Management Discussion & Analysis

Economic overview & outlook

Global Economy

The global economy witnessed moderate growth in the year 2019, following a slowdown across most advanced and developing nations. Increasing trade barriers, rising geo-political tensions, and lower industrial output have cumulatively affected global growth during the year. IMF estimates that global GDP grew by 2.9% in 2019. However, in 2020, the world economy is expected to show a steady rebound. With the stabilization of economic conditions, recovery in investments, and easing trade tensions, IMF expects global growth to edge up to 3.3% in 2020 and 3.4% in 2021.

Indian Economy

In fiscal 2019, India clocked a GDP growth rate of 6.8%, thus maintaining the tag of the fastest-growing major economy in the world. Although economic growth during the second half of fiscal 2019 slowed down, given the deceleration in investments and private consumption following lower income growth, rural stress, and NBFC liquidity issues, the Government of India has announced a series of structural reforms to boost sustainable economic growth. Among these are liberalization of FDI flows and corporate tax reforms, including a massive reduction in the corporate tax rate. These measures are expected to increase capital inflows, to stabilize the financial structure, improve investments, and strengthen the overall business environment in the country.

The Indian economy is expected to pick up momentum from the second half of fiscal 2020, on the back of accommodative fiscal and monetary policy and reform implementations. According to IMF, the growth in India is projected at 6.1% in fiscal 2020 and is then expected to rebound to 7.0% in fiscal 2021. The GDP rise would have a cascading effect on consumer spending, which would in turn further drive growth.

Source: IMF, World Bank

Soft Drinks Market Overview & Outlook

The soft drinks industry in India is expected to report a broad-based growth across categories. While soft drinks consumption is on the rise in India, the sector is still notably underpenetrated as compared to global averages as well as other emerging markets. The main segments of the soft drinks market in India are carbonates, juices, and bottled water. In value terms, carbonates are the largest category, while bottled water is the largest in volume terms.

Key Growth Drivers of Soft Drinks and Opportunities

With a population of 1.3 billion and an average age of 29, as well as a rapidly growing middle-class that spends a high proportion of its disposable income on food and beverages, India boasts a large consumer base. The Indian soft drinks industry has huge potential and there are a number of key drivers, which include:

Demographic profile: India is a young country with individuals in the 15-64 age group accounting for the majority of the overall population, thus providing the country with a large workforce to support economic growth. The demographics, higher spending capacity of young consumers, rapid urbanization, and growing rural consumption are expected to drive consumption of soft drinks in India.

Rising affordability and urbanization: With more than 50% of India's population falling under the working age category, there has been a rise in disposable income, leading to a substantial change in spending patterns. Also, the trend of more and more women coming into the Indian workforce has led to an increase in the disposable income of families, thus resulting in higher average household consumption, including the consumption of quality soft drinks.

Much room for market penetration: In India, the soft drinks industry is relatively underdeveloped, with low penetration of the potential consumer base. Per capita consumption here is far lower than global averages, despite high industry growth rates witnessed in the country.

Innovative offerings: A large young population is driving demand for new and innovative flavors in India. In sync with these trends, the industry is focused on continuously expanding and innovating its product offerings.

Growing middle-class: India is home to one of the largest and fastest growing middle-class populations anywhere in the world. The rising aspirations of this segment will boost consumption across categories, including beverages.

Electrification in India: The target of 100% electrification of all villages in India, along with improving overall electricity supply, will help enhance cooling infrastructure in these regions, thereby supporting growth of the soft drinks industry.

Hyper-localization: Higher spending on packaged products and continuous innovations towards specific requirements, especially in rural India, in terms of pack sizes and glass bottles is likely to enhance product affordability and strengthen growth rates.

Location: The majority of the Indian population live in hot and dry regions. This is expected to steadily drive consumption of soft drinks for the foreseeable future.

Novel packaging solutions: Manufacturers are increasingly innovating the packaging and labeling of products to suit the end consumers' needs and to drive consumption.

