Management Discussion & Analysis

Economic Overview & Outlook

Global Economy

In the year 2020, worldwide economies and various industries across the international markets faced an unprecedented situation brought upon by the outbreak of the COVID-19 pandemic. The disruption due to the spread of the COVID-19 virus triggered one of the most pronounced contractions witnessed by global economies in modern times. Lockdowns and border closures across key global markets paralyzed economic activities, halted production processes and stunted business operations in most key markets. Global trade was impacted by a significant margin in the first half of the year. As per IMF estimates, global economy contracted by 3.5% in 2020[1].

Indian Economy

Over the last few years, India has evolved as one of the world's fastest growing major economies. However, the outbreak of the COVID-19 pandemic in March 2020 along with the subsequent actions to contain the spread of the virus, such as stringent lockdown measures and restrictions on logistics across states severely disrupted economic activities. This, in combination with derailed consumer demand and supply chain issues, resulted in a significant slowdown for the economy in the first half of the calendar year 2020. However, staggered unlocking measures from May/June 2020 onwards brought initial signs of normalcy in the domestic markets. In addition, a combination of improving high-frequency macro & micro indicators coupled with healthy crop-cycles, widespread monsoon and rural demand are pointing towards recovery in the Indian economy. The Indian economy is further expected to pick up momentum in the year 2021. As per the IMF, India is likely to bounce back with an 11.5% growth rate in fiscal year 2021, thus re-establishing the position of the fastest growing emerging economy[1].

Soft Drinks Market Overview & Outlook

In the beginning of 2020, the domestic soft drinks market witnessed improved consumption and reported broad-based growth across categories. However, in March 2020, the widening spread of the COVID-19 virus led to significant uncertainty across the domestic and global markets. Lockdown measures and restrictions caused unparalleled disruption across economic and business activities in India, thus impacting overall demand and consumption in markets, especially in the key season of summer. In addition, severe supply chain issues impacted soft drink volumes during the first half of 2020.

The lockdown period also saw significant shift in consumer purchase patterns. Although at-home consumption increased, out-of-home consumption which historically contributes to higher volumes, was notably impacted during the first phase of the lockdown. However, as lockdown restrictions were relaxed gradually, there were notable changes in purchase patterns of consumers from basic necessities to items such as beverages, snacks, processed foods and ice-creams. This resulted in elevated sales for at-home consumption across regions.

Towards the latter half of the year 2020, the country witnessed healthy recovery in demand, particularly in rural and semi-urban areas, which resulted in improved momentum. Going forward, the soft drinks industry in India is expected to report normalized growth across categories. The main segments constituting the soft drinks market in India are carbonates, juices and bottled water. In value terms, carbonates is the largest category.

Key Growth Drivers & Opportunities

The soft drink consumption in India is on a steady growth trajectory. Rising young population, low per capita consumption, improving retail penetration across semi-urban and rural markets, better agro-economics and rising trend of at-home consumption makes it an attractive growth market. The Indian soft drinks industry has a huge potential and there are several key drivers that influence growth in the industry which include:

Demographic Profile: India is a young country with individuals below the age of 30 years accounting for majority of the overall population, which provides the country with a large workforce to support economic growth.

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 the spending patterns. Also, the increasing trend of women workforce in India has led to an increase in the disposable income of families, thus resulting in higher household consumption. Given

[1] Source: World Economic Outlook Update - January 2021 (IMF)

the changing population demographics, higher spending capacity of young consumers, rapid urbanization and growing rural consumption are expected to drive consumption of soft drinks in India.

Improving Trend in Consumer Purchase Pattern: Over the years, the country has seen a steady increase in the consumption of carbonated beverages and juices with sale of packaged goods gaining strong traction. Although the per capita consumption in India is relatively low as compared to other global markets, evolving factors such as favorable demographics, growing number of young consumers, rapid urbanization and growing rural consumption are expected to drive consumption of soft drinks in India.

