

# Independent Auditor's Report

## To the Members of Varun Beverages Limited

### Report on the Audit of the Standalone Financial Statements

#### Opinion

1. We have audited the accompanying standalone financial statements of Varun Beverages Limited ('the Company'), which comprise the Balance Sheet as at 31 December 2020, 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.
2. 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 Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 December 2020, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

#### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
5. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment assessment of non-current investments in and loans recoverable from certain subsidiaries</b></p> <p>As described in Note 6 and 8 to the standalone financial statements, the Company has investments of INR 12,559.74 million and has outstanding loans recoverable amounting to INR 1,225.24 million from certain subsidiaries as at 31 December 2020, which have been incurring losses in the current and previous years and have had negative cash flows from operations during the current year in one of the subsidiary, that are impairment indicators and triggered a need for impairment assessment.</p>	<p>Our audit procedures included, but were not limited, to the following:</p> <ul style="list-style-type: none"> <li>• Obtained understanding of the management process for identification of possible impairment indicators for the relevant subsidiaries and conducted detailed discussions with the management through the year to understand the impairment assessment process, assumptions used and estimates made by management to assess the reasonableness of the recoverable amounts and tested the operating effectiveness of controls implemented by management;</li> </ul>



Key audit matter	How our audit addressed the key audit matter
<p>In view of the above, management, during the year ended 31 December 2020, has carried out impairment assessment of such investments and loans granted, whereby the carrying amount of the investments was compared with the value in use of the business of respective subsidiary. Determination of value in use for impairment assessment using the discounted cash flow model involved significant judgments and estimates including the expected growth rate, discount rates and other market related factors.</p> <p>Considering the materiality of the amounts involved and significant degree of judgement and subjectivity involved in the estimates and key assumptions used in determining the cash flows used in the impairment evaluation, impairment assessment of such investments / loans was determined to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Obtained from the management of the Company, the detailed financial projections of the relevant subsidiaries as approved by their respective board of directors and held detailed discussions with the management to understand the assumptions used and estimates made by them for determining the cash flow projections;</li> <li>• Reviewed the valuation report obtained by management from an independent valuer and assessed the professional competence, skills and objectivity for performing the required valuations;</li> <li>• Assessed the appropriateness of the significant assumptions as well as the Company's valuation model with the support of auditor's valuation specialists, who assess the reasonableness of assumptions used and valuation methodology applied relating to discount rate, risk premium, industry growth rate, etc. This included a discussion of the expected development of the business and results as well as of the underlying assumptions used with those responsible for the planning process;</li> <li>• Assessed the robustness of financial projections prepared by management by comparing projections for previous financial years with actual results realised and discussed significant deviations, if any, with the management;</li> <li>• Evaluated the historical accuracy of the plans and forecasts for subsidiary where valuation was performed by management internally, by comparing the forecasts used in the prior year models to the actual performance of the business in the current year and discussed the results with the management;</li> <li>• Read the auditors' reports of the relevant subsidiaries, noting no adverse remarks pertaining to impairment of any assets;</li> <li>• Tested mathematical accuracy of the projections and performed sensitivity analysis for reasonably possible changes in the long-term growth rates and discount rates used to ensure that there is no significant impact on the valuation; and</li> <li>• Evaluated the adequacy and appropriateness of disclosures made by the Company in the standalone financial statements, as required by the applicable provisions of the Act and the Ind AS.</li> </ul>





Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment assessment of intangible assets including goodwill</b></p> <p>(Refer note 3.5 for accounting policies on intangibles assets and note 5 to the standalone financial statements)</p> <p>The Company carries goodwill and franchisee rights as intangible assets having indefinite life amounting to INR 19.40 million and INR 5,385.99 million respectively, that are required to be tested for impairment by the management on an annual basis in accordance with Ind AS 36, Impairment of Assets.</p> <p>The aforesaid assessment of the impairment testing involves significant judgement around the determination of the recoverable amount, being the higher of value in use and fair value less costs of disposal. Recoverable amounts are based on management’s view of the future cash flows and prospects of the business, the appropriate discount rates and other industry specific risk factors.</p> <p>The key judgements in determining the recoverable amount of these intangibles relates to the forecast of future cash flows based on strategy using macroeconomic assumptions such as industry growth, inflation and expected growth in market share, capital expenditure and working capital requirements, among others.</p> <p>Changes in the management forecasts or assumptions can impact the assessment of the discounted cash flows and consequently the valuation of such intangible assets.</p> <p>Considering the materiality of the amount involved and significant degree of judgement and subjectivity involved in the estimates and key assumptions used in determining the forecasted cash flows used in the impairment evaluation, which are dependent on current and future economic factors and trading conditions varying for different economic and geographical territories, impairment assessment of such intangibles assets was determined as a key audit matter.</p>	<p>Our audit procedures included, but were not limited, to the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the management’s process for identification of cash generating unit and impairment indicators for intangible assets, if any and processes performed by the management for their impairment testing;</li> <li>• Assessed the process by which management prepared its cash flow forecasts and held discussions with management to understand the assumptions used and estimates made by them for determining such projections;</li> <li>• Tested the design and operating effectiveness of internal controls over such identification and impairment measurement through fair valuation of identified assets;</li> <li>• Assessed the appropriateness of the Company’s accounting policies, including those relating to recognition, measurement and impairment of intangibles by comparing with the applicable Ind AS;</li> <li>• Reviewed the valuation report obtained by management from an independent valuer and assessed the professional competence, skills and objectivity for performing the required valuations;</li> <li>• Assessed the appropriateness of the significant assumptions as well as the Company’s valuation model with the support of auditor’s valuation specialists, who assess the reasonableness of assumptions used and valuation methodology applied relating to discount rate, risk premium, industry growth rate etc. This included a discussion of the expected development of the business and results as well as of the underlying assumptions used with those responsible for the planning process.</li> <li>• Assessed the robustness of financial projections prepared by management by comparing projections for previous financial years with actual results realised and discussed significant deviations, if any, with the management;</li> <li>• Tested mathematical accuracy of the projections and performed a sensitivity analysis for reasonably possible changes in the sales growth, discount rate applied and the long-term growth rate; and</li> <li>• Evaluated the adequacy and appropriateness of disclosures made by the Company in the standalone financial statements, as required by the applicable provisions of the Act and the Ind AS.</li> </ul>



Key audit matter	How our audit addressed the key audit matter
<p><b>Litigation and claims - provisions and contingent liabilities</b></p> <p>(Refer note 41 to the standalone financial statements for the amounts of contingent liabilities)</p> <p>The Company is involved in various direct, indirect tax and other litigations ('litigations') that are pending with different statutory authorities. The management exercises significant judgement for determining the need for and the amount of provisions, for any liabilities, arising from these litigations.</p> <p>This judgement is dependent on a number of significant assumptions and evaluations which involves interpreting the various applicable rules, regulations, practices and considering precedents in the various jurisdictions including the opinions received from various legal counsels.</p> <p>This matter is considered as a key audit matter, in view of the uncertainty regarding the outcome of these litigations, the significance of the amounts involved and the subjectivity involved in management's judgement as to whether the amount should be recognised as a provision or only disclosed as contingent liability in the standalone financial statements.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Assessed the appropriateness of the Company's accounting policies relating to provisions and contingent liabilities by comparing with the applicable accounting standards;</li> <li>• Assessed the Company's process and the underlying controls for identification of the pending litigations and completeness for financial reporting and also for monitoring of significant developments in relation to such pending litigations;</li> <li>• Assessed the management's assumptions and estimates in respect of litigations, including the liabilities or provisions recognised or contingent liabilities disclosed in the standalone financial statements. This involved assessing the probability of an unfavorable outcome of a given proceeding and the reliability of estimates of related amounts based on the various legal counsels opinions received by the Company;</li> <li>• Recomputed the arithmetical accuracy of the underlying calculations supporting the provisions recorded from the supporting evidences including the correspondence with various authorities;</li> <li>• Assessed the management's conclusions through understanding relevant judicial precedents in similar cases and the applicable rules and regulations;</li> <li>• Obtained legal opinions and confirmation on completeness from the Company's external legal counsels, where appropriate;</li> <li>• Engaged auditor's experts to gain an understanding of the current status of litigations and changes in the disputes, if any, through discussions with the management and by reading external advice received by the Company, where relevant, to validate management's conclusions; and</li> <li>• Assessed the appropriateness of the Company's description of the accounting policy, disclosures related to litigations and whether these are adequately presented in the standalone financial statements.</li> </ul>