Business Overview – A Key Player in the Beverage Industry

VBL Presence

Varun Beverages Limited (VBL) is a key player in the beverage industry. The Company's operations span 6 countries – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal), which contributed 85% to total revenues, and 3 in Africa (Morocco, Zambia, Zimbabwe), which contributed 15% of revenues in CY19.

Symbiotic Relationship with PepsiCo

The Company enjoys a strategic, symbiotic, and longstanding association with PepsiCo spanning 28 years, since the latter's entry into India, accounting for 80%+ of its sales volumes in India. VBL manufactures, markets, and distributes PepsiCo-owned products, which include carbonated soft drinks (CSDs), carbonated juices, juice-based beverages, energy drinks, and non-carbonated beverages (NCBs) such as packaged bottled water, through its vast manufacturing facilities and well-established distribution network. The various PepsiCo brands manufactured and distributed by VBL include Pepsi, Pepsi Black, Diet Pepsi, Pepsi Max, Mirinda Lemon, Mirinda Orange, Mountain Dew, Slice Fizzy, 7up, 7up Nimbooz Masala Soda, Teem, Sting, Evervess, Tropicana Slice, Tropicana Frutz (Lychee, Apple and Mango), Tropicana Juices (100%, Delight and Essentials), 7up Nimbooz, Gatorade, Ole, as well as packaged drinking water under the brand Aquafina and Aquavess.

The Company has strong sales teams that work closely with PepsiCo to develop and implement local advertising and marketing strategies. Franchise rights have also been given to the Company for various PepsiCo products across 27 States and 7 Union Territories in India as well as territories of Nepal, Sri Lanka, Morocco, Zambia, and Zimbabwe.

Business Model

The Company produces and distributes a wide range of CSDs and a large selection of NCBs, including packaged drinking water. It has a unique business model with end-to-end execution capabilities from manufacturing, distribution and warehousing, customer management and in-market execution, to managing cash flows and future growth. PepsiCo offers brands, concentrates, and marketing support to VBL, which then takes complete control over the manufacturing and supply chain processes, driving market share gains, enhancing cost efficiencies, and managing capital allocation strategies.

VBL has vast experience in managing the distribution of soft drinks, involving complex logistics and packaging of products. While business operations in each market are similar, each territory and sub-territory presents specific operational challenges, varying from electricity supply, cooling equipment, and logistics infrastructure to the demographic profile and general socio-economic conditions in that particular market.

PepsiCo – Demand Creation

- Trademarks
- Formulation through Concentrate
- Product & Packaging innovation through investment in R&D
- Consumer Pull Management (ATL) - Brand Development

VBL – Demand Delivery

- Production Facilities
- Sales & Distribution - GTM & Logistics
- In-outlet Management - Visi-Coolers
- Consumer Push Management (BTL) - Market Share Gain

The Company's solid and well-entrenched distribution network covers urban, semi-urban, and rural markets, addressing demands of a wide range of consumers. The distribution network is strategically located to maximize market penetration across licensed sub-territories in India, with an increased focus on higher growth markets such as semi-urban and rural sub-territories. The Company's production capabilities and distribution network enable it to effectively respond to competitive pressures and evolving consumer preferences. As of December 31, 2019, the Company has 32 state-of-the-art manufacturing facilities in India, 6 internationally. It has a robust supply chain with 90+ owned depots, 2,500+ owned vehicles, 1,500+ primary distributors, and currently installed 775,000+ visi-coolers.

VBL regularly undertakes strategic initiatives for improving operational excellence. These include backward integration of its production processes and centralized sourcing of raw materials. The Company has established backward integration facilities for production of preforms, crowns, plastic closures, corrugated boxes, corrugated pads, plastic crates, and shrink-wrap films in certain facilities to ensure operational efficiencies and high quality standards.

