-	-	4,127.93
<b>Total capital</b>	<b>17,694.28</b>	<b>16,935.95</b>	<b>10,135.77</b>
<b>Capital and net debt</b>	<b>43,581.84</b>	<b>38,765.02</b>	<b>36,267.69</b>
<b>Gearing ratio</b>	<b>59.40%</b>	<b>56.31%</b>	<b>72.05%</b>

Financing documents require the Holding Company and other entities of the Group to meet certain covenants, failing which the respective lenders have the right to demand accelerated repayment. There are no material breaches of such covenants.



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### 61. Assets pledged as security

The carrying amount of assets pledged as security are:

Particulars	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Inventories and trade receivable	4,578.59	4,835.59	4,662.92
Other bank deposits	295.14	332.02	337.84
Other intangible assets	4,355.84	3,563.77	3,563.50
Property, plant and equipment (including capital work-in-progress)	32,198.09	32,789.11	30,889.39

### 62. Recent accounting pronouncements (Ind AS issued but not yet effective)

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are applicable to the Company from accounting periods beginning on or after 1 April 2017, i.e., from financial year 2018.

#### Amendment to Ind AS 7:

The amendments to Ind AS 7 inter-alia require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Holding Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

#### Amendment to Ind AS 102:

The amendments to Ind AS 102 inter-alia provide specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes. The requirements of the amendment have no material impact on these financial statements.

### 63. First-time adoption of Ind AS

- These financial statements, for the year ended 31 December 2017, are the first the Group has prepared in accordance with Ind AS. For periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Group's (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Group has prepared financial statements which comply with Ind AS applicable for periods ended on 31 December 2017, together with the comparative period data as at and for the year ended 31 December 2016 and in the preparation of opening Ind AS balance sheet as at 01 January 2016, as described in the summary of significant accounting policies. Further to explanations in Note 2, this Note explains the principal adjustments made by the Group in restating its Indian GAAP financial statements, including the balance sheet as at 01 January 2016 and the financial statements as at and for the year ended 31 December 2016. (Also refer Note 64 for reconciliations).

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

### 2. Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from Indian GAAP to Ind AS.

#### A. Ind AS optional exemptions

##### I Deemed cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognized in the financial statements as at the date of transition to Ind AS, measured as per the Indian GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Group has elected to measure all of its property, plant and equipment and intangible assets at their Indian GAAP carrying value except where the adjustments to carrying value are only consequential and arising because of application of the transition requirements of Ind AS 101.

##### II Investments in subsidiaries and associates

Ind AS 101 permits the first time adopter to measure investment in subsidiaries and associates in accordance with Ind AS 27 "Separate Financial Statements". The Group has elected to consider Indian GAAP carrying amount of its investments in subsidiaries and associates on the date of transition to Ind AS as its deemed cost for the purpose of determining cost in accordance with the principles of Ind AS 27.

##### III Share based payment transactions

The Group has availed exemption under Ind AS 101 in respect of share-based payments that had been vested before the transition date and accordingly, vested options at the transition date have been measured at intrinsic value. For unvested options at the transition date, the Group has applied the requirements of Ind AS 102 retrospectively.

##### IV Long-term foreign currency monetary items

Ind AS 101 permits a first-time adopter to continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per Indian GAAP.

Accordingly, the Group has elected to continue to adjust exchange differences arising on translation/ settlement of long-term foreign currency monetary items, pertaining to the acquisition of a depreciable asset, to the cost of such asset and depreciate the same over the remaining life of the asset and in other cases, is recorded under the head 'Foreign Currency Monetary Item Translation Difference Account' and is amortised over the period of maturity of underlying long term foreign currency monetary items.

##### V Business combinations

Ind AS 101, allows a first-time adopter to elect not to apply Ind AS 103 retrospectively to past business combinations (business combinations that occurred before the date of transition to Ind AS). However, if a first-time adopter restates any business combination to comply with Ind AS 103, it shall restate all later business combinations and shall also apply Ind AS 110 'Consolidated Financial Statements' from that same date. The Group has chosen this exemption and accordingly none of the business combinations that have occurred prior to date of transition is restated. Accordingly, carrying amounts of assets and liabilities under business combinations, that are required to be recognised under Ind AS, is their deemed cost at the date of acquisition. After the date of acquisition, the measurement is in accordance with the respective Ind AS.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### VI Leases

The Group has also applied the transitional provision in Appendix C of Ind AS 17 "Determining whether an arrangement contains a Lease" and has assessed all arrangements based upon the conditions in place as at the date of transition.

### VII Government grant

#### Government loans below market rate of interest

Para B11 of Ind AS 101, allows an entity to apply the requirements in Ind AS 109 and Ind AS 20 retrospectively to any government loan originated before the date of transition to Ind ASs, provided that the information needed to do so had been obtained at the time of initially accounting for that loan. The Group has adopted the guidance and accordingly, the requirements in Ind AS 109 and Ind AS 20 'Accounting for Government Grants and Disclosure of Government Assistance' have been applied retrospectively to all government loans received at below market rate of interest and existing on the date of transition.

VIII Group has set up foreign currency transaction reserve on the date of transition to be Zero as per exemption available in Ind AS 101.

### B. Ind AS mandatory exemptions

#### Estimates

I The Group's estimates in accordance with Ind AS at the date of transition to Ind AS are consistent with estimates made for the same date in accordance with Indian GAAP (after adjustments to reflect any difference in accounting policies) except for impairment of financial assets based on lifetime expected credit loss model where application of Indian GAAP did not require estimation.

The estimates used by the Group to present these amounts in accordance with Ind AS reflect conditions as at the transition date and as of 31 December 2016.

Ind AS 101 treats the information received after the date of transition to Ind AS as non-adjusting events. The entity shall not reflect that new information in its opening Ind AS Balance Sheet (unless the estimates need adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error).

### II Classification of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of facts and circumstances that exist on the date of transition to Ind AS. Accordingly, the Group has applied the above requirement prospectively.

The presentation requirements under Indian GAAP differs from Ind AS, and hence, Indian GAAP information has been regrouped for ease of reconciliation with Ind AS. The regrouped Indian GAAP information is derived from the audited financial statements of the Group prepared in accordance with Indian GAAP.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### 64. Reconciliation of equity

(A) Equity at the date of transition to Ind AS, i.e., 01 January 2016 reconciled with the amounts reported under previous Indian GAAP as follows:

Particulars	Notes	As at 01 January 2016	Ind AS Adjustments Consolidation of subsidiaries (Refer note 55 E)	Others	As at 01 January 2016
		Indian GAAP			Ind ASs
<b>Assets</b>					
<b>Non-current assets</b>					
(a) Property, plant and equipment	I	31,116.77	1,356.34	(694.33)	31,778.78
(b) Capital work in progress		379.12	41.55	-	420.67
(c) Other intangible assets	I	3,838.91	3.26	(208.76)	3,633.41
(d) Investment in associates	IV	32.73	-	12.22	44.95
(e) Financial assets					
(i) Investments		0.01	-	-	0.01
(ii) Loans	V	158.27	0.97	(14.08)	145.16
(iii) Others		1.48	-	-	1.48
(f) Deferred tax assets (Net)	VII	52.97	-	333.05	386.02
(g) Other non-current assets	V	780.08	232.14	(21.12)	991.10
<b>Total non-current assets</b>		<b>36,360.34</b>	<b>1,634.26</b>	<b>(593.02)</b>	<b>37,401.58</b>
<b>Current assets</b>					
(a) Inventories		4,246.61	260.45	-	4,507.06
(b) Financial assets					
(i) Trade receivables	IX	977.00	429.15	38.52	1,444.67
(ii) Cash and cash equivalents		242.89	51.71	-	294.60
(iii) Bank balances other than (ii) above		337.84	-	-	337.84
(iv) Others	VI	325.26	1.35	(259.17)	67.44
(c) Current tax assets (Net)		7.72	-	-	7.72
(d) Other current assets	V	1,171.11	69.82	(10.69)	1,230.24
<b>Total current assets</b>		<b>7,308.43</b>	<b>812.48</b>	<b>(231.34)</b>	<b>7,889.57</b>
<b>Total assets</b>		<b>43,668.77</b>	<b>2,446.74</b>	<b>(824.36)</b>	<b>45,291.15</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
(a) Equity share capital	X	5,837.66	-	(4,500.00)	1,337.66
(b) Other equity	64D	905.11	(282.72)	(4,126.91)	(3,504.52)
(c) Non-controlling interest	III	-	(185.68)	-	(185.68)
<b>Total equity</b>		<b>6,742.77</b>	<b>(468.40)</b>	<b>(8,626.91)</b>	<b>(2,352.54)</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
(a) Financial liabilities					
(i) Borrowings	X, XI	22,363.01	1,000.06	6,856.65	30,219.72
(ii) Other financial liabilities		-	-	13.16	13.16
(b) Provisions		443.13	2.21	-	445.34
(c) Deferred tax liabilities (Net)	VII	791.77	-	(791.77)	-
(d) Other non-current liabilities		110.74	-	-	110.74
<b>Total non-current liabilities</b>		<b>23,708.65</b>	<b>1,002.27</b>	<b>6,078.04</b>	<b>30,788.96</b>
<b>Current liabilities</b>					
(a) Financial liabilities					
(i) Borrowings	IX	2,568.03	779.91	51.29	3,399.23
(ii) Trade payables		1,838.09	807.69	-	2,645.78
(iii) Other financial liabilities	III	7,155.11	257.18	1,675.12	9,087.41
(b) Other current liabilities	XVI	1,284.08	64.58	(1.90)	1,346.76
(c) Provisions		133.80	3.48	-	137.28
(d) Current tax liabilities (Net)		238.24	0.03	-	238.27
<b>Total current liabilities</b>		<b>13,217.35</b>	<b>1,912.87</b>	<b>1,724.51</b>	<b>16,854.73</b>
<b>Total liabilities</b>		<b>36,926.00</b>	<b>2,915.14</b>	<b>7,802.55</b>	<b>47,643.69</b>
<b>Total equity and liabilities</b>		<b>43,668.77</b>	<b>2,446.74</b>	<b>(824.36)</b>	<b>45,291.15</b>



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

(B) Equity as at 31 December 2016 can be reconciled with the amounts reported under previous Indian GAAP as follows:

Particulars	Notes	As at 31 December 2016 Indian GAAP	Ind As Adjustments	As at 31 December 2016 Ind AS
<b>Assets</b>				
<b>Non-current assets</b>				
(a) Property, plant and equipment	I	34,131.38	(572.89)	33,558.49
(b) Capital work in progress		955.78	-	955.78
(c) Goodwill	III	2,132.08	(2,132.08)	-
(d) Other intangible assets	I, II	3,369.98	226.48	3,596.46
(e) Investment in associates	IV	56.19	12.54	68.73
(f) Financial assets				
(i) Investments		0.01	-	0.01
(ii) Loans	V	170.83	(7.64)	163.19
(iii) Others		8.47	-	8.47
(g) Deferred tax assets (Net)	VII	67.84	0.51	68.35
(h) Other non-current assets	V	1,380.66	(13.21)	1,367.45
<b>Total non-current assets</b>		<b>42,273.22</b>	<b>(2,486.28)</b>	<b>39,786.93</b>
<b>Current assets</b>				
(a) Inventories		4,899.26	-	4,899.26
(b) Financial assets				
(i) Trade receivables	IX	1,303.19	10.26	1,313.45
(ii) Cash and cash equivalents		325.00	-	325.00
(iii) Bank balances other than (ii) above		332.02	-	332.02
(iv) Others	VI	463.62	(259.17)	204.45
(c) Current tax assets (Net)		0.07	-	0.07
(d) Other current assets	V	1,457.83	(6.44)	1,451.39
<b>Total current assets</b>		<b>8,780.99</b>	<b>(255.35)</b>	<b>8,525.64</b>
<b>Total assets</b>		<b>51,054.21</b>	<b>(2,741.63)</b>	<b>48,312.57</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
(a) Equity share capital		1,823.13	-	1,823.13
(b) Other equity	64(D)	17,115.54	(2,002.72)	15,112.82
(c) Non-controlling interest	III	0.58	(129.64)	(129.06)
<b>Total equity</b>		<b>18,939.26</b>	<b>(2,132.36)</b>	<b>16,806.89</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings	X, XI	12,945.90	(762.29)	12,183.61
(ii) Other financial liabilities	VI	-	12.24	12.24
(b) Provisions		605.88	-	605.88
(c) Deferred tax liabilities (Net)	VII	1,196.33	90.06	1,286.39
(d) Other non-current liabilities		142.23	-	142.23
<b>Total non-current liabilities</b>		<b>14,890.34</b>	<b>(659.99)</b>	<b>14,230.35</b>
<b>Current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings	IX	4,055.71	55.58	4,111.29
(ii) Trade payables		2,745.90	-	2,745.90
(iii) Other financial liabilities	XI	8,344.68	-	8,344.68
(b) Other current liabilities	XVI	1,853.18	(4.86)	1,848.32
(c) Provisions		135.20	-	135.20
(d) Current tax liabilities (Net)		89.94	-	89.94
<b>Total current liabilities</b>		<b>17,224.61</b>	<b>50.72</b>	<b>17,275.33</b>
<b>Total liabilities</b>		<b>32,114.95</b>	<b>(609.27)</b>	<b>31,505.68</b>
<b>Total equity and liabilities</b>		<b>51,054.20</b>	<b>(2,741.63)</b>	<b>48,312.57</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### (C) Reconciliation of Total Comprehensive Income for the year ended 31 December 2016:

Particulars	Notes	For the year ended 31 December 2016	Ind AS Adjustments		For the year ended 31 December 2016
			Consolidation of subsidiaries (Refer note 55 E)	Others	
<b>Income</b>					
Revenue from operations	XII, VI	45,222.86	18.20	73.55	45,314.61
Other income	IV, V	347.77	-	9.56	357.33
<b>Total income</b>		<b>45,570.63</b>	<b>18.20</b>	<b>83.11</b>	<b>45,671.94</b>
<b>Expenses</b>					
Cost of materials consumed		16,767.95	1.04	-	16,768.99
Excise duty		6,702.78	-	-	6,702.78
Purchases of stock-in-trade		911.04	17.35	-	928.39
Changes in inventories of finished goods, stock-in-trade and work-in-progress		(315.91)	(2.64)	-	(318.55)
Employee benefits expense	VIII, XIV	4,261.55	1.06	(52.31)	4,210.30
Finance costs	XIII	2,147.90	-	2,177.45	4,325.35
Depreciation and amortisation expense	I, II	3,723.64	0.06	(501.62)	3,222.08
Other expenses	III, IX	8,943.32	1.05	118.66	9,063.03
<b>Total expenses</b>		<b>43,142.27</b>	<b>17.92</b>	<b>1,742.18</b>	<b>44,902.37</b>
<b>Profit before tax and share of profit in associate</b>		<b>2,428.36</b>	<b>0.28</b>	<b>(1,659.07)</b>	<b>769.57</b>
Share of profit in associate		23.46	-	0.32	23.78
<b>Profit before tax</b>		<b>2,451.82</b>	<b>0.28</b>	<b>(1,658.75)</b>	<b>793.35</b>
<b>Tax expense</b>					
Current tax		442.30	-	-	442.30
Adjustment of tax relating to earlier periods		(2.80)	-	-	(2.80)
Deferred tax	VII	389.00	0.05	(515.59)	(126.54)
<b>Total tax expense</b>		<b>828.50</b>	<b>0.05</b>	<b>(515.59)</b>	<b>312.96</b>
<b>Net profit for the year</b>		<b>1,623.32</b>	<b>0.23</b>	<b>(1143.16)</b>	<b>480.39</b>
<b>Other comprehensive income</b>					
(a) Items that will not to be reclassified to profit or loss:					
(i) Re-measurement gains/(losses) on defined benefit plans	VIII, XV	-	-	(52.31)	(52.31)
(ii) Income tax relating to items that will not be reclassified to profit or loss	VII, XV	-	-	17.96	17.96
(b) Items that will be reclassified to profit or loss:					
(i) Exchange differences arising on translation of foreign operations		-	-	(122.43)	(122.43)
(ii) Income tax relating to items that will be reclassified to profit or loss		-	-	28.25	28.25
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(128.53)</b>	<b>(128.53)</b>
<b>Total comprehensive income for the year</b>		<b>1,623.32</b>	<b>0.23</b>	<b>(1271.69)</b>	<b>351.86</b>



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### (D) Reconciliation of other equity as at 31 December 2016 and 01 January 2016

Particulars	Notes	As at 31 December 2016	As at 01 January 2016
Reserves as per Indian GAAP	A	17,115.54	905.11
<b>Effects of transition to Ind AS:</b>			
Effect of measuring financial instruments at fair value through profit and loss/amortised cost	I, X, XI	(5,754.86)	(3,584.63)
Effect of accounting of transaction costs on borrowings as per effective interest rate		32.10	39.15
Expected credit losses on a financial asset	IX	(45.54)	(12.78)
Effect of benefit recorded in government grants	VI	146.11	74.24
Effect of intangible assets with indefinite life	II	435.00	-
Impact of business combinations	III	(1,932.60)	(2,049.73)
Securities premium reserve on conversion of financial instruments into equity	XI	3,355.80	-
Others		75.16	(0.63)
Applicable tax impact on the above	VII	1,686.11	1,124.74
	B	(2,002.72)	(4,409.63)
<b>Other equity under Ind AS</b>	<b>(A+B)</b>	<b>15,112.82</b>	<b>(3,504.52)</b>

### (E) Reconciliation of total comprehensive income for the year ended 31 December 2016

	Notes	Year ended 31 December 2016
Net profit as per Indian GAAP (after share of profit in associate)		1,623.32
<b>Effects of transition to Ind AS:</b>		
Effects of measuring financial liabilities at fair value through profit and loss/amortised cost	I, X, XI	(2,170.20)
Effects of benefits recorded on government grants	VI	74.46
Effects of measurement of financial assets at fair value through profit and loss/amortised cost		(0.03)
Actuarial gain on employee defined benefit plan recognised in other comprehensive income	VIII	52.31
Fair valuation of employee stock options	XIV	0.91
Effect of accounting of transaction costs on borrowings as per effective interest rate	XIII	(7.05)
Effect of intangible assets with indefinite life	II	435.00
Expected credit loss on financial assets	IX	(32.76)
Other impacts		(10.72)
Deferred tax impact	VII	515.15
<b>Net profit under Ind AS</b>		<b>480.39</b>
Other comprehensive income (net of taxes)		(128.53)
<b>Total Comprehensive Income under Ind AS as reported</b>		<b>351.86</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### (F) Impact of Ind AS adoption on the consolidated statement of cash flows for the year ended 31 December 2016

	Previous GAAP	Adjustments	Ind AS
Net cash flow from operating activities	8,302.70	(44.87)	8,257.83
Net cash used in investing activities	(10,679.74)	201.70	(10,478.04)
Net cash flow from financing activities	2,459.15	(156.83)	2,302.32
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>82.11</b>	<b>-</b>	<b>82.11</b>

### Footnotes to the reconciliation of equity as at 01 January 2016 and 31 December 2016 and profit or loss for the year ended 31 December 2016

#### I. Tangible and intangible assets acquired as part of Business Combination on deferred payment terms

Under Indian GAAP, the purchase consideration for tangible and intangible assets acquired as part of a business included deferred payment terms, which was recorded at gross amount with a corresponding credit to capital creditors. However, as per Ind AS 16 'Property, Plant and Equipment' the cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised in accordance with Ind AS 23 'Borrowing Cost'. Accordingly, the deferred payment liabilities outstanding on the transition date are present valued at the weighted average borrowing rate. The difference between the present value and carrying value of such deferred payment liabilities is adjusted from the carrying value of property, plant and equipment at the transition date. Subsequently, interest is recorded at the discounting rate to the Statement of Profit and Loss with corresponding credit to the capital creditors. The above has resulted in adjustment of ₹ 694.33 to tangible assets and ₹ 208.76 to intangible assets on the date of transition and ₹ 627.93 and ₹ 208.76 respectively as on 31 December 2016. Consequently, an amount of ₹ 555.53 has been recorded as finance costs for the year ended 31 December 2016. Further, the entry for reversal of revaluation reserve has been resatated on availing deemed cost exemption for tangible assets amounting to ₹ 55.04.

#### II. Amortisation of franchise rights

Under Indian GAAP, the Group had adopted an accounting policy of amortizing franchise rights acquired as part of business combination over a period of ten years. With effect from the date of transition, the Group has evaluated franchise rights to have an indefinite life as per Ind AS 38 as explained in Note 5 (ii). Hence, the franchise rights are not amortised now but tested for impairment annually. Accordingly, amortization recorded as per Indian GAAP amounting to ₹ 435.00 for financial year 2016 has been derecognized in the Ind AS Financial Statements for the year ended 31 December 2016.

#### III. Consolidation of subsidiaries under common control and Non-Controlling Interest (NCI)

During the year ended 31 December 2016, the Group acquired controlling stake in three entities, namely, Varun Beverages (Zambia) Limited, Varun Beverages Mozambique Limited, Varun Beverages (Zimbabwe) (Private) Limited (collectively referred as "the subsidiaries" in this note hereinafter) leading to recognition of 'goodwill on consolidation' amounting to ₹ 2,132.08. Under IGAAP, the debit balances in reserves and losses relatable to NCI in one of the

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

subsidiaries were absorbed by the Group. However, under Ind AS, such debit balances in reserves and losses are allocated to NCI itself.

As detailed in note 55 (E), the Group acquired the aforesaid controlling stakes in the subsidiaries from entities under common control with the Parent Company consequent to which these subsidiaries have been consolidated as per 'Pooling of Interest Method' prescribed in Appendix C of Ind AS 103 'Business Combinations', which requires retroactive accounting, as if the business combination had occurred from the beginning of the earliest period presented in the financial statements. Accordingly, financial statements of the subsidiaries have been consolidated from the transition date after recording the following adjustments, with corresponding adjustment to 'goodwill on consolidation' recorded in Indian GAAP.

- The consideration payable amounting to ₹ 1671.20 is recognised in other current financial liabilities on transition date. This consideration was subsequently discharged.
- The excess of consideration payable over the Holding Company's proportion of share capital in the subsidiaries amounting to ₹ 1,669.26 (Deficit) is recognised separately in 'Capital Reserve on Consolidation'.
- In order to align the accounting policies of the subsidiaries with the Group's accounting policies, Ind AS adjustments amounting to ₹ 99.68 (Deficit) were recorded in the retained earnings of the subsidiaries on the date of transition.
- The Group's share in the retained earnings of these subsidiaries on the transition date has been recognised as retained loss in other equity amounting to ₹282.65 (Deficit) and balance amounting to ₹ 185.68 (Deficit) is recognised in NCI.
- The costs relatable to these business combinations amounting to ₹ 84.21 is charged to the Consolidated Statement of Profit and Loss.

#### IV. Investment in associate

Under Indian GAAP, no financial impact was considered on corporate guarantee issued on behalf of an associate. Under Ind AS, the amount is fair valued and the difference is recorded as an equity contribution, amounting to ₹ 12.20, the other adjustment is on account of Ind AS adjustments in standalone financials of associate.

#### V. Security deposits

Under Indian GAAP, the security deposits paid for leases were recorded at the transaction value, whereas, under Ind AS, these are initially discounted and subsequently recorded at amortized cost at the end of every financial reporting period. Accordingly, the difference between the transaction and discounted value of the security deposits paid for leases is recognised as deferred lease expense of ₹ 14.08 and is amortised over the period of the lease term. Further, interest is accreted on the present value of the security deposits paid for leases.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### VI. Government grants

Under Indian GAAP, interest free loan from the government has been presented in the Balance Sheet by including it as a part of borrowings. Under Ind AS, the benefit of a government loan at a below-market rate of interest is treated as a government grant and is measured as the difference between the present value of the loan and the proceeds received/ receivable. The Company has fair valued all such loans outstanding on the date of transition retrospectively from the original date of such loans. Further, unlike Indian GAAP, Ind AS 20 requires the grant to be classified as either a capital or an income grant and does not permit recognition of government grants in the nature of promoter's contribution directly to shareholders' funds. Accordingly, contributions previously recognised in the Capital Reserve amounting to ₹ 259.17 are transferred to 'Other Equity' at the date of transition. For interest free loans previously recorded the difference amounting to ₹ 343.97 between present value of loan and proceeds are recorded in retained earnings. The loan balance is subsequently re-measured using EIR which has led to a consequent increase of ₹ 135.55 to the finance costs for the year ended 31 December 2016. The grant value of all such loans received/ receivable subsequent to date of transition amounting to ₹ 73.55 is recognised in the Statement of Profit and Loss under the head 'other operating income'.

### VII. Deferred tax

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

The various transitional adjustments have resulted in temporary differences which has led to recognition of deferred taxes respectively.

### VIII. Defined benefit liabilities

Both under Indian GAAP and Ind AS, the Group recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, were charged to Statement of Profit and Loss. Under Ind AS, remeasurements (comprising actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI. Thus, the employee benefits expense is reduced by such amount and a corresponding adjustment to the defined benefit plans has been recognised in OCI (net of tax) in "Other Equity".

All amounts in ₹ in million, unless otherwise stated

### IX. Expected credit losses (ECL) for trade receivables

Under the Indian GAAP, provision for bad debt was recognised for doubtful debtors on a case to case basis. However, under Ind AS, the Group assesses impairment based on the ECL model for measurement and recognition of impairment loss on the financial assets that are trade receivables, accounting for both non-payment and delay in payment of the receivables. Based

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

past estimates, the Group has determined additional provisions under the ECL model. This has resulted in recognition of an additional provision of ₹ 12.77 on the date of transition and ₹ 32.76 for the year ended 31 December 2016. Further the trade receivables discounted in one of the subsidiary with recourse have been reinstated in trade receivables with corresponding recognition of borrowings amounting to ₹ 51.29 and ₹ 55.58 on the date of transition and for the year ended 31 December 2016 respectively.

### X. Compulsorily convertible preference shares (CCPS)

Under Indian GAAP, the CCPS were classified as equity. Under Ind AS, CCPS are classified as financial liability based on the terms of the contract. Interest on such financial liability is recognised using fair values determined by an independent valuer on the date of transition, leading to recognition of an adjustment amounting to ₹ 372.07 to the retained earnings as at the transition date with subsequent unwinding as finance costs for the year ended 31 December 2016.

### XI. Compulsory convertible debentures (CCDs)

Under Indian GAAP, the CCDs were classified as borrowings. The CCDs issued by the Company had to be converted into a variable number of equity shares with a definite rate of return from the date of issue till the date of conversion. Accordingly, the CCDs are classified as financial liability as per Ind AS 32. Interest on financial liability is recognised using fair values determined by an independent valuer on the date of transition leading to increase in borrowings by ₹ 4,024.72 with a corresponding impact to the retained earnings (Impact in retained earnings, net of deferred tax impact ₹ 2,631.76). The fair value impact of ₹ 1,107.26 (net of deferred tax impact ₹ 724.03) between the date of transition and date of conversion is recognised as finance costs during the year ended 31 December 2016. On the date of conversion, the entire fair value impact recognised in retained earnings on date transition and aforesaid interest costs is recognised in 'Security premium reserve' ₹ 3,355.80 (Net of tax).

### XII. Sale of goods

Under Indian GAAP, sale of goods was presented after netting off excise duty. However, under Ind AS, sale of goods includes excise duty and separately presented on the face of Statement of Profit and Loss. Thus, sale of goods under Ind AS has increased with a corresponding increase in total expenses. This change has resulted in an increase in total income and total expenses for the year ended 31 December 2016 by ₹ 6702.78.

### XIII. Finance costs

Finance cost includes-

1. Under Indian GAAP, the transaction cost incurred in connection with borrowings were amortised and charged to Statement of Profit and Loss on the term of the related borrowing. Under Ind AS, transaction cost are included in the initial recognition amount of financial liability and charged to Statement of Profit and Loss using the effective interest method amounting to ₹ 7.05.
2. Interest expense amounting to ₹ 135.35 on interest free government loans has been recognised at the weighted average borrowing rate of the Group (also see note VI above).
3. Amortised cost of deferred payment liabilities related to business combination (Referred to in footnote I above) ₹ 555.53.
4. Interest expenses on account of fair valuation of financial instruments (CCPS and CCDs referred in notes X and XI above) ₹ 1,479.32.