Uptick in Rural Demand & Electrification: Rural sentiment is expected to maintain healthy momentum with good monsoons and better agro-economics, boding well for the overall economic revival. While the urban areas have historically yielded higher volume offtake, there is now a sense of strong demand emanating from rural markets. In addition, 100% electrification of all villages in India along with improving quality of electricity supply will help enhance penetration of cooling infrastructure in these regions, thereby supporting growth of the industry.

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

Location: Majority of the Indian population reside in hot and dry climatic or temperate regions. This is expected to sustainably drive consumption of soft drinks in the foreseeable future.

Business Overview – A Key Player in the Beverage Industry

VBL Presence

Varun Beverages Limited ("VBL" or the "Company") is a key player in the beverage industry. The Company's operations span across 6 countries – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal), which contributed ~81% to total revenue, and 3 in Africa (Morocco, Zambia, Zimbabwe), which contributed ~19% of revenue in CY20.

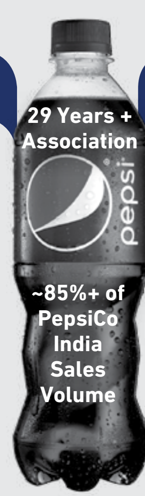
Symbiotic Relationship with PepsiCo

The Company enjoys a strategic, symbiotic and longstanding association with PepsiCo spanning 29 years, since their entry in India, accounting for 85%+ of their sales volumes in India. VBL manufactures, markets and distributes PepsiCo owned products, which include carbonated soft drinks, carbonated juices, juice-based beverages, energy drinks and 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, Mountain Dew Ice, Slice Fizzy, Seven-Up, Seven-Up Nimbooz Masala Soda, Teem, Sting, Evervess, Tropicana Slice, Tropicana Juices (100%, Delight and Essentials), Seven-Up Nimbooz, Gatorade, as well as packaged drinking water under the brand Aquafina.

The Company has developed 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 international territories of Nepal, Sri Lanka, Morocco, Zambia, and Zimbabwe.

VBL – Demand Delivery

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



PepsiCo – Demand Creation

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

Business Model

The Company produces and distributes a wide range of carbonated soft drinks ("CSD"), as well as a large selection of non-carbonated beverages ("NCB"), 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 is similar, each territory and sub-territory presents specific operational challenges, varying from steady electricity supply and refrigeration and cooling equipment, logistics infrastructure as well as the demographic profile and general socio-economic conditions in the relevant market.

The Company boasts of a solid and well-entrenched distribution network covering 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 solid production capabilities and distribution network enables it to effectively respond to competitive pressures, market demand and evolving consumer preferences across targeted territories. As of December 31, 2020, the Company has 31 state-of-the-art manufacturing facilities in India and 6 overseas. Further, it has a robust supply chain with 90+ owned depots, 2,500+ owned vehicles, 1,500+ primary distributors. Presently, it has 800,000+ visi-coolers across various markets.

VBL has undertaken a number of strategic initiatives towards 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 in licensed territories. It undertakes local level promotion, in-store activations, customer relation management, merchandizing, individual account management and evaluation of high demand region for strategic placement of vending machines and visi-coolers.

Over the years, VBL has expanded its operations in India through the acquisition of additional territories from PepsiCo as well as previously franchised territories.

Key Business Developments – 2020

COVID-19 Impact on Business Operations:

In light of the COVID-19 pandemic and disruptions in the macro-economic environment, the Company outlined the following focus areas during the year to minimize the impact of the macro-environment on its business operations:

Health & Safety:

- One of the key focus areas for the management was undertaking all necessary measures to ensure safety and well-being of its employees, business partners, communities and to safeguard the interests of its customers and distributors to the best possible extent during the unprecedented times.

Manufacturing Facilities:

- As per the relaxations provided by the Government of India for essential services particularly, packaged food and beverages, VBL received the requisite permissions from respective state governments to operate certain production facilities during the lockdown period.
- While these units were operating at a lower utilization level during the lockdown, as of December 31, 2020, all the manufacturing facilities are operating at normal levels.
- The Company continues to undertake all necessary measures to ensure and maintain the highest standards of hygiene and social distancing norms at its plants and corporate office.