With its committed and knowledgeable sales staff, the organization focuses on driving growth and expanding market share across categories through various customer push strategies. It undertakes local level promotion, in-store activations, customer relation management, merchandizing, individual account management, and evaluation of high-demand regions for strategic placement of vending machines and visi-coolers.

Over the years, VBL has expanded its operations in India through the acquisition of additional territories from PepsiCo as well as previously franchised territories. In CY19, the Company concluded the acquisition of franchise rights in South and West regions from PepsiCo for a national bottling, sales, and distribution footprint in 7 States and 5 Union Territories of India. With this acquisition, VBL now accounts for 80%+ of PepsiCo India's beverage sales volumes in India, up from 51% earlier, and has expanded its presence to 27 States and 7 Union Territories across India.

Key Business Developments – 2019

Acquisition of sub-territories:

- Concluded the acquisition of PepsiCo India's previously franchised territories of parts of Maharashtra (14 districts), parts of Karnataka (13 districts), and parts of Madhya Pradesh (3 districts). These territories have significant potential to further drive market share gains and margins.

- Concluded the acquisition of franchise rights in South and West regions from PepsiCo for a national bottling, sales, and distribution footprint in 7 States and 5 Union Territories of India w.e.f. May 1, 2019. This enables improved cost and operational efficiencies as well as economies of scale.

Bottling Appointment and Trademark License Agreement for India

Particular	Existing	Revised
Franchise Rights (up to)	October 2, 2022	April 30, 2039

QIP Issue:

- Raised ~₹ 9,000 million through fresh issue of 14,705,882 equity shares of ₹ 10. The entire proceeds of the qualified institutions placement (QIP), net of issue expenses of ₹ 164.36 million, were utilized for repayment of debts during CY19. The capital raised considerably strengthens VBL's balance sheet and provides room for sustained future growth.

Credit Rating Upgrade:

- CRISIL (an S&P Global Company) has upgraded the Company's credit rating for long-term debt as CRISIL AA (previously AA-) and reaffirmed for short-term debt as CRISIL A1+.

New Product Launches:

- Introduced three variants of ambient temperature value-added dairy beverages – Belgian Chocolate, Cold Coffee, and Mango Shake – at a price of ₹ 30 for 200ml PET bottle with a long shelf life of 180 days. These products have been well received in the market.

Awards & Accolades:

- Best FMCG Corporate Governance India during Corporate Governance Awards 2019, organized by Capital Finance International, London (UK).

- Bottler of the Year 2019 by PepsiCo in South Asia region.

- Global Best Employer Brands 2020 (Best HR Strategy), presented by ET Now.

- National Best Employer Brands for 2019, presented by Employer Branding Institute India. The Company received this award for the second successive year.

Bonus Issue of Equity Shares / Dividend payout:

- The Company's Board of Directors agreed to formalize a dividend strategy in line with good corporate governance practices, with the Company's listing in November 2016. For a detailed perspective, please refer to the Company's website at www.varunpepsi.com.

- At the beginning of the Company's Silver Jubilee Year and in appreciation of the continued support of the Company's shareholders, the Board of Directors proposed and declared Bonus Issue of equity shares in the proportion of 1 equity share for each of the 2 equity shares held. These were allocated to eligible shareholders.

- The Board of Directors has approved an interim dividend of ₹ 2.50 per share in Q3 CY19 in accordance with the dividend policy guidelines. Total cash outflow was ₹ 776.69 million (including payable net statutory taxes).

Sustainability Initiatives

PET Recycling:

- The Company uses ~ 66,000 MT PET resin as packaging material for its finished products annually. These are high-quality food grade virgin PET chips, which can be easily recycled to make various products for diverse industries and end uses.
- During the year, the Company has engaged with GEM Enviro Management Pvt. Ltd. for phased implementation of 100% recycling of used PET bottles through collection from end users by placing dustbins / reverse vending machines, direct collection from institutions (hotels, banquet halls, exhibitions, etc.) and spreading awareness through workshops.
    - GEM Enviro Management Pvt. Ltd., a Delhi-based Central Pollution Control Board (CPCB)-recognized PRO (Producer Responsible Organization) company, specializes in:
        - Collection and recycling of packaging waste.
        - Promotion of recycled green products like T-shirts, bags etc. made from recycling of waste material such as used PET bottles.

