

# UNITED SPIRITS

A DIAGEO Group Company

## UNITED SPIRITS LIMITED

Registered Office: "UB Tower", No. 24, Vittal Mallya Road, Bangalore - 560001 Tel: 080-39856500; Fax: 080-39856862;  
Corporate Identity Number : L01551KA1999PLC024991; Website: [www.unitedspirits.in](http://www.unitedspirits.in) e-mail: [uslinvestor@unitedspirits.in](mailto:uslinvestor@unitedspirits.in)

## NOTICE

NOTICE IS HEREBY GIVEN OF THE SEVENTEENTH ANNUAL GENERAL MEETING (AGM) of United Spirits Limited (Company) to be held at 'The Capitol Hotel, No. 3, Raj Bhavan Road, Bangalore-560001' on Thursday, July 14, 2016 at 4.00 p.m. to transact the following businesses.

### ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Financial Statements (including Consolidated Financial Statements) for the financial year ended March 31, 2016 and the Reports of the Directors and Auditors thereon.
- 2) To appoint a Director in place of Dr. Nicholas Bodo Blazquez (DIN: 06995779), who retires by rotation and being eligible, offers himself for re-appointment.
- 3) Appointment of Price Waterhouse & Co Chartered Accountants LLP (FRN304026E/ E-300009) as Auditors of the Company in place of M/s. BSR & Co. LLP:

To consider and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Section 139, 140, 141, 142 and other applicable provisions of the Companies Act, 2013 and the rules made there under, M/s. Price Waterhouse & Co, Chartered Accountants LLP, (FRN 304026E/ E-300009) as the Auditors of the Company, be appointed to hold office from the conclusion of this meeting until the conclusion of the 22nd AGM of the Company, subject to ratification of the appointment by the members at every AGM in accordance with the provisions of the Companies Act, 2013 and the rules made thereunder, and that the Board of Directors be and is hereby authorized to fix such remuneration as may be recommended by the Audit Committee in consultation with the Auditors and that such remuneration may be paid on a progressive billing basis to be agreed upon between the Auditors and the Board of Directors.

Special Notice in terms of Section 140(4)(i) read with Section 115 of the Companies Act, 2013.

A special notice in terms of Section 115 has been received in terms of Section 140(4)(i) of the Companies Act, 2013 from a member proposing the appointment of M/s Price Waterhouse & Co Chartered Accountants LLP, Chartered Accountants, as Auditors of the Company in place of M/s B S R & Co LLP who have informed the Company that they do not wish to continue as statutory auditors of the Company with effect from the close of this Annual General Meeting on July 14, 2016.

### SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification, the following Resolutions.

- 4) As an Ordinary Resolution  
Appointment of Mr. Vinod Rao (DIN:01788921) as a Director:  
RESOLVED THAT Mr. Vinod Rao (DIN:01788921), who was appointed as an additional director of the Company and whose period of office expires on the date of this Annual General Meeting, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable for retirement by rotation.
- 5) As an Ordinary Resolution  
Considering erosion of net worth of the Company as per Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985:  
RESOLVED THAT the Report of the Board of Directors of the Company to the shareholders on erosion of more than fifty percent of the Company's peak net worth during the immediately preceding four financial years by its accumulated losses as on March 31, 2016 and the causes for such erosion, as required under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, ("SICA") be and is hereby considered and approved subject to the adoption of the Audited Financial Statements (including

## Notice (continued)

Consolidated Financial Statements) for the financial year ended March 31, 2016 by the shareholders of the Company at this Annual General Meeting being held on July 14, 2016.

RESOLVED FURTHER THAT in accordance with the requirement of Section 23 of the SICA, the Company shall report to the Board for Industrial and Financial Reconstruction ("BIFR") of the fact that the accumulated losses of the Company as on March 31, 2016 have resulted in erosion of more than fifty percent of its peak net worth during the immediately preceding four financial years.

RESOLVED FURTHER THAT the Board be and is hereby authorised to report the aforesaid erosion to the BIFR and to do all such acts, deeds, matters and things as it may deem necessary, desirable or expedient in relation thereto.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred by this resolution to any director(s) or to any officer(s) of the Company.

By Order of the Board

**V. Ramachandran**  
Company Secretary

Place : Bangalore  
Date : June 8, 2016

Notes:

1. Please refer to the explanatory statement given hereunder.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AGM IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS/ HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty members and holding in aggregate not more than ten percent of the total Share Capital of the Company carrying voting rights. Members holding more than ten percent of the total Share Capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member. Proxies submitted on behalf of limited companies, societies, etc., must be supported by an appropriate resolution/ authority, as may be applicable.

The proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time appointed for the holding of the AGM.

3. The Record date for determining the shareholders who are entitled to vote on the resolutions proposed in this Notice will be July 8, 2016.
4. Members are required to immediately inform the Company's Registrars and Transfer Agents, M/s. Integrated Enterprises (India) Limited (IEIL), #30, Ramana Residency, 4th Cross, Sampige Road, Bangalore - 560 003 (Telephone No. 080 23460815-818 Fax No. 08023460819), in case of shares held in physical form and to the respective Depository Participants, in case of shares held in dematerialized/electronic form:-
  - a) any change in their registered addresses along with PIN Code Number;
  - b) details about their email addresses, if any, so that all notices and other statutory documents which are required to be sent to the Members, as per the provisions of the Companies Act, 2013, can be sent to their email addresses, in furtherance of the "Green Initiatives" introduced by the Ministry of Corporate Affairs (MCA); and
  - c) details about their bank account number, name of bank, bank's branch name and address to enable the Company to draw dividend warrant payable accordingly.
5. Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents, at the address as stated in Note 4 above.
6. Members may please address all their documents/ correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents, at the address as stated in Note 4 above.
7. Nomination facility for shares held in their name is available for Members. The prescribed form in this regard can be obtained from the Company's Registrars and Transfer Agents at the address as stated in Note 4 above.
8. The Company's equity shares are under compulsory dematerialization. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates

## Notice (continued)

are dematerialized. Members with physical share certificates are advised to consider opening a Demat Account with an authorised Depository Participant (DP) and arrange for dematerializing their shareholdings in the Company.

### 9. Unclaimed Dividend:

- a) All Unclaimed/Unpaid Dividend upto the financial year ended March 31, 1994, has been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Members who have not encashed the Dividend Warrants for the said period may claim their dividends from the Registrar of Companies-Karnataka, II Floor, E-Wing, Kendriya Sadan, Koramangala, Bangalore-560034.
- b) All Unclaimed/Unpaid Dividend for the period from April 1, 1994 to March 31, 2009, required to be transferred to the Investor Education and Protection Fund (Fund) in terms of Section 205C of the Companies Act, 1956, has been transferred to the Fund.
- c) In terms of Section 205A and 205C of the Companies Act, 1956 the amount of dividend declared for the financial year ended March 31, 2009 and there after remaining unclaimed for a period of seven years from the due date of payment shall here after be transferred to the Investor Education and Protection Fund.

10. Members may note that once the Unclaimed/ Unpaid Dividend is transferred to the Fund, no claim shall lie against the Fund or the Company in respect of the individual amounts which were Unclaimed and Unpaid for a period of seven years from the dates when they first became due for payment, and as such no payment shall be made in respect of any such claim.

10.A. Details of unclaimed dividend has been uploaded on the Company's website [www.unitedspirits.in](http://www.unitedspirits.in).

11. Members attending the AGM are requested to bring with them the following:

- a) Members holding shares in dematerialised form, their DP & Client ID Numbers.
- b) Members holding shares in physical form, their Folio Numbers.
- c) Copy of the Annual Report and Notice, as no copies thereof would be distributed at the AGM.

- d) The Attendance Slip duly completed and signed as per the specimen signature lodged with the Company.

The Company would accept only the Attendance Slip from a member physically attending the AGM or from the person attending as a proxy under a valid proxy form registered with the Company in accordance with Note 2. Attendance Slips of Members/ valid proxies not personally present at the AGM or relating to Proxies which are invalid, will not be accepted from any other member/ person.

The AGM is for members or their proxies only. Please avoid being accompanied by non-members/ children.

12. The members are requested to post their grievances for speedy redressal to [blsta@integratedindia.in](mailto:blsta@integratedindia.in) / [uslinvestor@unitedspirits.in](mailto:uslinvestor@unitedspirits.in).
13. Corporate members are required to send to the Company a certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013, authorizing their representative to attend and vote at the AGM.
14. The details required to be given in pursuance of Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015 in case of directors being appointed/ re-appointed are given in the Corporate Governance Section of the Annual Report and reproduced as part of the Explanatory Statement.
15. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administrations) Rules, 2014, the Company is pleased to provide to Members with a facility to exercise their right to vote at the 17th AGM by electronic means and the business may be transacted through Electronic Voting (e-voting) services provided by Central Depository Services Limited[CDSL].
16. The facility for voting, shall also be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting can exercise their vote at the meeting.
17. Members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.



## Notice (continued)

18. The instructions for shareholders voting electronically are as under:

A. Members whose shareholding is in the dematerialised form and whose e-mail addresses are registered with the Company / Depository Participants will receive an e-mail informing User ID and Password.

(i) The e-voting period begins on July 11, 2016 at 9.00 a.m. and ends on July 13, 2016 at 5.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of July 8, 2016, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

(ii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).

(vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> <li>Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL</li> </ul>
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> <li>Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).</li> </ul>

(viii) After entering these details appropriately, click on "SUBMIT" tab.

(ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is also to be used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xi) Click on the EVSN (Electronic Voting Sequence Number) for the United Spirits Limited on which you choose to vote.

(xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that

## Notice (continued)

you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xvi) You can also take out a print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xviii) Note for Non – Individual Shareholders and Custodians.

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com),

under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

(xx) Individual shareholders (non-corporate shareholders) can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively on or after 30 June 2016. Please follow the instructions as prompted by the mobile app while voting on your mobile.

B. For Members whose shareholding is in the Dematerialisation form and whose e-mail address is not registered with the Company/ Depository Participants, Members holding shares in Physical form as well as those Members who have requested for a physical copy of the Notice and Annual Report, the following instructions may be noted:

(i) Initial password is provided at the bottom of the Attendance Slip for the AGM: EVSN (Electronic Voting Sequence Number) USER ID and PASSWORD;

(ii) Please follow all steps from Note 18.A above to cast your vote.

19. In case of any queries, you may refer to the Frequently Asked Questions (FAQs) for Members and e-voting user manual for Members available at the 'downloads' section of [www.evotingindia.com](http://www.evotingindia.com).

20. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot Password" option available on the site to reset the password.

21. If you are already registered with CDSL for e-voting, then you can use your existing user ID and password for casting your vote and for others a separate user ID and password is provided.

22. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

23. The voting rights of Members shall be in proportion to their shareholding in the Company as on the cut-off date, i.e., July 8, 2016.



## Notice (continued)

24. Mr. Sudhir V Hulyalkar, Company Secretary in Practice (CP - 6137); Address: 16/8, Ground Floor, 2nd Cross, Gupta Layout, South End Road (Near South End Circle), Basavanagudi, Bangalore 560 004 has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
25. The Scrutinizer shall, not later than two days after the conclusion of the AGM, unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a consolidated Scrutinizer's Report of the votes cast in favour or against, if any, to the Chairman or a person authorized by him and the Company will declare the results of the voting forthwith.
26. The results declared, along with the Scrutinizer's Report will be placed on the Company's website - [www.unitedspirits.in](http://www.unitedspirits.in) and on the website of CDSL immediately after the result is declared by the Chairman or any person authorised by the Company and communicated to the concerned Stock Exchanges.
27. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (10.00 a.m. to 5.00 p.m.) on all working days except Saturdays, up to and including the date of the AGM of the Company.
28. The Register of Contracts or Arrangements in which Directors are interested maintained under Section 189 of the Companies Act, 2013 and the Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the Members at the AGM.

### **EXPLANATORY STATEMENT AS REQUIRED BY SECTION 102 OF THE COMPANIES ACT, 2013.**

#### **Item No. 3: Appointment of PWC & Co., LLP as Auditors in place of M/s. BSR & Co. LLP:**

M/s BSR & Co. LLP, Chartered Accountants, the existing Statutory Auditors of the Company were appointed as Auditors of the Company by the Members to hold office from the conclusion of the fourteenth Annual General Meeting till the conclusion of the nineteenth Annual General Meeting. By their letter dated June 8, 2016,

M/s BSR & Co. LLP, Chartered Accountants have informed the Company that they do not wish to continue as Auditors of the Company with effect from the conclusion of this Annual General Meeting to be held on July 14, 2016. Accordingly, the ratification of their appointment at the ensuing 17th AGM of the Company cannot be considered by the Members.

At the Meeting held on June 8, 2016, the Board of Directors have recommended the appointment of M/s Price Waterhouse & Co Chartered Accountants LLP, (FRN 304026E/ E-300009) as Statutory Auditors of the Company, in place of M/s. BSR & Co. LLP, to hold office from the conclusion of this Annual General Meeting till the conclusion of the 22nd AGM on remuneration to be fixed by the Board of Directors, subject to the approval of the Members.

The resolution under this item seeks the approval of the Members for the said appointment of auditors. None of the Directors or Key Managerial Personnel of the Company or their respective relatives are concerned or interested in this resolution.

Your Directors recommend the ordinary resolution set forth in Item No. 3 for your approval.

#### **Item No. 4: Appointment of Mr. Vinod Rao as a Director:**

Mr. Vinod Rao (Mr. Rao) was appointed as an Additional Director with effect from May 24, 2016, in accordance with the provisions of sections 149, 152, 160 and 161 of the Companies Act, 2013 and the Articles of Association of the Company. In accordance with the provisions of Section 161 of the Companies Act, 2013, Mr. Vinod Rao will hold office up to the date of this AGM i.e., up to July 14, 2016. The Board has received notice under Section 160 of the Companies Act, 2013 from a member signifying his intention to propose Mr. Rao's appointment.

No director, key managerial personnel or their respective relatives, except Mr. Vinod Rao, to whom the resolution relates, is interested or concerned, financially or otherwise, in the resolution. Mr. Vinod Rao does not hold, by himself or for any other person on a beneficial basis, any shares in the Company.

Your Directors recommend the ordinary resolution set forth in Item No. 4 for your approval.

## Notice *(continued)*

### **Item No.5: Considering erosion of net worth of the Company as per Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985:**

In terms of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"), if the accumulated losses of an industrial company, as at the end of any financial year have resulted in erosion of fifty percent or more of its peak net worth during the immediately preceding four financial years, such company is required to report the fact of such erosion to the Board for Industrial and Financial Reconstruction ("BIFR") and hold a general meeting of the shareholders of such company for considering such erosion, both within 60 days from the date of finalization of the duly audited accounts. Further, the board of directors of such company is required to forward to every member of the company a report as to such erosion and the causes for such erosion, at least twenty-one days before the date on which the above mentioned general meeting of the shareholders is held.

As per the audited annual accounts of the Company for the financial year ended March 31, 2016, which are subject to approval and adoption by the shareholders of the Company at this Annual General Meeting, the accumulated losses of the Company as at March 31, 2016 is about seventy one percent of its peak net worth during the

four financial years preceding the financial year ended March 31, 2016. A report of the Board of Directors on such erosion and the causes of such erosion, which are historical in nature, is enclosed with this notice.

Accordingly, the members are requested to consider and approve the enclosed report of the Board of Directors on such erosion and its causes, and the measures being taken as per the relevant provisions of SICA, and also to approve the reporting of such erosion to BIFR in terms of Section 23 of SICA, if applicable.

None of the Directors or Key Managerial Personnel of the Company or their respective relatives are concerned and/or interested, financially or otherwise, in the proposed Resolution.

Your Directors recommend the above resolution for your approval.

By Order of the Board

**V. Ramachandran**  
**Company Secretary**

Place : Bangalore  
Date : June 8, 2016



## Notice (continued)

**Additional information on directors recommended for appointment / re-appointment required under Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

**Dr Nicholas Bodo Blazquez (DIN: 06995779)**

Dr. Nicholas Bodo Blazquez (Dr. Blazquez) graduated from the University of Aberdeen with a Bachelor of Science majoring in anatomy. He has



Ph.D. from the University of Bristol specialized in reproductive physiology.

Dr. Blazquez is President of Diageo Asia Pacific and Africa and a member of the global Executive Committee of Diageo plc, the world's leading premium drinks company. He is responsible for all of Diageo plc's businesses in Asia Pacific, Africa and Global Travel.

Dr. Blazquez has been with Diageo for over 25 years, covering leadership roles in Africa, Asia and Europe. His previous roles include President of Diageo Africa, Turkey, Russia and Central and Eastern Europe and Global Sales, President of Diageo Africa, Managing Director of Diageo Africa, Managing Director of Diageo Asia Key Markets covering Thailand, Japan, South Korea and Taiwan and Managing Director of Diageo Morgan Furze (UK). He is also a Trustee of Mercy Corps, an international development organization that helps people around the world survive and thrive after conflict, crisis and natural disaster.

Dr. Blazquez does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Dr. Blazquez is not a Director in any other Indian Company and is not related to any other Director of the Company.

Dr. Blazquez has been appointed as Vice Chairman of the Company and as a member of the Audit Committee and Nomination and Remuneration Committee of the Company.

**Mr. Vinod Rao (DIN 01788921)**



Mr. Vinod Rao (Mr. Rao) has 30 years of professional experience in Asia/Middle East spanning three global companies – Akzo Nobel India Limited (previously known as ICI India), PepsiCo and Diageo, across a diverse range of businesses such as FMCG, consumer durables, and chemical and industrial products.

Mr. Rao is a Bachelor of Commerce from Madras University, a Member of the Institute of Chartered Accountants of India and attended a Senior Executive Program from London Business School.

Mr. Rao joined Diageo in July 2013 as Finance Director of Asia Pacific responsible for all aspects of the finance function comprising performance management, compliance and regional strategy for the region.

Prior to that, Mr. Rao spent 14 years at PepsiCo across India, China and Hong Kong with his last role being CFO, PepsiCo Asia Pacific. He spent 13 years at ICI India, in his last role there as CFO - Paints. He was responsible for finance, supply chain and procurement functions.

Mr. Rao also represents Diageo as a director in Sichuan Swellfun Co., Ltd, a Public Company in China and other subsidiary companies within Diageo.

Mr. Rao does not hold by himself or for any other person on a beneficial basis, any shares in the Company

Mr. Rao is not a Director in any other Indian Company and is not related to any other Director of the Company.

Mr. Rao has also been appointed as a member of the Audit and Risk Management Committee of the Company.

# Notice (continued)

## Annexure 1 to Item No. 5

(Annexure to the Explanatory Statement)

### REPORT TO THE MEMBERS OF UNITED SPIRITS LIMITED ON EROSION OF MORE THAN FIFTY PERCENT OF ITS PEAK NET WORTH AND CAUSES THEREOF

United Spirits Limited (the "Company") is a public company engaged in the business of manufacture and sale of alcoholic beverages. The equity shares of the company are listed on BSE Limited and National Stock Exchange of India Limited.

As per the audited annual accounts of the Company for the financial year ended March 31, 2016 (which is proposed to be approved and adopted at this Annual General Meeting by the Members of the Company), due to the historical losses incurred in prior years, the accumulated losses of the Company as on March 31, 2016 continued to exceed more than fifty percent of the peak net worth of the Company during the immediately preceding four financial years.

In terms of the provisions of Section 23(1)(a)(ii) read with Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"), the Company is required to send to its Members a report as to such erosion and the causes for such erosion, for their consideration within 60 days of finalisation of the duly Audited Accounts.

The details of net worth of the Company for the immediately preceding four financial years (i.e. the financial years 2011-12, 2012-13, 2013-14 and 2014-15) are given hereunder:

Computation of Net worth and peak net worth [as defined in section 3(1)(ga) of the Sick Industrial Companies (Special Provisions) Act, 1985].

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Paid up Share Capital	13,079.50	13,079.50	14,532.77	14,532.77	14,532.77
Reserves & Surplus	574,769.22	626,116.60	288,693.76	179,674.60	266,189.23
Total	587,848.72	639,196.10	303,226.53	194,207.37	280,722.00
Less:					
Revaluation Reserve	-	-	-	-	-
Capital Redemption Reserve	5,784.60	5,784.60	5,784.60	5,784.60	6,986.46
Contingency Reserve	1,100.00	1,100.00	1,100.00	1,100.00	1,100.00
Foreign Currency Translation Reserve	24,280.44	47,348.54	93,785.34	102,737.89	102,737.89
Net Worth	556,683.68	584,962.96	280,778.74	84,584.88	169,897.65
Peak Net Worth	-	584,962.96	-	-	-
50% of Peak Net Worth	-	292,481.48	-	-	-
Accumulated Losses	-	-	(307,940.41)	(504,545.15)	(418,633.87)
% of accumulated loss	-	-	(52.6%)	(86.3%)	(71.6%)

Therefore, the accumulated losses of the Company as on March 31, 2016 (which is ₹ 4,186.33 crores) is greater than 50% of the peak net worth in the immediately preceding four financial years (i.e. ₹ 5,849.62 crores).



## Notice (continued)

### CAUSES FOR EROSION OF MORE THAN FIFTY PER CENT OF PEAK NET WORTH

Though the Company registered a profit after tax of ₹ 981.16 crores for the financial year ended March 31, 2016, due to certain provisions made by the company in the earlier periods inter alia, for (i) diminution in the value of long-term investments in subsidiaries and loans and advances to subsidiaries due to low capacity utilization, negative margins, or strategic shift in business (as detailed in note 28 to the Company's audited financial statements for the year ended March 31, 2015); (ii) diminution in the value of investments and advances in overseas subsidiaries (as detailed in note 27(b) to the Company's audited financial statements for the year ended March 31, 2015) (iii) loss on sale of shares in subsidiaries (as detailed in note 7 to the Company's audited financial statements for the year ended March 31, 2015); (iv) provision on advances to United Breweries (Holdings) Limited (as detailed in note 26(b) to the Company's audited financial statements for the year ended March 31, 2015), v) Profit on sale of manufacturing unit (as detailed in note 27(a) to the Company's audited financial statements for the year ended March 31, 2015); vi) Provision for Doubtful debts, advances and deposits (as detailed in note 18 to the Company's audited financial statements for the year ended March 31, 2015); and vii) Provision for sales and other taxes (as detailed in note 50 to the Company's audited financial statements for the year ended March 31, 2015); the accumulated losses of the Company as on March 31, 2016 continued to exceed more than fifty per cent of the peak net worth of the Company during the immediately preceding four financial years. Full details of the above mentioned provisions were provided in the annual report of the Company for the financial year ended March 31, 2015, and are not repeated in this notice.

### MANAGEMENT'S OBSERVATIONS AND STEPS TAKEN TO IMPROVE FINANCIAL PERFORMANCE

The Company reiterates that the provisioning mentioned in earlier years were mainly due to exceptional historical factors and does not reflect upon the long term prospects of the Company. In fact, the Company has generated profits during the year ended March 31, 2016. The financial results of the Company for the year are forming part of the Annual Report sent with this Notice for the Annual General Meeting.

A strategic revenue mix, strengthened by enhanced brand salience, has steered the company's growth charter over the past two years. Your Company is today a market leader by volume and value and armed with the Diageo brand portfolio integration, it holds a place of pride in the Indian alcobev industry, with an outstanding portfolio of reputed brands across key categories and multiple price points.

The company has successfully improved both top line and operating profit in a highly regulated and competitive environment, while further strengthening its core brands. The company's performance in the popular segment reflects its prioritised geographical participation strategy, while its double digit net sales growth in the "Prestige and Above" segment clearly endorses the success of its premiumisation strategy.

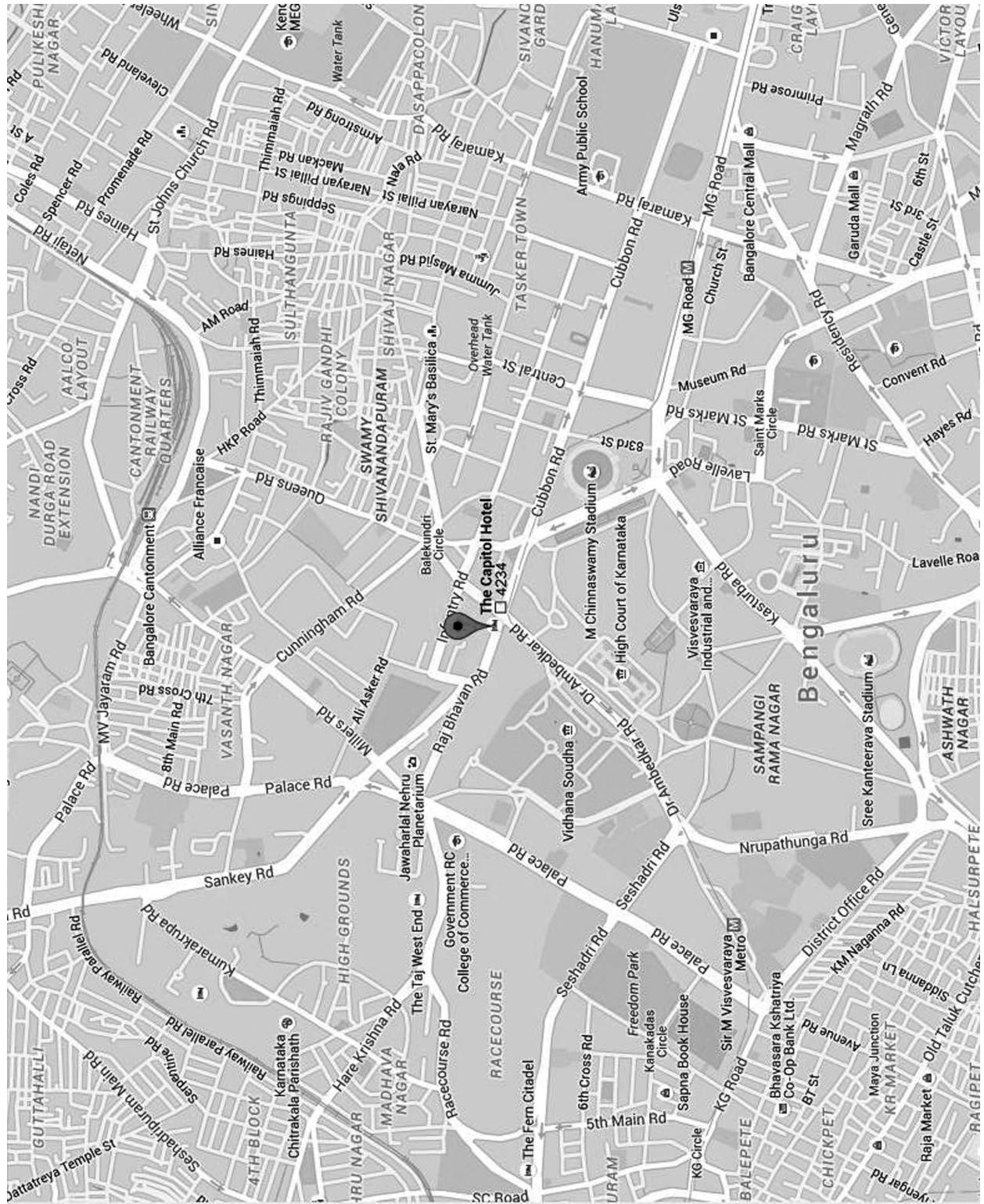
The Board of Directors of the Company is in the process of making the Report of such erosion to the Board for Industrial and Financial Reconstruction in the prescribed Form C in compliance with the provisions of Section 23 (1) (a) (i) of SICA. In the meanwhile Members of the Company are requested to note about the fact of such erosion in the peak net worth and causes thereof.

By Order of the Board

**V. Ramachandran**  
Company Secretary

Place : Bangalore  
Date : June 8, 2016

## Route Map to The Capitol Hotel





**UNITED SPIRITS**

A DIAGEO Group Company



**On New Wings, Taking Flight.**

Annual Report 2015-16

# Executive Committee

## **Anand Kripalu**

Managing Director & Chief Executive Officer

## **Sanjeev Churiwala**

Chief Financial Officer

## **Amrit Thomas**

President & Chief Marketing Officer

## **Paramjit Singh Gill**

President - All India Operations

## **Ajay Baliga**

Executive Vice President - Manufacturing, Projects & Quality Control

## **Steve Correa**

Executive Vice President - Human Resources

## **Abanti Sankaranarayanan**

Business Head - Luxury & Corporate Relations

## **Pankaj Gupta**

Chief Procurement Officer & Business Planning

## **Mamta Sundara**

General Counsel

---

## **Company Secretary**

V. Ramachandran

## **Auditors**

BSR & Co. LLP

Chartered Accountants

(Registration No.101248W/W-100022)

Maruthi Infotech Centre 11-12/1

Inner Ring Road, Bangalore - 560 071.

## **Registered & Corporate Office**

"UB Tower", #24, Vittal Mallya Road  
Bangalore - 560 001.

## **Registrars & Transfer Agents**

Integrated Enterprises (India) Limited,  
30, Ramana Residency, 4th Cross,  
Sampige Road, Malleswaram,  
Bangalore - 560 003.  
Tel: 080 2346 0815 to 818  
Fax: 080 2346 0819

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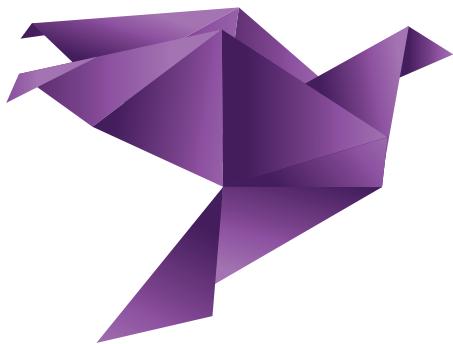
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*We are a business built by bold and determined entrepreneurs, and people of extraordinary character  
- the giants of their age*

*We uphold our heritage with rare craft and authenticity, with passion in everything we do*

***Standards are everything***

*From grain or grape, to the clink of the glass and every step along the way;  
we are obsessed with excellence in how we think and act*

*Our people uphold the quality of our products*

*and drive the creation of new trends, experiences and routes to market*

***We are pioneers***

*We are a company built and sustained through innovation*

*We are passionate about winning*

*but always with integrity and authenticity*

***We have ambition***

*To be leaders, not just in our industry but across the world*

***We are strong-minded, diverse individuals***

*Brave in conception, brilliant in execution, restless and agile in the pursuit of our ambition*

*Our culture is rooted in a deep sense of our purpose and values,  
the personal connection we have with our brands and our partners*

***We are good corporate citizens***

*Our programmes on road safety, responsible drinking, and women's empowerment  
have a positive effect on individuals, families and communities*

***We are ambassadors of our industry***

*Our purpose, Celebrating Life, Every Day, Everywhere is to make the most of life  
– to be the best we can be at work, at home, with friends, and in the community.  
For our brands to be part of celebrations, big and small*

***We are gathering momentum***

*In our journey of transformation to emerge as the best performing,  
most trusted and respected consumer products company in India*

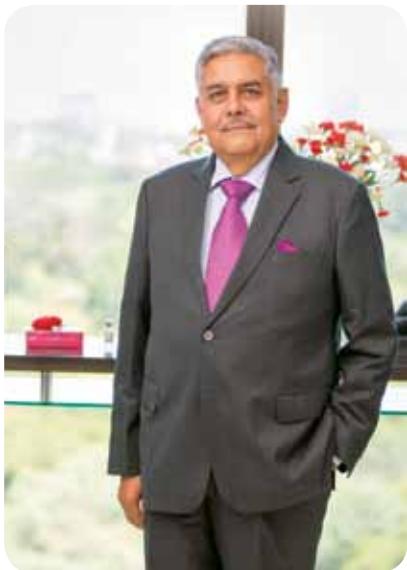
## **ON NEW WINGS, TAKING FLIGHT**

*we are*

**UNITED SPIRITS**  
A DIAGEO Group Company



# Chairman's Message



**Dear Shareholders,**

**I AM PRIVILEGED** to be the Chairman of United Spirits. When I joined the USL Board in April 2015, it was because the promising opportunity ahead was so

From its strong leadership and management to its dedicated employees, from its much-loved brands to the exciting consumer proposition these brands present, from its strong network of trade partners and relationships to its nationwide manufacturing footprint - United Spirits is well set up for success.

evident that I wanted to be a part of this company's future. Everything that I have witnessed in the last several months makes me confident that the Company is on the right track to deliver on that promise. Three things stand out: (i) the Company's commitment to the highest standards of corporate governance, and intense focus on compliance and ethical conduct in everything we do, (ii) a strong move to strengthen commercial and operational controls, and institute robust systems and processes, and (iii) making the right investments – be it in talent, or brands, or our manufacturing facilities. In all of the above, the Company has been fully supported by its principal shareholder Diageo.

Despite many positive factors on the country's economic front, a matter of concern is an increasing recourse to Prohibition by a number of States in India. And yet, there is enough evidence to show that Prohibition doesn't curb alcoholism or social ills. I believe, rather than proceeding on the assumption that Prohibition is the solution to a number of social issues, formulation of a Public Policy on this issue deserves a wider debate that includes the adverse consequences of Prohibition, particularly the impetus Prohibition provides to the production and sale of illicit liquor with resultant ill-effects on public health. We are all too familiar with regular tragedies involving loss of human lives linked to the production and sale of illicit liquor. In addition to the loss of livelihoods, the loss of alcohol as a major source of a State's tax revenues negatively impacts its finances as well as the sustainability of welfare programmes for the underprivileged of the State. Prohibition also restricts the harnessing of the full potential of tourism in India and the concerned States. It is imperative that makers of Public Policy draw lessons from the consequences of short-lived attempts to introduce Prohibition in a

few States. Rather than making ad hoc or opportunistic decisions for short-term gains, I fervently hope they take a holistic and pragmatic approach to formulate a well-balanced and sustainable policy.

India presents one of the most exciting opportunities in the world. The country is forging ahead as the fastest growing economy. What makes India particularly attractive is not just the economic growth, but what constitutes and drives it. An upwardly mobile aspirational middle-class and a vast number of consumers moving towards affluence is ensuring that the core consumption fundamentals remain robust, even as we increase our Company's efforts to curb irresponsible drinking as well as drink-driving, a core thrust of our Company's CSR programme.

USL is well positioned to leverage this opportunity with full support and encouragement from its principal shareholder Diageo, a global leader in its own right. From its strong leadership and management to its dedicated employees, from its much-loved brands to the exciting consumer proposition these brands present, from its strong network of trade partners and relationships to its nationwide manufacturing footprint - USL is well set up for success. We have made good strides in our transformational journey, and while there is more work to be done to reduce complexity in the way we work and simplify the organisation structure to deliver efficiency and growth, I am confident that every single building block we put in place last year has set us firmly on the runway to success.

I thank you for your continued faith and support.

**Mahendra Kumar Sharma**  
Chairman



# Managing Director & CEO's Message



**Our change agenda in the past one year spanned a series of initiatives, which included strengthening our core brands, evolving our route to the consumer, driving productivity gains, becoming a good corporate citizen, and building and nurturing an organisation that is ready for the future.**

## *Dear Shareholders,*

**I AM PLEASED THAT** we have quickly crossed many milestones on our journey of transformation. Over the last twelve months, we have seen significant progress on all fronts as a result of multiple initiatives to transform ourselves into a more dynamic and future-ready entity. Today, as we stand on the cusp of the next phase of our journey, we see our efforts manifest in the building of a new United Spirits – as we become one of the best performing, most trusted and respected consumer goods company's in India. The momentum is propelling us forward ready to take off on new wings, to chart new frontiers of progress.

## **Vistas of change**

In a world of short attention spans and conflicting environmental demands, we have single-mindedly focussed on investing behind our organisation-wide strategic priorities and that focus is beginning to bear fruit. Our change agenda in the past one year spanned a series of initiatives, which included strengthening our core brands, evolving our route to the consumer, driving productivity gains, becoming a good corporate citizen, and building and nurturing an organisation that is ready for the future. The progress made on each of these five vectors is paving the way for the next phase of growth.

## **Keeping pace with consumer aspirations**

The success we witnessed with the renovated Royal Challenge brand has reinforced our belief that consumer tastes are ever-evolving, as they seek newer and more premium experiences even with their long-time favourite brands. Buoyed by that success, we

relaunched McDowell's No.1 with new packaging, new positioning and exciting communication that revitalised the brand. More recently, our Signature brand unveiled its sophisticated new look – dramatic in design and contemporary in feel. Energised by the positive response to these innovations, we are ready to take the leap into the next, even more promising stage of our journey.

At USL, our customers and consumers remain the focus of our attention. Consequently, we continued to strengthen and evolve our route-to-consumer during the year. We undertook several measures to raise the bar on customer and consumer delight, one of which was the roll-out of the Sales Force Automation process across five key states in this year. Enthused by the success in these states, we are now ready to roll-out this efficient 'selling tool' to the rest of the country.

The expansion of the Diageo Bar Academy programme was another significant step to augment our consumer connect through improved service. The programme seeks to educate and upgrade the skills of F&B staff in the hospitality industry to align them better to evolving consumer needs. It is our constant endeavour to create more touch-points for deeper consumer engagement. To this end, with our specialised wedding and banquet services, we have extended the compass of our consumer reach beyond the traditional on-trade and off-premise experience, to transform special occasions into memorable moments of celebration.

## **Improving efficiencies**

We continuously drove greater efficiencies in our systems through prudent initiatives and improved



processes. Our persistent efforts to enhance productivity through COGS (Cost of Goods Sold) improvement have yielded significant savings, as we work towards bringing greater cost efficiencies into our supply chain, across raw materials, manufacturing and logistics.

Optimising our manufacturing footprint and improving our Sales & Operations Planning programme has boosted efficiencies through our entire business value chain. We will continue to focus on managing working capital and cash better, as well as further reducing debt.

### Evolving responsibly

As a responsible and ethical corporate citizen, sustainable growth is high on our list of strategic goals. Our investment in the community is part of our mandate to embrace sustainable growth and create shared value for all stakeholders.

Our efforts to benefit the communities where we operate are manifest in our water harvesting and conservation initiatives, provision of safe drinking water, as well as initiatives to improve health and hygiene standards, particularly of women in the villages in the vicinity of our manufacturing facilities.

We have continued into the next year of our productive partnerships with the Institute of Road Traffic Education and NDTV to promote road safety. Cognizant of the dangers of alcohol misuse and underage drinking, we have embarked on a strategic industry-wide partnership to help prevent the consumption of alcohol by underage persons.

### A changing culture

As an organisation that is fighting fit to deliver for today, our human capital is dynamically evolving to take on future opportunities. During the year, we continued to evolve our organisational design and structure, upgrading talent and building capabilities, while providing

people with job rotation and growth opportunities. We also unveiled policy changes aimed at bringing about a shift in the cultural mindset, more openness and transparency in the organisation, with more clarity and accountability for performance that is enabling the evolution of an organisation that aims to become a great place to work.

### Taking off against the wind

The current government has taken a number of steps to improve the business environment in the country with the introduction of ambitious initiatives like 'Make in India' and 'Digital India'. Undeniably, our taxation and regulatory policies necessitate serious reconsideration to enable the 'Make in India' programme to become successful. Particularly for the alcohol beverage industry which requires hundreds of thousands of regulatory approvals a year and is subject to a plethora of taxation policies in different states, which has stunted its growth potential. While the overall economic and demographic opportunity certainly paints an attractive picture, what's holding back growth is the fact that alcobev continues to remain one of the most regulated industries in India - both at the Central and State levels.

With alcohol being a state-controlled subject, the industry faces challenges in procuring numerous licenses and label approvals, varied excise regulations and lack of freedom in pricing. This adds complexity, makes timelines uncertain, restricts products from being distributed freely nationally and inter-state taxes limit economies of scale. All this makes the business environment not just difficult, but also unpredictable.

The inclusion of alcohol beverages in the proposed Goods & Services Tax (GST) would bring much needed transparency and clarity to the industry, as well as thousands of crores of additional revenue to the government. Several

representations have been made to the government, who unfortunately have not included it in the draft of the proposed GST law.

We are dismayed with the imposition of alcohol prohibition in Bihar, which was unilateral and arbitrary. Overnight, our business came to a standstill and the lives of hundreds of our employees including plant workers were impacted. Prohibition has been unsuccessful in combating alcohol misuse and has thus been rolled back across the world as well as in many states in India. On the contrary, it criminalises ordinary citizens, takes away their freedom of choice, encourages the production of hazardous illicit and encourages counterfeit alcohol, cross-border smuggling, and criminal mafias.

We need the State and Central government's support to help us deliver on the enormous potential that India holds by making it a truly favourable, flexible, liberalised and transparent business environment. As an industry, we are ready to partner with the government to play our part.

### Future forward

The alcobev industry in India is projected to grow at 8-10% CAGR in value over the next 5 years. With more support from the government and a bit of tailwind, I am confident we will continue to steer our growth story firmly forward. The future is replete with exciting opportunities for your company, where we see ourselves steering the industry's progress with the cooperation and support of all our partners, employees and all of you, our shareholders. I would like to thank each of you for your faith and trust as we get ready to take off on a new runway of progress.

Yours sincerely,

**Anand Kripalu**

Managing Director and CEO



# Board of Directors



## **Mahendra Kumar Sharma** - *Chairman*

Mahendra Kumar Sharma holds Bachelors' degrees in Arts and Law, PG Diplomas in Personnel Management and Labour Law, and has completed the Advanced Management Programme at the Harvard Business School. Mr. Sharma joined Hindustan Unilever Ltd (HUL) in 1974, from where he retired in 2007. He was a member of the Board of Directors of HUL for 12 years, including 7 years as Vice Chairman. He is the founder of M.K. Sharma & Associates and has rich experience in the field of mergers and acquisition, corporate restructuring and law. He has been member of the Corporate Law Committee of the Ministry of Corporate Affairs, and the Naresh Chandra Committee on Corporate Governance, besides being involved in several industry associations. He is Chairman of the Board of Directors of ICICI Bank and on the Board of reputed companies such as Wipro, Asian Paints and Blue Star. He is also a member of the Executive Board of the Indian School of Business.

*\*Effective 25<sup>th</sup> February, 2016*



## **Dr. Nicholas Blazquez** - *Vice Chairman*

Dr. Nicholas Blazquez is a Bachelor of Science graduate from the University of Aberdeen, and has a Ph.D. from the University of Bristol. Dr. Blazquez is President of Diageo Asia Pacific and Africa, and a member of the global Executive Committee of Diageo plc. He has been with Diageo for over 25 years, and has covered leadership roles in Africa, Asia and Europe. He is also a Trustee of Mercy Corps, an international development organisation that helps people to survive and thrive after conflict, crisis and natural disaster.



## **Anand Kripalu** - *Managing Director & Chief Executive Officer*

As Managing Director & CEO, Anand Kripalu is leading USL's transformational journey. Mr. Kripalu has a Bachelor's Degree in Electronics from the Indian Institute of Technology, Madras and an MBA from the Indian Institute of Management, Kolkata, and has completed the Advanced Management Programme from Wharton Business School. He was formerly President, India and South Asia, at Mondelez International, Managing Director of Cadbury India and worked at Hindustan Unilever for 22 years. He is a Board member at Marico Ltd since 2007 and also the Chairman of CIABC (Confederation of Indian Alcoholic Beverage Companies).



## **D. Sivanandan** - *Independent Director*

D. Sivanandhan is a highly regarded IPS officer with an illustrious career spanning 36 years. A Post Graduate in Economics, he joined IPS in 1976 and retired as the DGP of Maharashtra state police in 2011. He has held several senior positions in IB, CBI and Mumbai crime branch. He has also served as Commissioner of Police of Nagpur, Thane city and Mumbai. He has been awarded the meritorious service medal (1993), the President's distinguished service medal (2000) and also the Internal Security Medal (1998). He has worked in the NSCS, New Delhi as a member of the special task force and also as the Security Adviser to RBI for three years. He is on the Board of several reputed companies.



### **Dr. (Mrs.) Indu Shahani** - *Independent Director*

Dr. Indu Shahani is a Ph.D in Commerce from University of Mumbai, with extensive teaching experience at University and Degree College levels. She is Principal of H.R. College of Commerce & Economics, Mumbai and is former Sheriff of Mumbai. She has been a member of the University Grants Commission. She was awarded the Honorary Doctor of Letters degree by the University of Westminster, London. Dr. Shahani is on the Board of leading Indian companies such as Eureka Forbes, Bajaj Electricals, Colgate-Palmolive (India), Franklin Templeton, Lafarge and Clariant.



### **Rajeev Gupta** - *Independent Director*

Rajeev Gupta graduated from the Indian Institute of Technology, Varanasi, and is an MBA from the Indian Institute of Management, Ahmedabad. He has over 33 years of experience in manufacturing, investment banking and private equity. A former CEO of Cosmo Ferrites and Joint MD of DSP Merrill Lynch, he is currently CEO of Arpwood Capital Ltd, an Investment Banking company he founded in 2012, and a partner at Arpwood Partners Investment Advisors LLP which manages private equity investments. He is on the Board of EIHL Ltd, Cosmo Films, TVS Capital Funds, TV Today Network, Vardhman Special Steel, and VIP Industries.



### **Ravi Rajagopal** - *Independent Director*

Ravi Rajagopal is a Chartered Accountant and a Cost Accountant, and has completed the Advanced Management Programme at Harvard Business School. He has over 35 years of rich corporate experience and is the former Global Head of Business Development of Diageo plc, which he joined in 1997. He held various senior positions in finance and business development, as well as Managing Director, at Diageo India. Prior to Diageo, Mr. Rajagopal worked with ITC Ltd, India, where he held senior positions in finance and general management. He is currently a Senior Advisor to JM Financial Services.



### **Sudhakar Rao** - *Independent Director*

Sudhakar Rao holds a Master's Degree in Economics from the Delhi School of Economics and a Master's Degree in Public Administration from Harvard University. In his 36-year career as an IAS officer, he held senior positions in the Government of India ministries of Power and Finance, and was Minister (Economic) at the Embassy of India in Washington. Mr. Rao has held several positions in the State of Karnataka, including CMD of KUIDFC, Principal Secretary of the Home and Finance departments, Principal Secretary to the Chief Minister, and Development Commissioner. After he retired as Chief Secretary of Karnataka, he was appointed a Member of the Public Enterprises Selection Board. He is a recipient of the Karnataka prestigious Kannada Rajyotsava Award for public service. He is on the board of BSE, IFFCO-TOKIO, HCG and L&T Infrastructure Dev. Projects Ltd.

\* Till May 2016



## Vision

**TO BECOME THE  
BEST PERFORMING,  
MOST TRUSTED  
AND RESPECTED  
CONSUMER PRODUCTS  
COMPANY IN INDIA**





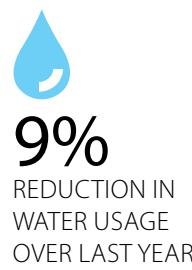
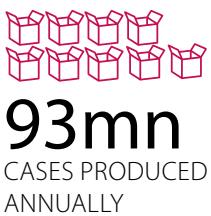
# Company Snapshot

**NURTURED BY A LEGACY** spanning nearly two centuries of delivering distinctiveness, USL is the largest Indian spirits company engaged in the manufacture, sale and distribution of alcoholic beverages.

Benchmarked to global standards of brand excellence, we are led by the spirit of 'Celebrating Life, Every Day, Everywhere', which guides our purpose to make the most of life – to be the best we can be, at work, at home, with friends and in the community.

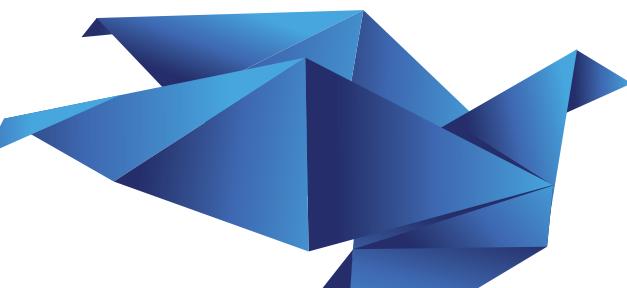
As an organisation committed to scaling new heights of consumer experience, we continuously strive to strengthen our consumer relationships through brands that are designed to delight, every step of the way.

The result is a vibrant and dynamic entity, geared to deliver on the opportunities of tomorrow with the strengths we are building today.



# New Wings

## OUR BRANDS







# New Wings

## OUR BRANDS AND MARKETING



(L-R) M S Dhoni and Chris Gayle at the new identity launch of McDowell's No. 1



57%

ROYAL CHALLENGE  
HAS WITNESSED A  
VOLUME GROWTH  
POST ITS RENOVATION

At United Spirits, we believe great brands continuously evolve to stay relevant to their consumers. We believe great brands are founded on a larger purpose that makes a real difference to consumer's lives. We believe that marketing is both an art and a science.

**Amrit Thomas,**  
President and Chief Marketing Officer

**THE MARKETING** function at United Spirits is on a transformation journey to be the most exciting and effective consumer marketing organisation bar none. Our function's vision is to continuously shape the future of socialising and ensure that our brands and products are at the center of socializing. Our brands today have a purpose that is based on a cultural truth and is brought to life in the manner in which the brand engages and connects with consumers.

One of the core vectors of our transformation journey is strengthening our core brands and in the past year we have refurbished the power brands in the prestige portfolio - Royal Challenge, McDowell's No.1 and Signature. The refurbishment consisted of (a) Improving our blends where relevant, (b) Dialling up markers of aspiration and craft in the packaging design while retaining the key brand assets and (c) Delivering a communication platform that brings to life the brand purpose. Successful renovation of our power brands is now proven to build both equity and deliver significant growth. For example, Royal Challenge has witnessed a 57% volume growth and was the fastest growing spirits brand in 2015.

A key aspect of our marketing programmes is to seed our brands in popular culture through the brand's purpose. We are increasingly using influencers and brand advocates to ensure that our brands become part of cultural conversations. To cite an example, McDowell's No. 1 Soda under its 'YaariNibhao' campaign did a digital activation to bring alive the



brand purpose of celebrating bonds of brotherhood using celebrities in the context of cricket and created new benchmarks in audience engagement with almost a million people watching this act LIVE.

We are increasingly taking a digital first approach and are using technology to remain relevant, and visible across the multi-screen, multi-platform and multi-devices environment. We are also using technology to strengthen our route to consumer and a recent example of it is our first of its kind exclusive partnership with Google called 'click 2 sip' that helped us use 'search' to drive traffic to our partner outlets and build strong digital visibility for our brands.

Today, we are building a future-ready organisation and use advanced tools like neuroscience to gain consumer insights that influence our brand design and communication. We have also adapted and adopted Diageo's global marketing and innovation best practices and they are helping us to redefine the future of marketing.

### Case Study

### SIGNATURE

The Signature trademark is all set to make its mark in the world of whisky and start-ups with a landmark transformation. The premium whisky brand has been renovated with a new design, new communication platform that strengthens markers of aspiration and dials up the level of craft while retaining its key brand assets - the distinctive octagonal shape, green bottle and handwritten logotype.

Excellence is expressed in every aspect of Signature's new tall asymmetrical, octagonal shaped, bottle. The brand's logotype has been contemporised and a new crest has been added to the front label to highlight its provenance. A unique seal and signature expression by Master Blender Caroline Martin reaffirms Signature's heritage and exceptional craft on every bottle.

Signature's brand purpose

**'My Mark, My Signature'** has been brought alive with the newly launched Signaturestartups.in, a platform to inspire and enable talented individuals to convert their passion to a paycheck. It houses a series of 'Signature Start Up' stories of real life individuals who, driven by their dreams, passion and commitment, have made their mark in various fields. The platform extends on-ground through the Signature Start Up Masterclass – a mentor series that will be conducted across the country where entrepreneurs with real life success stories will share their passion into paycheck journey to inspire people with dreams and aspirations.



Vir Das (R) shares his passion to paycheck journey with Cyrus Sahukar (L) at the Signature Start Up Masterclass.





# New Wings

## SUSTAINABLE MANUFACTURING

**WITH 74 MANUFACTURING UNITS**, ensuring sustainable manufacturing is a challenging task but, with our commitment, a prudent approach and focussed initiatives, we have successfully created a robust foundation to boost environmental efficiencies.

Even as we strive to upgrade our manufacturing units to make them more technologically advanced and quality compliant, we remain firmly focussed on ensuring sustainable manufacturing through optimisation of operations. Thus, while we continue to improve our service delivery and work towards building cost efficiencies, we are committed to concurrently improving our manufacturing practices to reduce water and energy consumption, minimise waste and enhance safety standards.

Our water conservation strategy is driven by our goal of better water management, which we are working to realise through an extensive water-mapping initiative with priority on water-stressed areas. We have reduced our water consumption by 9% in the past year. Other key initiatives in this area include investment in providing clean drinking water to the communities around the plants and de-silting of ponds to raise water levels.

In line with our global environmental focus, we are also working consistently to reduce our carbon footprint through several proactive measures, which include:

- Changing boiler to utilise bio-mass
- Shifting to LED lights while exploring solar options
- Use of turbines for internal power generation



We are also partnering with our vendors to reduce their carbon footprint through use of tetra-packs and recycling of market bottles. We are continuously striving to become a collective zero-discharge unit through effective waste management.

Apart from sustainability, safety is another area of high priority at USL, and we have progressively improved on our safety matrix. During the year, we significantly brought down Lost Time Accidents (LTA) and near misses. LTA reduced by 72% in FY15 and a further 70% last year.

Internal quality standards at USL have witnessed remarkable improvement over the past two years, and our quality teams have also done excellent work in enhancing the quality of liquid.



LOST TIME  
ACCIDENTS (LTA) **70%**  
REDUCED BY



**"We remain committed to leading sustainable manufacturing as we focus on becoming water-positive, reducing our carbon footprint and maintaining the highest levels of safety."**

**Ajay Baliga,**  
*Executive Vice President, Manufacturing, Projects and Quality Control*



## Lowering Carbon Footprint



49%

**CARBON EMISSION REDUCED  
BY 49% SINCE 2006-07  
DESPITE VOLUMES GOING  
UP 200%**

**FOSSIL FUEL  
REDUCED BY**



65%

## Use of Renewable Energy



↑ 800%

**RENEWABLE BIO-MASS USAGE  
UP 800% SINCE 2006-07**

## Towards being Water Neutral

30%

**WATER CONSUMPTION REDUCED  
SINCE 2006-07**



**VALIDATED WATER BENEFITS OF  
170 KM<sup>3</sup> THROUGH WATER  
REPLENISHMENT** (CERTIFIED BY FIRST CLIMATE)



Case Study

## PARTNERING MAHARASHTRA'S DROUGHT-FREE CAMPAIGN

USL has partnered with the Maharashtra government to make the state drought-free by 2019. Under the state government's '**JalyuktShivarAbhiyaan**' project, we have adopted three villages near our plants - Karkheli, Yetala and Jarikot, in Nanded district.

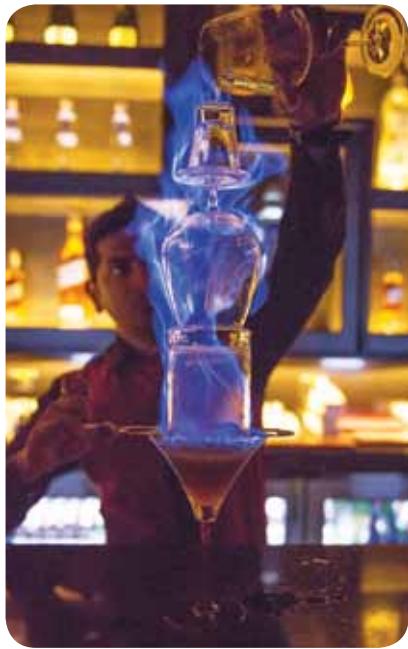
The aim of the project is to make 500 villages in Maharashtra free from water scarcity over the next three years. The project encompasses a wide range of initiatives, such as deepening and widening of streams, construction of cement and earthen stop dams, as well as de-silting of ponds.

In the three villages that USL adopted, de-silting of ponds facilitates increased storage of rain water. The villagers benefit through an increase in irrigated farmland and higher availability of drinking water. The de-silting process not only helps unclog dams but, since the soil dug out is rich in nitrogen, phosphorus, and potassium, it is also valuable for agricultural land.



# Advancing on the runway

## ROUTE TO CONSUMERS



**Creating a memorable and consistent brand experience for the consumer at the point of purchase or consumption is at the heart of our strategy and operations. We are using industry-first initiatives to strengthen our last mile connect as we get closer to our consumer, enhancing engagement and enriching experience every time, all the time.**

**Paramjit Singh Gill,**  
President, All India Operations

**OUR JOURNEY** of transformation begins and ends with the consumer. As the key driver of our growth strategy, consumers continued to steer our transformation story during the year, and revelled in the experience we created for them with our luxury and premium brands across multiple touch-points.

We scaled up our consumer engagement, with the 'perfect store' programme to reach out more effectively to consumers during the year. We created new communication planks to strengthen brand salience and brand experience. Installation of innovative display counters to promote brand trials of smaller packs, backed by deployment of professionally trained staff to assist and engage with the consumers, further boosted our engagement efforts.