Distribution:

- The VBL teams were actively in contact with all its distributors in order to ensure streamlined deliveries and supplies during the lockdown period.
- VBL's business model consisting of owned logistics, supply chain systems and end-to-end infrastructure facilities provided adequate cushion to its business operations despite an industry-wide supply chain disruption in the country.

Debt Obligations:

- Despite the impact of the pandemic, the Company did not avail moratorium for its debt repayments and has been timely servicing all its debt obligations.

Awards & Accolades:

- Winner of bottler of the year, 2019 by PepsiCo in AMESA sector (Africa, Middle East and South Asia) received in 2020.

- Winner of Best FMCG Corporate Governance India 2020 awarded by Capital Finance International.

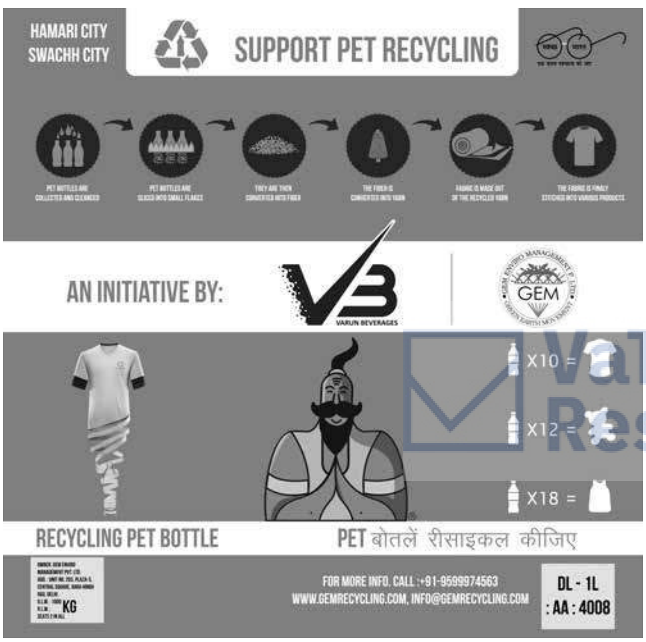
Dividend Payout:

- For CY20, in line with the guidelines of dividend policy, the Board of Directors recommended a dividend of ₹ 2.50/- per share, resulting in cash outflow of ₹ 721.7 million.

  For details on dividend distribution policy, please refer to the Company's website at www.varunpepsi.com.

Sustainability Initiatives

PET Recycling:



- VBL consumed ~ 66,000 MT PET resin as packaging material for its finished product in CY20. These are high quality food grade virgin PET chips which can be easily recycled to make various products for diverse industries and end uses.

- VBL 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 recognized PRO (Producer Responsible Organization) company specializes in a) collection and recycling of packaging waste & b) promotion of recycled green products like TShirts, bags etc. made from recycling of waste material such as used PET bottles.

- During the year CY20, 43,700+ MT of PET waste was recycled (~66% of PET resin consumed).

Water Positive Balance:

- VBL engaged TÜV India Pvt. Ltd. for Company's 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 the year 1869, TÜV NORD 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.

- The scope of audit covered 31 manufacturing plants of VBL in India. Key water conservation initiatives included rainwater harvesting, ponds adoption, development & maintenance, waste water management on the principles of reduce, reuse and recycle, for optimal water consumption.

- Lockdown restrictions due to the COVID-19 pandemic resulted in decline in sales volumes and consequently, the water consumption in CY20 is lower than previous year. Hence, the water recharge ratio is higher than usual.

- The key findings from the report, as follows:

Parameter	Jan '20-Dec '20 (Audited)	Jan '19-Dec '19 (Audited)
Water consumption	3.68 mn KL	4.12 mn KL
Water recharge	10.19 mn KL	7.22 mn KL
Water recharge ratios	2.8x	1.8x
No. of ponds adopted	108	103
No. of trees planted	29,000+	26,500+