- In the first year of engagement, during the second half of CY19, 24,000+ MT of PET waste has been recycled.

Water Positive Balance:

- The Company engaged TUV India Pvt. Ltd. for its water footprint assurance, wherein water mass balance and its various initiatives towards water conservation and water recharge were verified.

    - **About TÜV NORD Group:** Founded in 1869, during the Industrial Revolution, it was established as an industrial self-control organization for providing independent, neutral, third-party services. With a current workforce of over 14,000 employees across 70 countries globally, the TÜV NORD Group is one of the world's largest inspection, certification & testing organizations.

    - **About TUV India:** TUV India Private Ltd. was established in 1989 as part of the German RWTÜV group's Indian operations. Being one of the first certification bodies to start operations in India, TUV India has been closely associated with the quality revolution in India.

- The scope of audit covered 20 manufacturing plants of VBL in India, which the Company operated from April 2018 to March 2019. Key water conservation initiatives included rainwater harvesting; ponds adoption, development & maintenance; and waste water management on the principles of reduce, reuse and recycle.

- The key findings from the report, are as follows:

Parameter	Amount
Water consumption	2.91 mn KL
Water recharge	4.96 mn KL
Number of ponds adopted	64
Total area of adopted ponds	0.9 mn sq. m.
Number of trees planted	26,000+

Profit & Loss

Particulars (₹ million)	CY19	CY18	YoY (%)
1. Income			
(a) Revenue from operations	72,484.6	52,281.3	38.6%
(b) Excise duty	1,188.8	1,228.7	-3.2%
Net revenues	**71,295.8**	**51,052.5**	**39.7%**
(c) Other income	425.3	218.2	94.9%
2. Expenses			
(a) Cost of materials consumed	29,395.6	21,122.8	39.2%
(b) Purchase of stock-in-trade	4,237.3	1,942.2	118.2%
(c) Changes in inventories of FG, WIP and stock-in-trade	(1,438.6)	(624.0)	130.6%
(d) Employee benefits expense	8,108.2	5,829.5	39.1%
(e) Finance costs	3,096.4	2,125.6	45.7%
(f) Depreciation and amortization expense	4,886.3	3,850.7	26.9%
(g) Other expenses	16,516.8	12,716.2	29.9%
Total expenses	**64,802.0**	**46,963.0**	**38.0%**
EBITDA	**14,476.5**	**10,065.9**	**43.8%**
3. Profit before tax and share of profit in associate (1-2)	6,919.1	4,307.8	60.6%
4. Share of profit in associate	43.6	30.2	44.4%
5. **Profit before tax (3+4)**	**6,962.7**	**4,338.0**	**60.5%**
6. Tax expense	2,240.7	1,339.3	67.3%
7. **Net profit for the period (5-6)**	**4,722.1**	**2,998.6**	**57.5%**