**Information other than the Standalone Financial Statements and Auditor’s Report thereon**

6. The Company’s Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Report on Corporate Governance and Director’s Report, but does not include the standalone financial statements and our auditor’s report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

7. The accompanying standalone financial statements have been approved by the Company’s Board of Directors. The Company’s Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the 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 of 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 financial statements that give a true and fair view and are

free from material misstatement, whether due to fraud or error.

- 8. In preparing the standalone financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
- 9. Those Board of Directors is also responsible for overseeing the Company’s financial reporting process.

**Auditor’s Responsibilities for the Audit of the Standalone Financial Statements**

- 10. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.
- 11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our



opinion on whether the Company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public

disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

15. As required by section 197(16) of the Act, based on our audit, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.
16. 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 I a statement on the matters specified in paragraphs 3 and 4 of the Order.
17. Further to our comments in Annexure I, as required by section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:
  - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying standalone financial statements;
  - 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 2020 from being appointed as a director in terms of section 164(2) of the Act;
  - f) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 December 2020 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 2021 as per Annexure II expressed unmodified opinion; and



- |   |  |  |  |  |   |
|---|--|--|--|--|---|
| <p>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:</p>    | <p>iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.</p>  |  |  |  |   |
| <p>i. the Company, as detailed in note 41 to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at 31 December 2020;</p>   | <table border="0"> <tr> <td style="width: 50%;"> <p>For <b>Walker Chandiook &amp; Co LLP</b><br/>Chartered Accountants<br/>Firm's Registration No.:<br/>001076N/N500013</p> </td> <td style="width: 50%;"> <p>For <b>APAS &amp; Co.</b><br/>Chartered Accountants<br/>Firm's Registration No.:<br/>000340C</p> </td> </tr> </table>  | <p>For <b>Walker Chandiook &amp; Co LLP</b><br/>Chartered Accountants<br/>Firm's Registration No.:<br/>001076N/N500013</p> | <p>For <b>APAS &amp; Co.</b><br/>Chartered Accountants<br/>Firm's Registration No.:<br/>000340C</p>  |  |   |
| <p>For <b>Walker Chandiook &amp; Co LLP</b><br/>Chartered Accountants<br/>Firm's Registration No.:<br/>001076N/N500013</p>  | <p>For <b>APAS &amp; Co.</b><br/>Chartered Accountants<br/>Firm's Registration No.:<br/>000340C</p>  |  |  |  |   |