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### XIV. Share-based payments

Under Indian GAAP, the Group recognised only the intrinsic value for the long-term incentive plan as an expense. Ind AS requires the fair value of the share options to be determined using an appropriate pricing model recognised over the vesting period. The Group has used the exemption of fair valuing only those options which remained unvested on the date of transition. Fair value impact on unvested options relating to vesting period before the date of transition amounting to ₹ 44.39 is adjusted in the retained earnings by creating the corresponding 'Share Based Payment Reserve' which is re-classified to 'Share Premium Reserve' on exercise of the options. However, this has no impact on the Statement of Profit and Loss.

### XV. Other comprehensive income

Under Indian GAAP, the concept of OCI did not exist. Under Ind AS, certain items of income and expense such as re-measurements of defined benefit plans are required to be presented as 'Other Comprehensive Income'.

### XVI. Straight lining of lease payment escalations

Indian GAAP required straight lining of lease payment escalations in case of non cancellable leases. However, Ind AS 17 does not mandate straight-lining of lease escalation, if they are in line with the expected general inflation compensating the lessor for expected inflationary cost. Accordingly, the Holding Company has reversed lease equalisation reserve amounting to ₹ 1.91 outstanding in the books on the transition date.



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017



All amounts in ₹ in million, unless otherwise stated

### 65. ADDITIONAL INFORMATION, AS REQUIRED TO CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO SCHEDULE III TO THE COMPANIES ACT, 2013

Name of the company/entity	Net assets i.e., total assets minus total liabilities		Share of profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
<b>For the year ended 31 December 2017</b>								
<b>Holding Company</b>								
Varun Beverages Limited	129.91%	22,968.00	110.06%	2,355.98	-9.82%	6.39	113.82%	2,362.37
<b>Subsidiaries</b>								
Varun Beverages (Nepal) Private Limited	4.02%	709.91	20.47%	438.17	0.43%	(0.28)	21.10%	437.89
Varun Beverages Lanka (Private) Limited (Consolidated)	0.62%	110.40	-5.56%	(119.01)	-2.03%	1.32	-5.67%	(117.69)
Varun Beverages Morocco SA	0.76%	134.48	-18.60%	(398.12)	0.00%	-	-19.18%	(398.12)
Varun Beverages (Zambia) Private Limited	-0.75%	(133.34)	6.50%	139.13	0.00%	-	6.70%	139.13
Varun Beverages (Mozambique) Limitada	-	-	1.92%	41.03	0.00%	-	1.98%	41.03
Varun Beverages (Zimbabwe) (Private) Limited	-0.16%	(27.81)	-1.66%	(35.61)	0.00%	-	-1.72%	(35.61)
Minority interest in all subsidiaries	-0.08%	(14.32)	1.82%	39.06	0.00%	-	1.88%	39.06
<b>Associate (as per equity method)</b>								
Angelica Technologies Private Limited (Consolidated)	0.47%	82.23	0.63%	13.50	0.00%	-	0.65%	13.50
Inter group eliminations	-34.79%	(6,149.59)	-15.58%	(333.54)	111%	(72.51)	-19.56%	(406.05)
<b>Total</b>	<b>100.00%</b>	<b>17,679.96</b>	<b>100.00%</b>	<b>2,140.59</b>	<b>100.00%</b>	<b>(65.08)</b>	<b>100.00%</b>	<b>2,075.51</b>

## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

Name of the company/entity	Net assets i.e., total assets minus total liabilities		Share of profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
<b>For the year ended 31 December 2016</b>								
<b>Holding Company</b>								
Varun Beverages Limited	127.13%	21,367.37	186.30%	894.97	26.39%	-33.92	244.71%	861.05
<b>Subsidiaries</b>								
Varun Beverages (Nepal) Private Limited	2.75%	462.18	67.69%	325.18	0.00%	-	92.42%	325.18
Varun Beverages Lanka (Private) Limited (Consolidated)	1.33%	223.87	-25.29%	-121.5	0.33%	(0.43)	-34.65%	(121.93)
Varun Beverages Morocco SA	-1.30%	(218.37)	-90.36%	(434.10)	0.00%	-	-123.37%	(434.10)
Varun Beverages (Zambia) Private Limited	-1.87%	(313.47)	53.30%	256.06	0.00%	-	72.77%	256.06
Varun Beverages (Mozambique) Limitada	-0.26%	(43.64)	-19.66%	(94.43)	0.00%	-	-26.84%	(94.43)
Varun Beverages (Zimbabwe) (Private) Limited	0.03%	4.83	0.72%	3.46	0.00%	-	0.98%	3.46
Minority interest in all subsidiaries	-0.77%	(129.06)	11.79%	56.63	0.00%	-	16.09%	56.63
<b>Associate (as per equity method)</b>								
Angelica Technologies Private Limited (Consolidated)	0.41%	68.73	4.95%	23.78	0.00%	-	6.76%	23.78
Inter group eliminations	-27.45%	(4,615.55)	-89.44%	(429.66)	73.28%	(94.18)	-148.87%	(523.84)
<b>Total</b>	<b>100.00%</b>	<b>16,806.89</b>	<b>100.00%</b>	<b>480.39</b>	<b>100.00%</b>	<b>(128.53)</b>	<b>100.00%</b>	<b>351.86</b>



## Summary of significant accounting policies and other explanatory information on the Consolidated Financial Statements 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### 66. Events occurring after the reporting period

#### A. Acquisitions after the reporting period:

Subsequent to the year ended 31 December 2017, the Group has completed the acquisition of Chhattisgarh territory on a slump sale basis for a total purchase consideration of ₹ 150 million. This acquisition has been executed primarily to obtain franchise rights and marketing assets of the territory, to facilitate further expansion.

	Amount
Name of acquiree	SMV Beverages Private Limited
Acquisition date	11 January 2018
<b>Fair values of assets acquired</b>	
Property, plant and equipment	26.80
Franchisee rights	120.00
Inventories	3.20
<b>Total assets</b>	<b>150.00</b>

B. During December 2017, the Group executed agreements with Steel City Beverages Private Limited and SMV Agencies Private Limited to acquire certain businesses including franchise rights for the State of Jharkhand and specified manufacturing facilities and other assets on slump sale basis for a total consideration of ₹ 653.62. The closing conditions for the business transfers have not yet been met.

C. On 17 January 2018, the Board of Directors of the Holding Company have approved acquisition of PepsiCo India's franchise rights for the State of Bihar and subsequently, the Holding Company has started trading operations in the state of Bihar.

D. On 18 January 2018, the Holding Company has concluded acquisition of a manufacturing facility situated in Cuttack, Odisha along with certain specific assets from SMV Beverages Private Limited for a total consideration of ₹ 437.50 million.

	Amount
<b>Fair values of assets acquired</b>	
Land and building	345.47
Property, plant and equipment	92.03
<b>Total assets</b>	<b>437.50</b>

The accompanying notes are an integral part of the consolidated financial statements.  
As per our report of even date attached.

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

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

For **APAS & Co.**  
Chartered Accountants  
Firm Registration No.: 000340C

**Varun Jaipuria**  
Whole-time Director  
DIN 02465412

**Raj Pal Gandhi**  
Whole-time Director  
DIN 00003649

per **Nitin Toshniwal**  
Partner  
Membership no.: 507568

per **Sumit Kathuria**  
Partner  
Membership no.: 520078

**Kapil Agarwal**  
Chief Executive Officer and  
Whole-time Director  
DIN 02079161

**Kamlesh Kumar Jain**  
Chief Financial Officer  
and Whole-time Director  
DIN 01822576

Place : Gurugram  
Dated : 16 February 2018

**Ravi Batra**  
Chief Risk Officer &  
Group Company Secretary  
Membership No. F- 5746

## 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						
Sl. 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	01 January 2016
Date of sale	-	-	-	-	02 March 2017	-
Financial year ending on	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017
Currency	NPR	LKR	MAD	ZMW	MZN	USD
Exchange rate on the last day of financial year	0.62441	0.41456	6.80467	6.31539	-	63.9273
Average exchange rate during the financial year	0.62441	0.42123	6.61668	6.80063	0.94456	65.49287
1 Share capital	47.61	235.37	3,123.34	3.16	-	0.07
2 Reserve and surplus	662.30	(144.85)	(2,759.52)	(151.55)	-	(27.88)
3 Total assets	2,727.31	3,366.67	3,558.29	1,807.87	-	1,547.26
4 Total liabilities	2,017.40	3,276.16	3,194.47	1,956.26	-	1,575.06
5 Turnover	4,016.28	2,159.34	2,326.55	2,097.07	42.93	836.91
6 Profit before taxation	508.80	(121.09)	(390.09)	150.50	41.12	(33.15)
7 Provision for taxation	70.63	1.91	11.52	-	0.09	-
8 Profit after taxation	438.17	(123.00)	(401.61)	150.50	41.03	(33.15)
9 Proposed dividend	190.45	-	-	-	-	-
10 % of shareholding	100%	100%	100%	90%	-	85%

\*Increase of ownership stake from 60% to 90% effective 20 February 2017.

\*\*Decrease of ownership stake from 51% to 10% effective 02 March 2017, thereby VBL Mozambique ceased to be the subsidiary w.e.f. 02 March 2017.

#### Part "B": Associates

Sl. No.	Particulars	Angelica Technologies Private Limited
	Latest audited Balance Sheet date	31 December 2017
	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	81.00
3	Profit for the year:	
	Considered in consolidation	13.50
	Not considered in consolidation	-

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

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

**Varun Jaipuria**  
Whole-time Director  
DIN 02465412

**Raj Pal Gandhi**  
Whole-time Director  
DIN 00003649

**Kapil Agarwal**  
Chief Executive Officer and  
Whole-time Director  
DIN 02079161

**Kamlesh Kumar Jain**  
Chief Financial Officer  
and Whole-time Director  
DIN 01822576

**Ravi Batra**  
Chief Risk Officer &  
Group Company Secretary  
Membership No. F- 5746

Place : Gurugram  
Dated : 16 February 2018



# Independent Auditor's 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 31 December 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## **Management's Responsibility for the 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 state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## **Auditor's 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 these 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.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these standalone financial statements.

## **Opinion**

8. 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 including Ind AS specified under Section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 December 2017, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

## **Other Matter**

9. The Company had prepared separate sets of statutory standalone financial statements for the year ended 31 December 2016 and 31 December 2015 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other accounting principles generally accepted in India, which were audited jointly by Walker Chandiok & Associates, Chartered Accountants and O.P. Bagla & Co., Chartered Accountants who expressed an unmodified opinion vide audit report dated 20 February 2017 and 29 February 2016 respectively. These

## Independent Auditor's Report to the members of Varun Beverages Limited, on the Standalone Financial Statements for the year ended 31 December 2017 (Cont'd)

standalone financial statements have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have been audited jointly by Walker Chandiok & Associates, Chartered Accountants and APAS & Co., Chartered Accountants. Our opinion is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

10. 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 the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. 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 Ind AS specified under Section 133 of the Act;
  - e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2017 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 on 31 December 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 16 February 2018 as per Annexure 2 expressed an unqualified opinion; and
  - g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
    - i. the Company, as detailed in Note 41 to the standalone financial statements, has disclosed the impact of pending litigations on its financial position;
    - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
    - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and
    - iv. the Company has provided required disclosure in Note 14 to the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 08 November 2016 to 30 December 2016. Based on the audit procedures performed and taking into consideration the information, explanations and representations given to us by management, we report that the amounts disclosed in the said note is in accordance with the books of accounts maintained by the Company except for disclosure in the said Note in relation to permitted receipts and permitted payments upon which we are unable to comment in the absence of necessary details.

For **Walker Chandiok & Associates**

Chartered Accountants  
Firm Registration No: 001329N

per **Nitin Toshniwal**

Partner  
Membership No. 507568

Place: Gurugram  
Dated: 16 February 2018

L-41 Connaught Place,  
New Delhi 110 001

For **APAS & Co.**

Chartered Accountants  
Firm Registration No: 000340C

per **Sumit Kathuria**

Partner  
Membership No. 520078

Place: Gurugram  
Dated: 16 February 2018

8/14 Basement, Kalkaji Extension  
New Delhi 110 019



## Annexure 1 to the Independent Auditor's Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended 31 December 2017

### Annexure 1

Based on the audit procedures performed for the purpose of reporting a true and fair view on the 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 'Property, plant and equipment') 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 2017	Net block on 31 December 2017
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 not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (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.
- (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 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.

## Annexure 1 to the Independent Auditor's Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended 31 December 2017 (Cont'd)

(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	303.67	NIL	2005-06, February 2009-March 2017	CESTAT, New Delhi
Central Excise Act, 1944	Central Excise	24.83	2.54	January 2008 to December 2015	CESTAT, New Delhi
Central Excise Act, 1944	Central Excise	4.51	0.06	March 2012 to December 2016	Additional Commissioner, Bhiwadi
Central Excise Act, 1944	Central Excise	0.20	0.01	September 2014 - June 2015	Commissioner (Appeal), Meerut
Central Excise Act, 1944	Central Excise	39.62	1.95	January 2012 to July 2015	CESTAT, New Delhi
Central Excise Act, 1944	Central Excise	4.29	NIL	April 2013 to February 2016	Commissioner (Appeal), Kolkata
Central Excise Act, 1944	Central Excise	0.16	NIL	March 2015 to October 2016	Deputy Commissioner, Panipat
Central Excise Act, 1944	Central Excise	6.84	NIL	April 2014- February 2015	Commissioner of Central Tax, Panchkula
Central Excise Act, 1944	Central Excise	0.58	NIL	March 2015 to January 2016	Additional Commissioner, Sonipat
Finance Act, 1994	Service Tax	2.35	0.23	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	Additional Commissioner (Appeals), Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value Added Tax	1.28	1.28	2008-09, 2010-11, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17	Assessing Officer, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value Added Tax	2.72	2.72	January 2008 to March 2010, 2011-12	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	9.23	7.66	2010-2012	Joint Commissioner, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value Added Tax	0.42	0.42	2012-2013	Joint Commissioner, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value Added Tax	0.10	0.10	2010-2011	Joint Commissioner, Kanpur
Punjab Value Added Tax Act, 2005	Value Added Tax	0.18	NIL	2015-2016	Assessing Officer, Mohali
Punjab Value Added Tax Act, 2005	Value Added Tax	0.33	NIL	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 Auditor's Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended 31 December 2017 (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 and September 2013, Jan 15 and September 15	West Bengal, Tribunal
West Bengal Value Added Tax Act, 2003	Value Added Tax	0.96	0.47	April 2016-September 2016	West Bengal, Tribunal
The Goa Value Added Tax Act, 2005	Value Added Tax	1.87 2.43	NIL NIL	2005-06 2013-14	Assistant Commissioner, Margoa
The Uttarakhand Added Tax Act, 2005	Value Added Tax	0.83	0.83	2008-09	Assessing Officer, Uttarakhand
The Uttarakhand Added Tax Act, 2005	Value Added Tax	0.34 0.15 2.24	0.23 0.14 1.03	2012-13 2015-16 2016-17	Deputy Commissioner, Commercial Tax, Roorkee
Uttar Pradesh Tax on Entry of Goods into Local Areas Act, 2007	Entry Tax	9.78	3.64	2007 to 2011	Honourable High Court, Allahabad
Rajasthan Tax of Entry of Goods into Local Areas Act, 1999	Entry Tax	25.68	17.52	2014 to 2016	Honourable High Court, Jaipur
Goa Non-Biodegradable Garbage (Control) Act, 1996	Cess	33.11	NIL	April 2014 to December 2017	Honourable High Court of Bombay, Panaji
Income-tax Act, 1961	Income Tax	0.34	NIL	AY 2006-07, AY 2007-08,	Income Tax Appellate Tribunal, New Delhi
Income-tax Act, 1961	Income Tax	39.00	NIL	AY 2012-13	Income Tax Appellate Tribunal, New Delhi
Income-tax Act, 1961	Income Tax	2.79	NIL	AY 2014-15, AY 2015-16	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) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained.
- (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 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.

## **Annexure 1 to the Independent Auditor's Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended 31 December 2017 (Cont'd)**

- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (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 etc., as required by the applicable Ind AS.
- (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 **Nitin Toshniwal**

Partner  
Membership No. 507568

Place: Gurugram  
Dated: 16 February 2018

L-41 Connaught Place,  
New Delhi 110 001

For **APAS & Co.**

Chartered Accountants  
Firm Registration No: 000340C

per **Sumit Kathuria**

Partner  
Membership No. 520078

Place: Gurugram  
Dated: 16 February 2018

8/14 Basement, Kalkaji Extension,  
New Delhi 110 019



## **Annexure 2 to the Independent Auditor's Report of even date to the members of Varun Beverages Limited on the standalone financial statements for the year ended 31 December 2017**

### **Annexure 2**

#### **Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

1. In conjunction with our audit of the standalone financial statements of Varun Beverages Limited ('the Company') as at and for the year ended 31 December 2017, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at 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 the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditor's Responsibility**

3. Our responsibility is to express an opinion on the 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 includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained 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 include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of

## Annexure 2 to the Independent Auditor's Report of even date to the members of Varun Beverages Limited on the standalone financial statements for the year ended 31 December 2017 (Cont'd)

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 Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 December 2017, based on the internal 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 **Nitin Toshniwal**

Partner

Membership No. 507568

Place: Gurugram

Dated: 16 February 2018

L-41 Connaught Place,  
New Delhi 110 001

For **APAS & Co.**

Chartered Accountants

Firm Registration No: 000340C

per **Sumit Kathuria**

Partner

Membership No. 520078

Place: Gurugram

Dated: 16 February 2018

8/14 Basement, Kalkaji Extension,  
New Delhi 110 019





# Balance Sheet

As at 31 December 2017

(₹ in million)

	Notes	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Assets</b>				
<b>Non-current assets</b>				
(a) Property, plant and equipment	4	28,404.80	26,351.55	24,695.50
(b) Capital work-in-progress	4	119.69	689.37	320.27
(c) Goodwill	51	19.40	-	-
(d) Other intangible assets	5	4,355.84	3,563.77	3,563.27
(e) Investment in subsidiaries and associates	6	6,271.89	5,005.32	2,549.15
<b>Financial assets</b>				
(i) Investments	7	0.04	0.01	0.01
(ii) Loans	8	6,024.90	4,307.67	2,841.22
(iii) Others	9	8.96	8.47	1.48
(g) Deferred tax assets (Net)	10	-	-	332.98
(h) Other non-current assets	11	559.34	508.41	327.22
<b>Total non-current assets</b>		<b>45,764.86</b>	<b>40,434.57</b>	<b>34,631.10</b>
<b>Current assets</b>				
(a) Inventories	12	3,156.70	3,599.71	3,507.85
<b>Financial assets</b>				
(i) Trade receivables	13	946.90	471.44	484.07
(ii) Cash and cash equivalents	14	312.64	148.65	189.26
(iii) Bank balances other than (ii) above	15	0.06	0.74	6.58
(iv) Others	16	1,373.56	357.99	388.94
(c) Other current assets	17	959.74	983.29	697.66
<b>Total current assets</b>		<b>6,749.60</b>	<b>5,561.82</b>	<b>5,274.36</b>
Assets classified as held for sale	18	471.01	-	-
<b>Total assets</b>		<b>52,985.47</b>	<b>45,996.39</b>	<b>39,905.46</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
(a) Equity share capital	19	1,825.87	1,823.13	1,337.66
(b) Other equity	20	21,142.14	19,544.24	366.59
<b>Total equity</b>		<b>22,968.01</b>	<b>21,367.37</b>	<b>1,704.25</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
<b>Financial liabilities</b>				
(i) Borrowings	21A	16,017.84	11,231.27	28,141.59
(ii) Other financial liabilities	22	45.98	12.24	13.16
(b) Provisions	23	658.54	539.46	384.16
(c) Deferred tax liabilities (Net)	10	1,551.51	1,314.64	-
<b>Total non-current liabilities</b>		<b>18,273.87</b>	<b>13,097.61</b>	<b>28,538.91</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
(i) Borrowings	21B	1,925.88	1,482.55	681.00
(ii) Trade payables	24	838.32	1,444.11	992.93
(iii) Other financial liabilities	25	7,531.81	6,763.67	6,492.32
(b) Other current liabilities	26	1,240.98	1,627.15	1,129.71
(c) Provisions	23	155.45	128.04	128.17
(d) Current tax liabilities (Net)	27	51.15	85.89	238.17
<b>Total current liabilities</b>		<b>11,743.59</b>	<b>11,531.41</b>	<b>9,662.30</b>
<b>Total liabilities</b>		<b>30,017.46</b>	<b>24,629.02</b>	<b>38,201.21</b>
<b>Total equity and liabilities</b>		<b>52,985.47</b>	<b>45,996.39</b>	<b>39,905.46</b>
Significant accounting policies	3			

The accompanying notes are an integral part of the standalone financial statements.  
As per our report of even date attached.

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

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

per **Nitin Toshniwal**  
Partner  
Membership no.: 507568

For **APAS & Co.**  
Chartered Accountants  
Firm Registration No.: 000340C

per **Sumit Kathuria**  
Partner  
Membership no.: 520078

**Varun Jaipuria**  
Whole-time Director  
DIN 02465412

**Kapil Agarwal**  
Chief Executive Officer and  
Whole-time Director  
DIN 02079161

**Raj Pat Gandhi**  
Whole-time Director  
DIN 00003649

**Kamlesh Kumar Jain**  
Chief Financial Officer  
and Whole-time Director  
DIN 01822576

**Ravi Batra**  
Chief Risk Officer &  
Group Company Secretary  
Membership No. F- 5746

Place : Gurugram  
Dated : 16 February 2018

# Statement of Profit and Loss

For the year ended 31 December 2017

(₹ in million)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
<b>Income</b>			
Revenue from operations	28	34,905.58	35,753.12
Other income	29	475.32	509.21
<b>Total income</b>		<b>35,380.90</b>	<b>36,262.33</b>
<b>Expenses</b>			
Cost of materials consumed	30	14,546.23	13,023.62
Excise duty		4,281.07	5,957.10
Purchases of stock-in-trade	31	158.91	803.47
Changes in inventories of finished goods, stock-in-trade and work-in-progress	32	(662.04)	(168.44)
Employee benefits expense	33	3,191.26	2,800.65
Finance costs	34	1,917.14	3,886.54
Depreciation and amortisation expense	35	2,736.42	2,494.56
Other expenses	36	6,169.98	6,322.73
<b>Total expenses</b>		<b>32,338.97</b>	<b>35,120.23</b>
<b>Profit before tax</b>		<b>3,041.93</b>	<b>1,142.10</b>
<b>Tax expense</b>			
(a) Current tax	27	451.10	359.86
(b) Adjustment of tax relating to earlier periods	27	1.37	(2.14)
(c) Deferred tax	10	233.48	(110.59)
<b>Total tax expense</b>		<b>685.95</b>	<b>247.13</b>
<b>Net profit for the year</b>		<b>2,355.98</b>	<b>894.97</b>
<b>Other comprehensive income</b>	37		
(a) Items that will not to be reclassified to Statement of Profit and Loss:			
(i) Re-measurement gains/(losses) on defined benefit plans		9.78	(51.88)
(ii) Income tax relating to items that will not be reclassified to Statement of Profit and Loss		(3.39)	17.96
<b>Total other comprehensive income</b>		<b>6.39</b>	<b>(33.92)</b>
<b>Total comprehensive income for the year</b>		<b>2,362.37</b>	<b>861.05</b>
<b>Earnings per equity share of face value of ₹ 10 each</b>			
Basic (₹)	39	12.91	6.16
Diluted (₹)	39	12.91	5.29
Significant accounting policies	3		

The accompanying notes are an integral part of the standalone financial statements.  
As per our report of even date attached.

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

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

per **Nitin Toshniwal**  
Partner  
Membership no.: 507568

Place : Gurugram  
Dated : 16 February 2018

For **APAS & Co.**  
Chartered Accountants  
Firm Registration No.: 000340C

per **Sumit Kathuria**  
Partner  
Membership no.: 520078

**Varun Jaipuria**  
Whole-time Director  
DIN 02465412

**Kapil Agarwal**  
Chief Executive Officer and  
Whole-time Director  
DIN 02079161

**Raj Pal Gandhi**  
Whole-time Director  
DIN 00003649

**Kamlesh Kumar Jain**  
Chief Financial Officer  
and Whole-time Director  
DIN 01822576

**Ravi Batra**  
Chief Risk Officer &  
Group Company Secretary  
Membership No. F- 5746

# Cash Flow Statement

For the year ended 31 December 2017

(Indirect Method)

(₹ in million)

Particulars	Year ended 31 December 2017	Year ended 31 December 2016
<b>A. Operating activities</b>		
Profit before tax	3,041.93	1,142.10
<b>Adjustments to reconcile profit before tax to net cash flows:</b>		
Depreciation on property, plant and equipment	2,702.37	2,460.41
Amortisation of intangible assets	34.05	34.15
Interest paid	1,827.40	3,827.97
Interest received	(212.53)	(198.83)
Dividend income from non-current investment in subsidiary	(190.45)	(190.45)
Loss on disposal of property, plant and equipment (net)	18.49	7.48
Property, plant and equipment written off	56.36	96.79
Bad debts and advances written off	79.87	3.64
Excess provisions written back	(2.10)	(5.16)
Profit on sale of current investments	(0.44)	(0.97)
Government grant income	(1.41)	(0.92)
Share based payment to employees	-	0.05
Unrealised foreign exchange fluctuation	99.34	65.91
Allowance for doubtful debts	32.21	31.88
Operating profit before working capital changes	7,485.09	7,274.05
<b>Working capital adjustments:</b>		
Decrease/(increase) in inventories	443.01	(91.86)
Increase in trade receivables	(585.44)	(17.73)
Increase in current and non-current financial assets and other current and non-current assets	(853.06)	(357.87)
(Increase)/decreases in current and non-current financial liabilities and other current and non-current liabilities and provisions	(988.66)	1,219.96
<b>Total cash from operations</b>	<b>5,500.94</b>	<b>8,026.55</b>
Income tax paid	(487.21)	(510.00)
<b>Net cash flows from operating activities (A)</b>	<b>5,013.73</b>	<b>7,516.55</b>
<b>B. Investing activities</b>		
Purchase of property, plant and equipment and intangible assets (including adjustment on account of capital work-in-progress, capital advances and capital creditors)	(7,132.79)	(6,585.28)
Proceeds from disposal of property, plant and equipment and intangible assets	269.34	51.35
Loan given to subsidiaries	(2,730.80)	(2,174.17)
Repayment of loan given to subsidiary	189.08	-
Acquisition of business for consolidated consideration	(1,395.79)	(1,057.75)
Purchase of investments in subsidiaries	(719.15)	(1,755.40)
Proceeds from sale of investment in a subsidiary	0.10	-
Proceeds from sale of current investments	350.44	350.19

(Indirect Method)

(₹ in million)

Particulars	Year ended 31 December 2017	Year ended 31 December 2016
Purchase of current investments	(350.00)	(350.00)
Advance given for purchase of businesses	(260.60)	-
Changes in other bank balances	0.19	(1.15)
Interest received	47.67	65.84
Dividend income from non-current investment in subsidiary	-	371.37
<b>Net cash used in investing activities (B)</b>	<b>(11,732.31)</b>	<b>(11,085.00)</b>
<b>C. Financing activities</b>		
Proceeds from borrowings	7,643.89	6,655.29
Repayment of borrowings	(2,306.84)	(5,739.96)
Proceeds from short-term borrowings (Net)	443.33	801.55
Proceeds from issue of share capital (including share premium thereon)	41.01	7,013.60
Proceeds from issue of non-convertible debentures	3,000.00	1,800.00
Redemption of non-convertible debentures	-	(5,000.00)
Interest paid	(1,390.72)	(1,796.73)
Share application money received	1.08	-
Share issue expenses paid	-	(205.91)
Dividends paid	(456.29)	-
Dividend distribution tax paid	(92.89)	-
<b>Net cash flows from financing activities (C)</b>	<b>6,882.57</b>	<b>3,527.84</b>
<b>Net change in cash and cash equivalents (D=A+B+C)</b>	<b>163.99</b>	<b>(40.61)</b>
Cash and cash equivalents at the beginning of year (E)	148.65	189.26
<b>Cash and cash equivalents at the end of year (D+E) (Refer note 14)</b>	<b>312.64</b>	<b>148.65</b>

The accompanying notes are an integral part of the standalone financial statements.  
As per our report of even date attached.