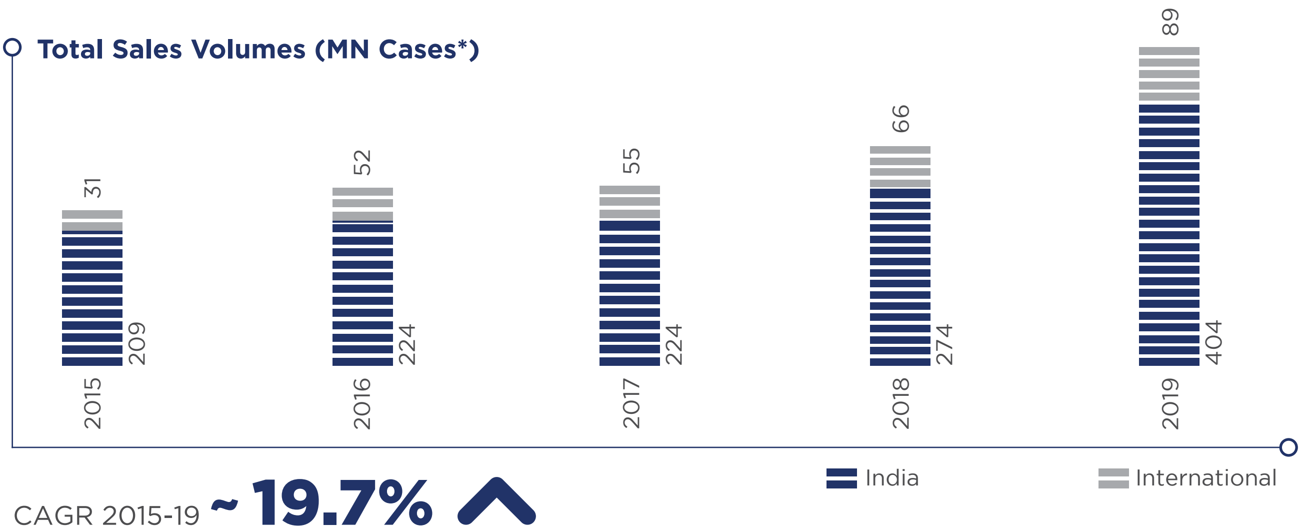
Balance Sheet

Particulars (₹ million)	31-Dec-19	31-Dec-18
Equity and liabilities		
Equity		
(a) Equity share capital	2,886.9	1,826.4
(b) Other equity	30,397.3	18,158.6
(c) Non-controlling interest	306.8	77.7
Total equity	**33,591.0**	**20,062.7**
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	23,553.8	19,800.7
(b) Provisions	1,703.4	1,052.6
(c) Deferred tax liabilities (Net)	2,825.1	1,921.7
(d) Other non-current liabilities	8.2	67.8
Total non-current liabilities	**28,090.4**	**22,842.7**
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	4,671.5	3,776.6
(ii) Trade payables	4,776.6	3,168.0
(iii) Other financial liabilities	10,258.1	8,512.4
(b) Other current liabilities	2,044.9	1,466.6
(c) Provisions	299.8	160.2
(d) Current tax liability	152.0	325.0
Total current liabilities	**22,202.9**	**17,408.7**
Total liabilities	**50,293.3**	**40,251.4**
Total equity and liabilities	**83,884.3**	**60,314.1**

Particulars (₹ million)	31-Dec-19	31-Dec-18
Assets		
Non-current assets		
(a) Property, plant and equipment	58,925.0	38,601.8
(b) Capital work-in-progress	638.2	3,523.6
(c) Goodwill	242.3	19.4
(d) Other intangible assets	5,623.1	5,248.6
(e) Investment in associates	-	112.4
(f) Financial assets	454.4	209.3
(g) Deferred tax assets (Net)	128.5	334.0
(h) Other non-current assets	1,154.0	857.6
Total non-current assets	**67,165.5**	**48,906.6**
Current assets		
(a) Inventories	8,815.1	5,784.0
(b) Financial assets		
(i) Trade receivables	1,725.6	1,280.3
(ii) Cash and cash equivalents	1,379.7	429.4
(iii) Other bank balances	331.1	505.4
(iv) Loans	69.4	15.5
(v) Others	2,189.8	1,404.8
(c) Current tax assets (Net)	10.2	4.1
(d) Other current assets	2,198.0	1,984.0
Total current assets	**16,718.8**	**11,407.5**
Total assets	**83,884.3**	**60,314.1**

Sales Volume

Total Sales Volumes (MN Cases*)



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

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

The Company has delivered a solid operational and financial performance in CY19. Revenue growth stood at 39.7% YoY to ₹ 71,295.8 million. Total sales volumes were up 45% YoY at 492.7 million unit cases in CY19, compared to 340 million unit cases in CY18. The performance was primarily driven by robust volumes reported in both the Indian and International markets.