| <p>ii. the Company, as detailed in note 25 to the standalone financial statements, has made provision as at 31 December 2020, as required under the applicable law or Ind AS, for material foreseeable losses, if any, on long-term contracts including derivative contracts;</p> | <table border="0"> <tr> <td style="width: 50%;"> <p><b>Anupam Kumar</b><br/>Partner<br/>Membership No.: 501531<br/>UDIN:<br/>21501531AAAAAN8569</p> </td> <td style="width: 50%;"> <p><b>Sumit Kathuria</b><br/>Partner<br/>Membership No.: 520078<br/>UDIN:<br/>21520078AAAABH4232</p> </td> </tr> <tr> <td style="vertical-align: top;"> <p>Place: Gurugram<br/>Date: 16 February 2021<br/>L-41 Connaught Place,<br/>New Delhi - 110001</p> </td> <td style="vertical-align: top;"> <p>Place: Gurugram<br/>Date: 16 February 2021<br/>606, 6<sup>th</sup> Floor,<br/>PP City Centre, Road No. 44,<br/>Pitampura, New Delhi - 110034</p> </td> </tr> </table> | <p><b>Anupam Kumar</b><br/>Partner<br/>Membership No.: 501531<br/>UDIN:<br/>21501531AAAAAN8569</p>                         | <p><b>Sumit Kathuria</b><br/>Partner<br/>Membership No.: 520078<br/>UDIN:<br/>21520078AAAABH4232</p> | <p>Place: Gurugram<br/>Date: 16 February 2021<br/>L-41 Connaught Place,<br/>New Delhi - 110001</p> | <p>Place: Gurugram<br/>Date: 16 February 2021<br/>606, 6<sup>th</sup> Floor,<br/>PP City Centre, Road No. 44,<br/>Pitampura, New Delhi - 110034</p> |
| <p><b>Anupam Kumar</b><br/>Partner<br/>Membership No.: 501531<br/>UDIN:<br/>21501531AAAAAN8569</p>  | <p><b>Sumit Kathuria</b><br/>Partner<br/>Membership No.: 520078<br/>UDIN:<br/>21520078AAAABH4232</p>   |  |  |  |   |
| <p>Place: Gurugram<br/>Date: 16 February 2021<br/>L-41 Connaught Place,<br/>New Delhi - 110001</p>  | <p>Place: Gurugram<br/>Date: 16 February 2021<br/>606, 6<sup>th</sup> Floor,<br/>PP City Centre, Road No. 44,<br/>Pitampura, New Delhi - 110034</p>  |  |  |  |   |
| <p>iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 December 2020; and</p>   |  |  |  |  |   |





## Annexure I to the Independent Auditor’s Report of even date to the members of Varun Beverages Limited (“the Company”), on the Standalone Financial Statements for the year ended 31 December 2020

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets, other than refrigerators (visi coolers) and containers lying with third parties, have been physically verified by the management during the year and no material discrepancies were noticed on such verification. The Company has a regular program of physical

verification of 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 properties:

Nature of property	Total Number of Cases	Whether leasehold / freehold	Gross block as on 31 December 2020	Net block on 31 December 2020	Remarks (as per the information and explanation given to us by the management)
Land (at Sonarpur, Kolkata)	1	Leasehold	₹ 1.5 million	₹ 1.47 million	On implementation of project

- (ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit. 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 complied with the provisions of Section 186 in respect of investments, loans and guarantees. Further, in our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of security.
- (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, goods and service tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate



authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of income-tax, goods and service tax, sales-tax, service-tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Statement of Disputed Dues:

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, 1994	Central excise	11.89	0.89	April 2012 to December 2015	CESTAT, New Delhi
Central Excise Act, 1994	Central excise	1.77	0.06	April 2012 to June 2017	Additional Commissioner, Bhiwadi
Central Excise Act, 1994	Central excise	4.51	0.51	March 2012 to December 2016	Commissioner Appeal Bhiwadi
Central Excise Act, 1994	Central excise	11.39	-	March 2011 to March 2013	High Court, Jaipur
Central Excise Act, 1994	Central excise	1.27	0.13	2014-15	CESTAT Allahabad
Central Excise Act, 1994	Central Excise	0.20	0.03	September 14 - June 2015	Commissioner (Appeal), Meerut
Central Excise Act, 1994	Central excise	0.26	-	April 2015 to February 2016	Commissioner (Appeal), Kolkata
Central Excise Act, 1994	Central excise	3.51	-	July 2014 to August 2014	Commissioner (Appeal), Kolkata
Central Excise Act, 1994	Central excise	0.16	-	March 2015 to October 2016	Deputy Commissioner, Panipat
Central Excise Act, 1994	Central excise	0.58	-	March 2015 to January 2016	Office of the Commissioner of Central Excise, Sonipat
Central Excise Act, 1994	Central excise	13.69	0.68	April 2014 to February 2015	Office of the Commissioner of Central Tax, Panchkula
Central Excise Act, 1994	Central excise	0.12	-	February 2016 to March 2017	Office of the Commissioner of Central Excise, Sonipat
Central Excise Act, 1944	Central excise	0.26	-	April 17 to June 2018	Office of the Commissioner of Central Excise, Sonipat
Central Excise Act, 1944	Central excise	20.39	0.84	April 16 to June 2017	Commissioner Appeals, Jaipur
The Customs Act, 1962	Custom Duty	90.75	3.41	January 2017 to December 2018	Principal Commissioner/ Commissioner of Custom Maharashtra
The Uttar Pradesh Goods and Services Act, 2017	GST	1.20	1.20	June 2018- October 2020	Additional Commissioner Ghaziabad
The Odisha Goods and Services Act, 2017	GST	0.18	0.18	March 2020	Assistant Commissioner, Odisha
The Tamil Nadu Goods and Services Act, 2017	GST	0.33	0.33	March 2020	Assistant Commissioner, Tamil Nadu
The Gujarat Goods and Services Act, 2017	GST	0.36	0.36	March 2020 and July 2020	Assistant Commissioner, Gujarat



Name of the statute	Nature of dues	Amount (million)	Amount paid under protest (million)	Period to which the amount relates	Forum where dispute is pending
The Rajasthan Goods and Services Act, 2017	GST	0.10	0.10	December 2020	Assistant Commissioner, Jaipur
The Rajasthan Goods and Services Act, 2017	GST	0.30	0.30	March 2020	Appellate Authority-I Commercial Taxes Jaipur
The Delhi Goods and Services Act, 2017	GST	0.40	0.40	March 2020	Assistant Commissioner, GST Noida
The Haryana Goods and Services Act, 2017	GST	0.05	0.05	March 2019	Assistant Commissioner, Panchkula
The Haryana Goods and Services Act, 2017	GST	0.20	0.20	July 2019	Assistant Commissioner, Faridabad
The Haryana Goods and Services Act, 2017	GST	0.64	0.64	September 2019 - June 2020	Assistant Commissioner, Panipat
The Kerela Goods and Services Act, 2017	GST	0.33	0.33	November 2019 - December 2020	Assistant Commissioner, Palakkad
The Telangana Goods and Services Act, 2017	GST	0.04	0.04	December 2019	Assistant Commissioner, Sangareddy
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	1.52	0.11	2001-2002	Additional Commissioner (Appeals), Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	0.31	0.31	2017-18	Additional Commissioner, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	4.48	4.48	2011-2012	Joint Commissioner, Ghaziabad and Add. Commissioner Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	0.10	0.10	2010-2011	Joint Commissioner, Kanpur
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	0.38	0.38	2009-10, May 2015 and June 2016	Deputy Commissioner, (Appeal) Jaipur
Punjab Value Added Tax Act, 2005	Value added tax	0.18	-	April 2015 to March 2016	Assessing officer, Mohali
Punjab Value Added Tax Act, 2005	Value added tax	0.33	0.08	April 2015 to March 2016	Value added tax tribunal, Punjab and Chandigarh
Punjab Value Added Tax Act, 2005	Value added tax	0.19	0.14	April 2016 to March 2017	The Deputy Excise and Taxation Commissioner (Appeals) / Joint Director (Investigation), Bathinda