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

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

For **APAS & Co.**  
Chartered Accountants  
Firm Registration No.: 000340C

**Varun Jaipuria**  
Whole-time Director  
DIN 02465412

**Raj Pal Gandhi**  
Whole-time Director  
DIN 00003649

per **Nitin Toshniwal**  
Partner  
Membership no.: 507568

per **Sumit Kathuria**  
Partner  
Membership no.: 520078

**Kapil Agarwal**  
Chief Executive Officer and  
Whole-time Director  
DIN 02079161

**Kamlesh Kumar Jain**  
Chief Financial Officer  
and Whole-time Director  
DIN 01822576

Place : Gurugram  
Dated : 16 February 2018

**Ravi Batra**  
Chief Risk Officer &  
Group Company Secretary  
Membership No. F- 5746

# Statement of Changes in Equity

For the year ended 31 December 2017

## A. Equity share capital

(₹ in million)

Particulars	Notes	Number of shares	Amount
Balance as at 01 January 2016		1,33,766,165	1,337.66
Changes in equity share capital during the year 2016	19	4,85,46,360	485.47
<b>Balance as at 31 December 2016</b>		<b>18,23,12,525</b>	<b>1,823.13</b>
<b>Balance as at 01 January 2017</b>		<b>18,23,12,525</b>	<b>1,823.13</b>
Changes in equity share capital during the year 2017	19	2,74,415	2.74
<b>Balance as at 31 December 2017</b>		<b>18,25,86,940</b>	<b>1,825.87</b>

## B. Other Equity

(₹ in million)

Particulars	Notes	Reserve and surplus							Share application money pending allotment	Total
		Capital reserve	Debenture redemption reserve	Security premium reserve	Share based payment reserve	General reserve	Retained earnings	Foreign currency monetary item translation difference account (FCMITDA)		
Balance as at 01 January 2016	20	189.50	19.96	-	44.39	-	(74.94)	187.68	-	366.59
Profit for the year		-	-	-	-	-	894.97	-	-	894.97
Transfer to debenture redemption reserve		-	171.29	-	-	-	(171.29)	-	-	-
Transfer to general reserve on redemption of non-convertible debentures		-	(191.25)	-	-	191.25	-	-	-	-
Other comprehensive income for the year ended										
Re-measurement losses on defined benefit plans (Net of deferred tax assets of ₹ 17.96)		-	-	-	-	-	(33.92)	-	-	(33.92)
Addition made in FCMITDA for the year		-	-	-	-	-	-	54.28	-	54.28
FCMITDA charged to Statement of Profit and Loss		-	-	-	-	-	-	(48.54)	-	(48.54)
Addition made in share based payment reserve on account of employee compensation cost for ESOPs		-	-	-	0.05	-	-	-	-	0.05
Reversal made in share based payment reserve on account of options		-	-	-	(0.96)	-	-	-	-	(0.96)
Transfer to security premium reserve on exercise of employee stock options		-	-	37.62	(37.62)	-	-	-	-	-
Additions made pursuant to exercise of employee stock options		-	-	315.95	-	-	-	-	-	315.95
Additions made on issue of equity shares pursuant to IPO*		-	-	6,525.00	-	-	-	-	-	6,525.00
Amount utilised for share issue expense		-	-	(222.15)	-	-	-	-	-	(222.15)

(₹ in million)

Particulars	Notes	Reserve and surplus							Share application money pending allotment	Total
		Capital reserve	Debenture redemption reserve	Security premium reserve	Share based payment reserve	General reserve	Retained earnings	Foreign currency monetary item translation difference account (FCMITDA)		
Additions made on conversion of compulsorily convertible debentures into equity shares (Net of deferred tax assets of ₹ 1,776.17) (Refer note 10)		-	-	7,295.24	-	-	-	-	-	7,295.24
Additions made on conversion of compulsorily convertible preference shares into equity shares		-	-	4,397.73	-	-	-	-	-	4,397.73
<b>Balance as at 31 December 2016</b>		<b>189.50</b>	<b>-</b>	<b>18,349.39</b>	<b>5.86</b>	<b>191.25</b>	<b>614.82</b>	<b>193.42</b>	<b>-</b>	<b>19,544.24</b>
Profit for the year		-	-	-	-	-	2,355.98	-	-	2,355.98
Other comprehensive income for the year ended										
Re-measurement gains on defined benefit plans (Net of deferred tax assets of ₹ 3.39)		-	-	-	-	-	6.39	-	-	6.39
Dividend paid*		-	-	-	-	-	(456.29)	-	-	(456.29)
Dividend distribution tax		-	-	-	-	-	(92.89)	-	-	(92.89)
Share application money received pending allotment		-	-	-	-	-	-	-	1.08	1.08
Transfer to debenture redemption reserve		-	159.17	-	-	-	(159.17)	-	-	-
Addition made in FCMITDA for the year ended		-	-	-	-	-	-	(163.63)	-	(163.63)
FCMITDA charged to Statement of Profit and Loss		-	-	-	-	-	-	(91.01)	-	(91.01)
Additions made pursuant to exercise of employee stock options		-	-	38.27	-	-	-	-	-	38.27
Transfer to security premium reserve on exercise of employee stock options		-	-	4.56	(4.56)	-	-	-	-	-
<b>Balance as at 31 December 2017</b>	<b>20</b>	<b>189.50</b>	<b>159.17</b>	<b>18,392.22</b>	<b>1.30</b>	<b>191.25</b>	<b>2,268.84</b>	<b>(61.22)</b>	<b>1.08</b>	<b>21,142.14</b>

\*Transaction with owners in their capacity as owners.

As per our report of even date attached.

For and on behalf of the Board of Directors of  
Varun Beverages LimitedFor **Walker Chandio & Associates**  
Chartered Accountants  
Firm Registration No.: 001329NFor **APAS & Co.**  
Chartered Accountants  
Firm Registration No.: 000340C**Varun Jaipuria**  
Whole-time Director  
DIN 02465412**Raj Pal Gandhi**  
Whole-time Director  
DIN 00003649per **Nitin Toshniwal**  
Partner  
Membership no.: 507568per **Sumit Kathuria**  
Partner  
Membership no.: 520078**Kapil Agarwal**  
Chief Executive Officer and  
Whole-time Director  
DIN 02079161**Kamlesh Kumar Jain**  
Chief Financial Officer  
and Whole-time Director  
DIN 01822576Place : Gurugram  
Dated : 16 February 2018**Ravi Batra**  
Chief Risk Officer &  
Group Company Secretary  
Membership No. F- 5746



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 1. Corporate information

Varun Beverages Limited (the 'Company') is a public limited Company domiciled in India with its equity shares listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India (NSE). The Company was incorporated on 16 June 1995 under the provision of the Companies Act, 1956. The Company is engaged in manufacturing, selling, bottling and distribution of beverages of PepsiCo's brand in geographically pre-defined territories as per franchisee agreement with PepsiCo India Holdings Private Limited ("PepsiCo India").

### 2. Basis for preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standard ('Ind AS') and comply with requirements of Ind AS, stipulations contained in Schedule III (revised) as applicable under Section 133 of the Companies Act, 2013 ("the Act"), the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other pronouncements/ provisions of applicable laws. For all periods up to and including the year ended 31 December 2016, the Company prepared its financial statements in accordance with the Accounting Standards notified under the Section 133 of the Act read together with Rule 7 of the Companies (Accounts) Rules 2014 ('Indian GAAP'). These financial statements are authorised for issue on 16 February 2018 in accordance with a resolution of the Board of Directors. The revision to financial statements are permitted by Board of Directors after obtaining necessary approvals or at the instance of regulatory authorities as per provisions of Companies Act, 2013.

The financial statements for the year ended 31 December 2017 are the first to have been prepared in accordance with Ind AS. The transition to Ind AS was carried out retrospectively as on the transition date of 01 January 2016. The financial statements contain an opening balance sheet as on 01 January 2016, comparative information for 31 December 2016 presented under Ind AS and reconciliation for key changes for amounts reported under Indian GAAP and Ind AS.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- i. Derivative financial instruments;
- ii. Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments);
- iii. Defined benefit plans- plan assets measured at fair value; and

- iv. Share based payments;

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current if it satisfies any of the following conditions:

- i. Expected to be realised or intended to sold or consumed in normal operating cycle;
- ii. Held primarily for the purpose of trading;
- iii. Expected to be realised within twelve months after the reporting period;
- iv. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current if it satisfies any of the following conditions:

- i. It is expected to be settled in normal operating cycle
- ii. It is held primarily for the purpose of trading
- iii. It is due to be settled within twelve months after the reporting period, or
- iv. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and its realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

The Company follows calendar year as its financial year as approved by the Company Law Board, New Delhi.

The financial statements of the Company are presented in Indian Rupees (₹), which is also its functional currency and all amounts disclosed in the financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III to the Act, unless otherwise stated.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 3. Significant accounting policies

#### 3.1 Fair value measurements

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

#### 3.2 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, regardless of when the payment is being made. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and

credit risks. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excludes taxes/duties collected on behalf of the government.

##### a) Sale of goods:

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

##### b) Interest:

Interest income is recognised on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate ("EIR"). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial assets. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in other income in the Statement of Profit and Loss.

##### c) Dividends:

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

##### d) Commission:

Commission income is recognised rateably over the contract period as per the agreed contractual terms.

##### e) Services rendered:

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

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 3.3 Inventories

Inventories are valued as follows:

- a) **Raw materials, components, 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.
- b) **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.
- c) **Intermediate goods/ Finished goods:**
  - i. **Self manufactured** - At lower of cost and net realisable value. Cost for this purpose includes material, labour and appropriate allocation of overheads. Cost is determined on a weighted average basis.
  - ii. **Traded** - At lower of cost and net realisable value. Cost represents purchase price and other direct costs and is determined on a weighted average cost basis.

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

### 3.4 Property, plant and equipment

Property, plant and equipment and capital work-in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

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

- a) it is probable that future economic benefits associated with the item will flow to the entity; and
- b) the cost of the item can be measured reliably.

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

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

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

Description	Useful lives (upto)
Leasehold land	Over lease period
Buildings-factory	30 years
Buildings-others	60 years
Plant and equipment	20 years
Furniture and fixtures	10 years
Delivery vehicles	10 years
Vehicles (other than delivery vehicles)	7 years
Office equipment	4 years
Computer equipment	4 years
Containers	6 years
Post-mix vending machines and refrigerators (Visi -Cooler)	8 years

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

Depreciation on property, plant and equipment is provided over the useful lives of assets as specified in Schedule II to the Act except where the management, based on independent technical assessment, depreciates certain assets at over estimated useful lives which are different from the useful lives prescribed in the Schedule to the Act. The Company has used the remaining useful lives to compute depreciation on its property, plant and equipment, acquired under the business transfer agreement based on external technical evaluation.

Depreciation on property, plant and equipment which are added/dropped off during the year is provided on pro-rata basis with reference to the month of addition/deletion. An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is de-recognised.

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

In case of revaluation of leasehold land, the resulting amortisation of the total revalued amount is expensed off to the 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.

### 3.5 Intangible assets

Intangible assets are initially recognised at:

- a) In case the assets are acquired separately then at cost,
- b) In case the assets are acquired in a business combination then at fair value.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment loss. Intangible assets with finite useful life are assessed for impairment whenever there is an indication that the intangible assets may be

impaired. Amortisation of intangible assets such as softwares is computed on a straight-line basis, at the rates representing estimated useful life of 4 years.

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

### 3.6 Borrowing costs

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

### 3.7 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 01 January 2016, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

#### Company as a lessee

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

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

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

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

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

### Company as a lessor

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

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

### 3.8 Employee benefits

#### Contribution to provident and other funds

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to

the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

### Gratuity

Gratuity is a defined benefit scheme. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The Company recognises termination benefit as a liability and an expense when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the termination benefits fall due more than twelve months after the balance sheet date, they are measured at present value of future cash flows using the discount rate determined by reference to market yields at the balance sheet date on government bonds.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in Statement of Profit and Loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring cost

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### Compensated absences

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit which are computed based on the actuarial valuation using the projected unit credit method at the period end. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred. The Company presents the leave as a current liability in the balance sheet to the extent it does not have an unconditional right to defer its settlement for twelve months after the reporting date. Where Company has the unconditional legal and contractual right to defer the settlement for a period beyond twelve months, the balance is presented as a non-current liability.

Accumulated leave, which is expected to be utilized within the 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.

All other employee benefits payable/available within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages, bonus, etc. are recognised in the Statement of Profit and Loss in the period in which the employee renders the related service.

### **3.9 Share-based payments**

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments which are classified as equity-settled transactions.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised as an employee benefit expense with a corresponding increase in 'Share- Based Payment Reserves' in other equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

Service and non-market performance conditions are not taken into account when determining the grant date fair

value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions.

Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through the Statement of Profit and Loss.

### **3.10 Foreign currency transactions and translations**

Transactions in foreign currencies are initially 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.

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.

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



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

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

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

### 3.11 Business combination and goodwill

In accordance with the provisions of Ind AS 101 'First-time Adoption of Indian Accounting Standards' ('Ind AS 101'), the Company has elected to apply Ind AS accounting for business combinations prospectively from 01 January 2016. As such, Indian GAAP balances relating to business combinations completed before that date have been carried forward

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 'Income Taxes' and Ind AS 19 'Employee Benefits' respectively.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the

contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in Statement of Profit and Loss or Other Comprehensive Income ('OCI'), as appropriate.

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

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

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

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

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

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

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

### 3.12 Government grants

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

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

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

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

### 3.13 Income taxes

Tax expense is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

#### Current income 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 and rules thereunder. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in OCI or in equity).

Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their book bases. Deferred tax liabilities are recognised for all temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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 taxes relate to the same taxable entity and the same taxation authority.

Minimum Alternate Tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the relevant members of the Company will pay normal income tax during the specified period. Such asset is reviewed at each reporting period end and the adjusted based on circumstances then prevailing.

### 3.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments. The business activities of the Company predominantly fall within a single operating segment, i.e., manufacturing and sale of beverages within India.

### 3.15 Impairment of non-financial assets

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

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

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

# Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

## 3.16 Financial instruments

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

### Financial assets

#### Initial recognition and measurement

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

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

#### a) Debt instruments at amortised cost

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

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

#### b) Debt instruments at Fair Value Through Other Comprehensive Income

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

#### c) Debt instruments at Fair Value Through Profit or Loss

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

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

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

#### d) Equity instruments

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

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

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

#### De-recognition

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

#### Impairment of financial assets

The Company measures the Expected Credit Loss ("ECL") associated with its assets based on historical trends, industry practices and the general business environment in which it operates. The impairment methodology applied depends on whether there has been a significant increase

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

in credit risk. ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/expense in the Statement of Profit and Loss under the head 'other expenses'.

### Financial liabilities

#### Initial recognition and measurement

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

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

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

#### Subsequent measurement

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

#### a) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

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

#### b) Financial liabilities at amortised cost

After initial recognition, financial liabilities designated at amortised costs are subsequently

measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of Profit and Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortisation is included as finance costs in the Statement of Profit and Loss.

#### De-recognition

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

#### Offsetting of financial instruments

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

### Derivative financial instruments

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

### 3.17 Investment in subsidiaries and associates

An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

Thus, an investor controls an investee if and only if the investor has all the following:

- a) power over the investee;
- b) exposure, or rights, to variable returns from its involvement with the investee; and
- c) the ability to use its power over the investee to affect the amount of the investor's returns.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company has elected to recognise its investments in subsidiary and associate companies at cost in accordance with the option available in Ind AS 27, 'Separate Financial Statements'. Except where investments accounted for at cost shall be accounted for in accordance with Ind AS 105, 'Non-current Assets Held for Sale and Discontinued Operations', when they are classified as held for sale.

Investment carried at cost is tested for impairment as per Ind-AS 36.

### 3.18 Non-current assets and liabilities classified as held for sale

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

### 3.19 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand, cheques on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

### 3.20 Dividend distribution to equity holders

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the

distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

### 3.21 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Profit and Loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 3.22 Contingent liabilities

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. The Company does not recognize a contingent liability but discloses its existence in the financial statements. Contingent assets are only disclosed when it is probable that the economic benefits will flow to the entity.

### 3.23 Earnings 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, other than conversion of potential equity



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

shares, that have changed the number of equity shares outstanding without a corresponding change in resources.

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.

### 3.24 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

#### i) Judgements

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

##### a) Contingencies

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

involves the exercise of significant judgments and the use of estimates regarding the outcome of future events.

##### b) Recognition of deferred tax assets

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

#### ii) Estimates and assumptions

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

##### a) Useful lives of depreciable assets

The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

##### b) Defined benefit obligation

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

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### c) **Inventories**

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

### d) **Business combinations**

The Company uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

### e) **Impairment of non-financial assets and goodwill**

In assessing impairment, Company estimates the recoverable amount of each asset or

cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

### f) **Fair value measurement of financial instruments**

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

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017



### 4. Property, plant and equipment

₹ in million

	Land freehold*	Land leasehold*	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Containers	Post-mix vending machines and refrigerators (Visi Cooler)	Total
<b>Gross carrying amount</b>											
Balance as at 01 January 2017	3,368.73	2,530.61	4,396.64	14,208.75	122.84	950.81	138.70	129.96	3,340.80	7,325.40	36,513.24
Additions for the year	5.83	502.05	863.96	2,595.02	15.39	17.24	15.88	25.12	592.56	339.49	4,972.54
Acquired on business acquisition during the year (Refer note 51A)	17.54	12.96	125.63	138.21	2.43	22.10	1.91	0.95	101.20	149.19	572.12
Assets classified as held for sale (Refer note 18)	(345.41)	(0.02)	(25.46)	(99.75)	-	-	-	-	-	-	(470.64)
Disposals for the year	-	-	(24.08)	(280.64)	(0.56)	(22.12)	(3.85)	(4.66)	(451.28)	(431.49)	(1,218.68)
<b>Balance as at 31 December 2017</b>	<b>3,046.69</b>	<b>3,045.60</b>	<b>5,336.69</b>	<b>16,561.59</b>	<b>140.10</b>	<b>968.03</b>	<b>152.64</b>	<b>151.37</b>	<b>3,583.28</b>	<b>7,382.59</b>	<b>40,368.58</b>
<b>Depreciation and impairment</b>											
Balance as at 01 January 2017	-	95.27	916.47	3,863.82	68.50	550.21	86.27	73.79	1,336.76	3,170.60	10,161.69
Depreciation charge for the year	-	35.34	167.50	947.78	10.13	79.54	16.86	25.19	535.08	884.95	2,702.37
Reversal on disposal of assets for the year	-	-	(0.99)	(57.72)	(0.34)	(14.52)	(2.51)	(2.93)	(389.35)	(406.65)	(875.01)
Assets classified as held for sale	-	(0.02)	(11.55)	(13.70)	-	-	-	-	-	-	(25.27)
<b>Balance as at 31 December 2017</b>	<b>-</b>	<b>130.59</b>	<b>1,071.43</b>	<b>4,740.18</b>	<b>78.29</b>	<b>615.23</b>	<b>100.62</b>	<b>96.05</b>	<b>1,482.49</b>	<b>3,648.90</b>	<b>11,963.78</b>
<b>Carrying amount as at December 31 2017</b>	<b>3,046.69</b>	<b>2,915.01</b>	<b>4,265.26</b>	<b>11,821.41</b>	<b>61.81</b>	<b>352.80</b>	<b>52.02</b>	<b>55.32</b>	<b>2,100.79</b>	<b>3,733.69</b>	<b>28,404.80</b>

₹ in million

	Land freehold*	Land leasehold*	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Containers	Post-mix vending machines and refrigerators (Visi Cooler)	Total
<b>Gross carrying amount</b>											
Balance as at 01 January 2016	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
Fair value adjustment on account of deferred payment liabilities (Refer note iii below)	(26.67)	(71.86)	(66.95)	(314.26)	(1.35)	(0.97)	(1.54)	-	(50.40)	(160.33)	(694.33)
Balance as at 01 January 2016	2,831.86	2,074.99	3,933.95	13,024.95	114.43	855.36	127.40	111.02	3,113.68	6,718.78	32,906.42
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 (Refer note 51D)	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 31 December 2016	3,368.73	2,530.61	4,396.64	14,208.75	122.84	950.81	138.70	129.96	3,340.80	7,325.40	36,513.24
<b>Depreciation and impairment</b>											
Balance as at 01 January 2016	-	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	-	28.78	143.60	821.39	11.79	76.73	14.57	22.87	499.55	841.13	2,460.41
Reversal on disposal of assets for the year	-	-	-	(34.21)	(0.20)	(13.18)	(0.85)	(9.49)	(278.21)	(173.50)	(509.64)
Balance as at 31 December 2016	-	95.27	916.47	3,863.82	68.50	550.21	86.27	73.79	1,336.76	3,170.60	10,161.69
<b>Carrying amount as at 01 January 2016</b>	<b>2,831.86</b>	<b>2,008.50</b>	<b>3,161.08</b>	<b>9,948.31</b>	<b>57.52</b>	<b>368.70</b>	<b>54.85</b>	<b>50.61</b>	<b>1,998.26</b>	<b>4,215.81</b>	<b>24,695.50</b>
<b>Carrying amount as at 31 December 2016</b>	<b>3,368.73</b>	<b>2,435.34</b>	<b>3,480.17</b>	<b>10,344.93</b>	<b>54.34</b>	<b>400.60</b>	<b>52.43</b>	<b>56.17</b>	<b>2,004.04</b>	<b>4,154.80</b>	<b>26,351.55</b>

\* Gross block includes revaluation of land amounting to ₹ 2,157.65 million as on 01 January 2012 based on valuation determined by external valuer.

† During the year ended 31 December 2016, the Company has acquired leasehold land at Pathankot for ₹ 197.10 million which is yet to be registered in the name of the Company, pending full and final payment.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 4. Property, plant and equipment (Cont'd)

#### i. Asset under construction/ Capital work in progress

Capital work in progress as at 31 December 2016 comprised capital expenditure mainly for the set up of new plant at Sandila (Uttar Pradesh) which was capitalised during the year 2017 on 03 May 2017.

(₹ in million)

Net book value	31 December 2017	31 December 2016	01 January 2016
Capital work-in-progress	119.69	689.37	320.27
<b>Total</b>	<b>119.69</b>	<b>689.37</b>	<b>320.27</b>

#### ii. Refer Note 54 for information on property, plant and equipment pledged as security by the Company.

#### iii. Ind AS 101 Exemption: The Company has availed the exemption available under Ind AS 101, where the carrying value of property, plant and equipment as at 01 January 2016 has been carry forward at the amount as determined under the Indian GAAP.

The only adjustment made to these carrying values is for fair value of deferred payment liabilities for property, plant and equipment acquired in business combinations (Refer note 60 I). The deemed cost as at 01 January 2016 is the gross carrying amount less accumulated depreciation as on that date.

#### iv. Pre-operative expenses incurred and capitalised during the year are as under:

(₹ in million)

Net book value	31 December 2017	31 December 2016
Balance at the beginning of the year	24.63	24.97
<b>Add: Incurred during the year</b>		
Finance costs	17.07	35.18
Other expenses	86.03	2.14
<b>Less: Capitalised during the year</b>	<b>124.53</b>	<b>37.66</b>
<b>Amount carried over</b>	<b>3.20</b>	<b>24.63</b>

### 5. Other intangible assets

(₹ in million)

	Franchise rights/ trademarks	Computer software	Total
<b>Gross carrying amount</b>			
Balance as at 01 January 2017	4,141.36	216.92	4,358.28
Additions for the year	-	22.38	22.38
Acquired on business acquisition during the year (Refer note 51 A)	804.27	-	804.27
Disposals for the year	-	(29.83)	(29.83)
<b>Balance as at 31 December 2017</b>	<b>4,945.63</b>	<b>209.47</b>	<b>5,155.10</b>
<b>Amortisation and impairment</b>			
Balance as at 01 January 2017	656.97	137.55	794.52
Amortisation charge for the year	-	34.05	34.05
Reversal on disposal of assets for the year	-	(29.31)	(29.31)
<b>Balance as at 31 December 2017</b>	<b>656.97</b>	<b>142.29</b>	<b>799.26</b>
<b>Carrying amount as at 31 December 2017</b>	<b>4,288.66</b>	<b>67.18</b>	<b>4,355.84</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

	Franchise rights/ trademarks	Computer software	Total
<b>Gross carrying amount</b>			
Balance as at 01 January 2016	4,350.12	182.38	4,532.50
Fair value adjustment on account of deferred payment (Refer note i below)	(208.76)	-	(208.76)
Balance as at 01 January 2016	4,141.36	182.38	4,323.74
Additions for the year	-	34.81	34.81
Disposals for the year	-	(0.27)	(0.27)
Balance as at 31 December 2016	4,141.36	216.92	4,358.28
<b>Amortisation and impairment</b>			
Balance as at 01 January 2016	656.97	103.50	760.47
Amortisation charge for the year	-	34.15	34.15
Reversal on disposal of assets for the year	-	(0.10)	(0.10)
Balance as at 31 December 2016	656.97	137.55	794.52
<b>Carrying amount as at 01 January 2016</b>	<b>3,484.39</b>	<b>78.88</b>	<b>3,563.27</b>
<b>Carrying amount as at 31 December 2016</b>	<b>3,484.39</b>	<b>79.37</b>	<b>3,563.77</b>

i. **Ind AS 101 Exemption:** The Company has availed the exemption available under Ind AS 101, where the carrying value of other intangible asset as at 01 January 2016 has been carry forward at the amount as determined under the Indian GAAP. The only adjustment made to these carrying values is for fair value of deferred payment liabilities for other intangible asset acquired in business combinations (Refer note 60 I). The deemed cost as at 01 January 2016 is the gross carrying amount less accumulated amortisation as on that date.

ii. In the year ended on 31 December 2017, the Company acquired PepsiCo India Holdings Private Limited (PepsiCo India's) previously franchised territories in the State of Odisha and parts of Madhya Pradesh along with two manufacturing units at Bargarh and Bhopal (Mandideep) from other franchisees. This resulted into recognition of among other assets, franchise rights and goodwill (Refer note 51 A).

iii. In the past, the Company had carried out similar acquisitions of territories along with manufacturing facilities from PepsiCo India and other franchisees. The assets so acquired were fair valued which resulted into recognition of franchise rights amounting of ₹ 4,350.12.

Under the erstwhile Indian GAAP, the Company followed an accounting policy of amortisation of these acquired franchisee rights over 10 years based on the initial tenure these rights were granted as indefinite life was not permitted. Post transition to Ind AS, the Company has considered the related provisions of Ind AS 38 on 'Intangibles Assets' which permit certain intangible assets to have an indefinite life and accordingly the carrying value of these franchisee rights on the transition date have been considered to have an indefinite life. These franchisee rights meet the prescribed criteria of renewal at no nominal cost, renewal at no specific conditions attached and is supported by evidences of being renewed. Management is of the opinion that, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the franchisee rights is expected to generate net cash inflows for the Company.

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

The assumptions used in this impairment assessment are most sensitive to following:

- Weighted average cost of capital "WACC" of 16.10%.
- For arriving at the terminal value, approximate growth rate of 5% is considered.