Financial Summary

Profit & Loss

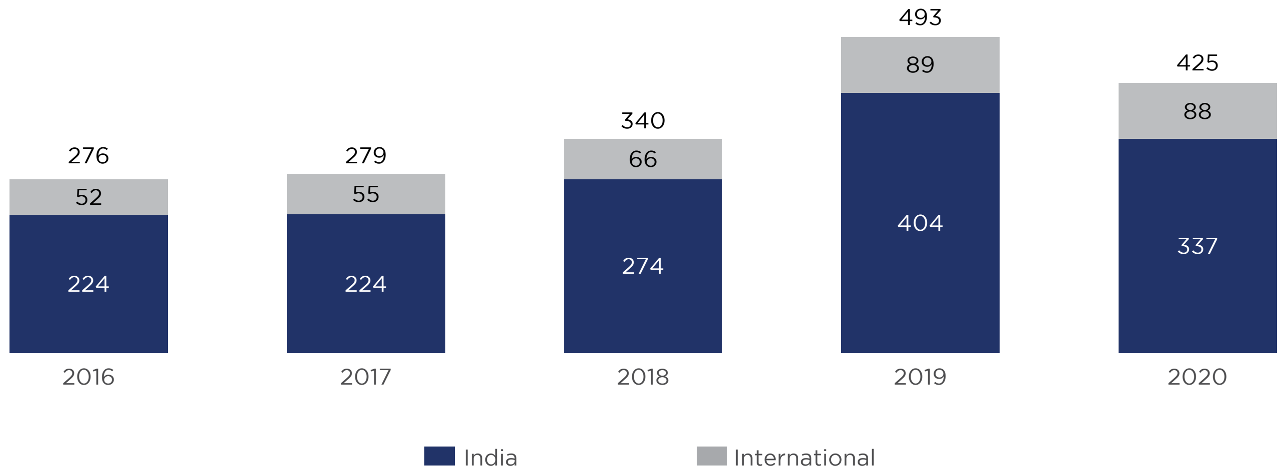
Particulars (₹ million)	CY20	CY19	Y-o-Y (%)
1. Income			
(a) Revenue from operations	65,557.9	72,484.6	-9.6%
(b) Excise Duty	1,056.5	1,188.8	-11.1%
Net Revenues	**64,501.4**	**71,295.8**	**-9.5%**
(c) Other income	369.7	425.3	-13.1%
2. Expenses			
(a) Cost of materials consumed	26,885.1	29,395.6	-8.5%
(b) Purchase of stock-in-trade	925.9	4,237.3	-78.1%
(c) Changes in inventories of FG, WIP and stock-in-trade	(171.6)	(1,438.6)	88.1%
(d) Employee benefits expense	8,897.4	8,108.2	9.7%
(e) Finance costs	2,811.0	3,096.4	-9.2%
(f) Depreciation and amortisation expense	5,287.0	4,886.3	8.2%
(g) Other expenses	15,946.0	16,516.8	-3.5%
Total expenses	**60,580.8**	**64,802.0**	**-6.5%**
EBITDA	**12,018.6**	**14,476.5**	**-17.0%**
3. Profit/(loss) before tax and share of profit in associate (1-2)	4,290.3	6,919.1	-38.0%
4. Share of profit in associate	-	43.6	
5. Exceptional items	665.3	-	
6. Profit (Loss) before tax (3+4-5)	3,625.0	6,962.7	-47.9%
7. Tax expense	52.3	2,240.7	-97.7%
8. Net profit (loss) for the period (6-7)	3,572.7	4,722.0	-24.3%

Balance Sheet

Particulars (₹ million)	31-Dec-20	31-Dec-19
Equity and liabilities		
Equity		
(a) Equity share capital	2,886.9	2,886.9
(b) Other equity	32,353.1	30,397.3
(c) Non-controlling interest	647.9	306.8
Total equity	**35,887.9**	**33,591.0**
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	19,796.2	23,553.8
(ii) Other financial liabilities	244.4	-
(b) Provisions	2,039.1	1,703.4
(c) Deferred tax liabilities (Net)	2,259.4	2,825.1
(d) Other non-current liabilities	7.3	8.2
Total non-current liabilities	**24,346.4**	**28,090.5**
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	7,138.6	4,671.5
(ii) Trade payables	5,113.9	4,776.6
(iii) Other financial liabilities	8,543.5	10,258.1
(b) Other current liabilities	3,182.9	2,044.9
(c) Provisions	331.7	299.8
(d) Current tax liability	38.9	152.0
Total current liabilities	**24,349.5**	**22,202.9**
Total liabilities	**48,695.9**	**50,293.4**
Total equity and liabilities	**84,583.8**	**83,884.4**