After the successful launch of Sales Force Automation (SFA) in five states, we are now ready to roll out the project on a national level. We see in this initiative the potential to create more avenues for growth and expansion, while further improving customer engagement.

Premiumisation continues to be the core of our growth strategy and we are continuously scaling up our value chain to create more celebratory occasions for our consumers. Our aim is to make every special event in our consumers' lives more memorable through customised offerings designed to satisfy their evolving aspirations.



### DIAGEO BAR ACADEMY (DBA)

The DBA is an industry-first initiative aimed at augmenting the scale and level of our consumer engagement. Originally started by Diageo, the DBA is designed to build the skills and knowledge of the bar and wait staff in the hospitality industry. At the end of the 24-month intensive programme, the bar staff earns the prestigious WSET (Wine & Spirit Education Trust) certification, which provides them with opportunities to improve their skills and enhance their careers.

USL has taken DBA pan-India and trained over 3,000 bartenders in more than 500 outlets across 13 cities to become qualified professionals and learn more about our brands. These DBA-trained bartenders become our brand ambassadors, educating consumers while enriching themselves.

We believe that bar professionals are the critical ingredient in creating wonderful drinks and fantastic guest experiences. The Diageo Bar Academy, a global initiative to "Raise the Bar" was launched in India earlier this year to help professional mixologists and bartenders maximise potential and heighten consumer brand experiences. Similarly, our Art of Blending programmes help Scotch whisky lovers learn more about the brands through uniquely curated mixology sessions with Brand Ambassadors.





# Taking transparency to the next level



## COMPLIANCE AND GOVERNANCE

### **'ADVOCACY TO ACTION' is how we would define our compliance journey for the year gone by.**

The alcohol space in India is highly regulated and largely controlled by states, creating a challenging environment for industry growth. Notwithstanding the challenges, we, at USL, are determined to ensure stringent adherence to the highest levels of compliance and governance.

We undertook several important initiatives to strengthen our compliance framework. Our compliance and governance strategy is benchmarked to the global standards laid down by our parent company Diageo, and we are continuously striving to align all our employees to those benchmarks.

During the year under review, the Annual Compliance Certification programme, covering over 2,700 employees, was conducted under a refresher training and compliance declaration. The initiative is aimed at creating awareness among employees on the importance of transparent and ethical governance, as well as strict compliance to all legal and regulatory obligations.

Our compliance strategy encompasses all employees, including new joinees. As part of their induction programme, all new employees go through a mandatory online course on compliance in addition to personal training. Regular communication and training programmes are undertaken for building awareness and strengthening employee engagement with the company's compliance programme, in the form of monthly newsletters, dipstick surveys, slogans and posters that keep the compliance communication active.

We also have an extremely robust breach management system. In the year under review, there were 111 reported breaches, of which 71 cases were in the nature of compliance and ethics issues. Cases of breach are thoroughly investigated and regularly reviewed by the Compliance Committee, which is an apex authority comprising senior members of the leadership team. The Committee takes a collective decision and ensures remedial action on breaches.

Autonomy and supervision is ensured through a 3-level mechanism comprising the Compliance Committee, the Audit Committee, and the Global Audit & Risk Committee.

Cases of sexual harassment are also treated seriously and, pursuant to the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, the company has set up an Internal Complaints Committee (ICC) and Regional Committees to handle such cases.

As an organisation rooted in a culture of integrity and ethical growth, we are constantly endeavouring to integrate our compliance mechanism with our business functions and processes through necessary controls, with audit checks to validate the same.

## ETHICS DAY – BRING GOOD GOVERNANCE AND COMPLIANCE PRACTICES TO LIFE



USL celebrated Ethics Day on 9th December - the International Anti-Corruption Day. The celebration was marked by a series of activities, including:

- **'Dialogue with a Twist'** contest for employees pan India

- **'Spirited Minds Network'**, a forum for engaging with external Compliance practitioners and experts
- INTRIGI-TREE made with compliance bytes built around a Christmas tree
- Spot quiz, Oath ceremony and Theatre activity



# Becoming future-ready

## EMPOWERING PEOPLE

**STEERED BY OUR AMBITION** to become an employer of choice, we are continuously working towards the creation of an enabling environment, with people empowerment at the core of our strategy for the future. We have reinvented ourselves into a more agile and adaptive organisation through a transformation process aligned to evolving industry requirements and business aspirations.

At the core of our future-ready approach is our endeavour to imbibe an open culture into the organisational fabric, where people work unitedly and cohesively as one. We are creating an environment of trust and transparency, which inspires collaborative solutions derived from questioning and challenging, ideation and iteration. At the same time, we are also working on de-layering the organisation to make it leaner, fitter and more capable of winning in the increasingly competitive market environment.

Another key agenda of our HR strategy is to evolve into a future-proof organisation that is equipped to effectively handle the challenges of tomorrow. To this end, we are creating the right mix of talent, with the right employee, for the right job. We are also identifying and grooming the next line of leaders to ensure seamless and smooth succession planning beginning with key leadership roles. We have initiated Talent Boards to build and support promising leaders and create a diverse pipeline of talent.

Our performance management systems are being continually updated with a more robust efficiency matrix to measure goals and achievements on a bi-annual basis. Regular training is one of our key enablers for the Human Resource agenda. We have invested 3434 man days to train employees across various levels during the year.



As an organisation that is both, future-ready and future-proof, USL is committed to nurturing a culture of inclusiveness, led by collaborative and engaged employees. We are doing this through a cultural transformation of shared purpose and understanding, underpinned by right talent, right capability and right leadership.

**Steve Correa,**  
Executive Vice President, Human Resources



With our stated commitment to Diversity and Inclusiveness, we are hiring and grooming more women leaders in our organisation, in senior management positions, as well as in functions such as Operations and Finance. Our new maternity policy provides new mothers 4 months' maternity leave instead of the 3 months norm, and a further month where the new mother can work from home.

Our new Basket of Allowances policy spans an extremely flexible compensation structure that allows employees to tailor their allowances to their personal needs and interests. Employees have the freedom to align their compensation packages to their expense patterns, lifestyle choices and tax optimisation plans.

**INVESTED 3434  
MAN DAYS TO TRAIN  
EMPLOYEES ACROSS  
LEVELS**



**4 MONTHS**  
MATERNITY LEAVE + 1  
MONTH WORK-FROM-  
HOME OPTION



**D&I RATIO  
IMPROVED**



**BASKET OF  
ALLOWANCES,  
COMPENSATION  
STRUCTURE  
ALLOWS FLEXIBILITY**



### Case Study



### PARTNERING GROWTH

In January 2015, we launched a unique career conversation initiative for all USL employees.

Under the programme, managers engage in open and detailed conversations about an individual's role and his/her larger impact on organisational performance. In addition, managers encourage employees to share their career aspirations and personal purpose to enable creation of new opportunities for their professional development and growth.

Goal setting is crisp and focussed, and achievements are reviewed against set goals bi-annually. The conversations initiated under the programme involve discussion on areas of strength and development, and are designed to provide employees with enough time to enhance their performance in the remaining part of the year.

As part of the initiative, more than 90% of the P4G conversations planned for the year were completed within the set timeline. A total of 400+ managers were taken through half-day trainings on how to have effective and enabling conversations with their teams.



# New Wings

## FINANCE

### COST OPTIMISATION AND DEBT

reduction continues to be a challenge in our industry, which is subject to higher regulations and lesser freedom of pricing. With our holistic approach and strategic focus on strengthening the balance sheet, we successfully managed the financial challenges in our journey of transformation during the year.

Rationalisation of our debt portfolio enabled us to reduce our debts to a significant extent and our Balance Sheet became more robust as we divested our non-core assets, improved our asset sweating and favourably changed the debt mix to reduce debt value. With the Diageo banking relationships strengthening our ability to renegotiate

lower borrowing costs, we successfully reported improved cash management and lower debt costs.

Our judicious efforts to manage costs translated into improved credit ratings. During the year, ICRA Limited (an Associate of Moody's Investor Service) upgraded our Long Term Rating from BBB - to A+, while our Short Term Rating improved from A3 to A1+, based on the following parameters:

- Significant improvement in overall financial flexibility, corporate governance and compliance framework
- Benefits accruing in the form of business synergies and implementation of global best practices as a subsidiary of Diageo plc
- USL's committed and experienced management team and efforts towards sustainability

**We are assiduously working on rebasing our Balance Sheet, with a sharp focus on reducing debts driven by non-core asset divestment strategy and continued positive cash flow from operations. This is reflected in our significantly improved credit rankings.**

**Sanjeev Churiwala,**  
Chief Financial Officer

With our financial journey well on track to scale our processes and compliance levels to international standards, such as Sarbanes Oxley (SOX), we see higher growth margins and profitability, leading to increased shareholder value creation, going forward.

# Productivity Improvement

**We are determined to continue with our productivity improvement drive that is delivering compelling cost savings through optimisation of the three efficiency levers of rate, specification and features.**

**Pankaj Gupta,**

Chief Procurement Officer and Business Planning, Supply Chain

### THE 3-YEAR PRODUCTIVITY

The productivity improvement drive initiated during FY15 yielded further continued savings in FY16, opening new avenues of opportunities and sustainable value. Our focussed efforts in Supply Productivity (COGS improvement) and inventory improvement (via Sales and Operations Planning) ensured that we were able to mitigate the cost inflation and the additional quality investments made during the year behind the Company's own brand portfolio.

### SUPPLY PRODUCTIVITY

Rate Optimisation, Specification Optimisation and Feature Optimisation are the 3 efficiency levers that constitute the core of our Supply Productivity improvement projects. From materials to manufacturing and logistics, these projects relooked at the entire value

chain, bringing greater efficiencies into the system. Some of them were:

- Develop fit-for-purpose liquid blends
- Shape-engineer bottles using less glass
- Derive cost benefits in categories such as closures through strategic partnerships

### S&OP IMPROVEMENT

- Introduced cross functional planning for the next quarter
- Use of automated tools and performance dashboards for execution

### VISIBLE RESULTS

- Improved forecast efficiency by 19%
- Increased production plan adherence by 56%
- Reduced inventory by 2 days and out-of-stock products at customer depots by 8%
- Freed up 3-5 work days per month



# Lending Wings

## GOOD CORPORATE CITIZENSHIP

### AS A GOOD CORPORATE CITIZEN,

USL is committed to sustaining an environment that nurtures collective and sustainable progress. At an industry level, we engage with the Central and State governments to offer on-ground perspectives and solutions to improve the ease of doing business, and create a more enabling industry environment. We partner the government at various levels – from providing insights and understanding of industry issues, to providing education about genuine products in a bid to reduce counterfeit, to offering evidence-based solutions to create a more harmonised taxation and regulatory regime. Through our efforts, we are striving to build a symbiotic relationship with the States to create a compelling, value-led, win-win proposition for the government and the industry.

We recognise that the harmful use of alcohol can have negative effects of an individual and society. We partner the government at the Centre and state level in their efforts to reduce the irresponsible consumption of alcohol as well as improve Road Safety in India.

At USL, we look at ourselves not merely as a business entity focussed on profitable growth but as global citizens committed to responsible and responsive actions for the larger good of society. We have a strong and clearly defined CSR charter that mandates focussed initiatives at community, state and national levels to benefit the communities around which we operate by lending them the wings they need to take off the ground.



(L-R) Amrit Kiran Singh, USL, Rob Lynes - Director, British Council, Anand Kripalu - MD & CEO, USL, Sir James Bevan KCMG, British High Commissioner and Smt. Maneka Gandhi, Union Cabinet Minister for Women & Child Development release the YWEDP Phase II programme training guide

### EMBARKING ON A JOURNEY OF EMPOWERMENT

#### Empowering Women

No community can thrive, and no progress can be sustained without the inclusion and equal participation of women. At USL, we remain wholeheartedly committed to empowering women in our society and communities and enabling them to realise their true potential.

#### Young Women Social Entrepreneurship Development Programme (YWSEDP)

Inspired by the success of the first phase of the programme in the previous fiscal, we rolled out Phase II of YWSEDP during the year to help women from marginalised backgrounds become self-reliant and integrate into the mainstream of progress.

60

MASTER TRAINERS HAVE BEEN TRAINED IN SOCIAL ENTREPRENEURSHIP REACHING OVER

4,000 WOMEN

**We believe in the larger purpose of businesses going beyond numbers. At USL, making a meaningful difference in the lives of people we live and work with is embedded in our business model as well as our culture and philosophy."**

**Abanti Sankaranarayanan,**

*Business Head – Luxury Business & Corporate Relations*



## Case Study



## NURTURING HOPES. REALISING DREAMS

### “PROJECT S.H.E” Security-Health-Education

This is a grassroots programme to impact communities around USL's bottling plants, which are situated in semi-urban and rural areas and lack basic infrastructure necessary for dignified living.

The first phase of the project encompassed several villages in Bhopal, Ganjam, Alwar, Puducherry and Udaipur aimed at giving villagers access to clean drinking water; promoting basic sanitation through water conservation; and primary health care.

#### Progress thus far:

Established resource centres, and water, sanitation and health (WASH) committees in 12 villages to oversee water resource management

- Constructed 104 soak pits, rainwater harvesting structures, drainage systems, and repaired 51 hand pumps
- Constructed toilet blocks in schools
- Trained villagers on groundwater management
- Installed 3 RO water purification systems in schools
- Built 58 community & SMART toilets
- Conducted health and hygiene programmes to spread awareness on reproductive health, menstrual and personal hygiene
- Imparted employable skill training to community women
- Benefited 39,702 people, of which 45% are women

## TOWARDS SAFE &amp; RESPONSIBLE DRINKING

#### Addressing Alcohol Misuse And Creating A More Positive Role For Alcohol In Society

Rooted in the USL-Diageo purpose of celebrating life, our vision is to create a positive role for alcohol in society.

Through strategic partnerships, we are working dedicatedly towards raising collective public consciousness on the issue of road safety, drink driving, and alcohol misuse by encouraging people, especially young adults, to be more responsible.



(L-R) Mr. Nitin Gadkari, Union Minister for Road Transport & Highways and Shipping along with Abanti Sankaranarayanan, USL at a panel discussion to launch Phase II of our Diageo-USL Road to Safety campaign at the Gateway of India, Mumbai.

## Towards an

### ‘Open Defecation Free’ village

From reticence to even talking about sanitation to working proactively on improving it, Goondpur village of Alwar district in Rajasthan stands as a shining example of realising the vision of the government’s ‘Swachh Bharat Mission’. Energised by the intervention of our Project S.H.E, the villagers are collaboratively working on improving the health and sanitation systems in the village.

Together with NGO partner Gram Uday, USL worked with local authorities, villagers, local Government School, village Health Centre and the village Panchayat to organise health camps and collaborative discussions change attitudes on sanitation and hygiene.

Led by a young and dynamic Sarpanch, the people of Goondpur committed themselves to becoming an ‘Open Defecation Free’ village by 2017 and voluntarily contributed for the cause and also applied and received Swachh Bharat funding to build individual household toilets.

44 toilets of the 418 sanctioned have been completed.



YOUTH ICON AND ACE CRICKETER VIRAT KOHLI SUPPORTED THE CAMPAIGN AS BRAND AMBASSADOR.

#### **"USL-Diageo-Road to Safety" – a signature intervention**

With over 1,45,000 fatalities a year, India accounts for 12.5% of global road accident fatalities. Our signature programme 'USL-Diageo-Road To Safety' addresses drink driving and the broader cause of Road Safety.

#### **The Diageo-USL-IRTE Road To Safety Campaign**

This national programme in its second year of implementation run in partnership with the Institute of Road Traffic Education (IRTE) and supported by the Union Ministry of Road Transport & Highways, continued its capacity-building training programmes for traffic police and drink driving awareness for commercial drivers such as truckers and bus drivers.

#### **The Diageo-NDTV Road To Safety Campaign**

Year 2 of the highly visible 'Diageo-NDTV Road to Safety' television campaign was launched at a panel discussion with the Union Minister for Road Transport, Highways and Shipping, Mr. Nitin Gadkari against the iconic backdrop of the Gateway of India, while the chief guest and participants pledged their commitment to 'Never Drink and Drive'.

The campaign was further amplified on air through stories on effects of drunk driving and road safety. On ground, walkathons and other activities were organised to create awareness about road safety. For the first time, a 'drive sober' consumer activation was organised in pubs across 8 metro cities and over 3,000 free safe rides were organised.

## **hindustantimes**

In 2016, we entered into a new partnership with the Hindustan Times to educate readers on road safety with special emphasis on the dangers of drink-driving. The publication ran large, detailed editorial features for over two months on road safety and drink driving, thereby making road safety conversations a part of cultural conversations.

#### **TACKLING UNDERAGE DRINKING**

In another unique initiative, we partnered with other industry members to reach out to over 25,000 students in a nationwide campaign against underage drinking. The campaign focusses on using the life skills approach to instil confidence in teenagers to make the right choices, and not succumb to peer or societal pressures.

#### **PHASE II ROAD TO SAFETY CAMPAIGN COVERED**

**30 CITIES, 7 STATES**

**3,00,000 PLEDGES TO NEVER DRINK & DRIVE**

**3,200 FREE SAFE RIDES**

**1,500 POLICE OFFICIALS TRAINED ON ROAD SAFETY**

**3 MILLION DIGITAL OUTREACH**

**6,000 UNIVERSITY STUDENTS**



#### **AWARDS**



Diageo India presented with Prince Michael International Road Safety Award



**Spiritz award for Best CSR efforts to USL**



#### **OUR SUPPORT OF SOLIDARITY**

Contributed ₹ 1 crore to the Chief Minister's Fund for relief work in Karnataka.

USL and its employees contributed ₹ 30+ lakhs to the Prime Minister's National Relief Fund to support relief and rehabilitation efforts in Nepal.

USL and its employees donated ₹ 20+ lakhs to the NGO Goonj rehabilitation work in the aftermath of Southern India's devastating floods.



# Our Parent Company

## ABOUT DIAGEO

Diageo is a global leader in beverage alcohol with an outstanding collection of brands including Johnnie Walker, Crown Royal, J&B, Buchanan's and Windsor whiskies, Smirnoff, Ketel One and Ciroc vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray and Guinness.

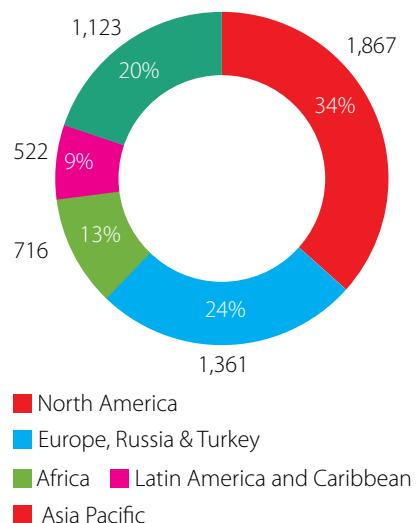
Diageo is listed on both the London Stock Exchange (DGE) and the New York Stock Exchange (DEO), and our products are sold in more than 180 countries around the world.



Diageo employs approximately 33,000 talented people worldwide with offices in around 80 countries. Our manufacturing facilities are located across the globe including Great Britain, Ireland, United States, Canada, Italy, Africa, Australia and Latin America and Caribbean.

Diageo was formed in 1997, following the merger of Grand Met and Guinness, and is headquartered in London. The word Diageo comes from the Latin for day (dia) and the Greek for world (geo). We take this to mean every day, everywhere, people celebrate with our brands.

### Net Sales by Region (Million)\*



\* Sales after excise duties (excluding Corporate)  
Six Months Ended 31st December, 2015

## Our Brands

Our 21 market model affords each market the flexibility to select the right portfolio of brands to capture the unique consumer opportunities that exist in that market and place resources directly against our biggest growth opportunities.





# Report of the Directors

*Dear members*

Your Directors are pleased to present the 17th Annual Report of your company and the audited financial statements for the year ended March 31, 2016.

## 1. Financial Results

₹ Million

	Standalone		Consolidated	
	2015-16	2014-15	2015-16	2014-15
The working of your Company for the year under review resulted in				
Profit / Loss from operations	5,391.76	532.68	5,459.96	(5,732.63)
Exceptional and other non-recurring items	7,362.54	(18,716.68)	7,909.00	(8,391.56)
Less:				
Depreciation	1,021.04	1,097.40	1,577.34	2,228.74
Taxation (including deferred tax)	1,921.63	283.35	2,102.24	520.40
Profit / (Loss) after tax	9,811.64	(19,564.75)	9,689.37*	(16,873.33)*
Profit B/F from previous year	(50,454.52)	(30,835.13)	(56,372.04)	(38,852.41)
Minority Interest appropriation	-	-	11.93	3.82
Net impact on account of Merger	(1,220.51)	-	-	-
Net impact of profit of demerged unit	-	24.91	-	24.91
Transitional depreciation	-	(79.55)	-	(667.39)
Transfer between reserves	-	-	-	-
Profit / (Loss) available for appropriation	(41,863.39)	(50,454.52)	(46,694.60)	(56,372.04)
Your Directors have made the following appropriations:		-	-	-
General Reserve	-	-	-	-
Dividend paid in respect to previous years	-	-	-	-
Proposed dividend	-	-	-	-
Corporate Tax on Proposed Dividend	-	-	-	-
Corporate Tax on Dividend paid	-	-	-	-
Balance carried to the Balance sheet	(41,863.39)	(50,454.52)	(46,694.60)	(56,372.04)
EPS-Basic & Diluted(Rupees)	67.51	(134.62)	66.59	(116.13)

\* Excluding minority interest

# Report of the Directors (continued)

## 1.1 Subsidiary Companies

In accordance with section 129(3) of the Companies Act, 2013, a statement containing salient features of the financial statements of the subsidiary companies in Form AOC1 is provided as **Annexure - 1** to this report.

In accordance with third proviso to section 136(1) of the Companies Act, 2013, the annual report and financial statements of each of the subsidiary companies have also been placed on the website of the Company [www.unitedspirits.in](http://www.unitedspirits.in)

## 2. Board's Responses to Observations, Qualifications and Adverse Remarks in Auditor's Report

The Statutory Auditors (Auditors) have qualified their opinion in relation to the following matters appearing in the Financial Statements for the year ended March 31, 2016. The Board's responses to the qualifications and other observations or adverse remarks made by the Auditors in their Report on the Standalone Financial Statements for the year ended March 31, 2016, Consolidated Financial Statements for the year ended March 31, 2016 and in their CARO Report on these Financial Statements are given below.

The Statutory Auditors have qualified their opinion in relation to the matters specified in Notes 26(a) & (c), and Note 45 of the financial statements for the year ended March 31, 2016 (Statements). The Board's responses to the qualifications and other observations or adverse remarks are as follows.

### 2.1 Auditor's observations under paragraph 1 'Basis for Qualified Opinion' of the Auditor's report to the standalone financial statements:

As stated in Notes 26 (a) and (c) to the standalone financial statements, during the year ended 31 March 2014, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, claimed in their balance confirmations to the Company for the year ended 31 March 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board of Directors of the Company ("Board"), a preliminary internal inquiry was initiated by the Management.

*Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board; and Management's assessment of recoverability, an aggregate amount of ₹ 6,495.48 million (including interest claimed) was provided in the financial statements for the year ended 31 March 2014 and was disclosed as prior period items. During the year ended 31 March 2015, an additional provision of ₹ 216 million was made for interest claimed. The Company has not made provision for any unclaimed interest. During the quarter ended 30 September 2015, the Company reached a settlement with a party pursuant to which the party withdrew claims aggregating ₹ 278.60 million. Accordingly, provision aggregating ₹ 278.60 million has been written back. Additionally, subsequent to the year-end, the Company has signed settlement agreements with certain such parties and based on these settlements has reversed provisions with respect to interest claimed aggregating ₹ 264.60 million as at the balance sheet date. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off ₹ 5,666.00 million out of the amounts provided for with respect to the aforesaid parties.*

*During the year ended 31 March 2014, the Board had also directed a further detailed and expeditious inquiry in relation to the above matter, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature ("Inquiry"). While the Inquiry has since been completed, with regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which documents dealt with transactions involving the counterparties referred to above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified concerns as to the propriety of the underlying transactions.*

*Further, as stated in Note 24 (e) to the standalone financial statements, the Company, under the settlement agreement with a director, inter alia, agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its standalone financial statements for the year ended 31 March 2014 (refer Note 26 (a)). Additionally, the Company undertook under the settlement agreement that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note in relation to matters also set out therein.*

*Based on its current knowledge, the Management believes that the balance provisions carried with respect to the above matters are adequate and no additional material adjustments are likely to be required in relation thereto. In the previous year, the Board had directed the Management to expeditiously review the Additional*



# Report of the Directors (continued)

*Matters and transactions with the Additional Parties and report to the Board on Management's conclusions on the transactions and any further impact on the Company's financial statements. As the review of the Additional Matters and transactions with Additional Parties is in progress, we are unable to comment on the nature of these transactions; the provisions established; or any further impact on the standalone financial statements including the impact on opening balances for the year. Further, pending resolution of the above disputes, we are unable to comment on whether the provision established for interest is appropriate.*

*Above qualification is also contained in the audit report issued on the consolidated financial statement.*

## **Board's Response to audit qualification on standalone financial statements as well as consolidated financial statements:**

Detailed information and explanations on the qualification in paragraph 1 of the audit report are provided in Notes 26(a) and 26(c) to the Standalone Financial Statements (and notes 35 (a) to 35 (c) of the consolidated financial statements). In particular, as stated in Note 26 the Inquiry Report stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and / or its subsidiaries to certain UB Group companies, including in particular, King Fisher Airlines Limited ("KFA"). The diverted amounts were included in the provision made by the Company in the financial statements for the year ended March 31, 2014 and certain additional interest amounts were included in the provision made by the Company in the financial statements for the year ended March 31, 2015. The inquiry indicated that the manner in which certain transactions were conducted, *prima facie*, indicates various improprieties and potential violations of provisions *inter alia*, of the Companies Act, 1956, and the then listing agreements signed by the Company with various stock exchanges in India on which its securities are listed. The financial impact of these non-compliance were estimated by the Management to be not material.

In connection with the recovery of the funds that were diverted from the Company and / or its subsidiaries, pursuant to the decision of the Board at its meeting held on April 25, 2015, the Company initiated steps for recovery against the relevant parties, so as to seek to expeditiously recover the Company's dues from such parties, to the extent possible. During the quarter ended September 30, 2015, the Company reached a settlement with one of the parties pursuant to which the party had withdrawn claims aggregating ₹ 27.86 Crores. Accordingly, provision amounting to ₹ 27.86 crores has been written back. Subsequent to the year end, the Company has settled these claims with 3 other parties and based on the said settlement has reversed a provision with respect to interest claimed amounting to ₹ 26.46 Crores as at the

balance sheet date. Settlements with the other parties have not been reached as yet and management is continuing discussions in this regard. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off ₹ 566 Crores out of the amounts provided for with respect to the aforesaid counterparties.

With regard to the possible existence of any other transaction of a similar nature, the inquiry identified references to certain additional parties ("Additional Parties") in various documents which also dealt with transactions involving the counter parties referred to in Note 26(c) of Standalone Financial Statements and 35(c) of the consolidated financial statements.

As the Board determined it was necessary to assess whether the Additional Matters or the transactions with the Additional Parties were improper, the Board directed the MD & CEO to expeditiously review these aspects during the period covered by the Inquiry and report to the Board his conclusions on the transactions and any further impact on the Company's financial results. This review is in progress. Pending completion of the review into Additional Parties and Additional Matters, no further provision in relation thereto have been made in the financial statements for the year ended March 31, 2016.

With regard to the settlement agreement between the Company and a director of the Company, the details of the settlement agreement have been disclosed in Note 24(e) to the standalone financial statements [26 (e) to the consolidated financial statements]. Furthermore, as disclosed by the Company to the stock exchanges on February 25, 2016, the Board believes the settlement agreement is valuable to USL and all its shareholders. It brings to an end the uncertainty relating to the Company's governance and will allow the Company to prosper and build on the platform that has already been created.

## **2.2 Auditor's observations under paragraph 2 'Basis for Qualified Opinion' of the Auditor's report to the standalone financial statements:**

*As stated in [Note 45 to Standalone Financial Statements the Managerial remuneration for the year ended 31 March 2015 aggregated ₹ 64.91 million and ₹ 153.09 million towards remuneration of the Managing Director and Chief Executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO) respectively. The aforesaid amounts includes remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. Subsequent to the balance sheet date, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.*

*Above qualification is also contained in the audit report issued on the consolidated financial statement.*

## Report of the Directors (continued)

**Board's response:** Information and explanation on the qualification in paragraph 2 of the audit report is provided in Note 45 to Standalone Financial Statements and 44 of the consolidated financial statements. In particular, as stated in Note 45 to Standalone Financial Statements and 44 of the consolidated financial statements, the Company applied for the requisite approval from the Central Government for such excess remuneration. Subsequent to the year end, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government for requesting reconsideration of its application for approval of such excess remuneration.

### 2.3 A. Auditor's observations under paragraph [(i)(c)] of the Annexure to the Auditor's report:

*According to the information and explanations given to us and based on our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company except for 22 cases of freehold land having aggregate gross block of ₹ 1,175 million, 3 cases of leasehold land having aggregate gross block of ₹ 41 million; and various buildings having aggregate gross block of ₹ 1,869 million, where the Company is in process of collating and identifying title deeds.*

**Board's response:** The Company is in the process of compiling the original title deeds for the 22 cases of freehold land, 3 cases of leasehold land and the buildings referred to in paragraph [(i)(c)] of the Annexures to the Auditor's report and believes that it has good title to all the immovable properties. The Board has directed the Management to expedite the process of compiling the original title deeds.

### B. Auditor's observations under paragraphs[(iii), (iv) & (ix)] of the Annexure to the Auditor's report:

(iii) *According to information and explanations given to us, the Company has granted loans to eleven companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). These loans includes loan to United Breweries (Holdings) Limited ("UBHL") by way of conversion of certain pre-existing loans / advances / deposits due to the Company and its subsidiaries (refer Paragraph 1 under 'Emphasis of Matter').*

Further, as stated in Note 26 (a) to the standalone financial statements, the Board had directed a detailed and expeditious inquiry ("the Inquiry) in relation to certain transactions identified during the year ended 31 March 2014. The Inquiry stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and / or its subsidiaries to certain UB Group companies,

*including in particular, Kingfisher Airlines Limited ("KFA"), which is a party covered in the register maintained under Section 189 of the Act.*

*Additionally, pending the completion of the review of the Additional Matters and transactions with Additional Parties identified through the Inquiry as disclosed in Paragraphs 1 under 'Basis for Qualified Opinion', we are unable to comment whether any such arrangements represent transactions with any body corporate covered in the register maintained under Section 189 of the Act.*

- (a) *In our opinion, the rate of interest and other terms and conditions of the above mentioned loan to UBHL, are *prima facie*, prejudicial to the interest of the Company.*
- (b) *The above mentioned loan to UBHL was voted down by the shareholders of the Company in the Extraordinary General Meeting ("EGM") held on 28 November 2014. UBHL also defaulted in payment of interest. Accordingly, the Company raised a demand on UBHL for repayment of the entire balance of the loan and the interest thereon. The Company is yet to receive the aforesaid amounts due. The loan has been fully provided for in the financial statements.*

*With respect to loans given to other companies, firms or other parties covered in the Register maintained under Section 189 of the Act, the principle and interest are repayable either on demand or the repayment terms are not stipulated. According to the information and explanation given to us, we understand that loans were repaid where ever demanded.*

- (c) *According to information and explanation provided to us, the total amount overdue for more than 90 days in respect of the loan granted to UBHL aggregates ₹ 16,555 million (gross of tax and unpaid accrued interest). We understand from the Management that the Company will pursue all rights and claims to recover the entire amount of the loan together with unpaid accrued interest from UBHL and the Company raised a demand on UBHL for repayment of the entire amount due. According to the information and explanation given to us, the Company has filed affidavits in the winding up proceedings against UBHL updating the Honourable High Court of Karnataka with information regarding UBHL's default in payment of amounts due under the loan agreement.*

*Also refer Paragraph 2 under 'Emphasis of Matter' and Note 24(e) to the standalone financial statements in relation to the settlement agreement.*

- (iv) *In our opinion and according to the information and explanations given to us, as a result of the matters stated below, we are unable to comment whether the Company has complied with the provisions of Sections 185 and 186 of the Act, with respect to the loans and investments made:*



## Report of the Directors (continued)

- (a) As stated in Note [26 (a)] to the standalone financial statements and Paragraph 1 of the Basis for Qualified Opinion, the Board had directed a detailed and expeditious inquiry in relation to certain transactions identified during the year ended 31 March 2014. The Inquiry stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and / or its subsidiaries to certain UB Group companies. The Inquiry Report also indicated that the manner in which certain transactions were conducted, *prima facie*, indicates various improprieties and legal violations.
- (b) As stated in Note 26(b) to the standalone financial statements, with regard to the prior transactions that were consolidated into the single loan due from UBHL on 3 July 2013, the Inquiry stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company to UBHL than that which actually existed at that time. The inquiry also indicates that the manner in which these transactions were conducted and these entries made, *prima facie*, indicates various improprieties and legal violations.

Also refer note 26(c) to the standalone financial statements with respect to the ongoing review of the Additional Matters and transactions with Additional Parties identified through the Inquiry as disclosed in Paragraphs 1 under 'Basis for Qualified Opinion'.

(ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instrument). In our opinion and according to the information and explanations given to us, the term loans taken by the Company and applied during the year were for the purpose for which they were raised.

The Inquiry referred to in Paragraph 1 of the 'Basis for Qualified Opinion' and Paragraph 1 of the 'Emphasis of Matter', stated that certain funds were diverted to other UB Group entities in earlier years. Such diversions may indicate application of term loans for purposes other than for which they were raised.

**Board's response:** Information and explanation on the observations in paragraphs [(iii), (iv) & (ix)] of the Annexure to the Auditor's report are provided in Notes 26(a), 26(b), 26(c) and 24(e) to the standalone financial statements.

In particular, Note 24(d) provides information in connection with the non-approval by the shareholders of the Company of the loan agreement with UBHL (and of other potential related party transactions).

Furthermore, as stated in Note 26(b), certain pre-existing loan / deposit / advances were due to the Company and its wholly-owned subsidiaries from UBHL and were in existence as on March 31, 2013. In addition, the amounts owed by UBHL to the Company's wholly-owned subsidiaries had been assigned by such subsidiaries to the Company and recorded as loans from such subsidiaries in the books of the Company. Such dues (together with interest) aggregating ₹ 1,337.40 Crores, were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on July 3, 2013. The interest rate under the above mentioned loan agreement with UBHL is 9.5% p.a., with the interest to be paid at six-monthly intervals starting at the end of 18 months from the effective date of the loan agreement. The loan has been granted for a period of eight years and is payable in three annual instalments commencing from the end of 6th anniversary of the effective date of the loan agreement. Pursuant to the directions of the Board, the Inquiry referred to in Note 26(a) to the Statements also included a review of documentation to further understand and assess elements of and background to the above loan arrangement and to establish the rationale / basis for the interest rate applicable in respect of the consolidated loan amount.

With regard to the prior transactions that were consolidated into the single loan on July 3, 2013, the Inquiry Report stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company (and its subsidiaries) to UBHL than the exposure that actually existed at that time. *Prima facie*, this indicates various improprieties and potential violations of provisions, *inter alia*, of the Companies Act, 1956, and the then listing agreements signed by the Company with various stock exchanges in India on which its securities are listed. The financial impact of these non-compliances were estimated by Management to be not material.

During the year ended March 31, 2014, as a matter of prudence, the Company provided for receivables in relation to interest income of ₹ 96.31 Crores and provided ₹ 330.32 Crores towards the principal outstanding as at March 31, 2014. The notes to accounts for the year ended March 31, 2014 had recorded the Management's belief that it should be able to recover, and that no further provision is required for the balance amount of ₹ 995.46 Crores. The notes also mentioned that the Management would continue to assess the recoverability of the said loan on an on-going basis. As per the terms of the said loan agreement, interest payable

## Report of the Directors (continued)

by UBHL to the Company in January 2015 amounted to ₹ 191.10 Crores (gross of tax) and a further interest amounting to ₹ 127.05 Crores (gross of tax) was due in January 2016. However, the Company is yet to receive such interest payments from UBHL.

In the financial year ended March 31, 2015 and again in the financial year ended March 31, 2016, the Company received letters from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka and due to Court orders passed in winding up proceedings it is unable to pay such sums without leave of the Court which it proposes to seek. Despite prior undertakings to obtain such leave from the Court to pay USL the amounts due, and despite repeated follow up by the Company with UBHL in this regard, the Company has not received any update or information from UBHL indicating whether UBHL has applied to the Court for the requisite leave to pay USL.

As a result of the above and other relevant factors, and as a matter of prudence, the Company had provided a further amount of ₹ 995.46 Crores towards the entire balance principal amount (i.e., the entire principal amount due under the loan agreement less the amount already provided in the accounts for the financial year ended March 31, 2014) and did not recognise interest income of ₹ 120.70 Crores for the year ended March 31, 2015. Accordingly, the Company has also not recognised interest income of ₹ 127.05 Crores for the financial year ended March 31, 2016.

The Company is pursuing all rights and claims to recover the entire amount of the loan together with accrued interest from UBHL and has written to UBHL demanding payment of all sums. As a result of the foregoing and other relevant considerations, the Company also filed affidavits in the winding up proceedings against UBHL updating the Court with information regarding UBHL's conduct and default in payment of amounts due under the loan agreement. Additionally, during the current year, the Company has set-off an amount of ₹ 24.93 Crores payable to UBHL under the trademark agreement against the provision for interest receivables from UBHL and will continue to set off such payables to the extent feasible.

With regard to the Additional Matters and transactions with Additional Parties, as stated in Note 26(e), the Board has directed the MD & CEO to expeditiously further review the Additional Matters and transactions with the Additional Parties during the period covered by the Inquiry and report

to the Board his conclusions on the transactions and any further impact on the Company's financial statements.

### C. Auditor's observations under paragraph [(vii)(a)] of the Annexure to the Auditor's report:

*(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Duty of customs, Duty of excise, Value added tax, Cess and any other material statutory dues have not been regularly deposited during the year by the Company with the appropriate authorities though the delays in deposit have not been serious.*

**Board's response:** Management has informed the Board that there were minor delays in depositing certain undisputed statutory dues due to clerical errors, and that these errors are being addressed, so that such delays are further minimized if not eliminated altogether.

### D. Auditor's observations under paragraph [(viii)] of the Annexure to the Auditor's report:

*In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to a financial institution or any bank during the year. The Company does not have any dues to debenture holders or outstanding loans or borrowings from government during the year.*

*Also refer the matter referred to in Paragraph 4 under 'Emphasis of matter' and Note 25 to the standalone financial statements.*

**Board's response:** Management has informed the Board that as of March 31, 2016 there were no outstanding defaults by the Company of any dues to a bank or financial institution. As stated in Note 25, the Company has disputed a demand made by a bank and has filed proceedings before the Honourable High Court of Karnataka contesting the bank's actions, including the bank's false allegation that the Company has defaulted on certain loan payments.

### E. Auditor's observations under paragraph [(x)] of the Annexure to the Auditor's report:

*(a) As stated in Note 26 (a) to the standalone financial statements and Paragraph 1 of the 'Basis for Qualified Opinion,' the Board had directed a detailed and expeditious inquiry in relation to certain transactions*



## Report of the Directors (continued)

identified during the year ended 31 March 2014. The Inquiry stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and / or its subsidiaries to certain UB Group companies. The Inquiry Report also indicated that the manner in which certain transactions were conducted, *prima facie*, indicates various improprieties and legal violations.

- (b) As stated in Note 26(b) to the standalone financial statements, with regard to the prior transactions that were consolidated into the single loan due from UBHL on 3 July 2013, the Inquiry stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company to UBHL than that which actually existed at that time. The inquiry also indicates that the manner in which these transactions were conducted and these entries made, *prima facie*, indicates various improprieties and legal violations.
- (c) As discussed in Note 26(d) to the standalone financial statements, the Inquiry also indicated that an agreement signed with an Alleged Claimant for a lien on certain investments of the Company, to secure an advance by the Alleged Claimant to Kingfisher Airlines Limited, was entered into without appropriate Board authorisation or approval.

During the current year, we have submitted a report to the Central Government under Section 143(12) of the Act and the relevant rules thereunder.

Additionally, pending the completion of the review of the Additional Matters and transactions with Additional Parties identified through the Inquiry as disclosed in Paragraph 1 under 'Basis for Qualified Opinion,' we are unable to comment whether any arrangements covered by such review can be termed as 'fraud' and whether there are other instances of a similar nature.

**Board's response:** See responses to paragraph 1 of the Auditor's Report to the Statements and to paragraphs [(iii), (iv) and (ix)] of the Annexure to the said Auditor's Report. As indicated in Note 30 to the Statements, the Board's Audit Committee had provided its reply and observations to the auditor's report under section 143(12) of the Act and the relevant rules thereunder. The said reply and observations to the Auditors include the following observations.

- (i) The Board is not in a position to make (and has not made) any final determinations with regard to the roles of any individuals involved. The Board therefore directed that the Company report such transactions to the authorities as required under

applicable law. Accordingly, the Company has duly reported the transactions and associated facts to the relevant authorities, and has also responded / is in the process of responding, as the case may be, to requests for clarifications on the Inquiry that have been sought by the Regional Director of the Ministry of Corporate Affairs, the Income-Tax Department, the Securities and Exchange Board of India (SEBI), the Enforcement Directorate (ED), the Bangalore police, the Institute of Chartered Accountants of India, and the stock exchanges.

- (ii) In addition, as noted above, pursuant to the Board's directions, a copy of the MD & CEO's Inquiry report, including the inputs and expert advice of the independent advisers and specialists, as well as the communications received from a concerned director were provided to the Company's auditors.
- (iii) In connection with the recovery of funds that appear to have been diverted from the Company, the Board passed a resolution that the Company should take the necessary steps to pursue all rights and claims against, and expeditiously recover its dues from, the relevant parties, to the extent possible. The Board has also authorized the MD & CEO to temper these actions, if considered appropriate, bearing in mind imperatives of business continuity with vendors / distributors. The results of these efforts are discussed in the response to paragraph 1 of the Auditor's Report to the Statements.
- (iv) In light of the above, and without making any determination as to fault or culpability, at their meeting on April 25, 2015, the directors noted that they had lost confidence in Dr. Vijay Mallya continuing in his role as a director and as chairman and therefore, the Board called upon Dr. Mallya to resign forthwith as a director and as the chairman of the Board and step down from his positions in the Company's subsidiaries. As stated in Note 24(e) to the Statements, and as reported to the stock exchanges by the Company, on February 25, 2016, the Company entered into a settlement with Dr. Mallya, whereby, *inter alia*, Dr. Mallya stepped down from his positions on the Board of the Company and its subsidiaries.
- (v) In respect of the other employees of the Company who appear to have been involved in certain transactions covered by the Inquiry, the Board directed the company's MD & CEO to initiate necessary internal proceedings in accordance with the applicable rules and policies of the Company.

## Report of the Directors (continued)

The Company completed these proceedings and took necessary actions against implicated employees in line with such rules and policies.

- (vi) The Board, at its meeting on April 25, 2015, noted that the control systems of the Company have been strengthened after July 2013. In addition, the Board has continued to review the operation of the Company's robust controls environment.
- (vii) Following its review of the Inquiry report, the Board reaffirmed its commitment to the highest standards of corporate governance and resolved that the Company would cooperate with all relevant authorities in relation to these matters, and as mentioned above, the Company has been actively cooperating with all concerned authorities.
- (viii) Furthermore, the Company received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports. Any remedial actions proposed by the previous auditors will be considered by the Company in the light of applicable legal provisions.

With regard to the review of the Additional Matters and transactions with Additional Parties identified through the Inquiry, as stated in Note [26(a)] to the Statements, the Board has directed the MD & CEO to expeditiously further review the Additional Matters and transactions with the Additional Parties during the period covered by the Inquiry and report to the Board his conclusions on the transactions and any further impact on the Company's financial results. Based on the outcome of such review, the Company will take appropriate action in respect of the underlying Additional Matters and transactions with Additional Parties, as is fit and necessary in the circumstances.

### F. Auditor's observations under paragraph [(xi)] of the Annexure to the Auditor's report:

*According to the information and explanations given to us and as stated in Note 45 to the standalone financial statements, the Managerial remuneration for the year ended 31 March 2015 aggregated ₹ 64.91 million and ₹153.09 million towards remuneration of the Managing Director and Chief Executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO) respectively. The aforesaid amounts includes remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. Subsequent to the Balance sheet date, the Company received a communication from the Central Government not approving such excess*

*remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.*

*According to the information and explanations given to us and based on examination of the records of the Company, the Company has paid / provided for managerial remuneration for the year ended 31 March 2016 in accordance with the requisite approvals mandated by the provisions 197 read with Schedule V to the Act.*

**Board's response:** The Board has commented on the above matter in its response to paragraph 2 of the Auditor's Report to the Statements.

### G. Auditor's observations under paragraphs[(xiii) & (xv)] of the Annexure to the Auditor's report:

*(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.*

*Also refer Paragraph 2 under 'Emphasis of Matter' and Note 24(e) to the standalone financial statements in relation to compliance requirements under the Act and the listing regulations arising out of the settlement agreement.*

*(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with director.*

*Also refer Paragraph 2 under 'Emphasis of Matter' and Note 24(e) to the standalone financial statements in relation to compliance requirements under the Act and the listing regulations arising out of the settlement agreement.*

**Board's response:** As stated in Note 24 (e) to the Standalone financial Statements, and as reported to the stock exchanges by the Company, on February 25, 2016, the Company entered into a settlement with Dr. Mallya. Given the nature and complexities of the settlement, and the possibility of varied interpretations of potentially applicable provisions of the Act and SEBI regulations, the Company obtained legal opinions from a senior legal counsel and from its external counsel, opining that the settlement agreement and related documents are in compliance with the applicable provisions of the Act and SEBI regulations.

### 2.4 Board's Responses to Observations/Qualifications in Secretarial Audit report:

The Board's responses to the qualifications and other observations are as follows.



# Report of the Directors (continued)

The Secretarial Auditors (Auditors) have submitted their report in form No. MR3 and qualified their opinion/observations in respect of the secretarial Audit conducted for the financial year 2015-16 as under and the Board's responses are given against each qualification/ observation as follows:

- As mentioned in my report for the financial year ended on March 31, 2015, for the managerial remuneration paid in excess of limits prescribed under Section 197 read with Schedule V of the Companies Act, 2013, in absence of profits during the said year, the Company had applied for the requisite approval from the Central Government. Subsequent to year end, the Company has received the communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.

**Board's Response:** The Company applied for the requisite approval from the Central Government for such excess remuneration. Subsequent to the year end, the Company received a communication from the Central Government not approving the application due to non-submission of the no objection certificate from one of its lenders. The Company is seeking to obtain the said no objection certificate from the relevant lender. Meanwhile the Company has also applied to the Central Government for reconsideration of the application in view of the dispute with the Bank which are sub-judice and in the light of the special circumstances surrounding the matter and getting NOC from the Bank.

- The vacancy in the office of Chief Financial Officer of the Company was not filled up by the Board of Directors within a period of six months from the date of vacancy as required under Section 203(4) of the Companies Act, 2013. The Company has made necessary application for compounding the said offense with the prescribed authorities under Section 621A of the Companies Act, 1956.

**Board's Response:** The vacancy was filled up during the year with delay of few days. The Company has applied for compounding for this delay.

- The Company did not hold its Sixteenth Annual General Meeting within a period of six months from the closure of financial year ended on March 31, 2015 as required under Section 96 of the Companies Act, 2013. The Company has made necessary application for compounding the said offence with the prescribed authorities under Section 621A of the Companies Act, 1956.

**Board's Response:** As stated in para 3.4 of the Directors Report for the year ended March 31, 2015 the Company

had applied to the Registrar of Companies seeking extension of time for reason explained in the said Directors Report. However, the Company did not receive approval for extension of time for holding the Annual General Meeting from the Office of the Ministry of Corporate Affairs. The Annual General Meeting was called at the earliest date feasible i.e. November 24, 2015. Company has since applied for compounding for this delay as well.

## 3. Material Changes and Commitments/ Events Subsequent to the date of the Financial Statements.

### 3.1 Inquiry into Prior Year's Audit Qualifications

In 2014, the Board had directed a detailed and expeditious inquiry in relation to certain matters referred to below, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956, and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature (Inquiry). Pursuant to the directions of the Board, the Inquiry was headed by the MD & CEO of the Company. The Board also directed the MD & CEO to engage independent advisers and specialists as required.

At its meeting held on April 25, 2015, the Board discussed and considered in detail the report (Inquiry Report) submitted by the MD & CEO in relation to the Inquiry, the inputs and expert advice of the independent advisers and specialists and other relevant inputs. Details regarding this Inquiry and the actions taken are contained in Note [26] to the Statements, as well as in the Board's responses to the Observations, Qualifications and Adverse Remarks contained in the preceding section of this report.

The following paragraphs provide further updates on these matters.

In connection with the recovery of the funds that were diverted from the Company and/or its subsidiaries, pursuant to the decision of the Board at its meeting held on April 25, 2015, the Company initiated steps for recovery against the relevant parties, so as to seek to expeditiously recover the Company's dues from such parties, to the extent possible. During the financial year ended March 31, 2016, the Company reached settlements with four of the parties based on which the Company wrote back or reversed provisions aggregating ₹ 54.32 Crores. Settlements with the other parties have not been reached as yet and management is continuing discussions in this regard. During the year ended March 31, 2016, based on its assessment of recoverability, the Management has written off ₹ 566 Crores out of the amounts provided for with respect to the aforesaid counterparties.

## Report of the Directors (continued)

With regard to the Board's recommendations concerning the former chairman, as stated in Note [24(c)] to the Statements, and further discussed below, on February 25, 2016, the Company entered into a settlement with Dr Mallya, whereby, inter alia, Dr. Mallya stepped down from his positions on the Board of the Company and its subsidiaries.

With regard to the review of the Additional Matters and transactions with Additional Parties identified through the Inquiry, as stated in Note [26(c)] to the Statements, the Board has directed the MD & CEO to expeditiously further review the Additional Matters and transactions with the Additional Parties during the period covered by the Inquiry and report to the Board his conclusions on the transactions and any further impact on the Company's financial results. Based on the outcome of such review, the Company will take appropriate action in respect of the underlying Additional Matters and transactions with Additional Parties, as is fit and necessary in the circumstances.

The Company is continuing to cooperate with the authorities and provide information being requested, including in relation to the additional letters/ notices referred to in Note [30] to the financial statements for year ended March 31, 2016.

### 3.2 Settlement Agreement with Dr. Vijay Mallya

As mentioned in Note [24(c)] to the Statements, on February 25, 2016, USL entered into a settlement agreement with Dr. Mallya pursuant to which he resigned from his positions as a director and chairman of the Company and of the boards of its subsidiaries. Pursuant to this settlement, the Company and Dr. Mallya agreed a mutual release in relation to matters arising out of the above-mentioned Inquiry by the Company into certain matters referred to in its financial statements for the financial year ended March 31, 2014. Additionally USL undertook to Dr. Mallya that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid Inquiry in relation to matters arising out of the said Inquiry. In connection with the settlement, Dr. Mallya procured or undertook to procure the termination by the relevant counterparties of certain historical agreements to which the Company was party and which were voted down by the shareholders in November 2014. While most of these historical agreements were terminated at the same time as the settlement with Dr. Mallya (including mutual releases for claims arising thereunder subsequent to November 28, 2014), one of the counterparties did not agree to such termination and release, notwithstanding Dr. Mallya's undertaking to procure such termination. In addition to the above terms in the settlement, Dr. Mallya agreed to a global non-compete (excluding United Kingdom), non-interference and standstill obligations as regards the Company for a period of five years following the date of the settlement. The Company agreed that Dr. Mallya will have the honorary title of

"Founder Emeritus - USL". USL confirmed that it has no intention to remove Mr. Sidhartha Mallya (Dr. Mallya's son) as a director of Royal Challengers Sports Private Limited (RCSPL), which holds the franchise for the IPL team Royal Challengers Bangalore (RCB), for a period of two years or while RCB remains part of the USL Group, whichever is earlier, subject to Dr. Mallya's continuing compliance with the terms of the settlement. Dr. Mallya will have the status of Chief Mentor while Mr. Sidhartha Mallya remains on the board of RCSPL. The members of the board of RCSPL will be able, if they wish, to consult with Dr. Mallya. Dr. Mallya's above mentioned titles carry no authority, responsibility, rights or benefits within the Company or its group. As part of its arrangements with Dr. Mallya, the Company also entered into certain principles, pursuant to which Dr. Mallya or a party nominated by him would have a limited period option to purchase up to 13 non-core properties from the Company. If Dr. Mallya or his nominee elects to acquire any or all of these properties, the election would need to be made in a time-bound manner and the price at which the properties may be acquired will be the fair market value as assessed by a reputed independent valuer appointed by USL, with a 10% discount applying to the valuation of three of the residential properties (in Mumbai, Goa and New Delhi), provided that each of the fair market value and the discounted value applicable to certain select properties as specified above, shall not be less than the value of that property adopted or assessed by any authority or state government for the purposes of payment of stamp duty in respect of the transfer of the relevant property. The sale prices for these properties (including the post-discount price for the relevant three properties) are expected to be higher than the prices, which applied under the now-terminated properties call agreement that was one of the above-mentioned historical agreements terminated in connection with the settlement.

Pursuant to the settlement agreement, UBHL and Kingfisher Finvest India Limited's (KFinvest's) nominated director on the USL board Dr. Mallya, resigned. UBHL indicated it may be prevented from agreeing to terminate the shareholders' agreement immediately by reason of certain legal and court restrictions which may apply as a result of winding-up proceedings to which UBHL is subject in India. USL was informed that UBHL proposes to seek court leave for an agreed termination of the Shareholders' Agreement, and USL has received certain undertakings in this regard from Dr. Mallya. USL has received further notice from Dr. Mallya regarding some steps taken, though UBHL is yet to seek court leave to terminate the shareholders' agreement.

Given the nature and complexities of the settlement, and the possibility of varied interpretations of potentially applicable provisions of the Act and SEBI regulations, as mentioned above, the Company has obtained legal opinions from a senior



# Report of the Directors (continued)

legal counsel and from its external counsel, opining that the settlement agreement and related documents are in compliance with the applicable provisions of the Act and SEBI regulations.

## 3.3 Requests for Information from Regulators

A number of letters and notices were received by the Company with respect to the matters under Inquiry.

The Company received a notice from the Ministry of Corporate Affairs ("MCA") for an inspection, under Section 206(5) of the Act, of the books of accounts and other books and papers of the Company. Following the Inquiry, the Company and its directors and officers (including former directors and officers) also received a notice from the Joint Director, MCA requesting explanations and comments as to why action should not be initiated in relation to various contraventions alleged by the Joint Director under provisions of the Act. The Company has responded to this notice. A notice under Section 131 of the Income Tax Act, 1961 has also been received. The Company is cooperating fully with the authorities in relation to the same.

The Company also received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports. Any remedial actions proposed by the previous auditors will be considered by the Company in the light of applicable legal provisions.

As directed by the Board, the Company provided a copy of the Inquiry Report to its statutory auditors for their review and further actions as may be required. Following this, the Audit Committee of the Board received from the statutory auditors a report under Section 143(12) of the Act and the relevant rules thereunder, seeking the Audit Committee's reply/ observations. The Audit Committee provided its reply/ observations to the statutory auditors. Thereafter, the statutory auditors issued a report to the Central Government under Section 143(12) of the Act and the relevant rules thereunder.

In February 2016, certain directors of the Company, including independent directors, were requested to provide statements and information to the Serious Frauds Investigation Office (SFIO) in relation to the SFIO's investigation into Kingfisher Airlines.

The Company also received letters from the National Stock Exchange Limited (NSE) pursuant to SEBI circular no. CIR/CFD/DIL/7/2012 dated August 3, 2012 in relation to Form B, along with audited financial statements for the financial year ended March 31, 2014. SEBI directed the NSE to advise the Company to suitably rectify/ provide relevant information/ explanations on the qualifications raised by the statutory auditors. The Company has suitably addressed the same to the extent possible and responded to the NSE's letters.

By a letter dated October 21, 2015, the Institute of Chartered Accountants of India sought a copy of the Inquiry Report, pursuant to the provisions of Section 21C of the Chartered Accountants Act, 1949. The Company has responded to the request.

By a letter dated October 29, 2015, the Company received a request from the ED, seeking information and documents regarding USL's present and former joint ventures and wholly-owned subsidiaries abroad, including USL Holdings Limited (BVI) and its subsidiaries. The Company has responded to the ED and provided the information sought. By a letter dated May 5, 2016, the ED summoned one of the Company's senior officers to provide a statement and tender evidence in connection with the ED's investigation into matters under the Prevention of Money Laundering Act, 2002. The Company's officer duly responded to the summons and the Company has also provided additional information, as requested by the ED, and is cooperating fully with the authorities.