### 6. Investments in subsidiaries and associates

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Investment in subsidiaries (at cost) (unquoted)</b>			
<b>In equity shares</b>			
9,180,000 (31 December 2016: 7,480,000, 01 January 2016: 5,880,000) fully paid equity shares of MAD 50 each in Varun Beverages Morocco SA	3,090.37	2,542.83	1,993.40
56,775,000 (31 December 2016: 56,775,000, 01 January 2016: 56,775,000) fully paid equity shares of LKR 10 each in Varun Beverages Lanka (Private) Limited	235.17	235.17	235.17
76,250 (31 December 2016: 76,250, 01 January 2016: 76,250) fully paid equity shares of NPR 1,000 each in Varun Beverages (Nepal) Private Limited	171.56	171.56	171.56
45,000 (31 December 2016: 30,000, 01 January 2016: Nil) fully paid equity shares of ZMW 10 each in Varun Beverages (Zambia) Limited	2,474.37	1,755.21	-
Nil (31 December 2016: 51%, 01 January 2016: Nil) equity quota in Varun Beverages Mozambique Limitada (subsidiary till 01 March 2017)*	-	0.13	-
935 (31 December 2016: 935, 01 January 2016: Nil) fully paid equity shares of USD 1 each in Varun Beverages (Zimbabwe) (Private) Limited	0.06	0.06	-
<b>In preference shares</b>			
Equity portion of 58,152,816 (31 December 2016: 31,066,426, 01 January 2016: 14,270,576) redeemable preference shares in Varun Beverages (Lanka) Private Limited	287.80	287.80	136.46
<b>Investment in equity shares in associates (at cost, unquoted)</b>			
35,474 (31 December 2016: 35,474, 01 January 2016: 35,474) fully paid equity shares of ₹ 10 each in Angelica Technologies Private Limited	12.56	12.56	12.56
	<b>6,271.89</b>	<b>5,005.32</b>	<b>2,549.15</b>
Aggregate amount of unquoted investments	<b>6,271.89</b>	<b>5,005.32</b>	<b>2,549.15</b>

\*Refer note 51 C for disinvestment details of this subsidiary.

Refer note 56 for information required under Section 186 (4) of the Companies Act, 2013.



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

Name of the company/entity	Country of incorporation and principal place of business	Proportion of ownership interests held by the Company at year end		
		As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Varun Beverages (Nepal) Private Limited ('VBL Nepal')	Nepal	100%	100%	100%
Varun Beverages Lanka (Private) Limited ('VBL Lanka')	Sri Lanka	100%	100%	100%
Varun Beverages Morocco SA ('VBL Morocco')	Morocco	100%	100%	100%
Ole Spring Bottlers Private Limited ('Ole')*	Sri Lanka	100%	100%	100%
Varun Beverages (Zambia) Private Limited ('VBL Zambia')^	Zambia	90%	60%	-
Varun Beverages (Mozambique) Limitada ('VBL Mozambique')~	Mozambique	10%	51%	-
Varun Beverages (Zimbabwe) (Private) Limited ('VBL Zimbabwe')	Zimbabwe	85%	85%	-
Angelica Technologies Private Limited	India	47.30%	47.30%	47.30%
Lunarmech Technologies Private Limited∞	India	35%	35%	35%

\* subsidiary of VBL Lanka.

^ became subsidiary w.e.f. 01 January 2016 and increase of ownership stake from 60% to 90% effective 20 February 2017.

~ became subsidiary w.e.f. 01 January 2016 and decrease of ownership stake from 51% to 10% effective 02 March 2017, whereby VBL Mozambique ceased to be a subsidiary.

∞ Angelica Technologies Private Limited holds 74% ownership stake in Lunarmech Technologies Private Limited.

### 7. Investments

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Fair value through Profit or Loss</b>			
<b>Investment in equity shares (unquoted)</b>			
10% equity quota (31 December 2016: Nil, 01 January 2016: Nil) in Varun Beverages Mozambique Limitada*	0.03	-	-
200 (31 December 2016: 200, 01 January 2016: 200) shares of ₹ 50 each in The Margao Urban Co-operative Bank Limited	0.01	0.01	0.01
250 (31 December 2016: 250, 01 January 2016: 250) shares of ₹ 10 each in The Goa Urban Co-operative Bank Limited**	0.00	0.00	0.00
	<b>0.04</b>	<b>0.01</b>	<b>0.01</b>
*Refer note 51 for disinvestment details of this subsidiary.			
**Rounded off to Nil.			
Aggregate amount of unquoted investments	0.04	0.01	0.01

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 8. Loans

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Loans carried at amortised cost</b>			
Unsecured, considered good			
Security deposits	177.48	152.06	135.62
Loans to related parties	5,847.42	4,155.61	2,705.60
	<b>6,024.90</b>	<b>4,307.67</b>	<b>2,841.22</b>
Loans to related parties pertain to amounts due from subsidiary in which director of the Company is a director.			
Varun Beverages Morocco SA	2,303.19	2292.58	2144.31
Varun Beverages (Zimbabwe) (Private) Limited	233.33	135.91	-
Varun Beverages (Zambia) Limited	862.38	393.46	-
Varun Beverages Mozambique Limitada (subsidiary till 02 March 2017)	-	122.31	-
Varun Beverages Lanka (Private) Limited [also refer note 60. III]	2,448.52	1,211.35	561.29
	<b>5,847.42</b>	<b>4,155.61</b>	<b>2,705.60</b>

Refer note 56 for information required under Section 186 (4) of the Companies Act, 2013.

### 9. Others

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Financial assets at amortised cost</b>			
Balance in deposit accounts with more than 12 months maturity#	8.96	8.47	1.48
	<b>8.96</b>	<b>8.47</b>	<b>1.48</b>

# Pledged as security with electricity department/banks.

### 10. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

(₹ in million)

Deferred tax liabilities/ (assets)	As at 01 January 2017	Recognised in other equity	Recognised in other comprehensive income	Recognised in Statement of Profit and Loss	As at 31 December 2017
Accelerated depreciation for tax purposes	2,830.38	-	-	479.54	3,309.92
Carry forward of unused tax credits/MAT credit	(1,029.34)	-	-	(378.60)	(1,407.94)
Allowance for doubtful debts	(65.83)	-	-	(11.14)	(76.97)
Provision for bonus	(14.41)	-	-	(1.97)	(16.38)
Foreign currency monetary item translation difference account	(66.94)	-	-	88.13	21.19

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

Deferred tax liabilities/ (assets)	As at 01 January 2017	Recognised in other equity	Recognised in other comprehensive income	Recognised in Statement of Profit and Loss	As at 31 December 2017
Fair valuation of financial instruments	(157.85)	-	-	(72.87)	(230.72)
Provision for retirement benefits	(231.01)	-	3.39	(54.09)	(281.71)
Borrowings	(0.14)	-	-	(0.26)	(0.40)
Benefit accrued on government grants	111.98	-	-	132.10	244.08
Other expenses allowable on payment basis	(62.20)	-	-	52.64	(9.56)
	<b>1,314.64</b>	<b>-</b>	<b>3.39</b>	<b>233.48</b>	<b>1,551.51</b>

(₹ in million)

Deferred tax liabilities/(assets)	As at January 01 2016	Recognised in other equity	Recognised in other comprehensive income	Recognised in Statement of Profit and Loss	As at 31 December 2016
Accelerated depreciation for tax purposes	2,312.00	-	-	518.38	2,830.38
Carry forward of unused tax credits/MAT credit	(690.06)	-	-	(339.28)	(1,029.34)
Carry forward of unused tax losses	(469.35)	-	-	469.35	-
Provision for doubtful debts	(54.79)	-	-	(11.04)	(65.83)
Provision for bonus	(13.03)	-	-	(1.38)	(14.41)
Foreign currency monetary item translation difference account	(64.95)	-	-	(1.99)	(66.94)
Fair valuation of financial instruments	(1,240.64)	1,776.17	-	(693.38)	(157.85)
Provision for retirement benefits	(177.31)	-	(17.96)	(35.74)	(231.01)
Borrowings	0.98	-	-	(1.12)	(0.14)
Benefit accrued on government grants	119.95	-	-	(7.97)	111.98
Other expenses allowable on payment basis	(55.78)	-	-	(6.42)	(62.20)
	<b>(332.98)</b>	<b>1,776.17</b>	<b>(17.96)</b>	<b>(110.59)</b>	<b>1,314.64</b>

The amounts recognised in other comprehensive income relate to the re-measurement of net defined retirement benefit liability. Refer note 37 for the amount of the income tax relating to these components of other comprehensive income.

All significant deferred tax assets (including tax losses and other tax credits) have been recognised in the balance sheet.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 11. Other non-current assets

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(Unsecured, considered good)			
Capital advances	292.54	389.26	218.18
Advances other than capital advances			
- Security deposits	-	9.07	9.07
- Income tax paid (includes amount paid under protest)	217.01	51.72	51.72
- Balance with statutory authorities (paid under protest)	21.09	37.04	20.75
- Prepaid expenses	28.70	21.32	27.50
	<b>559.34</b>	<b>508.41</b>	<b>327.22</b>

### 12. Inventories

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(valued at lower of cost or net realisable value)			
Raw materials	1,149.53	1,757.17	1,510.79
Raw material in transit	10.18	76.04	391.08
Work in progress	69.78	85.13	86.16
Intermediate goods	1,081.44	806.59	663.19
Finished goods (including goods in transit of ₹ 9.82 (31 December 2016: ₹ 14.75, 01 January 2016: ₹ 6.06))	305.66	355.59	454.34
Stores and spares	540.11	519.19	402.29
	<b>3,156.70</b>	<b>3,599.71</b>	<b>3,507.85</b>

The Company 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, which are not significant, are not separately ascertainable.

### 13. Trade receivables

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Unsecured, considered good	946.90	471.44	484.07
Unsecured, considered doubtful	222.41	190.20	158.32
	<b>1,169.31</b>	<b>661.64</b>	<b>642.39</b>
Less : Allowance for doubtful debts	222.41	190.20	158.32
	<b>946.90</b>	<b>471.44</b>	<b>484.07</b>

Includes amounts, in the ordinary course of business, due from private companies in which directors of the Company are also directors:

a.) Varun Beverages Morocco SA	-	-	11.67
b.) Ole Springs Bottlers (Private) Limited	11.67	27.96	34.80
c.) Devyani Food Street Private Limited	0.01	-	1.84
d.) Varun Beverages (Zambia) Limited	96.81	46.04	118.03
e.) Varun Beverages Mozambique Limitada	-	-	16.29
f.) Varun Beverages (Nepal) Private Limited	345.16	123.34	85.95
g.) Alisha Retail Private Limited	-	-	0.11
h.) Varun Beverages Lanka (Private) Limited	-	18.89	-

Trade receivables are non-interest bearing and credit period generally falls in the range of 0 to 90 days terms.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 14. Cash and cash equivalents

(also for the purpose of cash flow statement)

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Balance with banks in current accounts	232.03	117.07	182.49
Cheques/drafts on hand	75.17	27.29	-
Cash on hand	5.44	4.29	6.77
	<b>312.64</b>	<b>148.65</b>	<b>189.26</b>

#### Specified Bank Notes (SBN) disclosure

During the previous year ended on 31 December 2016, the Company had specified bank notes or other denomination notes as defined in the MCA notification G.S.R. 308 (E) dated 31 March 2017 and the details of SBN\* held and transacted during the period from 08 November 2016 to 30 December 2016, the denomination wise SBN and other notes as per the notification is given below:

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 08 November 2016	6.39	2.92	<b>9.31</b>
(+) Withdrawal from bank accounts	-	5.09	<b>5.09</b>
(+) Permitted receipts	-	16.46	<b>16.46</b>
(-) Permitted payments	-	(11.64)	<b>(11.64)</b>
(-) Amount deposited in bank accounts	(6.39)	(8.65)	<b>(15.04)</b>
<b>Closing cash in hand as on 30 December 2016</b>	<b>-</b>	<b>4.18</b>	<b>4.18</b>

\*For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification number S.O. 3407 (E) dated the 08 November 2016.

### 15. Bank balances other than cash and cash equivalents

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Deposits with original maturity more than 3 months but less than 12 months *	-	0.74	6.58
Unpaid dividend account**	0.06	-	-
	0.06	0.74	6.58

\*Pledged as security with statutory authorities/banks

\*\*These balances are not available for use by the Company and corresponding balance is disclosed as unclaimed dividend in note 25.

### 16. Other financial assets

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(Unsecured, considered good)			
Interest accrued on:			
- Loan to subsidiaries*	259.93	145.68	50.54
- Term deposits	0.02	0.60	-
- Others	6.17	4.76	1.77
Security deposits	0.26	37.45	8.64
Dividend receivable**	180.92	-	180.83
Guarantee commission receivable#	17.14	18.26	100.30
Government grant receivable	781.53	51.35	38.37
Claim receivables	67.65	99.89	8.36
Other receivables	59.94	-	0.13
	<b>1,373.56</b>	<b>357.99</b>	<b>388.94</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

*Amounts due from private companies in which directors of the Company are a director:			
Varun Beverages Morocco SA	224.87	136.57	50.54
Varun Beverages Mozambique Limitada	-	1.81	-
Varun Beverages (Zambia) Limited	25.65	6.41	-
Varun Beverages (Zimbabwe) (Private) Limited	9.41	0.89	-
	<b>259.93</b>	<b>145.68</b>	<b>50.54</b>
**Amount due from a subsidiary, namely, Varun Beverages (Nepal) Private Limited			
	180.92	-	180.83
# Amounts due from subsidiaries:			
Varun Beverages Lanka (Private) Limited	4.19	16.94	99.01
Varun Beverages Morocco SA	1.24	1.32	1.29
Varun Beverages (Zimbabwe) (Private) Limited	11.71	-	-
	<b>17.14</b>	<b>18.26</b>	<b>100.30</b>

### 17. Other current assets

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
(Unsecured, considered good)			
Security deposits	0.79	2.02	2.79
Other advances :			
- Employees	62.14	60.28	25.01
- Contractors and suppliers	446.06	630.09	350.91
- Prepaid expenses	36.34	55.06	64.39
- Balance with statutory/government authorities	357.00	227.62	242.92
- Other advances	57.41	8.22	11.64
	<b>959.74</b>	<b>983.29</b>	<b>697.66</b>

### 18. Assets classified as held for sale

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Property, plant and equipment			
Land	345.41	-	-
Buildings	13.91	-	-
Plant and equipment	111.69	-	-
	<b>471.01</b>	<b>-</b>	<b>-</b>

- In June 2017, in view of setting up of new production unit in Goa, the Company had decided to sell certain land and building situated at Goa which was originally acquired with acquisition of Goa territory. The Company is in process of receiving and evaluating proposals from various parties and expects the sale to be completed before June 2018.
- The Company is in process of transferring some plant and equipment to one of its subsidiary. The plant and equipment is identified and ready for shipment as on 31 December 2017.
- Plant and equipment includes ₹ 25.64 incurred pursuant to classification as "Asset classified as held for sale" for making asset fit for sale.
- Property, plant and equipment classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, which did not adversely impact the Statement of Profit and Loss.





## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 19. Equity share capital

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Authorised share capital:</b>			
500,000,000 (31 December 2016: 500,000,000, 01 January 2016: 500,000,000) equity shares of ₹ 10 each	5,000.00	5,000.00	5,000.00
	<b>5,000.00</b>	<b>5,000.00</b>	<b>5,000.00</b>
<b>Issued, subscribed and fully paid up:</b>			
182,586,940 (31 December 2016: 182,312,525, 01 January 2016: 133,766,165) equity shares of ₹ 10 each	1,825.87	1,823.13	1,337.66
	<b>1,825.87</b>	<b>1,823.13</b>	<b>1,337.66</b>

#### a) Reconciliation of share capital

Particulars	No. of shares	Amount
Balance as at 01 January 2017	18,23,12,525	1,823.13
Add: Shares issued on exercise of employee stock options during the year ended	2,74,415	2.74
<b>Balance as at 31 December 2017</b>	<b>18,25,86,940</b>	<b>1,825.87</b>

Particulars	No. of shares	Amount
Balance as at 01 January 2016	13,37,66,165	1,337.66
Add: Shares issued on conversion of compulsorily convertible debentures	2,10,54,387	210.55
Add: Shares issued on conversion of compulsorily convertible preference shares	1,02,27,273	102.27
Add: Shares issued on initial public offering	1,50,00,000	150.00
Add: Shares issued on exercise of employee stock options	22,64,700	22.65
<b>Balance as at 31 December 2016</b>	<b>18,23,12,525</b>	<b>1,823.13</b>

#### b) Terms/rights attached to 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.

#### c) List of shareholders holding more than 5% of the equity share capital of the Company at the beginning and at the end of the year:

Shareholders as at 31 December 2017	No. of shares	%
R J Corp Limited	5,58,22,345	30.57%
Ravi Kant Jaipuria & Sons (HUF)	3,91,87,870	21.46%
Mr. Varun Jaipuria	3,91,75,500	21.46%
Shareholders as at 31 December 2016	No. of shares	%
R J Corp Limited	4,99,32,870	27.39%
Ravi Kant Jaipuria & Sons (HUF)	3,91,87,870	21.49%
Mr. Varun Jaipuria	3,91,75,500	21.49%
Standard Chartered Private Equity Mauritius II Limited	1,28,40,202	7.04%

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

Shareholders as at 01 January 2016	No. of shares	%
R J Corp Limited	4,53,87,415	33.93%
Ravi Kant Jaipuria & Sons (HUF)	4,41,87,870	33.03%
Mr. Varun Jaipuria	4,41,75,500	33.02%

As per records of the Company, including its register of shareholders/members and other declaration received from the shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

**d) Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:**

During the year 2013, the 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 12 March 2013. Also, 107,012,932 equity shares of ₹10 each have been issued in the ratio of 4:1 as bonus shares during the year 2013.

**e) Shares reserved for issue under options**

Under Employee Stock Option Scheme, 2013:

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
No. of equity shares of ₹ 10 each at an exercise price of ₹ 149.51 per share			
Options outstanding at the beginning of the year	3,52,700	26,75,400	26,75,400
Less: Options lapsed during the year	-	58,000	-
Less: Shares issued on exercise of employee stock options	2,74,415	22,64,700	-
	<b>78,285</b>	<b>3,52,700</b>	<b>26,75,400</b>

Also refer note 52.

**f) 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	Share capital	Security premium reserve
04 November 2016	1,50,00,000	150.00	6,525.00

The equity shares of the Company were listed on Bombay Stock Exchange and National Stock Exchange w.e.f. 08 November 2016.

**g) Shares held by holding and ultimate holding company**

Out of equity shares issued by the Company, shares held by its holding company/ ultimate holding company are as below:

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
RJ Corp Limited, Parent company	558.22	499.33	453.87
55,822,345 (31 December 2016: 49,932,870, 01 January 2016: 45,387,415) fully paid equity shares of ₹ 10 each			
Ravi Kant Jaipuria & Sons (HUF), Ultimate Parent	391.88	391.88	441.88
39,187,870 (31 December 2016: 39,187,870, 01 January 2016: 44,187,870) fully paid equity shares of ₹ 10 each			
	<b>950.10</b>	<b>891.21</b>	<b>895.75</b>

**h) Preference share capital**

The Company also has authorised preference share capital of 50,000,000 (31 December 2016: 50,000,000, 01 January 2016: 50,000,000) preference shares of ₹ 100 each. The Company does not have any outstanding issued preference shares.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 20. Other equity

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Capital reserve</b>			
Balance at the beginning of the year	189.50	189.50	
Add: Transferred during the year	-	-	
Balance at the end of the year	<b>189.50</b>	<b>189.50</b>	<b>189.50</b>
<b>General reserve</b>			
Balance at the beginning of the year	191.25	-	
Add: Transfer from debenture redemption reserve	-	191.25	
Balance at the end of the year	<b>191.25</b>	<b>191.25</b>	<b>-</b>
<b>Debenture redemption reserve</b>			
Balance at the beginning of the year	-	19.96	
Add: Additions made during the year	159.17	171.29	
Less: Transfer to general reserve	-	191.25	
Balance at the end of the year	<b>159.17</b>	<b>-</b>	<b>19.96</b>
<b>Securities premium reserve</b>			
Balance at the beginning of the year	18,349.39	-	
Add: Additions made on issue of equity shares pursuant to IPO (Refer note 49)	-	6,525.00	
Add: Additions made on conversion of compulsorily convertible debentures into equity shares (Net of deferred tax)	-	7,295.24	
Add: Additions made on conversion of compulsorily convertible preference shares into equity shares	-	4,397.73	
Add: Additions made pursuant to exercise of employee stock options	42.83	353.57	
Less: Amount utilised for share issue expenses (Refer note 49)	-	222.15	
Balance at the end of the year	<b>18,392.22</b>	<b>18,349.39</b>	<b>-</b>
<b>Retained earnings</b>			
Balance at the beginning of the year	614.82	(74.94)	
Less: Dividend paid	456.29	-	
Less: Dividend distribution tax	92.89	-	
Less: Transfer to debenture redemption reserve	159.17	171.29	
Add: Profit for the reporting period/year	2,355.98	894.97	
	<b>2,262.45</b>	<b>648.74</b>	
Add: Items of other comprehensive income ("OCI") recognised directly in retained earnings			
Remeasurement of post-employment benefit obligation, net of tax	6.39	(33.92)	
Balance at the end of the year	<b>2,268.84</b>	<b>614.82</b>	<b>(74.94)</b>

The disaggregation of changes in OCI by each type of reserves in equity is disclosed in Note 37.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Share based payment reserve</b>			
Balance at the beginning of the year	5.86	44.39	
Add: Change during the year	(4.56)	(38.53)	
Balance at the end of the year	<b>1.30</b>	<b>5.86</b>	<b>44.39</b>
<b>Share application money pending allotment</b>			
Balance at the beginning of the year	-	-	
Add: Change during the year	1.08	-	
Balance at the end of the year	<b>1.08</b>	<b>-</b>	<b>-</b>
<b>Foreign currency monetary item translation difference account</b>			
Balance at the beginning of the year	193.42	187.68	
Add: Additions made during the year	(163.63)	54.28	
Less: Amortised during the year	91.01	48.54	
Balance at the end of the year	<b>(61.22)</b>	<b>193.42</b>	<b>187.68</b>
	<b>21,142.14</b>	<b>19,544.24</b>	<b>366.59</b>

### Description of nature and purpose of each reserve:

**Capital reserve** - Created on merger of Varun Beverages International Limited with the Company pursuant to and in accordance with the Court approved scheme of amalgamation, prior to the transition date.

**General reserve** - Created by way of transfer from debenture redemption reserve on redemption of debentures and is not an item of other comprehensive income.

**Debenture redemption reserve** - Created as per provisions of the Act out of the distributable profits and can only be utilised for redemption of debentures.

**Securities premium reserve** - Created to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.

**Retained earnings** - Created from the profit / loss of the Company, as adjusted for distributions to owners, transfers to other reserves, etc.

**Share based payment reserve** - Created for recording the grant date fair value of options issued to employees under employee stock option schemes and is adjusted on exercise/ forfeiture of options.

**Foreign currency monetary item translation difference account** - Created for recording exchange differences arising on restatement of long term foreign currency monetary items, other than for acquisition of fixed assets, and is being amortised over the maturity period of such monetary items.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 21. Borrowings

#### A. Non-current borrowings

(₹ in million, except otherwise stated)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Debentures			
- Compulsorily convertible debentures (unsecured) (Refer note a)	-	-	8,174.70
- Non-convertible debentures (secured) (Refer note b(i) and b(ii))	2,990.50	-	179.88
- Non-convertible debentures (unsecured) (Refer note b (iii))	-	-	3,000.00
Term loans (secured) (Refer note 21C)			
- Foreign currency loans from banks	-	339.77	663.20
- Indian rupee loans from banks	11,886.57	6,906.35	4,845.66
- Indian rupee loan from a financial institutions	336.62	426.95	1,096.12
Compulsorily convertible preference shares (unsecured) (Refer note c)	-	-	4,127.93
Deferred value added tax (unsecured) (Refer note 21C)	466.47	592.61	705.10
Deferred payment liabilities (secured) (Refer Note 21D)	337.68	2,965.59	5,349.00
	<b>16,017.84</b>	<b>11,231.27</b>	<b>28,141.59</b>

Loans and borrowing above are recognised at amortised cost/ fair value taking into account any discount or premium on acquisition and fee or costs that are part of effective interest rate, accordingly the outstanding balances above may not necessarily agree with repayment amounts.

#### a) Terms and conditions of issue and conversion/redemption of compulsorily convertible debentures (CCDs) are as under:

All the CCDs have been converted to equity share capital during the year ended 31 December 2016 and hence there are no CCDs outstanding as at 31 December 2016. The particulars as at 01 January 2016 are as under and were recorded at face value of ₹ 4,198.98 as per erstwhile Indian GAAP.

No. of debentures	Date of issue	Face value (₹)
12,49,980	18 July 2011	1,000.00
12,50,000	30 November 2011	1,000.00
16,50,000	05 October 2012	1,000.00

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 could not be completed prior to the QIPO deadline date on account of the market conditions or non-receipt of internal or external approvals that may be required for such initial public offering, the Company and the promoters (as defined in the subscription agreement) shall ensure that such QIPO occurs within six years from the first completion date. The CCDs shall be converted into such number of equity shares based on the lower-end of the price band at which the QIPO is proposed to enable the debenture holders to realise the agreed return of 18.5% from the equity shares resulting from such conversion. CCDs were compulsorily convertible into equity shares in an initial public offer (IPO). In the event the Company had not filed a Draft Red Herring Prospectus for QIPO with the Securities and Exchange Board of India on or before 31 May 2017, the debenture holders had various exit options including 14% per annum coupon and put option on promoters at an agreed return. The coupon in that case was payable as per the terms of underlying agreement.

#### b) Terms and conditions of issue and redemption of Non-convertible debentures (NCDs) are as under:

##### i) Issued to Kotak Mahindra Bank Limited and RBL Bank Limited

During the year ended 31 December 2017, the Company has issued 1,500 NCDs each to Kotak Mahindra Bank Limited and RBL Bank Limited. Details of NCDs as at 31 December 2017 are as under:

No. of debentures	Date of issue	Face value (₹)
3,000	23 March 2017	10,00,000

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

The Rated Secured Listed Redeemable Rupee Denominated NCDs (3000) are redeemable at par in 5 years and 4 months from the deemed date of allotment and carry a coupon rate of 7.70% per annum. The NCDs are redeemable 10%, 25%, 30% and 35% at 30 June 2019, 2020, 2021 and 2022 respectively unless redeemed earlier. These NCDs are secured by way of first pari-passu charge on the moveable and immoveable fixed assets of the Company providing a security cover of 1.30 times.

(₹ in million)

Details of utilisation	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Gross proceeds received	3,000	-	-
Amount utilised till end of the year	3,000	-	-
<b>Unutilised amount at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Audit Committee and Board of Directors of the Company noted the utilisation of the proceeds of NCDs for the year ended 31 December 2017, which was in line with utilisation schedule approved by the Board of Directors.

### ii) Issued to RBL Bank Limited

During the year ended 31 December 2016, the Company had called-up the balance amount of ₹ 1,800 in single instalment, i.e. 90 percent of the face value of debenture, as per the terms of the underlying agreement. The NCDs were repaid during the previous year from the proceeds of IPO. There were no NCDs outstanding as at 31 December 2016 and details of NCDs as at 01 January 2016 are as under and were recorded at cost of ₹ 2,000 as per Indian GAAP.

No. of debentures	Date of issue	Face value (₹)	Paid-up value (₹)
2,000	01 December 2015	10,00,000	1,00,000

The Rated Secured Listed Redeemable Rupee Denominated NCD (2000) were redeemable at par in 5 years from the deemed date of allotment and carried a coupon rate of SBI base rate plus 60 basis points. The NCDs were redeemable 30%, 30% and 40% at the end of year third, fourth and fifth years respectively unless redeemed earlier. These NCDs were secured by way of first pari-passu charge on the specified fixed assets of the Company to the extent of 1.25 times of NCDs outstanding.

(₹ in million)

Details of utilisation	As at 31 December 2017	As at 31 December 2016
Gross proceeds received	-	1,800
Amount utilised till end of the year	-	1,800
<b>Unutilised amount at the end of the year</b>	<b>-</b>	<b>-</b>

The Audit Committee and Board of Directors of the Company noted the utilisation of the proceeds of NCDs for the year ended 31 December 2016, which was in line with utilisation schedule approved by the Board of Directors.