Particulars (₹ million)	31-Dec-20	31-Dec-19
Assets		
Non-current assets		
(a) Property, plant and equipment	58,271.9	58,925.0
(b) Capital work-in-progress	668.2	638.2
(c) Goodwill	242.3	242.3
(d) Other intangible assets	5,572.0	5,623.1
(e) Investment in associates	-	-
(f) Financial assets	419.1	454.4
(g) Deferred tax assets (Net)	110.2	128.5
(h) Other non-current assets	1,303.4	1,154.0
Total non-current assets	**66,587.1**	**67,165.5**
Current assets		
(a) Inventories	9,288.0	8,815.1
(b) Financial assets		
(i) Trade receivables	2,417.9	1,725.6
(ii) Cash and cash equivalents	1,045.6	1,379.7
(iii) Other bank balances	854.9	331.1
(iv) Loans	100.2	69.4
(v) Others	1,670.0	2,189.8
(c) Current tax assets (Net)	102.2	10.2
(d) Other current assets	2,517.9	2,198.0
Total current assets	**17,996.7**	**16,718.9**
Total assets	**84,583.8**	**83,884.4**

Sales Volume
Total Sales Volumes (MN Cases*)



CAGR (2016-20) ~ 11%

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

The Company follows calendar year of reporting. Owing to the seasonality aspect of the soft drinks business, whereby majority of the 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 significant portion accruing in the April-June quarter.

The Company began the year 2020 on a strong note with healthy demand and robust volume growth across its domestic and international markets. However, the spread of the COVID-19 pandemic in early March 2020, leading to multiple lockdowns, resulted in significant disruption across domestic and international markets. With the period of March to May being a key season for the Company's performance, the disruptions in production levels, supply chain and distribution operations, particularly in the months of April and May negatively impacted both domestic and international business performance.

In addition, with the anticipation of the favorable season of summer, the Company had actively built-up additional stock of inventory in the month of March 2020. Encouragingly, despite the impact of the lockdown and supply chain issues, the Company was able to sell its complete inventory in the season of summer. Furthermore, with the relaxations provided by the Government of India for essential services and particularly packaged food and beverages, VBL got the requisite permissions from respective state governments to operate most of its production facilities during the lockdown period. However, the manufacturing operations were operating at scaled-down levels.

As the country moved to the unlock phase towards the end of May 2020, the Company witnessed a steady revival in demand, which continued to strengthen on a month-on-month basis during the course of the year. In sync with revival in demand, the Company steadily ramped-up manufacturing operations across units to increase production levels and ensure continuity in deliveries and supplies. International territories also saw faster than expected recovery in consumption in the second half of the year.

Overall, revenue stood at ₹ 64,501.4 million as against ₹ 71,295.78 million in 2019. Total sales volumes stood at 425.3 million cases in 2020 as compared to 492.7 million cases in 2019. In the domestic market, sales volume stood at 337.4 million cases as compared to 403.7 million cases in 2019. CSD constituted 72.6%, Juice 6.3% and Packaged Drinking water 21.1% of total sales volumes in 2020.

Realization per case increased to ₹ 151.6 in 2020 from ₹ 144.7 in 2019 due to favorable mix and improvement in realization in the international markets.

On the profitability front, the Company consciously undertook cost-rationalization initiatives during the lockdown period to boost financial strength and drive higher efficiencies. For 2020, EBITDA was ₹ 12,018.6 million. Gross margins stood at 57.1% during 2020, while EBITDA margin was 18.6% in 2020.

Depreciation increased by 8.2% in 2020. Finance cost decreased by 9.2% in 2020. In 2020, PAT stood at ₹ 3,572.7 million as compared to ₹ 4,722.1 million in 2019.

