

# Board's Report

Dear Members,

Your Directors have pleasure in presenting the 26<sup>th</sup> (Twenty Sixth) Annual Report on the business and operations of your Company along with the Audited Financial Statements for the Financial Year ended December 31, 2020.

## Financial Performance

The financial performance of your Company for the Financial Year ended December 31, 2020 is summarized below:

(₹ in million)

Particulars	Standalone		Consolidated	
	Financial Year ended December 31, 2020	Financial Year ended December 31, 2019	Financial Year ended December 31, 2020	Financial Year ended December 31, 2019
Total Revenue	49,484.43	57,136.71	65,927.63	72,909.86
Total Expenses	46,792.34	50,793.80	61,637.29	65,990.75
Profit before tax after exceptional items	2,026.80	6,342.91	3,625.05	6,962.72
Less: Tax Expenses	(237.49)	1,857.44	52.34	2,240.67
Profit after tax	2,264.29	4,485.47	3,289.95*	4,689.75*
Balance brought forward from last year	8,619.78	4,972.54	5,560.11	1,720.41
Balance carried over to Balance Sheet	10,074.42	8,619.78	8,042.43	5,560.11
General Reserve	444.26	444.26	444.26	444.26
Other Reserves	26,712.10	26,720.24	23,866.43	24,392.96
Reserves & Surplus carried to Balance Sheet	37,230.78	35,784.28	32,353.12	30,397.33

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

## Consolidated Financial Statements

The Consolidated Financial Statements of your Company for the Financial Year 2020 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 also be provided to the Members in their forthcoming Annual General Meeting ('AGM').

## State of the Company's Affairs

Your Company has presence in 27 States and 7 Union Territories in India and 5 other countries across the world (viz. Nepal, Sri Lanka, Morocco, Zambia & Zimbabwe). Further, Company is having more than 2,500 owned vehicles, more than 1,500 primary distributors and more than 90 depots. Company is creating long term value through different facets of its business. Our strong execution capabilities, efficiency in operations and operating leverage lead us to acquire greater scale and productivity.

## 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, your 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 business of the Company.

## Dividend Distribution Policy

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 website of the Company at <https://varunpepsi.com/wp-content/uploads/2019/03/Dividend-Distribution-Policy.pdf>



**Dividend**

During the year under review, the Board of Directors in their meeting held on August 4, 2020 declared an interim dividend of ₹ 2.50 per Equity Share (face value of ₹ 10/- per Equity Share) to the eligible equity shareholders of the Company. The Board of Directors do not recommend any final dividend for the Financial Year 2020.

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 amount lying in the said Accounts (maintained with HDFC Bank Limited for the dividend declared in 2017, Yes Bank Limited for the dividend declared in 2018, IndusInd Bank Limited for the dividend declared in 2019 and Axis Bank Limited for the dividend declared in 2020) are uploaded on website of the Company at <https://varunpepsi.com/corporate-governance/>.

**Acquisition Guidelines**

Your Company applies stringent strategic and financial criteria to any potential acquisition or partnership and to enhance transparency, the Board of Directors of the Company in their meeting held on August 9, 2017 approved and adopted Acquisition Guidelines for Company's M&A activities for viable acquisitions and the same is uploaded on website of the Company at <https://varunpepsi.com/wp-content/uploads/2017/08/VBL-Guidelines-for-Acquisition-in-India.pdf>

**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 only) each and 50,000,000 (Fifty Million) Preference Shares of ₹ 100/- (Rupees Hundred only) each and the Issued, Subscribed and Paid-up Share Capital of the Company is ₹ 2,886,887,200/- (Rupees Two Billion Eight Hundred Eighty Six Million Eight Hundred Eighty Seven Thousand and Two Hundred only).

During the year under review, there was no change in the Authorized, Issued, Subscribed and Paid-up Share Capital of the Company.

**Employee Stock Option Schemes**

Your Company has two Employee Stock Option Schemes viz. Varun Beverages Limited Employee Stock Option Scheme 2013 ('ESOP Scheme 2013') and Varun Beverages Limited Employee Stock Option Scheme 2016 ('ESOP Scheme 2016'). During the year under review, there was no change in the said scheme(s).

Your Company has received a certificate from the Statutory Auditors of the Company that ESOP Scheme 2016 has 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 will be uploaded on website viz. <https://varunpepsi.com/> 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 the SEBI (Share Based Employee Benefits) Regulations, 2014 are attached to this report as **Annexure - A.**

**Credit Rating**

During the year under review, your Company's credit ratings by CRISIL is as below:

Long Term Rating	CRISIL AA/Stable (Re-affirmed)
Short Term Rating	CRISIL A1+ (Re-affirmed)

**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, Risk Management and Ethics Committee before entering into related party transactions. All contracts / arrangements / transactions entered into by the Company during the Financial Year 2020 with related parties, as defined under the Act and SEBI (LODR) Regulations 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 synchronized and synergized 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 the Act and SEBI (LODR) Regulations. 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 website of the Company at <https://varunpepsi.com/wp-content/uploads/2016/09/Policy-On-Related-Party-Transactions.pdf>



Since all transactions which were entered into during the Financial Year 2020 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 2020 as per Policy on Related Party Transactions, 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 or 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 as on December 31, 2020:

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

Pursuant to the approval of Hon'ble National Company Law Tribunal, Special Bench, New Delhi, Angelica Technologies Private Limited ("Angelica") was merged with Lunarmech Technologies Private Limited ("Lunarmech"), accordingly your Company is now directly holding 55.04% of the Equity Share Capital of Lunarmech. Lunarmech is now a direct subsidiary of VBL instead of Angelica, which stands dissolved without winding up w.e.f. July 7, 2020.