### iii) Issued to AION Investments II Singapore PTE Ltd

During the year ended 31 December 2016, the Company had redeemed all the NCDs issued to AION Investments II Singapore PTE Ltd and there were no NCDs outstanding as at 31 December 2016. Details of NCDs as at 01 January 2016 are as under and were recorded at cost of ₹ 3000 as per Indian GAAP.

No. of debentures	Date of issue	Face value (₹)
300	30 September 2015	1,00,00,000

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.

### c) Terms and conditions of issue and conversion of Compulsorily convertible preference shares (CCPS) are as under:

All the CCPS have been converted to equity share capital during the year ended 31 December 2016 and hence there are no CCPS outstanding as at 31 December 2016. The particulars as at 01 January 2016 are as under and were recorded at face value of ₹ 4,500 as per Indian GAAP. CCPS were compulsorily convertible into equity shares upon expiry of five years from allotment date at a price which was to be calculated at the valuation of the Company computed by an independent valuer or at a price not lower than breakup value (as defined in share subscription agreement), whichever was higher.



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

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.

d) The Company has complied with all the loan covenants. (Refer note 53)

### B. Current borrowings:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Loans repayable on demand			
Banks-working capital facilities (secured)	1,925.88	1,482.55	681.00
	<b>1,925.88</b>	<b>1,482.55</b>	<b>681.00</b>

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 8.50 to 9.70% (31 December 2016: 9.50 to 10.90% and 01 January 2016: 11 to 12%).

At 31 December 2017, the Company had available ₹ 1,559.12 (31 December 2016: ₹ 2,102.45 and 01 January 2016: ₹ 2,404.00) of undrawn committed borrowing facilities.

The Company has complied with all the loan covenants. (Refer note 53)

### C. Terms and conditions/details of securities for loans:

(₹ in million)

Name of the bank/instrument	Loan outstanding					
	31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
<b>Term loans</b>						
<b>(i) Foreign currency loan from banks (secured)</b>						
Loan carrying rate of interest of LIBOR+1.40% (31 December 2016 and 01 January 2016: LIBOR+2.65%) and is repayable in two equal instalments of USD 2.5 million each in May 2018 and August 2018. The Company has separately executed contracts for cross currency interest plus rate swap on aforesaid loan and interest there on.	-	319.63	339.77	339.77	663.20	331.63
This loan is secured on first pari-passu charge on the entire movable and immovable property, plant and equipment of the Company including the territory /franchisee rights acquired under the acquisition under slump sale basis.						
Loan carrying rate of interest of LIBOR+2.5% (31 December 2016 and 01 January 2016: LIBOR+2.5%) and is repayable in 16 equal quarterly instalments of USD 1.25 million each ending January 2016.	-	-	-	-	-	82.91
This loan was 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).						
	-	319.63	339.77	339.77	663.20	414.54

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

Name of the bank/instrument	Loan outstanding					
	31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
<b>ii) Indian rupee loan from banks (secured)</b>						
Loans carrying weighted average rate of interest 8.29% (31 December 2016: 9.78%, 31 December 2015: 11.11%) depending upon tenure of the loans. For repayment terms refer note 21E. These loan are secured on first pari-passu charge on the entire movable and immovable property, plant and equipment of the Company including the territory /franchisee rights acquired under the acquisition under slump sale basis.	11,824.36	1,896.21	6,799.82	1,061.38	4,761.79	1,038.25
<b>iii) Vehicle rupee term loan (secured)</b>						
Loans carrying rate of interest in range of 7.90-10.33% (31 December 2016: 8.13-10.33%, 01 January 2016: 9-11%). They are repayable generally over a period of three to five years in equal monthly instalments as per the terms of the respective agreements. Vehicle loans are secured against respective asset financed.	62.21	57.39	106.53	71.77	83.87	66.09
	<b>11,886.57</b>	<b>1,953.60</b>	<b>6,906.35</b>	<b>1,133.15</b>	<b>4,845.66</b>	<b>1,104.34</b>
<b>iv) Indian rupee loan from a financial institutions (secured)</b>						
Loan carrying rate of interest of 9.75% (31 December 2016: 10.50%, 31 December 2015: 11.25%). The amount repayable in June 2018: ₹ 200, July 2018: ₹ 200 and June 2019: ₹ 150. This loan is secured on first pari-passu charge on the entire movable and immovable property, plant and equipment of the Company including the territory /franchisee rights acquired under the acquisition under slump sale basis.	149.19	400.00	347.83	200.00	1,096.12	100.00
Loan from The Pradeshia Industrial & Investment Corporation of U.P. Limited for the year 2014-2015 is repayable in one instalment after expiry of seven years from the date of disbursement, i.e., 25 December 2023. The loan is discounted at the weighted average rate of borrowings, i.e., 9.72%. Loan is secured against bank guarantee equivalent to 100% of loan amount valid upto the repayment date of loan plus six months grace period.	83.61	-	79.12	-	-	-
Loan from The Pradeshia Industrial & Investment Corporation of U.P. Limited for the year 2015-2016 is repayable in one instalment after expiry of seven years from the date of disbursement, i.e., 30 November 2024. The loan is discounted at the weighted average rate of borrowings, i.e., 8.52%. Loan is secured against bank guarantee equivalent to 100% of loan amount valid upto the repayment date of loan plus six months grace period.	103.82	-	-	-	-	-
	<b>336.62</b>	<b>400.00</b>	<b>426.95</b>	<b>200.00</b>	<b>1,096.12</b>	<b>100.00</b>
<b>v) Deferred value added tax (unsecured)</b>						
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 discounted at the weighted average rate of borrowings, i.e., 11.51%.	466.47	210.00	592.61	210.00	705.10	210.00
	<b>466.47</b>	<b>210.00</b>	<b>592.61</b>	<b>210.00</b>	<b>705.10</b>	<b>210.00</b>
<b>Total</b>	<b>12,689.66</b>	<b>2,883.23</b>	<b>8,265.68</b>	<b>1,882.92</b>	<b>7,310.08</b>	<b>1,828.88</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### D. Deferred payment liabilities (Secured)

(₹ in million)

Description	Loan outstanding					
	31 December 2017		31 December 2016		01 January 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
<b>(i) Assets acquired under deferred payment terms under business acquisition</b>						
Deferred payment for business acquired from PepsiCo India . There is no interest payable, the consideration payable as per repayment schedule are as following; February 29, 2016: ₹ 3,000; 28 February 2017: ₹ 3,235 and 28 February 2018: ₹ 3,000. The payments are secured against bank guarantees provided by the Company to PepsiCo India for equivalent amount outstanding at each year end.	-	3,000.00	2,652.43	3,235.00	5,331.90	3,000.00
<b>(ii) Plant and equipment acquired under deferred payment terms</b>						
The payments are secured against a letter of credit issued by the Company's banker. The amount is repayable in various tranches from January 2019 to April 2019.	337.68	-	-	-	-	-
<b>(iii) Land purchased under deferred payment terms</b>						
a) The Company had purchased leasehold land from Punjab Small Industries & Export Corporation Limited for a total consideration of ₹ 197.10. The outstanding balance is payable as follows : 2017: ₹ 39.42, 2018: ₹ 20.73. This balance carries rate of interest of 11 percent.	-	20.71	20.71	39.42	-	-
b) The Company had purchased leasehold land from Goa Industrial Development Corporation for a total consideration of ₹ 28.50. The Company had paid ₹ 5.70 initially and the balance amount is repayable in four equally instalments with regular interval of one year from the year 2016. The Company has paid all outstanding amount in year 2016." This balance carried rate of interest of 11 percent.	-	-	-	-	17.10	5.70
c) The Company had purchased leasehold land from U.P. State Industrial Development Corporation Limited for a total consideration of ₹ 425.38. The outstanding balance amount of ₹ 319.04 is repayable in twelve half yearly equal instalments of ₹ 26.59 starting from July 2017. The Company has paid all outstanding amounts in year 2017. This balance carried rate of interest of 14 percent with a rebate of 2 percent if the Company pays the instalments and the interest on the due date.	-	-	292.45	26.59	-	-
<b>Total</b>	<b>337.68</b>	<b>3,020.71</b>	<b>2,965.59</b>	<b>3,301.01</b>	<b>5,349.00</b>	<b>3,005.70</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### E. Repayment terms:

(₹ in million)

S. N.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
1	Term loan - 1*	-	-	209.05	160.00	368.70	160.00	Six instalments of ₹ 80 each due in May 2016, June 2016, May 2017, June 2017, May 2018 and June 2018 and one instalment of ₹ 49.40 due in January 2019
2	Term loan - 2*	-	-	279.48	280.00	558.93	200.00	Two instalments of ₹ 100 each due in June 2016, July 2016 and four instalments of ₹ 140 each due in June 2017, July 2017, June 2018 and July 2018
3	Term loan - 3	-	-	-	-	-	12.69	Instalments of ₹ 6.08 due in July 2016 and ₹ 6.61 due in October 2016
4	Term loan - 4**	-	-	-	-	478.57	160.00	Two instalments of ₹ 80 each due in June 2016 and July 2016 and four instalments of ₹ 120 each due in June 2017, July 2017, June 2018 and July 2018
5	Term loan - 5	-	-	-	-	-	5.56	One instalment of ₹ 5.56 due in Jan 2016
6	Term loan - 6	457.76	57.30	514.85	57.30	-	-	Two instalments of ₹ 28.65 each due in May 2017 and June 2017, two instalments of ₹ 28.65 each due in May 2018 and June 2018, two instalments of ₹ 42.98 each due in May 2019 and June 2019, two instalments of ₹ 57.30 each due in May 2020 and June 2020, two instalments of ₹ 57.30 each due in May 2021 and June 2021 and two instalments of ₹ 71.63 each due in May 2022 and June 2022
7	Term loan - 7	1,400.00	100.00	-	-	-	-	Two instalments of ₹ 50 each due in May 2018 and June 2018, two instalments of ₹ 175 each due in May 2019 and June 2019, two instalments of ₹ 175 each due in May 2020 and June 2020, two instalments of ₹ 175 each due in May 2021 and June 2021, two instalments of ₹ 175 each due in May 2022 and June 2022.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

S. N.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
8	Term loan - 8**	-	-	-	-	766.34	150.00	Three instalments of ₹ 50 each due in May 2016, June 2016 and July 2016, six instalments of ₹ 75 each due in May 2017, June 2017, July 2017, May 2018, June 2018, July 2018, one instalment of ₹ 125 due in May 2019 and two instalments of ₹ 100 each due in June 2019 and July 2019
9	Term loan - 9	1,792.30	200.00	1,990.08	-	-	-	Two instalments of ₹ 100 each due in May 2018 and June 2018, two instalments of ₹ 150 each due in May 2019 and June 2019, two instalments of ₹ 200 each due in May 2020 and June 2020, two instalments of ₹ 250 each due in May 2021 and June 2021 and two instalments of ₹ 300 each due in May 2022 and June 2022
10	Term loan - 10**	-	-	-	-	300.00	100.00	Eight instalments of ₹ 50 each due in June 2016, July 2016, June 2017, July 2017, June 2018, July 2018, June 2019 and July 2019
11	Term loan - 11**	-	-	-	-	1,060.00	250.00	Instalments of ₹ 20 due in August 2017, ₹ 113.30 in June 2018, ₹ 113.30 in July 2018 and ₹ 113.40 in August 2018. Two instalment of ₹ 125 due on June 2016 and July 2016 and four instalments of ₹ 175 million due on June 2017, July 2017, June 2018 and July 2018
12	Term loan - 12	898.17	150.00	1,047.53	150.00	-	-	Two instalments of ₹ 75 each due in May 2017 and June 2017, two instalments of ₹ 75 each due in May 2018 and June 2018, two instalments of ₹ 100 each due in May 2019 and June 2019, two instalments of ₹ 100 each due in May 2020 and June 2020, two instalments of ₹ 125 each due in May 2021 and June 2021 and two instalments of ₹ 125 each due in May 2022 and June 2022

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

S. N.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
13	Term loan - 13	860.00	260.00	1,120.00	240.00	-	-	- Two instalments of ₹ 120 each due in May 2017 and June 2017, two instalments of ₹ 130 each due in May 2018 and June 2018, two instalments of ₹ 130 each due in May 2019 and June 2019, two instalments of ₹ 150 each due in May 2020 and June 2020 and two instalments of ₹ 150 each due in May 2021 and June 2021
14	Term loan - 14	1,374.28	200.00	-	-	-	-	- Two instalments of ₹ 100 each due in May 2018 and June 2018, two instalments of ₹ 100 each due in May 2019 and June 2019, two instalments of ₹ 200 each due in May 2020 and June 2020, two instalments of ₹ 300 each due in May 2021 and June 2021 and two instalments of ₹ 300 each due in May 2022 and June 2022
15	Term loan - 15**	-	-	-	-	319.23	-	- Instalments of ₹ 53.312 due in June 2017, ₹ 53.34 in July 2017, ₹ 53.34 in August 2017, ₹ 53.31 in June 2018, ₹ 53.34 in July 2018 and ₹ 53.34 in August 2018
16	Term loan - 16*	-	-	392.91	120.00	910.02	-	- Two instalments of ₹ 60 each due in June 2017 and July 2017, two instalments of ₹ 80 each due in June 2018 and July 2018 and four instalments of ₹ 160 each due in June 2019, July 2019, June 2020 and July 2020
17	Term loan - 17	1,375.11	206.25	1,245.92	54.08	-	-	- Two instalments of ₹ 34.32 each due in May 2017 and June 2017, two instalments of ₹ 103.13 millions each due in May 2018 and June 2018, instalment of ₹ 137.44 due in May 2019 and ₹ 183.31 due in June 2019, two instalments of ₹ 183.31 each due in May 2020 and June 2020, two instalments of ₹ 183.31 millions each due in May 2021 and June 2021 and instalment of ₹ 183.31 due in May 2022 and ₹ 137.77 due in June 2022





## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

S. N.	Description	31 December 2017		31 December 2016		01 January 2016		Repayment terms
		Non-current	Current	Non-current	Current	Non-current	Current	
18	Term loan - 18	434.80	65.20	-	-	-	-	- Two instalments of ₹ 32.60 each due in May 2018 and June 2018, instalment of ₹ 43.45 due in May 2019 and ₹ 57.95 due in June 2019, two instalments of ₹ 57.95 each due in May 2020 and June 2020, two instalments of ₹ 57.95 each due in May 2021 and June 2021 and instalment of ₹ 57.95 due in May 2022 and ₹ 43.65 due in June 2022
19	Term loan - 19	400.00	100.00	-	-	-	-	- Two instalments of ₹ 50 each due in May 2018 and June 2018, two instalments of ₹ 50 each due in May 2019 and June 2019, two instalments of ₹ 50 each due in May 2020 and June 2020, two instalments of ₹ 50 each due in May 2021 and June 2021 and two instalments of ₹ 50 each due in May 2022 and June 2022
20	Term loan - 20	400.00	-	-	-	-	-	- Two instalments of ₹ 40 each due in May 2019 and June 2019, two instalments of ₹ 40 each due in May 2020 and June 2020, two instalments of ₹ 40 each due in May 2021 and June 2021, two instalments of ₹ 40 each due in May 2022 and June 2022 and two instalments of ₹ 40 each due in May 2023 and June 2023
21	Term loan - 21	400.00	100.00	-	-	-	-	- Two instalments of ₹ 50 each due in May 2018 and June 2018, two instalments of ₹ 50 each due in May 2019 and June 2019, two instalments of ₹ 75 each due in May 2020 and June 2020 and two instalments of ₹ 75 each due in May 2021 and June 2021.
22	Term loan - 22	1,131.94	357.46	-	-	-	-	- Two instalments of ₹ 178.73 each due in May 2018 and June 2018, two instalments of ₹ 148.94 each due in May 2019 and June 2019, two instalments of ₹ 148.94 each due in May 2020 and June 2020, two instalments of ₹ 148.94 each due in May 2021 and June 2021 and two instalments of ₹ 119.15 each due in May 2022 and June 2022

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

S. N.	Description	31 December 2017	31 December 2016	01 January 2016	Repayment terms	
		Non-current	Current	Non-current	Current	
23	Term loan - 23	900.00	100.00	-	-	- Two instalments of ₹ 50 each due in May 2018 and June 2018, two instalments of ₹ 50 each due in May 2019 and June 2019, two instalments of ₹ 100 each due in May 2020 and June 2020, two instalments of ₹ 150 each due in May 2021 and June 2021 and two instalments of ₹ 150 each due in May 2022 and June 2022
		11,824.36	1,896.21	6,799.82	1,061.38	4,761.79 1,038.25

\*Loans repaid during the year ended 31 December 2017.

\*\*Loans repaid during the year ended 31 December 2016.

### 22. Other non-current financial liabilities

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Deferred revenue on government grant	45.98	12.24	13.16
	<b>45.98</b>	<b>12.24</b>	<b>13.16</b>

### 23. Provisions

(Refer Note 38)

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
<b>Non-current</b>			
Defined benefit liability (net)	463.63	395.75	274.73
Other long term employee obligations	194.91	143.71	109.43
	<b>658.54</b>	<b>539.46</b>	<b>384.16</b>
<b>Current</b>			
Defined benefit liability (net)	71.23	64.49	81.21
Other short term employee obligations	84.22	63.55	46.96
	<b>155.45</b>	<b>128.04</b>	<b>128.17</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 24. Trade payables

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Total outstanding dues of-			
Micro and small enterprises (Refer note 47)	8.71	7.23	1.44
Others	829.61	1,436.88	991.49
	<b>838.32</b>	<b>1,444.11</b>	<b>992.93</b>

### 25. Other current financial liabilities

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Current maturities of long-term debts (Refer note 21C)	2,883.23	1,882.92	1,828.88
Interest accrued but not due on borrowings	56.19	38.81	139.93
Current portion of deferred payment liabilities (Refer note 21D)	3,020.71	3,301.01	3,005.70
Payable for capital expenditure	237.51	52.64	231.33
Employee related payables	152.10	179.64	109.18
Unclaimed dividends#	0.06	-	-
Security deposits	1,154.97	1,291.13	1,175.44
Liability for foreign currency derivative contract*	25.85	17.52	-
Deferred revenue on government grant	1.19	-	-
Others	-	-	1.86
	<b>7,531.81</b>	<b>6,763.67</b>	<b>6,492.32</b>

\*The Company executed an agreement for a cross currency interest rate swap with the intention of reducing the foreign exchange risk of foreign currency borrowings. This contract are measured at fair value through profit or loss.

#Not due for deposit to the Investor Education Protection Fund.

### 26. Other current liabilities

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Advances from customers	676.98	919.56	566.39
Statutory dues payable	564.00	707.59	563.32
	<b>1,240.98</b>	<b>1,627.15</b>	<b>1,129.71</b>

### 27. Current tax liabilities (net)

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Provision for tax, net of prepaid taxes ₹ 341.23 (31 December 2016: ₹ 273.96, 01 January 2016: ₹ 234.32)	51.15	85.89	238.17
	<b>51.15</b>	<b>85.89</b>	<b>238.17</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

The key components of income tax expense for the year ended 31 December 2017 and 31 December 2016 are:

### A Statement of Profit and Loss:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016
(i) Profit and Loss section		
(a) Current tax	451.10	359.86
(b) Adjustment of tax relating to earlier periods	1.37	(2.14)
(c) Deferred tax	233.48	(110.59)
<b>Income tax expense reported in the Statement of Profit and Loss</b>	<b>685.95</b>	<b>247.13</b>
(ii) OCI section		
Deferred tax related to items recognised in OCI during the year:		
(a) Net loss/(gain) on remeasurements of defined benefit plans	3.39	(17.96)
<b>Income tax charged to OCI</b>	<b>3.39</b>	<b>(17.96)</b>

### B Reconciliation of tax expense between accounting profit at applicable tax rate and effective tax rate:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016
<b>Accounting profit before tax</b>	<b>3,041.93</b>	<b>1,142.10</b>
Tax expense at statutory income tax rate of 34.608% (31 December 2016: 34.608%)	1,052.75	395.26
Adjustments in respect of current income tax of previous years	1.37	(2.14)
Non deductible expenses	13.48	8.07
Deduction claimed u/s 32 AC of Income-tax Act, 1961	(185.78)	(72.75)
Deduction claimed u/s 80 IE of Income-tax Act, 1961	(210.04)	(93.16)
Effect of deferred tax on liabilities under business combinations	(7.21)	(0.75)
Effect of deferred tax on capital gain on assets classified as assets held for sale	59.14	-
Tax impact of income chargeable at lower tax rate	(32.96)	-
Others	(4.80)	12.60
<b>Income tax expense at effective tax rate reported in the Statement of Profit and Loss</b>	<b>685.95</b>	<b>247.13</b>

During the year ended 31 December 2017, the Company has paid dividend to its shareholders. This has resulted in payment of Dividend Distribution Tax to the taxation authorities. The Company believes that Dividend Distribution Tax represents additional payment to taxation authority on behalf of the shareholders. Hence, Dividend Distribution Tax paid is charged to equity.

## 28. Revenue from operations

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Sale of products (inclusive of excise duty)	33,564.71	35,199.59
Rendering of services to a subsidiary	295.05	242.44
Other operating revenue	1,045.82	311.09
	<b>34,905.58</b>	<b>35,753.12</b>

Sale of goods includes excise duty collected from customers of 4,281.07 million (31 December 2016: ₹ 5,957.10 million).

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 29. Other income

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Interest income on items at amortised cost:		
- bank deposits	0.18	1.00
- loan to subsidiaries	196.39	132.84
- others	15.96	64.99
Net gain on foreign currency transactions and translations	16.91	51.18
Profit on sale of current investments	0.44	0.97
Excess provisions written back	2.10	5.16
Guarantee commission/commission income from:		
- subsidiary	16.25	26.20
- others	0.80	1.86
Dividend income from non-current investment in subsidiary	190.45	190.45
Government grant income	1.41	0.92
Miscellaneous	34.43	33.64
	<b>475.32</b>	<b>509.21</b>

### 30. Cost of materials consumed

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
<b>Raw material and packing material consumed</b>		
Inventories at beginning of the year	1,757.17	1,510.79
Purchases during the year (net)	14,218.92	13,350.70
	15,976.09	14,861.49
Sold during the year	280.33	80.70
Inventories at end of the year	1,149.53	1,757.17
	<b>14,546.23</b>	<b>13,023.62</b>

### 31. Purchases of stock-in-trade

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Beverages	91.20	733.42
Others	67.71	70.05
	<b>158.91</b>	<b>803.47</b>

### 32. Changes in inventories of finished goods, work-in-progress and traded goods

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
<b>As at the beginning of the year</b>		
- Finished goods	355.59	454.34
- Intermediate goods	806.59	663.19

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
- Work in progress	85.13	86.16
	1,247.31	1,203.69
<b>As at the closing of the year</b>		
- Finished goods	305.66	355.59
- Intermediate goods	1,081.44	806.59
- Work in progress	69.78	85.13
	1,456.88	1,247.31
<b>Excise duty adjustment on inventories</b>	168.55	(24.12)
<b>Finished goods used as fixed assets*</b>	(283.92)	(148.94)
	<b>(662.04)</b>	<b>(168.44)</b>

\*The Company manufactures plastic shells at one of its manufacturing facilities at Alwar. The shells manufactured are used for beverages operations of the Company as property, plant and equipment (under the head containers). These containers are also sold to third parties. The cost of manufacturing of plastic shells is being shown here separately with a corresponding debit to property, plant and equipment.

### 33. Employee benefits expense

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Salaries, wages and bonus	2,878.63	2,534.70
Contribution to provident fund and other funds	165.23	140.29
Share based payment to employees	-	0.05
Staff welfare expenses	147.40	125.61
	<b>3,191.26</b>	<b>2,800.65</b>

### 34. Finance costs

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
<b>Interest on items at amortised cost:</b>		
- Term loans	1,090.40	919.72
- Working capital facilities	91.91	183.26
- Non-convertible debentures	194.29	552.97
- Financial liabilities	419.30	653.04
- Others	31.50	39.66
<b>Interest on item at FVTPL:</b>		
- Financial liabilities	-	1,479.32
<b>Other ancillary borrowing costs:</b>		
- Processing fees	89.74	58.57
	<b>1,917.14</b>	<b>3,886.54</b>



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 35. Depreciation and amortisation expense

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Depreciation on property, plant and equipment	2,702.37	2,460.41
Amortisation of intangible assets	34.05	34.15
	<b>2,736.42</b>	<b>2,494.56</b>

### 36. Other expenses

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
Power and fuel	1,303.83	1,242.03
Repairs to plant and equipment	546.88	522.79
Repairs to buildings	59.02	33.77
Other repairs	333.80	352.42
Consumption of stores and spares	318.23	308.40
Rent	207.11	201.68
Rates and taxes	31.35	32.47
Insurance	19.03	18.76
Printing and stationery	25.25	24.69
Communication	45.97	57.96
Travelling and conveyance	350.51	246.50
Directors' sitting fee	3.42	4.23
Payment to auditors*	11.26	14.05
Vehicle running and maintenance	79.51	102.44
Lease and hire	114.82	175.98
Security and service charges	154.37	143.60
Professional and consultancy	93.53	76.77
Bank charges	7.33	8.35
Advertisement and sales promotion	162.21	144.07
Meetings and conferences	6.35	6.04
Royalty	251.84	213.93
Freight, octroi and insurance paid (net)	1,212.42	1,527.18
Delivery vehicle running and maintenance	272.93	298.68
Distribution expenses	18.01	131.01
Loading and unloading charges	210.60	201.82
Donations	0.19	0.73
Property, plant and equipment written off	56.36	96.79
Loss on disposal of property, plant and equipment (net)	18.49	7.48
Bad debts and advances written off	79.87	3.64
Allowance for doubtful debts	32.21	31.88
Corporate social responsibility expenditure (Refer note 48)	27.73	10.69
General office and other miscellaneous	115.55	81.90
	<b>6,169.98</b>	<b>6,322.73</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### \*Payment to auditors

(₹ in million)

	Year ended 31 December 2017	Year ended 31 December 2016
<b>Services rendered for:</b>		
- Audit and reviews	10.31	7.68
- taxation matters	-	0.97
- company law matters	-	3.33
- other matters	0.15	0.42
- reimbursement of expenses	0.80	1.65
	<b>11.26</b>	<b>14.05</b>

Excludes expense of ₹ Nil (previous year ₹ 12.03) towards fee related to initial public offer of equity shares, which has been adjusted with the securities premium reserve as share issue expense.

### 37. Other comprehensive income (OCI)

The disaggregation of changes to OCI by each type of reserves in equity is shown below:

#### During the year ended 31 December 2017

(₹ in million)

	Retained earnings
Re-measurement gains/(losses) on defined benefit plans	9.78
Tax impact on re-measurement gains/(losses) on defined benefit plans	(3.39)
	<b>6.39</b>

#### During the year ended 31 December 2016

(₹ in million)

	Retained earnings
Re-measurement gains/(losses) on defined benefit plans	(51.88)
Tax impact on re-measurement gains/(losses) on defined benefit plans	17.96
	<b>(33.92)</b>

### 38. Gratuity and other post-employment benefit plans

All amounts in ₹ in million, unless otherwise stated

#### Gratuity:

The Company has a defined benefit gratuity plan governed by the Payments of Gratuity Act, 1972. Every employee who has completed five years or more of services is eligible for gratuity on separation at 15 days salary (last drawn salary) for each completed year of service. The Company has formed a Gratuity Trust to which contribution is made and an insurance policy is taken by the trust, which is a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all gratuity outgoes happening during the year (subject to sufficiency of funds under the policy). The policy, thus, mitigates the liquidity risk. However, being a cash accumulation plan, the duration of assets is shorter compared to the duration of liabilities. Thus, the Company is exposed to movement in interest rate ( particular, the significant fall in interest rates, which should result in an increase in liability without corresponding increase in the asset. The Company makes a provision of unfunded liability based on actuarial valuation in the Balance Sheet as part of employee cost.