Improved performance in under-penetrated territories acquired in CY17 and early CY18 resulted in a healthy organic volume growth of 13% in the domestic business. The international business also registered a solid growth of 34%, driven by double-digit growth in the key markets of Morocco, Zimbabwe, and Sri Lanka. In addition to this, the full year performance also includes the impact of South and West India sub-territories acquisition from May 2019 onwards. CSD constituted 70.6%, juice 6.7%, and packaged drinking water 22.7% of total sales volumes in CY19.

For CY19, EBITDA increased by 43.8% to ₹ 14,476.5 million. Even though gross margins declined by 120 bps during CY19 due to change in product mix and higher PET prices, EBITDA margins expanded by 59 bps in CY19 to 20.3% on account of operating leverage in the business.

Depreciation has increased by 26.9% in CY19 owing to capitalization of the Pathankot plant and consolidation of South and West India sub-territories w.e.f. May 1, 2019. Finance cost has increased by 45.7% in CY19, as the purchase consideration for acquisition of South and West India sub-territories has been funded through debt. The entire proceeds of the QIP amounting to ~ ₹ 9,000 million were utilized for repayment of debts during Q3 CY19. In 2019, PAT increased by 57.5% to ₹ 4,722.2 million in CY19 on the back of robust volume growth.

On September 20, 2019, vide the Taxation Laws (Amendment) Ordinance 2019, the Government of India inserted Section 115BAB in the Income Tax Act 1961, that provides domestic companies a non-reversible option to pay corporate tax at reduced rates effective April 1, 2019, subject to certain conditions. As VBL carries unutilized minimum alternative tax credit and has other tax benefits/holidays available, the management plans to conclude its evaluation of this option in conjunction with its tax year end of March 31, 2020. The Company has availed the benefit of lower MAT, resulting in a net saving in cash flow of ₹ 194.3 million.

On the balance sheet front, net debt stood at ₹ 32,461 million as on December 31, 2019, as against ₹ 26,715 million as on December 31, 2018. Debt-to-equity ratio stood at 0.97x as on December 31, 2019. Working capital days have remained stable at ~ 26 days as on December 31, 2019, on account of efficient working capital management even after consolidation of new sub-territories in India during the period. Inventory, creditor, and debtor days have remained stable even with increase in net revenues and number of production facilities.

Growth Outlook

Market Share Gains

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

Diversified Portfolio

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

Acquisitions

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

Operating Leverage

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

Strengthen Balance Sheet

- Repayment of debt through strong cash generation
- To enable significant interest cost savings

VBL's comprehensive infrastructure, diversified product portfolio, well-established distribution network, unique business model, and seasoned management team with a strong understanding of business dynamics have enabled it to deliver high growth over the years.

With consumer demands and preferences continuously changing, VBL strongly values flexibility to adapt its proposition to remain relevant. It will remain agile by changing its portfolio and processes, powered by creativity and flexibility, in response to macroeconomic conditions and shifts in consumer preferences.

Going forward, the Company aims to continue expanding its product portfolio and distribution reach, focus on increasing volumes, particularly in markets with lower penetration. Currently, VBL is focused on leveraging the newly acquired territories in West and South, which are highly underpenetrated. The Company believes that the new territories offer tremendous opportunity to grow and will help achieve scale and business efficiency in the coming years.

Threats, risks and concerns

The risks and opportunities of all corporations are inherent and inseparable elements. Directors and management of the Company take constructive decisions to protect the interests of stakeholders. The Company has in place a Risk Management Policy, which is monitored and reviewed under the guidance of the Audit, Risk Management and Ethics Committee. The Committee comprises various departmental heads who meet regularly to identify processes exposed to risks, determine risk mitigation strategies, and monitor their implementation.