Further, Varun Beverages (Botswana) (Proprietary) Limited had been dissolved w.e.f. March 11, 2020 and accordingly, ceased to be step-down subsidiary of the Company.

As on December 31, 2020, there was no associate/joint venture of the Company as defined under the provisions of the Act.

To comply with the provisions of Section 129 of the Act, a separate statement containing salient features of Financial Statements of Subsidiaries of your Company (including their performance and financial position)

in prescribed Form AOC-1 forms part of Consolidated Financial Statements and therefore not repeated here to avoid duplication. Further, contribution of subsidiary to the overall performance of your Company is outlined in Note No. 60 of the 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 on all days except Saturday, Sunday and Public Holidays up to the date of AGM i.e. April 7, 2021 between 11:00 a.m. to 5:00 p.m. 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 with this Report have been uploaded on website of the Company at <https://varunpepsi.com/annual-reports>.

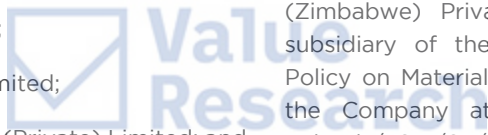
To comply with the provisions of Regulation 16(c) of SEBI (LODR) Regulations, the Board of Directors of the Company have approved and adopted a Policy for determining Material Subsidiary. Further, Varun Beverages (Zimbabwe) Private Limited has become a material subsidiary of the Company w.e.f. February 16, 2021. Policy on Material Subsidiary is uploaded on website of the Company at <https://varunpepsi.com/wp-content/uploads/2021/02/1doc.pdf>

**Directors and Key Managerial Personnel**

**Directors**

During the year under review, in terms of Regulation 17(1A) of SEBI (LODR) Regulations, the Board of Directors, on the recommendation of Nomination and Remuneration Committee and subject to the approval of Members of the Company, accorded its approval to continue and hold office of Non-executive Independent Director of the Company by Dr. Naresh Trehan (DIN: 00012148). Further, Dr. Naresh Trehan has affirmed that he is not debarred from holding the office of Independent Director by virtue of any SEBI order or any other such Authority.

To comply with the provisions of Section 152 of the Act and in terms of the Articles of Association of the Company, Mr. Ravi Jaipuria (DIN: 00003668), Non-executive Chairman and Mr. Raj Gandhi (DIN: 00003649), Whole-time Director are liable to retire by rotation at the ensuing AGM and being eligible, seeks re-appointment. The Board of Directors, on the recommendation of Nomination and Remuneration Committee, recommended their re-appointment.





Further, at the 25<sup>th</sup> AGM of the Company held on June 26, 2020, Mr. Varun Jaipuria (DIN: 02465412) and Mr. Raj Gandhi (DIN: 00003649) were re-appointed as Whole-time Directors of the Company for a period of up to 5 (Five) years w.e.f. November 1, 2019 and Mr. Rajinder Jeet Singh Bagga (DIN: 08440479) was appointed as Whole-time Director of the Company for a period of up to 5 (Five) years w.e.f. May 2, 2019.

Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and SEBI (LODR) Regulations.

Brief resume and other details of the Director(s) being appointed/re-appointed at the ensuing AGM as stipulated under Secretarial Standard-2 issued by the Institute of Company Secretaries of India and Regulation 36 of the SEBI (LODR) Regulations, is separately disclosed in the Notice of the ensuing AGM.

### Key Managerial Personnel

Mr. Kapil Agarwal, Whole-time Director and Chief Executive Officer, Mr. Vikas Bhatia, Chief Financial Officer and Mr. Ravi Batra, Chief Risk Officer & Group Company Secretary, continued to be the Key Managerial Personnel of your Company in accordance with the provisions of Section 203 of the Act read with the 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 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, Risk Management and Ethics 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 the 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 whole at a separate meeting of Independent Directors.

### Board and Committees of the Board

The number of meetings of the Board and various Committees of the Board including composition 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 and Rules made thereunder and Regulation 19 of SEBI (LODR) Regulations, the Company's Remuneration Policy for Directors, Key Managerial Personnel (KMP), Senior Management and other Employees of the Company is uploaded on website of the Company at <https://varunpepsi.com/wp-content/uploads/2020/03/Remuneration-Policy.pdf>. The Policy includes, inter-alia, the criteria for appointment and remuneration of Directors, KMPs, Senior Management Personnel and other employees of the Company.