By a warrant dated November 24, 2015, issued by the Office of the Tax Recovery Officer, the Company was informed that a certificate had been drawn up by the tax recovery officer against Kingfisher Airlines Limited, and its chairman cum managing director (Dr. Mallya), and stating that a sum of ₹ 350.6 Crores had not been paid in satisfaction of the said certificate. The Company was accordingly directed to serve a copy of the warrant on Dr. Mallya, and unless after such service Dr. Mallya "pays forthwith the said sum of ₹ 350.60 crores together with interest at the rate of one and one-half per cent, for every month or part of a month" thereon, to proceed to attach the "salary, remuneration and allowances" of the director named in the warrant and to hold the same until further orders from the tax recovery officer. The Company has accordingly served such warrant.

By a letter dated March 9, 2016, SEBI sought further information regarding various aspects of the settlement agreement with Dr. Mallya. The Company responded to SEBI and provided the information and clarifications sought. The Company recently received a follow up request, dated May 11, 2016 seeking additional clarifications including on the matters covered by the Company's inquiry referred to above. The Company is in the process of preparing and submitting its responses to this additional request and will be cooperating fully with SEBI in this matter.

## 3.4 Dispute with a Bank

As mentioned in Note [25] to the Statements, during the year ended March 31, 2014, the Company decided to prepay credit facilities availed in the earlier years from a bank, amounting to ₹ 621.66 Crores. This loan was secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of ₹ 628.00 Crores, with

## Report of the Directors (continued)

the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company, including towards a prepayment penalty of ₹ 4.0 Crores that was sought to be levied by the bank. The bank, however, did not apply the sums towards prepayment. The Company has disputed the same and a petition is pending before the Hon'ble High Court of Karnataka. The original tenure of the said credit facility ended on March 31, 2015. On March 31, 2015, the bank demanded an amount of ₹ 47.4 Crores towards principal and interest on the said loan, which the Company contested before the Hon'ble High Court of Karnataka. As per the order of the Hon'ble High Court of Karnataka, the Company engaged with the bank to commence discussions. However, during the year, the bank obtained an *ex parte* injunction in proceedings between the bank and Kingfisher Airlines Ltd before the Debt Recovery Tribunal Bangalore (DRT), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed their objections against such *ex parte* order passed in proceedings in which neither the Company nor the USL Benefit Trust are or have been enjoined as parties, and the Company is vigorously contesting the same. In December 2015, the Hon'ble High Court of Karnataka issued a stay order restraining the bank from dealing with the above-mentioned pledged shares until further orders by the Hon'ble High Court. Thereafter, the Company received another notice from the relevant bank seeking to recall the loan, which had been prepaid, and demanding a sum of ₹ 45.94 crores, as well as a subsequent notice issued under section 13(2) of SARFAESI Act in relation to the same loan. Pursuant to an application filed by the Company before the Hon'ble High Court, in the writ proceedings, the Hon'ble High Court directed that if the Company deposited the sum of ₹ 45.94 crores with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets pledged by the Company under the loan till the disposal of the first petition filed by the Company in the Hon'ble High Court of Karnataka. Subsequent to the year end, the Company has accordingly deposited the said sum and has replied to the bank's various notices in light of the above. The bank has recently issued a reply to the Company under section 13(3) of SARFAESI Act demanding further interest on the prepaid loan, notwithstanding the prepayment and the deposit of the additional amounts by the Company pursuant to the orders of the Hon'ble High Court of Karnataka. The Company intends to vigorously contest these baseless demands. Pending closure of this matter, the demand by the bank has been disclosed as a contingent liability.

### 3.5 Prohibition in Bihar

The Government of Bihar declared complete prohibition in that State w.e.f. April 01, 2016. Company has taken cognizance of the matter and is taking steps to mitigate this risk. Please also refer

to the Section Management Discussion and Analysis Report forming part of this Directors Report.

### 4. Change in nature of Business, if any.

The details of change in nature of business is provided under Management Discussion and Analysis Report and the Report on Risk Management forming part of this Annual Report.

### 5. Dividend

In view of the accumulated losses of the preceding years, your directors have not recommended any dividend.

### 6. Capital

As a result of the Scheme of Amalgamation between the Company and SW Finance CO Ltd, being effective from January 1, 2014 and upon sanction of the Scheme by the Hon'ble High Court of Karnataka and Hon'ble High Court of Judicature at Bombay, the authorized share capital of the Company stands increased to ₹ 7,192,000,000 divided into 548,000,000 equity shares of ₹ 10/- each amounting to ₹ 548 crores, 159,200,000 Preference shares of ₹ 10/- each amounting to ₹ 159.20 crores and 1,200,000 7% non-cumulative redeemable Preference Shares of ₹ 100/- each amounting to ₹ 12 crores.

The issued, subscribed and paid-up equity share capital of your company stands unchanged at ₹ 1,453,277,430/- divided into 145,327,743 equity shares of ₹ 10/- each.

### 7. Global Depository Shares

The Company had issued during the Financial year 2005-06, 17,502,762 global depository shares (GDSs) representing 8,751,381 equity shares with 2 GDS representing 1 equity share of par value of ₹ 10/-each at US\$7.4274 per GDSs, aggregating to US\$ 130 million, continue to be listed on the Luxembourg stock exchange. These GDS do not carry any voting rights. The present outstanding GDRs as on March 31, 2016 was 745,588.

### 8. Performance of the Company

During the year under review, your company has achieved a sales volume of over 93 million cases and declined 1% compared to prior period (previous year 94 million cases, excluding royalty / franchise markets). Net sales/income from operations of the company's brands grew 13% in the financial year ended March 31, 2016 and stood at ₹ 90,919 million net of duties and taxes (previous year ₹ 80,493 million). Direct distribution of the Diageo brand portfolio drove 8 ppts of net sales growth. Sales volume of the company's brands in the 'Prestige and Above' segment grew 10% in the financial year ended March 31,



# Report of the Directors (continued)

2016 and stood at 34 million cases (previous year 31 million cases). Net sales of the 'Prestige and Above' segment grew 26% and stood at 46,013 million net of duties and taxes (previous year 36,500 million). Direct distribution of the Diageo brand portfolio contributed 19 ppts net sales growth to the Prestige and Above segment. The 'Prestige and Above' segment represents 37% of total sales volumes and 51% of total net sales, with 4 ppts and 5 ppts improvement respectively compared to prior year.

## 9. Details of Subsidiary Companies, Joint Ventures and Associate Companies, and their Financial Position

Your Company had 19 subsidiary companies in the financial year ended on March 31, 2016. The information required under the first proviso to section 129(3) of the Act is given in Annexure 1. The Company's policy for determining material subsidiaries is available at [www.unitedspirits.in](http://www.unitedspirits.in).

Consequent to the sale Bouvet Ladubay S.A.S. and Chapin Landias S.A.S., the two wholly owned subsidiaries of the Company ceased to be subsidiaries of the Company and as stated in the earlier note, SW Finance Co. Limited also ceased to be subsidiary of the Company upon its merger with your Company.

## 10. Prospects/ Outlook

The details about prospects/ outlook of your Company are provided under the Management Discussion and Analysis Report, forming part of this Annual Report.

## 11. Depository System

The trading in the equity shares of your Company is under compulsory dematerialisation mode. As on March 31, 2016, equity shares representing 98.72% of the equity share capital are in dematerialised form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail of the facility of dematerialisation of the Company's shares.

## 12. Board Meetings, Board of Directors, Key Managerial Personnel & Committees of Directors

### 12.1 A. Appointment, change in designation and resignation

Details on appointments, changes in designation, and resignation of Directors, key managerial personnel, and Committees of Directors, as well as on Board and Committee meetings of your company, and the matters required to be specified pursuant to sections 134 and 178 of the Companies Act, 2013 and the SEBI (Listing Obligations And Disclosure Requirements) Regulations are provided in the Corporate Governance Report that is annexed to, and forms part of this Annual Report.

### B. Re-appointment

As per the provisions of the Act, Dr. Nicholas Bodo Blazquez retires by rotation and, being eligible, offers himself for re-appointment.

A brief profile of Dr. Nicholas Bodo Blazquez is provided in the Notice of 17th AGM.

### C. Independent Directors

As stated in the Corporate Governance Report, the following Independent Directors were appointed at the 16th annual general meeting (AGM) of your Company, who were appointed as Additional Directors by the Board of Directors for a period of 5 years from the date of their appointment by the Board as shown below

Mr. Rajeev Gupta w.e.f. December 23, 2014

Mr. M. K. Sharma w.e.f. April 1, 2015

Relay B.V. holding Company of your Company has nominated Mr. Vinod Rao as a Director in the Company and accordingly, the Board of Directors of your Company appointed Mr. Vinod Rao as a director with effect from May 24, 2016.

A brief profile of Mr. Vinod Rao is provided in the Notice of 17th AGM.

Mr. Sudhakar Rao, an Independent Director of the Company has resigned as director w.e.f. May, 19, 2016.

Your directors place on record their sincere appreciation of the valuable services rendered by Mr. Sudhakar Rao during his tenure as director in the Company.

### D. Key Managerial Personnel

Mr. Sanjeev Churiwala was appointed as Chief Financial Officer with effect from November 16, 2015 in place of Mr. P. A. Murali, former Executive Director and Chief Financial Officer who resigned w.e.f. April 22, 2015.

Mr. V. Ramachandran was appointed as Company Secretary with effect from May 1, 2015 in place of Mr. V. S. Venkataraman, former Company Secretary, who retired on March 31, 2015.

### E. Number of Meetings of the Board

The details of the Board Meetings and other committee Meetings held during the financial Year 2015-16 are stated in the Corporate Governance Report.

# Report of the Directors (continued)

## F. Board Committees

The Company has setup the following committees of the Board.

Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Risk Management Committee and General Committee of Directors.

The Board of Directors at their meeting held on May 12, 2016, merged the Risk Management Committee with the Audit Committee and the Audit Committee was renamed as Audit and Risk Management Committee.

The composition of each of the above committees, and their respective roles and responsibilities are detailed in the Corporate Governance Report.

## G. Recommendations of the Audit Committee

All the recommendations of the audit committee have been accepted by the Board.

## H. Details of remuneration to Directors

As required under Section 197(12) of the Act, information relating to remuneration paid to Directors during the financial year 2015 – 16 is provided in the Corporate Governance Report and in form MGT 9, that is annexed to and forms part of this Annual Report as **Annexure-4**. Furthermore, as stated in the Corporate Governance Report, the Company has requested the Central Government to reconsider the applications for remuneration paid in excess of the limits prescribed under the provisions of Schedule V to the Act, during the financial year ended March 31, 2015.

As stated in the Corporate Governance Report, sitting fees are paid to non-executive Directors for attending Board/ Committee meetings. They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred in attending such meetings, in accordance with the travel policy for Directors. In addition, the Non-Executive Directors are also eligible for commission every year, not exceeding 1% of the net profits of the Company, calculated in accordance with section 198 of the Act, as approved by the shareholders at the AGM held on September 30, 2014. Such approval remain in force until revoked. The payment of Commission is to be decided by the Board of Directors, based on the recommendation of the Nomination and Remuneration

Committee. Criteria for payment of remuneration to non-executive directors is as below:

1. Membership of Committees
2. Chairmanship of the Committees/Board
3. Benchmarking with other companies

The Company has made a provision of ₹ 1.25 Crores for paying commission to the following Non-Executive Directors subject to approval and adoption of the audited financial statement for the year ended March 31, 2016

- 1) Mr. M.K Sharma
- 2) Mr. Sudhakar Rao (Ceased to be director w.e.f. May 19, 2016)
- 3) Mr. D. Sivanandhan
- 4) Dr. (Mrs.) Indu Shahani
- 5) Mr. Rajeev Gupta
- 6) Mr. Ravi Rajagopal

The criteria for payment of remuneration to executive directors is determined by the Nomination and Remuneration Committee.

## I. Board Evaluation Criteria

Pursuant to the provisions of the Act, and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, the Directors individually, as well as the Board Committees. The evaluation process considered the effectiveness of the Board and the committees with special emphasis on the performance and functioning of the Board and the Committees. The evaluation of the Directors was based on the time spent by each of the Board Members, core competencies, expertise and contribution to the effectiveness and functioning of the Board and the Committees.

## 12.2 Vigil Mechanism

Your Company has a well-established vigil mechanism in place, which is managed by the compliance & ethics team. Ispeak is a confidential service available to employees to make a report when they believe there to be a potential breach of the code, policies or applicable laws. Ispeak is managed by an external company, with staff who are trained to deal with the calls, and translators who are immediately available to assist if required. Access to the Chairman of the Audit Committee is provided for in appropriate/ exceptional cases, as required under the Act and the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015. All complaints are investigated by the compliance and ethics team and appropriate action taken in accordance with your company's policies.



# Report of the Directors (continued)

## 12.3 Related Party Transactions

The Company's policy on dealing with related party transactions was adopted by the Board on June 15, 2015 and has been amended from time to time and is available on website link <http://unitedspirits.in>.

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the company with promoters, directors, key managerial personnel or other designated persons, which may have a potential conflict with the interest of the company at large.

The details of related party transactions required under section 134(3)(h) read with rule 8 of the Companies (Accounts) Rules, 2014, is given in Annexure AOC2 and the same is enclosed as **Annexure-2**.

As mentioned above, on February 25, 2016, USL entered into a settlement agreement with Dr. Mallya pursuant to which, *inter alia*, he resigned from his positions as a director and Chairman of the Company and of the boards of its subsidiaries. Given the nature and complexities of the settlement, and the possibility of varied interpretations of potentially applicable provisions of the Act and SEBI regulations, as mentioned above, the Company has obtained legal opinions from a senior legal counsel and from its external counsel, opining that the settlement agreement and related documents are in compliance with the applicable provisions of the Act and SEBI regulations.

## 13. Auditors

### 13.1 Financial Audit

M/s. B.S.R. & Co. LLP, Chartered Accountants, Statutory Auditors of your Company, have tendered their resignation with effect from the conclusion of the ensuing 17<sup>th</sup> AGM. The Audit Committee at their meeting held on June 8, 2016, recommended the appointment of M/s. Price Waterhouse & Co Chartered Accountants LLP, (FRN 304026E/ E-300009) who have given their consent and willingness to be appointed as Auditors of your Company. The Board of Directors at their meeting held on the same day, approved the recommendation of the Audit Committee and proposed to appoint M/s. Price Waterhouse & Co Chartered Accountants LLP, as Auditors of your Company for a period of 5 years from the conclusion of the ensuing 17<sup>th</sup> AGM till the conclusion of the 22<sup>nd</sup> AGM of the Company subject to the approval of the members of the Company at the ensuing AGM.

### 13.2 Secretarial Audit

Pursuant to the provisions of section 204 of the Act, and the Companies (Appointment and Remuneration of Managerial

Personnel) Rules, 2014, a Secretarial Audit has been carried out by Mr Sudhir V Hulyalkar, Practising Company Secretary, and his report is annexed as **Annexure 3**.

## 14. Listing of Shares of the Company

The equity shares of your Company continue to be listed with the BSE Limited and the NSE. The Global Depository Shares issued by the Company have been listed on the Luxembourg Stock Exchange. The listing fees due as on date has been paid to the respective stock exchanges.

## 15. Corporate Governance

A Corporate Governance Report is annexed separately as a part of this report.

## 16. Management Discussion and Analysis Report

The Management Discussion and Analysis Report is annexed separately as a part of this report.

## 17. Fixed Deposits

As reported in the previous year's annual report, your Company discontinued accepting fixed deposits from the public and shareholders effective January 1, 2014. In addition, pursuant to section 74(1)(b) of the Act, the Board of Directors at their meeting held on August 1, 2014 decided to repay all fixed deposits maturing on or after March 31, 2015 by March 31, 2015. Fixed Deposits from the public and shareholders, which remained unclaimed and for which instructions had not been received from the depositors as on March 31, 2016, stood at ₹ 1,61,07,729. This amount was transferred into a separate non-interest bearing escrow account opened specifically for the purpose of re-payment, has been re-paid consistent with the provisions of the Act, and the rules made thereunder. Of this amount, a sum of ₹ 28,58,043 (as of May 31, 2016) has since been paid as per instructions received after the year end. The balance unclaimed fixed deposits continue to remain in the escrow account.

## 18. Extract of Annual Return

The details forming part of the extract of the Annual Return in form MGT 9 is annexed as **Annexure 4**.

## 19. Transfer to Investor Education and Protection Fund(IEPF)

Pursuant to the provisions of Sections 205A (5) and 205C of the Companies Act, 1956 read with Rule 8 of the Companies (Accounts) Rules, 2014, the Unclaimed Dividend and Deposits, remain unclaimed and unpaid for a period of more than 7 years. The Company has accordingly transferred an

## Report of the Directors (continued)

amount aggregating to ₹ 16,88,655/- as unpaid dividend and ₹ 11,91,611/- as unclaimed fixed deposits including interests during the year to the Investor Education and Protection Fund within 30 days from the expiry of 7 years as per the details given below.

### Dividend:

Financial Year	No. of Members who have not claimed their dividend	Unclaimed dividend as on March 31, 2015	Unclaimed dividend as % to total dividend	Date of declaration	Last date for claiming the dividend prior to its transfer to IEPF
2008-09	11,871	2046070.00	0.95	09-Oct-2009	8-Nov-2016
2009-10	12,523	2725225.00	0.87	14-Oct-2010	13-Nov-2017
2010-11	14,490	2867212.50	0.88	22-Sep-2011	21-Oct-2018
2011-12	16,476	3144950.00	0.96	16-Oct-2012	15-Nov-2019
2012-13	10,450	2056302.50	0.57	17-Sep-2013	16-Oct-2020
2013-14	-	Not applicable	-	Not applicable as no dividend was declared for the year 2014-15.	Year 2021
2014-15	-	Not applicable	-	Not applicable as no dividend was declared for the year 2015-16.	Year 2022

### Fixed Deposits:

1.	Accepted during the year	NIL																
2.	Remained unpaid or unclaimed as at the end of the year	<table border="1"> <thead> <tr> <th>YEAR</th> <th>AMOUNT</th> </tr> </thead> <tbody> <tr> <td>2015-16</td> <td>Not Applicable</td> </tr> <tr> <td>2014-15</td> <td>4556953.00</td> </tr> <tr> <td>2013-14</td> <td>3014852.00</td> </tr> <tr> <td>2012-13</td> <td>3909758.00</td> </tr> <tr> <td>2011-12</td> <td>1363638.00</td> </tr> <tr> <td>2010-11</td> <td>955348.00</td> </tr> <tr> <td>2009-10</td> <td>1879120.00</td> </tr> </tbody> </table>	YEAR	AMOUNT	2015-16	Not Applicable	2014-15	4556953.00	2013-14	3014852.00	2012-13	3909758.00	2011-12	1363638.00	2010-11	955348.00	2009-10	1879120.00
YEAR	AMOUNT																	
2015-16	Not Applicable																	
2014-15	4556953.00																	
2013-14	3014852.00																	
2012-13	3909758.00																	
2011-12	1363638.00																	
2010-11	955348.00																	
2009-10	1879120.00																	
3.	Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved	NIL																
4.	The Details of deposits which are not in compliance with the requirements of Chapter V of the Act	Not Applicable																

Necessary compliance under rule 3 of the Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, has been ensured

### 20. Human Resources

Employee relations remained cordial at all the locations of the Company.

Particulars of employees drawing an aggregate remuneration of ₹ 60,00,000/- or above per annum or ₹ 5,00,000/- or above per month, as well as additional information on employee remuneration as required under the provisions of rule 5(1), 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014 is annexed as part of this report in **Annexure 5** hereto.

### 21. Employees Stock Option Scheme

Your Company has not offered any stock options to its employees during the year 2015-16. During the year 2015-16, the Board, at its meeting held on August 20, 2015, approved a Stock Appreciation Rights (SAR) plan for grant of 500,000 SARs and authorised the Nomination and Remuneration Committee to decide the criteria for grant and vesting of the SARs to employees and eligible directors. Since there will be no fresh issue of shares as a result of the SARs, there will be no dilution of equity and earning per share.

### 22. Particulars of Loans, Guarantees and Investments

Loans, guarantees and investments covered under Section 186 of the Act, are detailed in Notes to the financial statements, which are as follows:

Notes 7 and 11.1 relating to investments, Notes 9 and 11.5 relating to loans given and Note 33 relating to guarantee given as per the standalone financial statements for the year ended March 31, 2016 include these disclosures.

### 23. Risk Management

Details on Risk Management are annexed as part of this report in **Annexure 6** hereto.

### 24. Internal Financial Controls

The Board considered material placed before it, and after reviewing the confirmation from external parties and reviewing the effectiveness of the policies and procedures adopted by the Company for ensuring orderly and efficient conduct of its business, including adherence to company's policy, safeguarding its assets, prevention and detection of frauds and errors and completeness of accounting records and timely preparation of financial statements, the Board has satisfied itself that the Company has laid down internal financial controls, commensurate with size of the company and that such internal financial controls are broadly adequate and are operating effectively. The certification by the auditors on internal financial control forms part of the audit report.

### 25. Corporate Social Responsibility

Information on the composition of the Corporate Social Responsibility (CSR) Committee is provided in the Corporate



# Report of the Directors (continued)

Governance Report that forms part of this annual report. Furthermore, as required by section 135 of the Act, and the rules made thereunder, additional information on the policy and implementation of CSR activities by your company during the year are provided in **Annexure 7** to this report. Business Responsibility Report under Regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been enclosed as **Annexure 9** and also uploaded on to the Company's website [www.unitedspirits.in](http://www.unitedspirits.in)

## 26. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars prescribed under section 134(3)(m) of the Act, read with rule 8 of the companies (Accounts) Rules, 2014, are set out in **Annexure 8** to this report.

## 27. Details of Significant and Material Orders Passed by the Regulators or Courts Impacting the Going Concern Status and Company's Operations in Future

The Company has not received any significant or material order passed by regulators or courts impacting the Company's going concern status or the Company's operations in future. The Management Discussion Analysis Report read with the report on Risk Management contains impact on the business due to regulatory changes.

## 28. Disclosure as required Under Section 22 of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Company has implemented a prevention of sexual harassment policy, in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (SHWWA). An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment, and on-going training is provided to employees as required by the SHWWA. During the financial year 2015-16 one complaint was received and disposed of by the ICC.

## 29. Directors' Responsibility Statement

Pursuant to section 134 (5) of the Act, in relation to financial statements (together with the notes to such financial statements)

for the year 2015-16, the Board of Directors report that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit/ loss of the Company for that period;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the financial statements on a going concern basis;
- (v) the Directors have laid down internal financial controls to be followed by the company commensurate with the size and nature of its business and the complexity of its operations and that such internal financial controls are adequate and are operating effectively; and
- (vi) the company has a system of getting reports of compliance periodically from the units and is also in the process of implementing more comprehensive systems to ensure compliance with the provisions of all applicable laws.

Your Directors place on record their sincere appreciation for the continued support from shareholders, customers, suppliers, banks and financial institutions and other business associates.

A particular note of thanks to all employees of your company, without whose contribution, your company could not have achieved the year's performance.

By Authority of the Board

**Anand Kripalu**  
**MD & CEO**

Bangalore  
June 8, 2016

**M K Sharma**  
**Chairman**

# Corporate Governance Report

## 1. Company's Philosophy on Code of Corporate Governance

- Your Company is committed to good corporate governance and adheres to the tenets of integrity, accountability, fairness and transparency in all its operations.
- Your Company pursues growth by adopting best corporate practices and timely disclosures, which will enhance the long term value to all stakeholders.

## 2. Board of Directors

### 2.1 As on the date of this report, the Board of Directors of the Company comprises:

- A Non-Executive Independent Director as Chairman;
- An Executive Director;
- Three Non-Executive Directors who are not Independent Directors; and

- Four Independent Directors including the Chairman as above.
- None of the Director is related to any other Director.
- Your Company has a mix of executive and non- executive Directors from various diverse backgrounds, which enables the Board to discharge its duties and responsibilities in an effective manner.
- During the financial year under review, eleven Board Meetings were held, i.e., on April 25, 2015, May 26, 2015, June 15, 2015, July 23, 2015, August 20, 2015, September 23, 2015, November 02, 2015, November 24, 2015, January 27, 2016, February 22, 2016 and March 17, 2016.
- Attendance of each Director at the Board Meetings and at the last Annual General Meeting (AGM) and details of number of outside directorship and committee positions held by each of the Directors are given below.

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 24/11/2015	No. of other Companies in which Director		No. of committees (other than the Company) as Chairman / Chairperson / Member
				Public Company	Private Company	
Dr. Vijay Mallya <sup>1</sup>	Non-Executive Chairman	6	Yes	7	1	4
Dr. Nicholas Bodo Blazquez	Non-Executive Vice-Chairman	10	Yes	Nil	Nil	Nil
Mr. Anand Kripalu	Managing Director and Chief Executive Officer	10	Yes	1	Nil	Nil
Mr. Sudhakar Rao <sup>2</sup>	Independent Non-Executive Director	11	Yes	7	1	7 (Chairman of 1)
Mr. D. Sivanandhan	Independent Non-Executive Director	11	Yes	7	4	4
Dr. (Mrs.) Indu Shahani	Independent Non-Executive Director	10	Yes	5	2	Nil
Mr. Ravi Rajagopal	Non-Executive Director	10	Yes	Nil	Nil	Nil
Mr. Rajeev Gupta	Independent Non-Executive Director	8	No	6	1	4
Mr. Mahendra Kumar Sharma	Independent Non-Executive Director	9	Yes	4	6	4 (Chairman of 1)
Mr. Vinod Rao <sup>3</sup>	Non-Executive Director	-	NA	Nil	Nil	NIL

- Resigned as a Director w.e.f. February 25, 2016.
- Resigned as a Director with effect from May 19, 2016.
- Appointed as an Additional Director in the capacity of Non-Executive Non Independent Director of the Company w.e.f from May 24, 2016

NOTE: The above details are in respect of their Directorships only in Indian Companies and Committee membership in only Audit Committee and Stakeholders Relationship Committee.



# Corporate Governance Report *(continued)*

## 2.6. Other Corporate Governance Requirements

Regulation 24 with respect to Independent Directors on Unlisted Material Subsidiaries is not applicable. Other requirements of Regulation 24 to the extent applicable are complied with.

Regulation 25 with respect to Independent Directors are complied with.

Regulation 26 with respect to Directors and Senior Management has been complied with to the extent applicable.

Regulation 27 with respect to quarterly compliance report has been complied with.

Regulation 46(2)(b) to Regulation 46(2)(i) pertaining to disseminating information on website have been complied with.

The declaration by the Independent Directors pursuant to Section 149(7) read with Section 149(6) of the Companies Act, 2013 has been complied with.

Other requirements of Corporate Governance are as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR Regulations') are disclosed in the website link [http://www.unitedspirits.in/Investor\\_downloads/114698013Directors%20familiarisation%20program%20details.pdf](http://www.unitedspirits.in/Investor_downloads/114698013Directors%20familiarisation%20program%20details.pdf)

## **Disclosures regarding appointment and re-appointment of directors**

### a. Directors retiring by rotation and being proposed for re-appointment

Dr. Nicholas Bodo Blazquez (DIN: 06995779)

Dr. Nicholas Bodo Blazquez (Dr. Blazquez) graduated from the University of Aberdeen with a Bachelor of Science majoring in anatomy.

He has Ph.D. from the University of Bristol specialized in reproductive physiology. Dr. Blazquez is President of Diageo Asia Pacific and Africa and a member of the global Executive Committee of Diageo plc, the world's leading premium drinks Company. He is responsible for all of Diageo plc's businesses in Asia Pacific, Africa and global travel. Dr. Blazquez has been with Diageo for over 25 years, covering leadership roles in Africa, Asia and Europe. His previous roles include President of Diageo Africa, Turkey, Russia and Central and Eastern Europe and Global Sales, President of Diageo Africa, Managing Director of Diageo Africa, Managing Director of Diageo Asia key markets covering Thailand, Japan, South Korea and Taiwan and Managing Director of Diageo Morganfurze (UK). He is also a Trustee of Mercy Corps, an

international development organization that helps people around the world survive and thrive after conflict, crisis and natural disaster. Dr. Blazquez does not hold by himself or for any other person on a beneficial basis, any shares in the Company. Dr. Blazquez is not a Director in any other Indian company. Dr. Blazquez has been appointed as a Vice Chairman of the Company and as a member of the Audit and Risk Management Committee of the Company and Nomination and Remuneration Committee (NRC).

### b. Appointment of Directors

Mr. Vinod Rao was appointed as an Additional Director with effect from May 24, 2016. He shall hold Office up to the date of the Annual General Meeting. He is proposed to be appointed as a director at this 17<sup>th</sup> AGM. His brief profile is given below.

#### **Profile:**

Mr. Vinod Rao (Mr. Rao) has 30 years of professional experience in Asia/Middle East spanning three global companies – Akzo Nobel India Limited (previously known as ICI India), PepsiCo and Diageo, across a diverse range of businesses such as FMCG, consumer durables, chemical and industrial products.

Mr. Rao is a Bachelor of Commerce from Madras University, a Member of the Institute of Chartered Accountants of India and attended a Senior Executive Program from London Business School.

Mr. Rao joined Diageo in July 2013 as Finance Director of Asia Pacific responsible for all aspects of the finance function comprising performance management, compliance and regional strategy for the region.

Prior to that, Mr. Rao spent 14 years at PepsiCo across India, China and Hong Kong with his last role being CFO, PepsiCo Asia Pacific. He spent 13 years at ICI India, in his last role there as CFO - Paints. He was responsible for finance, supply chain and procurement functions.

Mr. Rao also represents Diageo as a director in Sichuan Swellfunco Ltd., a Public Company in China and other subsidiary companies within Diageo.

Mr. Rao does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Mr. Rao is not a Director in any other Indian Company and is not related to any other Director of the Company.

Mr. Rao has also been appointed as a member of the Audit and Risk Management Committee of the Company.



# Corporate Governance Report (continued)

## 3. Audit and Risk Management Committee

### 3.1 The Audit and Risk Management Committee constituted by the Company is presently comprised as follows.

Mr. Mahendra Kumar Sharma (Chairman) <sup>1</sup>	Non-Executive Independent Director
Dr. (Mrs.) Indu Shahani	Non-Executive Independent Director
Mr. D. Sivanandhan	Non-Executive Independent Director
Mr. Ravi Rajagopal	Non-Executive Director
Dr. Nicholas Bodo Blazquez	Non-Executive Director
Mr. Rajeev Gupta	Non-Executive Independent Director
Vinod Rao <sup>2</sup>	Non-Executive Director

<sup>1</sup> Appointed as Chairman of the Committee on April 25, 2015 and as Chairman of the Board on February 25, 2016

<sup>2</sup> Appointed as a member of the Committee on May 26, 2016.

### 3.2 Keeping in view the provisions of section 177 of the Act, and the provisions of the SEBI LODR Regulations, 2015, the terms of reference of the Audit Committee include the following.

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - Major accounting entries based on exercise of judgment by management;
  - Qualifications in draft audit report;
  - Significant adjustments arising out of audit; and
  - Disclosure of any related party transactions.
- Reviewing with the management, performance of statutory and internal auditors, external and internal auditors, the adequacy of internal control systems, risk management systems.
- Reviewing the adequacy of internal audit function including the structure of the internal audit department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors and external consultants into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

h. Discussion with statutory auditors before the audit commences, nature and scope of audit as well as post- audit discussions to ascertain any area of concern.

i. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

3.3 The Audit and Risk Management Committee, inter alia, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2016 and has recommended its adoption. In addition, the Audit Committee has also reviewed the unaudited(provisional) quarterly results for June 30, 2015, quarterly and six months results for September 30, 2015 and quarterly and nine months results for December 31, 2015 (which were subjected to a limited review by the Statutory Auditors of the Company), and the audited financial results for the year ended March 31, 2016.

3.4 During the financial year under review, twelve meetings were held, i.e., on April 24, 2015, May 25, 2015, June 15, 2015, July 23, 2015, August 20, 2015, September 23, 2015, November 02, 2015, November 24, 2015, January 27, 2016, February 11, 2016, February 22, 2016 and March 17, 2016. The details of attendance by members of the Audit Committee at such meetings are as stated below. (These details should be read with the information on appointment to and cessation of membership in the Audit Committee, set out above.)

Name of the director	No. of meetings	Meetings attended
Mr. Mahendra Kumar Sharma (Chairperson)	11	9
Dr. (Mrs.) Indu Shahani	12	9
Mr. Sudhakar Rao*	12	12
Mr. D. Sivanandhan	12	12
Mr. Ravi Rajagopal	12	11
Dr. Nicholas Bodo Blazquez	12	10
Mr. Rajeev Gupta	12	10

\* Ceased to be a member of the committee due to resignation with effect from May 19, 2016.

## 4. Nomination and Remuneration Committee

4.1 The Nomination and Remuneration Committee (NRC) constituted by the company comprises at present the following Directors.

Dr. (Mrs.) Indu Shahani (chairperson)	Non-Executive Independent Director
Mr. D. Sivanandhan	Non-Executive Independent Director
Dr. Nicholas Bodo Blazquez <sup>1</sup>	Non-Executive Director

1. Appointed as member of the NRC with effect from March 27, 2016.



# Corporate Governance Report (continued)

4.2 In addition, the following Directors who were members of the NRC during the financial year ended March 31, 2016 and have ceased to be members of the NRC are as detailed below:

Mr. Vijay Mallya <sup>1</sup>	Non-Executive Director
Mr. Sudhakar Rao <sup>2</sup>	Non-Executive Independent Director

1. *Ceased to be a member of the NRC, due to resignation w.e.f. February 25, 2016.*
2. *Ceased to be a member of the NRC, due to resignation w.e.f. May 19, 2016.*

4.3 Keeping in view the provisions of section 178 of the Act and the provisions of the SEBI LODR Regulations, the terms of reference of the NRC include the following:

- a. Assist the Board of Directors of the Company to:
  - i. determine, review and propose compensation principles and policy of the Company
  - ii. assess and review compensation plans recommended by the management;
  - iii. recommend the compensation packages of the Company's Executive Directors.
- b. Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board of Directors their appointment and removal and shall carry out evaluation of every director's performance.
- c. Approve and recommend matters relating to compensation by way of salary, perquisites, benefits, etc., to the Managing/ Whole Time/ Executive Directors of the Company.
- d. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy, relating to the remuneration for the directors including Independent directors, key managerial personnel and other employees.

The policy shall, interalia, cover termination payments to the Executive Committee members and other Senior Executives and oversight of the same by the Committee.

The remuneration policy shall set guidelines for the Executive Committee/ Managing Director to approve remuneration to the Managing Committee members and their direct reports and other executives.

- e. Review and recommend to the Board of Directors for approval of any mandatory disclosures of the Management compensation.
- f. Review and reassess the adequacy of the charter and perform annual self-evaluation of the performance of the Committee.
- g. Carry out any other acts and deeds as may be delegated by the Board of Directors and deal with such other matters as

may be prescribed under the Act, the SEBI LODR Regulations and other statutory enactments.

- h. Provide guidance to the Human Resources Department to set up policy and procedure for succession planning of Key Managerial Personnel and other senior management of the Company.
- i. Approve any share incentive or other plans for the employees of the Company.

4.4 During the financial year under review, seven meetings were held i.e., on May 26, 2015, June 15, 2015, July 23, 2015, August 20, 2015, November 02, 2015, January 27, 2016 and March 17, 2016. The details of attendance by members of the Committee at such meetings are as stated below. (These details should be read with the information on appointment to and cessation of membership in the NRC, set out above.)

Name of the director	No. of Meetings	Meetings attended
Dr. (Mrs.) Indu Shahani	7	6
Mr. Sudhakar Rao	7	7
Mr. D. Sivanandhan	7	7
Dr. Vijay Mallya	6	NIL

## 4.5 Remuneration of directors

The details of remuneration paid/payable to the directors during the financial year April 1, 2015 to March 31, 2016 are given below.

- A. Managing Director: Mr. Anand Kripalu
  - i. Mr. Anand Kripalu was appointed as Chief Executive Officer with effect from May 1, 2014 and as Managing Director and Chief Executive Officer of the Company for a period of five years with effect from August 14, 2014. The terms and conditions of appointment and remuneration of Mr. Anand Kripalu were as set out in the resolution approved by the shareholders at the AGM held on September 30, 2014 and as per the applicable rules of the Company. The remuneration was revised at the AGM held on November 24, 2015 w.e.f. July 1, 2015. There is no severance fee and the notice period is six months. The performance criteria was as determined by the Nomination and Remuneration Committee.
  - ii. The terms of remuneration payable to Mr. Anand Kripalu were revised at the board meeting held on August 20, 2015, which were set out in the special resolution approved by the shareholders at AGM held on November 24, 2015. The remuneration paid to Mr. Anand Kripalu as Managing Director during the year ended 31st March 2016 is given in **Annexure 4**, which forms part of the Report of Directors.

## Corporate Governance Report (continued)

### B. Non - Executive Directors

i. Sitting Fees have been paid to Non-Executive Directors for attending Board/ Committee Meetings as specified in the table below (which table should be read with information regarding the appointment, re-appointment, resignation or retirement of such directors provided in the preceding sections of this Corporate Governance Report). They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred for attending such meetings in accordance with the Board approved policies for such reimbursements.

No securities/ convertible instruments were issued or allotted to any of the non- executive directors during the financial year.

Name of the Non-Executive Director	Sitting fees (₹)
Dr. Vijay Mallya	6,00,000*
Dr. Nicholas Bodo Blazquez	Nil
Mr. Sudhakar Rao	33,50,000
Mr. D. Sivanandhan	33,50,000
Mr. Ravi Rajagopal	11,00,000
Mr. Rajeev Gupta	18,00,000
Dr. (Mrs.) Indu Shahani	26,00,000
Dr. Mahendra Kumar Sharma	18,00,000

*\* Pursuant to the Notice received from statutory authorities a portion of the sitting fees has been withheld.*

ii. Non-Executive Directors are also eligible for commission every year not exceeding one percent of the net profits of the Company as approved by the shareholders at the AGM held on September 30, 2014 to remain in force until 2019. Such commission are determined based on the recommendation of the Nomination and Remuneration Committee and as approved by the Board of Directors.

iii. It was proposed by the Board of Directors to pay the following commission to the following Non-Executive Independent Directors for the year ended 31<sup>st</sup> March, 2016.

1. Mr. M K Sharma - ₹ 25 lakhs
2. Mr. D Sivanandhan - ₹ 20 lakhs
3. Mr. Sudhakar Rao - ₹ 20 lakhs
4. Mr. Rajeev Gupta - ₹ 20 lakhs
5. Dr. Indu Shahani - ₹ 20 lakhs
6. Mr. Ravi Rajagopal- ₹ 20 lakhs

C. Particulars of Equity Shares of the Company currently held by Directors

As on the date of this Report None of the current Directors holds any Equity Shares in the Company. Dr. Vijay Mallya, who resigned as a director of the Company with effect from February 25, 2016 holds 12,510 equity shares of the Company.

### D. Performance Evaluation of Independent Directors.

Pursuant to the provisions of the Act, and Regulation 34(3) read with Schedule V(C)(4)(d) of the SEBI LODR Regulations, 2015, the Committee has prescribed performance evaluation criteria for independent directors as well as for the directors, the committee and the Board.

### 5. Stakeholders' Relationship Committee

5.1 The Shareholder's/ Investor's Grievance Committee, renamed as the Stakeholders' Relationship Committee (SRC), constituted by the Company, is presently comprised as follows

Mr. D. Sivanandhan (Chairman)	Non-Executive Independent Director
Dr. (Mrs.) Indu Shahani	Non-Executive Independent Director
Mr. Ravi Rajagopal*	Non-Executive Independent Director

*\* Appointed as a member w.e.f. May 26, 2016*

5.2 In addition, the following Directors who were members of the SRC during the financial year ended March 31, 2016 ceased to be members of the SRC during the financial year ended March 31, 2016.

Mr. Vijay Mallya <sup>1</sup>	Non-Executive Director
Mr. Sudhakar Rao <sup>2</sup>	Non-Executive Independent Director

1. Ceased to be a member of the SRC, due to resignation on February 25, 2016.
2. Ceased to be a member of the SRC, due to resignation on May 19, 2016.

5.3 Keeping in view the provisions of section 178 of the Act, and the provisions of the SEBI LODR Regulations the terms of reference of the Stakeholders Relationship Committee are as follows :

- a. Review the redressal of shareholders', debenture holders' and depositors' or any other security holders' grievances/ complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, non- receipt of interest warrants, etc., and ensure cordial relation with the Stakeholders.



# Corporate Governance Report (continued)

- b. Review the adherence to service standards relating to the various services rendered by the Company and Company's Registrars & Transfer Agents.
- c. Review the status of the litigations, complaints / suits filed by or against the Company relating to the shares/ fixed deposits, debentures or any other securities of the Company before any Courts / other appropriate authorities, and in particular where directors are implicated or could be made liable.
- d. Review the impact of enactments/ amendments made by the Ministry of Corporate Affairs/Securities and Exchange Board of India and other regulatory authorities on matters concerning the Stakeholders in general.
- e. Review matters relating to transfer of unclaimed and unpaid dividend, matured deposits, interest accrued on the matured deposits, debentures etc., to the Investor Education and Protection Fund as specified under the Act.
- f. Review the status of claims received for unclaimed shares and dividend on unclaimed shares.
- g. Review the initiatives taken to reduce quantum of unclaimed dividends/unclaimed deposits.
- h. Act on such further terms of reference as may be considered necessary and specified by the Board in writing from time to time.
- i. Review service standards and investor service initiatives undertaken by the Company.

5.4 Mr. V. Ramachandran has been appointed as the Company Secretary with effect from May 1, 2015, and he is currently the Compliance Officer.

5.5 During the financial year under review, three meetings of the Stakeholders' Relationship Committee were held i.e., on May 26, 2015, July 23, 2015 and January 27, 2016.

5.6 The details of attendance by members of the Committee are as below. (These details should be read with the information on appointment to and cessation of membership in the Stakeholders' Relationship Committee, set out above.)

Name of the Director	No. of Meetings	Meetings attended
Mr. D. Sivanandhan (Chairman)	3	3
Mr. Sudhakar Rao	3	3
Dr. Vijay Mallya	3	NIL
Dr. (Mrs.) Indu Shahani	3	2

5.7 The Company/Company's Registrars received 23 complaints during the financial year, all of which were resolved to the satisfaction of shareholders/investors. Details of such complaints are as follows.

Sl. No.	Complaints relating to	No. of Complaints received	No. of Complaints resolved
1	Non-receipt of refund order / allotment letter	NIL	NIL
2.	Non-receipt of Dividend/Interest on Shares/ Debentures/ Fixed Deposits/ maturity amount on debentures	5	5
3	Non-receipt of share certificates	12	12
4	Non-receipt of Annual Report/ Rights forms/ Bonus shares/interest on delayed refund/ Dividend and Interest	6	6
5	others	Nil	Nil
	Total	23	23

*Note: The number of complaints received during each of the quarter of the financial year 2015-16 were 9, 3, 7 and 4.*

In addition to the above, there are a few shareholder litigations where the Company has been made a party to such disputes.

## 6. Corporate Social Responsibility Committee

6.1 The Corporate Social Responsibility (CSR) Committee constituted by the Company is presently comprised as follows

Dr. (Mrs.) Indu Shahani (Chairperson)	Non-Executive Independent Director
Mr. D. Sivanandhan	Non-Executive Independent Director
Mr. Anand Kripalu	Managing Director and Chief Executive Officer

6.2 In addition, the following Directors who were members of the CSR during the financial year ended March 31, 2016 ceased to be members of the CSR during the financial year ended March 31, 2016

Dr. Vijay Mallya <sup>1</sup>	Non-Executive Director
Mr. Sudhakar Rao <sup>2</sup>	Non-Executive Independent Director

1. Ceased to be a member of the CSR, due to resignation on February 25, 2016.
2. Ceased to be a member of the CSR, due to resignation on May 19, 2016

6.3 During the financial year under review, three meetings were held i.e., on May 26, 2015, August 20, 2015, and January 27, 2016. The details of attendance by members of the CSR Committee are as below. (These details should be read with the information on appointment to and cessation of membership in the CSR Committee, set out above).

# Corporate Governance Report (continued)

Name of the director	No. of meetings	Meetings attended
Mr. Sudhakar Rao	3	3
Mr. D. Sivanandhan	3	3
Dr. (Mrs.) Indu Shahani	3	2
Mr. Anand Kripalu	3	2
Dr. Vijay Mallya	3	NIL

6.4 The CSR Report of the Company for the year ended March 31, 2016 has been approved by the Board and is provided in **Annexure 8** as part of the Board's report. A copy of your Company's CSR policy is available on the Company's website at [www.unitedspirits.in](http://www.unitedspirits.in).

## 7. Risk Management Committee (Since merged with Audit Committee w.e.f. May 12, 2016)

7.1 The Risk Management Committee (RMC) constituted by the Company is presently comprised as follows:

Mr. D. Sivanandhan (Chairman)	Non-Executive Independent Director
Dr. (Mrs.) Indu Shahani	Non-Executive Independent Director
Mr. Ravi Rajagopal	Non-Executive Director
Mr. Anand Kripalu	Managing Director and Chief Executive Officer

7.2 In addition, the following Directors who were members of the Committee during the financial year ended March 31, 2016 ceased to be members of the Committee during the financial year ended March 31, 2016

Dr. Vijay Mallya <sup>1</sup>	Non-executive
Mr. Sudhakar Rao <sup>2</sup>	Non-executive independent Director

<sup>1</sup> Ceased to be a member of the RMC, due to resignation on February 25, 2016.

<sup>2</sup> Ceased to be a member of the RMC, due to resignation on May 19, 2016

7.3 During the financial year under review, one meeting was held i.e., on May 26, 2015. The details of attendance by members of the Risk Management Committee are as below. (These details should

be read with the information on appointment to and cessation of membership in the Risk Management Committee Set out above)

Name of the director	No. Of meetings	Meetings attended
Mr. Sudhakar Rao	1	1
Mr. D. Sivanandhan	1	1
Dr. (Mrs.) Indu Shahani	1	1
Mr. Ravi Rajagopal	1	1
Mr. Anand Kripalu	1	1
Dr. Vijay Mallya	1	0

## 8. Other Board Committees

8.1 The Company also has a Committee of Directors with authority delegated by the Board of Directors from time to time, interalia, to approve transfer and transmission of shares, issue of new share certificates on account of certificates lost, defaced, etc., dealing with matters relating to post amalgamation of companies and for other routine operations such as issue of power of attorney, operation of bank accounts etc.

8.2 The Committee is presently comprised as follows.

Mr. D. Sivanandhan (Chairman)	Non-Executive Independent Director
Dr. (Mrs.) Indu Shahani	Non-Executive Independent Director
Mr. Ravi Rajagopal	Non-Executive Director
Mr. Anand Kripalu	Managing Director and Chief Executive Officer

8.3 In addition Mr. Sudhakar Rao, who was Chairman of the Committee of Directors ceased to be Chairman of the Committee of Directors subsequent to the financial year ended March 31, 2016, following his resignation on May 19, 2016 and Mr. D. Sivanandhan was appointed as Chairman of the Committee on May 26, 2016.

During the financial year, the Committee met seven times viz., on July 23, 2015, August 7, 2015, September 23, 2015, November 2, 2015, November 24, 2015, January 27, 2016 and March 29, 2016.

## 8.4 Meeting of Independent Directors

The Independent Directors met amongst themselves without the presence of any other Non-Independent Director on March 31, 2015 and March 17, 2016 respectively.

## 9. General Meetings

### 9.1 The details of the last three annual general meetings (AGMs) held are furnished as under.

Financial year ended	Date	Time	Venue
March 31, 2015	November 24, 2015	2.30 p.m.	Level 1, UB Tower, #24, Vittal Mallya Road, Bangalore – 560 001
March 31, 2014	September 30, 2014	2.30 p.m.	Level 1, UB Tower, #24, Vittal Mallya Road, Bangalore – 560001
March 31, 2013	September 24, 2013	11.30 a.m.	Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Residency Road, Bangalore – 560025



# Corporate Governance Report (continued)

## 9.2 The Special Resolutions passed by the shareholders at the past three AGMs are summarized below:

AGM held on	Subject matter of the Special Resolution
November 24, 2015	(i) Revision in the terms of remuneration payable to Mr. Anand Kripalu as Managing Director and Chief Executive Officer.
September 30, 2014	(i) Appointment of, and remuneration payable to, Mr. Anand Kripalu as Managing Director and Chief Executive Officer (ii) Revision in terms of remuneration payable to Mr. P.A. Murali, Executive Director (iii) Approval of the borrowing limits (iv) Payment of Remuneration to Non-executive Directors
September 24, 2013	(i) Appointment of Mr. P.A. Murali as Executive Director (ii) Revision in the terms of remuneration payable to Mr. Ashok Kapoor, Managing Director (iii) Alteration of Articles of Association of the Company

9.3 All the resolutions set out in the AGM Notices including special resolutions as above were passed by the Shareholders with the requisite majority.

## 10. Postal Ballot & Extraordinary General Meeting

10.1 The company has not passed any resolution at the above AGMs, which was required to be passed through postal ballot as per the provisions of the Act, and the rules framed there under. At the forthcoming AGM also, there is no ordinary or special resolution proposed that requires passing by way of postal ballot.

10.2 The following resolutions were passed through postal ballot during 2015-16 and the details/results of the postal ballot exercise so conducted are as under.

Date of Notice of Postal Ballot	Date of Results	Period of voting	Description	Results
November 2, 2015	January 8, 2016	December 9, 2015 to January 7, 2016	Special Resolution under section 186 of the Act in relation to giving guarantee and /or providing security in connection with a loan to be availed by Pioneer Distilleries Limited ("PDL"), a Subsidiary of the Company, up to ₹ 100 crores.	Resolution was passed by the requisite majority of the shareholders.

10.3 The Postal Ballot exercise, under section 110 of the Act, was conducted by Mr. Sudhir V Hulyalkar, a Company Secretary in Practice, Scrutinizer appointed for the purpose.

10.4 During the year, one Extraordinary General Meeting was held and the details are as follows:

Date of Notice of Extraordinary General Meeting & Date of Meeting	Date of Results	Description	Results
December 22, 2015 & January 22, 2016	January 22, 2016	Considering Erosion of Net Worth of the Company as per Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985(SICA)	Resolution carried out with requisite majority

## 11. Disclosures

11.1 The related party transactions entered into by the Company during the financial year ended March 31, 2016, have been disclosed in the Notes to Accounts. The policy on dealing with related party transactions is disclosed at the following web link: <http://www.unitedspirits.in/Policy/2029816595Final%20PDF%20Revised%20May%202016%20RPT%20policy.pdf>.

## Corporate Governance Report *(continued)*

11.2 During the financial year ended March 31, 2016, the Company has complied with the statutory requirements comprised in the SEBI LODR Regulations, / Guidelines / Rules of the Stock Exchanges / SEBI/other statutory authorities, except for delay in holding the Annual General Meeting (AGM) during 2015, (b) delay in filling of the vacancy of Chief Financial Officer, and (c) delay in reporting of release of pledge of shares held by the Company in its Subsidiary, Pioneer Distilleries Limited during the year 2014-15 and which continued till February 2016, there have been no other instances of material non- compliance by the Company during such financial year nor have any penalties, strictures been imposed by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets. With respect to previous financial years, please refer pages 80 to 83 of the Secretarial Audit Report and Management's response to the Secretarial Audit Report disclosed in the Directors Report in the Annual Report 2014-15. The policy for determining 'material subsidiaries' is disclosed at the following web link: <http://unitedspirits.in/investor.aspx?val=fifth>

11.3 The internal Inquiry into certain audit qualifications referred to in the Board's Report for the financial year 2014-15 indicated potential non-compliances in prior financial years, but no determination of non-compliance has been made in this regard. Furthermore, as stated in the Notes to Accounts and the Board's report, details on the potential non-compliances have been reported to the relevant authorities. Risks including commodity price risks and commodity hedging activities, to the extent applicable are covered as part of the Risk Management Report given in **Annexure 6**.

### 11.4 Code of Conduct

- Your Company believes that good governance practiced with in the Company fosters the confidence and trust of all stakeholders. Your Company has a Compliance & Ethics team, which guides the employees on matters of compliance. Your company is committed to conducting its business in an ethical manner.
- As stated in the Board's report, your Company has a well-established vigil mechanism in place, which is managed by the Compliance & Ethics team. Ispeak is a confidential service available to employees to make a report when they believe there to be a breach of the Code, policies or applicable law. Ispeak is managed by an external company, independent from the Company, with staff who are trained to deal with the call, and translators who are immediately available to assist if required. Access to the Chairman of the Audit and Risk Management Committee is made available in appropriate and exceptional cases, as required under the Act and the SEBI

LODR Regulations,. All complaints are investigated by the Compliance and Ethics team and appropriate action taken in accordance with your Company's policies.

- In compliance with SEBI LODR Regulations, 2015, the Company has adopted a Code of Business Conduct and Ethics (Code) for its Board members and Senior Management Personnel, a copy of which is available at the Company's website, [www.unitedspirits.in](http://www.unitedspirits.in). All Board members and senior management personnel have affirmed compliance with the Code for the year ended March 31, 2016 and a declaration to this effect, signed by the MD & CEO, forms part of this report. Pursuant to the requirements of the SEBI LODR Regulations, it is affirmed that no person who has sought access to the Audit Committee has been denied such access.
- Pursuant to the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has adopted a Code of Conduct for Prevention of Insider Trading, applicable to all Directors and designated employees of the Company.
- Except as expressly stated in paragraph 11.2 above, the Company has complied with all mandatory requirements of SEBI LODR Regulations, and has also adopted the non-mandatory requirements of the above mentioned regulations,to the extent shown in the subsequent sections of this Corporate Governance Report.

### 12. Means of Communication

- The quarterly results are sent to all the Stock Exchanges where the shares of the Company are listed. The results are normally published in "Business Standard" (English Daily) and "Kannada Prabha" (Kannada Daily). The results are displayed on the Company's website [www.unitedspirits.in](http://www.unitedspirits.in). Press Releases whenever issued, are also displayed on the Company's website. In addition, presentations made to analysts or investors are also made available on the Company's website.
- The required disclosures to the extent applicable including results were also sent to the concerned Stock Exchanges.
- The Company has designated an exclusive email address, i.e., [uslinvestor@unitedspirits.in](mailto:uslinvestor@unitedspirits.in) to enable investors to post their grievances and monitor redress.

### 13. Management Discussion and Analysis Report

The Management Discussion & Analysis Report is appended to, and forms an integral part of the Report of Directors.



# Corporate Governance Report (continued)

## 14. General Shareholder Information

A)	Corporate Identification Number	L01551KA1999PLC024991
B)	AGM Date, Time and Venue	Thursday, July 14, 2016 at 4.00 p.m. at The Capitol, No. 3, Raj Bhavan Road, Bangalore-560001
C)	Financial year	April 1 to March 31
	Tentative Board Meeting calendar:	
	First Quarterly Results (fy 2016-17)	July 26, 2016
	Second Quarterly Results	November 3, 2016
	Third Quarterly Results	January 24, 2017
	Audited yearly Financial Results	May 25, 2017
	In addition, Board may also meet on other dates for transacting other urgent business or due to any specific requirements	
D)	Date of Book Closure	No Book Closure. Record Date is July 8, 2016
E)	Dividend payment date	NA
F)	Listing on Stock Exchanges	<p>The shares of the Company are listed on the following Stock Exchanges:</p> <ol style="list-style-type: none"> <li>1. BSE Limited (BSE)</li> <li>2. National Stock Exchange of India Limited (NSE)</li> </ol> <p>In addition, the Global Depository Shares (GDS) are listed on Luxembourg Stock Exchange</p>

The listing fees dues as on date has been paid to the respective stock exchanges.