#### Compensated absences:

The Company recognises the compensated absences expenses in the Statement of Profit and Loss based on actuarial valuation.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

The following tables summaries the components of net benefit expense recognized in the Statement of Profit and Loss and the funded status and amounts recognized in the balance sheet:

All amounts in ₹ in million, unless otherwise stated

	Gratuity			Compensated Absences		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
<b>Changes in present value are as follows:</b>						
Balance at the beginning of the year	489.09	362.10	173.29	207.26	156.39	104.77
Acquired on business combination	10.61	-	-	7.38	-	-
Past service cost	-	-	97.13	-	-	10.35
Current service cost	67.75	61.55	46.66	64.90	45.96	43.69
Interest cost	32.95	28.97	13.86	14.01	12.51	8.38
Benefits settled	(17.74)	(17.25)	(10.82)	(14.64)	(12.06)	(6.50)
Actuarial loss/(gain)	(9.16)	53.72	41.98	0.22	4.46	(4.30)
<b>Balance at the end of the year</b>	<b>573.50</b>	<b>489.09</b>	<b>362.10</b>	<b>279.13</b>	<b>207.26</b>	<b>156.39</b>

	Gratuity			Compensated Absences		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
<b>Change in fair value of plan assets are as follows:</b>						
Plan assets at the beginning of the year, at fair value	28.85	6.16	6.40	-	-	-
Expected income on plan assets	1.93	0.49	0.59	-	-	-
Actuarial gain/(loss)	0.62	1.84	(0.08)	-	-	-
Contributions by employer	21.63	31.56	1.19	-	-	-
Benefits settled	(14.39)	(11.20)	(1.94)	-	-	-
<b>Plan assets at the end of the year, at fair value</b>	<b>38.64</b>	<b>28.85</b>	<b>6.16</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Company has taken an insurance policy against its liability towards gratuity, the same has been disclosed as plan assets above.

	Gratuity			Compensated Absences		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>						
Present value of obligation	573.50	489.09	362.10	279.13	207.26	156.39
Fair value of plan assets	(38.64)	(28.85)	(6.16)	-	-	-
<b>Net liability recognised in the Balance Sheet</b>	<b>534.86</b>	<b>460.24</b>	<b>355.94</b>	<b>279.13</b>	<b>207.26</b>	<b>156.39</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

All amounts in ₹ in million, unless otherwise stated

	Gratuity		Compensated Absences	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Amount recognised in Statement of Profit and Loss:</b>				
Current service cost	67.75	61.55	64.90	45.96
Interest expense	32.95	28.97	14.01	12.51
Expected return on plan assets	(1.93)	(0.49)	-	-
Actuarial loss/(gain)	-	-	0.22	4.46
<b>Net cost recognised</b>	<b>98.77</b>	<b>90.03</b>	<b>79.13</b>	<b>62.93</b>

	Gratuity		Compensated Absences	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Amount recognised in Other Comprehensive Income:</b>				
Actuarial changes arising from changes in financial assumptions	(32.07)	41.01	-	-
Experience adjustments	22.91	12.71	-	-
Return on plan assets	(0.62)	(1.84)	-	-
<b>Amount recognised</b>	<b>(9.78)</b>	<b>51.88</b>	<b>-</b>	<b>-</b>

	Gratuity			Compensated Absences		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
<b>Assumptions used:</b>						
Mortality	IALM (2006-08) ultimate	IALM (2006-08) ultimate	IALM (2006-08) ultimate	IALM (2006-08) ultimate	IALM (2006-08) ultimate	IALM (2006-08) ultimate
Discount rate	7.50%	6.70%	8.00%	7.50%	6.70%	8.00%
Withdrawal rate	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Salary increase	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Rate of availing leave in the long run	-	-	-	20.00%	20.00%	20.00%
Retirement age (Years)	58-65	58-60	58-60	58-65	58-60	58-60
Rate of return on plan assets	7.84%	6.29%	8.75%	-	-	-

A quantitative sensitivity analysis for significant assumption as at 31 December 2017 is as shown below:

	Sensitivity level		Gratuity		Compensated Absences	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Discount rate	+1%	+1%	(35.85)	(32.14)	(6.85)	(5.24)
	-1%	-1%	40.61	36.66	7.26	5.57
Salary increase	+1%	+1%	38.51	34.49	6.90	5.25
	-1%	-1%	(34.78)	(30.97)	(6.64)	(5.04)
Withdrawal rate	+1%	+1%	(10.05)	(10.50)	(3.46)	(2.64)
	-1%	-1%	11.17	11.74	3.68	2.82

The sensitivity analysis above has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

All amounts in ₹ in million, unless otherwise stated

### Risk associated:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government Bonds Yield. If plan liability is funded and return on plan assets is below this rate, it will create a plan deficit.
Interest risk (discount rate risk)	A decrease in the bond interest rate (discount rate) will increase the plan liability.
Mortality risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. For this report we have used Indian Assured Lives Mortality (2006-08) ultimate table. A change in mortality rate will have a bearing on the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

The following payments are maturity profile of Defined Benefit Obligations in future years:

	Gratuity		Compensated Absences	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
i) Weighted average duration of the defined benefit obligation	11 years	11 years	-	-
ii) Duration of defined benefit obligation				
Duration (years)				
1	55.97	60.42	84.22	63.55
2	49.58	39.94	59.12	42.35
3	53.88	36.14	42.37	30.05
4	54.23	39.05	29.95	21.76
5	70.19	40.05	21.13	15.46
Above 5	289.67	273.49	42.35	34.10
	<b>573.52</b>	<b>489.09</b>	<b>279.14</b>	<b>207.27</b>
iii) Duration of defined benefit payments				
Duration (years)				
1	58.03	62.41	87.32	65.64
2	55.26	44.02	65.89	46.67
3	64.55	42.50	50.76	35.34
4	69.86	49.00	38.58	27.30
5	97.19	53.63	29.25	20.70
Above 5	737.71	628.75	74.94	56.96
	<b>1,082.60</b>	<b>880.31</b>	<b>346.74</b>	<b>252.61</b>

### 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 ₹ 165.23 (31 December 2016 ₹ 140.29)

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 39. Earnings per share (EPS)

All amounts in ₹ in million, unless otherwise stated

	31 December 2017	31 December 2016
Profit attributable to the equity shareholders	2,355.98	894.97
Weighted average number of equity shares outstanding during the year for calculating basic earning per share (nos.)	18,24,91,620	14,51,89,806
Employee stock options (nos.)	60,368	2,14,422
Conversion of the compulsorily convertible debentures and compulsorily convertible preference shares (nos.)	-	2,37,01,222
Weighted average number of equity shares for calculation of diluted earnings per share (nos.)	18,25,51,987	16,91,05,450
Nominal value per equity shares (₹)	10.00	10.00
Basic earnings per share (₹)	12.91	6.16
Diluted earnings per share (₹)	12.91	5.29

### 40. Dividend

(₹ in million)

	31 December 2017	31 December 2016
Interim dividend (Year ended on 31 December 2017: ₹ 2.50 per share, 31 December 2016: ₹ Nil)	456.29	-
Dividend distribution tax on interim dividend	92.89	-

### 41. Contingent liabilities and commitments

All amounts in ₹ in million, unless otherwise stated

	As at 31 December 2017	As at 31 December 2016
a. Guarantees issued on behalf of subsidiary and other companies#	959.44	1,226.05
b. Claims against the Company not acknowledged as debts (being contested):-		
i. For excise and service tax	120.54	91.01
ii. For sales tax / entry tax	26.89	614.61
iii. For income tax	3.13	3.13
iv Others*	229.03	230.74

#includes guarantees for loans given on behalf of subsidiaries for business purposes.

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

### 42. Capital commitments

All amounts in ₹ in million, unless otherwise stated

	As at 31 December 2017	As at 31 December 2016
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances of ₹ 292.54; 2016: ₹ 389.26).	1,286.69	2,135.42



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

**43.** 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 financial statements do not include any adjustments for the transfer pricing implications, if any.

### **44. Related party transactions**

Following are the related parties and transactions entered with related parties for the relevant financial year:

#### **i. List of related parties and relationships:-**

##### **I. Key managerial personnel (KMPs)**

Mr. Ravi Kant Jaipuria	Director and KMP of ultimate parent namely Ravi Kant Jaipuria & Sons (HUF)
Mr. Varun Jaipuria	Whole-time Director
Mr. Raj Pal Gandhi	Whole-time Director
Mr. Kapil Agarwal	Whole-time Director
Mr. Kamlesh Kumar Jain	Whole-time Director and Chief Financial Officer
Mr. Christopher White (till 28 March 2016)	Whole-time Director
Dr. Girish Ahuja	Non-executive independent director
Mr. Pradeep Sardana	Non-executive independent director
Mr. Ravindra Dhariwal	Non-executive independent director
Ms. Geeta Kapoor	Non-executive independent director
Mr. Rajesh Chopra	KMP of parent namely RJ Corp Limited
Mr. S.V. Singh	KMP of parent namely RJ Corp Limited
Mr. Ravi Batra (from 12 May 2017)	Company Secretary
Mr. Mahavir Prasad Garg (till 12 May 2017)	Company Secretary
Mrs. Monika Bhardwaj	Company Secretary of parent namely RJ Corp Limited

##### **II. Parent and ultimate parent**

RJ Corp Limited  
Ravi Kant Jaipuria & Sons (HUF)

##### **III. Subsidiaries/step down subsidiaries**

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 01 January 2016)
Varun Beverages Mozambique Limitada	Subsidiary (with effect from 01 January 2016 to 02 March 2017)
Varun Beverages (Zimbabwe) (Private) Limited	Subsidiary (with effect from 01 January 2016)
Ole Spring Bottlers (Private) Limited	Step down subsidiary

##### **IV. Fellow subsidiaries and entities controlled by parent\***

Parkview City Limited  
Devyani International Limited  
Devyani Food Industries Limited  
Alisha Retail Private Limited

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

Varun Food and Beverages Zambia Limited  
Arctic International Private Limited  
Wellness Holdings Limited  
SVS India Private Limited  
Devyani Food Street Private Limited

**V. Associate (or an associate of any member of the Company)**

Lunarmech Technologies Private Limited  
Angelica Technologies Private Limited

**VI. Relatives of KMPs\***

Mrs. Dhara Jaipuria  
Mrs. Asha Chopra  
Mrs. Shashi Jain  
Mrs. Rachna Batra

**VII. Entities in which a director or his/her relative is a member or director\***

Champa Devi Jaipuria Charitable Trust  
Diagno Labs Private Limited  
SMV Beverages Private Limited  
SMV Agencies Private Limited  
Alisha Torrent Closure Private Limited  
Nector Beverages Private Limited  
Steel City Beverages Private Limited  
Pearl Drinks Private Limited  
Jai Beverages Private Limited

**VIII. Entities which are post employment benefits plans**

VBL Employees Gratuity Trust

\*With whom the Company had transactions during the current year and previous year.

**ii. Transactions with KMP (Refer note 44A)**

**iii. Terms and conditions of transactions with related parties**

The sales to and purchases from related parties are made in the ordinary business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

**iv. Transactions with related parties (Refer note 44B)**

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 44 A. Transactions with KMPs

All amounts in ₹ in million, unless otherwise stated

	For year ended 2017	For year ended 2016
<b>I. Remuneration paid</b>		
Mr. Varun Jaipuria	29.42	24.02
Mr. Raj Pal Gandhi	38.34	31.08
Mr. Kapil Agarwal	44.74	39.25
Mr. Kamlesh Kumar Jain	11.25	7.53
Mr. Christopher White	-	10.45
Mr. Rajesh Chopra	7.72	6.60
Mr. Ravi Batra	4.25	-
Mr. Mahavir Prasad Garg	1.00	2.49
Mrs. Monika Bhardwaj	1.50	1.34
<b>II. Director sitting fees paid</b>		
Dr. Girish Ahuja	1.30	1.40
Mr. Pradeep Sardana	0.40	0.60
Mr. Ravindra Dhariwal	1.30	1.80
Ms. Geeta Kapoor	0.40	0.40
<b>III. Professional charges paid</b>		
Mr. S.V. Singh	2.48	0.75
<b>IV. IPO expenses incurred on behalf of KMP and recovered from them</b>		
Mr. Varun Jaipuria	-	63.63
<b>V. Dividend paid</b>		
Mr. Varun Jaipuria	97.94	-
Mr. Raj Pal Gandhi	1.06	-
Mr. Kapil Agarwal	1.05	-
Mr. Kamlesh Kumar Jain	0.05	-
<b>VI. Rent/ lease charges paid</b>		
Mr. S.V. Singh	0.19	0.12
<b>VII. Shares issued pursuant to exercise of ESOP</b>		
Mr. Raj Pal Gandhi	-	65.78
Mr. Kapil Agarwal	-	65.78
Mr. Kamlesh Kumar Jain	-	6.88
Mr. Rajesh Chopra	-	5.38
<b>VIII. Defined benefit obligation for KMP</b>		
<b>i. Gratuity</b>		
Mr. Varun Jaipuria	19.83	14.79
Mr. Raj Pal Gandhi	24.62	18.69
Mr. Kapil Agarwal	33.84	31.20
Mr. Kamlesh Kumar Jain	7.18	5.55

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

All amounts in ₹ in million, unless otherwise stated

	For year ended 2017	For year ended 2016
Mr. Ravi Batra	0.16	-
Mr. Rajesh Chopra	3.86	3.40
Mr. Mahavir Prasad Garg	-	0.22
Mrs. Monika Bhardwaj	0.34	0.27
<b>ii. Compensated absences</b>		
Mr. Varun Jaipuria	5.85	4.96
Mr. Raj Pal Gandhi	7.01	3.60
Mr. Kapil Agarwal	9.91	7.57
Mr. Kamlesh Kumar Jain	1.20	1.36
Mr. Ravi Batra	0.22	-
Mr. Rajesh Chopra	1.17	1.00
Mr. Mahavir Prasad Garg	-	0.37
Mrs. Monika Bhardwaj	0.23	0.21
<b>IX. Balances outstanding at the end of the year, net</b>		
Mr. Varun Jaipuria	-	(1.31)
Mr. Raj Pal Gandhi	-	(1.13)
Mr. Kapil Agarwal	-	(1.72)
Mr. Kamlesh Kumar Jain	-	(0.28)
Mr. Rajesh Chopra	8.00	-
Mrs. Monika Bhardwaj	0.13	-



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

#### 44B. Transactions with related parties

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

[illegible]

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

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

Description	Parent and ultimate parent		Subsidiaries/ Step down subsidiary		Fellow subsidiaries and entities controlled by parent		Associate (or an associate of any member of the Company)		Relatives of KMPs		Entities in which a director or his/her relative is a member or director		Entities which are post employment benefits plans		Total	
	For year ended		For year ended		For year ended		For year ended		For year ended		For year ended		For year ended		For year ended	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Purchase of goods</b>																
- Lunarmech Technologies Private Limited	-	-	-	-	-	-	383.54	426.07	-	-	-	-	-	-	383.54	426.07
- Nector Beverages Private Limited	-	-	-	-	-	-	-	-	-	-	1.06	29.52	-	-	1.06	29.52
- Pearl Drinks Private Limited	-	-	-	-	-	-	-	-	-	-	126.40	44.28	-	-	126.40	44.28
<b>Purchase of stores</b>																
- Alisha Retail Private Limited	-	-	-	-	0.76	-	-	-	-	-	-	-	-	-	0.76	-
<b>Promotional charges paid</b>																
- Alisha Retail Private Limited	-	-	-	-	10.70	-	-	-	-	-	-	-	-	-	10.70	-
<b>Loan given</b>																
- Varun Beverages Morocco SA	-	-	709.59	648.76	-	-	-	-	-	-	-	-	-	-	709.59	648.76
- Varun Beverages (Zambia) Limited	-	-	514.24	387.79	-	-	-	-	-	-	-	-	-	-	514.24	387.79
- Varun Beverages Mozambique Limitada	-	-	-	120.98	-	-	-	-	-	-	-	-	-	-	-	120.98
- Varun Beverages (Zimbabwe) (Private) Limited	-	-	108.66	135.66	-	-	-	-	-	-	-	-	-	-	108.66	135.66
- Parkview City Limited	-	-	-	-	-	5,959.70	-	-	-	-	-	-	-	-	-	5,959.70
<b>Interest received/ (paid) (net)</b>																
- Varun Beverages Morocco SA	-	-	108.73	93.35	-	-	-	-	-	-	-	-	-	-	108.73	93.35
- Varun Beverages Mozambique Limitada	-	-	0.81	1.80	-	-	-	-	-	-	-	-	-	-	0.81	1.80
- Varun Beverages (Zimbabwe) (Private) Limited	-	-	10.23	1.05	-	-	-	-	-	-	-	-	-	-	10.23	1.05
- Varun Beverages (Zambia) Limited	-	-	33.35	7.95	-	-	-	-	-	-	-	-	-	-	33.35	7.95
- Parkview City Limited	-	-	-	-	-	45.10	-	-	-	-	-	-	-	-	-	45.10





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

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## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

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

Description	Parent and ultimate parent		Subsidiaries/ Step down subsidiary		Fellow subsidiaries and entities controlled by parent		Associate (or an associate of any member of the Company)		Relatives of KMPs		Entities in which a director or his/her relative is a member or director		Entities which are post employment benefits plans		Total	
	For year ended		For year ended		For year ended		For year ended		For year ended		For year ended		For year ended		For year ended	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Travelling expenses paid</b>																
- Wellness Holdings Limited	-	-	-	-	84.40	47.37	-	-	-	-	-	-	-	-	84.40	47.37
<b>Investment in equity shares</b>																
- Varun Beverages (Zimbabwe) (Private) Limited	-	-	-	0.06	-	-	-	-	-	-	-	-	-	-	-	0.06
- Varun Beverages (Zambia) Limited	-	-	719.16	1,755.21	-	-	-	-	-	-	-	-	-	-	719.16	1,755.21
- Varun Beverages Mozambique Limitada	-	-	-	0.13	-	-	-	-	-	-	-	-	-	-	-	0.13
<b>Dividend paid</b>																
- RJ Corp Limited	125.35	-	-	-	-	-	-	-	-	-	-	-	-	-	125.35	-
- Ravi Kant Jaipuria & Sons ( HUF)	97.97	-	-	-	-	-	-	-	-	-	-	-	-	-	97.97	-
<b>Service rendered: Technical know-how fees</b>																
- Varun Beverages (Nepal) Private Limited	-	-	196.70	161.63	-	-	-	-	-	-	-	-	-	-	196.70	161.63
<b>(Expenses incurred by the Company on behalf of others)/ expenses incurred by others on behalf of the Company</b>																
- Varun Beverages (Nepal) Private Limited	-	-	(0.43)	(0.02)	-	-	-	-	-	-	-	-	-	-	(0.43)	(0.02)
- Ole Spring Bottlers (Private) Limited	-	-	-	(2.04)	-	-	-	-	-	-	-	-	-	-	-	(2.04)
- Varun Beverages Mozambique Limitada	-	-	-	3.67	-	-	-	-	-	-	-	-	-	-	-	3.67
- Devyani International Limited	-	-	-	-	(2.95)	(0.05)	-	-	-	-	-	-	-	-	(2.95)	(0.05)
- RJ Corp Limited	(0.09)	(5.59)	-	-	-	-	-	-	-	-	-	-	-	-	(0.09)	(5.59)
- Devyani Food Industries Limited	-	-	-	-	(2.54)	(2.89)	-	-	-	-	-	-	-	-	(2.54)	(2.89)
- Alisha Torrent Closure Private Limited	-	-	-	-	-	-	-	-	-	-	(8.05)	-	-	-	-	(8.05)
- Nector Beverages Private Limited	-	-	-	-	-	-	-	-	-	-	(0.62)	0.67	-	-	(0.62)	0.67

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017



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

[illegible]

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

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

Description	Parent and ultimate parent		Subsidiaries/ Step down subsidiary		Fellow subsidiaries and entities controlled by parent		Associate (or an associate of any member of the Company)		Relatives of KMPs		Entities in which a director or his/her relative is a member or director		Entities which are post employment benefits plans		Total	
	For year ended		For year ended		For year ended		For year ended		For year ended		For year ended		For year ended		For year ended	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Purchase of fixed assets</b>																
- Devyani Food Industries Limited	-	-	-	-	3.21	-	-	-	-	-	-	-	-	-	3.21	-
<b>Sale of fixed assets</b>																
- Varun Beverages (Nepal) Private Limited	-	-	48.48	17.04	-	-	-	-	-	-	-	-	-	-	48.48	17.04
- Varun Beverages Lanka (Private) Limited	-	-	4.77	18.27	-	-	-	-	-	-	-	-	-	-	4.77	18.27
- Varun Beverages (Zimbabwe) (Private) Limited	-	-	202.76	-	-	-	-	-	-	-	-	-	-	-	202.76	-
<b>Contribution to gratuity trust</b>																
VBL Employees Gratuity Trust	-	-	-	-	-	-	-	-	-	-	-	-	21.67	31.56	21.67	31.56
<b>Acquisitions of controlling stakes in subsidiaries</b>																
- Arctic International Private Limited	-	-	-	-	-	1,671.13	-	-	-	-	-	-	-	-	-	1,671.13
<b>Purchase of businesses</b>																
- SMV Beverages Private Limited	-	-	-	-	-	-	-	-	-	-	832.00	-	-	-	832.00	-
- SMV Agencies Private Limited	-	-	-	-	-	-	-	-	-	-	470.00	-	-	-	470.00	-
<b>Advance paid for acquisition of new territories</b>																
- SMV Beverages Private Limited	-	-	-	-	-	-	-	-	-	-	210.60	-	-	-	210.60	-
- SMV Agencies Private Limited	-	-	-	-	-	-	-	-	-	-	40.00	-	-	-	40.00	-
- Steel City Beverages Private Limited	-	-	-	-	-	-	-	-	-	-	10.00	-	-	-	10.00	-
<b>Loan written off</b>																
- Varun Beverages Mozambique Limitada	-	-	64.52	-	-	-	-	-	-	-	-	-	-	-	64.52	-



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

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

[illegible]

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

45. 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 ₹ 321.93 (31 December 2016 ₹ 377.66) 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:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Payable within one year	17.78	16.93	5.90
Payable between one and five years	34.03	44.01	27.66
Payable after five years	1.95	9.75	17.54
<b>Total</b>	<b>53.76</b>	<b>70.69</b>	<b>51.10</b>

46. The business activities of the Company predominantly fall within a single reportable business segment, i.e., manufacturing and sale of beverages within India. There are no separately reportable business or geographical segments that meet the criteria prescribed in Ind AS 108 on Operating Segments. The aforesaid is in line with review of operating results by the chief operating decision maker. The sale of products of the Company is seasonal.

### 47. Dues to Micro and Small Enterprises

The dues to Micro and Small Enterprises as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent information available with the Company is given below:

(₹ in million)

Particulars	31 December 2017	31 December 2016	01 January 2016
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year			
Principal amount due to micro and small enterprises	8.71	7.23	1.44
Interest due on above	0.12	0.01	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	0.43	0.24	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	0.55	0.25	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	0.55	0.25	-



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 48. Details of Corporate Social Responsibility (CSR) expenditure

In accordance with the provisions of section 135 of the Companies Act, 2013, the Board of Directors of the Company had constituted CSR Committee. The details for CSR activities.

(₹ in million)

Particulars	For the year ended 31 December 2017	For the year ended 31 December 2016
a) Gross amount required to be spent by the Company during the year	27.63	10.69
b) Amount spent during the year on the following		
1. Construction / Acquisition of any asset	-	-
2. On purpose other than 1 above	27.73	10.69

Refer note 44B for amounts paid to Champa Devi Jaipuria Charitable Trust towards contribution for "Shiksha Kendra" for the education of poor and under privileged children and to Diagno Labs Private Limited for free health check-up camps.

49. During the year ended 31 December 2016, the 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 reimbursed by the selling shareholders in the proportion of shares offered for sale by the selling shareholders to total shares offered for IPO for all expenses except for expenses exclusively related to the Company.

50. During the year ended 31 December 2016, pursuant to Initial Public Offering (IPO), 25,000,000 equity shares of ₹ 10 each were allotted at a premium of ₹ 435 per share consisting of fresh issue of 15,000,000 equity shares and offer for sale of 10,000,000 equity shares by the selling shareholders for the purpose of repayment of debts and general corporate purposes. The Audit Committee and the Board of Directors noted the utilisation of funds raised through fresh issue of equity shares pursuant to IPO to be in line with the objects of the issue, the details of which are as follows:

(₹ in million)

Particulars	Amount
Gross proceeds received from IPO	6,675.00
Less: Share issue expenses	222.15
Net proceeds received from IPO	6,452.85
Amount utilised for:	
Repayment of debts	(5,400.00)
General corporate purposes	(1,052.85)
<b>Unutilised amount as at 31 December 2016</b>	<b>-</b>

### 51. Acquisitions and disposals

Acquisitions and disposals during the year ended 31 December 2017

#### A. Acquisition of business

The Company acquired PepsiCo India's previously franchised territories in the parts of Madhya Pradesh and State of Odisha along with two manufacturing units at Bargarh and Bhopal (Mandideep) from other franchisees for a total purchase consideration of ₹ 470.00 and ₹ 832.00 respectively on a slump sale basis. The aforesaid purchase consideration excludes adjustment for working capital taken over as part of business.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

The details of the business combination are as follows:

(₹ in million)

Particulars	Madhya Pradesh	Odisha
Name of seller	SMV Beverages, a unit of SMV Agencies Private Limited	SMV Beverages Private Limited
Acquisition date	27 September 2017	26 September 2017
<b>Recognised amounts of identifiable net assets</b>		
Property, plant and equipment	238.85	333.27
Other intangible assets (Franchisee rights)	272.85	531.42
<b>Total non-current assets (a)</b>	<b>511.70</b>	<b>864.69</b>
Employee benefits payable	(14.64)	(6.55)
Security deposits from distributors	(29.54)	(43.06)
<b>Total non-current liabilities (b)</b>	<b>(44.18)</b>	<b>(49.61)</b>
Net consideration	467.52	815.08
<b>Net current assets acquired</b>		
Other current liabilities	(107.29)	(87.48)
Other current assets	7.51	9.26
<b>Net Working Capital (c)</b>	<b>(99.78)</b>	<b>(78.22)</b>
<b>Identifiable net assets (d = a+b+c)</b>	<b>367.74</b>	<b>736.86</b>
<b>Amount paid (e)</b>	<b>370.22</b>	<b>753.78</b>
<b>Goodwill (e - d)</b>	<b>2.48</b>	<b>16.92</b>

### Goodwill

Goodwill of ₹ 19.40 is primarily relates to growth expectations, expected future profitability, Goodwill has been allocated to the beverages segment and is deductible for tax purposes.

### B. Acquisition of 30% stake in Varun Beverages (Zambia) Limited

The Company increased its controlling stake in its existing subsidiary company namely, Varun Beverages (Zambia) Limited from existing 60% up to 90% by acquiring further 15,000 shares from the existing shareholders (Multi Treasure Ltd.: 9,200 shares and Africa Bottling Company Ltd.: 5,800 shares) for a consideration of ₹ 719.16 million on 20 February 2017.

### C. Disposal of 41% stake in Varun Beverages Mozambique Limitada

The Company sold 41% equity quota of Varun Beverages Mozambique Limitada to reduce its stake from 51% down to 10% for a consideration of ₹ 0.11 on 02 March 2017. This transaction did not have any material impact on these financial statements.

### Acquisitions during the year ended 31 December 2016

### D. Acquisition of business

The Company had acquired two beverages manufacturing units located at Phillaur (Punjab) and Satharia (Uttar Pradesh) for a total consideration of ₹ 574.00 and ₹ 500.00 respectively on a slump sale basis.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

The details of the business combination are as follows:

(₹ in million)

Particulars	Phillaur (Punjab)	Sathariya (Uttar Pradesh)
Name of seller	Dhillon Kool Drinks & Beverages Private Limited	NRVS Enterprises Private Limited
Acquisition date	28 March 2016	22 September 2016
<b>Recognised amounts of identifiable net assets</b>		
Property, plant and equipment	564.19	493.56
<b>Total non-current assets (a)</b>	<b>564.19</b>	<b>493.56</b>
Employee benefits payable	(0.74)	(1.32)
<b>Total non-current liabilities (b)</b>	<b>(0.74)</b>	<b>(1.32)</b>
<b>Net current assets acquired</b>		
Inventories	28.90	6.12
Other current assets	5.05	1.64
Trade payable	(23.14)	-
Other liabilities	(0.26)	-
<b>Net working capital (c)</b>	<b>10.55</b>	<b>7.76</b>
<b>Identifiable net assets (a) + (b) + (c)</b>	<b>574.00</b>	<b>500.00</b>

### Purchase consideration transferred

(₹ in million)

Particulars	Phillaur (Punjab)	Sathariya (Uttar Pradesh)
Amount paid	574.00	500.00
<b>Total</b>	<b>574.00</b>	<b>500.00</b>

### E. During the year ended 31 December 2016, the Company had acquired controlling stakes in entities which own manufacturing facilities and distribution rights of carbonated drinks of Pepsi brand in the Republics of Mozambique and Zambia.