Risk	Description	Mitigation
1. Demand Risk	A cyclical downturn can lead to a slowdown in the Company's target markets and impact its sales velocity.	Over the years, the Company has demonstrated its ability to drive significant growth in sales volumes by aiming to provide the right brand, the right price, the right product, and the right channel. In addition, the business is present in relatively under-penetrated markets with favorable demographics, climatic conditions, and rising populations that should witness steady demand growth. Further, its wide range of product portfolio enables it to cater to diverse consumer segments.
2. Business Agreement Risk	The Company relies on strategic relationships and agreements with PepsiCo. Termination of agreements or less favorable renewal terms could adversely affect profitability.	Over the past two decades, the Company has been in partnership with PepsiCo, consolidating its market relationship with them, increasing the number of licensed territories and sub-territories, producing and distributing a wider range of PepsiCo drinks, adding multiple SKUs into the portfolio, and expanding distribution network. The proven ability of the business to substantially strengthen the market share of PepsiCo enables it to be a reliable partner. The business maintains a symbiotic relationship with PepsiCo, working closely as active development partners, investing in joint projects and business planning with a focus on strategic issues. In 2019, bottling appointment and trademark license agreement for India with PepsiCo India has been extended till April 30, 2039, from October 2, 2022, earlier.
3. 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.	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 the sustainable manufacturing practices and takes very seriously the environmental issues related to packaging and waste recovery. The Company consistently works together with stakeholders to establish sustainability solutions that focus on protecting the environment, including NGOs and the communities in which it operates. PepsiCo's strategy of introducing healthier and zero sugar variant of products also augurs well for the Company's future.
4. 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.	The clear strategy and financial requirements of VBL ensure that all future acquisitions or collaborations are value-added and in compliance with the acquisition guidelines of the Board. The Company also spends considerable management time and financial resources to ensure the performance of the newly acquired activities, develop local market strategies (including for possible cultural and language barriers), and assimilate business practices to ensure business viability.
5. Consumer Preference Risk	Failure to adapt to changing consumer health trends and address misconceptions about the health effects of soft drink consumption may adversely affect demand.	In order to remain relevant, VBL's sales team works closely with PepsiCo to assess evolving consumer habits and continually concentrate on product innovation and increasing product range. In addition, the new product plan of PepsiCo lays more emphasis on healthy products with zero / limited calorie content and sugar content.
6. 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.	An integral part of VBL's strategy is to maximize cost efficiencies, focusing on actively reducing the cost of goods sold, minimizing operating expenses efficiently and increasing cash flows. Hence, the business has pursued many programs for this purpose, including backward integration and consolidated sourcing of materials. It also leverages on its scale of operations to achieve better bargaining power with suppliers resulting in better working capital management. The Company is focused on optimally utilizing its assets to help achieve higher operating efficiency and to amortize overheads costs on a wider case. In addition, the Company continues to invest in innovative solutions to boost operational efficiencies and work processes in its activities, ensuring consolidated operational data from production, scheduled sourcing, and superior monitoring of the supply of goods from manufacturers to the retail point of sale.

Human Resources

As of December 31, 2019, VBL employed 11,000+ fulltime employees globally (8,500+ in India and 2,500+ in international subsidiaries). The Company recognizes the need for talent management throughout the business and its criticality to future growth and success like 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 effective internal control systems in place that match the scale of its sector and the complexity of the market it works in. Such stringent and detailed controls ensure the effective and productive use of resources, to the degree that the Company's assets and interests are safeguarded, transactions are approved, registered and properly reported, and checks and balances guarantee reliability and consistency of accounting data. The Audit, Risk Management and Ethics Committee is undertaking a comprehensive system of internal audits and periodic assessments to ensure compliance with best practices. The Company has appointed Walker Chandiok & Co. LLP, Chartered Accountants, and M/s APAS & Co., Chartered Accountants, the Joint Statutory Auditors of the Company to report on the Financial Controls of the Company.