G)	Stock Code													
	BSE	Demat 532432 Physical 32432												
	NSE	SYMBOL -MCDOWELL-N												
H)	ISINNO.	INE854D01016												
I)	Market price data	(As per Annexure A)												
J)	Stock performance in comparison to BSE Sensex	(As per Annexure B)												
K)	Registrar and Transfer Agents	<p>Integrated Enterprises (India)Limited, 30, Ramana Residency, 4th cross, Sampige Road, Malleswaram, Bangalore 560003 Tel. Nos.(080) 23460815-818 Fax No.(080)23460819 Email: bglsta@intergratedindia.in</p>												
L)	Share Transfer System	The power to consider and approve share transfers/ transmission/ transposition/ consolidation/subdivision/etc., has been delegated to a Committee of Directors as indicated in para 8.1 of this report. The requirements under the SEBI LODR Regulations, 2015/statutory regulations in this regard are being followed.												
M)	Distribution of Shareholding	As per Annexure C												
N)	Dematerialisation of shares (as on march 31, 2016)	<table border="1"> <thead> <tr> <th>Depositories</th> <th>Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>NSDL</td> <td>13,66,11,530</td> <td>94</td> </tr> <tr> <td>CDSL</td> <td>6,850,956</td> <td>4.72</td> </tr> <tr> <td>Total</td> <td>14,34,62,486</td> <td>98.72</td> </tr> </tbody> </table>	Depositories	Shares	%	NSDL	13,66,11,530	94	CDSL	6,850,956	4.72	Total	14,34,62,486	98.72
Depositories	Shares	%												
NSDL	13,66,11,530	94												
CDSL	6,850,956	4.72												
Total	14,34,62,486	98.72												

## Corporate Governance Report *(continued)*

O)	Outstanding GDRs/ ADRs/ Warrants or any other Convertible Instruments	1,491,176 Global Depository Shares (GDSs) representing 745,588 Equity Shares of ₹ 10/- each as on March 31, 2016 (Two GDSs representing One equity share of ₹ 10/-each)
P)	Plant locations	<ol style="list-style-type: none"> <li>1. Alwar (Rajasthan)</li> <li>2. Asansol (West Bengal)</li> <li>3. Aurangabad (Maharashtra)</li> <li>4. Baddi (Himachal Pradesh)</li> <li>5. Baramati (Maharashtra)</li> <li>6. Bhadrakali (West Bengal)</li> <li>7. Bhopal-I (Madhya Pradesh)</li> <li>8. Bhopal-II (Madhya Pradesh)</li> <li>9. Cherthala (Kerala)</li> <li>10. Gopalpur-On-Sea (Orissa)</li> <li>11. Gulbarga</li> <li>12. Hathidah (Bihar)</li> <li>13. Hospet (Karnataka)</li> <li>14. Hyderabad I (Nacharam, Telangana)</li> <li>15. Hyderabad II (Malkajgiri, Telangana)</li> <li>16. Kumbalgod (Karnataka)</li> <li>17. Meerut (Uttar Pradesh)</li> <li>18. Nasik-I (Maharashtra)</li> <li>19. Nasik-II (Maharashtra)</li> <li>20. Palakkad (Kerala)</li> <li>21. Palwal (Haryana)</li> <li>22. Pathankot (Punjab)</li> <li>23. Ponda (Goa)</li> <li>24. Puducherry (Puducherry)</li> <li>25. Rosa (Uttar Pradesh)</li> <li>26. Serampore (West Bengal)</li> <li>27. Udaipur (Rajasthan)</li> <li>28. Zuari Nagar (Goa)</li> </ol>
Q)	Address for correspondence	<p>Shareholder correspondence should be addressed to the Company's Registrars and Transfer agents:</p> <p>Integrated Enterprises (India) Limited, 30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore 560003. Tel. Nos. (080) 23460815-818, Fax No. (080) 23460819 Email: <a href="mailto:blsta@intergratedindia.in">blsta@intergratedindia.in</a> Investors may also write or contact Mr. V. Ramachandran, Company Secretary or Mr. B. L. Akshara, Deputy General Manager - Secretarial at the Regd. Office of the Company at UB Tower, #24, Vittal Mallya Road, Bangalore 560001 Tel. Nos. (080) 39856500 / 22210705, Fax no. (080) 39856862</p>
R)	Email for investor grievances	In compliance with the provisions of Regulation 46(2) (j) of the SEBI LODR Regulations, 2015, an exclusive email address, <a href="mailto:uslinvestor@unitedspirits.in">uslinvestor@unitedspirits.in</a> has been designated for registering Investor complaints, which is available on the Company's website <a href="http://www.unitedspirits.in">www.unitedspirits.in</a>



# Corporate Governance Report (continued)

14.1 Pursuant to Part F of Schedule V of the SEBI (LODR) Regulations, an Unclaimed Suspense Account was opened with Stock Holding Corporation of India Limited on February 14, 2013 and the unclaimed shares as mentioned below were transferred to the Demat account titled "United Spirits Limited Unclaimed Suspense Account" after the Company's Registrars & Transfer Agents sent three reminders to all the shareholders whose share certificates were returned undelivered and remained unclaimed. During the year, your Company also commenced release of shares from the said suspense account upon receipt of requests from the shareholders and after checking veracity of such shareholder's claims. The details of such release of shares are given below.

<b>Particulars</b>	<b>No. of shareholders</b>	<b>No. of equity shares held</b>
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on April 01,2015	5,557	5,19,296
Number of shareholders who approached issues for transfer of shares from Unclaimed Suspense Account during the year	79	19,236
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	79	19,236
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying at the end of the year	5,478	5,00,060

14.2 Voting rights on the above unclaimed shares shall remain frozen until the rightful owner claims the shares.

## 15. Discretionary Requirements

Pursuant To Regulation 27(1) and Part E of Schedule II of SEBI LODR Regulations 2015, Your Company also complied following discretionary requirement.

### 15.1 Chairman of the Board

The Company maintained the Chairman's office at Company's expense and also reimbursed the expenses incurred in performance of his duties.

### 15.2 Shareholder Rights

The Company's quarterly results are published in English and Kannada Newspapers. The results are uploaded on the Company's website [www.unitedspirits.in](http://www.unitedspirits.in). Hence, the same are not sent to the shareholders.

### 15.3 Audit qualifications

There are certain qualifications in the Audit Report of the Statutory Auditors for the year ended March 31, 2016, and the Board's report contains response to these qualifications. The Company is making all efforts to move towards unqualified financial statements and unmodified audit opinion.

### 15.4 Separate posts of Chairman and CEO

The Company has appointed separate persons to the posts of Chairman and of MD & CEO.

### 15.5 Reporting of Internal Auditor

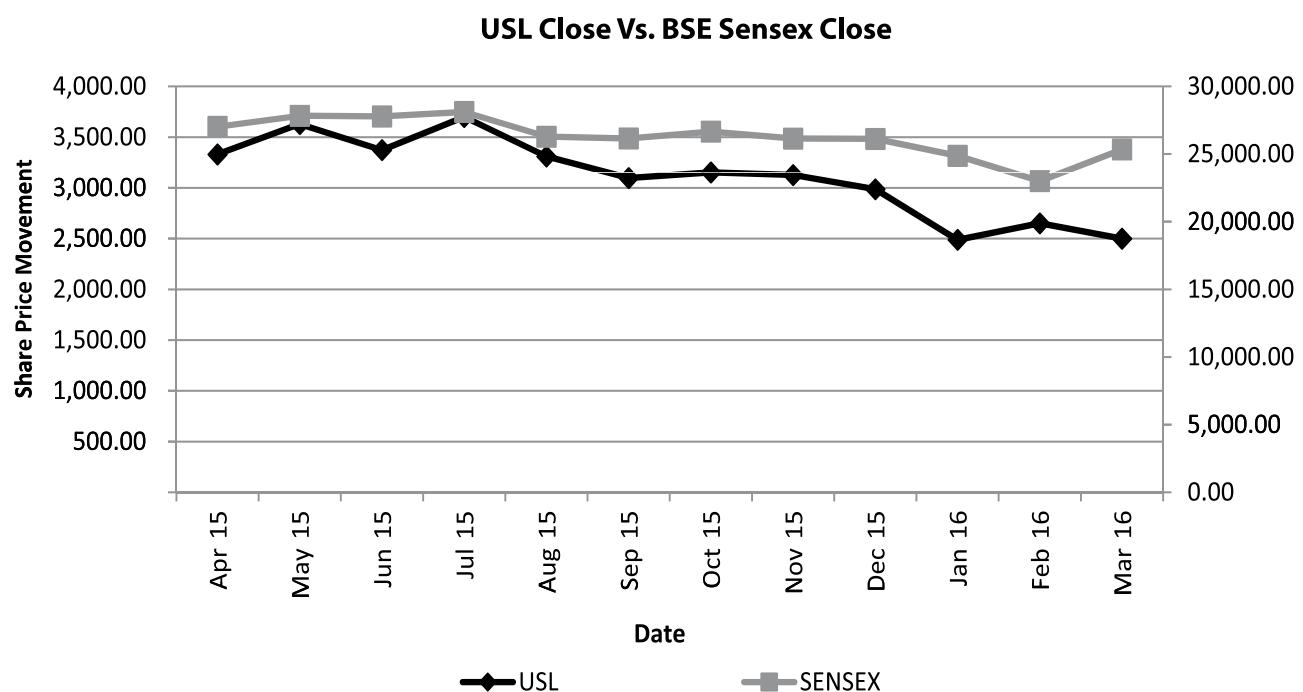
The internal audit or reports directly to the Audit Committee.

## Corporate Governance Report *(continued)*

### ANNEXURE A: MARKET PRICE DATA

United spirits limited - Monthly BSE					United Spirits Limited-MonthlyNSE				
Month	High Price (₹)	Low Price (₹)	Close Price (₹)	Volume	Month	High Price (₹)	Low Price (₹)	Close Price (₹)	Volume
Apr-15	4,029	3,270	3,329.70	7,67,017	Apr-15	4,030	3,275	3,330.15	50,00,029
May-15	3,870	3,222	3,628.90	9,45,701	May-15	3,868	3,222.10	3,636.60	68,49,786
Jun-15	3,699	3,203.10	3,372.35	7,23,678	Jun-15	3,694.95	3,199.95	3,381.05	47,27,596
Jul-15	3,837.50	3,293.15	3,699	6,34,674	Jul-15	3,837.90	3,300.10	3,705.65	47,30,981
Aug-15	3,744	2,977.10	3,309.35	4,66,952	Aug-15	3,743.80	2,970	3,307.45	32,00,514
Sep-15	3,367.05	3,005.25	3,096.70	3,76,344	Sep-15	3,370	2,980	3,094.30	29,33,378
Oct-15	3,340	3,084.10	3,152.05	4,36,851	Oct-15	3,340	3,081	3,145.45	21,09,379
Nov-15	3,645	3,100	3,126.60	7,84,651	Nov-15	3,644.25	3,095.40	3,116.90	51,02,937
Dec-15	3,217.80	2,890.05	2,986.40	5,34,073	Dec-15	3,219.90	2,890	2,991.45	35,21,906
Jan-16	3,047.80	2,432.60	2,488.15	4,99,852	Jan-16	3,050	2,427	2,488.45	39,11,607
Feb-16	2,835.30	2,232	2,650.80	7,96,785	Feb-16	2,833	2,225.45	2,650.65	69,21,462
Mar-16	2,698	2,290.05	2,499.50	10,25,143	Mar-16	2,697	2,288.55	2,499.40	91,59,468

### ANNEXURE B: UNITED SPIRITS LIMITED, SHARE PRICES COMPARED TO BSE SENSEX





## Corporate Governance Report *(continued)*

### ANNEXURE C: DISTRIBUTION OF HOLDINGS (as on March 31, 2016)

Value Wise						Category Wise			
Shareholding of nominal value			Shareholders		Share amount		Category	No. Of Shares	% of Equity Capital
₹			Number	% to Total	₹	% to total			
Upto	-	5,000	88,548	97.04	55,479,730	3.82	Promoter Group	85,019,429	58.50
5,001	-	10,000	1184	1.3	8,937,880	0.62	Resident body Corporate (including clearing members)	7,307,447	5.03
10,001	-	20,000	552	0.6	7,990,020	0.55	Banks/FI/FII/ MF/UTI/ Trust/Central/State Government & Insurance Companies	41,491,039	28.55
20,001	-	30,000	207	0.23	5,213,820	0.36	NRI / OCB / FCB/Foreign Nationals	1,017,415	0.7
30,001	-	40,000	110	0.12	3,888,770	0.27	GDS	745,588	0.51
40,001	-	50,000	79	0.09	3,613,060	0.25	Resident Individuals	9,746,825	6.71
50,001	-	1,00,000	193	0.21	13,497,780	0.93	<b>Total</b>	<b>145,327,743</b>	<b>100</b>
100,001 and above			376	0.41	1,354,656,370	93.21			
<b>Total</b>			<b>91249</b>	<b>100</b>	<b>1,453,277,430</b>	<b>100.00</b>			



## Corporate Governance Report *(continued)*

### CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members,  
United Spirits Limited  
Bangalore

I have examined the compliance of conditions of corporate governance by United Spirits Limited (the Company) for the year ended on March 31, 2016, as stipulated in Clause 49 of the Listing Agreement then in force, for the period April 01, 2015 to November 30, 2015 and Securities and Exchange Board India (Listing Obligations and Disclosure Requirements) Regulations, 2015 from December 01, 2015 to March 31, 2016 of the Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the company has complied with all the applicable conditions of Corporate Governance as stipulated in the said Listing Agreement and Regulations.

I further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Sudhir Vishnupant Hulyalkar  
Company Secretary in Practice  
FCS No: 6040, CP No. 6137

Place : Bangalore  
Date: June 8, 2016

Note: Board's response to the above observation has been provided in para 2.4 of the Report of the Directors.



# Corporate Governance Report *(continued)*

## CEO/CFO CERTIFICATE

- A. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2016 and that to the best of our knowledge and belief:
  - 1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - 2. These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the auditors and the Audit committee:
  - 1. Significant changes in internal control over financial reporting during the year;
  - 2. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - 3. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Bangalore

May 26, 2016

Sanjeev Churiwala

Chief Financial Officer

Anand Kripalu

Managing Director and Chief Executive Officer

## DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

In terms of the requirement of Regulation 26(3) read with Schedule V Para D of the SEBI (Listing Obligations and Disclosure Requirements), 2015, code of conduct of the company has been displayed at the company's website: [www.unitedspirits.in](http://www.unitedspirits.in). All the members of the Board and the senior management personnel had affirmed compliance with the code for the year ending March 31, 2016.

Bangalore

May 26, 2016

Anand Kripalu

Managing Director and chief executive officer



# Management Discussion and Analysis

## ECONOMIC SCENARIO

**Global economy:** Despite tangible signs of recovery in 2014, the global economy remained on a subdued growth path, growing 3.1% in 2015 against 3.4% in 2014. With a 6.8% growth (against 6.6% in the previous year), the emerging and developing Asian countries were the key contributors of the global growth, led by India and China.

**Indian economy:** Buoyed by positive policy initiatives, India has evolved as one of the fastest-growing emerging market economies in the world. Increased private consumption, led by rising incomes and declining oil prices, steered the Indian economic growth story during 2015-16 to 7.6% real GDP growth from 7.2% in 2014-15.

## INDUSTRY OVERVIEW

India has a young population, with a median age of 25 years 50% of the 1.2 billion population are under 25 years of age. 65% are below the age of 35. A favourable demographic divide with around 270 million in the working age population by 2030 augurs well for the industry. With the increase in affluence we can see improvement in lifestyles and increasing aspirations leading to upgrade to higher brands by the customers. As per the data published by the Finance Commission the annual tax revenues of the State Governments are about ₹ 303 lakh crs. Of this Alcovary industry's share of close to ₹ 106 lakh crs which is more than a third of such tax revenues of the State Governments (Source - Wikipedia).

## SEGMENT-WISE AND PRODUCT-WISE PERFORMANCE

**Global:** The global spirits market comprises vodka, gin, tequila, rum, whisky, brandy, cane, natural spirits and flavoured spirits. While Asia-Pacific is the largest market for alcoholic products, followed by North America and Europe, the BRIC (Brazil, Russia, India and China) nations are driving growth in the spirits market.

Whisky and tequila are expected to be the fastest growing spirits category with a compounded growth of 3.8% and 2.9% during the period. Whisky is expected to overtake vodka to be the second largest spirits category with a total consumption of 467.4 mn cases. Asia (especially China and India) will account for majority of this growth; North America, Africa, Middle East and other duty free markets are also expected to drive growth. (Source: IWSR, Acute market research)

**India:** The Indian Total Beverage Alcohol (TBA) industry comprises four segments – beer, distilled spirits, wine and country liquor. IMFL (Indian-made foreign liquor) products account for nearly 70% of the total market. India is one of the fastest growing alcohol markets in the world. Four out of the top 5 and 7 out of the top 25 highest selling whiskies are from India. As the world's second most populous nation and fastest growing economy, the opportunity for growth in the Indian spirits market remains highly attractive.

Spirits, led by whisky, is the most popular alcohol, consumed by nearly 88% of alcohol consumers in India, with beer and wine contributing to the remaining 12% consumption. (Source: Persistence market research) The Indian spirits industry is one of the most regulated, with prohibition in force in a few states, sales being limited in certain states to government approved stores, and drinking prohibited in public places.

Current available data estimates the Indian TBA market at circa ₹ 40k Crore, with spirits accounting for approximately 70% market share, beer circa 26%, and ready to drink, wine and others circa 4%.

In recent years, the industry has witnessed realignment in terms of consolidation and margin pressure due to rising costs, thereby leading to tapered growth. Despite the slowdown, the country's alcohol industry will still be the world's second fastest growing industry.

**Strong premiumisation trend:** Driven by a significant West-influenced cultural change, the alcohol industry in India is witnessing a strong trend towards premiumisation. During the year under review, your company has achieved a sales volume of over 93 mn cases and declined 1% compared to prior period (previous year 94 mn cases, excluding royalty and franchise markets). Net sales of your company's brands grew 13% in the financial year ended March 31, 2016 and stood at ₹ 90,919 million net of duties and taxes (previous year ₹ 80,493 million). Direct distribution of the Diageo brand portfolio drove 8 percentage points (pps) of net sales growth. Sales volume of your company's brands in the 'Prestige and Above' segment



## Management Discussion and Analysis (continued)

grew 10% in the financial year ended March 31, 2016 and stood at 34 mn cases (previous year 31 mn cases). Net sales of the 'Prestige and Above' segment grew 26% and stood at ₹ 46,013 million net of duties and taxes (previous year ₹ 36,500 million). Direct distribution of the Diageo brand portfolio contributed 19ppts net sales growth to the Prestige and Above segment. The 'Prestige and Above' segment represents 37% of total sales volumes and 51% of total net sales, with 4ppts and 5ppts improvement respectively compared to prior year.

### REGULATORY SCENARIO IN INDIAN MARKET

The alcohol industry in India is highly regulated under the legislative power of individual states. Additionally, national laws and regulatory bodies, such as the Food Safety and Standards Authority of India (FSSAI), also significantly impact the alcobev industry. A spate of recent regulations have further tightened the regulatory controls on the industry. Some of the recent developments include:

- ***Prohibition of liquor:***

In April 2016, Bihar became the fourth state in India to implement a total liquor ban. This move is estimated to impact the IMFL industry, hotels and the Bihar state government by approximately ₹ 4,000 cr, in the form of the taxes and duties earned from liquor sales. Also on the flip side, banning alcohol encourages bootleggers and increases the sales of poor quality counterfeit products, posing serious health risks to consumers. (*Source: Hindustan Times*)

- ***Goods and Service tax (GST):***

The GST, projected to be 'the single most important tax reform after 1947', is a single, comprehensive tax that will subsume all the other smaller indirect taxes on consumption like service tax, etc.

However, tax on alcoholic beverages has been carved out as an exception to the definition of 'GST' itself in present drafts of the law. GST is the opportune moment for the government to bring transparency in the sector by improving governance and compliance. Inclusion of the alcobev industry under the GST ambit will enhance revenue for states, reduce evasion of taxes, and improve governance and compliance through transparency. In addition, it will curb the production of illicit alcohol which has seriously harmful effects on a consumer's health.

- ***Price control over raw material:***

The increasing price of ethanol - one of the primary raw materials used in the production of alcohol beverages – has seriously impacted the industry cost structure in recent years. Prices of ethanol, which accounts for nearly 40% of the total cost of materials, has increased over the past few years following the implementation of the ethanol blending programme (EBP) by the government. The mandatory EBP implementation has triggered increased demand for ethanol from the oil marketing companies (OMCs), which are required to blend 5% (proposed to move to 10%) ethanol in petrol for environmental reasons. India currently has an annual demand of 460 crore litres of ethanol as against the availability of only 250 crore litres, creating a demand-supply gap. During the sugar year 2014-15, OMCs have achieved a blending percentage of only 2.3 per cent (*Source: Business Standard April 25<sup>th</sup>, 2016*). As shown above, the tax revenues of the State Governments contributed by the Alcobev industry is about a third of the Total tax revenues of the State Governments. The State Governments should therefore be more focused on collection of excise duties and let the market forces determine the prices of the products instead of controlling the prices of the products as some State Governments do at present.

Continued current drought conditions and the Government's plans to scale up EBP to 10% with no commensurate increase in supply, will result in a shortage of ENA for potable alcohol as well as upward pressure on prices. Fortunately, the government is looking to source ethanol from low-cost alternative sources like bio-waste and feedstock such as wheat, straw, rice straw and corn straw, among others. If successful, this is likely to improve ethanol availability in the country and stabilise prices.



# Management Discussion and Analysis *(continued)*

## BUSINESS ANALYSIS

### Company overview

United Spirits Limited (USL) is a subsidiary of Diageo plc - a global leader in beverage alcohol with an outstanding portfolio of brands across spirits, beer and wine categories. In 2013-14, Diageo plc acquired a 54.8% shareholding in United Spirits, making India one of its largest markets.

USL is the largest Indian spirits company, selling over 93 mn cases annually. The company, which is engaged in the manufacture, sale and distribution of beverage alcohol, has a portfolio of 140 brands, of which 15 brands sell over one mn cases and 3 brands sell over 10 mn cases annually.

USL has a popular brand portfolio, including much-loved brands such as McDowell's No.1, Royal Challenge, Signature, and Antiquity and is engaged in selling Scotch whisky, IMFL whisky, brandy, rum, vodka, gin and wine. Headquartered in Bengaluru, the company also imports, manufactures and sells Diageo's iconic brands, such as Johnnie Walker, VAT 69, Black & White, Smirnoff and Ciroc, in India.

### Strengths

- **Brand legacy:** USL is the largest spirits manufacturing company in India and the second largest (by volume) globally, with a strong portfolio of 140 popular and trusted brands across categories.
- **Product portfolio and diversity:** The company's product portfolio extends across whisky, vodka and rum segments, and caters to diverse consumer tastes across social strata with its luxury, premium, prestige and popular spirits categories.
- **Geographical spread:** USL has a strong footprint, with 82 (74 excluding Royalty and Franchise units) manufacturing facilities spread across 23 states and 3 union territories in India, enabling faster turnaround of products and minimal exposure to risks related to changes in state policy.
- **Strong supply chain network:** The company enjoys long-term business relations with leading raw material suppliers, ensuring uninterrupted production and supplies. The company also has a strong network of distributors to ensure streamlined and timely supplies to 81,000 retail outlets across India.
- **R&D expertise:** The company has a state-of-the-art Technical Centre for research on new product development, analytics and sensory sciences, process R&D, special spirits and flavour management. It also employs highly qualified and experienced scientists who work consistently and with dedication towards innovative product and process development.
- **People power:** The Company's success is led by an empowered and committed team of over 5,500 employees, who are partnering it in the realisation of its vision.

### Business performance

On a transformational journey since the last few years, USL is powered by the vision to become the best performing, most trusted and respected consumer goods company in India. It has a strategic roadmap, founded on five strategic pillars, to steer its future growth trajectory. The five pillars underpinning the company's growth are:

1. strengthening core brands
2. evolving the route to the consumer
3. driving productivity
4. corporate citizenship
5. creating a future ready organisation



# Management Discussion and Analysis (continued)

From renovating brands to rationalising its manufacturing footprint and strengthening its route to the consumer, USL has been making significant strides in its journey of transformation. Its strategic success is clearly manifest in the Company's improved performance, reflected in a stronger balance sheet.

## Revenue and revenue mix

A strategic revenue mix, strengthened by enhanced brand salience, has steered the Company's growth charter over the past two years. USL is today a market leader by volume and value, and armed with the Diageo brand portfolio integration, it holds a place of pride in the Indian alcobev industry, with an outstanding portfolio of reputed brands across key categories and multiple price points.

The company has successfully improved both top line and operating profit in a highly regulated and competitive environment, while further strengthening its core brands to leadership position across all segments. The company's performance in the popular segment reflects its prioritised geographical participation strategy, while its double digit net sales growth in the "Prestige and Above" segment clearly endorses the success of its premiumisation strategy.

During the year, overall volumes were down 1% with net sales up 13% on stronger performance of the Prestige and Above segment. The integration of the Diageo brand portfolio also had a positive mix impact accounting for half of the overall positive mix. The main contributors were Johnnie Walker, Black & White, VAT69 and Smirnoff. Good performance of Black Dog in the premium segment and the re-launch of Royal Challenge and McDowell's No 1. whisky in the prestige segment also had favourable net sales mix impact.

- We have integrated the Diageo brand portfolio into USL in this fiscal year. The portfolio consists of over 20 brands, with the key brands being Smirnoff, VAT69, Johnnie Walker and Black & White, all of which are positioned in the premium and luxury segment. The Diageo brand portfolio added 1.3 mn cases volume.
- The Popular segment represents 63% of total volumes and 49% of total net sales, 4ppts and 5ppts respectively below last year. Popular segment volume declined 7% and net sales grew 2%. The reduction in volume was largely driven by the specific temporary pricing challenge on Haywards in Karnataka which impacted volume growth by circa (4) ppts. Despite this, overall Popular segment net sales grew 2% fuelled by good growth of our power brands which represent almost 80% of our net sales in the popular segment: McDowell's Rum and Brandy; Bagpiper; Old Tavern and Director's Special whisky.
- The Prestige and Above segment represents 37% of total volumes and 51% of total net sales, up 4ppts and 5ppts respectively when compared to prior year. In this segment, volume increased 10% with net sales up 26%. Excluding the Diageo brand portfolio, volume was up 6% and net sales up 8%. Robust growth of the segment was fuelled by our renovation strategy with the re-launch of Royal Challenge and benefited from the recent new look of McDowell's No.1 whisky.
- The Royal Challenge re-launch was completed at the beginning of this fiscal year and we have seen exceptional growth in each quarter with volume growth of 61% and net sales growth of 50% in the full year.
- The new look McDowell's No 1 whisky was launched in the third quarter and posted 18% volume and 23% net sales growth in the fourth quarter resulting in overall volume growth of 8% and net sales growth of 13% in the full year (main variant only).
- The performance of Signature was muted with volume decline of 2% and negative price/mix of 7ppts. The re-launch of Signature started towards end of Q4 and we expect to see positive momentum in the brand in the next fiscal year.
- Antiquity volume was up 18% with net sales up 10%.
- Black Dog performance was robust during the year and volume grew 23% with net sales up 24%.

Nielsen tertiary share data is reflective of the above, showing strong share momentum on Royal Challenge with the McDowell's No.1 whisky franchise maintaining share for the year, and positive share gains on the core variant of McDowell's No.1. The full positive impact of the new look McDowell's No.1 whisky franchise (as depicted above) plus the fully renovated offering on Signature is expected to be seen in the coming year. (Source: Nielsen Corporation - Value share metrics for the 12 month period ending 31 March 2016).



## Management Discussion and Analysis *(continued)*

We have also continued to see strong share momentum on the Premium Scotch portfolio. Black Dog, Black & White and Vat69, and on our Premium Vodka portfolio, led by Smirnoff. The core variants of Johnnie Walker Red, Black and Double Black have also shown positive share gains for the full year.

The year under review also witnessed the continuation of the company's productivity journey, underlined by further efficiencies and strategic reinvestment in brands and capabilities. Carrying forward its Perfect Store programme, the company continued to enhance customer experience, boosting in-store brand engagement and increasing the number of perfect stores to circa 20,000 by year end.

### Net Debt

Net debt reduction was driven by the divestment of non-core assets, mainly the sale of the United Breweries Limited Shares and the Bouvet Ladubay subsidiary. These divestments together with renegotiation of borrowings terms reduced the total interest cost. Significant improvement in overall financial flexibility, corporate governance and our compliance framework has resulted in our improved credit rating. During the year, ICRA Limited upgraded the Long Term Rating from BBB to A+, while the Short Term Rating improved from A3 to A1+. These improved ratings will enable us to access more economical sources of debt leading to lower interest cost and increased shareholder value.

### OUTLOOK

As the world's fastest growing economy, with over 65 per cent population below 35 years, India's growth opportunity in the near and mid-term is exciting and invigorating. The building blocks needed for a sustained phase of young adult-driven growth are well in place, with aspirational consumer spending getting increasingly aligned to global lifestyle in the spirit of celebration.

India is currently one of the most attractive destinations for the alcobev industry in the world, with a growth forecast of 13% CAGR in value over the next 5 years. With such an attractive opportunity landscape to steer growth, the industry looks forward to support from the government in the form of relaxation in regulations; single approval window for procuring licenses for manufacturing, storage and distribution; and transformation of physical control systems at the State Excise Departments to digital, online processes. The industry is of the opinion that government initiatives to streamline the systems and ease regulations would revolutionise the alcobev industry in India. Also, partnering with the government to promote responsible drinking would create a win-win situation for all.

With a diverse portfolio of products catering to every taste preference and some of the industry's most loved brands; a pan-India reach and presence, and USL products being available in all cities, the company's transformation journey is on track, continuously gathering pace and momentum to script a new growth story.

#### **11,032**

People in India have died due to consumption of spurious alcohol during 2005-14.

### RISKS & CONCERNS, OPPORTUNITIES & THREATS

#### Risks & Concerns

- The industry is highly regulated by the government with regulations pertaining to: pricing, licensing, setting up of new or expansion of existing brewing/ distilling and bottling capacities; manufacturing processes; marketing, sales & advertising; and distribution. Heavy taxes and duties levied on spirit manufacturers add to the industry concerns.
- Apart from Central Government regulations, every state of India has its own set of regulations, tax rates and duties for inter-state movement of liquor.
- Inclusion of alcohol within the purview of FSSAI to ensure quality standards will lead to further multiplicity and sometimes duplicity in regulations and regulators and sometimes inconsistencies in regulations for the industry.



# Management Discussion and Analysis (continued)

- Banning of alcohol in certain states of India is also a matter of concern, impacting industry growth whilst not delivering the stated objectives of public health.
- Manufacturing of fake and poor quality spirits leads not only to decline in revenues but also poses threat to the lives of the consumers.
- Non-inclusion of Alcobev industry within the ambit of GST remains a missed opportunity and a risk to the overall industry.
- The Company has taken steps to mitigate risks due to drinking and driving through its 'Responsible Drinking' initiatives as highlighted in the CSR Report in pages 99 and 100 of this Annual Report highlighting social initiatives of the Company.

## Opportunities

- **Rising urbanisation:** In India, the urban population constitute the primary consumers of premium and super premium spirits. The country's urban population is expected to grow by 35% from 32 crore to 52 crore by 2020, creating a huge growth opportunity for the industry. (Source: Assocham)
- **Population above legal drinking age:** Almost half of India's population of 1.2 billion is aged between 20-59 years – which is the prime age group for alcohol consumption.
- **Rising disposable income:** The per capita income in India has increased 88%, from ₹ 49,492 in FY2010 to ₹ 93,231 in FY2015, and is expected to increase further to ₹ 1,00,000 by FY2017. The rising disposable income is expected to drive demand for alcohol consumption in India. (Source: Business Standard)
- **Lifestyle changes:** Growing westernisation, increasing social acceptance of alcohol and, rising consumption among women consumers are some of the key factors contributing to significant lifestyle changes and thus driving demand.
- **Entry barriers for new players:** The alcohol industry in India, being highly regulated, has high entry barriers for new players, thereby creating a favourable environment for the existing players.
- **Demand for spirits:** Indians have higher preference for spirits containing up to 42.8% alcohol content. Moreover, beer being heavily taxed is priced at par, or even more than IMFL. This further enhances demand for spirits. (Source: The Times of India)

## Threats

- Improved quality and packaging of Indian Made Indian Liquor (IMIL), coupled with rising prices of IMFL, has led to increase in consumption of IMIL or country liquor
- Restrictions on foreign liquor in certain states of India has led to escalation in bootlegging and black marketing

## INTERNAL CONTROL SYSTEMS

The company's internal control systems are commensurate with the size and industry in which it operates. USL has well-defined and adequately documented systems, policies, procedures and guidelines that have been reviewed by the Board and external parties. The company strictly follows the laws, rules and statutes of the land. It ensures stringent compliance at all levels, and across all divisions and departments, for safeguarding its assets, prevention and detection of fraud and errors, completeness of accounting records and timely preparation of financial statements. Statutory Auditors have also confirmed the same in their audit report on the Financial Statements for the year.

## MANAGEMENT AND BOARD

Pursuant to the acquisition of shares of the Company by Diageo plc's subsidiary Relay BV, in 2013 and 2014, the Company is a direct subsidiary of Relay BV and an indirect subsidiary of Diageo plc. Details on the changes in the Board and senior management are provided in the Corporate Governance Report.



## Management Discussion and Analysis *(continued)*

### **HUMAN RESOURCES**

USL believes that its people are its most important asset and thus continuously strives to scale up its employee engagement through well-structured systems and a visionary HR philosophy. Now a family of over 5,700 (including permanent employees at plants), the company is focussing on its diversity and inclusion agenda, with special emphasis on the induction and retention of more women in the workforce. USL is committed to nurturing an open environment which allows for easy assimilation of ideas and enriches the organisation's collective knowledge pool. The company aspires to evolve into a future-ready organisation centred on promoting a collaborative and cohesive culture.

During the year, the company delivered 3434 training days for its employees. The company continuously invests in role-based training and upskilling of its employees at all levels to ensure that they remain at the forefront of skill-set upgradation in the industry. Performance appraisals take place every six months, giving every employee sufficient time to meet his/ her role requirements in the next six months. The company maintains cordial relationship with its employees at all its manufacturing units.

### **FORWARD LOOKING STATEMENT / CAUTIONARY STATEMENT**

This Report contains forward-looking statements that involve risks and uncertainties. Your Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements. This Report should be read in conjunction with the financial statements included herein and the notes thereto.



# Annexure 1

## Details of Subsidiaries, Associates and Joint Ventures

### Form AOC 1

(Pursuant to the provisions of Section 129(3) of the Act, read with Rule 5 of Companies (Accounts) Rules, 2014) Statement containing as on March 31, 2016 salient features of the financial statement of subsidiaries/associate companies/joint ventures

#### Part A: Subsidiaries

Sl. No.	Name of the Subsidiary	Financial year ended	Curr ency	Closing exch rate	Average exch rate	Share capital	Reserves & surplus	Total assets	Total liabilities	Invest-ments	Turn over	Profit/ (loss) before taxation	Provision for taxation	Profit/ (loss) after taxation	Proposed dividend	% of share holding	Country	
1	Asian Opportunities & Investments Limited (AOIL)	31/03/2016	USD	66.25	65.49	331	(993)	100	762	-	-	(276)	108	(383)	-	100	Mauritius	
2	United Spirits Nepal Private Limited	31/03/2016	INR	0.62	0.62	5	92	312	215	-	595	102	31	71	20	82.47	Nepal	
3	Palmer Investment Group Limited (PIG)	31/03/2016	USD	66.25	65.49	994	(1,021)	1	29	-	-	(13)	-	(13)	-	100	British Virgin Islands	
4	Tern Distilleries Private Limited (Tern)	31/03/2016	INR	1	1	1,027	(661)	375	9	-	49	(158)	-	(158)	-	100	India	
5	Shaw Wallace Overseas Limited (SWOL)	31/03/2016	GBP	94.76	98.74	34	(14)	21	1	-	-	0	-	0	-	100	U.K.	
6	UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited (JIHL))	31/03/2016	USD	66.25	65.49	-	-	15	16	0	-	-	(1)	-	(1)	-	100	Jersey Islands
7	Montrose International S.A (MI)	31/03/2015	USD	66.25	65.49	33	1	35	0	-	-	(1)	-	(1)	-	100	Panama	
8	USL Holdings Limited (UHL)	31/03/2015	USD	66.25	65.49	33	(56,623)	1,468	58,058	-	-	(624)	-	(624)	-	100	British Virgin Islands	
9	USL holdings (UK) Limited (UHUKL)	31/03/2015	GBP	94.76	98.74	-	(56,266)	1,181	57,447	-	-	(2,466)	-	(2,466)	-	100	U.K.	
10	United Spirits (UK) Limited (USUKL)	31/03/2015	GBP	94.76	98.74	-	(24,841)	1,129	25,970	-	-	(29)	-	(29)	-	100	U.K.	
11	United Spirits (Great Britain) Limited (USGBL)	31/03/2015	GBP	94.76	98.74	-	(24,818)	1,065	25,883	-	-	(26)	-	(26)	-	100	U.K.	
12	Four Seasons Wines Limited (FSWL)	31/03/2015	INR	1	1	663	(1,032)	604	973	-	213	(266)	-	(266)	-	100	India	
13	McDowell & Co. (Scotland) Limited (MSL)	31/03/2015	GBP	94.76	98.74	149	(442)	775	1,067	766	-	(48)	-	(48)	-	100	Scotland	
14	Royal Challengers Sports Private Limited	31/03/2015	INR	1	1	0	(352)	4,741	5,092	-	1,352	(187)	252	(439)	-	100	India	
15	Liquidity Inc.	31/03/2015	USD	66.25	65.49	-	(26)	-	26	-	-	(34)	-	(34)	-	51	USA	
16	United Spirits (Shanghai) Trading Company Limited	31/03/2015	RMB	10.3	10.2	52	(67)	4	19	-	-	(4)	-	(4)	-	100	China	
17	Sovereign Distilleries Limited	31/03/2015	INR	1	1	4,851	(4,280)	673	102	-	-	(522)	-	(522)	-	100	India	
18	Pioneer Distilleries Limited*	31/03/2015	INR	1	1	134	(708)	3,619	4,193	-	2,264	342	-	342	-	75	India	
19	United Spirits Singapore Trading Pte Ltd (Formerly known as Whyte and Mackay Singapore Pte Ltd)	31/03/2015	USD	66.25	65.49	-	(10)	420	430	-	1,068	2	-	2	-	100	Singapore	

#### Notes:

Closing exchange rate is applied for share capital, reserves and surplus, total assets, total liabilities and investments.

Average exchange rate is applied for turnover, profit / (loss) before taxation, profit / (loss) after taxation, and proposed dividend. All amounts are in million ₹.

Names of subsidiaries which are yet to commence operations: Nil.

- During the year, SW Finance Company Ltd, through a Scheme of Amalgamation, merged with United Spirits Limited (USL).
- Bouvet Ladubay and Chapin Landias, Subsidiaries of USL ceased to be the subsidiaries of USL during the year.

## Annexure 1 (continued)

### Part B: Associates and Joint Ventures

Sl. No	Name of Associates/ Joint Ventures	Wine Society of India Pvt Ltd
1	Latest audited Balance Sheet Date	31 March 2015
2	Shares of Associates/ Joint Ventures held by the Company on the year end	
	No.	324,812
	Amount of Investment in Associates/Joint Venture	₹ 31,817,712
	Extent of holding %	33.32
3	Description of how there is significant influence	The shareholding in Wine society of india is more than 20% due to which there is a significant influence
4	Reason why the associate/ joint venture is not consolidated	The investment in associate is accounted as per Accounting standard 23
5	Net worth attributable to Shareholding as per latest audited Balance sheet	Nil. The loss in the associates exceeds the carrying value of the investment.
6	Profit/ Loss for the year	
	i. Considered in Consolidation	Nil
	ii. Not considered in Consolidation	₹ 31,473,260

- Names of associates or joint ventures which are yet to commence operations : Nil
- Names of associates or joint ventures which have been liquidated or sold during the year. : Nil

By Authority of the Board

**Mahendra Kumar Sharma**

Chairman

**Anand Kripalu**

Managing Director and Chief Executive Officer

**Sanjeev Churiwala**

Chief Financial Officer

**V. Ramachandran**

Company Secretary

Mumbai  
June 8, 2016



## Annexure 2

### Related Party Transactions

#### FORM AOC 2

(Pursuant to section 134(3)(h) of the Act, and rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in section 188(1) of the Act, including certain arm's length transactions under the third proviso thereto.

- a) Details of Contracts or transactions not at arm's length basis: There were no contracts or arrangements or transactions entered into during the year ended March 31, 2016, which were not at arm's length basis
- b) Details of Contracts or transactions at arm's length basis: The details of material contracts or arrangement or transactions at arm's length basis for the year ended March 31, 2016 are as follows :

- i) Agreement with Related Parties entered during the year 2015-16

Sl. No.	Name of the related Party	Nature of Contract	Nature of Relationship	Date on which Resolution was passed	Duration of Contract	Salient Terms	Justification	Amount Paid / (Received) as Advance (₹ Million)
1	- City Properties Maintenance Company Limited, Bangalore	House keeping and Security Services	Promoter/ Promoter Group	16 July 2015	01 April 2015 to 31 March 2016	Arms length transaction	Housekeeping, maintenance and manpower supply	Nil
2	- Diageo Australia Limited	Salary recharge- Expense / (Income)	Promoter/ Promoter Group	02 November 2015	01 July 2014 to 30 June 2017	Based on Transfer Pricing Guidelines	Salary recharge of Prabhaharan Viswanathan	Nil
3	- Diageo Brands BV	Purchase of goods	Promoter/ Promoter Group	09 January 2015	Perpetual	Arms length transaction	License to manufacture and/or sale of Diageo brands	Nil
4	- Diageo Great Britain Limited	Salary recharge- Expense / (Income)	Promoter/ Promoter Group	02 November 2015	01 July 2015 to 30 June 2017	Based on Transfer Pricing Guidelines	Salary recharge of Riju Bhowmick and reimbursement of employee benefits of Tracey Barnes	Nil
5	- Diageo Great Britain Limited	Expenses reimbursed	Promoter/ Promoter Group	23 July 2015	One time	Arms length transaction	Re-charge of cancellation charges in respect of the Board Meeting of the Company, proposed to be held in London	Nil
6	- Diageo India Private Limited	Purchase of goods	Promoter/ Promoter Group	26 May 2015	One time business takeover purchase	Arms length transaction	Acquire certain identified stock-in-trade of DIPL currently stored at the facilities of various third party manufacturers	Nil
7	- Diageo India Private Limited	Income from agency commission	Promoter/ Promoter Group	31 July 2013	1st Oct 2013 to 31st Sept 2015	Based on Transfer Pricing Guidelines	Agency Commission payable by Diageo India Private Limited to United Spirits Limited for promotional services of Diageo Brands	Nil
8	- Diageo India Private Limited	Advertisement & sales promotion expenses / (income)	Promoter/ Promoter Group	09 January 2015	01 April 2015 to 31 July 2015	Arms length transaction	Cost sharing for Advertisement and sales promotion during transition period	Nil
9	- Diageo India Private Limited	Salary recharge- Expense / (Income)	Promoter/ Promoter Group	02 November 2015	01 July 2014 to 30 September 2017	Based on Transfer Pricing Guidelines	Salary recharge of International assignees	Nil

## Annexure 2 (continued)

Sl. No.	Name of the related Party	Nature of Contract	Nature of Relationship	Date on which Resolution was passed	Duration of Contract	Salient Terms	Justification	Amount Paid /(Received) as Advance (₹ Million)
10	- Diageo India Private Limited	Sale/ (purchase) of fixed asset	Promoter/ Promoter Group	15 June 2015	One time	Purchase of office equipment from DIPL, acquire certain identified stocks of DIPL	As part of the integration between the Company and Diageo India Private Limited, it is proposed to acquire IT Assets	Nil
11	- Diageo India Private Limited	Assignment of receivables in favour of Company by	Promoter/ Promoter Group	02 November 2015	One time assignment	Based on Transfer Pricing Guidelines	Receivables of DIPL assigned as business has been transferred to USL	Nil
12	- Diageo North America Inc.	Royalty Expense	Promoter/ Promoter Group	09 January 2015	Perpetual	Distribution in bottled in origin product in India	License to manufacture and/or sale of Diageo brands	Nil
13	- Diageo Plc.	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	02 November 2015	15 July 2015 till end of employee assignment	Based on Transfer Pricing Guidelines	Salary recharge of Vineet Chabba	Nil
14	- Diageo Plc.	Market research expense recharge	Promoter/ Promoter Group	23 July 2015	One time	Recharge in respect of trust and reputation recharge cost	The total cost of study was GBP 308,000, out of this, 50% of the cost taken up by Brand Diageo Team and the remaining cost shared by 7 entities equally.	Nil
15	- Diageo Plc.	Expenses reimbursed	Promoter/ Promoter Group	23 July 2015 / 15 June 2015	One time	Recharge in respect of Diageo leadership performance programme	Program is aimed to develop the Leadership skills of certain key executives of Diageo Group companies Fees paid by Diageo plc to PWC, pursuant to the direction of the Board of Directors, to conduct an inquiry on certain matters.	Nil
16	- Diageo Scotland Limited	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	02 November 2015	01 August 2015 to 31 July 2017	Based on Transfer Pricing Guidelines	Salary recharge of Kedar Ulman	Nil
17	- Diageo Scotland Limited	Royalty Expense	Promoter/ Promoter Group	09 January 2015	Perpetual	Distribution in bottled in origin product in India	License to manufacture and/or sale of Diageo brands	Nil
18	- Diageo Singapore Pte Limited	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	02 November 2015	26 April 2015 to 31 December 2015	Based on Transfer Pricing Guidelines	Salary recharge of Vinod Rao	Nil
19	- Diageo Singapore Supply Pte Limited	Purchase of goods	Promoter/ Promoter Group	15 June 2015	One time	Arms length transaction	To manufacture and/or sale of Diageo brands	Nil
20	- Diageo Vietnam Limited	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	02 November 2015	01 March 2015 to 28 February 2016	Based on Transfer Pricing Guidelines	Salary recharge of Shivam Mishra	Nil

## Annexure 2 (continued)

Sl. No.	Name of the related Party	Nature of Contract	Nature of Relationship	Date on which Resolution was passed	Duration of Contract	Salient Terms	Justification	Amount Paid /(Received) as Advance (₹ Million)
21	- Four Seasons Wines Limited	Purchase of goods	Subsidiary	NA	Perpetual	Arms length transaction		Nil
22	- Four Seasons Wines Limited	Interest income	Subsidiary	13-Nov-14	NA	Arms length transaction	Interest Income on working capital loan	Nil
23	- Four Seasons Wines Limited	Advertisement & sales promotion expenses / (income)	Subsidiary	NA	Perpetual	Arms length transaction		Nil
24	- Four Seasons Wines Limited	Salary recharge-Expense / (Income)	Subsidiary	17 March 2015	01 July 2015 to 31 March 2016	Based on Transfer Pricing Guidelines	Salary recharge with respect to employees deputed to related party	Nil
25	- Four Seasons Wines Limited	Trade mark license/ Brand fee	Subsidiary	NA	01 July 2015 to 30 June 2018	Arms length transaction	For sale and manufacure of brands owned by Company	Nil
26	- Four Seasons Wines Limited	Finance (including loans and advances, equity contributions in cash or in kind and Exchange gain / (loss))	Subsidiary	13-Nov-14	NA	Arms length transaction	Funding for working capital loan	Nil
27	- Mc Dowell & Co (Scotland) Limited	Interest income	Subsidiary	28-Sep-07	NA	Arms length transaction	Interest Income on working capital loan	Nil
28	- Mc Dowell & Co (Scotland) Limited	Finance (including loans and advances, equity contributions in cash or in kind and Exchange gain / (loss))	Subsidiary	28-Sep-07	NA	Arms length transaction	Funding to meet working capital requirement	Nil
29	- Pioneer Distilleries Limited	Purchase of goods	Subsidiary	02 September 2013	02 September 2013 to 01 September 2016	Part of Tie-up manufacture agreement	Part of Tie-up manufacture agreement	Nil
30	- Pioneer Distilleries Limited	Sale of goods	Subsidiary	02 September 2013	02 September 2013 to 01 September 2016	Part of Tie-up manufacture agreement	Part of Tie-up manufacture agreement	Nil
31	- Pioneer Distilleries Limited	Interest income	Subsidiary	13-Nov-14	NA	-	Interest Income on working capital loan	Nil
32	- Pioneer Distilleries Limited	Salary recharge-Expense / (Income)	Subsidiary	02 November 2015	01 July 2015 to 31 March 2016	Based on Transfer Pricing Guidelines	Salary recharge with respect to employees deputed to related party	Nil
33	- Pioneer Distilleries Limited	Expenses reimbursed	Subsidiary	02 September 2013	02 September 2013 to 01 September 2016	Part of Tie-up manufacture agreement	Part of Tie-up manufacture agreement	Nil

## Annexure 2 (continued)

Sl. No.	Name of the related Party	Nature of Contract	Nature of Relationship	Date on which Resolution was passed	Duration of Contract	Salient Terms	Justification	Amount Paid /(Received) as Advance (₹ Million)
34	- Relay B.V	Expenses reimbursed	Promoter/ Promoter Group	23 July 2015	One time	Fees payable to NSDL / CSDL being recharged	Re-charge of expenses incurred by the Company for obtaining Special Beneficiaries Position (BENPOS) from National Securities Depository Limited and Central Depository Services Limited at the request of Relay B.V.	Nil
35	- Royal Challengers Sports Private Limited	Interest income	Subsidiary	13-Nov-14	NA	-	Interest Income on working capital loan	Nil
36	- Royal Challengers Sports Private Limited	Finance (including loans and advances, equity contributions in cash or in kind and Exchange gain / (loss))	Subsidiary	13-Nov-14	-	-	Funding for working capital loan	Nil
37	- Sovereign Distilleries Limited	Interest income	Subsidiary	13-Nov-14	NA	-	Interest Income on working capital loan	Nil
38	- Sovereign Distilleries Limited	Salary recharge- Expense / (Income)	Subsidiary	17 March 2015	01 July 2015 to 31 March 2016	Based on Transfer Pricing Guidelines	Salary recharge with respect to employees deputed to related party	Nil
39	- Sovereign Distilleries Limited	Finance (including loans and advances, equity contributions in cash or in kind and Exchange gain / (loss))	Subsidiary	13-Nov-14	-	-	Funding for working capital loan	Nil
40	- Tern Distilleries Private Limited	Purchase of goods	Subsidiary	NA	-	-	-	Nil
41	- Tern Distilleries Private Limited	Interest income	Subsidiary	13-Nov-14	NA	-	Interest Income on working capital loan	Nil
42	- Tern Distilleries Private Limited	Finance (including loans and advances, equity contributions in cash or in kind and Exchange gain / (loss))	Subsidiary	13-Nov-14	-	-	Funding for working capital loan	Nil
43	- United Breweries (Holdings) Limited	Trade mark license/ Brand fee	Promoter/ Promoter Group	11th Oct 2012	29th June 2013 to 28th June 2023	Based on Transfer Pricing Guidelines	Usage of pegasus trade mark lincense owned by United Breweries(Holdings) Limited	2500(Total value of the contract ₹ 5130 Million)
44	- United Breweries (Holdings) Limited	Guarantee /security commission	Promoter/ Promoter Group		-	-	-	Nil
45	- United Spirits Nepal Private Limited	Sale of goods	Subsidiary	NA	4th March 2011 to 4th March 2021	Based on Transfer Pricing Guidelines	Sale of propriety formula for manufacture of Company's brands	Nil



## Annexure 2 (continued)

Sl. No.	Name of the related Party	Nature of Contract	Nature of Relationship	Date on which Resolution was passed	Duration of Contract	Salient Terms	Justification	Amount Paid /(Received) as Advance (₹ Million)
46	- United Spirits Nepal Private Limited	Income from brand franchise	Subsidiary	NA	4th March 2011 to 4th March 2021	Based on Transfer Pricing Guidelines	Royalty and Brand Development Fee payable by United Spirits Nepal Private Limited to United Spirits Limited, being the brand owner	Nil
47	- United Spirits Singapore Pte Limited	Sale of goods	Subsidiary	NA		Arms length transaction		Nil
48	- United Spirits Singapore Pte Limited	Other operating income	Subsidiary	NA		Arms length transaction		Nil
49	- United Spirits Singapore Pte Limited	Advertisement & sales promotion expenses/(income)	Subsidiary	NA		Arms length transaction		Nil
50	- United Breweries Limited	Expenses reimbursed	Promoter/ Promoter Group	02 November 2015	01 April to 31 December 2015	NA	Property cost sharing agreement for certain units of UBL and USL situated within same compound.	Nil

(ii) Note on certain Historical Agreements

As stated in Note 24 (d) to the standalone financial statements, as per the requirements of the equity listing agreements entered into by the Company with various stock exchanges in India and various circulars and regulations issued by the SEBI and applicable provisions of the Act, the Company sought approval of its equity shareholders for certain agreements in the extraordinary general meeting ("EGM") held on 28 November 2014. Some of the agreements, as detailed in the aforesaid note, were not approved by the equity shareholders in the aforesaid EGM. The Company has sought clarification/direction from SEBI with respect to the implications arising from the non-approval of the said agreements. Pending the clarification/direction from the SEBI, during the year ended 31 March 2015, the Company had recognised the underlying expenses pursuant to these agreements up to 28 November 2014 aggregating ₹ 1,357.30 million. The Company has not recognised charges arising out of non-approved agreements for the period since 29 November 2014. Further, subsequent to 28 November 2014, in response to the letters received by the Company from some of the concerned counterparties, the Company has made payments amounting to ₹ 74.30 million (excludes a cheque of ₹ 6.10 million which has not been encashed) to such counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. During the current year, the Company has entered into mutual release and termination agreements with some of the counterparties, wherein the Company has retained the right to recover the amounts paid to the respective counterparties for the period before November 28, 2014 in case any regulatory authority and/or any court of competent jurisdiction decides that these amounts were not payable by the Company at a future date. Pending clarifications from SEBI, based on an opinion received from a senior legal counsel, the Management believes that these contracts have been rendered void by, and from the date of voting down by, the shareholders;

(iii) Details of loans, advances and investments by the company in its subsidiary and Associate Companies (as required under Regulation 34(3) and 53(f) of SEBI (LODR) Regulations, 2015 read with Schedule V Para A2) have been disclosed in Note no 48 of the Audited Financial Statements for the year ended March 31, 2016

By Authority of the Board

**Mahendra Kumar Sharma**  
Chairman

**Anand Kripalu**  
Managing Director and Chief Executive Officer

**Sanjeev Churiwala**  
Chief Financial Officer

**V. Ramachandran**  
Company Secretary

## Annexure 3

### FORM NO. MR-3

#### SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
United Spirits Limited  
Bangalore

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by United Spirits Limited (CIN: L01551KA1999PLC024991) (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2016, complied with the statutory provisions listed hereunder and also that the company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by United Spirits Limited ("the Company") for the financial year ended on March 31, 2016 according to the provisions of:

- i. The Companies Act, 2013, (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-Laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI');
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (No instances for compliance requirements during the year);
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (No instances for compliance requirements during the year);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No instances for compliance requirements during the year);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No instances for compliance requirements during the year);
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, (No instances for compliance requirements during the year); and
  - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- vi. Various State Excise Laws relating to alcohol and related industry;
- vii. Legal Metrology Act, 2009 and Rules thereunder;
- viii. Food Safety and Standards Act, 2006 and Rules and Regulations made thereunder;
- ix. The Environment (Protection) Act, 1986 and Rules thereunder;
- x. The Water (Prevention & Control of Pollution) Act, 1974;
- xi. The Air (Prevention & Control of Pollution) Act, 1981;



## Annexure 3 (continued)

- xii. The Factories Act, 1948 and Rules thereunder;
- xiii. All other Labour, Employee and Industrial Laws to the extent applicable to the Company.

I have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by the Institute of Company Secretaries of India.
- ii. The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc as mentioned above wherever applicable subject to the following observations:

1. *As mentioned in my report for the financial year ended on March 31, 2015, for the managerial remuneration paid in excess of limits prescribed under Section 197 read with Schedule V of the Companies Act, 2013, in absence of profits during the said year, the Company had applied for the requisite approval from the Central Government. Subsequent to year end, the Company has received the communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.*
2. *The vacancy in the office of Chief Financial Officer of the Company was not filled up by the Board of Directors within a period of six months from the date of vacancy as required under Section 203(4) of the Companies Act, 2013. The Company has made necessary application for compounding the said offence with the prescribed authorities under Section 621A of the Companies Act, 1956.*
3. *The Company did not hold its Sixteenth Annual General Meeting within a period of six months from the closure of financial year ended on March 31, 2015 as required under Section 96 of the Companies Act, 2013. The Company has made necessary application for compounding the said offence with the prescribed authorities under Section 621A of the Companies Act, 1956.*
4. Major Notices received during the year:
  - a. At its meeting held on April 25, 2015, the Board discussed and considered the Inquiry Report submitted by the MD & CEO in relation to certain previous year financial irregularities and non – compliances, which was also reported by the board of directors in its annual report for the financial year ended on March 31, 2015 under the head Inquiry into Prior Year's Audit Qualifications. The Company had informed the stock exchanges of the outcome of this Board Meeting, including the various decisions taken by the Board as a result of its consideration of the Inquiry Report. The Company had also reported outcome of inquiry report to various authorities including Ministry of Corporate Affairs and Income Tax Authorities. On the basis of this, Central Government had directed inspection of books and papers under Section 206 (5) of the Companies Act, 2013, vide its letter dated May 7, 2015 and the inspection was carried out by the Joint Director at the office of Regional Director South East Region, Hyderabad, who was appointed as the inspecting officer. The Company and its Directors and officers (including former Directors and officers) have received a notice dated January 11, 2016 from the Inspecting Officer requesting explanations and comments as to why action should not be initiated in relation to various contraventions alleged by the Inspecting Officer under the provisions of the Act. The Company has also received a notice under Section 131 of the Income Tax Act, 1961. The Company has responded to the notices.
  - b. With reference to announcement made by the Company to the Stock Exchanges dated February 26, 2016, with regard to "Resignation of Director and Chairman" – Dr. Vijay Mallya and related matters, The SEBI vide its letter number SEBI/HO/CFD/FAC/OWIP/2016/6986/1 dated March 09, 2016 has sought certain information under Section 11(2)(i) read with Section 11 (1) of the SEBI Act, 1992 and relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as to how the company has complied with regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and has also sought certain explanations on following corporate governance standards with respect to above matter and also on internal inquiry disclosures as referred above. The Company has responded to the above and further communications for clarifications sought are under process.
  - c. The other matters, explanations, information sought by various authorities in connection with inquiry as referred above, including reporting of fraud under Section 143 (12) of the Companies Act, 2013, by Statutory Auditors of the Company to the Central Government are explained by the Company in detail in Note No. 30(c) of the Notes to Audited Financial Statements for the year ended March 31, 2016.