Name of entity	Name of seller	Percentage of ownership	Date of acquisition	Purchase consideration
Varun Beverages (Zambia) Limited	Arctic International Private Limited	60%	01 January 2016	1,755.21
Varun Beverages Mozambique Limitada	Arctic International Private Limited	51%	01 January 2016	0.13

### F. The Company, on April 05, 2016, vide shareholders agreement has acquired eighty five percent controlling interest in Varun Beverages (Zimbabwe) (Private) Limited for a total consideration of ₹ 0.06.

## 52. Share-based payments

### Description of share based payments arrangements

During the year ended 31 December 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.

### A. Employee Stock Option Plan 2013 (ESOP 2013)

The ESOP 2013 ("the Plan") was approved by the Board of Directors and the shareholders on 13 May 2013 and further amended by Board of Directors on 01 December 2015. The plan entitles key managerial personnel and employees of the

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

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., 13 May 2013.

The expense recognised for employee services received during the respective years is shown in the following table:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Expense arising from equity-settled share-based payment transactions	-	0.05
<b>Total expense arising from share-based payment transactions</b>	<b>-</b>	<b>0.05</b>

### Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and changes in, share options during the year:

Particulars	31 December 2017		31 December 2016	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	352,700	149.51	2,675,400	149.51
Options exercised during the year	(274,415)	149.51	(2,264,700)	149.51
Expired/lapsed during the year	-	-	(58,000)	149.51
<b>Outstanding at the end of the year</b>	<b>78,285</b>		<b>352,700</b>	
Exercisable at the end of the year	78,285	-	352,700	-

The fair values of options granted under new plan were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The following principal assumptions were used in the valuation:

Particulars	31 December 2017		31 December 2016	
	Options vested and exercised	Options vested and unexercised	Options vested	Options to be vested
Number of options	2,006,550	668,850	2,006,550	668,850
Fair value on grant date (₹)	65.92	66.44	65.92	66.44
Share price at grant date (₹)	147.83	147.83	147.83	147.83
Fair value at exercise date (₹)	361.42	361.42	-	-
Exercise price (₹)	149.51	149.51	149.51	149.51
Expected volatility	16.63%	16.63%	16.63%	16.63%
Expected life	7.56 years	7.64 years	7.56 years	7.64 years
Expected dividends	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	7.53%	7.53%	7.53%	7.53%

### Particulars of Scheme

Name of scheme	Employee Stock Option Plan 2013
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')

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

	668,850 options on first day of January of the calendar year following the third vesting ('Fourth vesting')
	Notwithstanding any other clause of this Plan, no vesting shall occur until 01 December 2015 or fourth vesting, whichever is earlier
Exercise period	Stock options can be exercised within a period of 5 years from the date of vesting.
Number of share options	2,675,400
Exercise price	149.51
Method of settlement	Equity
Fair value on the grant date	Options vested: ₹ 65.92 Options to be vested : ₹ 66.44
Remaining life as on 31 December 2017	2.94 years
Remaining life as on 31 December 2016	3.94 years

The following share options were exercised during the year:

	Options series	Number Exercised	Share Price at Exercise date	Exercise date
Granted on 13 May 2013	ESOP 2013	99,400	₹ 404.78	20 February 2017
Granted on 13 May 2013	ESOP 2013	98,200	₹ 473.90	24 April 2017
Granted on 13 May 2013	ESOP 2013	46,815	₹ 514.64	11 August 2017
Granted on 13 May 2013	ESOP 2013	27,000	₹ 510.98	25 September 2017
Granted on 13 May 2013	ESOP 2013	3,000	₹ 512.51	11 October 2017

The following share options were exercised during the Financial Year:

	Options series	Number Exercised	Share Price at Exercise date	Exercise date
Granted on 13 May 2013	ESOP 2013	1,903,700	Stock not listed on exercise date	31 March 2016
Granted on 13 May 2013	ESOP 2013	361,000	₹ 435.77	01 December 2016

### B. Employee Stock Option Plan 2016 ("ESOS 2016")

The ESOS 2016 ("the Scheme") was approved by the Board of Directors and the shareholders on 27 April 2016. The Scheme entitles key managerial personnel and employees of the Company and its subsidiaries to purchase shares in the Company at the stipulated exercise price, subject to compliance with vesting conditions. Stock options can be settled by issue of equity shares. No options under this Scheme have been granted in the financial year ended 31 December 2017.

### 53. Capital management

For the purpose of the Company's capital management, capital includes issued equity share capital, instruments compulsorily convertible into equity, share premium and all other equity reserves. The primary objective of the Company's capital management is to maximise the shareholder value and provide adequate returns to shareholders.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions, the requirements of the financial covenants and the risk characteristics of the underlying assets.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

The amounts managed as capital by the Company for the reporting periods are summarised as follows:

(₹ in million)

Particulars	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Non-current borrowings other than compulsorily convertible preference shares and compulsorily convertible debentures (Refer note 21A)	16,017.84	11,231.27	15,838.96
Current borrowings (Refer note 21B)	1,925.88	1,482.55	681.00
Current portion of deferred payment liabilities (Refer note 21D)	3,020.71	3,301.01	3,005.70
Current maturities of long-term debts (Refer note 21C)	2,883.23	1,882.92	1,828.88
	<b>23,847.66</b>	<b>17,897.75</b>	<b>21,354.54</b>
Less: Cash and cash equivalents (Refer note 14)	312.64	148.65	189.26
<b>Net debt</b>	<b>23,535.02</b>	<b>17,749.10</b>	<b>21,165.28</b>
Equity share capital (Refer note 19)	1,825.87	1,823.13	1,337.66
Other equity (Refer note 20)	21,142.14	19,544.24	366.59
Compulsorily convertible preference shares (Refer note 21A)	-	-	4,127.93
Compulsorily convertible debentures (Refer note 21A)	-	-	8,174.70
<b>Total capital</b>	<b>22,968.01</b>	<b>21,367.37</b>	<b>14,006.88</b>
<b>Capital and net debt</b>	<b>46,503.03</b>	<b>39,116.47</b>	<b>35,172.16</b>
<b>Gearing ratio</b>	<b>50.61%</b>	<b>45.38%</b>	<b>60.18%</b>

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any borrowing in the reporting periods.

### 54. Assets pledged as security

The carrying amount of assets pledged as security are:

(₹ in million)

Particulars	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Inventories and trade receivable (Refer note 12 & 13)	4,103.60	4,071.15	3,991.92
Other bank deposits (Refer note 15)	0.06	0.74	6.58
Other intangible assets (Refer note 5)	4,355.84	3,563.77	3,563.27
Property, plant and equipment (Refer note 4)	28,404.80	26,351.55	24,695.50
Capital work-in-progress (Refer note 4)	119.69	689.37	320.27

### 55. Recent accounting pronouncements (Ind AS issued but not yet effective)

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are applicable to the Company from accounting periods beginning on or after 01 April 2017, i.e., from financial year 2018.

#### Amendment to Ind AS 7:

The amendments to Ind AS 7 inter-alia require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

The Company is evaluating the requirements of the amendment and the effect on the financial statements.

### Amendment to Ind AS 102:

The amendments to Ind AS 102 inter-alia provide specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes. The requirements of the amendment have no material impact on these financial statements.

### 56. Information under Section 186 (4) of the Companies Act, 2013 and Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements), 2015

(₹ in million)

i)	Name of the Loanee	Rate of Interest	Secured/ Unsecured	Maximum balance outstanding during the year 2017	As at 31 December 2017	Maximum balance outstanding during the year 2016	As at 31 December 2016	As at 01 January 2016
	Varun Beverages Morocco SA	3.50% + Libor	Unsecured	2,681.03	2,303.19	2,539.24	2,292.58	2,144.31
	Varun Beverages Lanka (Private) Limited	Zero to 2% + Libor	Unsecured	2,448.52	2,448.52	1,211.35	1,211.35	561.29
	Varun Beverages (Zambia) Limited	4% + Libor	Unsecured	392.63	370.14	396.77	393.46	-
	Varun Beverages (Zambia) Limited	2% + Libor	Unsecured	503.24	492.24	-	-	-
	Varun Beverages Mozambique Limitada (Refer note 51)	4%	Unsecured	-	-	123.35	122.31	-
	Varun Beverages (Zimbabwe) (Private) Limited	4% + Libor	Unsecured	233.33	233.33	135.91	135.91	-

The above loans are given for business purposes.

(₹ in million)

ii)	Name of the Investee	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
	Varun Beverages Morocco SA	3,090.37	2,542.83	1,993.39
	Varun Beverages (Nepal) Private Limited	171.56	171.56	171.56
	Varun Beverages Lanka (Private) Limited	235.17	235.17	235.17
	Varun Beverages (Zambia) Limited	2,474.37	1,755.21	-
	Varun Beverages Mozambique Limitada (Refer note 51)	-	0.13	-
	Varun Beverages (Zimbabwe) (Private) Limited	0.06	0.06	-

The above investments are made for business purposes.

(₹ in million)

iii)	Guarantees outstanding, given on behalf of	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
	Varun Beverages Lanka (Private) Limited	-	1,225.51	1,468.19
	Varun Beverages (Zimbabwe) (Private) Limited	958.91	-	-

The above financial guarantees are given on behalf of subsidiaries for business purposes.

All transactions are in the ordinary course of business.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 57. Financial instruments risk

#### Financials risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The main types of financial risks are market risk, credit risk and liquidity risk.

The management of the Company monitors and manages the financial risks relating to the operations of the Company on a continuous basis. The Company's risk management is coordinated at its head office, in close cooperation with the management, and focuses on actively securing the Company's short to medium-term cash flows and simultaneously minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

#### 57.1. Market risk analysis

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating, investing and financing activities. Contracts to hedge exposures in foreign currencies, interest rates etc. are entered into wherever considered necessary by the management.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The functional currency of the Company is Indian Rupees ('INR' or '₹'). Most of the Company's transactions are carried out in Indian Rupees. Exposures to currency exchange rates mainly arise from the Company's overseas sales and purchases, lending to overseas subsidiary companies, external commercial borrowings etc. which are primarily denominated in US Dollars ('USD'), Euro and Pound Sterling ('GBP').

The Company has limited exposure to foreign currency risk and thereby it mainly relies on natural hedge. To further mitigate the Company's exposure to foreign currency risk, non-INR cash flows are continuously monitored and hedging contracts are entered into wherever considered necessary.

The carrying amounts of the Company's foreign currency denominated monetary items are restated at the end of each reporting period. Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are as follows:

	(in million)		
	USD	GBP	Euro
<b>31 December 2017</b>			
Financial assets			
(i) Loans (non-current)			
(a) Loans to related parties	53.17	-	-
(i) Trade receivables (current)	3.35	-	-
(ii) Other financial assets (current)			
(a) Interest accrued on loan to related parties	4.07	-	-
(b) Guarantee commission receivable	0.27	-	-
(c) Other receivables	0.88	-	-
<b>Total financial assets</b>	<b>61.74</b>	<b>-</b>	<b>-</b>
Financial liabilities			
(i) Borrowings (non-current)	-	-	-
(a) Deferred payment liabilities	-	-	5.42
(i) Trade payables (current)	1.55	0.00*	0.27
<b>Total financial liabilities</b>	<b>1.55</b>	<b>0.00</b>	<b>5.69</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(in million)

	USD	GBP	Euro
<b>31 December 2016</b>			
Financial assets			
(i) Loans (non-current)			
(a) Loans to related parties	43.33	-	-
(i) Trade receivables (current)	1.54	-	-
(ii) Other financial assets (current)			
(a) Interest accrued on loan to related parties	2.14	-	-
(b) Guarantee commission receivable	0.27	-	-
<b>Total financial assets</b>	<b>47.28</b>	<b>-</b>	<b>-</b>
Financial liabilities			
(i) Trade payables (current)	2.53	0.00*	-
<b>Total financial liabilities</b>	<b>2.53</b>	<b>0.00</b>	<b>-</b>

(₹ in million)

	USD	GBP	Euro
<b>As at 01 January 2016</b>			
Financial assets			
(i) Loans (non-current)			
(a) Loans to related parties	32.33	-	-
(i) Trade receivables (current)	2.75	-	-
(ii) Other financial assets (current)			
(a) Interest accrued on loan to related parties	0.76	-	-
(b) Guarantee commission receivable	1.51	-	-
<b>Total financial assets</b>	<b>37.35</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>			
(i) Borrowings (non-current)	16.25	-	-
(ii) Trade payables (current)	6.15	-	0.02
(iii) Other (current)			
(a) Interest payable (current)	0.06	-	-
	<b>22.46</b>	<b>-</b>	<b>0.02</b>

\*Rounded off to Nil

The following table illustrates the foreign currency sensitivity of profit and equity in regards to the Company's financial assets and financial liabilities considering 'all other things being equal' and ignoring the impact of taxation. It assumes a +/- 1% change of the INR/USD exchange rate for the year ended at 31 December 2017 (31 December 2016: 1%) and a +/- 1% change is considered for the INR/GBP and INR/Euro exchange rates (31 December 2016: 1%). These are the sensitivity rates used when reporting foreign currency exposures internally to the key management personnel and represents management's assessment of the reasonably possible changes in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at end of each period reported upon. A positive number indicates an increase in profit or equity and vice-versa.

If the INR had strengthened against the USD by 1% (31 December 2016: 1%) Euro by 1% (31 December 2016: 1%), and GBP by 1% (31 December 2016: 1%), the following would have been the impact:

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(in million)

	Profit for the year			Equity		
	USD	GBP	Euro	USD	GBP	Euro
<b>31 December 2017</b>	(38.47)	0.00*	4.35	(38.47)	0.00*	4.35
<b>31 December 2016</b>	(30.41)	0.00*	-	(30.41)	0.00*	-

\*Rounded off to Nil.

If the INR had weakened against the USD by 1% (31 December 2016: 1%) EURO by 1% (31 December 2016: 1% and 01 January 2016: 1%) and GBP by 1% (31 December 2016: 1%), the following would have been the impact:

(in million)

	Profit for the year			Equity		
	USD	GBP	Euro	USD	GBP	Euro
<b>31 December 2017</b>	38.47	0.00*	(4.35)	38.47	0.00*	(4.35)
<b>31 December 2016</b>	30.41	0.00*	-	30.41	0.00*	-

\*Rounded off to Nil.

Exposures to foreign exchange rates vary during the year depending on the volume of the overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. The Company is exposed to changes in market interest rates as some of the bank and other borrowings are at variable interest rates and also loans have been advanced to subsidiary companies at variable interest rates. All the Company's term deposits are at fixed interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (31 December 2016: +/- 1%). These changes are considered to be reasonably possible based on management's assessment. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

(₹ in million)

	Profit for the year		Equity	
	+1%	-1%	+1%	-1%
<b>31 December 2017</b>	(142.81)	142.81	(142.81)	142.81
<b>31 December 2016</b>	(84.32)	84.32	(84.32)	84.32

### Commodity price risk

The Company is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase of pet chips and sugar and therefore require a continuous supply. In view of volatility of pet chips and sugar prices, the Company also executes into various purchase contracts.

### Commodity price sensitivity

The following tables shows the effect of price change in sugar and pet chips

(₹ in million)

Particulars	Change in yearly average price		Effect on profit before tax	
	+1%	-1%	+1%	-1%
<b>31 December 2017</b>				
Sugar	+1%	-1%	(49.11)	49.11
Pet chips	+1%	-1%	(17.72)	17.72

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

Particulars	Change in yearly average price		Effect on profit before tax	
<b>31 December 2016</b>				
Sugar	+1%	-1%	(45.75)	45.75
Pet chips	+1%	-1%	(14.29)	14.29

### Other price sensitivity

The Company is not exposed to any listed equity or listed debt price risk as it does not hold any investments in listed entities..

### 57.2. Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is operating through a network of distributors and other distribution partners based at different locations. The Company is exposed to this risk for various financial instruments, for example loans granted, receivables from customers, deposits placed etc. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at end of each reporting period, as summarised below:

(₹ in million)

	As at 31 December 2017	As at 31 December 2016	As at 01 January 2016
Classes of financial assets-carrying amounts:			
Investments (non-current)	0.04	0.01	0.01
Loans to related parties	6,024.90	4,307.67	2,841.22
Trade receivables	946.90	471.44	484.07
Cash and cash equivalents	312.64	148.65	189.26
Bank balances other than mention above	0.06	0.74	6.58
Other financial assets (current and non-current)	1,382.52	366.46	390.42
	<b>8,667.06</b>	<b>5,294.97</b>	<b>3,911.56</b>

The Company continuously monitors receivables and defaults of customers and other counterparties, and incorporates this information into its credit risk controls. Appropriate security deposits are kept against the supplies to customers and balances are reconciled at regular intervals. The Company's policy is to deal only with creditworthy counterparties.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty. Trade receivables consist of a large number of customers of various scales and in different geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables. In case the receivables are not recovered even after regular follow up, measures are taken to stop further supplies to the concerned customer.

The credit risk for cash and cash equivalents, bank deposits including interest accrued thereon and Government grant receivables is considered negligible, since the counterparties are reputable banks with high quality external credit ratings and State Government bodies. The credit risk for loans advanced to subsidiary companies including interest accrued thereon is also considered negligible since operations of these entities are regularly monitored by the Company and these companies have shown considerable growth.

In respect of financial guarantees provided by the Company, the maximum exposure which the Company is exposed to is the maximum amount which the Company would have to pay if the guarantee is called upon. Based on the expectation at the end of each reporting period, the Company considers that it is more likely than not that such an amount will not be payable under the guarantees provided.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 57.3. Liquidity risk analysis

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities and considering the maturity profiles of financial assets and other financial liabilities as well as forecast of operational cash inflows and outflows. Liquidity needs are monitored in various time bands, on a day-to-day basis, a week-to-week basis and a month-to-month basis. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls.

Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the Company's ability to avail further credit facilities subject to creation of requisite charge on its assets. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

As at 31 December 2017, the Company's non-derivative financial liabilities have contractual maturities (excluding interest payments thereon) as summarised below:

(₹ in million)

<b>31 December 2017</b>	<b>1 to 12 months</b>	<b>1 to 5 years</b>	<b>Later than 5 years</b>
Borrowings (current and non-current)	7,829.82	16,009.82	413.62
Trade payables	838.32	-	-
Other financial liabilities (current and non-current)	1,627.87	45.98	-
<b>Total</b>	<b>10,296.01</b>	<b>16,055.80</b>	<b>413.62</b>

This compares to the maturity of the Company's non-derivative financial liabilities in the previous reporting periods as follows:

(₹ in million)

<b>31 December 2016</b>	<b>1 to 12 months</b>	<b>1 to 5 years</b>	<b>Later than 5 years</b>
Borrowings (current and non-current)	6,666.48	10,523.32	1,402.02
Trade payables	1,444.11	-	-
Other financial liabilities (current and non-current)	1,579.74	12.24	-
<b>Total</b>	<b>9,690.33</b>	<b>10,535.56</b>	<b>1,402.02</b>

(₹ in million)

<b>01 January 2016</b>	<b>1 to 12 months</b>	<b>1 to 5 years</b>	<b>Later than 5 years</b>
Borrowings (current and non-current)	5,515.58	21,073.60	209.09
Trade payables	992.93	-	-
Other financial liabilities (current and non-current)	1,657.74	13.16	-
<b>Total</b>	<b>8,166.25</b>	<b>21,086.76</b>	<b>209.09</b>

As at 31 December 2017, the contractual cash flows (excluding interest thereon) of the Company's derivative financial instruments are as follows:

(₹ in million)

<b>31 December 2017</b>	<b>Within 12 months</b>	<b>After 12 months</b>
Cross currency interest rate swap		
Cash outflow	341.50	-





## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

This compares to the contractual cash flows of the Company's derivative financial instruments in the previous reporting periods as follows:

(₹ in million)

31 December 2016	Within 12 months	After 12 months
Cross currency interest rate swap		
Cash outflow	341.50	341.50

(₹ in million)

01 January 2016	Within 12 months	After 12 months
Cross currency interest rate swap		
Cash outflow	-	-

### 58. Fair value measurements

#### Financial instruments by categories

The carrying values and fair values of financial instruments by categories are as follows:

(₹ in million)

Particulars	Carrying value			Fair value/amortised cost		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
<b>Financial assets</b>						
<b>Fair value through profit and loss ('FVTPL')</b>						
(i) Non-current financial assets						
(a) Investment (non-current)	0.04	0.01	0.01	0.04	0.01	0.01
<b>Amortised cost</b>						
(i) Non-current financial assets						
(a) Loans	6,024.90	4,307.67	2,841.22	6,024.90	4,307.67	2,841.22
(b) Other	8.96	8.47	1.48	8.96	8.47	1.48
(ii) Current financial assets						
(a) Trade receivables	946.90	471.44	484.07	946.90	471.44	484.07
(b) Cash and cash equivalents	312.64	148.65	189.26	312.64	148.65	189.26
(c) Bank balances other than above	0.06	0.74	6.58	0.06	0.74	6.58
(d) Other	1,373.56	357.99	388.94	1,373.56	357.99	388.94
<b>Total</b>	<b>8,667.06</b>	<b>5,294.97</b>	<b>3,911.56</b>	<b>8,667.06</b>	<b>5,294.97</b>	<b>3,911.56</b>
<b>Financial liabilities</b>						
<b>FVTPL</b>						
(i) Non-current borrowings						
(a) Compulsorily convertible debentures ('CCD')	-	-	8,174.70	-	-	8,174.70

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

(₹ in million)

Particulars	Carrying value			Fair value/amortised cost		
	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
(b) Compulsorily convertible preference shares ('CCPS')	-	-	4,127.93	-	-	4,127.93
(ii) Current financial liability						
(a) Liability for foreign currency derivative contract	25.85	17.52	-	25.85	17.52	-
<b>Amortised cost</b>						
(i) Non-current borrowings (excluding those disclosed under FVTPL category above)	16,017.84	11,231.27	15,838.96	16,017.84	11,231.27	15,838.96
(ii) Others	45.98	12.24	13.16	45.98	12.24	13.16
(iii) Current financial liabilities						
(a) Borrowings	1,925.88	1,482.55	681.00	1,925.88	1,482.55	681.00
(b) Trade payables	838.32	1,444.11	992.93	838.32	1,444.11	992.93
(c) Other	7,505.96	6,746.15	6,492.32	7,505.96	6,746.15	6,492.32
<b>Total</b>	<b>26,359.83</b>	<b>20,933.84</b>	<b>36,321.00</b>	<b>26,359.83</b>	<b>20,933.84</b>	<b>36,321.00</b>

### Valuation technique to determine fair value

Cash and cash equivalents, other bank balances, trade receivables, other current financial assets, trade payables, current borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of the long term borrowings, loans and other deferred payments are determined by using discounted cash flow method using the appropriate discount rate. The discount rate is determined using other similar instruments incorporating the risk associated.
- The fair values of the unquoted instruments and other financial assets and liabilities have been estimated using a discounted cash flow method using the appropriate discount rate. The discount rate is determined using other similar instruments incorporating the risk associated.
- The fair values of Compulsorily convertible debentures have been estimated by using discounted cash flow method by discounting the expected cash flows using the appropriate discount rate under different conversion events. Probabilities are then attached to each conversion event to derive final valuation. The discount rate is determined using other similar instruments incorporating the risk associated and probabilities are based on management's expectations.
- The fair values of Compulsorily convertible preference shares have been estimated by using discounted cash flow method by discounting the expected cash flows using the appropriate discount rate under different conversion events. Probabilities are then attached to each conversion event to derive final valuation. The discount rate is determined using other similar instruments incorporating the risk associated and probabilities are based on management's expectations.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

- The Company enters into derivative financial instruments such as cross currency interest rate swap being valued using valuation techniques, which employs use of market observable inputs. The Company uses mark to market valuation provided by bank for its valuation.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 01 January 2016 are as shown below. There are no significant financial instruments categorised within Level 3 of the fair value hierarchy as at 31 December 2016 and 31 December 2017.

### Description of significant unobservable inputs to valuation as at 01 January 2016:

(₹ in million)

Particulars	Significant unobservable inputs	Range	Sensitivity of the fair value measurement to input	
			Impact of 1% increase	Impact of 1% decrease
CCD	Discount rate	11.08%-11.53%	82.43	(85.42)
			Impact of 5% increase in probability of IPO (i.e. 95:5)	Impact of 5% decrease in probability of IPO (i.e. 85:15)
	Probability of occurrence of conversion events	90:10	(122.55)	122.55
CCPS	Discount rate	10.99%-11.27%	38.34	(39.34)
			Impact of 5% increase in probability of IPO (i.e. 95:5)	Impact of 5% decrease in probability of IPO (i.e. 85:15)
	Probability of occurrence of conversion events	90:10	(15.52)	15.52

The following table presents the changes in level 3 items for the periods ended 31 December 2017 and 31 December 2016:

Particulars	CCD	CCPS
<b>As at 01 January 2016</b>	8,174.70	4,127.93
Impact of fair value movement	1,107.26	381.34
Converted during the year	(9,281.96)	(4,509.27)
<b>As at 31 December 2016</b>	-	-
Issued during the year	-	-
Impact of fair value movement	-	-
Converted during the year	-	-
<b>As at 31 December 2017</b>	-	-

### Fair value hierarchy

The financial assets measured at fair value are grouped into the fair value hierarchy as on 31 December 2017, 31 December 2016 and 01 January 2016 as follows: (also refer note 3.1)

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

31 December 2017		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>					
Investment (non-current)	31 December 2017	0.04	-	-	0.04

31 December 2017		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Liabilities measured at fair value:</b>					
(a) Liability for foreign currency derivative contract	31 December 2017	25.85	-	25.85	-

There have been no transfers of financial assets and financial liabilities between the levels during the year 2017.

31 December 2016		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>					
Investment (non-current)	31 December 2016	0.01	-	-	0.01

31 December 2016		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Liabilities measured at fair value:</b>					
(a) Liability for foreign currency derivative contract	31 December 2016	17.52	-	17.52	-

There have been no transfers of financial assets and financial liabilities between the levels during the year 2017.

01 January 2016		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>					
Investment (non-current)	01 January 2016	0.01	-	-	0.01

01 January 2016		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Liabilities measured at fair value:</b>					
CCD	01 January 2016	8,174.70	-	-	8,174.70
CCPS	01 January 2016	4,127.93	-	-	4,127.93

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 59. First-time adoption of Ind ASs

1. These financial statements, for the year ended 31 December 2017, are the first the Company has prepared in accordance with Ind AS. For periods up to and including the year ended 31 December 2016, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Company's (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ended on 31 December 2017, together with the comparative period data as at and for the year ended 31 December 2016 and in the preparation of opening Ind AS balance sheet as at 01 January 2016, as described in the summary of significant accounting policies. Further to explanations in Note 2, this Note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 01 January 2016 and the financial statements as at and for the year ended 31 December 2016. (Also refer Note 60 for reconciliations).

### 2. Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from Indian GAAP to Ind AS.

#### A. Ind AS optional exemptions

##### I. Deemed cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the Indian GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their Indian GAAP carrying value except where the adjustments to carrying value are only consequential and arising because of application of the transition requirements of Ind AS 101.

##### II. Investments in subsidiaries and associates

Ind AS 101 permits the first time adopter to measure investment in subsidiaries and associates in accordance with Ind AS 27 "Separate Financial Statements". The Company has elected to consider Indian GAAP carrying amount of its investments in subsidiaries and associates on the date of transition to Ind AS as its deemed cost for the purpose of determining cost in accordance with the principles of Ind AS 27.