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	April 2016 to March 2017	The Deputy Excise and Taxation Commissioner (Appeals) / Joint Director (Enforcement), Jalandhar
Rajasthan Value Added Tax Act, 2003	Value added tax	582.46	16.75	2010-2015	Rajasthan High Court
West Bengal Value Added Tax Act, 2003	Value added tax	1.21	0.51	July 2012 and Sept 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	2.43	-	2013 - 2014	Assistant Commissioner, Margoa
The Uttarakhand Added Tax Act, 2005	Value added tax	0.14	0.14	April 2012	Uttarakhand Sales Tax Department
Punjab Tax on Entry of Goods into Local Areas Act, 2000	Entry tax	28.77	-	2016-2017	Honorable High Court, Chandigarh
Rajasthan Tax of Entry of Goods into Local Areas Act, 1999	Entry tax	3.37	-	2014-2016	Honorable High Court, Jaipur
Goa Non-Biodegradable Garbage (Control) Act, 1996 (Act 5 of 1997)	Cess	61.78	-	April 2014 to December 2020	Honorable High Court of Bombay, Panaji
Income-tax Act, 1961	Income tax	39.00	-	2012-2013	Income Tax Appellate Tribunal, New Delhi
Income-tax Act, 1961	Income tax	43.32	-	AY 2008-09	Hon'ble Supreme Court
Income-tax Act, 1961	Income tax	0.69	-	AY 2009-10	Commissioner Income Tax (Appeals), New Delhi
Income-tax Act, 1961	Income tax	2.79	-	AY 2014-15, 2015-16	Commissioner Income Tax (Appeals), New Delhi
Income-tax Act, 1961	Income Tax	24.20	-	AY 2016-17	Commissioner Income Tax (Appeals), New Delhi

(viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution or government during the year. The Company did not have any outstanding debentures 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 and provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

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



(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 Chandiook & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

For **APAS & Co.**

Chartered Accountants

Firm's Registration No.: 000340C

**Anupam Kumar**

Partner

Membership No.: 501531

UDIN: 21501531AAAAAN8569

Place: Gurugram

Date: 16 February 2021

L-41 Connaught Place,

New Delhi 110 001

**Sumit Kathuria**

Partner

Membership No.: 520078

UDIN: 21520078AAAABH4232

Place: Gurugram

Date: 16 February 2021

606, 6<sup>th</sup> Floor, PP City Centre,

Road No. 44,

Pitampura, New Delhi 110 034



## Annexure II 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 2020

### Independent Auditor's Report on the internal financial controls with reference to the standalone financial statements 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 2020, we have audited the internal financial controls with reference to standalone financial statements of the Company as at that date.

### Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

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

### Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Standalone Financial Statements

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to standalone financial statements,

and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('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 internal financial controls with reference to financial statements 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 internal financial controls with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements includes obtaining an understanding of such internal financial controls, 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 standalone 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 internal financial controls with reference to standalone financial statements.

### Meaning of Internal Financial Controls with Reference to Financial Statements

6. A company's internal financial controls with reference to financial statements 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 internal financial controls with reference to financial statements 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 with Reference to Financial Statements**

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements 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 with reference to standalone financial statements and such controls were operating effectively as at 31 December 2020, based on the internal financial controls with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

**For Walker Chandiook & Co LLP**

Chartered Accountants  
Firm's Registration No.:  
001076N/N500013

**Anupam Kumar**

Partner  
Membership No.: 501531  
UDIN:  
21501531AAAAAN8569

Place: Gurugram  
Date: 16 February 2021  
L-41 Connaught Place,  
New Delhi - 110001

**For APAS & Co.**

Chartered Accountants  
Firm's Registration No.:  
000340C

**Sumit Kathuria**

Partner  
Membership No.: 520078  
UDIN:  
21520078AAAABH4232

Place: Gurugram  
Date: 16 February 2021  
606, 6<sup>th</sup> Floor,  
PP City Centre, Road No. 44,  
Pitampura, New Delhi - 110034