I further report that

The Board of Directors of the Company is duly constituted with Executive and Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with provisions of the Act.

## Annexure 3 (continued)

Adequate notices were given to all Directors to schedule the Board meetings, agenda and detailed note on agenda were sent at least seven days in advance and wherever sent at shorter period and also in the cases wherever the matters other than agenda items were considered, the requisite compliance of Section 173 of the Act and Para 1.3 of Secretarial Standard 1 were carried out and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the descending members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the company commensurate with size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the Company has following specific actions having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards referred to above:

1. Further to the sale of Whyte & Mackay Group Limited and the letter dated October 16, 2014 received from the authorized dealer, the company is in the process of liquidating or restructuring the intermediary wholly owned subsidiaries.
2. Pursuant to decision taken by the board at its meeting held on April 25, 2015, the Company has made following divestment of its assets:
  - (a) The Company has sold its entire investment of 85,00,000 equity shares in United Breweries Limited (constituting 3.21% of the paid up equity share capital of United Breweries Limited) through an order placed on 7th July 2015, by way of block trade on National Stock Exchange of India Limited at a price of ₹ 1030/- per share.
  - (b) Asian Opportunities & Investments Limited, a wholly owned subsidiary of the Company has sold its entire interest in Bouvet Ladubay S. A. and its wholly owned subsidiary Chapin Landais S.A.S. Consequent to this Bouvet Ladubay S. A. and its wholly owned subsidiary Chapin Landais S.A.S. ceased to be the subsidiaries of the Company.
3. During the year SW Finance Co. Limited, a wholly owned subsidiary of the Company was amalgamated with the Company pursuant to the Order of the Hon'ble High Court of Bombay vide its Order dated 28/08/2015. Pursuant to this, the authorised capital of the Company was increased from 5,54,20,00,000/- to 7,19,20,00,000/-
4. The shareholders of the Company have approved through postal ballot closed on January 7, 2016, by way of Special Resolution under Section 186 of the Companies Act, 2013, to give guarantee and/ or provide security in connection with a loan to be availed by Pioneer Distilleries Limited ("PDL"), a Subsidiary of the Company, up to ₹ 100 Crores (Rupees One Hundred Crores only) from Standard Chartered Bank or such other bank or banks as the Board may decide from time to time.
5. The Shareholders of the Company at an Extraordinary General Meeting held on January 22, 2016, approved, with requisite majority, the resolution for reporting erosion of more than fifty percent of the Company's peak net worth in the immediately preceding four financial years as per Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985.
6. Pursuant to approval of board of directors at its meeting held on November 2, 2015, the Company has further invested ₹ 98.68 Crores in equity share capital of Tern Distilleries Private Limited, a wholly owned subsidiary of the Company upon, conversion of loans and accrued interest thereon into equity shares.
7. Pursuant to approval of board of directors at its meeting held on November 2, 2015, the Company has further invested ₹ 426.69 Crores in the equity share capital of Sovereign Distilleries Limited (SDL), a wholly owned subsidiary of the Company.

SUDHIR VISHNUPANT HULYALKAR

Company Secretary in Practice

FCS No.: 6040

C. P. No. : 6137

Place : Bangalore

Date : 8 June 2016



# Annexure 4

**FORM MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**as on the financial year ended on 31<sup>st</sup> March 2016**

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. Registration and Other Details:**

Particulars	Details
CIN	L01551KA1999PLC024991
Registration date	31/03/1999
Name of the Company	United Spirits Limited
Category/Sub-Category of the Company	Company Limited by Shares Indian Non Govt Company
Address of the Registered office and contact details	'UB TOWER' # 24, VITTAL MALLYA ROAD, BANGALORE Karnataka-560001 Phone: +91 80 3985 6500 E-mail: ramachandran.venkatesan@unitedspirits.in Website: www.unitedspirits.in
Whether listed company Yes / No	Yes
Name, Address and Contact details of Registrar and Transfer Agent, if any	INTEGRATED ENTERPRISES (INDIA) LIMITED No. 30, Ramana Residency, 4 <sup>th</sup> cross, Sampige Road, Malleswaram, Bengaluru-560003 Tel: (080)23460815-818 Fax: (080)23460819

**II. Principal Business Activities of the Company:**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Distilling, rectifying and blending of spirits; ethyl alcohol production from fermented material	1551	99.98
	<b>Total</b>		<b>99.98</b>

**III. Particulars of Holding, Subsidiary and Associate Companies:**

Sl. No.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of Shares held	Applicable Section
1	Relay BV	Molenwerf – 10-12, 1014, BG, Amsterdam, Netherlands.	NA	Holding Company	54.78	2(46)
2	Asian Opportunities & Investments Limited (AOIL)	IFS Court, Twenty Eight, Cybercity, Ebene, Mauritius	22752/5112	Subsidiary Company	100	2(87)
3	United Spirits Nepal Private Limited	Kamaladi, Kathmandu(Nepal)	124/39	Subsidiary Company	82.46	2(87)
4	Palmer Investment Group Limited (PIG)	Sea Meadow House, Blackburne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands	447034	Subsidiary Company	100	2(87)
5	Tern Distilleries Private Limited (Tern)	UB House, Plot No. 36, Street No. 04, Srinagar Colony, Hyderabad, Telangana-500073	U15532TG1999PTC031318	Subsidiary Company	100	2(87)

## Annexure 4 (continued)

Sl. No.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of Shares held	Applicable Section
6	Shaw Wallace Overseas Limited (SWOL)	Leonard House 5-7 Newman Road, Bromley, Kent BR1 1RJ	NA	Subsidiary Company	100	2(87)
7	UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited (JIHL))	La Motte Chambers, St Helier, Jersey, JE1 1PB	NA	Subsidiary Company	100	2(87)
8	Montrose International S.A (MI)	Edificio Vallarino Penthouse, Calle 52 Y ElviraMendez, Ciudad De Panama, R.P	3147	Subsidiary Company	100	2(87)
9	USL Holdings Limited (UHL)	Geneva Place, 333 Waterfront Drive Road Town, Tortola, British Virgin Islands	1385373 ( BVI )	Subsidiary Company	100	2(87)
10	USL Holdings (UK) Limited (UHUKL)	C/O Mcclure Naismith, 4th Floor Equitable House, 47 King William Street, London, EC4R 2AF	NA	Subsidiary Company	100	2(87)
11	United Spirits (UK) Limited (USUKL)	C/O McClure Naismith, 4th Floor Equitable House, 47 King William Street, London, EC4R 2AF	NA	Subsidiary Company	100	2(87)
12	United Spirits (Great Britain) Limited (USGBL)	C/O McClure Naismith, 4th Floor Equitable House, 47 King William Street, London, EC4R 2AF	NA	Subsidiary Company	100	2(87)
13	Four Seasons Wines Limited (FSWL)	UB Tower,#24,Vittal Mallya Road, Bangalore, Karnataka-560001	U15549KA2006PLC039931	Subsidiary Company	100	2(87)
14	Pioneer Distilleries Limited	"UB House", Plot No. 36, Street No. 4, Srinagar Colony, Hyderabad, Andhra Pradesh-500073	L24116AP1992PLC055108	Subsidiary Company	100	2(87)
15	McDowell & Co (Scotland) Limited	Keillour House, Methvan, Perthshire, PH1 3RA	SC 145242	Subsidiary Company	100	2(87)
16	Sovereign Distilleries Limited	'UB House' Plot No: 36, Door No. 8-3-1099/A, Street No. 4, Srinagar Colony, Hyderabad, Telangana-500073	U15511TG2001PLC036282	Subsidiary Company	100	2(87)
17	Liquidity Inc.	4235, Redwood Ave., Los Angeles, CA 90066, USA.	-	Subsidiary Company	51	2(87)
18	United Spirits (Shanghai) Trading Company Limited	Unit 215, Xinxing Building, No. 8, Jia Feng Road, Wai Gao Qiao Free Trade Zone, Shanghai, China	(S.W.Z.H.D.Z.Z. [2007] No. 1153	Subsidiary Company	100	2(87)
19	Royal Challengers Sports Private Limited	'UB Tower', # 24, Vittal Mallya Road, Bangalore, Karnataka-560001	U92400KA2008PTC045565	Subsidiary Company	100	2(87)
20	United Spirits Singapore Trading Pte Ltd (Formerly known as Whyte and Mackay Singapore Pte Ltd)	9 Battery Road, #15-01 Straits Trading Building, Singapore 049910	NA	Subsidiary Company	100	2(87)
21	Wine Society of India Pvt. Ltd	005, CNB Square, Sangam Cinema Complex, 127 Andheri Kurla Road, Andheri (E), Mumbai - 400 059.	U51228MH2006PTC162593	Associate Company	33.33	2(6)

- During the year, SW Finance Co. Limited, through a Scheme of Amalgamation, merged with United Spirits Limited.

- Bouvet Ladubay and Chaplin Landias, subsidiaries of United Spirits Limited ceased to be the subsidiaries of United Spirits Limited.



## Annexure 4 (continued)

### IV Shareholding Pattern (Equity Share capital Break up as % to total Equity)

#### (i) Category wise Shareholding

Category of Share Holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/HUF	12,510	-	12,510	0.01	12,510	-	12,510	0.01	NIL
b) Central Govt. or State Govt.									
c) Bodies Corporate	59,36,823	-	59,36,823	4.09	53,94,573	-	53,94,573	3.73	0.36
d) Bank/Fl									
e) Any other									
<b>SUB TOTAL (A)(1)</b>	<b>59,49,333</b>	-	<b>59,49,333</b>	<b>4.10</b>	<b>54,07,083</b>	-	<b>54,07,083</b>	<b>3.74</b>	<b>0.36</b>
<b>(2) Foreign</b>									
a) NRI- Individuals									
b) Other - Individuals									
c) Bodies Corp.	7,96,12,346	-	7,96,12,346	54.78	7,96,12,346	-	7,96,12,346	55.06	0.28
d) Banks/Fl									
e) Any other...									
<b>SUB TOTAL (A)(2)</b>	<b>7,96,12,346</b>	-	<b>7,96,12,346</b>	<b>54.78</b>	<b>7,96,12,346</b>	-	<b>7,96,12,346</b>	<b>55.06</b>	<b>0.28</b>
<b>Total Share holding of Promoter (A)= (A)(1)+(A)(2)</b>	<b>8,55,61,679</b>	-	<b>8,55,61,679</b>	<b>58.87</b>	<b>8,50,19,429</b>	-	<b>8,50,19,429</b>	<b>58.80</b>	<b>0.36</b>
<b>B. PUBLIC SHAREHOLDING</b>									
<b>(1) Institutions</b>									
a) Mutual Funds	59,69,245	550	59,69,795	4.11	74,85,872	550	74,86,422	5.18	1.07
b) Banks/Fl	65,625	11,227	76,852	0.05	1,65,320	11,227	1,76,547	0.12	Nil
(C) Central govt	27,439	-	27,439	0.02	27,439	-	27,439	0.02	Nil
d) State Govt.	-	7,521	7,521	0.01	-	7,521	7,521	-	Nil
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	3,49,34,834	1,747	3,49,36,581	24.04	3,38,08,538	2,003	3,38,10,541	23.39	0.65
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others [Specify (Q1B)]	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL (B)(1)</b>	<b>4,09,97,693</b>	<b>21,045</b>	<b>4,10,18,188</b>	<b>28.22</b>	<b>4,14,87,169</b>	<b>21,301</b>	<b>4,15,08,470</b>	<b>28.71</b>	<b>0.49</b>
<b>(2) Non Institutions</b>									
a) Bodies corporate									
i) Indian	69,14,493	52,434	69,66,927	4.79	65,31,681	42,764	65,74,445	4.55	0.24
ii) Overseas	40,525	3,504	44,029	0.03	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 2 lakhs	51,84,977	14,73,878	66,58,855	4.58	65,78,383	18,01,192	83,79,575	5.80	1.22
ii) Individuals shareholders holding nominal share capital in excess of ₹ 2 lakhs	24,55,563	32,034	24,87,597	1.71	23,65,256	-	23,65,256	1.64	0.07
Qualified Foreign Investor / Foreign Portfolio Investor (Corporate)	4,025	-	4,025	0.01	-	-	-	-	-
c) Others (specify)	5,19,296	-	5,19,296	0.36	39,79,449	-	39,79,449	2.75	2.39
Clearing Member	1,44,504	-	1,44,504	0.10	1,38,203	-	1,38,203	0.10	Nil
Foreign Nationals	50	-	50	0.00	-	-	-	-	-

## Annexure 4 (continued)

Category of Share Holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Non Resident Indians (Repirtable)	1,99,567	3,73,261	5,72,828	0.39	-	-	-	-	-
Non Resident Indians (Non Reparable)	5,48,557	6,393	5,54,950	0.38	-	-	-	-	-
Directors									
Relatives Of Directors									
Trusts	79,068	-	79,068	0.05	76,418	-	76,418	0.05	Nil
<b>SUB TOTAL (B)(2)</b>	<b>1,60,90,625</b>	<b>19,41,504</b>	<b>1,80,32,129</b>	<b>12.41</b>	<b>1,62,10,300</b>	<b>18,43,956</b>	<b>1,80,54,256</b>	<b>12.49</b>	<b>0.08</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>5,70,87,768</b>	<b>19,62,549</b>	<b>5,90,50,317</b>	<b>40.63</b>	<b>5,76,97,469</b>	<b>18,65,257</b>	<b>5,95,62,726</b>	<b>41.20</b>	<b>0.57</b>
C. Shares held by Custodian for GDRs & ADRs	7,15,747	-	7,15,747	0.49	7,45,588	-	7,45,588	0.00	0.49
<b>Grand Total (A+B+C)</b>	<b>14,33,65,14</b>	<b>19,62,549</b>	<b>14,53,27,743</b>	<b>100.00</b>	<b>14,34,62,486</b>	<b>18,65,257</b>	<b>14,53,27,743</b>	<b>100.00</b>	<b>-</b>

### (ii). Shareholding of Promoters

SI No.	Promoter's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of shares	% of total shares of the company	No. & % of shares pledged / encumbered to total shares	No. of shares	% of total shares of the company	No. & % of shares pledged / encumbered to total shares	
1	KINGFISHER FINVEST INDIA LIMITED	16,58,180	1.14	15,00,000 (1.03)	12,08,180	0.83	10,50,000 (0.72)	0.31
2	MALLYA PRIVATE LIMITED	1,005	0.00	-	1,005	0.00	-	-
3	ROSSI AND ASSOCIATES PVT LTD	35,112	0.02	-	35,112	0.02	-	-
4	UNITED BREWERIES HOLDINGS LIMITED	42,08,556	2.90	17,13,820 (1.18)	41,16,306	2.83	16,41,570 (1.13)	0.07
5	Dr. VIJAY MALLYA	12,510	0.01	-	12,510	0.01	-	-
6	VITTAL INVESTMENTS PRIVATE LIMITED	31,270	0.02	-	31,270	0.02	-	-
7	RELAY BV	7,96,12,346	54.78	-	7,96,12,346	54.78	-	-
8	DEVI INVESTMENTS PRIVATE LIMITED	2,700	0.00	-	2,700	0.00	-	-
	<b>TOTAL</b>	<b>8,55,61,679</b>	<b>58.87</b>	<b>32,13,820 (2.21)</b>	<b>8,50,19,429</b>	<b>58.50</b>	<b>26,91,570 (1.85)</b>	<b>0.37</b>

### (iii) Change in Promoter's Shareholding (Promoter wise) including Date wise increase / decrease in each of the Promoter's Shareholding during the year specifying the reasons for increase / decrease

Name	Shares at the beginning of the year	Date of Change	Reason for Change	No. of Shares	Cumulative shareholding
KINGFISHER FINVEST INDIA LIMITED	1658180	11/27/2015	Pledge invoked	150,000	1,508,180
		3/11/2016	Pledge invoked	300,000	1,208,180
UNITED BREWERIES HOLDINGS LIMITED	4208556	2/19/2016	Pledge invoked	20,000	4,188,556
		3/18/2016	Pledge invoked	72,250	4,116,306
<b>Note: Shareholding and Cumulative Shareholding of all other promoters remains unchanged during the year</b>					

## Annexure 4 (continued)

### (iv) Shareholding Pattern of top ten Shareholders (other than Directors & Promoters and Holders of GDRs and ADRs

Sl No	Name of the Share Holder	No of Shares	Shareholding at the beginning of the period 01/04/2015				Cumulative shareholding during the period 31/03/2016	
			% to total shares of the company	Date	Increase /Decrease in Share Holding	Reason	No of Shares	% to total shares of the company
1.	CLSA GLOBAL MARKETS PTE. LTD.	2,159,054	1.49	01.04.2015	0.00	NA	2,159,054	1.49
		2,161,759	1.49	24.04.2015	2705.00	BOUGHT	2,161,759	1.49
		2,232,683	1.54	01.05.2015	70924.00	BOUGHT	2,232,683	1.54
		2,260,827	1.56	08.05.2015	28144.00	BOUGHT	2,260,827	1.56
		2,261,653	1.56	29.05.2015	826.00	BOUGHT	2,261,653	1.56
		2,265,140	1.56	05.06.2015	3487.00	BOUGHT	2,265,140	1.56
		2,277,275	1.57	26.06.2015	12135.00	BOUGHT	2,277,275	1.57
		2,298,346	1.58	30.06.2015	21071.00	BOUGHT	2,298,346	1.58
		2,313,242	1.59	03.07.2015	14896.00	BOUGHT	2,313,242	1.59
		2,316,538	1.59	24.07.2015	3296.00	BOUGHT	2,316,538	1.59
		2,322,127	1.60	07.08.2015	5589.00	BOUGHT	2,322,127	1.60
		2,313,227	1.59	21.08.2015	-8900.00	SOLD	2,313,227	1.59
		2,321,409	1.60	28.08.2015	8182.00	BOUGHT	2,321,409	1.60
		2,344,877	1.61	04.09.2015	23468.00	BOUGHT	2,344,877	1.61
		2,342,597	1.61	25.09.2015	-2280.00	SOLD	2,342,597	1.61
		2,343,024	1.61	30.09.2015	427.00	BOUGHT	2,343,024	1.61
		2,349,223	1.62	09.10.2015	6199.00	BOUGHT	2,349,223	1.62
		2,344,169	1.61	06.11.2015	-5054.00	SOLD	2,344,169	1.61
		2,335,920	1.61	13.11.2015	-8249.00	SOLD	2,335,920	1.61
		2,336,683	1.61	18.12.2015	763.00	BOUGHT	2,336,683	1.61
		2,337,759	1.61	25.12.2015	1076.00	BOUGHT	2,337,759	1.61
		2,336,857	1.61	15.01.2016	-902.00	SOLD	2,336,857	1.61
		2,341,930	1.61	22.01.2016	5073.00	BOUGHT	2,341,930	1.61
		2,347,009	1.61	29.01.2016	5079.00	BOUGHT	2,347,009	1.61
					<b>31.03.2016</b>			<b>2,347,009</b>
2.	CARMIGNAC GESTION A/C CARMIGNAC PATRIMOINE	2,197,595	1.51	01.04.2015	0.00	NA	2,197,595	1.51
		2,228,064	1.53	26.06.2015	30469.00	BOUGHT	2,228,064	1.53
		2,246,635	1.55	30.06.2015	18571.00	BOUGHT	2,246,635	1.55
		2,259,900	1.56	03.07.2015	13265.00	BOUGHT	2,259,900	1.56
		2,245,949	1.55	03.07.2015	-13951.00	SOLD	2,245,949	1.55
					<b>31.03.2016</b>			<b>2,245,949</b>
3.	RELIANCE CAPITAL TRUSTEE CO. LTD-A/C RELIANCE CAPI	1,130,100	0.78	01.04.2015	0.00	NA	1,130,100	0.78
		1,137,779	0.78	10.04.2015	7679.00	BOUGHT	1,137,779	0.78
		1,117,132	0.77	17.04.2015	-20647.00	SOLD	1,117,132	0.77
		1,161,192	0.80	24.04.2015	44060.00	BOUGHT	1,161,192	0.80
		1,164,268	0.80	01.05.2015	3076.00	BOUGHT	1,164,268	0.80
		1,163,499	0.80	08.05.2015	-769.00	SOLD	1,163,499	0.80
		1,145,019	0.79	15.05.2015	-18480.00	SOLD	1,145,019	0.79
		1,137,169	0.78	22.05.2015	-7850.00	SOLD	1,137,169	0.78
		1,126,169	0.77	29.05.2015	-11000.00	SOLD	1,126,169	0.77
		1,095,101	0.75	05.06.2015	-31068.00	SOLD	1,095,101	0.75
		1,120,101	0.77	26.06.2015	25000.00	BOUGHT	1,120,101	0.77
		1,145,101	0.79	03.07.2015	25000.00	BOUGHT	1,145,101	0.79
		1,170,101	0.81	10.07.2015	25000.00	BOUGHT	1,170,101	0.81
		1,170,093	0.81	17.07.2015	-8.00	SOLD	1,170,093	0.81
		1,205,094	0.83	07.08.2015	35001.00	BOUGHT	1,205,094	0.83
		1,205,102	0.83	14.08.2015	8.00	BOUGHT	1,205,102	0.83
		1,225,762	0.84	28.08.2015	20660.00	BOUGHT	1,225,762	0.84
		1,245,762	0.86	04.09.2015	20000.00	BOUGHT	1,245,762	0.86

## Annexure 4 (continued)

SI No	Name of the Share Holder	No of Shares	Shareholding at the beginning of the period 01/04/2015				Cumulative shareholding during the period 31/03/2016	
			% to total shares of the company	Date	Increase /Decrease in Share Holding	Reason	No of Shares	% to total shares of the company
		1,280,768	0.88	11.09.2015	35006.00	BOUGHT	1,280,768	0.88
		1,299,868	0.89	18.09.2015	19100.00	BOUGHT	1,299,868	0.89
		1,319,858	0.91	25.09.2015	19990.00	BOUGHT	1,319,858	0.91
		1,319,850	0.91	30.09.2015	-8.00	SOLD	1,319,850	0.91
		1,327,850	0.91	16.10.2015	8000.00	BOUGHT	1,327,850	0.91
		1,327,849	0.91	23.10.2015	-1.00	SOLD	1,327,849	0.91
		1,327,852	0.91	13.11.2015	3.00	BOUGHT	1,327,852	0.91
		1,323,102	0.91	27.11.2015	-4750.00	SOLD	1,323,102	0.91
		1,378,934	0.95	04.12.2015	55832.00	BOUGHT	1,378,934	0.95
		1,423,102	0.98	11.12.2015	44168.00	BOUGHT	1,423,102	0.98
		1,398,102	0.96	18.12.2015	-25000.00	SOLD	1,398,102	0.96
		1,398,093	0.96	31.12.2015	-9.00	SOLD	1,398,093	0.96
		1,452,121	1.00	15.01.2016	54028.00	BOUGHT	1,452,121	1.00
		1,500,421	1.03	22.01.2016	48300.00	BOUGHT	1,500,421	1.03
		1,554,921	1.07	29.01.2016	54500.00	BOUGHT	1,554,921	1.07
		1,593,921	1.10	05.02.2016	39000.00	BOUGHT	1,593,921	1.10
		1,794,933	1.24	19.02.2016	201012.00	BOUGHT	1,794,933	1.24
		2,039,933	1.40	26.02.2016	245000.00	BOUGHT	2,039,933	1.40
		2,018,441	1.39	04.03.2016	-21492.00	SOLD	2,018,441	1.39
		2,093,441	1.44	18.03.2016	75000.00	BOUGHT	2,093,441	1.44
		2,089,041	1.44	25.03.2016	-4400.00	SOLD	2,089,041	1.44
		2,005,041	1.38	31.03.2016	-84000.00	SOLD	2,005,041	1.38
				<b>31.03.2016</b>			<b>2,005,041</b>	<b>1.38</b>
4.	MORGAN STANLEY ASIA (SINGAPORE) PTE.	3,166,006	2.18	01.04.2015	0.00	NA	3,166,006	2.18
		3,165,522	2.18	10.04.2015	-484.00	SOLD	3,165,522	2.18
		3,158,915	2.17	17.04.2015	-6607.00	SOLD	3,158,915	2.17
		3,158,753	2.17	24.04.2015	-162.00	SOLD	3,158,753	2.17
		3,166,250	2.18	01.05.2015	7497.00	BOUGHT	3,166,250	2.18
		3,165,989	2.18	08.05.2015	-261.00	SOLD	3,165,989	2.18
		3,158,087	2.17	15.05.2015	-7902.00	SOLD	3,158,087	2.17
		3,165,692	2.18	22.05.2015	7605.00	BOUGHT	3,165,692	2.18
		3,169,296	2.18	29.05.2015	3604.00	BOUGHT	3,169,296	2.18
		3,133,713	2.16	05.06.2015	-35583.00	SOLD	3,133,713	2.16
		3,148,757	2.17	26.06.2015	15044.00	BOUGHT	3,148,757	2.17
		3,150,391	2.17	30.06.2015	1634.00	BOUGHT	3,150,391	2.17
		3,154,102	2.17	03.07.2015	3711.00	BOUGHT	3,154,102	2.17
		3,156,947	2.17	10.07.2015	2845.00	BOUGHT	3,156,947	2.17
		3,159,795	2.17	17.07.2015	2848.00	BOUGHT	3,159,795	2.17
		3,157,125	2.17	24.07.2015	-2670.00	SOLD	3,157,125	2.17
		3,156,950	2.17	31.07.2015	-175.00	SOLD	3,156,950	2.17
		3,144,642	2.16	28.08.2015	-12308.00	SOLD	3,144,642	2.16
		3,139,402	2.16	18.09.2015	-5240.00	SOLD	3,139,402	2.16
		3,143,513	2.16	06.11.2015	4111.00	BOUGHT	3,143,513	2.16
		3,234,098	2.23	13.11.2015	90585.00	BOUGHT	3,234,098	2.23
		3,508,029	2.41	20.11.2015	273931.00	BOUGHT	3,508,029	2.41
		3,602,059	2.48	27.11.2015	94030.00	BOUGHT	3,602,059	2.48
		3,605,571	2.48	04.12.2015	3512.00	BOUGHT	3,605,571	2.48
		3,606,388	2.48	11.12.2015	817.00	BOUGHT	3,606,388	2.48
		3,613,997	2.49	18.12.2015	7609.00	BOUGHT	3,613,997	2.49



## Annexure 4 (continued)

Sl No	Name of the Share Holder	No of Shares	Shareholding at the beginning of the period 01/04/2015			Cumulative shareholding during the period 31/03/2016		
			% to total shares of the company	Date	Increase /Decrease in Share Holding	Reason	No of Shares	% to total shares of the company
		3,572,256	2.46	25.12.2015	-41741.00	SOLD	3,572,256	2.46
		3,479,462	2.39	31.12.2015	-92794.00	SOLD	3,479,462	2.39
		3,472,567	2.39	08.01.2016	-6895.00	SOLD	3,472,567	2.39
		3,474,923	2.39	15.01.2016	2356.00	BOUGHT	3,474,923	2.39
		3,480,169	2.39	22.01.2016	5246.00	BOUGHT	3,480,169	2.39
		3,476,818	2.39	29.01.2016	-3351.00	SOLD	3,476,818	2.39
		3,469,176	2.39	05.02.2016	-7642.00	SOLD	3,469,176	2.39
		3,389,618	2.33	12.02.2016	-79558.00	SOLD	3,389,618	2.33
		3,039,969	2.09	19.02.2016	-349649.00	SOLD	3,039,969	2.09
		2,991,316	2.06	26.02.2016	-48653.00	SOLD	2,991,316	2.06
		2,804,630	1.93	04.03.2016	-186686.00	SOLD	2,804,630	1.93
		2,504,259	1.72	11.03.2016	-300371.00	SOLD	2,504,259	1.72
		2,401,009	1.65	18.03.2016	-103250.00	SOLD	2,401,009	1.65
		2,085,033	1.43	25.03.2016	-315976.00	SOLD	2,085,033	1.43
		1,808,876	1.24	31.03.2016	-276157.00	SOLD	1,808,876	1.24
				<b>31.03.2016</b>			<b>1,808,876</b>	<b>1.24</b>
5	ICICI PRUDENTIAL VALUE FUND-SERIES 5	1,948,671	1.34	01.04.2015	0.00	NA	1,948,671	1.34
		1,869,342	1.29	10.04.2015	-79329.00	SOLD	1,869,342	1.29
		1,867,048	1.28	17.04.2015	-2294.00	SOLD	1,867,048	1.28
		1,897,067	1.31	24.04.2015	30019.00	BOUGHT	1,897,067	1.31
		1,897,096	1.31	01.05.2015	29.00	BOUGHT	1,897,096	1.31
		1,928,166	1.33	08.05.2015	31070.00	BOUGHT	1,928,166	1.33
		1,915,098	1.32	15.05.2015	-13068.00	SOLD	1,915,098	1.32
		1,880,502	1.29	22.05.2015	-34596.00	SOLD	1,880,502	1.29
		1,851,454	1.27	29.05.2015	-29048.00	SOLD	1,851,454	1.27
		1,798,125	1.24	05.06.2015	-53329.00	SOLD	1,798,125	1.24
		1,794,054	1.23	12.06.2015	-4071.00	SOLD	1,794,054	1.23
		1,861,112	1.28	19.06.2015	67058.00	BOUGHT	1,861,112	1.28
		1,886,112	1.30	26.06.2015	25000.00	BOUGHT	1,886,112	1.30
		1,919,899	1.32	30.06.2015	33787.00	BOUGHT	1,919,899	1.32
		1,931,402	1.33	03.07.2015	11503.00	BOUGHT	1,931,402	1.33
		1,931,384	1.33	10.07.2015	-18.00	SOLD	1,931,384	1.33
		1,931,245	1.33	17.07.2015	-139.00	SOLD	1,931,245	1.33
		1,877,070	1.29	31.07.2015	-54175.00	SOLD	1,877,070	1.29
		1,868,512	1.29	07.08.2015	-8558.00	SOLD	1,868,512	1.29
		1,868,460	1.29	14.08.2015	-52.00	SOLD	1,868,460	1.29
		1,868,469	1.29	21.08.2015	9.00	BOUGHT	1,868,469	1.29
		1,868,559	1.29	28.08.2015	90.00	BOUGHT	1,868,559	1.29
		1,868,550	1.29	04.09.2015	-9.00	SOLD	1,868,550	1.29
		1,868,588	1.29	11.09.2015	38.00	BOUGHT	1,868,588	1.29
		1,868,649	1.29	18.09.2015	61.00	BOUGHT	1,868,649	1.29
		1,868,617	1.29	25.09.2015	-32.00	SOLD	1,868,617	1.29
		1,868,603	1.29	30.09.2015	-14.00	SOLD	1,868,603	1.29
		1,869,532	1.29	09.10.2015	929.00	BOUGHT	1,869,532	1.29
		1,869,587	1.29	16.10.2015	55.00	BOUGHT	1,869,587	1.29
		1,865,707	1.28	23.10.2015	-3880.00	SOLD	1,865,707	1.28
		1,860,950	1.28	30.10.2015	-4757.00	SOLD	1,860,950	1.28
		1,737,120	1.20	06.11.2015	-123830.00	SOLD	1,737,120	1.20
		1,681,913	1.16	13.11.2015	-55207.00	SOLD	1,681,913	1.16
		1,682,010	1.16	20.11.2015	97.00	BOUGHT	1,682,010	1.16

## Annexure 4 (continued)

SI No	Name of the Share Holder	No of Shares	Shareholding at the beginning of the period 01/04/2015				Cumulative shareholding during the period 31/03/2016	
			% to total shares of the company	Date	Increase /Decrease in Share Holding	Reason	No of Shares	% to total shares of the company
		1,671,815	1.15	27.11.2015	-10195.00	SOLD	1,671,815	1.15
		1,696,788	1.17	04.12.2015	24973.00	BOUGHT	1,696,788	1.17
		1,696,720	1.17	11.12.2015	-68.00	SOLD	1,696,720	1.17
		1,680,946	1.16	18.12.2015	-15774.00	SOLD	1,680,946	1.16
		1,680,964	1.16	25.12.2015	18.00	BOUGHT	1,680,964	1.16
		1,704,932	1.17	31.12.2015	23968.00	BOUGHT	1,704,932	1.17
		1,772,674	1.22	01.01.2016	67742.00	BOUGHT	1,772,674	1.22
		1,772,599	1.22	08.01.2016	-75.00	SOLD	1,772,599	1.22
		1,794,830	1.24	15.01.2016	22231.00	BOUGHT	1,794,830	1.24
		1,746,490	1.20	22.01.2016	-48340.00	SOLD	1,746,490	1.20
		1,682,219	1.16	29.01.2016	-64271.00	SOLD	1,682,219	1.16
		1,661,126	1.14	05.02.2016	-21093.00	SOLD	1,661,126	1.14
		1,661,178	1.14	19.02.2016	52.00	BOUGHT	1,661,178	1.14
		1,565,671	1.08	26.02.2016	-95507.00	SOLD	1,565,671	1.08
		1,578,700	1.09	04.03.2016	13029.00	BOUGHT	1,578,700	1.09
		1,578,620	1.09	11.03.2016	-80.00	SOLD	1,578,620	1.09
		1,695,439	1.17	18.03.2016	116819.00	BOUGHT	1,695,439	1.17
		1,684,459	1.16	25.03.2016	-10980.00	SOLD	1,684,459	1.16
		1,684,459	1.16	31.03.2016	0.00		1,684,459	1.16
					<b>31.03.2016</b>			<b>1,684,459</b>
6	KOTAK MAHINDRA (INTERNATIONAL) LIMITED	1,740,593	1.20	01.04.2015	0.00	NA	1,740,593	1.20
		1,813,593	1.25	08.05.2015	73000.00	BOUGHT	1,813,593	1.25
		1,791,796	1.23	22.05.2015	-21797.00	SOLD	1,791,796	1.23
		1,771,561	1.22	10.07.2015	-20235.00	SOLD	1,771,561	1.22
		1,750,025	1.20	21.08.2015	-21536.00	SOLD	1,750,025	1.20
		1,722,968	1.19	04.09.2015	-27057.00	SOLD	1,722,968	1.19
		1,643,396	1.13	18.12.2015	-79572.00	SOLD	1,643,396	1.13
		1,604,399	1.10	25.12.2015	-38997.00	SOLD	1,604,399	1.10
					<b>31.03.2016</b>			<b>1,604,399</b>
7	ABU DHABI INVESTMENT AUTHORITY - PEACOCK	1,718,399	1.18	01.04.2015	0.00	NA	1,718,399	1.18
		1,687,399	1.16	10.04.2015	-31000.00	SOLD	1,687,399	1.16
		1,651,002	1.14	24.04.2015	-36397.00	SOLD	1,651,002	1.14
		1,579,945	1.09	01.05.2015	-71057.00	SOLD	1,579,945	1.09
		1,566,002	1.08	08.05.2015	-13943.00	SOLD	1,566,002	1.08
		1,742,419	1.20	29.05.2015	176417.00	BOUGHT	1,742,419	1.20
		1,865,320	1.28	05.06.2015	122901.00	BOUGHT	1,865,320	1.28
		1,796,030	1.24	19.06.2015	-69290.00	SOLD	1,796,030	1.24
		1,673,020	1.15	26.06.2015	-123010.00	SOLD	1,673,020	1.15
		1,671,020	1.15	30.06.2015	-2000.00	SOLD	1,671,020	1.15
		1,672,520	1.15	03.07.2015	1500.00	BOUGHT	1,672,520	1.15
		1,674,112	1.15	14.08.2015	1592.00	BOUGHT	1,674,112	1.15
		1,671,508	1.15	21.08.2015	-2604.00	SOLD	1,671,508	1.15
		1,658,252	1.14	28.08.2015	-13256.00	SOLD	1,658,252	1.14
		1,653,118	1.14	04.09.2015	-5134.00	SOLD	1,653,118	1.14
		1,649,718	1.14	18.09.2015	-3400.00	SOLD	1,649,718	1.14
		1,625,770	1.12	25.09.2015	-23948.00	SOLD	1,625,770	1.12
		1,568,243	1.08	30.10.2015	-57527.00	SOLD	1,568,243	1.08
		1,564,622	1.08	20.11.2015	-3621.00	SOLD	1,564,622	1.08
		1,535,914	1.06	27.11.2015	-28708.00	SOLD	1,535,914	1.06



## Annexure 4 (continued)

Sl No	Name of the Share Holder	No of Shares	Shareholding at the beginning of the period 01/04/2015				Cumulative shareholding during the period 31/03/2016		
			% to total shares of the company	Date	Increase /Decrease in Share Holding	Reason	No of Shares	% to total shares of the company	
		1,519,354	1.05	04.12.2015	-16560.00	SOLD	1,519,354	1.05	
		1,523,154	1.05	22.01.2016	3800.00	BOUGHT	1,523,154	1.05	
		1,560,905	1.07	29.01.2016	37751.00	BOUGHT	1,560,905	1.07	
		1,547,727	1.06	04.03.2016	-13178.00	SOLD	1,547,727	1.06	
		1,550,441	1.07	18.03.2016	2714.00	BOUGHT	1,550,441	1.07	
					<b>31.03.2016</b>		<b>1,550,441</b>	<b>1.07</b>	
8	CARMIGNAC GESTION A/C CARMIGNAC INVESTISSEMENT	1,367,392	0.94	01.04.2015	0.00	NA	1,367,392	0.94	
		1,381,602	0.95	26.06.2015	14210.00	BOUGHT	1,381,602	0.95	
		1,390,264	0.96	30.06.2015	8662.00	BOUGHT	1,390,264	0.96	
		1,396,451	0.96	03.07.2015	6187.00	BOUGHT	1,396,451	0.96	
		1,392,386	0.96	31.12.2015	-4065.00	SOLD	1,392,386	0.96	
					<b>31.03.2016</b>		<b>1,392,386</b>	<b>0.96</b>	
9	DEUTSCHE SECURITIES MAURITIUS LIMITED	1,152,754	0.79	01.04.2015	0.00	NA	1,152,754	0.79	
		1,152,211	0.79	10.04.2015	-543.00	SOLD	1,152,211	0.79	
		1,142,926	0.79	08.05.2015	-9285.00	SOLD	1,142,926	0.79	
		1,141,711	0.79	15.05.2015	-1215.00	SOLD	1,141,711	0.79	
		1,141,477	0.79	22.05.2015	-234.00	SOLD	1,141,477	0.79	
		1,140,908	0.79	29.05.2015	-569.00	SOLD	1,140,908	0.79	
		1,139,776	0.78	05.06.2015	-1132.00	SOLD	1,139,776	0.78	
		1,139,636	0.78	12.06.2015	-140.00	SOLD	1,139,636	0.78	
		1,138,515	0.78	19.06.2015	-1121.00	SOLD	1,138,515	0.78	
		1,135,968	0.78	26.06.2015	-2547.00	SOLD	1,135,968	0.78	
		1,133,947	0.78	30.06.2015	-2021.00	SOLD	1,133,947	0.78	
		1,133,636	0.78	17.07.2015	-311.00	SOLD	1,133,636	0.78	
		1,133,462	0.78	24.07.2015	-174.00	SOLD	1,133,462	0.78	
		1,132,455	0.78	07.08.2015	-1007.00	SOLD	1,132,455	0.78	
		1,128,495	0.78	14.08.2015	-3960.00	SOLD	1,128,495	0.78	
		1,126,011	0.77	21.08.2015	-2484.00	SOLD	1,126,011	0.77	
		1,120,159	0.77	28.08.2015	-5852.00	SOLD	1,120,159	0.77	
		1,119,688	0.77	04.09.2015	-471.00	SOLD	1,119,688	0.77	
		1,115,933	0.77	11.09.2015	-3755.00	SOLD	1,115,933	0.77	
		1,115,183	0.77	25.09.2015	-750.00	SOLD	1,115,183	0.77	
		1,115,102	0.77	30.09.2015	-81.00	SOLD	1,115,102	0.77	
		1,112,853	0.77	09.10.2015	-2249.00	SOLD	1,112,853	0.77	
		1,110,779	0.76	06.11.2015	-2074.00	SOLD	1,110,779	0.76	
		1,105,723	0.76	13.11.2015	-5056.00	SOLD	1,105,723	0.76	
		1,103,492	0.76	20.11.2015	-2231.00	SOLD	1,103,492	0.76	
		1,094,498	0.75	27.11.2015	-8994.00	SOLD	1,094,498	0.75	
		1,085,761	0.75	04.12.2015	-8737.00	SOLD	1,085,761	0.75	
		1,076,973	0.74	11.12.2015	-8788.00	SOLD	1,076,973	0.74	
		1,070,992	0.74	18.12.2015	-5981.00	SOLD	1,070,992	0.74	
		1,065,829	0.73	31.12.2015	-5163.00	SOLD	1,065,829	0.73	
		1,051,066	0.72	15.01.2016	-14763.00	SOLD	1,051,066	0.72	
		1,046,015	0.72	22.01.2016	-5051.00	SOLD	1,046,015	0.72	
		1,041,066	0.72	29.01.2016	-4949.00	SOLD	1,041,066	0.72	
		1,040,319	0.72	05.02.2016	-747.00	SOLD	1,040,319	0.72	
		1,039,871	0.72	19.02.2016	-448.00	SOLD	1,039,871	0.72	
		1,039,218	0.72	26.02.2016	-653.00	SOLD	1,039,218	0.72	
		1,038,506	0.71	18.03.2016	-712.00	SOLD	1,038,506	0.71	
					<b>31.03.2016</b>		<b>1,038,506</b>	<b>0.71</b>	

## Annexure 4 (continued)

Sl No	Name of the Share Holder	No of Shares	Shareholding at the beginning of the period 01/04/2015				Cumulative shareholding during the period 31/03/2016	
			% to total shares of the company	Date	Increase /Decrease in Share Holding	Reason	No of Shares	% to total shares of the company
10	UTI - CAPITAL PROTECTION ORIENTED SCHEME - SERIES	568,256	0.39	01.04.2015	0.00	NA	568,256	0.39
		661,756	0.46	24.04.2015	93500.00	BOUGHT	661,756	0.46
		725,887	0.50	01.05.2015	64131.00	BOUGHT	725,887	0.50
		740,287	0.51	08.05.2015	14400.00	BOUGHT	740,287	0.51
		768,287	0.53	15.05.2015	28000.00	BOUGHT	768,287	0.53
		786,254	0.54	05.06.2015	17967.00	BOUGHT	786,254	0.54
		796,668	0.55	12.06.2015	10414.00	BOUGHT	796,668	0.55
		837,337	0.58	19.06.2015	40669.00	BOUGHT	837,337	0.58
		860,164	0.59	26.06.2015	22827.00	BOUGHT	860,164	0.59
		880,964	0.61	30.06.2015	20800.00	BOUGHT	880,964	0.61
		889,035	0.61	03.07.2015	8071.00	BOUGHT	889,035	0.61
		879,535	0.61	24.07.2015	-9500.00	SOLD	879,535	0.61
		874,489	0.60	31.07.2015	-5046.00	SOLD	874,489	0.60
		898,708	0.62	07.08.2015	24219.00	BOUGHT	898,708	0.62
		901,489	0.62	14.08.2015	2781.00	BOUGHT	901,489	0.62
		910,489	0.63	21.08.2015	9000.00	BOUGHT	910,489	0.63
		933,489	0.64	28.08.2015	23000.00	BOUGHT	933,489	0.64
		948,589	0.65	04.09.2015	15100.00	BOUGHT	948,589	0.65
		972,842	0.67	11.09.2015	24253.00	BOUGHT	972,842	0.67
		985,300	0.68	18.09.2015	12458.00	BOUGHT	985,300	0.68
		1,014,928	0.70	30.09.2015	29628.00	BOUGHT	1,014,928	0.70
		1,023,928	0.70	09.10.2015	9000.00	BOUGHT	1,023,928	0.70
		1,034,602	0.71	04.12.2015	10674.00	BOUGHT	1,034,602	0.71
		1,033,352	0.71	18.12.2015	-1250.00	SOLD	1,033,352	0.71
		1,032,381	0.71	25.12.2015	-971.00	SOLD	1,032,381	0.71
		1,053,707	0.73	31.12.2015	21326.00	BOUGHT	1,053,707	0.73
		1,003,707	0.69	22.01.2016	-50000.00	SOLD	1,003,707	0.69
		961,073	0.66	29.01.2016	-42634.00	SOLD	961,073	0.66
		940,001	0.65	04.03.2016	-21072.00	SOLD	940,001	0.65
		946,501	0.65	18.03.2016	6500.00	BOUGHT	946,501	0.65
				31.03.2016			946,501	0.65

### V. Shareholding of Directors and Key Managerial Personnel

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	At the beginning of the year Dr. Vijay Mallya, *(Former Chairman) Mr. V. Ramachandran, Company Secretary	12510 10	0.008608 -	12510 10	0.008608 -
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	0	0.00	-	-
	At the end of the year	12520	0.008608	12520	0.008608

\*Resigned as director & Chairman with effect from February 25, 2016.

## Annexure 4 (continued)

### V. Indebtedness (The details will be filled and placed at the Board Meeting)

Indebtedness of the Company including interest outstanding/accrued but not due for payment				(₹ In Million)
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
(i) Principal Amount	26,695	26,543	-	53,238
(ii) Interest due but not paid	-	-	-	-
(iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>26,695</b>	<b>26,543</b>	-	<b>53,238</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	6,682	19,881	-	26,564
Reduction	(15,336)	(22,424)	-	(37,761)
Net Change	(8,654)	2,543	-	(11,197)
<b>Indebtedness at the end of the financial year</b>				
(i) Principal Amount	18,041	24,000	-	42,041
(ii) Interest due but not paid	-	-	-	-
(iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>18,041</b>	<b>24,000</b>	-	<b>42,041</b>

### VI. Remuneration of Directors and Key Managerial Personnel

a) Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Fig in ₹)

SI No	Particulars of Remuneration	Anand Kripalu, Managing Director and Chief Executive Officer	P A Murali* Executive Director	Total
1	Gross Salary	6,54,34,470	2,61,51,368	10,09,63,559
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act,1961			
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961			
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission -as % of Profit Others – Specify	-	-	-
5	Others – Please specify			
	<b>Total</b>	<b>11,86,20,454</b>	<b>2,72,35,902</b>	<b>14,58,56,356</b>
	Ceiling as per the Act @ 10% for 2 Executive Directors	₹ 41.63 Crores for 2 Executive Directors pursuant to calculation U/s 197 read with Section 198 of the Companies Act, 2013.		

\* The above table shows the remuneration paid to Mr. P A Murali for holding the position of Executive Director till April 22, 2015 viz., date of resignation.

## Annexure 4 (continued)

### B. Remuneration to other directors

Sl. No		Names of Directors						Total
1	Independent Directors	Mr. M.K. Sharma		Dr (Mrs) Indu Shahani	Mr. D Sivanandhan	Mr. Sudhakar Rao		Mr. Rajeev Gupta
	Fee for attending Board Committee Meetings	18,00,000		26,00,000	33,50,000	33,50,000		18,00,000
	Commission	25,00,000		20,00,000	20,00,000	20,00,000		20,00,000
	Others, (Please specify)							
	<b>Total (1)</b>	<b>43,00,000</b>		<b>46,00,000</b>	<b>53,50,000</b>	<b>53,50,000</b>		<b>38,00,000</b>
2	Other Non-Executive Directors		Dr. Vijay Mallya				Mr. Ravi Rajagopal	
	Fee for attending board committee meetings		6,00,000				11,00,000	
	Commission		-				20,00,000	
	Others, please specify		-					
	Total (2)		<b>6,00,000</b>				<b>31,00,000</b>	
<b>Total (B)=(1+2)</b>		43,00,000	6,00,000	46,00,000	53,50,000	53,50,000	31,00,000	38,00,000
Total Managerial Remuneration		43,00,000	6,00,000	46,00,000	53,50,000	53,50,000	31,00,000	38,00,000
Ceiling as per the Act @ 1% for all Non-Executive Directors excluding Sitting Fees, which is not subject to limits.		₹ 4.16 Crores for all Non-Executive Directors pursuant to calculation U/s 197 read with Section 198 of the Companies Act, 2013.						

### C. Remuneration to Key Managerial Personnel other than MD / Manager /Whole time Director

Sl. No.	Particulars of Remuneration*	V. Ramachandran Company Secretary	Sanjeev Churiwala, Chief Financial Officer (CFO)	Total
1	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,1961	60,65,639	71,17,007	1,31,82,646
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	28,68,829	33,52,754	62,21,583
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	4,45,268	60,00,000	64,45,268
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission -as % of Profit Others – Specify	-	-	-
5	Others			
	<b>Total</b>	<b>93,79,736</b>	<b>1,64,69,761</b>	<b>2,58,49,497</b>

\* Since the date of joining during the year

### VII. Penalties / Punishment/ Compounding of Offences

There has been no penalty or punishment under the Companies Act for the year ended March 31, 2016. As on date, the Company has applied for compounding of offences for the delay in holding the Annual General Meeting for the year 2015 and delay in appointment of Chief Financial Officer (CFO).



# Annexure 5

## Employee Details

### Details of Ratio of Remuneration of Director

#### [Section 197(12), r/w Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014]

	Name of the Director	Designation	Ratio to the Median	Percentage Increase
(i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;	Anand Kripalu	Managing Director & CEO	352:1	19%
	Murali PA	Former Executive Director & CFO	81:1	Not Applicable@
	Sanjeev Churiwala	CFO	49:1	Not Applicable@
(ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	V Ramachandran	Company Secretary	28:1	Not Applicable@
	@ Only considered for the period of employment during the year.			
(iii) the percentage increase in the median remuneration of employees in the financial year;	The median remuneration increase was 6.18 % for the financial year			
(iv) the number of permanent employees on the rolls of company;	The company had a permanent headcount of 5705 on the rolls as of 31 March 2016			
(v) the explanation on the relationship between average increase in remuneration and company performance;	The remuneration policy of the company is to provide reward packages that are competitive with the peer basket companies with strong emphasis on performance. The salary of all executive employees consist of variable pay to reinforce the remuneration policy. Variable pay is directly linked to an individual performance and business performance. Annual salary increases are based on benchmarking exercise which compares the remuneration of the individuals in the company vis a vis peer basket companies with similar talent. Individual salary increases are based on the benchmarking and the individual performance. Salary increases during the year were in line with the contribution to Company's performance as well as Company's market competitiveness			
(vi) comparison of the remuneration of the Key Managerial Personnel against the performance of the company;	The key managerial personnel remuneration consists of variable pay which is linked to both individual performance and company performance.			
(vii) variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year;	The market capitalisation of the Company as on March 31, 2016 was ₹ 36,323 Crores compared to ₹ 53,150 Crores as of March 31, 2015. The price earnings ratio is not comparable since the earning per share was negative in the previous year ended March 31 2015. The share price of the Company has depreciated from ₹ 3657.30 to ₹ 2499.40 resulting in an depreciation of 32% during this period.			