### 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

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 up to 5 (five) years i.e. till the conclusion of 27<sup>th</sup> AGM of the Company to be held in the Financial Year 2022.

Further, Members in their 23<sup>rd</sup> AGM held on April 17, 2018 appointed M/s. Walker Chandiok & Co. LLP, Chartered Accountants (Firm Registration Number 001076N/N500013) as Joint Statutory Auditors of the Company to hold office for a period of up to 5 (Five) years i.e. till the conclusion of 28<sup>th</sup> AGM of the Company to be held in the Financial Year 2023.

The Statutory Auditors' Report for the Financial Year 2020 does not contain any qualification, reservation or adverse remark. The Statutory Auditors have not reported any frauds under Section 143(12) of the Act.



**Cost Audit**

In terms of Section 148 of the Act and the Companies (Cost Records and Audit) Rules, 2014, Cost Audit is not applicable to the Company for the Financial Year ended 2020.

**Disclosure under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

To comply with the provisions of Section 134 of the Act and Rules made thereunder, your Company has complied with the provisions relating to constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Company is conducting training programs periodically to educate its employees so that the provisions of above-mentioned Act are complied in true spirit.

During the year under review, no complaint was filed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and no complaint was pending at the beginning and end of Financial Year 2020.

**Vigil Mechanism / Whistle Blower Policy**

Pursuant to 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 to provide a platform to the Directors and Employees of the Company to raise concerns regarding any irregularity, misconduct or unethical matters / dealings within the Company. The same is detailed in the Corporate Governance Report which forms part of this report.

**Secretarial Auditors**

The Board of Directors on the recommendation of the Audit, Risk Management and Ethics Committee, has appointed M/s. Sanjay Grover & Associates, Company Secretaries to conduct Secretarial Audit of your Company. The Secretarial Audit Report for the Financial Year 2020 is attached to this report as **Annexure - C**.

**Risk Management**

Pursuant to the provisions of Regulation 21(5) of SEBI (LODR) Regulations, the top 500 listed entities, determined on the basis of market capitalization, as at the end of the immediate previous financial year shall constitute a Risk Management Committee. The Audit Risk Management and Ethics Committee of the Board of Directors inter-alia monitors and reviews the risk management plan and such other functions as assigned from time to time.

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 Internal Financial Controls issued by M/s. Walker Chandiook & Co. LLP, Chartered Accountants and M/s. APAS & Co., Chartered Accountants, the Joint Statutory Auditors of the Company is annexed to the Audit Report on the Financial Statements of the Company and does not contain any reportable weakness of the Company.

**Corporate Social Responsibility (CSR)**

Your Company has a Corporate Social Responsibility Policy which is uploaded on website of the Company at <https://varunpepsi.com/wp-content/uploads/2016/09/Corporate-Social-Responsibility-Policy.pdf>

Annual Report on CSR activities for the Financial Year 2020 as required under Sections 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:

- (a) in the preparation of the annual accounts for the Financial Year ended December 31, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) they 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, 2020 and of the profits of the Company for the period ended on that date;
- (c) 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;



- (d) the annual accounts have been prepared on a going concern basis;
- (e) proper internal financial controls laid down by the Directors were followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) 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 & Analysis Report**

Management Discussion & Analysis Report for the year under review, as stipulated under Regulation 34(2)(e) of SEBI (LODR) Regulations, forms part of the Annual Report.

**Business Responsibility Report**

Business Responsibility Report for the year under review, as stipulated under Regulation 34(2)(f) of SEBI (LODR) Regulations, forms part of the Annual 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 Report**

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

**Awards**

Your Company has been awarded with the following:

- (a) Winner of Best FMCG Corporate Governance India 2020 awarded by Capital Finance International.
- (b) Winner of Bottler of the Year, 2019 by PepsiCo in AMESA Sector (Africa, Middle East and South Asia) received in 2020.

**Listing**

The Equity Shares of the Company are listed on the National Stock Exchange of India Limited and BSE Limited. Both these stock exchanges have nation-wide trading terminals. Annual listing fee for the Financial Year 2020-21 has been paid to the National Stock Exchange of India Limited and BSE Limited.

**Extract of the Annual Return**

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**.

Annual Return of the Company for the Financial Year 2019 is uploaded on website of the Company at <https://varunpepsi.com/wp-content/uploads/2021/03/AnnualReturnFY2019.pdf>

**Research and Development**

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

**Cautionary Statement**

Statements in the Board's Report and the Management Discussion & Analysis Report describing the Company's objectives, expectations or forecasts may be forward looking within the meaning of applicable laws and regulations. Actual results may differ 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.

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



No material changes and commitments have occurred after the closure of the Financial Year 2020 till the date of this Report, which would affect the financial position of your Company.

### **Acknowledgement**

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 various Government Authorities, Banks / Financial Institutions and other stakeholders such as members, customers and suppliers, among others. Your Directors also commend the continuing commitment and dedication of employees at all levels, which has been vital 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**

**Ravi Jaipuria**

Chairman

DIN: 00003668

Date: February 16, 2021

Place: Gurugram