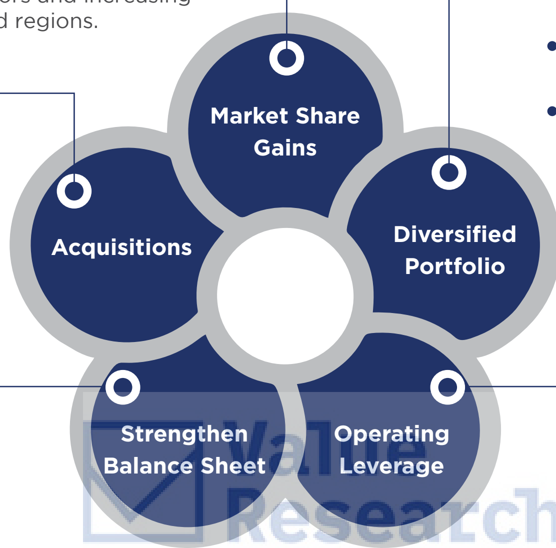
On the balance sheet front, Net debt stood at ₹ 30,158.5 million as on December 31, 2020 as against ₹ 32,461.0 million as on December 31, 2019. Debt to Equity ratio stood at 0.84x as on December 31, 2020. Working capital days have remained stable at ~31 days as on December 31, 2020 due to lower sales volume.

Growth Outlook

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

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

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



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

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

Over the course of the year 2020, the Company has undertaken maximum efforts to secure its business operations, drive business efficiencies and to ensure well-being of its people. Showcasing a high degree of agility, the VBL team efficiently adapted to unprecedented changes in the operating environment and consumer ordering patterns during the uncertain time of the COVID-19 pandemic. From an operational standpoint, the Company's manufacturing facilities are now operating at near-normal utilization levels. Its well-oiled distribution model consisting of owned-logistics supply chain and end-to-end infrastructure facilities has also kept VBL on a strong footing in the face of challenging times.

The Company is now seeing a steady revival in consumption across markets, especially from rural and semi-urban regions and is confident that the demand environment will only strengthen in the months ahead. In addition, a gradual recovery in the Indian economy should further enable higher recovery in demand and consumption across the domestic market. With the reopening of mass transportation, outdoor facilities, theaters and restaurants, there is an improved consumption trend on a month-to-month basis. The international territories are also seeing healthy recovery, which should gain traction in the near-term. The Company continues to fortify presence across micro territories.

Going forward, the Company aims to continue expanding its product portfolio and distribution reach, focus on increasing volumes, particularly in markets with lower penetration. VBL's comprehensive infrastructure, diversified product portfolio, well-established distribution network, unique business model and seasoned management team continues to hold the Company in a good stead and will enable it to 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 the stakeholders. The Company has in place a Risk Management Policy which is monitored and reviewed under the guidance of 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 the rising population which 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 relationship and agreements with PepsiCo. Termination of agreements or less favorable renewal terms could adversely affect profitability.	Over the last two and a half decades, the Company has partnered with PepsiCo, consolidating its market relationship with them, increasing the number of approved 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 Company 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 was extended till April 30, 2039 from October 2, 2022.
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, government 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 augur well for the Company's future. The Company has undertaken certain sustainability initiatives such as engagement of GEM Enviro Management Pvt. Ltd. for phased implementation of 100% recycling of used PET bottles and TUV India Pvt. Ltd. for Company's water footprint assurance.
4. Business Viability Risk	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

VBL employed 10,000+ full-time employees collectively around the world as of December 31, 2020 (7,500+ in India and 2,500+ in foreign subsidiaries). Along with every other component of its business strategy, the Company acknowledges the need for talent management within the Company and its criticality for its potential development and success. Training workers, growing their skill levels and encouraging sustained employee participation has always been very important for the Company. Through skill-building initiatives and career development programs at all levels and across functions, VBL arranges in-house training. Key employees are also involved in PepsiCo's management and staff growth initiatives as well as at India's leading management institutions.

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 employed Walker Chandiok & Co. LLP, Chartered Accountants & M/s APAS & Co., Chartered Accountants, the Joint Statutory Auditors of the Company to report on the financial controls of the Company.