## Annexure 5 (continued)

(viii) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	The increase made in average salaries of employees other than the managerial personnel in the current financial year compared to the last financial year was 29.82% while the total increase in the managerial remuneration was 19.74%. The annual average salary increase is based on company's market competitiveness as against its peer basket companies.
(ix) comparison of remuneration of the Key Managerial Personnel against the performance of the company	Same as (vi) above
(x) the key parameters for any variable component of remuneration availed by the directors;	All executive employees including the executive directors remuneration has a variable pay component which is based on individual performance based on the key resultant areas and company performance. For the financial year, the variable pay is based on company parameters like NSV, Operating Profit, Net Cash Flow
(xi) the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year;	Not Applicable
(xii) Affirmation that the remuneration is as per the remuneration policy of the company.	The remuneration paid is as per the remuneration and reward policy of the company

By Authority of the Board

**Mahendra Kumar Sharma**  
Chairman

**Anand Kripalu**  
Managing Director and Chief Executive Officer

Mumbai  
June 8, 2016



## Annexure 5 (continued)

### Particulars of Employees

**Information as required under Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Director's Report for the Financial Year ended March 31, 2016.**

Sl. No.	EMP NAME	AGE	DESIGNATION & NATURE OF DUTIES	AMOUNT (₹)	QUALIFICATION	EXPERIENCE (YEARS)	DATE OF JOINING (MM - DD - YY)	PARTICULARS OF PREVIOUS EMPLOYMENT
1	Abhay Kewadkar	55	Sr Vice President - Wines	10273184	B.TECH (CHEM)	33	08-23-06	Vice President & Wine Maker - Grover Vineyards Ltd
2	Abhishek Shahabadi	38	Assistant Vice President - Marketing	10404330	B.Com., PGDM-C	7	23-Feb-06	Group Head, Madison Communications
3	Ainapur S R	58	Divisional Vice President	11198129	B.COM, ACA	33	1-Dec-87	Accounts Assistant,Kesarval Beverages Ltd, Goa
4	Ajay B Baliga	57	Executive Vice President - Manufacturing, Projects & Quality Control	24151061	B.TECH (CHEM ENGG)	35	3-Nov-08	Allied Blenders & Distillers Pvt Ltd, SVP - Business Development & Mfg
5	Ajay Kumar Vijay	53	AVP	6255898	B.Com, CA	25	20-Jun-94	Shaw Wallace & Co. Ltd Deputy General Manager
6	Akshay Rallan	47	General Manager - Distillery	6049797	B.Sc., M.Sc.	23	1-Oct-06	Production chemist M/S Patiala distilleries and manufactures.
7	Alokesh Banerjee	50	Assistant Vice President - Sales	9629257	M TECH, MBA	14	18-Dec-06	Chief - Marketing, Lafarge India
8	Amarpreet Singh Anand	40	Divisional Vice President - Innovation	14904648	PGDM	15	2-Feb-15	Mondelez International Ltd
9	Amit Lamba	42	Channel Development Manager	6250582	BA from Delhi University and Post-Graduation in Commercial Aviation from Texas, USA	16	1-Apr-15	Diageo India Pvt. Ltd.
10	Amrit Thomas	49	President & Chief Marketing Officer	57807891	B.TECH, PGDM	24	12-Jun-07	CATEGORY HEAD - BEVERAGES, HLL
11	Anand Kripalu	58	Manging Director & Chief Executive Officer	118620451	B.Tech, PGDM	31	1-May-14	Managing Director, Cadbury India Ltd
12	Ansuman Majumdar	41	Assistant Vice President - Packaging Development	9334290	B.SC, PGDBM, PGDPT	9	27-Sep-07	Manager - Purchase, Britannia Industries Ltd
13	Anurag Dhawan	47	Assistant Vice President - Human Resources	8683604	LLB, PGDMA	11	1-Nov-01	Manager - HR, LG System India Ltd
14	Anurag Khanna	44	Sr General Manager - Supply Chain	6471663	B.Tech., PG Diploma - Other	20	29-Sep-00	Dabur India Ltd.
15	Arun Goyal	46	Assistant Vice President - Special Projects	11297293	BE, M Tech	19	21-Feb-11	Head-Project Engineer, Sika India Pvt Ltd
16	Arup halder	56	Dy General Manager - Mis Sales	6392263	B.Com., Diploma	32	1-Oct-06	Executive, Lupin Laboratories Ltd.
17	Arvind Jain	53	Divisional Vice President - Sales	10737919	PGDM	32	12-Apr-91	Area Manager-Titan Watches Ltd.
18	Ashish Madaan	43	General Manager S & OP	6185684	B.E, M.B.A,	18	3-Mar-14	Senior General Manager - SCM - Relaxo Footwear Lted
19	Ashok Arora	38	General Manager - Accounts	7359713	B.Com, ACA	21	1-Nov-04	Assistant Manager - Shaw Wallace Distilleries Ltd.
20	Biju V John	49	Sr. General Manager - HR	7901439	B.Sc.Diploma, MBA, MSW	26	19-Apr-10	General Manager, HR, Manipal Health System Ltd.
21	Bimal Kumar Mishra	39	DGM-Manufacturing	6062577	B.E. (Mechanical), M.Tech. (Industrial) and M.B.A. (Finance)	15	3-Jun-13	Director,& capex engineering for Pepsi co. (Beverage & foods)
22	Binoo Krishna	47	Assistant Vice President - Finance	11342253	B.Sc, CA, PG Diploma - Other	19	14-Sep-07	Deloitte - Senior Manager Audit & assurance
23	Chandrashekhar R	54	Assistant Vice President - Employee Relations	9415651	MA, PGD - PM & IR	12	5-Sep-94	Personnel & Welfare Officer, Mysore Cements Ltd

## Annexure 5 (continued)

SI. No.	EMP NAME	AGE	DESIGNATION & NATURE OF DUTIES	AMOUNT (₹)	QUALIFICATION	EXPERIENCE (YEARS)	DATE OF JOINING (MM - DD - YY)	PARTICULARS OF PREVIOUS EMPLOYMENT
24	Chetan Gupta	37	Senior General Manager-Sales	8534658	MBA	13	30-Mar-15	ALLIED BLENDERS & DISTILLERS PVT. LIMITED
25	Debashish Shyam	48	Sr. Vice President - Emerging Market	13460551	BSC, PGDBM	25	20-Sep-04	Head - Marketing & Alliances (Internet Services), Bharti Infotel Ltd, New Delhi
26	Debasis Chaudhuri	51	Sr General Manager - Finance	7513918	B.Com, ICWAI	9	10-Jan-97	Asst Manager, Winsome Textile Industries Ltd
27	Debasish Chakraborti	55	GM - Accounts	6419279	B.Com., Diploma	31	22-Aug-83	Chakrabarti & Company Kolkata as Accounts Executive.
28	Deepak Kumar Katty	52	DVP - SALES TRANSFORMATION	12029600	MBA	27	28-Oct-14	Pernod Ricard
29	Dharmarajan S	58	Divisional Vice President - Finance & Accounts	12852093	B.COM, ACA, LLB	32	7-Nov-86	Consultant, N M Raiji & Co, Bombay
30	Dilip Kumar Sengupta	55	Asst.Vice President - Quality & Regulatory Affairs	6871290	M.Sc (Bio-chem), Ph.D (Bio - Chem) Post Doctrate in Bio- Chem	29	1-Oct-06	Technical Head - Shaw Wallace & Co. Ltd.
31	Dinesh Garg	43	General Manager - Finance Head	7682625	B.Com, FCA	20	1-Oct-06	Regional Finance Head- south - Radico Khaitan Ltd.
32	Dipankar Ghosh	43	Senior General Manager - Human Resources	8886542	B.Sc., MBA, DIP-T&D, PGP-GL	18	18-Dec-13	Tata Motors Ltd.
33	Dubey S R	53	Senior GM - PMO Lead	6038280	B A Hons	28	1-Oct-06	Shaw Wallace & Co. Ltd Deputy General Manager – CSD All India
34	Feroze G Merchant	43	Assistant Vice President	10868259	B.COM, PGDBA	3	1-Apr-99	Senior Officer, Tata Iron & Steel Company Ltd
35	Hemanth Menon N	45	DVP - Finance	13465177	CA	4	1-Aug-12	Whyte & Mackay, UK - Finance Director
36	Jaishankar Subramaniam	54	Assistant Vice President - Technical	8819506	MSC, M.TECH	19	15-Apr-04	Research Scientist, GE India Technology Centre Pvt Ltd
37	Jatin Fredericks	45	Asst Vice President - Sales	9094087	B.Com. MBA	25	24-Mar-03	Business Development Manager, The Ravalgaon Sugar Farm Ltd.
38	Jibin PV	36	Deputy General Manager - Trade Marketing	6379618	B.Com, Diploma in computers	14	1-Oct-13	Zonal Sales Manager - Karnataka, Diageo India Pvt Ltd
39	Kaushik Kanjila L	40	GM - Trade Marketing & Institutional Sales	6203363	Diploma	17	5-Sep-06	Marketing Manger - Mason & Summers Alcobev Private Ltd
40	Kedar V Ulman	42	Executive Vice President - Sourcing & Business Development	26579217	BE, IIM - B	20	24-Apr-09	SR. MANAGER, ACCENTURE SERVICES PVT LTD
41	Keerthi Chandrashekhar Kamasamudra	47	GM - HR	6550751	BE, PGDPM & IR	23	17-Dec-14	Reliance Gas Transportation Infrastructure limited-Centralized Hr(HR)
42	Keshava Babu C S	44	Assistant Vice President - Quality Control	10697132	BE	5	3-Nov-11	Motorola India Private Ltd Head Quality Assurance
43	Khan J M	58	Senior General Manager - Distillery	7484787	M.Sc.(Chem), PG Diploma	34	1-Jan-88	Quality Control Chemist - Carew & Co. Ltd.
44	Khera G R	58	Sr General Manager - Sales	8850180	B.Com.	34	1-Mar-16	Sales representative swastie households Industrial products.
45	Krishnan M R	48	Assistant Vice President - Manufacturing	8032112	BE, M Tech	24	8-Apr-13	Consultant, Cavin Kare Pvt. Limited
46	Kulothungan P	45	AVP-Internal Audit	9044763	B.com, C.A	17	1-Jul-13	United Breweries Holdings Limited
47	Lal Rangwani	51	Divisional Vice President - Sales	11322747	B.Com, M.Com, PGDBM	29	7-Aug-87	Herbertsons TSE
48	Lalit Kumar Gupta	56	Sr Vice President - Legal	14715634	B.SC, LLB, DLL	33	1-Jun-98	JOINT MANAGER - LEGAL, SHRIRAM FOODS AND FERTILIZERS
49	Lalit R Gabhane	52	Assistant Vice President - EHS	10264460	B.Sc, BE, PG Diploma, ME	4	6-Jan-12	ITC Senior Specialist-EHS



## Annexure 5 (continued)

SI. No.	EMP NAME	AGE	DESIGNATION & NATURE OF DUTIES	AMOUNT (₹)	QUALIFICATION	EXPERIENCE (YEARS)	DATE OF JOINING (MM - DD - YY)	PARTICULARS OF PREVIOUS EMPLOYMENT
50	M Ramchandra Rao	58	Sr. General Manager - Sales	8349558	B.Com,PG Diploma - Other	29	1-Oct-06	Branch Manager - Shaw Wallace & Co. Ltd.
51	Mainak Pal	47	General Manager - Operations	6993087	B.Tech,MBA	23	27-Sep-10	Cargill India (P) Ltd, Adani Wilmar Ltd
52	Mamta Sundara	39	General Counsel	14341319	LLB	13	15-Feb-15	Senior Counsel - India Projects, Diageo India Pvt Ltd
53	Manoj Kumar Jain	55	Senior General Manager, Unit Head-Rosa	7418809	BE	34	1-Jan-96	General Works Manager, Hill Packaging Ltd, Dehradun
54	Mathew Xavier	52	Chief Operating Officer - Andhra	26673354	PGDM / B.COM	27	10-Nov-03	VP MARKETING ERSTWHILE SWDL
55	Michelle D Souza	49	Senior GM- Corporate Communications	8808278	B.Com	25	4-Sep-14	Head Communication - DIPL
56	Mohan Dhondibhau Tavhare	43	GM - Projects	6191601	DIPLOMA, BE	19	11-Nov-13	Hindustan Coca-Cola Beverages Private Limited, Gurgaon (HR)
57	Monish Bhasin	41	Asst. Vice President - Trade Marketing	7914682	BE, MBA	19	25-Sep-06	Brand Senior Manager - Mahindra & Mahindra Limited
58	Murali V	54	Assistant Vice President - Manufacturing	11830274	ME, PGDBA	26	1-Oct-90	McDowell&Co. Ltd./Carew Phipson Ltd.
59	Muthuraman Ramanathan	50	AVP - Manufacturing	12965861	B.E (Hons.) Mechanical	5	18-Apr-11	General Manager - Dina Foods Ltd.
60	Nambiar R	56	Senior General Manager	7114397	B.Sc., DIFAT	32	11-Jan-85	-
61	Nandan Rao	49	Sr. General Manager - Materials & Commercial	6571554	LME,GDMM,CPM	25	1-Oct-06	Shaw Wallace & Co. Ltd
62	Narayanan Subramanyam	51	Senior Vice President - IT	13143083	B.A, MBA	29	24-Oct-13	IT Director, Global End User Services, Hindustan Unilever Ltd.
63	Naresh Varadarajan	47	Sr. General Manager - Finance & Accounts, Emerging Market	9182073	B.Com (Hons), ACA, ACS	17	28-Jun-12	Assistant Vice President - Finance & Accounts - Global Green Co. Ltd.
64	Nilanka Chatterjee	51	Senior General Manager - Training & Development	7304022	BBA;MBA	26	4-Nov-09	Ispat Industries Ltd., Mumbai
65	Niranjan Purnachandra Bramhe	49	Senior General Manager - Supply Chain	6663571	B.Com., Diploma in Packaging, PGDBA	25	15-Nov-07	Head of Purchase & Logistics, Mason and Summers Alcobelv (P) Ltd.
66	Nitesh Chhapru	37	Senior General Manager	11341961	MBA	11	1-Jan-14	Founder Director, The Brahma Innovation Company
67	Paramjit Singh Gill	54	President - All India Operations	59342447	B.SC, M.PHIL, DIP IN LABOUR LAW, CHARTERED MARK	33	1-Jul-92	EVN, UNITED NATIONAL BREWERIES (SA) (PTY) LIMITED, CENTURION
68	Prasad S N	58	Sr. VP - F&A	14861738	B.COM, ACA, ACS	32	7-Mar-91	COMP SECRETARY & INTERNAL AUDITOR, NUTRINE CONFECTIONARY LTD
69	Prashanth M S	43	Divisional Vice President - National Customer Marketing	15033266	BSC, MMS	15	18-Aug-14	Sales Director, Reckitt Benckiser
70	Prathmesh Mishra	46	Chief Operating Office - RPC West & CSD	30300572	PGDM, BA	18	18-Jun-14	Pernod Ricard
71	Pulla Reddy G	44	AVP Manufacturing	11065708	B.Tech., M.Tech.	10	1-Oct-06	Bhor Industries Limited
72	Ragunath V	50	General Manager - Distillery	7302531	B.Sc, MBA	21	1-Oct-06	Junior Executive - Shaw Wallace & Co. Ltd.
73	Raja R Peter	57	Assistant Vice President - Sourcing	8963104	BE, PGDBM	19	16-Jul-07	General Manager - Alternate Channels & Marketing Alliances, Tata Teleservices Ltd

## Annexure 5 (continued)

Sl. No.	EMP NAME	AGE	DESIGNATION & NATURE OF DUTIES	AMOUNT (₹)	QUALIFICATION	EXPERIENCE (YEARS)	DATE OF JOINING (MM - DD - YY)	PARTICULARS OF PREVIOUS EMPLOYMENT
74	Rajatha Shetty	48	GM - Planning & Control	6518297	B.Com., M.Com	24	19-May-97	Assistant Manager, Finance & Accounts, Mallya Hospital.
75	Rajeev Razdan	47	General Manager - Sales	7569493	M.COM, B.COM	26	1-Apr-13	SKOL Breweries Limited, Bangalore(HR)
76	Rajesh Fanda	44	Assistant Vice President - Sales	9289148	B.Com, MBA	3	22-Aug-94	T S E, Dr Sabharwal Bluck Drugs Ltd
77	Rajesh Vijayan Menon	38	Sr. GM - Marketing	7893760	B.Com., PGDBA	15	11-Sep-06	Brand Manager, Cholayil.
78	Rajiv Garg	57	Assistant Vice President - Manufacturing	7719754	M.Sc, PG Diploma	32	4-Jan-96	Pilkhani Distillery & Chemical works (A unit of Upper Doab Sugar Mills)
79	Ramachandra M Iyer	53	AVP - Franchise Marketing	7018641	B.Sc, Master of Management Studies	29	9-Feb-00	General Manager, Marketing & Sales, BGW - Jagdale Foods
80	Ramanathan C	41	General Manager	8562443	B.Com, ACA	19	3-Jan-08	Pepsico India Holdings (P) Ltd.
81	Ranesh Sinha	50	AVP - Manufacturing	10329018	B.Tech (Mechanical)	26	5-Jun-14	S C Johnson Products (P) Ltd
82	Rhiju Bhowmick	40	General Manager - Diversity, Inclusion and Change	7454652	B.SC., PGD-Pkg tech, PGDM	16	05-29-14	Tech Mahindra Ltd.
83	Rukmini G Giridhar	42	Senior GM - Organisation & People Performance	8467434	MBA	15	17-Apr-09	HR Manager G E Health Care
84	Sabharwal M K	58	Assistant Vice President - Sales	7902301	B.Com.	34	1-Oct-06	Sales representative Shinger Cosmetics (P) Ltd.
85	Sambandasamy T	58	Regional Corporate Relations	8350505	BBA, MBA	29	1-Oct-06	General Manager - Shaw Wallace & Co. Ltd.
86	Sanjeev Ganesh	40	Assistant Vice President - Sourcing	11419985	B.Tech, MBA	11	1-Apr-10	Managing Consultant, Aqua Management Consulting Group
87	Sanjeev Khanna	45	Sr General Manager - Marketing	7647052	B.Com, MBA	16	07-16-07	Client Services Director, Ogilvy & Mather
88	Sanjeev Kumar	35	Senior General Manager- IT Infrastructure	6624859	MBA	11	1-Oct-14	IT Infrastructure Service Delivery & Transformation Leader; Reckitt Benckiser
89	Sanjoy Sarkar	49	Sr General Manager - Finance	7739470	B.Sc, ICWA	12	8-Jul-02	Regional Commercial Manager, General Mills India Pvt Ltd
90	Santhosh Nair	45	Senior General Manager	7219185	B.A,M.B.A, Diploma in international trade	24	23-Jul-12	Vice President - Global Green Co. Ltd.
91	Sastray S V S V	54	Divisional Vice President	13906797	B.Sc	4	14-Jun-12	ABD Pvt. Ltd VP South RPC
92	Satish S	56	Assistant Vice President - P & C	13784735	B.COM.	35	21-Jul-89	Accounts Officer, BPL Sanyo Ltd
93	Saurabh Grover	40	Sr. GM - Innovation	7842242	MBA	15	16-Jul-12	Group Product Manager, Britannia Industries Limited
94	Shakil Ahmed	43	General Manager- Brand Assurance	6304149	B.SC, Senior Management Programme	8	2-Mar-15	Head- Global Security, Pfizer
95	Shankar Ramanathan	48	Assistant Vice President - CAPEX	9033309	B.E, MS	21	16-Feb-15	Director, Capex and Engineering - Pepsi Co.
96	Shashi Kumar	46	Head-Innovation	6621407	BE	22	2-Feb-15	General Manager - Commercialisation - 3M India Limited
97	Shashvat Sharma	42	General Manager - Manufacturing	6747611	B.Tech.	21	2-Jan-12	Regional Manager Manufacturing - ITC Limited, Foods Division
98	Shelley Sengupta	40	Assistant Vice President - Insights & Planning	9221261	B.Com., PG Diploma	7	30-Nov-07	Head of Qualitative Research Division, South, Synovate India

## Annexure 5 (continued)

Sl. No.	EMP NAME	AGE	DESIGNATION & NATURE OF DUTIES	AMOUNT (₹)	QUALIFICATION	EXPERIENCE (YEARS)	DATE OF JOINING (MM - DD - YY)	PARTICULARS OF PREVIOUS EMPLOYMENT
99	Shovan Ganguli	55	Sr. Vice President - Head Technical Innovation & Quality	14781305	Ph.d - Organic Chemistry	25	25-Feb-13	Hindustan Unilever Limited Platform director-bioscience,nutrition, health
100	Shreepal A. Jain	58	Senior General Manager	7553545	B.Com, C.A, C.S	28	23-Feb-04	Shaw Wallace & Co. Ltd wallace
101	Shyjinth P K	47	General Manager - Marketing	6544235	Bachelors in Social & Legal Science, MBA	21	1-Oct-06	State Head, Sales, Maharastra - Shaw Wallace & Co. Ltd.
102	Siddharth Rastogi	38	Sales Head- North	7111565	BE (Hons), PGDBM	15	23-Jun-14	Commercial Director - Diageo India Pvt. Ltd, Supply Chain Planning & Head - India Procurement
103	Sowmiyanarayan S	49	AVP - Accounts	9905656	B.Com, ACMA	21	5-Jul-95	Ashok Leyland - Accounts Executive
104	Sreenath KV	59	Asst Vice President	13572117	BCOM	41	1-Apr-12	Steno-Accounts/Clerk-Bombay Paints & Allied Products Ltd
105	Sridhar B	42	Assistant Vice President - Digital Marketing	9870855	B.COM, PGDBA	12	20-Feb-09	Director Marketing, Sulekha Com
106	Steve Correa	51	Executive Vice President - HR	30246690	B.Com, MBA, LLB	26	5-Sep-14	Chief Human Resource Officer, Reliance Jio Infocomm Limited
107	Sudeep Bose	47	Assistant Vice President - Sales	6212021	B.Sc, Bachelor of science	16	31-Oct-11	Radico Khaitan Ltd.
108	Suryanarayanan S	55	Assistant Vice President - Engineering	11374654	B.SC,B.TECH (MECH)	33	10-Feb-89	Purchase Officer, Sundaram - Clayton Ltd, Hosur
109	Swaminathan R	56	Divisional Vice President - Internal Audit	10093886	B.Com, ACA	31	10-Jan-94	Corp. Vice President - Internal Audit, United Breweries(Holdings) Ltd
110	Varun Singla	36	General Manager - Central Customer Marketing	6351520	B.Com. Other	12	26-Jul-12	Regional Finance Head-South – Radico Khaitan Limited.
111	Venkatesh Athreya	40	Sr. GM - Business IT	6160389	B.COM., DBF, CA	16	18-Dec-14	Maersk Global Service Centre(India) Private Limited(HR)
112	Vijay kumar K	51	Assistant Vice President - Manufacturing	10370157	B.SC, PGDBM	18	17-Feb-04	Manager Technical Services, Udv India Ltd
113	Vikram Jain	41	Assistant Vice President - Sales	9819743	B.Com, MBA	11	19-Jan-09	Senior Manager, Pernod Ricard
114	Vineet Chhabra	51	Chief Operating Officer - Emerging Markets	28769903	B.COM, CA	23	15-Jun-11	CEO - GLOBAL GREEN Co. Ltd
115	Vineet Kumar Kapila	55	Chief Operating Officer - RPC North	32209612	B.Com, PDGM	31	30-Nov-12	President & CEO- Spencers Retail
116	Vinit Mahadevan	33	General Manager- Strategy	7605781	BE PGDBM / MBA	10	23-Dec-14	GM - Corporate Strategy & M&A, WNS
117	Vinod Arora	57	Senior General Manager	6079697	B.Com	33	9-Sep-92	Sales Representative, Balsara Hygieneproducts Ltd
118	Vivek Gupta	40	Regional Customer Marketing Head - North	6104189	BE, PGDM	16	4-Mar-09	Senior Brands Manager, Madura Coats
119	William Devadass	48	AVP Key Accounts - Commercial	9254797	B.Com.	10	25-Oct-06	Seagram Manufacturing Ltd
126	Khera G R	58	Sr General Manager - Sales	8850180	B.Com.	34	03-01-16	Sales representative swastie households Industrial products.

### Employed for part of the Year

1	Abanti Sankaranarayanan	47	Head - Luxury & CR	19323909	PGDBA	24	1-May-15	TATA Administrative Service
2	Ashok Kapoor	63	President & Managing Director	28710822	B.A. (ECO), MBA	41	12-May-92	CHIEF OPERATING OFFICER - ERSTWHILE HERBERTSONS LIMITED
3	Ashoke Roy	59	Deputy President	9931712	B.com, C A	3	1-Nov-13	Whyte & Mackay - CFO
4	Avishek Das	38	Assistant Vice President - Marketing	8251512	B.COM, PGDBM	11	27-Jan-09	National Category Head, Spencer's Retail Ltd

## Annexure 5 (continued)

Sl. No.	EMP NAME	AGE	DESIGNATION & NATURE OF DUTIES	AMOUNT (₹)	QUALIFICATION	EXPERIENCE (YEARS)	DATE OF JOINING (MM - DD - YY)	PARTICULARS OF PREVIOUS EMPLOYMENT
5	Banerjee A R	59	Compliance Head	6844499	B.Com, ICWAI	20	1-Apr-96	Bangal Waterproof Ltd. - Cost Accountant
6	Bhavesh Somaya	39	Head Luxury	7761640	PGDBM, BA	15	1-Apr-15	Marketing and Innovation Director - India ,Diageo India Pvt Ltd
7	Debasish Das	58	Sr. VP - Manufacturing	10329440	B.SC, B.TECH, PGDBM	33	20-Aug-84	Chemist, Eastern Distilleries Pvt Ltd, Kolkata
8	K R Sankaranarayana	60	Assistant Vice President - Technical	5853911	B.Sc., Bachelors Degree - Others M.Sc.	37	2-Jul-79	Tungabhadra Sugar Works Executive
9	Lokesh Saran	41	Senior General Manager - Sales	1591275	BE Electrical, MBA	17	15-Feb-16	Zonal Head-North and CSD Head-India, Allied Blenders & Distillers Pvt. Ltd.
10	Mahasweta Ghosh	41	Sr.General Manager - Compliance	5200396	B.A, LLB	10	20-Aug-13	Centralized HR -SPOC(HR) - CISCO SYSTEMS INDIA PRIVATE LIMITED- Bangalore-
11	Mahesh Nedungadi	56	Sr General Manager - Legal	8378677	B.Com, LLB	14	6-May-96	Company Secretary, Nova Granities India Ltd
12	Meghna Agarwal	34	Commercial Finance Business Partner- Support & Supply	5119654	CA	10	1-Jul-15	Diageo India Pvt. Ltd.
13	Murali P A	58	Executive Director & CFO	27235902	B.COM, ACA	35	5-Jul-93	ZONAL ACCOUNTANT - Shaw Wallace & Co. Ltd
14	Nagappa G S	61	Chief Operating Officer - West	13247911	B.SC	40	1-Aug-75	Executive - Earstwhile Herbertsons LTD
15	Nischal Hindia	39	Sr. Counsel - West Commercial, CR, CSD	12612463	LLB	15	1-May-15	Diageo India Private Limited ('DIPL')
16	Pankaj Gupta	46	Chief Procurement Officer and Business Planning	13760702	BE chem IIT Varanasi	24	1-Jul-15	Sr Expert Asia Operations _ McKinsey & Co
17	Ramachandran Venkatesan	54	Senior Vice President-Company Secretary	9379736	ACA, ACS	31	24-Apr-15	Company Secretary, Wipro Limited
18	Rohini Seth	46	Head-HR National Operations	11921237	BA, MA in HR	22	29-Jun-15	Reckitt Benkiser as HR Head
19	Sandeep Kumar Singal	52	Chief Operating Officer	8032325	B.tech, M.B.A	17	14-Oct-15	Head- Branded Retail & Alternate Channels, tata tele services ltd
20	Sanjay Raina	51	Executive Vice President - Human Resources	5755571	MSW - PERSONNEL MGMT	29	19-Nov-08	Motorola India Pvt Ltd, Head HR - Network, Supply Chain - India & ER - SE Asia
21	Sanjeev Churiwala	46	Chief Financial Officer	16469763	ACA, ACS, ACWA& Executive MBA from London Business School.	22	16-Nov-15	AMBUJA Cements
22	Satsangi R	59	Divisional Vice President - Manufacturing	7460983	B.TECH (MECH)	37	19-Feb-96	Plant Manager, Pepsico India Holding, Bangalore
23	Soumya Menon	40	Senior General Manager - Innovation	3180389	B.Sc., PGD (Communication)	16	3-Dec-15	Net Avenue Technologies(HR)
24	Srinivasan T N	59	Assistant Vice President - Sales	3935302	BA	34	20-Mar-82	Sales Representative, Lion Pencils Pvt Ltd
25	Subroto Geed	41	Senior Vice President - Marketing	8196581	PGDISM	17	21-Sep-15	Nicholas Piramal India Ltd
26	Surender Singh Rawat	35	Deputy General Manager	6056100	BA, ICWA(Inter)	11	8-Jul-12	-
27	Unnati Sinha	49	Sr Vice President - Marketing	8588233	B.SC, MBA, DIP IN B M	25	14-Nov-11	Sales & Marketing Head- Colgate Palmolive
28	Vivek Prakash	56	Chief Operating Officer - CSD	4952754	B.COM, LLB, MBA	34	15-Jun-98	DY GENERAL MANAGER - Shaw Wallace & Co. Ltd



# Annexure 6

## Risk Management

USL ambition is to create the best performing, most trusted and respected consumer Products Company in India. Risk management lies at the heart of this ambition. To be best performing, we need to take well managed risks. To be most trusted and respected, we need to avoid harm to our reputation and build a resilient, sustainable business in an increasingly volatile external environment.

### **Our risk management objectives are to:**

- Maximise the benefit from new opportunities, challenges and initiatives
- Avoid damage to our reputation
- Take appropriate risk for appropriate return
- Prioritise effectively between different risks
- Demonstrate good corporate governance by managing our risks effectively

Risk Management at USL addresses all aspects of risk, including strategic, financial, operational, reputational, compliance, fraud or other risks.

Our methodology for assessing risk is straightforward, and is designed to promote an insightful discussion that results in effective mitigation planning and positive business performance outcomes. We apply the same methodology across all types of risk, adapting the depth of the assessment and mitigations according to the scale or complexity of the risk faced.

### **1. USL Risk Assurance Model:**

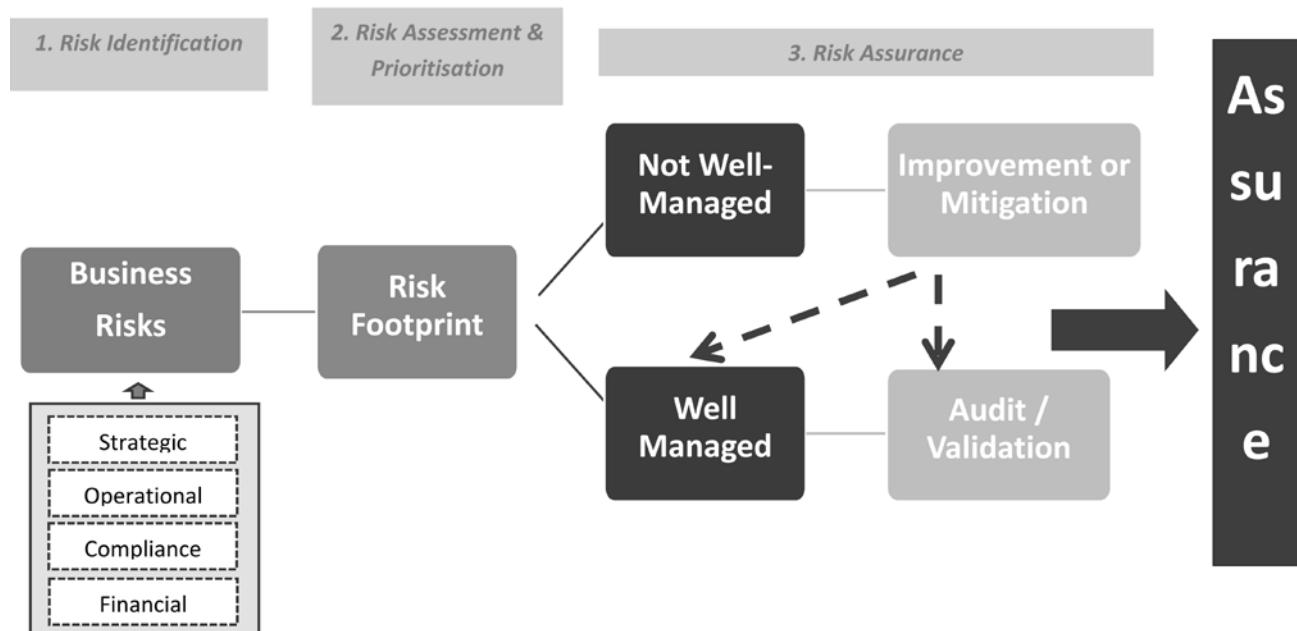
USL ("the Company"), in line with industry best practice has instituted an organisation / framework with three distinct lines of defence:

- 1st line (front line) - In market, controls and compliance, which is managed by the regional Controls and Risk Management ("Control Assurance and Risk Management") leads and the Regional Risk Management Committees ("RMC"), with the oversight of regional leadership;
- 2nd line (governance & oversight) - USL Board, CEO and ExCom, supported by HO controls, audit and finance teams; and
- 3rd line (independence) - Audit committee that reports to the USL Board, supported by internal audit and global Diageo internal audit teams ("Global Audit Risk team").



## Annexure 6 (continued)

### 2. How USL manages risk:



#### Risk Identification:

The risk are identified through following mechanisms

- ✓ **Risk Management Committees / Workshops / Meetings**

Key stakeholders from all functions together facilitate a brainstorm where the mitigation plans are challenged and build on people suggestions.

- ✓ **Past assessment**

If it happened before it could happen again. Hence detailed review of past assessment was conducted

- ✓ **Audit Reports**

Internal audit findings also provide inputs for risk identification and assessment.

- ✓ **External sources (e.g. news, financial press, industry journals, World Economic Forum).**

- ✓ **Deep-dives on specific issues**

Scenario based assessment provides insights in the risk assessment process

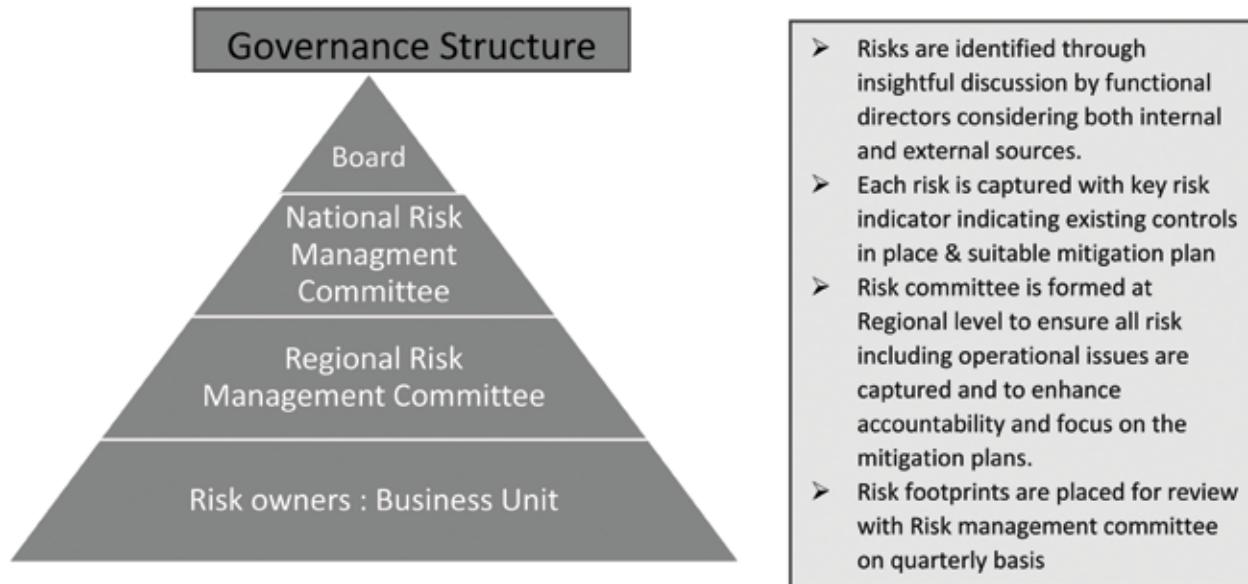
#### Risk Assessment:

Each risk are assigned based on the likelihood of occurrence and the potential impact of the risk on the business. When we consider the impact, we think consider range of factors which includes business objective, profit, working capital , cash flow , IT systems , Regulatory Compliance and Reputation.



## Annexure 6 (continued)

### **Risk Assurance:**



Every business faces "inherent" risks which a structured risk management process allows management to take risks in a controlled manner. The USL risk management process is developed in a structured way by combining elements of a top-down and bottom –up approach. We have risk management committee formed at 5 regional level and at head office. Key external and internal risks with potential impact are reported and reviewed at appropriate forums.

### **Risk mitigation and Monitoring:**

For the risk identified, risk footprints are prepared with risk indicators and likelihood of occurrence. The mitigation plans are prepared for all risk, owners are identified and progress of mitigation actions are monitored and reviewed. If there are any risk which is impacting the business in meeting its objectives, periodic reviews are conducted to deploy action.

### **Risk reporting:**

Risk which could significantly impede our ability to achieve our current or future business objectives are reported and discussed in the risk management committee on quarterly basis. Most of the operational risk at Regional level are discussed in the regional risk management committee and any risk at region which has national impact are escalated to the head office risk management committee. Periodic updates are provided to the Board highlighting key risks, their impact and mitigation plan.

#### **3. Risk categories:**

Following are the broad categories of risks considered in our risk management framework:

- **Strategy** – Risks which impacts the company's planned strategies. These are called out from the choices we make on markets, product mix and resources that will impact our competitive advantage in the medium and long term. Adverse developments in the regulatory environment that could potentially impact our business objectives also classified under this category.
- **Operational** – Operational risk includes unexpected developments resulting from internal processes , systems or from external events that are linked to actual running of business

## Annexure 6 *(continued)*

- **Legal & Compliance** – Non-compliance to various legal and compliance policies impacting the USL's brand image and/or reputation are classified under legal and compliance risk.
- **Financial** – Risk which impacts the company's financial strength & control environment are classified under financial risk.

### 4. **Risk management highlights for the year:**

We carried out the following risk management activities to identify, monitor and mitigate impact of risks. The major risk management initiatives taken for the year 2015 -16 are

- **Cyber security** – Cyber security is the protection of information systems from the theft or damage to the hardware, the software and to the information on them, as well as disruption to the service they provide to the business. During the year, we have assessed our infrastructure and mitigation plans have been drafted to protect from cyber risk. The identified mitigation plans are on track to implement and ring fence our system environment.
- **Business continuity and disaster recovery** – Business continuity management is a process that identifies risks, threats that could impact the operations and provide framework for resilience and the capability for an effective response. We have taken study of the key risk areas at the manufacturing locations as a first phase and implemented actions to mitigate the risk.
- **Regulatory changes** – Changes in the governmental regulations and unfavourable political conditions shall cascade to loss/decline in sale. Though these risk are uncontrollable at company end, we have made detailed action points to address the risk by partnering with Industry forum and engaging with Government.
- **Financial risk** – The Company maintains a system of internal control framework which has been designed to provide assurance regarding reliability of financial control, compliance with applicable laws and regulations, effectiveness of operations. Our independent Auditors tested on the effectiveness of our internal control and given unqualified report on the internal control effectiveness.

The above risks are covered in detail in the section on management discussion and analysis forming part of this report.

Our risk management process is mixed with proactive approach by identifying and addressing risks and opportunities , protect business enterprise and create value for stakeholders including employees, customers ,regulators and society overall.



# Annexure 7

## Corporate Social Responsibility (CSR)

### THE ANNUAL REPORT ON CSR ACTIVITIES

#### 1. Outline of the Company's CSR policy.

CSR Strategy of the Company supports our ambition to become the best performing, most trusted and respected consumer products company in India and the world. USL recognizes that its business activities directly affect the lives of millions of people around the world. We believe that the communities in which we operate should benefit from our presence. We will integrate our corporate social responsibility into our core business to create value for society and our shareholders. The programs encompass the following three areas:

- a) Alcohol in Society
- b) Women empowerment
- c) Sustainability

The Company's CSR Policy is available at [www.unitedspirits.in](http://www.unitedspirits.in).

#### 2. The composition of the CSR Committee.

The composition of the CSR Committee is as stated in the Corporate Governance Report.

#### 3. Average net profit of the Company for the last three financial years.

Particulars	FY 14-15	FY 13-14	FY 12-13
Profits / (loss) for CSR Computation	(460)	(33011)	5759

#### 4. Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above) Nil

#### 5. Details of CSR spent during the financial year.

- a. As the average net profit of the last three years has resulted in a loss, there was no mandatory requirement to spend on CSR activities during the financial year.
- b. Amount unspent, if any: - Not applicable.
- c. Manner in which the amount spent during the financial year is detailed below:

Sl. No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or program Wise	Amount spent on the projects or Programs Subheads (1) Direct expenditure on projects or programs (2) Overheads: (₹)	Cumulative expenditure up to the reporting period (₹)	Amount spent: Direct or through implementing agency*
1	Partnership with NDTV for a High visibility program 'Road to Safety' which has consumer outreach to create awareness about road safety, drink driving & underage drinking	Schedule VII (ii) under "promoting education". Promotion of Road Safety through CSR: (i) (a) Promotions of Education, "Educating the Masses and Promotion of Road Safety awareness in all facets of road usage,	National level telecast on NDTV 24 X7 and NDTV India	200 Lakhs	200 Lakhs	200 Lakhs	Through Mind Share

## Annexure 7 (continued)

Sl. No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or program Wise	Amount spent on the projects or Programs Subheads (1) Direct expenditure on projects or programs (2) Overheads: (₹)	Cumulative expenditure up to the reporting period (₹)	Amount spent: Direct or through implementing agency*
2	Capacity building training on defensive driving and hazards of driving under the influence of alcohol with IRTE (Institute of Road Traffic Education) and MORTH (Ministry of Road Transport and Highways)	(b) For drivers training etc. Schedule VII (ii) under "vocational skills"	Training held across 13 states Delhi Pondicherry Haryana Punjab Rajasthan West Bengal Bihar Madhya Pradesh Maharashtra Uttar Pradesh Assam Chandigarh	45 Lakhs	45 Lakhs	45 Lakhs	Implemented through NGO Institute of Road Traffic Education
3	Disaster Relief The succession of earthquakes in Nepal in June 2015 to the Prime Minister's National Relief Fund	Item no. VII Contribution to the Prime Minister's National Relief Fund to support relief and rehabilitation efforts in Nepal.	Nepal	NA	17.23 Lakhs	17.23 Lakhs	Prime Minister's National Relief Fund
4	Disaster Relief For Chennai Floods	Schedule VII Disaster relief working relentlessly towards relief and rehabilitation in these areas	Tamil Nadu and Andhra Pradesh	NA	10.71 Lakhs	10.71 Lakhs	NGO, Goonj
	Provision of water and sanitation facilities	Schedule VII (1) Sanitation and making available safe drinking water	Alwar, Udaipur, Gopalpur, Bhopal and Pondicherry	140 Lakhs	140 Lakhs	140 Lakhs	Implemented by NGO Charity Aid Foundation
<b>TOTAL</b>				<b>385 Lakhs</b>	<b>412.94 Lakhs</b>	<b>412.94 Lakhs</b>	

Note : The above contribution does not include ₹ 1 cr. contributed to Karnataka Chief Minister's Relief Fund during the year

- In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report: Not applicable
- Responsibility statement of the CSR Committee.

We hereby declare that implementation and monitoring of CSR activities, is in compliance with CSR objectives and Policy of the company. Though during the year, there was no requirement to spend due to the average net profit of the last three years having resulted in a loss, Company has still met its social objectives by spending on CSR Activities

**Ms Indu Shahani**  
Chairperson of the CSR Committee

Bangalore  
May 26,2016

**Mr Anand Kripalu**  
Managing Director and CEO



# Annexure 8

## Energy Conservation Technology Absorption & Foreign Exchange

### Details of Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outflow

(Section 134(3)(m) of the Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014)

#### A) Conservation of Energy

With reference to energy conservation, steps taken by the Company at its various manufacturing units were as under:

- Company is exploring Solar power purchase as a pilot to meet 40% power demand of two manufacturing plants for next 25 years which can then be extended to other units depending on feasibility.
- Energy conserving turbines were installed to maximize the steam utilization in Malt & Grain Spirit plants.
- Fuel change from coal to biomass firing in boiler initiated at one more manufacturing plant to reduce carbon emission. As of now, 5 operating plants out of 8 are on biomass and 2 are in the process of conversion.
- Treated effluent recycle through Reverse Osmosis plant started at two of manufacturing plants and planning to extend at other 5 plants.

#### B) Technology Absorption

- Adopted and implemented technology to achieve Zero Liquid Discharge at own distilleries, as per statutory norms. Have commissioned at 3 units & being commissioned at two more.
- Adopted use of latest improved enzymes and yeasts to enhance yield, quality and efficiency of Malt Spirit.
- Planning to implement 'Bio Gas Engines' for utilizing Methane Gas, produced in Anaerobic Digester and generating captive power for running distilleries.
- CO<sub>2</sub> from the grain fermentation process is being recovered and used.

#### C) Foreign Exchange earnings and Outgo-

Foreign exchange earnings

(₹ In Millions)

Export of goods and services on FOB basis	934.493
Income from brand franchise	50.384
Dividend income from subsidiary	16.082
<b>TOTAL</b>	<b>1,000.959</b>

Foreign Exchange Outgo

(₹ In Millions)

Advertisement	677.271
Rent	159.926
Professional Fees	5.677
Other (Subscription, foreign travel, bank charges, finance charges etc.)	526.130
<b>TOTAL</b>	<b>1,369.004</b>

## Annexure 9

# Business Responsibility Report

Environment, Society and Governance lie at the heart of our business ethics and philosophy. Pursuant to Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, we provide below our Business Responsibility Report describing the initiatives taken by the Company ("USL") from an environmental, social and governance perspective during the financial year ended March 31, 2016.

On each of the nine Principles governing this Business Responsibility Report, USL has been at the forefront to follow the same in letter and spirit. Our initiatives in this regard for each of the Principles are highlighted below in the prescribed format.

### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. *Corporate Identity Number (CIN) of the Company* - L01551KA1999PLC024991
2. *Name of the Company* – UNITED SPIRITS LIMITED
3. *Registered address* – 'UB TOWER', #24, VITTAL MALLYA ROAD, BANGALORE – 560 001
4. *Website* – [www.unitedspirits.in](http://www.unitedspirits.in)
5. *E-mail id* – [uslinvestor@unitedspirits.in](mailto:uslinvestor@unitedspirits.in)
6. *Financial Year reported* – April 01, 2015 to March 31, 2016
7. *Sector(s) that the Company is engaged in (industrial activity code-wise)* – Manufacturing (Main Activity Group Code – C)
8. *List three key products/services that the Company manufactures/provides (as in balance sheet)* – Alcoholic Beverages, Extra Neutral Alcohol, Indian Made Foreign Liquor
9. *Total number of locations where business activity is undertaken by the Company* - 28
  - (a) *Number of International Locations (Provide details of major 5)* - Nil
  - (b) *Number of National Locations* – 28
10. *Markets served by the Company – Local/State/National/International* – All the three.

### SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. *Paid up Capital (INR)* – ₹ 1,45,32,77,430
2. *Total Turnover (INR)* – ₹ 22679 Crores
3. *Total profit after taxes (INR)* – ₹ 968.94 Crores
4. *Total Spending on Corporate Social Responsibility (CSR)* – Since average profits of the last three years are negative the company is not required to spend any amount on CSR. However the company has still spent Rs 4.13 crores which as percentage of profit after tax for the year ended March 31, 2016 is 0.43%.
5. *List of activities in which expenditure in 4 above has been incurred:*
  - (a) As given in Annexure 7 of CSR Report, which is forming part of Report of Directors

### SECTION C: OTHER DETAILS

1. *Does the Company have any Subsidiary Company/ Companies?*  
Yes.
2. *Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)?*  
Pioneer Distilleries Limited.
3. *Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]* –  
Not Applicable.

## Annexure 9 (continued)

### SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR – The list of Directors along with details are given below:

(a) Details of the Director/Director responsible for implementation of the BR policy/policies as on March 31, 2016.

Sl. No.	Name of the Director	DIN	Designation
1	Mr. Mahendra Kumar Sharma	00327684	Non-Executive Independent Director – Chairman
2.	Mr. Nicholas Bodo Blazquez	06995779	Non-Executive Director
3.	Mr. Anand Kripalu	00118324	Managing Director and Chief Executive Officer
4.	Mr. Sudhakar Rao	00267211	Non-Executive Independent Director
5.	Mr. D. Sivanandhan	03607203	Non-Executive Independent Director
6.	Mr. Ravi Rajagopal	00067073	Non-Executive Director
7.	Dr. (Mrs.). Indu Shahani	00112289	Non-Executive Independent Director
8.	Mr. Rajeev Gupta	00241501	Non-Executive Independent Director

(b) Details of the BR head:

Overall review of BR is with the Board of Directors and the implementation with the Management.

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

(a) Details of compliance (Reply in Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9	
1	Do you have a policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y	
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	The Code of Business Conduct & Ethics (CoBCE), is the key policy governing the compliance and ethics framework of the Company. In addition to CoBCE, it is mandatory for all employees to undergo training in CoBCE and a compliance certification program anchored by policies and procedures, prescribed as per the global standards, covering areas such as anti-bribery & corruption, including guidelines on gifting & entertainment, anti-money laundering and prevention of sexual harassment at workplace, in addition to the Employee Alcohol Policy, as a part of its commitment to responsible drinking.									
4	Has the policy being approved by the Board?  Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
5	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
6	Indicate the link for the policy to be viewed online?	<a href="http://unitedspirits.in/Investor_downloads/780678726Code%20of%20Business%20Conduct.pdf">http://unitedspirits.in/Investor_downloads/780678726Code%20of%20Business%20Conduct.pdf</a>									
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y	

## Annexure 9 (continued)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
8	Does the company have in-house structure to implement the policy/ policies.	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options) – **NOT APPLICABLE**

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The company has not understood the Principles									
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3	The company does not have financial or manpower resources available for the task									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year									
6	Any other reason (please specify)									

3. Governance related to BR:

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

Annual.

(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? Published annually as part of the Annual Report. Hyperlink is [www.unitedspirits.in](http://www.unitedspirits.in).

### Principle 1 : Company's efforts in the area of Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/ Contractors/NGOs/Others?

The Code of Business Conduct & Ethics (CoBCE), as updated in May 2015, is the key policy governing the compliance and ethics framework of the Company. All the employees are required to undergo mandatory training within 15 days of joining the employment and a yearly refresher training, along with a compliance certification program, for evaluation of the knowledge and understanding of CoBCE on an annual basis. In addition, face to face and functional training is also provided by the members of the compliance and ethics function on a regular basis. In addition to CoBCE, the compliance program is also anchored by policies and procedures, prescribed as per the global standards, covering areas such as anti-bribery & corruption, including guidelines on gifting & entertainment, anti-money laundering and prevention of sexual harassment at workplace, in addition to the Employee Alcohol Policy, as a part of its commitment to responsible drinking.



## Annexure 9 (continued)

During the year CoBCE has been rolled out to subsidiaries of the Company, namely, Pioneer Distilleries Limited, Sovereign Distilleries Limited, TERN Distilleries Private Limited and Four Seasons Wines Limited, through adoption of the policy by the respective Boards and training to the employees of the respective subsidiaries.

The Company has a whistle blower/ vigil mechanism, iSpeak, operated by a third party agency. Employees are encouraged to raise their compliance concerns through this mechanism, apart from other internal reporting channels viz. Line Manager or representatives of HR, Legal, Compliance & Ethics function, etc. Confidentiality and anonymity is guaranteed to all reporters. Company has a structured Breach Management Standard in place, for timely and conclusive resolution of issues raised through the whistle blower mechanism. Access is also provided to the Chairman of the Audit Committee in appropriate and exceptional cases.

2. *How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.*

During the year 111 cases were logged in iSpeak, which included 39 cases in the nature of HR grievances. Out of the above 80% cases are closed with 1/3rd being substantiated. Decisions on the reported breaches are determined and monitored by a compliance committee, comprising key members of the leadership team, by ensuring that there is a collective and a fair decision making process and consistent action in resolving the breaches. Quality of investigation and remedial actions are monitored by the Global Risk & Compliance team and also by an independent consultant with an emphasis on mitigation of risks arising out of breaches.

As a part of the governance framework, details of significant breaches are tabled before the audit committee for its review on a quarterly basis. Regular updates are also provided to the senior leadership team on various aspects of the compliance program, not only to set tone at the top but also as a part of management's commitment to continuous improvement in integrating compliance with the business.

### **Principle 2 : Company's efforts to provide goods and services that are safe and contribute to sustainability throughout their life cycle.**

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

We have been conscious of social and environmental concerns and our processes and practices reflect our concern for the environment as can be seen from the details provided in the paragraphs below.

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

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

We give below the list of projects and achievements during the year

Project Type	Project Type	Project Description	Validated Benefits (m3)	COST in INR
Bhopal	WASH	waterless toilets for villages/schools	1085	470000
	WASH	restoration of existing hand pumps	10913	695000
	Water for Productive Use	rehabilitation/dredging of dam reservoir (note that this project is not yet confirmed complete, expected completion before 30 June 2016)	62303	290000
Pondicherry	WASH	waterless toilets for schools/Villages	1,368	1387500
	Water for Productive Use	groundwater recharge soak pits	10,493	62500
Alwar	WASH	Hand pumps	15782	1005000
	WASH	drinking water from RO system	702	
	Water for Productive Use	groundwater recharge from retention basins	2,595	
Gopalpur	WASH	restoration of existing hand pumps & Toilet Construction Benefit	17640	1190400
Udaipur	WASH	provision of drinking water and waterless toilets	16790	
	WASH	drinking water from RO system	1078	1085000
	Water for Productive Use	groundwater recharge from retention basins	3089	
Pioneer	Water for Productive Use	water supplied from retention basins	25596	570000
		Total WASH	65358	
		Total Water for Productive Use	104,076	5,565,000

USL's Initiatives in 2016 to reduce packaging materials include light weighting of glass bottles by 10% - weight reduction on major brand bottles, film down - gauging in Tetra, Weight optimization in PET bottles around 5%, reduction in carton weight by replacing older 5 Ply to

## Annexure 9 (continued)

3 Ply RCT based paper liners. Also USL uses 35% of one time used bottles and working with glass bottle vendors to optimize raw material for glass production by using about 20% through scrap bottles.

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

Indirect benefits have accrued to customers from the steps taken above.

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

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

USL is in the process of instituting processes addressing the need for sustainable sourcing. This is in line with Diageo's global statement of intent on sustainable procurement (covering engaging with vendors on ethical business practices, protection of human rights, health and safety standards as well as reduction of environmental impact).

While our terms of engagement & relevant agreements with suppliers encapsulate minimum requirements in accordance with local law, we are in addition evaluating and framing a roadmap for implementation of registration and audits through Sedex for managing the social & ethical risk in our supply chains.

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

USL has identified certain categories of spend amenable to sourcing from MSME vendors, like corrugated boxes or recycled bottles, and almost exclusively sources such categories from sources proximal to our manufacturing locations.

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

In order to ensure such parties meet our specification requirements, USL teams routinely conduct audits, identify process gaps and educate vendors on performance improvement and best practices.

In line with the tenets of Principle 2 that businesses should raise the consumer's awareness of their rights through education, product labelling, appropriate and helpful marketing communication etc. and to provide full details of contents and composition and to promote safe usage and disposal of their products and services, USL ensures that its product labels comply to all statutory requirements per legal metrology, food & safety standards etc. Apart from this, customers are also made aware of mandatory requirements of individual states or markets, including but not limited to a detailed ingredient list, clearly published manufacturing & licensing details, customer care contact details as well as mandatory warnings as applicable for alcobev industry.

With regard to regular review to improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations, USL ensures minimization of our resource usage footprint, by working collaboratively with our suppliers along the following dimensions:

- Product specification optimization: including but not limited to light-weighting of containers, gauge reduction of metal components, weight optimization of print material etc, deploying available / new-age technologies & manufacturing capabilities with our suppliers.
- Feature optimization: In select cases, we have removed surplus packaging components to reduce overall material use.
- Commonization: USL is working towards rationalization & commonization of our material components for both economies of scale as well as maximizing utilization across our requirements, especially for recycled products like returnable bottles.

In addition to above mentioned optimization drives, USL has led in recycling through utilization of returnable glass bottles across a significant part of our popular demand. In addition, USL collaborates with supply partners like Tetrapak to facilitate recycling & utilization of waste laminates, as well as glass suppliers for re-use of broken cullets.

USL is additionally working towards compliance on anticipated future requirements like proposed plastic waste management rules and extended supplier responsibilities thereupon.

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

USL has installed Sewage Treatment Plan (STP) & Effluent Treatment Plan (ETP) as per Pollution Control Board's (PCB) norms to treat and re-use liquid waste in manufacturing locations and 90% plus solid waste generated from manufacturing is recycled through authorized recyclers.



## Annexure 9 (continued)

On recycling, USL has started a journey on building consumers awareness by using Re-cycle logo on packing materials in few brands and proactively working with industrial bodies to build capability of product and waste recycling to ensure sustainability in business operations and meet statutory norms.

### **Principle 3 : Company's efforts to promote the wellbeing of all employees**

1. *Please indicate the Total number of employees.*

We have 5705 employees including Executive, permanent workmen and staff.

2. *Please indicate the Total number of employees hired on temporary/contractual/casual basis.*

We have hired 4530 contract or temporary employees and retainers/ consultants.

3. *Please indicate the Number of permanent women employees.*

We have 424 permanent women employees.

4. *Please indicate the Number of permanent employees with disabilities*

NIL

5. *Do you have an employee association that is recognized by management?*

Yes.

6. *What percentage of your permanent employees is members of this recognized employee association?*

We have about 3053 employees constituting 53% of our permanent employees.

7. *Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.*

During the financial year 2015-16 one complaint was received and was disposed off.

8. *What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?*

- (a) Permanent Employees : 77%
- (b) Permanent Women Employees : 77%
- (c) Casual/Temporary/Contractual Employees : 62%
- (d) Employees with Disabilities : Please refer to our response to Principle 8 para 1C(1) given below

### **Principle 4: Company's efforts to respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.**

1. *Has the company mapped its internal and external stakeholders? Yes/No*

Yes.

2. *Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?*

Yes.

3. *Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.*

USL has launched Project S.H.E (Security-Health-Education). It is a grassroots level community programme designed to improve the lives of people in the communities around its plants with particular emphasis on empowering women. In the first year of the program, five USL manufacturing site locations have been identified to roll out the program. The program targets to touch over 40,000 people in the 13 direct intervention villages in the five plan locations. The program will focus on:

- Security: improving access and availability of drinking water & basic sanitation through water conservation.
- Health: Community preventive care and healthcare for women/young mothers & adolescent girls
- Education: job-oriented skills and entrepreneurship training for women.

## Annexure 9 (continued)

### Principle 5: Company's efforts to promote human rights

1. Does the policy of the company on human rights cover only the company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?

The Code of Business Conduct & Ethics (CoBCE) is the key policy governing the compliance and ethics framework of the Company and extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs.

Additionally, during the year CoBCE has been rolled out to other USL subsidiaries, namely, Pioneer Distilleries Limited, Sovereign Distilleries Limited, TERN Distilleries Private Limited and Four Seasons Wines Limited, through adoption of the policy by the respective Boards and training to the employees of the respective subsidiaries.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

During the year 111 cases were logged in iSpeak (our whistleblower portal), which included 39 cases in the nature of HR grievances and only one-third being substantiated. Out of the above 80% cases have been closed and satisfactorily resolved.

### Principle 6: Company's efforts towards environment protection.

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

The Policy is applicable to Group companies of USL.

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

Yes, USL sustainability strategies targets 2020, baseline reporting year as 2007 as explained below for each of the parameters.

Water:

- Reduce water use through a 50% improvement in water use efficiency
- Return 100% of waste water from our operations to the environment safely.
- Replenish the amount of water used in our final product in water stressed areas.

Carbon:

- Reduce absolute greenhouse gas emissions from direct operations by 50%

Waste:

- Achieve zero waste to landfill

3. Does the company identify and assess potential environmental risks? Y/N

Yes, we have identified ground water extraction as one of the environmental risks and have started work on water replenishment; in FY16, USL has invested nearly Rs 5.6 Million to replenish 170 Million litres of water in the community around five manufacturing facilities. USL is also working on next 3 years' water replenishment strategy and have conducted Water Source Vulnerability Assessment at one of the manufacturing sites. A detailed report is under preparation to scale it further.

4. Does the company have any project related to Clean Development Mechanism (CDM)? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

USL is committed to Carbon footprint reduction. Over the last 8 years, USL has substantially reduced carbon emission by implementation of multiple projects to meet the heat demand of operation through renewable fuel and in-house power generation. USL is working on a strategy to generate 10% of total power demand through solar power from F17. USL has also demonstrated its commitment on carbon emission reduction at a global level by registering two CDM projects with United Nations Framework Convention on Climate Change (UNFCCC).