##### III. Share based payment transactions

The Company has availed exemption under Ind AS 101 in respect of share-based payments that had been vested before the transition date and accordingly, vested options at the transition date have been measured at intrinsic value. For unvested options at the transition date, the Company has applied the requirements of Ind AS 102 retrospectively.

##### IV. Long-term foreign currency monetary items

Ind AS 101 permits a first-time adopter to continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per Indian GAAP. Accordingly, the Company has elected to continue to adjust exchange differences arising on translation/ settlement of long-term foreign currency monetary items, pertaining to the acquisition of a depreciable asset, to the cost of such asset

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

and depreciate the same over the remaining life of the asset and in other cases, is recorded under the head 'Foreign Currency Monetary Item Translation Difference Account' and is amortised over the period of maturity of underlying long term foreign currency monetary items.

### V. Business combinations

Ind AS 101, allows a first-time adopter to elect not to apply Ind AS 103 retrospectively to past business combinations (business combinations that occurred before the date of transition to Ind AS). However, if a first-time adopter restates any business combination to comply with Ind AS 103, it shall restate all later business combinations and shall also apply Ind AS 110 'Consolidated Financial Statements' from that same date. The Company has chosen this exemption and accordingly none of the business combinations that have occurred prior to date of transition is restated. Accordingly, carrying amounts of assets and liabilities under business combinations, that are required to be recognised under Ind AS, is their deemed cost at the date of acquisition. After the date of acquisition, the measurement is in accordance with the respective Ind AS.

### VI. Leases

The Company has also been applied the transitional provision in Appendix C of Ind AS 17 "Determining whether an arrangement contains a Lease" and has assessed all arrangements based upon the conditions in place as at the date of transition .

### VII. Government grant

#### Government loans below market rate of interest

Para B11 of Ind AS 101, allows an entity to apply the requirements in Ind AS 109 and Ind AS 20 retrospectively to any government loan originated before the date of transition to Ind ASs, provided that the information needed to do so had been obtained at the time of initially accounting for that loan. The Company has adopted the guidance and accordingly, the requirements in Ind AS 109 and Ind AS 20 'Accounting for Government Grants and Disclosure of Government Assistance' have been applied retrospectively to all government loans received at below market rate of interest and existing on the date of transition.

## B. Ind AS mandatory exemptions

### Estimates

- I. The Company's estimates in accordance with Ind AS at the date of transition to Ind AS are consistent with estimates made for the same date in accordance with Indian GAAP (after adjustments to reflect any difference in accounting policies) except for impairment of financial assets based on lifetime expected credit loss model where application of Indian GAAP did not require estimation.

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions as at the transition date and as of 31 December 2016.

Ind AS 101 treats the information received after the date of transition to Ind AS as non-adjusting events. The entity shall not reflect that new information in its opening Ind AS Balance Sheet (unless the estimates need adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error).

### II. Classification of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of facts and circumstances that exist on the date of transition to Ind AS. Accordingly, the Company has applied the above requirement prospectively.

The presentation requirements under Indian GAAP differs from Ind AS, and hence, Indian GAAP information has been regrouped for ease of reconciliation with Ind AS. The regrouped Indian GAAP information is derived from the Audited Financial Statements of the Company prepared in accordance with Indian GAAP.



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### 60. Reconciliation of equity

A. Equity at the date of transition to Ind AS, i.e., 01 January 2016 can be reconciled with the amounts reported under previous Indian GAAP as follows:

(₹ in million)

Particulars	Notes	As at 01 January 2016 Indian GAAP	Adjustments	As at 01 January 2016 Ind ASs
<b>Assets</b>				
<b>Non-current assets</b>				
(a) Property, plant and equipment	I	25,389.83	(694.33)	24,695.50
(b) Capital work-in-progress		320.27	-	320.27
(c) Other intangible assets	I & II	3,772.03	(208.76)	3,563.27
(d) Investment in subsidiaries and associates	III & IV	3,039.24	(490.09)	2,549.15
(e) Financial assets				
(i) Investments		0.01	-	0.01
(ii) Loans	III & V	2,293.95	547.27	2,841.22
(iii) Others		1.48	-	1.48
(f) Deferred tax assets (net)	VIII	(791.77)	1,124.75	332.98
(g) Other non-current assets	V	348.51	(21.29)	327.22
<b>Total non-current assets</b>		<b>34,373.55</b>	<b>257.55</b>	<b>34,631.10</b>
<b>Current assets</b>				
(a) Inventories		3,507.85	-	3,507.85
(b) Financial assets				
(i) Trade receivables	X	500.52	(16.45)	484.07
(ii) Cash and cash equivalents		189.26	-	189.26
(iii) Bank balances other than (ii) above		6.58	-	6.58
(iv) Others	VII	647.98	(259.04)	388.94
(c) Other current assets	V	707.67	(10.01)	697.66
<b>Total current assets</b>		<b>5,559.86</b>	<b>(285.50)</b>	<b>5,274.36</b>
<b>Total assets</b>		<b>39,933.41</b>	<b>(27.95)</b>	<b>39,905.46</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
(a) Equity share capital	XI	5,837.66	(4,500.00)	1,337.66
(b) Other equity	60D	2,766.55	(2,399.96)	366.59
<b>Total equity</b>		<b>8,604.21</b>	<b>(6,899.96)</b>	<b>1,704.25</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings	XI & XII	21,282.69	6,858.90	28,141.59
(ii) Other financial liabilities	VII	-	13.16	13.16
(b) Provisions		384.16	-	384.16
<b>Total non-current liabilities</b>		<b>21,666.85</b>	<b>6,872.06</b>	<b>28,538.91</b>
<b>Current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings		681.00	-	681.00
(ii) Trade payables		992.93	-	992.93
(iii) Other financial liabilities	I	6,490.46	1.86	6,492.32
(b) Other current liabilities	VI	1,131.62	(1.91)	1,129.71
(c) Provisions		128.17	-	128.17
(d) Current tax liabilities (net)		238.17	-	238.17
<b>Total current liabilities</b>		<b>9,662.35</b>	<b>(0.05)</b>	<b>9,662.30</b>
<b>Total liabilities</b>		<b>31,329.20</b>	<b>6,872.01</b>	<b>38,201.21</b>
<b>Total equity and liabilities</b>		<b>39,933.41</b>	<b>(27.95)</b>	<b>39,905.46</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

B. Equity as at 31 December 2016 can be reconciled with the amounts reported under previous Indian GAAP as follows:

(₹ in million)

Particulars	Notes	As at 31 December 2016 Indian GAAP	Adjustments	As at 31 December 2016 Ind ASs
<b>Assets</b>				
<b>Non-current assets</b>				
(a) Property, plant and equipment	I	26,979.48	(627.93)	26,351.55
(b) Capital work-in-progress		689.37	-	689.37
(c) Other intangible assets	I & II	3,337.29	226.48	3,563.77
(d) Investment in subsidiaries and associates	III & IV	6,116.83	(1,111.51)	5,005.32
(e) Financial assets				
(i) Investments		0.01	-	0.01
(ii) Loans	III & V	3,103.82	1,203.85	4,307.67
(iii) Others		8.47	-	8.47
(f) Other non-current assets	V	521.62	(13.21)	508.41
<b>Total non-current assets</b>		<b>40,756.89</b>	<b>(322.32)</b>	<b>40,434.57</b>
<b>Current assets</b>				
(a) Inventories		3,599.71	-	3,599.71
(b) Financial assets				
(i) Trade receivables	X	503.14	(31.70)	471.44
(ii) Cash and cash equivalents		148.65	-	148.65
(iii) Bank balances other than (ii) above		0.74	-	0.74
(iv) Others	VII	617.16	(259.17)	357.99
(c) Other current assets	V	989.85	(6.56)	983.29
<b>Total current assets</b>		<b>5,859.25</b>	<b>(297.43)</b>	<b>5,561.82</b>
<b>Total assets</b>		<b>46,616.14</b>	<b>(619.75)</b>	<b>45,996.39</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
(a) Equity share capital		1,823.13	-	1,823.13
(b) Other equity	60D	19,595.59	(51.35)	19,544.24
<b>Total equity</b>		<b>21,418.72</b>	<b>(51.35)</b>	<b>21,367.37</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings	XI & XII	11,925.35	(694.08)	11,231.27
(ii) Other financial liabilities	VII	-	12.24	12.24
(b) Provisions		539.46	-	539.46
(c) Deferred tax liabilities (Net)	VIII	1,196.34	118.30	1,314.64
<b>Total non-current liabilities</b>		<b>13,661.15</b>	<b>(563.54)</b>	<b>13,097.61</b>
<b>Current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings		1,482.55	-	1,482.55
(ii) Trade payables		1,444.11	-	1,444.11
(iii) Other financial liabilities		6,763.67	-	6,763.67
(b) Other current liabilities	VI	1,632.01	(4.86)	1,627.15
(c) Provisions		128.04	-	128.04
(d) Current tax liabilities (net)		85.89	-	85.89
<b>Total current liabilities</b>		<b>11,536.27</b>	<b>(4.86)</b>	<b>11,531.41</b>
<b>Total liabilities</b>		<b>25,197.42</b>	<b>(568.40)</b>	<b>24,629.02</b>
<b>Total equity and liabilities</b>		<b>46,616.14</b>	<b>(619.75)</b>	<b>45,996.39</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### C. Reconciliation of Total Comprehensive Income for the year ended 31 December 2016:

(₹ in million)

Particulars	Notes	For the year ended 31 December 2016	Adjustments	For the year ended 31 December 2016
<b>(a) Income</b>				
(i) Revenue from operations	VII & XIII	35,679.57	73.55	35,753.12
(ii) Other income	III, IV & V	471.34	37.87	509.21
<b>Total income</b>		<b>36,150.91</b>	<b>111.42</b>	<b>36,262.33</b>
<b>(b) Expenses</b>				
(i) Cost of materials consumed		13,023.62	-	13,023.62
(ii) Excise duty	XIII	5,957.10	-	5,957.10
(iii) Purchases of stock-in-trade		803.47	-	803.47
(iv) Changes in inventories of finished goods, stock-in-trade and work-in-progress		(168.44)	-	(168.44)
(v) Employee benefits expense	IX & XV	2,852.49	(51.84)	2,800.65
(vi) Finance costs	XIV	1,750.95	2,135.59	3,886.54
(vii) Depreciation and amortisation expense	I & II	2,996.18	(501.62)	2,494.56
(viii) Other expenses	V, VI & X	6,305.92	16.81	6,322.73
<b>Total expenses</b>		<b>33,521.29</b>	<b>1,598.94</b>	<b>35,120.23</b>
<b>(c) Profit before tax</b>		<b>2,629.62</b>	<b>(1,487.52)</b>	<b>1,142.10</b>
<b>(d) Tax expense</b>				
(i) Current tax		359.86	-	359.86
(ii) Adjustment of tax relating to earlier periods		(2.14)	-	(2.14)
(iii) Deferred tax	VIII	404.56	(515.15)	(110.59)
<b>Total tax expense</b>		<b>762.28</b>	<b>(515.15)</b>	<b>247.13</b>
<b>(e) Net profit for the year</b>		<b>1,867.34</b>	<b>(972.37)</b>	<b>894.97</b>
<b>(f) Other comprehensive income</b>				
(A) Items that will not to be reclassified to profit or loss:				
(i) Re-measurement gains/(losses) on defined benefit plans	IX & XVI	-	(51.88)	(51.88)
(ii) Income tax relating to items that will not be reclassified to profit or loss	VIII & XVI	-	17.96	17.96
<b>Total other comprehensive income</b>		<b>-</b>	<b>(33.92)</b>	<b>(33.92)</b>
<b>(g) Total comprehensive income for the year</b>		<b>1,867.34</b>	<b>(1,006.29)</b>	<b>861.05</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### D. Reconciliation of total equity as at 31 December 2016 and 01 January 2016

(₹ in million)

Particulars	Notes	As at 31 December 2016	As at 01 January 2016
Reserves as per Indian GAAP	A	19,595.59	2,766.55
<b>Effects of transition to Ind AS:</b>			
Effect of measuring financials instruments at fair value through profit and loss/amortised cost	I, III, XI & XII	(5,687.43)	(3,584.63)
Effect of accounting of transaction costs on borrowings as per effective interest rate	XIV	(0.39)	2.83
Expected credit losses on a financial asset	X	(31.70)	(16.45)
Effects of benefits recorded on government grants	VII	146.11	71.64
Effect of intangible assets with indefinite life	II	435.00	-
Securities premium reserve on conversion of financial instruments into equity	XII	3,355.80	-
Others		73.40	1.92
Applicable tax impact on the above	VIII	1,657.86	1,124.73
Total	B	(51.35)	(2,399.96)
<b>Other equity under Ind AS</b>	<b>(A+B)</b>	<b>19,544.24</b>	<b>366.59</b>

### E. Reconciliation of total comprehensive income for the year ended 31 December 2016

(₹ in million)

	Notes	Year ended 31 December 2016
Net profit as per Indian GAAP		1,867.34
<b>Effects of transition to Ind AS:</b>		
Effects of measuring financial liabilities at fair value through profit and loss/amortised cost	I, XI & XII	(2,132.36)
Effects of benefits recorded on government grants	VII	74.46
Effects of measurement of financial assets at fair value through profit and loss/amortised cost	III	28.64
Actuarial gain on employee defined benefit plan recognised in other comprehensive income	IX	51.88
Fair valuation of employee stock options	XV	0.91
Effect of accounting of transaction costs on borrowings as per effective interest rate	XIV	(3.21)
Effect of intangible assets with indefinite life	II	435.00
Expected credit loss on financial assets	X	(15.25)
Other impacts		72.41
Deferred tax impact	VIII	515.15
<b>Net profit under Ind AS</b>		<b>894.97</b>
Other comprehensive income (net of taxes)	IX	(33.92)
<b>Total Comprehensive Income under Ind AS as reported</b>		<b>861.05</b>

The transition from Indian GAAP to Ind AS has not had any material impact on the Statement of Cash Flows.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

Footnotes to the reconciliation of equity as at 01 January 2016 and 31 December 2016 and profit or loss for the year ended 31 December 2016

All amounts in ₹ in million, unless otherwise stated

### I. Tangible and intangible assets acquired as part of business combination on deferred payment terms

Under Indian GAAP, the purchase consideration for tangible and intangible assets acquired as part of a business included deferred payment terms, which was recorded at gross amount with a corresponding credit to capital creditors. However, as per Ind AS 16 'Property, Plant and Equipment' the cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised in accordance with Ind AS 23 'Borrowing Cost'. Accordingly, the deferred payment liabilities outstanding on the transition date are present valued at the weighted average borrowing rate. The difference between the present value and carrying value of such deferred payment liabilities is adjusted from the carrying value of property, plant and equipment at the transition date. Subsequently, interest is recorded at the discounting rate to the Statement of Profit and Loss with corresponding credit to the capital creditors. The above has resulted in adjustment of ₹ 694.33 to tangible assets and ₹ 208.76 to intangible assets on the date of transition and ₹ 627.93 and ₹ 226.48 respectively as on 31 December 2016. Consequently, an amount of ₹ 555.53 has been recorded as finance costs for the year ended 31 December 2016.

### II. Amortisation of franchise rights

Under Indian GAAP, the Company had adopted an accounting policy of amortising franchise rights acquired as part of business combination over a period of ten years. With effect from the date of transition, the Company has evaluated franchise rights to have an indefinite life as per Ind AS 38 as explained in Note 5 (iii). Hence, the franchise rights are not amortised now but tested for impairment annually. Accordingly, amortisation recorded as per Indian GAAP amounting to ₹ 435.01 for financial year 2016 has been derecognised in the Ind AS Financial Statements for the year ended 31 December 2016.

### III. Investment in subsidiary

Under the Indian GAAP, the Company's investment in Zero Coupon Redeemable Preference Shares ('RPS') of a subsidiary are recorded at transaction value and reported as part of non current investment. Under Ind AS, the investments in RPS are accounted as loan given in financial assets and accordingly on the date of transition, the Company has fair valued RPS issued using effective interest method. On the date of transition, the present value of RPS has been recorded as loan to subsidiary amounting to ₹ 502.29 and the difference between transaction value and the present value of RPS amounting to ₹ 136.46 has been recognised as 'deemed equity' in investments. Subsequent to the date of transition, interest income on loan given is recognised using the effective interest method with corresponding adjustment in loan outstanding, which has resulted in recognition of 'other income' of ₹ 28.64.

### IV. Investment in associate

Under Indian GAAP, no financial impact was considered on corporate guarantee issued on behalf of an associate. Under Ind AS, the amount is fair valued and the difference is recorded as an equity contribution, amounting to ₹ 12.20.

### V. Security deposits

Under Indian GAAP, the security deposits paid for leases were recorded at the transaction value, whereas, under Ind AS, these are initially discounted and subsequently recorded at amortized cost at the end of every financial reporting period. Accordingly, the difference between the transaction and discounted value of the security deposits paid for leases is recognised as deferred lease expense of ₹ 12.71 and is amortised over the period of the lease term. Further, interest is accreted on the present value of the security deposits paid for leases.

### VI. Straight lining of lease payment escalations

Indian GAAP required straight lining of lease payment escalations in case of non cancellable leases. However, Ind AS 17 does not mandate straight-lining of lease escalation, if they are in line with the expected general inflation compensating the lessor for expected inflationary cost. Accordingly, the Company has reversed lease equalisation reserve amounting to ₹ 1.92 outstanding in the books on the transition date.

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### VII. Government grants

Under Indian GAAP, interest free loan from the government has been presented in the Balance Sheet by including it as a part of borrowings. Under Ind AS, the benefit of a government loan at a below-market rate of interest is treated as a government grant and is measured as the difference between the present value of the loan and the proceeds received /receivable. The Company has fair valued all such loans outstanding on the date of transition retrospectively from the original date of such loans. Further, unlike Indian GAAP, Ind AS 20 requires the grant to be classified as either a capital or an income grant and does not permit recognition of government grants in the nature of promoter's contribution directly to shareholders' funds. Accordingly, contributions previously recognised in the Capital Reserve amounting to ₹ 259.17 are transferred to 'Other Equity' at the date of transition. For interest free loans previously recorded, the difference amounting to ₹ 343.97 between present value of loan and proceeds are recorded in retained earnings. The loan balance is subsequently re-measured using EIR which has led to a consequent increase of ₹ 97.51 to the finance costs for the year ended 31 December 2016. The grant value of all such loans received/ receivable subsequent to date of transition amounting to ₹ 73.55 is recognised in the Statement of Profit and Loss under the head 'other operating income'.

### VIII. Deferred tax

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

The various transitional adjustments have resulted in temporary differences which has led to recognition of deferred taxes.

### IX. Defined benefit liabilities

Both under Indian GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, were charged to Statement of Profit and Loss. Under Ind AS, remeasurements (comprising actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI. Thus, the employee benefits expense is reduced by such amount and a corresponding adjustment to the defined benefit plans has been recognised in OCI (net of tax) in "Other Equity".

### X. Expected credit losses (ECL) for trade receivables

Under the Indian GAAP, provision for bad debt was recognised for doubtful debtors on a case to case basis. However, under Ind AS, the Company assesses impairment based on the ECL model for measurement and recognition of impairment loss on the financial assets that are trade receivables, accounting for both non-payment and delay in payment of the receivables. Based on past estimates, the Company has determined additional provisions under the ECL model. This has resulted in recognition of an additional provision of ₹ 16.45 on the date of transition and ₹ 15.25 for the year ended 31 December 2016.

### XI. Compulsorily convertible preference shares (CCPS)

Under Indian GAAP, the CCPS were classified as equity. Under Ind AS, CCPS are classified as financial liability based on the terms of the contract. Interest on such financial liability is recognised using fair values determined by an independent valuer on the date of transition, leading to recognition of an adjustment amounting to ₹ 372.07 to the retained earnings as at the transition date with subsequent unwinding as finance costs for the year ended 31 December 2016.

### XII. Compulsory Convertible Debentures (CCDs)

Under Indian GAAP, the CCDs were classified as borrowings. The CCDs issued by the Company had to be converted into a variable number of equity shares with a definite rate of return from the date of issue till the date of conversion. Accordingly, the CCDs are classified as financial liability as per Ind AS 32. Interest on financial liability is recognised using fair values determined by an independent valuer on the date of transition leading to increase in borrowings by ₹ 4,024.72 with a corresponding impact to the retained earnings (Impact in retained earnings, net of deferred tax impact ₹ 2,631.76). The fair value impact of ₹ 1,107.26 (net of deferred tax impact ₹ 724.03) between the date of transition and date of conversion is recognised as finance costs during the year ended 31 December 2016. On the date of conversion, the entire fair value impact recognised in retained earnings on date transition and aforesaid interest costs is recognised in 'Security premium reserve' ₹ 3,355.80 (Net of tax).



## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

### XIII. Sale of goods

Under Indian GAAP, sale of goods was presented after netting off excise duty. However, under Ind AS, sale of goods includes excise duty and separately presented on the face of Statement of Profit and Loss. Thus, sale of goods under Ind AS has increased with a corresponding increase in total expenses. This change has resulted in an increase in total income and total expenses for the year ended 31 December 2016 by ₹ 5,957.10.

### XIV. Finance costs

Finance cost includes-

1. Under Indian GAAP, the transaction cost incurred in connection with borrowings were amortised and charged to Statement of Profit and Loss on the term of the related borrowing. Under Ind AS, transaction cost are included in the initial recognition amount of financial liability and charged to Statement of Profit and Loss using the effective interest method amounting to ₹ 3.21.
2. Interest expense amounting to ₹ 97.51 on interest free government loans has been recognised at the weighted average borrowing rate of the Company (also see note VII above).
3. Amortised cost of deferred payment liabilities related to business combination (Referred to in footnote I above) ₹ 555.53.
4. Interest expenses on account of fair valuation of financial instruments (CCPS and CCDs referred in notes XI and XII above) ₹ 1,479.33.

### XV. Share-based payments

Under Indian GAAP, the Company recognised only the intrinsic value for the long-term incentive plan as an expense. Ind AS requires the fair value of the share options to be determined using an appropriate pricing model recognised over the vesting period. The Company has used the exemption of fair valuing only those options which remained unvested on the date of transition. Fair value impact on unvested options relatable to vesting period before the date of transition amounting to ₹ 44.39 is adjusted in the retained earnings by creating the corresponding 'Share Based Payment Reserve' which is re-classified to 'Security premium reserve' on exercise of the options. However, this has no impact on the Statement of Profit and Loss.

### XVI. Other comprehensive income

Under Indian GAAP, the concept of OCI did not exist. Under Ind AS, certain items of income and expense such as re-measurements of defined benefit plans are required to be presented as 'Other Comprehensive Income'.

### 61. Event occurring after the reporting period

#### A. Acquisitions after the reporting period:

Subsequent to the year ended 31 December 2017, the Company has completed the acquisition of Chhattisgarh territory on a slump sale basis for a total purchase consideration of ₹ 150 million. This acquisition has been executed primarily to obtain franchise rights and marketing assets of the territory, to facilitate further expansion.

(₹ in million)

	Amount
Name of acquiree	SMV Beverages Private Limited
Acquisition date	11 January 2018
<b>Fair values of assets acquired</b>	
Property, plant and equipment	26.80
Franchisee rights	120.00
Inventories	3.20
<b>Total assets</b>	<b>150.00</b>

## Summary of significant accounting policies and other explanatory information on the Standalone Financial Statements for the year ended 31 December 2017

- B.** During December 2017, the Company executed agreements with Steel City Beverages Private Limited and SMV Agencies Private Limited to acquire certain businesses including franchisee rights for the State of Jharkhand and specified manufacturing facilities and other assets on a slump sale basis for a total consideration of ₹ 653.62. The closing conditions for the business transfers have not yet been met.
- C.** On 17 January 2018, the Board of Directors of the Company have approved acquisition of PepsiCo India's franchisee rights for the State of Bihar and subsequently, the Company has started trading operations in the State of Bihar.
- D.** On 18 January 2018, the Company has concluded acquisition of a manufacturing facility situated in Cuttack, Odisha along with certain specific assets from SMV Beverages Private Limited for a total consideration of ₹ 437.50 million.

(₹ in million)

	Amount
<b>Fair values of assets acquired</b>	
Land and building	345.47
Property, plant and equipment	92.03
<b>Total assets</b>	<b>437.50</b>

The accompanying notes are an integral part of the consolidated financial statements.  
As per our report of even date attached.

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

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

For **APAS & Co.**  
Chartered Accountants  
Firm Registration No.: 000340C

**Varun Jaipuria**  
Whole-time Director  
DIN 02465412

**Raj Pal Gandhi**  
Whole-time Director  
DIN 00003649

per **Nitin Toshniwal**  
Partner  
Membership no.: 507568

per **Sumit Kathuria**  
Partner  
Membership no.: 520078

**Kapil Agarwal**  
Chief Executive Officer and  
Whole-time Director  
DIN 02079161

**Kamlesh Kumar Jain**  
Chief Financial Officer  
and Whole-time Director  
DIN 01822576

Place : Gurugram  
Dated : 16 February 2018

**Ravi Batra**  
Chief Risk Officer &  
Group Company Secretary  
Membership No. F- 5746

# Plant Locations in India

Sl. No.	Manufacturing Facilities	Location
1	Greater Noida – 1	Plot No. 2, Surajpur Bypass, Greater Noida - 201 306 (Uttar Pradesh).
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 (Uttar Pradesh).
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, Uttar Pradesh.
14	Goa	Plot No. 4A, Sanguem Industrial Estate Village Xelpem-Cotarli, Taluka Sanguem, District South Goa, Goa.
15	Phillaur	G.T. Road, Phillaur, Distt. Jalandhar – 144418, Punjab
16	Sandila	Plot No.B 2/1, UPSIDC, Sandila Phase - IV, Sandila, Hardoi, Uttar Pradesh - 241 204
17	Mandideep	Plot No 28, Sector New, Industrial Area, Mandideep, Raisen (Madhya Pradesh)
18	Bargarh	Village – Sukuda, Raigarh Road, Bhati, Bargarh, Orissa - 768030
19	Cuttack	Plot No. 2335, 4063, 6048, 3780, 4065, 6049, 5378 & 5377, Mauza Nimpur-71, At/Po: Jagatpur, PS: Jagatpur, Cuttack, Odisha - 754021
20	Jamshedpur – Unit 1	Adityapur Industrial Area, Tata Kandra Main Road, Adityapur, Distt. Singhbhum (West), Jharkhand
<b>Backward Integration</b>		<b>Location</b>
21	Jaipur	Khasra No. 282, Balmukandpura, Ajmer Road, Tehsil Sanganer, Jaipur, Rajasthan.
22	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

(as on December 31, 2017)

## 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	Dr. Naresh Kumar Trehan
	Dr. Girish Ahuja
	Mr. Ravindra Dhariwal
	Mr. Pradeep Sardana
	Mr. Sanjoy Mukerji
	Ms. Geeta Kapoor

## CHIEF EXECUTIVE OFFICER

Mr. Kapil Agarwal

## CHIEF FINANCIAL OFFICER

Mr. Kamlesh Kumar Jain

## CHIEF RISK OFFICER & GROUP COMPANY SECRETARY

Mr. Ravi Batra

## JOINT STATUTORY AUDITORS

M/s. APAS & Co.,  
Chartered Accountants,  
New Delhi

M/s. Walker Chandio & Associates,  
Chartered Accountants,  
New Delhi

## CORPORATE OFFICE

RJ Corp House, Plot No. - 31,  
Institutional Area, Sector - 44,  
Gurugram - 122 002

## REGISTERED OFFICE

F-2/7, Okhla Industrial Area, Phase-I  
New Delhi - 110 020

## REGISTRARS AND TRANSFER AGENTS

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 2342 0814  
Email: einward.ris@karvy.com  
Website: www.karvycomputershare.com  
SEBI Registration No. INR000000221

## BANKERS

HDFC Bank Limited  
Yes Bank Limited  
IndusInd 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



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