Given below are links of CDM projects registered with UNFCCC:

[http://cdm.unfccc.int/ProgrammeOfActivities/cpa\\_db/7ZJ8H3SE06MC1OUXLB2WG4V9RNKP5A/view](http://cdm.unfccc.int/ProgrammeOfActivities/cpa_db/7ZJ8H3SE06MC1OUXLB2WG4V9RNKP5A/view)

<http://cdm.unfccc.int/Projects/DB/RINA1354116619.42/view>

## Annexure 9 (continued)

USL has done an assessment of the last eight years on Business Environment footprint in 2015, Limited data assurance is verified and accuracy of reporting is certified by KPMG. USL sustainability performance report are included and reported in Diageo's sustainability and Responsibility performance addendum 2015 details of which are available in the weblink below.

<http://www.diageo.com/en-row/csr/Pages/our-reporting.aspx>

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

Yes, USL has invested in multiple projects over last few years. The manufacturing facility at Nasik with highest carbon emission in USL was reduced by nearly 80% in last 2 years - a case on the same is published in Diageo website link given below.

<http://www.diageo.com/en-row/csr/casestudies/Pages/moving-fast-to-displace-fossil-fuels.aspx>

6. *Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?*  
Yes.

7. *Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.*  
Notices received in the financial years are responded properly and resolved to satisfaction level.

### **Principle 7 : Company's efforts to responsibly engage while influencing public and regulatory policy.**

1. *Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:*

- International Spirits and Wines Association of India (ISWAI)
- Confederation Of Indian Alcoholic Beverage Companies (CIABC)

2. *Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas ( drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)*

Yes. USL Diageo is a founding signatory of the Beer, Wine and Spirits Producers' Global Commitments, an ambitious set of targets aimed at making measurable progress in the following five areas, which we have advocated through the associations:

- Reducing underage drinking
- Strengthening and expanding marketing codes of practice
- Providing consumer information and responsible product innovation
- Preventing drinking and driving
- Enlisting the support of retailers to reduce harmful drinking

### **Principle 8 : Company's efforts to support inclusive growth and equitable development**

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

USL's priorities in India aim to enrich lives, communities and the environment through good business encompassing 3 key areas:

1. Tackling alcohol misuse and promoting Responsible Drinking, focusing on drunk driving; underage drinking and industry collaboration
2. Empowering women, focusing on education and skills
3. Benefiting the communities around our plants, focusing on sanitation and health including Water.

Key campaigns / wins / achievements / leadership in Tackling alcohol misuse and promoting Responsible Drinking are given below-

(a) **Diageo and United Spirits: 'Road to Safety'**

Realizing that consumer goods companies like Diageo and USL can succeed only when they fulfil their responsibilities to society and the communities, and when they are committed to the safety and well-being of their consumers, the company makes full use of its knowledge of consumer insights by designing suitable programmes that are aimed at creating awareness, changing attitudes and shifting behaviour.

## Annexure 9 (continued)

### (b) The need of the hour: 'Road Safety in India'

The alarming incidence of road accidents is a matter of serious concern. India alone accounts for more than 12 per cent of the worldwide annual average of 1.24 million global road fatalities. Diageo and United Spirits' "Road to Safety" programme focuses on preventing drink driving, underage drinking and excessive drinking in India. There are two big programmes under this campaign. The first is a national programme spanning 45 cities across 20 Indian states in partnership with the Institute of Road Traffic Education (IRTE) and the Ministry of Road Transport & Highways. The second 'Diageo-NDTV Road to Safety' is a partnership with NDTV to educate and inspire citizens to action by highlighting critical issues including lack of safety awareness, public apathy towards accident victims and a widening gap between legislation and enforcement.

### (c) Key community programmes

#### (i) Women Empowerment:

Our values, our reputation and our purpose are important drivers of our commercial success. In this context, our Women's Empowerment program is an investment in our business. It will help us to grow the economies in which we operate, and to develop skills in the hospitality sector that are critical for our continued success. Those programmes are summarized below.

1. SamarthaSthree: All Women technology Training Initiative in Bangalore trained primarily women with disabilities and underprivileged backgrounds in spoken English, computer & professional skills, personality development and interview skills. 1050 women were trained and 65% of trained beneficiaries were employed within 25 medium-sized companies and 5 large corporates. Through community outreach, the community support for the initiative has increased tremendously. Parents and spouses who were initially reluctant for these women to participate, have become supportive and have started recommending others join this programme.
2. Udyogini: A training program developing micro-enterprises aimed at enhancing the skills of urban poor women to access income generation activities: Udyogini trained 25 women at 5 NGOs to develop specific skills to set up micro enterprises. The 25 participating women completed value chain analysis and business plans to enable the women to secure loans for their micro-enterprise. The benefit of this programme was to develop income generation activity while simultaneously creating a knowledge base within the NGO sector to address issues of women's economic empowerment in an urban context.
3. The Young Women Social Entrepreneurship Programme trains master trainers in social entrepreneurship skills, equipping them to train others in setting up small businesses. The training focuses on practical business skills such as management, finances, communications, leadership, marketing and fundraising. In Phases 1 and 2, a critical mass of 60 master trainers have been trained across 30 cities/locations in India. They in turn have conducted training workshops across the country to a further 4000 women in India, promoting social entrepreneurship amongst the women. We have been working with the relevant ministries and Ms Maneka Gandhi, Union Cabinet Minister for Women & Child Welfare and the UK High Commissioner to India Sir James Bevan were gracious enough to evangelize those programmes.

#### (ii) WASH: Water, Safety, Health, Education

We have a grass-roots program to build thriving communities around our plants: USL's bottling plants are mostly situated in semi-urban areas with its distilleries mostly situated in rural areas. These communities lack basic infrastructure necessary for a dignified living. We are investing in programmes to benefit 18,000 women and 22,000 men in and around five key plants to develop safety, health and education through:

- Safe access to water
- Healthcare
- Employable skills training

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

The programs are undertaken through reputed NGO partners and relevant organizations. We look at government partnerships in all our programs.

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

Yes, all our programs have strong measurement metrics built into them.

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

Amount spent on various areas are summarized below-

- Road to Safety- Rs 4.0 Cr
- Women Empowerment program: Rs 0.55 Cr



## Annexure 9 (continued)

- Underage Drinking: Rs 0.5 Cr
- Community empowerment program : Rs 1.5 Cr

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

Extensive community outreach has been built in our programs. We have created strong Self Help Groups (SHG) and WASH (Water, Sanitation and Hygiene) committees to ensure engagement, involvement and adoption by the community.

A common thread across locations has been the many effective meetings of the WASH (Water, Sanitation and Hygiene) committees to understand the counteracting forces by assessing cultural backgrounds of the users of the water and sanitation facilities planned under S.H.E to:

- Raise ownership
- Increase potential of success
- Mitigate risks
- Diminish failure (e.g. to ensure that systems are not used to sabotage/ vandalise)

### **Principle 9: Company's efforts to engage with and provide value to their customers and consumers in a responsible manner**

1. *What percentage of customer complaints/consumer cases are pending as on the end of financial year.*  
0% pending. In this financial year we received 91 complaints and all have been addressed and closed.
2. *Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. / Remarks(additional information)*  
Yes. Generally we have front and back label for few brands and few have a single label.

**Back Label** – We print following mandatory details

1. Branding
2. MRP
3. Manufacturing unit address
4. Reg. office address
5. FSSAI License number
6. Customer care phone number and Mail ID.
7. Ingredients
8. Quantity and strength declarations
9. Batch number and date of manufacturing
10. Bar code
11. Excise mandates as per state excise regulation.

**Front label** – We include:

1. Branding
2. Brand Claim / Brand Story
3. Brand Assets
3. *Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.*  
Nil
4. *Did your company carry out any consumer survey/ consumer satisfaction trends?*

USL Diageo conducts various researches to make sure the best in class offer goes in the market; and also there is a regular survey in place to track consumer feedback on brand metrics. We use Neuro tool to evaluate blends, packs, communication for our core brands; we have Brand track to monitor brand equity, Quality, awareness, penetration at regular intervals.

There is another study currently running, which is about 'Quality at shelf display' – this is a qualitative survey to understand consumer acceptability of our brands from both retailer and consumers perspective.



# Independent Auditor's Report

## To the Members of United Spirits Limited

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of United Spirits Limited ("the Company"), which comprise the balance sheet as at 31 March 2016, the statement of profit and loss and the cash flow statement of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are

appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

### Basis for Qualified Opinion

- As stated in Notes 26 (a) and (c) to the standalone financial statements, during the year ended 31 March 2014, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, claimed in their balance confirmations to the Company for the year ended 31 March 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board of Directors of the Company ("Board"), a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board; and Management's assessment of recoverability, an aggregate amount of ₹ 6,495.48 million (including interest claimed) was provided in the financial statements for the year ended 31 March 2014 and was disclosed as prior period items. During the year ended 31 March 2015, an additional provision of ₹ 216 million was made for interest claimed. The Company has not made provision for any unclaimed interest. During the quarter ended 30 September 2015, the Company reached a settlement with a party pursuant to which the party withdrew claims aggregating ₹ 278.60 million. Accordingly, provision aggregating ₹ 278.60 million has been written back. Additionally, subsequent to the year-end, the Company has signed settlement agreements with certain such parties and based on these settlements has reversed provisions with respect to interest claimed aggregating ₹ 264.60 million as at the balance sheet date. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off ₹ 5,666.00 million out of the amounts provided for with respect to the aforesaid parties.

During the year ended 31 March 2014, the Board had also directed a further detailed and expeditious inquiry in relation to the above matter, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in

# Independent Auditor's Report *(continued)*

relation to such transactions, and the possible existence of any other transaction of a similar nature ("Inquiry"). While the Inquiry has since been completed, with regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which documents dealt with transactions involving the counterparties referred to above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified concerns as to the propriety of the underlying transactions.

Further, as stated in Note 24 (e) to the standalone financial statements, the Company, under the settlement agreement with a director, inter alia, agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its standalone financial statements for the year ended 31 March 2014 (refer note 26 (a)). Additionally, the Company undertook under the settlement agreement that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note relation to matters also set out therein.

Based on its current knowledge, the Management believes that the balance provisions carried with respect to the above matters are adequate and no additional material adjustments are likely to be required in relation thereto. In the previous year, the Board had directed the Management to expeditiously review the Additional Matters and transactions with the Additional Parties and report to the Board on Management's conclusions on the transactions and any further impact on the Company's financial statements. As the review of the Additional Matters and transactions with Additional Parties is in progress, we are unable to comment on the nature of these transactions; the provisions established; or any further impact on the standalone financial statements including the impact on opening balances for the year. Further, pending resolution of the above disputes, we are unable to comment on whether the provision established for interest is appropriate.

2. As stated in Note 45 to the standalone financial statements, the Managerial remuneration for the year ended 31 March 2015 aggregated ₹ 64.91 million and ₹ 153.09 million towards remuneration of the Managing Director and Chief Executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO) respectively. The aforesaid amounts includes remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. Subsequent to the balance sheet date, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.

## Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above,

the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016, and its profit and cash flows for the year ended on that date.

## Emphasis of Matter

We draw attention to:

1. Note 26 (b) to the standalone financial statements, which states that, during the year ended 31 March 2014, various pre-existing loans / advances / deposits (together with interest) due from United Breweries (Holdings) Limited ("UBHL") by the Company and its subsidiaries aggregating ₹ 13,374.17 million on 3 July 2013, were consolidated into a single loan agreement dated 3 July 2013 entered into between the Company and UBHL. With regard to the prior transactions that were consolidated into the single loan due from UBHL on 3 July 2013, the Inquiry stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company to UBHL than that which actually existed at that time. The inquiry also indicates that the manner in which these transactions were conducted and these entries made, *prima facie*, indicates various improprieties and legal violations. As per the terms of the said loan agreement, interest payable by UBHL to the Company in January 2015 amounted to ₹ 1,911.00 million (gross of tax) and a further interest amounting to ₹ 1,270.50 million (gross of tax) was due in January 2016. However, the Company is yet to receive such interest payment from UBHL. The Company has received a letter from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different Courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka. As a result of the above and other relevant factors, during the year ended 31 March 2015, the Company provided the remaining principal balance of the loan aggregating ₹ 9,954.60 million (in addition to the ₹ 3,303.19 million that was provided for during the year ended 31 March 2014) and did not recognise interest income of ₹ 1,207.00 million for the year ended 31 March 2015 (in addition to the provision for interest received (net) of ₹ 713.77 million for the year ended 31 March 2014). Accordingly, the Company has also not recognised interest income of ₹ 315.90 million and ₹ 1,270.50 million for the quarter and twelve months ended 31 March 2016 respectively;
2. As stated in Note 24 (e) to the standalone financial statements, on 25 February 2016, the Company entered into a settlement agreement with a director pursuant to which he resigned from his positions as a director and chairman of the Company and of the boards of its subsidiaries. Amongst other terms as per the agreement, the director agreed to a five year global non-compete (except United Kingdom) and procured / agreed to procure termination of certain agreements that were voted down by the Company's shareholders in the Extra-ordinary General Meeting

## Independent Auditor's Report *(continued)*

("EGM") held on 28 November 2014. The Company, under the settlement agreement, inter alia agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its standalone financial statements for the year ended 31 March 2014 (as mentioned in the Note 26 (a)). Additionally, the Company undertook to the aforesaid director that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note 26 (a) in relation to the matters referred to therein. The Company also entered into certain arrangements giving the director or his nominee an option to buy certain non-core properties of the Company as per the terms stated therein. The Securities and Exchange Board of India ("SEBI") sought information regarding certain aspects of the settlement agreement, to which the Company has responded (Refer Note 30 (i) to the standalone financial statements). Given the nature and complexities of the settlement, and the possibility of varied interpretations of potentially applicable provisions of the Act and SEBI regulations, the Company obtained legal opinions from a senior legal counsel and its external counsel, opining that the settlement agreement and the related documents are in compliance with the applicable provisions of the Act and SEBI regulations;

- As stated in Note 24 (d) to the standalone financial statements, as per the requirements of the equity listing agreements entered into by the Company with various stock exchanges in India and various circulars and regulations issued by the SEBI and applicable provisions of the Act, the Company sought approval of its equity shareholders for certain agreements in the extraordinary general meeting ("EGM") held on 28 November 2014. Some of the agreements, as detailed in the aforesaid note, were not approved by the equity shareholders in the aforesaid EGM. The Company has sought clarification / direction from SEBI with respect to the implications arising from the non-approval of the said agreements. Pending the clarification / direction from the SEBI, during the year ended 31 March 2015, the Company had recognised the underlying expenses pursuant to these agreements up to 28 November 2014 aggregating ₹ 1,357.30 million. The Company has not recognised charges arising out of non-approved agreements for the period since 29 November 2014. Further, subsequent to 28 November 2014, in response to the letters received by the Company from some of the concerned counterparties, the Company has made payments amounting to ₹ 74.30 million (excludes a cheque of ₹ 6.10 million which has not been encashed) to such counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. During the current year, the Company has entered into mutual release and termination agreements with some of the counterparties, wherein the Company has retained the right to recover the amounts paid to the respective counterparties for the period before 28 November 2014 in case any regulatory authority and / or any court of competent jurisdiction decides that

these amounts were not payable by the Company at a future date. Pending clarifications from SEBI, based on an opinion received from a senior legal counsel, the Management believes that these contracts have been rendered void by, and from the date of voting down by, the shareholders;

- Note 25 to the standalone financial statements, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to ₹ 6,216.60 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of ₹ 6,280.00 million including prepayment penalty of ₹ 40.00 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the same and its writ petition is pending before the Honourable High Court of Karnataka. On 31 March 2015, the bank demanded an amount of ₹ 474.00 million towards principal and interest on the said loan, which the Company contested in the Honourable High Court of Karnataka. As per the order of the Honourable High Court of Karnataka, the Company engaged with the bank to commence discussions. During the quarter ended 30 September 2015, the bank obtained an ex parte injunction before the Debt Recovery Tribunal, Bangalore ("DRT"), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed objections against such ex parte order. During the quarter ended 31 December 2015, the Company obtained a stay from the Honourable High Court of Karnataka restraining the bank from dealing with the above-mentioned pledged shares until further orders. Thereafter, the Company received another notice from the relevant bank seeking to recall the loan which had been prepaid, and demanding a sum of ₹ 459.40 million, as well as a subsequent notice issued under section 13(2) of SARFAESI Act in relation to the same loan. Pursuant to an application filed by the Company before the Honourable High Court of Karnataka, in the writ proceedings, the Honourable High Court of Karnataka directed that if the Company deposited the sum of ₹ 459.40 million with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets pledged by the Company under the loan till the disposal of the first petition filed by the Company in the Honourable High Court of Karnataka. Subsequent to the year end, the Company has accordingly deposited the said sum and has replied to the bank's various notices in light of the above. The aforesaid amount has been disclosed as a contingent liability in the financial statements by the Company;
- Note 50 to the standalone financial statements, which more fully describes the uncertainty related to the outcome of writ petitions with the Honourable High Court at Patna, in relation to the ban imposed by the Bihar State Government on trade and consumption of foreign liquor in the state of Bihar with effect from 5 April 2016. Pending final disposal of the petitions, no adjustments are considered necessary in the financial statements;



# Independent Auditor's Report *(continued)*

6. Note 30 to the standalone financial statements, wherein it is stated that (i) the Company has received a notice from the Ministry of Corporate Affairs, under section 206(5) of the Act, requesting explanations and comments as to why action should not be initiated in relation to various contraventions alleged by the Joint Director under provisions of the Act; (ii) the Company has received notice under Section 131 of the Income Tax Act, 1961; (iii) the Company has received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports; (iv) the Company has received a letter from the Institute of Chartered Accountants of India seeking a copy of the Inquiry Report, pursuant to Section 21C of the Chartered Accountants Act, 1949; (v) the Company has received a letter from the Enforcement Directorate of the Government of India in connection with investigation being conducted under the provisions of Foreign Exchange Management Act, 1999 seeking necessary details; (vi) the Company has received a notice under Rule 20 of the Second Schedule to the Income tax Act, 1961, issued with respect to a director of the Company and another Company where such director is the principal officer; and (vii) the Company has received letters from the Securities and Exchange Board of India under Section 11 of the SEBI Act, 1992; and
7. Note 26 to the standalone financial statements, wherein it is stated that the Inquiry noted certain regulatory non-compliances with respect to the Companies Act, 1956, the listing agreement with the stock exchanges in India and other regulations as mentioned in the said note, and that the financial impact of these non-compliances on the Company were estimated by Management to be not material.

Our opinion is not qualified in respect of these matters.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) except for the matters described in the Basis for Qualified Opinion paragraph above, we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, 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 balance sheet, the statement of profit and loss and the cash flow statement dealt with by this Report are in agreement with the books of account;

(d) except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

- (e) the matters described in the Basis for Qualified Opinion paragraph above, and the matters described in sub-paragraphs (1), (2), (4) and (7) of the Emphasis of Matter paragraph above, in our opinion, may have an adverse effect on the functioning of the Company;
- (f) on the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
- (g) the qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above;
- (h) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B; and
- (i) 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, in our opinion and to the best of our information and according to the explanations given to us:
  - a. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Notes 25, 33(b), 50 and 51 to the standalone financial statements;
  - b. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses – Refer Note 49 to the standalone financial statements; and
  - c. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

for **BSR & Co. LLP**

*Chartered Accountants*

Firm Registration Number: 101248W/W-100022

**Sunil Gaggar**

*Partner*

Membership Number: 104315

Bangalore

26 May 2016

## Annexure A to the Independent Auditor's Report

Annexure referred to in Paragraph 1 in Report on Other Legal and Regulatory Requirements of the Independent Auditor's Report to the members of the Company on the standalone financial statements for the year ended 31 March 2016. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has a regular programme of verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets have been physically verified during the year and no material discrepancies were observed on such verification; and
- (c) According to the information and explanations given to us and based on our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company except for 22 cases of freehold land having aggregate gross block of ₹ 1,175 million; 3 cases of leasehold land having aggregate gross block of ₹ 41 million; and various buildings having aggregate gross block of ₹ 1,869 million where the Company is in the process of collating and identifying title deeds.
- (ii) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained by the Management. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to information and explanations given to us, the Company has granted loans to eleven companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). These loans includes loan to United Breweries (Holdings) Limited ("UBHL") by way of conversion of certain pre-existing loans / advances / deposits due to the Company and its subsidiaries (refer Paragraph 1 under 'Emphasis of Matter').

Further, as stated in Note 26 (a) to the standalone financial statements, the Board had directed a detailed and expeditious inquiry ("the Inquiry") in relation to certain transactions identified during the year ended 31 March 2014. The Inquiry stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and / or its subsidiaries to certain UB Group companies, including in particular, Kingfisher Airlines Limited ("KFA"), which is a party covered in the register maintained under Section 189 of the Act.

Additionally, pending the completion of the review of the Additional Matters and transactions with Additional Parties identified through the Inquiry as disclosed in Paragraphs 1 under 'Basis for Qualified Opinion', we are unable to comment whether

any such arrangements represent transactions with any body corporate covered in the register maintained under Section 189 of the Act.

- (a) In our opinion, the rate of interest and other terms and conditions of the above mentioned loan to UBHL, are *prima facie*, prejudicial to the interest of the Company.
- (b) The above mentioned loan to UBHL was voted down by the shareholders of the Company in the Extraordinary General Meeting ("EGM") held on 28 November 2014. UBHL also defaulted in payment of interest. Accordingly, the Company raised a demand on UBHL for repayment of the entire balance of the loan and the interest thereon. The Company is yet to receive the aforesaid amounts due. The loan has been fully provided for in the financial statements.

With respect to loans given to other companies, firms or other parties covered in the Register maintained under Section 189 of the Act, the principle and interest are repayable either on demand or the repayment terms are not stipulated. According to the information and explanation given to us, we understand that the loans were repaid wherever demanded.

- (c) According to information and explanation provided to us, the total amount overdue for more than 90 days in respect of the loan granted to UBHL aggregates ₹ 16,555 million (gross of tax and unpaid accrued interest). We understand from the Management that the Company will pursue all rights and claims to recover the entire amount of the loan together with unpaid accrued interest from UBHL and the Company raised a demand on UBHL for repayment of the entire amount due. According to the information and explanation given to us, the Company has filed affidavits in the winding up proceedings against UBHL updating the Honourable High Court of Karnataka with information regarding UBHL's default in payment of amounts due under the loan agreement.

Also refer Paragraph 2 under 'Emphasis of Matter' and Note 24(e) to the standalone financial statements in relation to the settlement agreement.

- (iv) In our opinion and according to the information and explanations given to us, as a result of the matters stated below, we are unable to comment whether the Company has complied with the provisions of Sections 185 and 186 of the Act, with respect to the loans and investments made:
  - (a) As stated in Note 26 (a) to the standalone financial statements and Paragraph 1 of the Basis for Qualified Opinion, the Board had directed a detailed and expeditious inquiry in relation to certain transactions identified during the year ended 31 March 2014. The Inquiry stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and / or its subsidiaries to certain UB



## Annexure to the Independent Auditor's Report (continued)

Group companies. The Inquiry Report also indicated that the manner in which certain transactions were conducted, *prima facie*, indicates various improprieties and legal violations.

- (b) As stated in Note 26(b) to the standalone financial statements, with regard to the prior transactions that were consolidated into the single loan due from UBHL on 3 July 2013, the Inquiry stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company to UBHL than that which actually existed at that time. The inquiry also indicates that the manner in which these transactions were conducted and these entries made, *prima facie*, indicates various improprieties and legal violations.

Also refer note 26(c) to the standalone financial statements with respect to the ongoing review of the Additional Matters and transactions with Additional Parties identified through the Inquiry as disclosed in Paragraphs 1 under 'Basis for Qualified Opinion'.

- (v) According to information and explanations given to us, the Company has not accepted any deposits from the public in accordance with the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under.
- (vi) To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act for any of the products manufactured by the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Duty of customs, Duty of excise, Value added tax, Cess and any other material statutory dues have not been regularly deposited during the year by the Company with the appropriate authorities though the delays in deposit have not been serious.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income-tax, Sales-tax, Service-tax, Duty of customs, Duty of excise, Value added tax, Cess and any other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, dues of Income-tax, Sales-tax, Service tax, Duty of customs, Duty of excise and Value added tax that have not been deposited on account of any dispute are stated in Appendix 1.

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to a financial institution or any bank during the year. The Company does not have any dues to debenture holders or outstanding loans or borrowings from government during the year.

Also refer the matter referred to in Paragraph 4 under 'Emphasis of Matter' and Note 25 to the standalone financial statements.

- (ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instrument). In our opinion and according to the information and explanations given to us, the term loans taken by the Company and applied during the year were for the purpose for which they were raised.

The Inquiry referred to in Paragraph 1 of the 'Basis for Qualified Opinion' and Paragraph 1 of the 'Emphasis of Matter', stated that certain funds were diverted to other UB Group entities in earlier years. Such diversions may indicate application of term loans for purposes other than for which they were raised.

- (x) (a) As stated in Note 26(a) to the standalone financial statements and Paragraph 1 of the 'Basis for Qualified Opinion', the Board had directed a detailed and expeditious inquiry in relation to certain transactions identified during the year ended 31 March 2014. The Inquiry stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and / or its subsidiaries to certain UB Group companies. The Inquiry Report also indicated that the manner in which certain transactions were conducted, *prima facie*, indicates various improprieties and legal violations.
- (b) As stated in Note 26(b) to the standalone financial statements, with regard to the prior transactions that were consolidated into the single loan due from UBHL on 3 July 2013, the Inquiry stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company to UBHL than that which actually existed at that time. The inquiry also indicates that the manner in which these transactions were conducted and these entries made, *prima facie*, indicates various improprieties and legal violations.
- (c) As discussed in Note 26(d) to the standalone financial statements, the Inquiry also indicated that an agreement signed with an Alleged Claimant for a lien on certain investments of the Company, to secure an advance by the Alleged Claimant to Kingfisher Airlines Limited, was entered into without appropriate Board authorisation or approval.

During the current year, we have submitted a report to the Central Government under Section 143(12) of the Act and the relevant rules thereunder.

## Annexure to the Independent Auditor's Report (continued)

Additionally, pending the completion of the review of the Additional Matters and transactions with Additional Parties identified through the Inquiry as disclosed in Paragraph 1 under 'Basis for Qualified Opinion', we are unable to comment whether any arrangements covered by such review can be termed as 'fraud' and whether there are other instances of a similar nature.

- (xi) According to the information and explanations given to us and as stated in Note 45 to the standalone financial statements, the Managerial remuneration for the year ended 31 March 2015 aggregated ₹ 64.91 million and ₹ 153.09 million towards remuneration of the Managing Director and Chief Executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO) respectively. The aforesaid amounts includes remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. Subsequent to the balance sheet date, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.

According to the information and explanations given to us and based on examination of the records of the Company, the Company has paid managerial remuneration for the year ended 31 March 2016 in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

- (xii) According to the information and explanations given to us, in our opinion, the Company is not a Nidhi Company as prescribed under Section 406 of the Act.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and details of

such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

Also refer Paragraph 2 under 'Emphasis of Matter' and Note 24(e) to the standalone financial statements in relation to compliance requirements under the Act and the listing regulations arising out of the settlement agreement.

- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with director.

Also refer Paragraph 2 under 'Emphasis of Matter' and Note 24(e) to the standalone financial statements in relation to compliance requirements under the Act and the listing regulations arising out of the settlement agreement.

- (xvi) According to the information and explanation given to us and in our opinion the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

for **B S R & Co. LLP**  
Chartered Accountants

Firm Registration Number: 101248W/W-100022

**Sunil Gaggar**  
Partner  
Membership Number: 104315  
Bangalore  
26 May 2016

## Appendix 1 to the Annexure A to the Independent Auditor's Report\*

<b>Name of the Statute</b>	<b>Nature of dues</b>	<b>Disputed demand (₹ in million)</b>	<b>Paid (₹ in million)</b>	<b>Unpaid (₹ in millions)</b>	<b>Periods to which the amount relates to</b>	<b>Forum where the dispute is pending</b>
The Income-tax Act, 1961	Income Tax	6,832.403	5,935.745	909.051	Assessment years -1989-90 to 1993-94, 1996-97, 2000-01, 2001-02, 2003-04 to 2009-10	Income Tax Appellate Tribunal
The Income-tax Act, 1961	Income Tax	4,912.135	4,165.019	747.116	Assessment years - 2004-05 to 2006-07, 2008-09, 2010-11, 2011-12	Commissioner of Income Tax (Appeals)
The Income-tax Act, 1961	Income Tax	2,546.647	165.936	2,380.711	Assessment year - 2012-13	Dispute Resolution Panel
The Income-tax Act, 1961	Income Tax	770.576	-	770.576	Assessment year-1986-87 to 2002-03, 2003-04 to 2005-06	High Court
Central Excise Act,1944	Excise Duty	1.834	-	1.834	1991-92	Custom Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Excise Duty	117.327	-	117.327	1994-95, 2009-15	Commissioner of Central Excise
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	11.339	0.157	11.181	2003-04, 2004-05, 2006-07 to 2011-12	Additional Commissioner
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	6.244	0.401	5.843	1993-94, 2003-04, 2005-06	Appellate and Revisional board
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	96.572	5.719	90.853	1982-83 to 1985-86, 1992-93, 1994-95 to 2000-01, 2010-11, 2013-14, 2015-16	Appellate Tribunal
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	84.363	-	84.363	1994-95 to 1996-97, 2009-10, 2010-11, 2012-13, 2013-14	Assistant Commissioner
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	32.000	5.067	26.934	1989-90, 1993-94 to 1997-98, 2010-11 to 2014-15	Commercial Tax Officer
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	1,863.586	-	1,863.586	1978-79, 1980-81, 1981-82, 1984-85, 1985-86, 2008-09, 2015-16	Commissioner
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	406.027	44.826	361.200	1985-86, 2006-07 to 2013-14, 2015-16	Deputy Commissioner
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	122.917	23.094	99.822	1982-83, 1988-89, 1989-90, 1992-93, 1996-97 to 2001-02, 2007-08, 2009-10 to 2011-12	High Courts
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	60.802	25.185	35.617	1990-00 to 2002-03, 2008-09, 2012-13	Joint Commissioner
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	29.328	25.731	3.597	2007-08, 2011-12, 2013-14	Supreme Court
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	3.152	-	3.152	2006-07	Civil Courts
Central and Respective State Sales Tax Acts	Entry Tax	7.402	-	7.402	2007-08	Additional Commissioner
Central and Respective State Sales Tax Acts	Entry Tax	11.557	-	11.557	2005-06	Appellate and revisional board
Central and Respective State Sales Tax Acts	Entry Tax	143.551	22.767	120.783	1987-88, 2004-05, 2007-08, 2009-10, 2011-12	Appellate Tribunal
Central and Respective State Sales Tax Acts	Entry Tax	81.715	8.171	73.544	2008-09, 2009-10, 2010-11	Deputy Commissioner

## Appendix 1 to the Annexure A to the Independent Auditor's Report\* (continued)

Name of the Statute	Nature of dues	Disputed demand (₹ in million)	Paid (₹ in million)	Unpaid (₹ in millions)	Periods to which the amount relates to	Forum where the dispute is pending
Central and Respective State Sales Tax Acts	Entry Tax	33.670	1.600	32.070	1984-85, 2005-06	High Court
Central and Respective State Sales Tax Acts	Entry Tax	124.384	5.433	118.951	2003-04 to 2010-11	Supreme Court
Central and Respective State Sales Tax Acts	Entry Tax	7.117	1.000	6.117	2007-08	Joint Commissioner
Service Tax - Finance Act, 1994	Service Tax	266.198	-	266.198	2004-05 to 2006-07, 2009-10, 2010-11	CESTAT
Service Tax - Finance Act, 1994	Service Tax	1.872	-	1.872	2004-05	High Courts
Respective State Excise Acts	State Excise	66.09	-	66.09	1983-84, 2001-02, 2002-03	Additional Commissioner
Respective State Excise Acts	State Excise	8.411	-	8.411	1993-94, 2003-04, 2009-10, 2012-13, 2013-14	Additional District Magistrate
Respective State Excise Acts	State Excise	23.638	0.191	23.447	1998-99 to 2001-02, 2003-04 to 2007-08, 2013-14	Appellate Tribunal
Respective State Excise Acts	State Excise	25.367	-	25.367	1981-82 to 1983-84, 1992-93 to 1998-99	Civil Courts
Respective State Excise Acts	State Excise	1.899	-	1.899	1994-95, 2013-14, 2014-15	Collector
Respective State Excise Acts	State Excise	297.679	8.154	289.524	1974-75 to 1989-90, 1993-94 to 1998-99, 2003-04 to 2007-08, 2008-09, 2011-12 to 2014-15	Commissioner
Respective State Excise Acts	State Excise	1.790	0.091	1.699	1994-95	District Magistrate and Collector
Respective State Excise Acts	State Excise	602.641	102.509	500.132	1963-64, 1972-73, 1973-74, 1983-84 to 2015-16	High Courts
Respective State Excise Acts	State Excise	12.682	0.180	12.502	1986-87, 1992-93, 1997-98, 1998-99, 2015-16	Superintendent
Respective State Excise Acts	State Excise	1,164.999	-	1,164.999	1970-71, 1971-72, 1983-84, 1999-00	Supreme Court
Custom Act, 1962	Custom Duty	3.365	-	3.365	2004-05	Commissioner of customs
Custom Act, 1962	Custom Duty	6.164	-	6.164	1979-80, 1986-87, 1993-94 to 1995-96, 1997-98	High Court

\*As represented by the management



# Annexure B to the Independent Auditor's Report of even date on the standalone financial statements of United Spirits Limited

## Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of United Spirits Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal 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 its business, including adherence to 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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 system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting 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 control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI.

### Emphasis of Matter

We would draw attention to matters disclosed in Paragraphs 1 under 'Basis for Qualified Opinion', and specifically the ongoing Inquiry with respect to the Additional Parties and Additional Matters which could indicate possible lapses in internal financial controls system at various points in time.

Our opinion under Clause (i) of Sub-section 3 of Section 143 of the Act is not qualified in respect of this matter.

for **B S R & Co. LLP**

*Chartered Accountants*

Firm's Registration Number: 101248W/W-100022

### **Sunil Gaggar**

*Partner*

Membership Number: 104315

Bangalore

26 May 2016

# Balance Sheet

₹ Million

	Note	As at 31 March 2016	As at 31 March 2015
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	2	1,453.277	1,453.277
Reserves and surplus	3	26,618.923	17,967.460
		<b>28,072.200</b>	<b>19,420.737</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4.1	7,057.012	15,095.105
Other long-term liabilities	4.2	259.371	439.198
Long-term provisions	4.3	681.473	661.072
		<b>7,997.856</b>	<b>16,195.375</b>
<b>Current liabilities</b>			
Short-term borrowings	5.1	29,941.438	36,213.249
Trade payables	5.2	7,234.674	7,180.091
Other current liabilities	5.3	14,890.622	8,686.217
Short-term provisions	5.4	5,649.871	2,483.716
		<b>57,716.605</b>	<b>54,563.273</b>
		<b>93,786.661</b>	<b>90,179.385</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	6.1	10,750.931	10,679.159
Intangible assets	6.2	8.824	14.919
Capital work-in-progress		2,449.324	645.485
		<b>13,209.079</b>	<b>11,339.563</b>
Non-current investments	7	2,674.685	4,303.641
Deferred tax assets (net)	8	1,235.293	873.094
Long-term loans and advances	9	23,211.840	27,060.442
Other non-current assets	10	1.300	1.300
		<b>27,123.118</b>	<b>32,238.477</b>
<b>Current assets</b>			
Current investments	11.1	1,207.534	1,207.077
Inventories	11.2	17,340.469	15,542.388
Trade receivables	11.3	24,777.371	17,454.781
Cash and bank balance	11.4	380.366	2,396.852
Short-term loans and advances	11.5	9,747.977	9,128.167
Other current assets	11.6	0.747	872.080
		<b>53,454.464</b>	<b>46,601.345</b>
		<b>93,786.661</b>	<b>90,179.385</b>
<b>Significant accounting policies</b>	1		
See accompanying notes to financial statements			

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

for and on behalf of the Board of Directors

**Sunil Gaggar**

Partner

Membership number: 104315

**Mahendra Kumar Sharma**  
Chairman**Anand Kripalu**  
Managing Director & CEO**Sanjeev Churiwala**  
Chief Financial Officer**V. Ramachandran**  
Company Secretary

Place: Bangalore

Date: 26 May 2016

Place: Bangalore

Date: 26 May 2016

# Statement of Profit and Loss

			₹ Million
	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Revenue</b>			
Revenue from operations (Gross)	12	222,419.839	205,025.353
Less: Excise duty		132,096.784	125,508.944
Revenue from operations (Net)		<b>90,323.055</b>	<b>79,516.409</b>
Other operating revenues	13.1	596.179	976.878
Other income	13.2	1,061.253	1,599.839
	<b>Total</b>	<b>91,980.487</b>	<b>82,093.126</b>
<b>Expenses</b>			
Cost of materials consumed	14	38,086.136	35,782.310
Purchase of stock-in-trade		16,784.409	12,110.254
Change in inventories of finished goods, work-in-progress and stock-in-trade	15	(1,811.056)	(205.042)
Employee benefits expense	16	6,541.083	6,185.013
Finance costs	17	4,469.173	5,929.645
Depreciation and amortisation expense	6	1,021.041	1,097.395
Other expenses	18	22,518.981	21,758.264
	<b>Total</b>	<b>87,609.767</b>	<b>82,657.839</b>
<b>Profit / (loss) before exceptional items and taxation</b>		<b>4,370.720</b>	<b>(564.713)</b>
Add / (less): Exceptional items (net)	19	7,362.540	(18,716.681)
<b>Profit / (loss) before taxation</b>		<b>11,733.260</b>	<b>(19,281.394)</b>
Tax expense:			
Current tax		2,023.565	605.140
Tax relating to earlier years		287.615	(36.374)
Deferred tax credit		(362.199)	(285.413)
MAT credit availed		(27.357)	-
<b>Profit / (loss) for the year</b>		<b>9,811.636</b>	<b>(19,564.747)</b>
Basic and diluted earnings per share (Face value of ₹10 each)	20	67.51	(134.62)
<b>Significant accounting policies</b>	1		
See accompanying notes to financial statements			

As per our report of even date attached

for **B S R & Co. LLP**  
Chartered Accountants

Firm registration number: 101248W/W-100022

for **and on behalf of the Board of Directors**

**Sunil Gaggar**  
Partner  
Membership number: 104315

Place: Bangalore  
Date: 26 May 2016

**Mahendra Kumar Sharma**  
Chairman

**Sanjeev Churiwala**  
Chief Financial Officer

Place: Bangalore  
Date: 26 May 2016

**Anand Kripalu**  
Managing Director & CEO

**V. Ramachandran**  
Company Secretary

## Cash flow statement

		₹ Million
	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	<b>11,733.260</b>	<b>(19,281.394)</b>
<b>Adjustments for</b>		
Depreciation and amortisation expense	1,021.041	1,097.395
Unrealised foreign exchange loss	156.561	407.515
Loss on fixed assets written off	17.390	-
Loss on sale of investments	-	108.464
Provision for doubtful debts / advances / deposits	1,210.194	11,088.599
Provision for diminution in the value of investments in subsidiaries and advances to subsidiaries	3,445.269	9,010.120
Interest expense	4,466.224	5,783.431
Debt issue costs	2.949	146.214
Bad and doubtful advances, deposit and trade receivables written off	5,665.880	6.548
Provision for doubtful debts / advances / deposits written back	(6,209.267)	-
Liabilities no longer required written back	(329.973)	(105.750)
Provision for advances to subsidiaries written back	(2,479.006)	-
Profit on sale of Investment	(8,536.016)	-
Bad debts and advances recovered	-	(4.137)
Profit on sale of fixed assets (net)	(4.899)	(4.572)
Profit on sale of manufacturing unit	-	(356.500)
Dividend income	(17.519)	(24.210)
Interest Income	(478.643)	<b>(2,069.815)</b>
<b>Operating profit before working capital changes</b>	<b>9,663.445</b>	<b>6,412.654</b>
(Increase) / decrease in trade receivables	(13,882.810)	(1,453.916)
(Increase) / decrease in other receivables	5,444.409	76.306
(Increase) / decrease in inventories	(1,798.081)	(514.128)
Increase / (decrease) in trade and other payables	4,163.364	<b>(6,073.118)</b>
<b>Cash generated from operations</b>	<b>3,590.327</b>	<b>2,167.891</b>
Income taxes paid (net)	(1,637.664)	(1,202.602)
<b>Net cash generated from operations</b>	<b>1,952.663</b>	<b>965.289</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,471.834)	(1,310.652)
Proceeds from sale of fixed assets	16.201	4.659
Proceeds from sale of non-current investment	8,686.016	-
Proceeds from disposal of shares in subsidiaries (net of expenses)	-	60.261
Movement in other bank balances	204.773	452.533
Investment in subsidiaries	(5,268.488)	-
Loans given to related parties	(857.623)	(4,259.157)
Repayment of loans from related parties	5,604.426	2,548.480
Proceeds from sale of manufacturing unit	250.000	1,000.000
Interest received	1,401.362	454.454
Dividend received	17.519	23.712
<b>Net cash generated from / (used in) investing activities</b>	<b>7,582.352</b>	<b>(1,025.710)</b>

## Cash flow statement (continued)

	₹ Million	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds / (repayment) of long-term borrowings			
Proceeds	3,500.000	8,891.198	
Repayment	(3,480.460)	(4,046.122)	
Proceeds / (repayment) of short-term borrowings			
Proceeds	9,000.000	15,500.000	
Repayment	(9,150.000)	(11,466.504)	
Finance lease payments	(44.735)	(23.595)	
Proceeds / (repayment) of deposits (net)	(228.724)	(3,692.601)	
Inter corporate deposits	-	(6.522)	
Working capital loan / cash credit from banks (net)	(6,121.811)	(817.677)	
Debt issue cost paid	(2.949)	(146.214)	
Interest paid	(4,815.102)	(6,186.576)	
Dividends paid	(2.946)	(3.768)	
<b>Net cash used in financing activities</b>	<b>(11,346.727)</b>	<b>(1,998.381)</b>	
<b>Net decrease in cash and cash equivalents</b>	<b>(1,811.712)</b>	<b>(2,058.802)</b>	
 <b>Cash and cash equivalents as at the beginning of the year*</b>	 <b>1,859.184</b>	 <b>3,982.702</b>	
 <b>Cash and cash equivalents transferred on composite scheme of arrangement (refer note 27 (a))</b>	 -	 <b>(64.716)</b>	
 <b>Cash and cash equivalents as at the end of the year*</b>	 <b>47.472</b>	 <b>1,859.184</b>	
	 <b>(1,811.712)</b>	 <b>(2,058.802)</b>	

**\*Refer Note 11.4**

Notes:

1. The above cash flow statement has been compiled from and is based on the balance sheet as at 31 March 2016 and the related statement of profit and loss for the year ended on that date.
2. The above cash flow statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 133 of the Companies Act, 2013 ('the Act'), read with rule 7 of the Companies (Accounts) Rules, 2014.

As per our report of even date attached

for **B S R & Co. LLP**  
Chartered Accountants  
Firm registration number: 101248W/W-100022

**Sunil Gaggar**  
Partner  
Membership number:104315

Place: Bangalore  
Date: 26 May 2016

for **and on behalf of the Board of Directors**

**Mahendra Kumar Sharma**  
Chairman

**Sanjeev Churiwala**  
Chief Financial Officer

**Anand Kripalu**  
Managing Director & CEO

**V. Ramachandran**  
Company Secretary

Place: Bangalore  
Date: 26 May 2016

# Notes to the financial statements

## 1. Significant accounting policies

### 1.1 Company overview

United Spirits Limited ("the Company") is a public company domiciled and headquartered in India. It is incorporated under the Companies Act, 1956 and its shares are listed on the BSE Limited and National Stock Exchange of India Limited. The Company is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines).

### 1.2 Basis of preparation of financial statements

These financial statements of the Company are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under historical cost convention, except as otherwise stated, on the accrual basis of accounting. GAAP comprises Accounting Standards as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act and the Companies Act, 1956 (to the extent applicable) and the guidelines issued by the Securities and Exchange Board of India ('SEBI').

### 1.3 Use of estimates

The preparation of the financial statements, in conformity with GAAP, requires that the Management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

### 1.4 Fixed assets (Tangible and Intangible)

- (a) Tangible fixed assets are stated at their original cost of acquisition or construction and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets concerned less accumulated depreciation, except amounts adjusted on revaluation and amalgamation. Interest on borrowings attributable to qualifying assets are capitalised and included in the cost of fixed assets as appropriate.
- (b) The costs of fixed assets acquired in amalgamations (and accounted under purchase method) are determined at their fair values, on the date of acquisition or as approved under the schemes of amalgamation.
- (c) Fixed assets held for disposal are stated at their net book value or estimated net realisable value, whichever is lower.
- (d) Intangible fixed assets are stated at the consideration paid for acquisition less accumulated amortisation, if any.
- (e) The cost of the fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

### 1.5 Leases

Assets acquired under leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired as under leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the Statement of profit and loss on a straight line basis over the lease term.

Income from operating leases is credited to Statement of profit and loss on a straight line basis over the lease term.

### 1.6 Depreciation and amortisation

- (a) Depreciation is provided on the Straight Line Method, including on assets revalued, at the useful life as prescribed in Part C of Schedule II of the Act except for the following, whose useful life is based on Management's estimate:
  - (i) Computers, Vehicles and Aircrafts over a period of three, five and eleven years respectively;
  - (ii) In respect of certain items of Plant and Machinery for which separate rates are prescribed in Part C of Schedule II of the Act based on the number of shifts, depreciation is provided for the full year on triple shift basis.
 Useful lives of the above assets is based on the internal assessment. Management believes that the useful lives as given above best represent the period over which Management expects to use these assets. Hence the useful lives for these assets is different from the useful life as prescribed under Part C of Schedule II of the Act.
- (b) Fixed assets acquired on amalgamation are depreciated over the remaining useful life at the date of acquisition.
- (c) Assets taken on finance lease are amortised over their estimated useful lives or the lease term, whichever is lower.
- (d) Leasehold land is not amortised.
- (e) Goodwill arising on amalgamation is charged to the Statement of profit and loss in the year of amalgamation.

# Notes to the financial statements (continued)

## 1.6 Depreciation and amortisation (contd...)

- (f) Intangible assets are amortised, on a straight line basis, commencing from the date the assets are available for use, over their respective individual estimated useful lives as estimated by the Management:
  - Brand - 10 years
  - License - 5 years
- (g) Leasehold improvements are amortised over the shorter of period of lease or useful life.
- (h) Depreciation on additions and disposals during the year is provided on proportionate basis.

## 1.7 Impairment

The Company assesses at each Balance sheet date whether there is any indication that an asset, including intangible, may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of profit and loss. If at the Balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised.

## 1.8 Investments

Long-term investments are stated at cost. Provision for diminution in the value is made to recognise a decline, other than temporary, in the value of long-term investments.

Current investments are valued at lower of cost or fair value, for each investment individually.

## 1.9 Inventories

Inventories which comprise of raw materials, work-in-progress, finished goods, stock-in-trade, packing materials, stores and spares and loose tools are carried at the lower of cost or net realisable value.

Cost of inventories comprises all costs of purchase, cost of conversion, borrowing cost and other costs incurred in bringing the inventories to their present location and condition.

In determining the cost, weighted average cost method is used. In the case of manufactured inventories and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities.

Work-in-progress is valued at input material cost plus conversion cost as applicable.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis.

Adequate allowance is made for obsolete and slow moving items.

## 1.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

## 1.11 Revenue recognition

Revenue from sale of goods is recognised on transfer of property in the goods for a price or all significant risks and rewards of ownership to the buyer which is generally on dispatch of goods from distilleries / warehouses of the Company in accordance with the terms of sale except where such terms provide otherwise, where sales are recognised based on such terms. Gross sales are inclusive of excise duty but are net of trade discounts and sales tax, where applicable.

Income arising from sales by manufacturers under "Tie-up" agreements (Tie-up units) comprises surplus income from Tie-up units (net share of the Company) and is recognised on the basis of the information provided to the Company by the Tie-up units. Income arising from brand franchise are recognised in terms of the respective contracts on sale of the products by the Tie-up units / Franchisees. Income from brand franchise is net of service tax, where applicable.

Dividend income on investments are recognised and accounted for when the right to receive the payment is established.

Income from distribution service is accounted based on the terms of the agreements for the service.

Interest income and guarantee commission is accounted on a time-proportion basis taking into account the amounts invested and the rate of interest.

## Notes to the financial statements (continued)

### 1.12 Foreign currency transactions

Transactions in foreign currency are recognised at the rates of exchange prevailing on the dates of the transactions.

Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment. Upon reclassification of such non-integral foreign operations to integral foreign operations, all future exchange differences on the said monetary items are adjusted to Statement of profit and loss. Exchange differences accumulated in foreign currency translation reserve till such reclassification are not adjusted to Statement of profit and loss until the disposal of such foreign operations.

Exchange differences in respect of all other monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains / losses arising there from are adjusted to the Statement of profit and loss. The Company uses foreign exchange forward contracts to cover its exposure towards movements in foreign exchange rates. The Company does not use the foreign exchange forward contract for trading or speculative purposes. Premium or discount arising at the inception of forward contracts against the underlying assets is amortised as expense or income over the life of contract. Exchange differences on forward contracts are recognised in the Statement of profit and loss in the reporting period in which the exchange rates change.

For forward exchange contracts and other derivatives that are not covered by Accounting Standard (AS) -11 'The Effects of Changes in Foreign Exchange Rates', the Company follows the guidance in the announcement of the Institute of Chartered Accountants of India (ICAI), whereby for each category of derivatives, the Company records any net mark-to-market losses. Net mark-to-market gains are not recorded for such derivatives.

### 1.13 Employee benefits

#### (a) Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund with the government, superannuation fund and certain state plans like Employees' State Insurance and Employees' Pension Scheme. The Company's payments to the defined contribution plans are recognised as expenses during the period in which the employees perform the services that the payment covers.

##### **Death benefit:**

The Company has Group term policy with an Insurance company with lump sum coverage for a specific category of executives. Premium paid to Insurance company are recognised as expense. The Company will not have any further liability. On death of an employee, specific amount will be paid by Insurance company to the nominee of the deceased.

#### (b) Defined-benefit plans

##### **Gratuity:**

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to employees. Liability with regard to gratuity plan is accrued based on actuarial valuation, based on Projected Unit Credit Method at the Balance sheet date, carried out by an independent actuary. Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Statement of profit and loss as income or expense. Gratuity fund benefits are administered by a Trust formed for this purpose.

##### **Provident fund:**

The Company's provident funds administered by trusts set up by the Company where the Company's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk if any fall, in substance, on the Company are treated as a defined benefit plan. Liability with regard to such provident fund plans are accrued based on actuarial valuation, based on Projected Unit Credit Method, carried out by an independent actuary at the Balance sheet date. Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Statement of profit and loss as income or expense, as the case may be.

#### (c) Other employee benefits:

- i) Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the obligation as at the Balance sheet date based on an actuarial valuation.
- ii) Undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences for e.g. paid annual leave, performance incentives, etc.

### 1.14 Research and development

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, further economic benefit are probable, the Company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.



# Notes to the financial statements (continued)

## 1.15 Taxes on income and deferred tax

Tax expense comprises current and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable / virtual certainty (as the case may be) that sufficient future taxable income will be available against which such deferred tax asset can be realised.

The Company offsets, the current tax assets and liabilities (on a year on year basis) where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by Institute of Chartered Accountants of India ('ICAI'), the said asset is created by way of a credit to the statement of profit and loss. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income-tax during the specified period.

## 1.16 Earnings per share (EPS)

Basic EPS is arrived at based on net profit / (loss) after taxation available to equity shareholders to the weighted average number of equity shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive.

## 1.17 Provisions

A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions, other than employee benefits, are not discounted to their present value and are determined based on Management estimate required to settle the obligation at the Balance sheet date. These are reviewed at each Balance sheet date and adjusted to reflect the current Management estimates.

Provision for onerous contracts, i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

## 1.18 Contingencies

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources or an obligation for which the future outcome cannot be ascertained with reasonable certainty. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

## 1.19 Share issue expenses

Share issue expenses incurred are adjusted to the Securities Premium account as permitted by Section 52 of the Act.

## 1.20 Debt issue costs

Expenditure incurred for raising borrowed funds represents ancillary costs incurred in connection with the arrangement of borrowings and is amortised over the tenure of the respective borrowings. Amortisation of such debt issue costs is included under finance costs.

## 1.21 Borrowing costs

Borrowing costs incurred for the acquisition or construction or manufacture of qualifying assets are recognised as part of cost of such assets when it is considered probable that they will result in future economic benefits to the Company while other borrowing costs are expensed in the period in which they are incurred.

## 1.22 Government grants related to revenue

Government grants related to revenue are recognised in the Statement of profit and loss on a systematic basis over the periods to which they relate when there is a reasonable assurance that the Company will comply with the conditions attaching to them and the reasonable certainty exists of the collection.

## 1.23 Exceptional items

When an item of income or expense within profit or loss from ordinary activity is of such size, nature or incidence that their disclosure is relevant to explain the performance of the Company for the year, the nature and amount of such items is disclosed as exceptional items.

## Notes to the financial statements (continued)

### 2. Share capital

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
<b>Authorised</b>		
548,000,000 (2015: 395,000,000) Equity Shares of ₹10/- each	5,480.000	3,950.000
159,200,000 (2015: 159,200,000) Preference Shares of ₹10/- each	1,592.000	1,592.000
1,200,000 (2015: Nil) 7% Non Cumulative Redeemable Preference Shares of ₹100 each	120.000	-
	<b>7,192.000</b>	<b>5,542.000</b>
<b>Issued, subscribed and paid-up</b>		
145,327,743 (2015: 145,327,743) Equity Shares of ₹10/- each fully paid up	1,453.277	1,453.277
	<b>1,453.277</b>	<b>1,453.277</b>

#### a. Reconciliation of the number of shares outstanding

	As at 31 March 2016		As at 31 March 2015	
	No. of Shares	Amount in ₹ Million	No. of Shares	Amount in ₹ Million
Balance at the beginning of the year	145,327,743	1,453.277	145,327,743	1,453.277
Add: Equity shares issued during the year	-	-	-	-
Balance at the end of the year	<b>145,327,743</b>	<b>1,453.277</b>	145,327,743	1,453.277

#### b. Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of ₹ 10 per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any in proportion to their holdings.

#### c. Shares held by holding / ultimate holding company and promoters / or their subsidiaries / associates

Out of the equity shares issued by the Company, shares held by its promoter company, ultimate holding company and their subsidiaries / associates are as below:

	As at 31 March 2016		As at 31 March 2015	
	No. of Shares	Amount in ₹ Million	No. of Shares	Amount in ₹ Million
Relay B V (wholly owned subsidiary of Diageo Plc) *	79,612,346	796.123	79,612,346	796.123
United Breweries (Holdings) Limited *	4,116,306	41.163	4,208,556	42.086
Kingfisher Finvest India Limited (formerly "Kingfisher Radio Limited")	1,208,180	12.082	1,658,180	16.582
Rossi & Associates Private Limited	35,112	0.351	35,112	0.351
Vittal Investments Private Limited	31,270	0.313	31,270	0.313
Dr. Vijay Mallya	12,510	0.125	12,510	0.125
Devi Investments Private Limited	2,700	0.027	2,700	0.027
Mallya Private Limited	1,005	0.010	1,005	0.010
	<b>85,019,429</b>	<b>850.194</b>	85,561,679	855.617

\* On 20 December 2013, the Honourable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo group setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares in the Company to Relay B V, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. has approached the Honourable Supreme Court by way of special leave petition (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs, the Honourable Supreme Court has directed that status quo be maintained in respect of the transaction of sale of shares to Relay B V.

Pursuant to the settlement agreement (refer note 24(e)), Dr. Vijay Mallya, erstwhile Chairman and non-executive director, undertake store classify the shares held by United Breweries (Holdings) Limited, Kingfisher Finvest India Limited, Rossi & Associates Private Limited, Vittal Investments Private Limited, Dr. Vijay Mallya, Devi Investments Private Limited and Mallya Private Limited from promoter shareholders to public shareholders as per Regulation 31A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## Notes to the financial statements *(continued)*

**d. Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date**

	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>
Equity shares allotted as fully paid up pursuant to amalgamations for consideration other than cash not earlier than five years	-	5,200,639

**e. Details of shareholders holding more than 5% shares in the Company**

	<b>As at 31 March 2016</b>		<b>As at 31 March 2015</b>	
	<b>No. of Shares</b>	<b>% of Holding</b>	<b>No. of Shares</b>	<b>% of Holding</b>
Relay B V	79,612,346	54.78%	79,612,346	54.78%

**f.** The Company had issued 17,502,762 Global Depository Shares (GDSs) representing 8,751,381 equity shares ranking pari-passu in all respects with the existing paid up equity shares, 2 GDSs representing 1 equity share of par value of ₹ 10/- each at US \$ 7.4274 per GDSs aggregating to US \$ 130 million. These GDSs are listed on the Luxembourg Stock Exchange. Out of the above, 1,491,176 GDSs (2015: 1,431,494 GDSs) outstanding representing 745,588 equity shares (2015: 715,747 equity shares) as of 31 March 2016 have no voting rights.

**g.** During the previous year, Relay B V further acquired 37,785,214 equity shares representing 26 % equity share capital of the Company through an open offer. As a result of the acquisition of these shares, Relay B V holds 79,612,346 equity shares, representing 54.78 % equity share capital of the Company, and is the holding company of the Company.

**3. Reserves and surplus**

₹ Million

	<b>As at 31 March 2016</b>		<b>As at 31 March 2015</b>	
<b>Capital reserve</b>				
At the beginning of the year	-		-	
Add: Addition during the year (Refer note 29 (b))	683.025	683.025	-	-
<b>Capital redemption reserve</b>				
At the beginning of the year	578.946		578.946	
Add: Addition during the year (Refer note 29 (b))	119.700	698.646	-	578.946
<b>Securities premium account</b>				
At the beginning of the year	45,682.010		45,682.010	
Add: Addition during the year	-	45,682.010	-	45,682.010
<b>Other reserves:</b>				
Central subsidy (Refer note 1 below)	1.500		1.500	
Contingency reserve (Refer note 2 below)	110.000		110.000	
Foreign currency translation reserve (Refer note 9 (b))				
At the beginning of the year	10,273.789		9,378.534	
Add: Addition during the year	-	10,273.789	895.255	10,273.789
<b>General reserve</b>				
At the beginning of the year	11,775.730		11,775.730	
Less: Adjustment during the year (Refer note 29 (b))	(742.390)	11,033.340	-	11,775.730

## Notes to the financial statements (continued)

### 3. Reserves and surplus (contd...) ₹ Million

	As at 31 March 2016	As at 31 March 2015
<b>Surplus as per Statement of profit and loss</b>		
At the beginning of the year	(50,454.515)	(30,835.129)
Less: Net impact on account of merger (Refer note 29 (b))	(1,220.508)	-
Less: Transitional depreciation (Refer note 3 below)	-	(79.547)
Add: Net impact of profit of demerged unit and the Royalty income therefrom (Refer note 27(a))	-	24.908
Add: Profit / (loss) for the year	9,811.636	(19,564.747)
	(41,863.387)	(50,454.515)
	<b>26,618.923</b>	<b>17,967.460</b>

Notes:

- 1) Taken over on amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended 31 March 2006 as per the terms of the arrangement approved by the Honourable High Courts of Karnataka and Mumbai.
- 2) Taken over on amalgamation of McDowell & Co. Limited with the Company during the year ended 31 March 2001 as per the terms of the arrangement approved by the Honourable High Court of Karnataka.
- 3) Net of deferred taxes of ₹ Nil (2015: ₹ 42.121 Million) (also refer note 5 on note 6.1).

### 4.1. Long-term borrowings ₹ Million

	As at 31 March 2016	As at 31 March 2015
<b>Secured</b>		
Term loan from a bank	5,000.000	5,000.000
Finance lease (Refer note 22 (a))	99.884	109.285
<b>Unsecured</b>		
Term loans from banks	7,000.000	7,291.198
Loan from related party (Refer notes 24 and 29 (b))	-	4,624.338
	<b>12,099.884</b>	17,024.821
Less: Current maturities		
<b>Secured</b>		
Term loan from a bank (Refer note 5.3)	5,000.000	-
Finance lease (Refer notes 5.3 and 22 (a))	42.872	34.118
<b>Unsecured</b>		
Term loan from banks (Refer note 5.3)	-	1,895.598
	<b>7,057.012</b>	<b>15,095.105</b>

#### A. Nature of security and terms of repayment for secured borrowings:

<b>Nature of security</b>	<b>Terms of repayment</b>
(i) Term loan from a bank amounting to ₹ 5,000.0 Million (2015: ₹ 5,000.0 Million) are secured by a charge on certain fixed assets of the Company.	Repayable after three years from the date of first disbursement (3 March 2014). The loan carries floating interest and presently the rate of interest is 10.10% p.a. payable monthly.

# Notes to the financial statements (continued)

## 4.1. Long-term borrowings (contd...)

### B. Terms of repayment for unsecured borrowings

Borrowings	Terms of repayment
(i) Long term loan from banks	
(a) Term loan from a bank amounting to ₹ Nil (2015: ₹ 3,791.198 Million)	The entire loan has been repaid during the year.
(b) Term loan from a bank amounting to ₹ 3,500.0 Million (2015: ₹ 3,500.0 Million)	Repayable after three years from the date of first disbursement (5 January 2015). The loan carries floating interest and presently the rate of interest is 9.5% p.a. payable monthly.
(c) Term loan from a bank amounting to ₹ 3,500.0 Million (2015: ₹ Nil)	Repayable after three years from the date of first disbursement (29 June 2015). The loan carries floating interest and presently the rate of interest is 9.5% p.a. payable monthly.
(ii) from related party ₹ Nil (2015: ₹ 4,624.338 Million)	During the year, the inter company loan payable to SW Finance Co Limited, a wholly subsidiary of the company has been netted off on account of merger.

## 4.2. Other long-term liabilities

₹ Million

	As at 31 March 2016	As at 31 March 2015
Security deposits	174.938	188.381
Due to asset vendors	84.433	250.817
	<b>259.371</b>	<b>439.198</b>

## 4.3. Long-term provisions

₹ Million

	As at 31 March 2016	As at 31 March 2015
Employee benefits		
Provision for shortfall in provident fund trust (Refer note 21 (b))	39.821	97.139
Provision for compensated absences	626.097	545.275
Provision for pension liability (Refer note 21 (b))	15.555	18.658
	<b>681.473</b>	<b>661.072</b>

## 5.1. Short-term borrowings

₹ Million

	As at 31 March 2016	As at 31 March 2015
<b>Secured</b>		
Working capital loan from banks (Refer note 25)	6,291.438	15,913.249
Short-term loan from banks	6,650.000	4,800.000
<b>Unsecured</b>		
<b>Term loans</b>		
From banks	12,250.000	13,000.000
From others	4,750.000	2,500.000
	<b>29,941.438</b>	<b>36,213.249</b>

Nature of security	Terms of repayment
(i) Working capital loans are secured by hypothecation of inventories, book debts and other current assets of the Company.	Interest rates are linked to respective banks base rates, and ranges from 9.4% to 12.45% p.a (2015: 10.95% to 13.85% p.a) payable monthly.
(ii) Short term loan from bank amounting to ₹ 1,400.0 Million (2015: ₹ 1,400.0 Million) are secured by charge on inventories, book debts and other current assets of the Company.	Repayable on 15 April 2016. Carrying an interest of 9.40% p.a. The interest is payable monthly.
(iii) Short term loan from bank amounting to ₹ 3,250.0 Million (2015: ₹ Nil) are secured by a charge on book debts and moveable property of the Company.	Repayable on 13 April 2016. Carrying an interest of 9.50% p.a. The interest is payable monthly.

## Notes to the financial statements (continued)

### 5.1. Short-term borrowings (contd...)

<b>Nature of security</b>	<b>Terms of repayment</b>
(iv) Short term loan from bank amounting to ₹ 2,000.0 Million (2015: ₹ Nil) are secured by a charge on inventories, book debts and other current assets of the Company.	Repayable on 17 April 2016. Carrying an interest of 9.35% p.a. The interest is payable monthly.
(v) Short term loan from bank amounting to ₹ Nil (2015: ₹ 2,400.0 Million) are secured by a pledge of certain shares held by the Company.	The entire loan has been repaid during the year.
(vi) Short term loan from bank amounting to ₹ Nil (2015: ₹ 1,000.0 Million) are secured by a charge on certain fixed assets of the Company.	The loan had been rolled over to a short term unsecured loan during the current year.

### 5.2. Trade payables

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
Total outstanding dues of micro enterprises and small enterprises (Refer note 34)	182.805	163.954
Total outstanding dues of creditors other than micro enterprises and small enterprises		
Trade creditors*	6,450.068	6,760.274
Dues to related parties*	601.801	255.863
	<b>7,234.674</b>	<b>7,180.091</b>

\* The year end foreign currency exposures that have not been hedged ₹ 256.477 Million (USD 3.871 Million) ((2015: ₹ 3.81 Million (USD 0.06 Million)), ₹ 188.191 Million (GBP 1.986 Million) ((2015: ₹ 143.66 Million (GBP 1.55 Million)), ₹ 6.093 Million (SGD 0.124 Million) (2015: ₹ Nil (SGD Nil)), ₹ Nil (EURO Nil) (2015: ₹ 0.61 Million (EURO 0.01 Million)) and ₹ 28.612 Million (AUD 0.565 Million) (2015: ₹ Nil (AUD Nil))).

### 5.3. Other current liabilities

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
Current maturities of		
Long-term borrowings (Refer note 4.1)	5,000.000	1,895.598
Finance lease (Refer note 4.1)	42.872	34.118
Interest accrued but not due	8.001	22.221
Interest accrued but not due - related parties (Refer note 29 (b))	-	329.539
Interest accrued and due	-	5.120
Unpaid / unclaimed dividends*	14.154	17.100
Unpaid / unclaimed debentures*	0.001	0.001
Unpaid / unclaimed matured fixed deposits (Including accrued interest)**	31.883	260.607
Advances from customers and others	129.120	435.090
Due to asset vendors	702.878	426.252
Employee payables	742.600	611.948
Statutory dues	1,974.394	1,125.278
Other liabilities	6,244.719	3,523.345
	<b>14,890.622</b>	<b>8,686.217</b>

\* Investor Education and Protection Fund shall be credited when due.

\*\* Includes unclaimed fixed deposit of ₹ 16.081 Million (2015: ₹ 215.462 Million) in case of which the duly discharged fixed deposit receipts are not surrendered by the deposit holders.

### 5.4. Short-term provisions

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
Employee benefits:		
Provision for gratuity (Refer note 21(b))	356.010	552.546
Provision for compensated absences	158.578	171.482
Provision for pension liability (Refer note 21(b))	2.359	2.311
Provision for sales and other taxes (Refer note 51)	1,653.509	1,391.668
Provision for income tax (net of advance tax)	3,477.558	363.852
Fringe benefit tax (net of payments)	1.857	1.857
	<b>5,649.871</b>	<b>2,483.716</b>

# Notes to the financial statements (continued)

## 6. Fixed assets

### 6.1. Tangible assets

Description	As at 01 April 2015	Additions during the year	Disposal / adjustment during the year	Gross block at cost		As at 31 March 2016	As at 01 April 2015	Transitional depreciation (Refer Note 5 below)	Accumulated depreciation	Disposal on demerger / adjustment during the year	Disposal on demerger (Refer note 27(a))	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015	Net block
				Disposal on demerger (Refer note 27(a))	Disposal on demerger (Refer note 27(a))										
Land															
Freehold	2,581,279	-	-	-	2,581,279	-	-	-	-	-	-	-	-	-	2,581,279
Leasehold	112,261	8,875	-	-	121,136	-	-	-	-	-	-	-	-	-	121,136
Buildings (Notes 1 to 3 below)	3,500,266	169,787	48,710	-	3,621,343	828,291	-	92,990	37,391	-	-	883,890	2,737,453	2,671,975	
Plant and equipment	8,618,189	793,539	276,431	-	9,135,297	3,779,422	-	750,709	266,721	-	4,263,410	4,671,887	4,838,767		
Furniture and fixture	483,300	40,647	34,751	-	489,196	231,053	-	51,920	31,617	-	251,356	237,840	252,247		
Office equipment															
Finance lease	11,3452	35,334	-	-	148,786	13,147	-	41,943	-	-	55,090	93,696	100,305		
Owned	479,042	64,453	36,693	-	506,802	384,897	-	60,992	35,236	-	410,653	96,149	94,145		
Vehicles															
Finance lease	25,170	-	13,293	-	11,877	12,629	-	3,164	10,220	-	5,573	6,304	12,541		
Owned	189,336	2,776	3,510	-	189,102	174,197	-	13,228	3,510	-	183,915	5,187	15,639		
Aircraft	186,290	-	186,290	-	-	186,290	-	-	186,290	-	-	-	-	-	
<b>Previous year</b>	<b>16,289,085</b>	<b>1,115,411</b>	<b>599,678</b>	<b>-</b>	<b>16,804,818</b>	<b>5,609,926</b>	<b>-</b>	<b>1,014,946</b>	<b>570,985</b>	<b>-</b>	<b>6,053,887</b>	<b>10,750,931</b>	<b>10,679,159</b>		

### 6.2. Intangible assets

Description	As at 01 April 2015	Additions during the year	Disposal / adjustment during the year	Gross block at cost		As at 31 March 2016	As at 01 April 2015	Transitional depreciation	Accumulated amortisation	Deletion / adjustment during the year	Disposal on demerger	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015	Net block
				Disposal on demerger	Disposal on demerger										
Brand	40,944	-	-	-	-	40,944	32,079	-	4,095	-	-	36,174	4,770	8,865	
License	10,000	-	-	-	-	10,000	3,946	2,000	-	-	5,946	4,054	6,054		
<b>Previous year</b>	<b>50,944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,944</b>	<b>36,025</b>	<b>-</b>	<b>6,095</b>	<b>-</b>	<b>-</b>	<b>42,120</b>	<b>8,824</b>	<b>14,919</b>	

#### Notes:

- Buildings include an amount of ₹ 35,014 Million (2015: ₹ 35,014 Million) which is yet to be registered in the name of the Company. The amount paid is also a part of the additional review as stated in note 26(c).
- Cost of buildings includes the following payments made for the purpose of acquiring the right of occupation of Mumbai godown space:
  - 660 equity shares (unquoted) of ₹ 100 each fully paid in Shree Madhu Industrial Estate Limited ₹ 0.066 Million (2015: ₹ 0.066 Million). Application has been made for duplicate share certificates and the same is in the process.
  - 199.6 % Debentures (unquoted) of ₹ 1,000 each fully paid in Shree Madhu Industrial Estate Limited ₹ 0.199 Million (2015: ₹ 0.199 Million).
  - Deposit with Shree Madhu Industrial Estate Limited ₹ 0.132 Million (2015: ₹ 0.132 Million).

## Notes to the financial statements (continued)

### 6. Fixed assets (contd...)

3. Cost of buildings include value of fully paid shares ₹ 0.006 Million (2015: ₹ 0.006 Million) held in Co-operative Housing Society.  
 4. Depreciation and amortisation for the year ended

	₹ Million	31 March 2016	31 March 2015
Depreciation charge		1,014.946	1,131.487
Amortisation		6.095	6.096
Transfer of depreciation on account of slump sale to Enrica enterprises private limited (Refer note 27(a))		-	(40.188)
		<b>1,021.041</b>	<b>1,097.395</b>

5. Consequent to the enactment of the Act and its applicability to accounting periods commencing from 1 April 2014, the Company has realigned the remaining useful lives of certain tangible fixed assets in accordance with the provisions prescribed under Schedule II of the Act. Consequently, in case of tangible fixed assets which have completed their useful lives, the carrying value (net of residual value) as at 1 April 2014 amounting to ₹ 79.547 Million (net of tax of ₹ 42.121 Million) has been debited to "Surplus in the Statement of profit and loss" and in case of other tangible fixed assets, the carrying value (net of residual value) is being depreciated over the revised remaining useful lives.

### 7. Non-current investments (Valued at cost)

	₹ Million	Face value	Nos.	As at 31 March 2016	Nos.	As at 31 March 2015
<b>Trade investments</b>						
<b>Quoted</b>						
<b>In fully paid equity shares</b>						
McDowell Holdings Limited	₹ 10		50,000	0.500	50,000	0.500
United Breweries Limited (Refer note 1 below)	₹ 1		-	-	8,500,000	150.000
<b>In subsidiary company</b>						
Pioneer Distilleries Limited (Refer note 2 below)	₹ 10		10,041,150	1,116.756	10,041,150	1,116.756
Less: Provision for diminution in the value of investment				1,116.756		1,116.756
				-		-
<b>Unquoted</b>						
<b>In fully paid equity shares</b>						
Yankay Associates Private Limited	₹ 100		1	0.004	1	0.004
Goa Fruit Distilleries Private Limited	₹ 100		350	0.035	350	0.035
Baramati Teluka Fruits Growers Fed Limited	₹ 500		1,000	0.500	1,000	0.500
<b>In subsidiary companies</b>						
SW Finance Co. Limited (Refer note 29 (b))	₹ 10		-	-	80,198,513	3,302.175
United Spirits Nepal Private Limited (Refer note 29 (c))	NRS 100		67,716	65.626	67,716	65.626
McDowell & Co (Scotland) Limited	£ 1		1,575,000	125.505	1,575,000	125.505
Shaw Wallace Overseas Limited (Refer note 29 (b))	£ 1		357,745	13.838	-	-
Less: Provision for diminution in the value of investment				13.838	-	-
				-		-
Sovereign Distilleries Limited (Refer note 29 (a) (ii))	₹ 10		485,139,152	4,582.426	58,442,746	315.462
Less: Provision for diminution in the value of investment				2,996.235		315.462
				1,586.191		-
Asian Opportunities & Investments Limited	US\$1		4,998,706	301.000	4,998,706	301.000
Less: Provision for diminution in the value of investment				301.000		301.000
				-		-

## Notes to the financial statements (continued)

### 7. Non-current investments (Valued at cost) (contd...)

₹ Million

	Face value	Nos.	As at 31 March 2016	Nos.	As at 31 March 2015
Palmer Investment Group Limited	US\$ 1	15,000,000	6,917.801	15,000,000	6,917.801
Less: Provision for diminution in the value of investment			6,917.801		6,917.801
			-		-
Montrose International S.A	US\$ 1000	500	133.932	500	133.932
Less: Provision for diminution in the value of investment			133.932		133.932
			-		-
Liquidity Inc.	US\$0.0001	4,000,000	119.313	4,000,000	119.313
Less: Provision for diminution in the value of investment			119.313		119.313
			-		-
Four Seasons Wines Limited	₹ 10	27,668,899	290.652	27,668,899	290.652
Less: Provision for diminution in the value of investment			290.652		290.652
			-		-
USL Holdings Limited	US\$ 1	500,000	22.183	500,000	22.183
Less: Provision for diminution in the value of investment			22.183		22.183
			-		-
United Spirits (Shanghai) Trading Company Limited	RMB 10	500,000	26.635	500,000	26.635
Less: Provision for diminution in the value of investment			26.635		26.635
			-		-
Royal Challengers Sports Private Limited	₹ 10	14,690	1,699.053	14,690	1,699.053
Less: Provision for diminution in the value of investment			1,277.899		1,277.899
			421.154		421.154
Tern Distilleries Private Limited (Refer note 29 (a) (i))	₹ 10	102,676,347	1,126.302	4,000,000	139.539
Less: Provision for diminution in the value of investment			665.453		139.539
			460.849		-
<b>In fully paid preference shares</b>					
<b>In subsidiary company</b>					
12% Non-cumulative redeemable optionally convertible preference shares of Four Seasons Wines Limited	₹ 10	30,612,245	321.530	30,612,245	321.530
Less: Provision for diminution in the value of investment			321.530		176.786
			-		144.744
12% Cumulative Redeemable preference shares of Four Seasons Wines Limited	₹ 10	8,000,000	80.000	8,000,000	80.000
Less: Provision for diminution in the value of investment			80.000		-
			-		80.000
			<b>2,660.364</b>		<b>4,290.243</b>
<b>Other investments</b>					
<b>Quoted</b>					
<b>In fully paid equity shares</b>					
Mangalore Chemicals & Fertilizers Limited	₹ 10	6,150	0.032	6,150	0.032
Housing Development Finance Corporation Limited	₹ 10	240	0.002	240	0.002
ICICI Bank Limited	₹ 10	8,916	0.382	8,916	0.382
HDFC Bank Limited	₹ 10	200	0.002	200	0.002
Vijaya Bank	₹ 10	42,100	0.466	42,100	0.466

## Notes to the financial statements (continued)

### 7. Non-current investments (Valued at cost) (contd...)

₹ Million

	Face value	Nos.	As at 31 March 2016	Nos.	As at 31 March 2015
Radico Khaitan Limited	₹ 2	537,850	2,043	537,850	2,043
Khaitan Chemicals & Fertilizers Limited	₹ 1	13,880	0.725	13,880	0.725
<b>Unquoted</b>					
<b>In fully paid units</b>					
Unit Trust of India					
UTI Balance Fund - Income - Retail (formerly known as US 2002)	₹ 10	470,606	10,909	402,201	9,992
Less: Provision for diminution in the value of investment			1,204		1,204
			9,705		8,788
<b>In fully paid equity shares</b>					
Madhav Co-operative Housing Society Limited	₹ 5	5	0.000	5	0.000
Rampur Fertilizers Limited	₹ 10	27,760	0.527	27,760	0.527
Sangam Bhavan Cooperative Housing Society Limited	₹ 10	15	0.001	15	0.001
U.B. Electronics Instruments Limited	₹ 100	1,996	0.129	1,996	0.129
Inv-Ansa Industrial Premises Co-operative Society Limited	₹ 50	60	0.003	60	0.003
<b>In fully paid debentures (Non-redeemable)</b>					
6.5% Bengal Chamber of Commerce & Industry	₹ 1000	2	0.002	2	0.002
5% Woodland Hospital & Medical Centre Limited	₹ 1	7,000	0.007	7,000	0.007
0.5% Woodlands Medical Centre Limited (Refer note 3 below)	₹ 100	117	0.012	117	0.012
5.0% Woodlands Medical Centre Limited (Refer note 3 below)	₹ 100	270	0.027	270	0.027
<b>In Government securities</b>					
Indira Vikas Patra			0.103		0.103
National Savings / Plan / Def. Certificates (Deposited with Government Authorities)			0.153		0.147
			14.321		13.398
<b>Total Investments</b>					
<b>Aggregate value of quoted investments</b>			<b>2,674.685</b>		<b>4,303.641</b>
Book value			1,120,908		1,270,908
Market value			1,357,239		9,289,483
<b>Aggregate book value of unquoted investments</b>					
<b>Aggregate provision for diminution in the value of investments</b>			15,838.208		13,871.895
<b>(Refer note 27(b) and 28)</b>			14,284.431		10,839.162

Also refer note 47

Note:

- During the year, the Company has sold 8,500,000 equity shares held in United Breweries Limited (constituting 3.21% of the paid up equity capital of United Breweries Limited) (UBL) for a total sale consideration net of brokerage of ₹ 8,686.016 Million (against book value of ₹ 150.0 Million). The profit of ₹ 8,536.016 Million is disclosed as exceptional item.
- In order to comply with the requirements of the Securities and Exchange Board of India ("SEBI") regulations, on 29 September 2014, the Company has sold 1,520,067 equity shares of ₹10 each held in Pioneer Distilleries Limited ("PDL"), a listed subsidiary of the Company, representing 11.35% of the share capital of PDL, to bring down the Promoter shareholding to 75%. This has resulted in a loss of ₹ 108,464 Million and is disclosed as an exceptional item for the year ended 31 March 2015.
- Market quotations are not available.

## Notes to the financial statements *(continued)*

### 8. Deferred tax assets (net)

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
<b>Deferred tax assets</b>		
Provision for doubtful debts / advances / deposits	971.300	1,111.461
Employee benefits	229.921	284.834
Interest capitalisation in inventory	28.652	-
Provisions allowed on payments	520.802	66.051
Others	80.267	14.597
	<b>1,830.942</b>	1,476.943
<b>Deferred tax liabilities</b>		
Depreciation	595.649	603.849
	<b>1,235.293</b>	<b>873.094</b>

### 9. Long term loans and advances

(Unsecured, considered good unless stated otherwise)

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
Capital advances	164.720	466.603
Loans and advances to tie-up units		
Considered good	-	-
Considered doubtful	128.410	133.790
	128.410	133.790
Less: Provision for doubtful loans and advances (Refer note 26(c))	128.410	-
Loans and advances to related parties (Refer notes (a) (i), (b) and (c) below) (Also refer note 24)		
Considered good	17,218.517	18,555.530
Considered doubtful	55,146.231	54,182.368
	72,364.748	72,737.898
Less: Provision for doubtful loans and advances (Refer note 27(b) and 28)	55,146.231	17,218.517
Advance income tax (net of provisions)	1,906.102	2,280.842
Security deposits (Refer notes (a) (ii & iii) below)		
Considered good	480.448	1,748.394
Considered doubtful	63.225	1,416.809
	543.673	3,165.203
Less: Provision for doubtful deposits (Refer note 26)	63.225	480.448
Pre-paid expenses (Refer note (a) (iv) below)	2,108.154	2,345.442
Other advances		
Considered good (Refer note (a) (v) below)	1,333.899	1,663.631
Considered doubtful (Refer note 26)	2,205.258	3,519.650
	3,539.157	5,183.281
Less: Provision for doubtful advances	2,205.258	1,333.899
	<b>23,211.840</b>	<b>27,060.442</b>

## Notes to the financial statements (continued)

(a) The above amounts include:

- (i) ₹ 53,198.418 Million (2015: ₹ 51,559.849 Million) given as interest free loans to subsidiaries.
- (ii) due from Company Secretary ₹ Nil (2015: ₹ Nil). Maximum amount outstanding at any time during the year ₹ Nil (2015: ₹ 3,041 Million).
- (iii) due from the Directors of the Company ₹ Nil (2015: ₹ 6,415 Million). Maximum amount outstanding at any time during the year ₹ 6,415 Million (2015: ₹ 15,055 Million)
- (iv) ₹ 2,108.154 Million (2015: ₹ 2,340.315 Million) paid under trade mark license agreement.
- (v) amount deposited ₹ 350.0 Million (2015: ₹ 350.0 Million) in Honourable Civil Court, Mapusa, Goa to establish the proprietary interest it has on the property.

(b) The Company has, granted interest free loans in foreign currency amounting to ₹ 52,269.261 Million (2015: ₹ 49,412.240 Million), to USL Holdings Limited, BVI (USL Holdings) a subsidiary of the Company, for acquisition of long term strategic investments. Management is of the view that out of these loans, ₹ 49,053.488 Million (2015: ₹ 46,432.188 Million), from the inception of the grant of loans, in substance, form part of the Company's net investment in the subsidiary, as the settlement of these loans is neither planned nor likely to occur in the foreseeable future and Management intends to convert these loans into investment in share capital of the subsidiary in near future. Accordingly, in line with AS 11 - "The effects of changes in foreign exchange rates" (AS 11), exchange difference aggregating to ₹ 10,273.789 Million (Credit) (2015: ₹ 10,273.789 Million (Credit)) on such loans has been accumulated in a foreign currency translation reserve, which at the time of the disposal of the net investment in these subsidiaries would be recognised as income or as expenses. During the current year, the Company has made further provision of ₹ 72,660 Million (2015: ₹ 1,848.520 Million) against the loan after adjusting the amount estimated to be recovered and the accumulated balance in the foreign currency translation reserve. (Refer note no 27(b))

(c) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are for loans and advances to subsidiaries ₹ 48,869.301 Million (USD 737.890 Million), ₹ 3,625.224 Million (GBP 38.258 Million), ₹ 722.845 Million (EURO 9.550 Million) (2015: ₹ 46,118.125 Million (USD 737.890 Million), ₹ 3,520.361 Million (GBP 38.058 Million), ₹ 1,999.2 Million (EURO 29.750 Million)).

10. Other non-current assets	₹ Million	
	As at 31 March 2016	As at 31 March 2015
<b>Others</b>		
Margin money deposit with a bank	1.300	1.300
	<b>1.300</b>	1.300

### 11.1. Current investments

(Valued at cost or fair value, whichever is lower)

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
<b>Unquoted</b>		
Interest as Sole Beneficiary in USL Benefit Trust *	1,196.969	1,196.969
Investments in mutual funds:		
HSBC Mutual Fund	1.697	1.697
ICICI Prudential Liquid Fund	8.729	8.280
SBI - Premier Liquid Fund	0.139	0.131
	<b>1,207.534</b>	<b>1,207.077</b>
<b>Aggregate value of quoted investments</b>		
Book value	-	-
Market value	-	-
<b>Aggregate book value of unquoted investments</b>	1,207.534	1,207.077

\* The Company's shares held by USL Benefit Trust was pledged in favour of Unit Trust of India Investment Advisory Services Limited, a Security Trustee for Punjab National Bank (PNB) and IDBI Bank Limited (IDBI) for the term loan availed by Company from PNB and IDBI. The loan has been repaid and PNB has issued "No Objection Letter", however IDBI is yet to release the Company's shares. A Writ Petition has been filed by the Company and the same is pending before Honourable High Court of Karnataka. (Also refer note 25)

## Notes to the financial statements (continued)

### 11.2. Inventories\*

(Valued at lower of cost or net realisable value)

	₹ Million	As at 31 March 2016	As at 31 March 2015
Raw materials	1,293.583	2,126.796	
(including materials in transit ₹ 66.512 Million (2015: ₹ 201.594 Million))			
Work-in-progress**	9,679.222	9,055.154	
(including held by a branch outside India ₹ 3,811.463 Million (2015: ₹ 4,065.822 Million))			
Finished goods	4,395.686	2,471.771	
Stock-in-trade	500.285	351.113	
(including goods in transit ₹ 23.477 Million (2015: ₹ 206.332 Million))			
Stores and spares	70.070	82.870	
Packing material	1,401.623	1,454.684	
(including materials in transit ₹ 57.669 Million (2015: ₹ 48.548 Million))			
	<b>17,340.469</b>	<b>15,542.388</b>	
*Refer note 1.9 for mode of valuation for inventories			
**Interest included in the closing stock of work-in-progress	714.698	536.256	

### 11.3. Trade receivables

(Unsecured, considered good unless stated otherwise)

	₹ Million	As at 31 March 2016	As at 31 March 2015
Outstanding for a period of more than six months			
Considered good	514.445	483.270	
Considered doubtful	607.375	2,425.136	
	<b>1,121.820</b>	<b>2,908.406</b>	
<b>Others:</b>			
Considered good*	24,262.926	16,971.511	
Considered doubtful	199.580	540.642	
	25,584.326	20,420.559	
Less: Provision for doubtful debts	806.955	2,965.778	
	<b>24,777.371</b>	<b>17,454.781</b>	

\* includes due from related parties ₹ 568.536 Million (2015: ₹ 868.0 Million) (Refer note 24(c))

\* The year end foreign currency exposures that have not been hedged ₹ 363.951 Million (USD 5.519 Million) (2015: ₹ 586.233 Million (USD 9.381 Million))

## Notes to the financial statements (continued)

### 11.4. Cash and bank balance

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
(a) Cash and cash equivalents		
Cash on hand	1,523	1,629
Cheques on hand	6,517	162,339
Balances with banks		
On current accounts (Refer note (i) below)	39,432	1,663,716
On deposit account with original maturity of less than three months	-	31,500
	<b>47,472</b>	<b>1,859,184</b>
(b) Other bank balances		
On unpaid dividend / debenture accounts	14,155	17,101
On unpaid deposit accounts (Refer note (iii) below)	31,883	260,607
Margin money deposits	1,300	1,300
On escrow with bank (Refer note (ii) below)	266,889	-
Deposits due to mature within 12 months from the reporting date (Refer note (ii) below)	19,967	259,960
	<b>334,194</b>	<b>538,968</b>
(c) Amounts disclosed under non-current assets (Refer note 10)		
On Margin money deposits	(1,300)	(1,300)
	<b>(1,300)</b>	<b>(1,300)</b>
	<b>380,366</b>	<b>2,396,852</b>

The above accounts:

- (i) includes ₹ Nil (2015: ₹ 8,347 Million) in Exchange Earners Foreign Currency (EEFC) Account and ₹ 1,577 Million (2015: ₹ 2,071 Million) in Foreign currency and have not been hedged.
- (ii) includes ₹ 266,889 Million (2015: ₹ 246,039 Million as deposits) kept under escrow pending resolution of various taxation matters.
- (iii) includes ₹ 16,081 Million (2015: ₹ 215,462 Million) transferred to a separate non-interest bearing escrow account pertaining to unclaimed FDs wherein duly discharged FDRs were not received.

### 11.5. Short-term loans and advances

(Unsecured, considered good unless stated otherwise)

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
Income accrued on Investments and deposits / advances		
Considered good	13,415	22,334
Considered doubtful	48,467	48,467
Income accrued on advances - related parties (Refer note 24)		
Considered good	782,969	1,474,514
Considered doubtful	841,365	1,063,618
Advances to related parties (Refer note 24)		
Considered good	588,014	752,329
Considered doubtful (Refer note 28)	1,001,789	1,053,345
Advances to Tie-up units:		
Considered good	2,564,562	2,496,050
Considered doubtful	351,654	708,136
Advances to Suppliers*		
Considered good	514,247	471,963
Considered doubtful	938,263	982,206
Pre-paid expenses**	962,637	903,835
MAT credit receivable	27,357	-
Taxes and duties paid in advance	4,269,062	2,994,066
Loans and advances to employees	25,714	13,076
Less: Provision for doubtful advances (Refer note 26)	12,929,515	12,983,939
	<b>3,181,538</b>	<b>3,855,772</b>
	<b>9,747,977</b>	<b>9,128,167</b>

\* The year end foreign currency exposures that have not been hedged ₹ 595,884 Million (USD 8,992 Million), ₹ 19,612 Million (EURO 0.262 Million), ₹ 0.459 Million (GBP 0.005 Million) and ₹ 0.062 Million (SGD 0.001 Million) (2015: ₹ 562,601 Million (USD 9,002 Million) and ₹ Nil (EURO, GBP, SGD Nil)).

\*\*Includes ₹ 236,518 Million (2015: ₹ 295,507 Million) paid under trade mark license agreement.

# Notes to the financial statements (continued)

## 11.6. Other current assets

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
Assets held for sale (net of provisions)	0.747	0.747
Other receivable (Refer note 27(a))		
Considered good	-	871.333
Considered doubtful	621.185	-
	621.185	871.333
Less: Provision for doubtful advances	621.185	-
	-	871.333
	<b>0.747</b>	<b>872.080</b>

## 12. Revenue from operations

	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Revenue from operations (Gross)		
Own manufactured goods	196,837.778	185,930.557
Traded goods	20,628.200	14,149.248
Income arising from sale by manufacturers under 'Tie-up' agreements (Tie-up units) (Refer note 42)	4,214.891	3,940.448
Income from brand franchise	738.970	1,005.100
	<b>222,419.839</b>	<b>205,025.353</b>

## 13.1. Other operating revenues

	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Scrap sales	318.276	296.392
Sales tax incentive*	-	34.878
Income from distribution services	10.624	369.191
Miscellaneous	267.279	276.417
	<b>596.179</b>	<b>976.878</b>

\* represents Maharashtra Value Added Tax (MVAT) incentive from Govt of Maharashtra under Industrial promotion subsidy (IPS).

## 13.2. Other income

	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income*		
Long-term	463.006	1,209.347
Short-term	15.637	249.722
Dividend income		
Long-term		
From subsidiary company	16.083	14.813
From others	0.297	8.693
Short-term		
From others	1.139	0.704
Exchange gain (net)	208.688	-
Lease rent	-	0.750
Profit on sale of fixed assets (net)	4.899	4.572
Liabilities no longer required written back	329.973	105.750
Bad debts / advances recovered	-	4.137
Insurance claims	21.531	1.351
	<b>1,061.253</b>	<b>1,599.839</b>

\* An amount of ₹ 1,270.545 Million (2015: ₹ 1,207.018 Million) has not been recognised based on Management's assessment of recoverability.

## Notes to the financial statements (continued)

14. Cost of materials consumed	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Raw materials	20,570.713	19,022.261
Packing materials	17,515.423	16,760.049
	<b>38,086.136</b>	<b>35,782.310</b>

15. Changes in inventories of finished goods, work-in-progress and stock-in-trade	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Opening stock:		
Finished goods	2,471.771	2,962.743
Work-in-progress	9,055.154	9,040.127
Stock-in-trade	351.113	83.254
	<b>11,878.038</b>	<b>12,086.124</b>
Less :Stocks of the demerged unit as on 1 April 2014		
Finished goods	-	89.611
Work-in-progress	-	81.315
	-	170.926
Closing stock:		
Finished goods	4,395.686	2,471.771
Work-in-progress	9,679.222	9,055.154
Stock-in-trade	500.285	351.113
	<b>14,575.193</b>	<b>11,878.038</b>
Excise duty on opening / closing stock of finished goods (net)	886.099	(242.202)
	<b>(1,811.056)</b>	<b>(205.042)</b>

16. Employee benefits expense	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	5,380.239	4,894.542
Contribution to provident and other funds	704.737	891.264
Staff welfare expenses	456.107	399.207
	<b>6,541.083</b>	<b>6,185.013</b>

17. Finance costs	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expense	4,466.224	5,783.431
Debt issue costs	2,949	146.214
	<b>4,469.173</b>	<b>5,929.645</b>

## Notes to the financial statements (continued)

### 18. Other expenses

₹ Million

	For the year ended 31 March 2016	For the year ended 31 March 2015
Consumption of stores and spares	156,924	136,938
Sub-contracting wages	781,910	533,491
Power and fuel	299,938	286,288
Rent	1,412,450	1,148,256
Repairs and maintenance:		
Buildings	29,124	46,113
Plant and machinery	142,054	148,586
Others	285,828	122,402
Insurance	107,303	130,329
Rates and taxes #	1,067,218	2,020,616
Travelling and conveyance	448,231	788,335
Legal and professional	988,201	1,203,947
Freight outwards	1,755,317	1,804,504
Advertisement and sales promotion	9,662,500	7,868,021
Commission on sales	474,946	504,720
Royalty / brand fee / trade mark license fees	643,778	576,407
Cash discount	586,745	629,619
Sales tax	283,355	180,581
Fixed asset written off	17,390	-
Exchange loss (net)	-	242,494
Directors' remuneration:		
Sitting fee	14,560	7,930
Commission	12,500	-
Bad debts / advances / deposits written off	-	6,548
Provision for doubtful debts / advances / deposits (Refer note 26)	894,340	1,134,002
Research and development	86,597	101,891
Others		
Administrative expenses	539,840	632,491
Distribution costs	1,295,104	1,252,480
Miscellaneous	532,828	256,275
	<b>22,518.981</b>	<b>21,758.264</b>
# includes provision for sales and other taxes (Refer note 51)		
<b>Auditors' remuneration* (included in legal and professional )</b>		
Statutory audit **	24,500	52,500
Other services (including limited reviews)	16,481	13,750
Out-of-pocket expenses	5,613	3,380
	<b>46.594</b>	<b>69.630</b>

\* Excluding service tax

\*\* Statutory audit fees for the year ended 31 March 2015 includes ₹ 35.0 Million charged with respect to the year ended 31 March 2014.

## Notes to the financial statements (continued)

### 19. Exceptional items (net)

₹ Million

	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>The details of the exceptional items is as below:</b>		
i) Diminution in the value of investments and advances in Indian and overseas subsidiaries (Refer note 28)	(600.667)	(4,227.593)
ii) Provision for advances in Indian subsidiaries (Refer note 28)	-	(2,479.006)
iii) Provision for advances to subsidiaries written back (Refer note 28)	2,479.006	-
iv) Diminution in the value of investments in Indian subsidiaries (Refer note 28)	(3,206.688)	(455.001)
v) Diminution in the value of investments and advances in overseas subsidiaries (Refer note 27 (b))	(72.660)	(1,848.520)
vi) Loss on sales of shares in subsidiaries (Refer note 7)	-	(108.464)
vii) Profit on sale of Investment (Refer note 7)	8,536.016	-
viii) Provision for doubtful debts / advances / deposits written back	6,209.267	
Less: Bad and doubtful advances, deposit and trade receivables written off	(5,665.880)	543.387
ix) Provision for doubtful advances (Refer note 27(a))	(315.854)	-
x) Provision on loan to United Breweries (Holdings) Limited (Refer note 26(b))	-	(9,954.597)
xi) Profit on sale of manufacturing unit (Refer note 27(a))	-	356.500
	<b>7,362.540</b>	<b>(18,716.681)</b>

### 20. Earnings per share

	As at 31 March 2016	As at 31 March 2015
Nominal value of equity shares (₹)	10	10
(a) Net profit / (loss) after tax (₹ Million)	9,811.636	(19,564.747)
(b) Basic number of equity shares of ₹10 each outstanding during the year	145,327,743	145,327,743
(c) Weighted average number of equity shares of ₹10 each outstanding during the year	145,327,743	145,327,743
(d) Basic and diluted earnings per share (₹)	67.51	(134.62)



# Notes to the financial statements (continued)

## 21. (a) Defined contribution plans

The Company offers its Employees defined contribution plans in the form of Provident Fund (PF) and Employees' Pension Scheme (EPS) with the Government, Superannuation Fund (SF) and certain state plans such as Employees' State Insurance (ESI). PF and EPS cover substantially all regular employees while the SF covers certain executives and the ESI covers certain workers. Contribution to SF is made to United Spirits Superannuation Fund ('USSF') which was set up during the year. Before the formation of USSF, contributions were being made to United Breweries Staff Superannuation Fund ('UBSSF'). During the year, USSF has received ₹ 298.419 Million out of ₹ 449.585 Million from UBSSF. The balance amount of ₹ 151.166 Million is yet to be received. Other contributions are made to the Government's funds. While both the employees and the Company pay predetermined contributions into the Provident Fund and the ESI Scheme, contributions into the pension fund and the superannuation fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary.

The Company has taken group term policy from an Insurance company to cover the death benefit of certain category of employees. On the death of employee, a specific amount will be paid by the insurance company to the nominee of the deceased employee as per the grade.

During the year, the Company has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds.

	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Provident fund and employee's pension scheme*	92.437	79.832
Superannuation fund	105.649	97.956
Employees' state insurance	6.669	7.875
Death benefit	9.595	10.397
National pension fund	4.391	2.201
	<b>218.741</b>	<b>198.261</b>

\* Excluding contribution to PF made to trusts managed by the Company.

## 21. (b) Defined benefit plans

### Gratuity:

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's last drawn salary and years of employment with the Company. The Company has employees' gratuity funds managed by the Company as well as by Insurance Companies.

### Provident fund:

For certain executives and workers of the Company, contributions are made as per applicable Indian laws towards Provident Fund to certain Trusts set up and managed by the Company, where the Company's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the Company. Having regard to the assets of the Fund and the return on the investments, shortfall in the assured rate of interest notified by the Government, which the Company is obliged to make good is determined actuarially.

## Notes to the financial statements (continued)

### 21. (b) Defined benefit plans (contd...)

	₹ Million							
	2016				2015			
	Gratuity	PF	Pension	Death benefit	Gratuity	PF	Pension	Death benefit
<b>A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation</b>								
Obligation at the beginning of the year	2,093.155	2,291.496	20.969	-	1,703.064	2,087.207	21.108	-
Contribution by plan participants	-	319.721	-	-	-	331.615	-	-
Current service cost	147.397	124.523	1.497	-	113.049	176.809	4.308	-
Interest cost	148.282	168.475	-	-	139.562	154.850	-	-
Actuarial (gain) / loss on obligations	175.864	-	-	-	442.231	-	-	-
Benefits paid	(384.200)	(449.424)	(4.552)	-	(304.751)	(458.985)	(4.447)	-
Obligation at the end of the year	<b>2,180.498</b>	<b>2,454.791</b>	<b>17.914</b>	-	<b>2,093.155</b>	<b>2,291.496</b>	<b>20.969</b>	-
<b>B. Reconciliation of opening and closing balances of the fair value of plan assets</b>								
Plan Assets at the beginning of the year	1,540.609	2,194.357	-	-	1,188.898	1,963.235	-	-
Adjustment for opening fair value	5.650	13.113	-	-	(0.047)	-	-	-
Contribution by plan participants	-	319.721	-	-	-	331.615	-	-
Contribution by the Company	550.353	170.734	-	-	521.446	160.057	-	-
Expected return on plan assets	150.191	184.499	-	-	119.995	158.366	-	-
Actuarial gains / (losses)	(38.115)	(18.030)	-	-	15.068	40.068	-	-
Benefits paid	(384.200)	(449.424)	-	-	(304.751)	(458.984)	-	-
Plan assets at the end of the year	<b>1,824.488</b>	<b>2,414.970</b>	-	-	<b>1,540.609</b>	<b>2,194.357</b>	-	-
<b>C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance sheet</b>								
Present value of obligation at the end of the year	2,180.498	2,454.791	17.914	-	2,093.155	2,291.496	20.969	-
Fair value of plan assets at the end of the year	1,824.488	2,414.970	-	-	1,540.609	2,194.357	-	-
Liability / (net asset) recognised in Balance sheet	<b>356.010</b>	<b>39.821</b>	<b>17.914</b>	-	<b>552.546</b>	<b>97.139</b>	<b>20.969</b>	-
<b>D. Expenses recognised in the Statement of profit and loss</b>								
Current service cost	147.397	124.523	-	-	113.049	176.809	4.308	-
Interest cost	148.282	168.475	-	-	139.562	154.850	-	-
Expected return on plan assets	(150.191)	(184.499)	-	-	(119.995)	(158.366)	-	-
Actuarial (gains) / losses	213.979	18.030	-	-	427.163	(40.068)	-	-
Total expenses recognised in the Statement of profit and loss	<b>359.467</b>	<b>126.529</b>	-	-	<b>559.779</b>	<b>133.225</b>	<b>4.308</b>	-
<b>E. Investment details of plan assets</b>								
Government securities	0%	17%			0%	21%		
Securities guaranteed by government	0%	0%			0%	0%		
Private sector bonds	0%	5%			0%	0%		
Public sector / financial institutional bonds	0%	68%			0%	68%		
Special deposit scheme	0%	5%			0%	5%		
Fund balance with insurance companies	99%	0%			98%	0%		
Others (including bank balances)	1%	5%			2%	6%		
	<b>100%</b>	<b>100%</b>			<b>100%</b>	<b>100%</b>		

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return is expected to vary from year to year reflecting the returns on matching government bonds.

## Notes to the financial statements (continued)

### 21. (b) Defined benefit plans (contd...)

₹ Million

	2016				2015			
	Funded		Non funded		Funded		Non funded	
	Gratuity	PF	Pension	Death benefit	Gratuity	PF	Pension	Death benefit
<b>F. Actual return on plan assets</b>	6.79%	7.56%			10.41%	7.62%		
<b>G. Assumptions</b>								
Discount rate (per annum)	7.80%	7.80%			7.80%	7.80%	7.80%	NA
Expected rate of return on plan assets	9.25%	8.33%			9.25%	7.85%	NA	NA
Rate of increase in compensation levels	15.00%	NA			12.80%	NA	NA	NA
Attrition rate	13.20%	13.20%			10.20%	10.20%	NA	NA
Average past service of employees (years)	13.00	NA			13.10	NA	NA	NA
Mortality rates	Standard Indian Assured Lives (2006-08) ultimate table	LIC (a) 1996-98 ultimate table, standard India assured lives 2006-08 ultimate table			Standard Indian Assured Lives (2006-08) ultimate table	LIC (a) 1996-98 ultimate table, standard India assured lives 2006-08 ultimate table	LIC (a) 1996-98 ultimate table	

₹ Million

	2016		2015		2014		2013		2012	
	Gratuity	PF								
<b>H. Others (funded)</b>										
Present value of obligation	2,180.498	2,454.791	2,093.155	2,291.496	1,703.064	2,087.502	1,295.166	1,847.025	1,059.468	1,602.320
Fair value of plan assets	1,824.488	2,414.970	1,540.609	2,194.357	1,188.898	1,963.235	1,047.475	1,789.385	815.880	1,494.056
Amount recognised in Balance sheet-liability	356.010	39.821	552.546	97.139	514.166	123.972	247.691	57.640	243.588	108.264
Experience adjustments on present value of obligation	37.251	-	(337.759)	-	(99.702)	-	(92.425)	-	(176.898)	-
Experience adjustments on plan assets	(38.115)	(18.030)	15.608	40.068	(17.961)	(27.441)	(1.847)	58.216	(5.100)	5.485

₹ Million

	2016		2015		2014		2013		2012	
	Pension	Death benefit								
<b>Others (Non-funded)</b>										
Present value of obligation	17.914	-	20.969	-	21.108	-	22.237	23.466	24.155	20.331
Present value of plan assets	-	-	-	-	-	-	-	-	-	-
Amount recognised in Balance sheet – liability	17.914	-	20.969	-	21.108	-	22.237	23.466	24.155	20.331

#### Notes:

1. The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
2. As per the best estimate of the Management, contribution of ₹ 356.010 Million (2015: ₹ 552.546 Million) is expected to be paid to the plans during the year ending 31 March 2017.

## Notes to the financial statements (continued)

### 22. Leases

#### a) Finance leases

The Company has acquired computer equipment and cars on finance leases. The lease agreement is for a primary period of 36 to 60 months for computer equipment and cars. The Company has an option to renew these leases for a secondary period.

The minimum lease payments and their present value for the finance leases, for the following periods are as follows:

Particulars	As at 31 March 2016		As at 31 March 2015	
	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments
Not later than one year	42,872	48,171	34,118	40,591
Later than one year and not later than five years	51,684	61,032	71,933	79,941
Later than five years	5,328	-	3,234	3,358
	99,884	109,203	109,285	123,890
Less: Finance charges		9,319		14,605
Present value of net minimum lease payments		<b>99,884</b>		<b>109,285</b>

#### b) Operating leases

The Company's significant leasing arrangements in respect of operating leases for premises (residential, office, stores, godown, manufacturing facilities etc.) and plant and machineries, which includes cancellable leases ranging between 11 months and 3 years generally (or longer in certain cases) and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as rent under note 18 to the financial statements.

### 23. Segment reporting

The Company is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines) including through tie-up manufacturing units / brand franchise, which constitutes a single business segment. The Company is primarily organised into two main geographic segments namely India and outside India. However, the Company's operations outside India did not exceed the quantitative threshold for disclosure envisaged in Accounting Standard-17 (AS-17) on "Segment Reporting" as prescribed under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. In view of the above, both primary and secondary reporting disclosures for business / geographical segment as envisaged in AS-17 are not applicable to the Company.

### 24. Related party disclosures

#### (a) Names of related parties and description of relationship

##### Holding Company

- i) Diageo Plc. (ultimate holding company of Relay B V)
- ii) Relay B V

##### Fellow Subsidiaries

- i) Diageo Scotland Limited
- ii) Diageo India Private Limited
- iii) Diageo Brands BV
- iv) Diageo Vietnam Limited
- v) Diageo Great Britain Limited
- vi) Diageo Australia Limited
- vii) Diageo North America Inc.
- viii) Diageo Singapore Pte Limited
- ix) Diageo Singapore Supply Pte Limited
- x) Guiness Nigeria Limited^
- xi) Diageo Ireland^

# Notes to the financial statements (continued)

## Entities having significant influence over the Company:

- i) United Breweries (Holdings) Limited (effective till 25 February 2016)
- ii) Kingfisher Finvest India Limited (effective till 25 February 2016)

## Entities under common influence / control with the company

- i) City Properties Maintenance Company Bangalore Limited (effective till 25 February 2016)
- ii) United Breweries Limited (effective till 25 February 2016)

## Enterprise where there is control:

### (i) Subsidiary companies

- 1) United Spirits Nepal Private Limited (USNPL), 2) Asian Opportunities & Investment Limited (AOIL), 3) Palmer Investment Group Limited (PIG)<sup>^</sup>, 4) Montrose International SA (MI)<sup>^</sup>, 5) UB Sports Management Overseas Limited (Formerly known as "JIHL Nominees Limited") (UBS MOL)<sup>^</sup>, 6) McDowell (Scotland) Limited (MSL), 7) USL Holdings Limited (USLHL), 8) Royal Challengers Sports Private Limited (RCSPL), 9) USL Holdings (UK) Limited, 10) United Spirits (UK) Limited<sup>^</sup>, 11) United Spirits (Great Britain) Limited<sup>^</sup>, 12) Four Seasons Wines Limited (FSWL), 13) Liquidity Inc.<sup>^</sup>, 14) United Spirits Shanghai Trading Co. Limited<sup>^</sup>, 15) Tern Distilleries Private Limited (Tern), 16) Sovereign Distilleries Limited, 17) Pioneer Distilleries Limited, 18) United Spirits Singapore Pte Limited, 19) Shaw Wallace Overseas Limited, 20) Bouvet Ladubay S.A.S (BL) \$, 21) Chapin Landais S.A.S (CL) \$, 22) Whyte and Mackay Limited\*, 23) SW Finance Co. Limited &

### ii) USL Benefit Trust

## Associates:

- i) Wine Society of India Private Limited<sup>^</sup>
- <sup>^</sup> No transactions during the year.
- \$ Bouvet Ladubay S.A.S and Chaplin Landis S.A.S ceased to be subsidiary with effective from 18 November 2015
- & SW Finance Co. Limited merged with the Company on 28 September 2015
- \* Ceased to be subsidiary from 31 October 2014

Pursuant to the settlement agreement entered on 25 February 2016 with Dr. Vijay Mallya, erstwhile Chairman and non-executive director, the parties mentioned below will not be considered as related party:

- a) United Breweries (Holdings) Limited
- b) Kingfisher Finvest India Limited
- c) City Properties Maintenance Company Bangalore Limited
- d) United Breweries Limited

## Key Management Personnel:

- i) Mr. Anand Kripalu - Managing Director and Chief Executive Officer
- ii) Mr. P A Murali - Executive Director and CFO (effective upto 22 April 2015)
- iii) Mr. Ashok Kapoor - Managing Director (effective upto 30 April 2014)

## Employees' Benefit Plans where there is significant influence:

- i) McDowell & Company Limited Staff Gratuity Fund (McD SGF)
- ii) McDowell & Company Limited Officers' Gratuity Fund (McD OGF)
- iii) Phipson & Company Limited Management Staff Gratuity Fund (PCL SGF)
- iv) Phipson & Company Limited Gratuity Fund (PCL GF)
- v) Carew & Company Ltd. Gratuity Fund (CCL GF)
- vi) McDowell & Company Limited Provident Fund (McD PF)
- vii) Shaw Wallace & Associated Companies Employees Gratuity Fund (SWCEGF)
- viii) Shaw Wallace & Associated Companies Executive Staff Fund (SWCSGF)
- ix) Shaw Wallace & Co. Associated Companies Provident Fund (SWCPF)
- x) Balaji Distilleries Employees Gratuity Trust (until 30 March 2015)
- xi) United Spirits Superannuation Fund (with effect from 15 June 2015)

## Notes to the financial statements (continued)

### 24. (b) Summary of the transactions with related parties:

Sl. No.	Nature of transactions	For the year ended 31 March 2016		For the year ended 31 March 2015	
		Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence/ Entities having significant influence/ Entities under common influence/ control with the Company	Total
<b>a) Purchase of goods</b>					
-Whyte and Mackay Limited**	-	-	-	-	-
-Tern Distilleries Private Limited	46,239	-	-	46,239	195,628
-Pioneer Distilleries Limited	33,193,115	-	-	3,319,315	1,350,433
-Four Seasons Wines Limited	116,598	-	-	116,598	94,254
-Bauver Ladubay S.A.S	-	-	-	-	-
-Diageo Brands BV	-	-	-	1,457,402	1,457,402
-Diageo Singapore Supply Pte Limited	-	-	-	60,208	60,208
-Diageo India Private Limited	-	-	-	70,518	70,518
<b>b) Sale of goods</b>					
-United Spirits Nepal Private Limited	93,739	-	-	93,739	145,173
-United Breweries (Holdings) Limited	-	-	-	-	50,833
-Pioneer Distilleries Limited	5,856	-	-	5,856	3,150
-United Spirits Singapore Pte Limited	83,7709	-	-	83,7709	1,206,980
<b>c) Income from brand franchise</b>					
-United Spirits Nepal Private Limited	50,384	-	-	50,384	53,460
<b>d) Income from agency commission</b>					
-Diageo India Private Limited	-	-	-	12,079	12,079
<b>e) Other operating income</b>					
-United Spirits Singapore Pte Limited	89,312	-	-	89,312	189,408
-Pioneer Distilleries Limited	-	-	-	-	-
-Whyte and Mackay Limited**	-	-	-	-	-
<b>f) Dividend received</b>					
-United Spirits Nepal Private Limited	16,083	-	-	16,083	14,813
<b>g) Interest income</b>					
-Asian Opportunities & Investments Limited	-	-	-	-	-
-USI Holdings Limited	-	-	-	-	-
-Pioneer Distilleries Limited	16,247	-	-	16,247	305,772
-Four Seasons Wines Limited	7,890	-	-	7,890	46,282
-United Breweries (Holdings) Limited^	-	-	-	-	63,527
-Royal Challengers Sports Private Limited	28,364	-	-	28,364	221,332
-Tern Distilleries Private Limited	7,1267	-	-	71,267	94,875
-Sovereign Distilleries Limited	336,504	-	-	336,504	371,528
-McDowell & Co (Scotland) Limited	2139	-	-	2,139	-
<b>h) Interest payment</b>					
-SW Finance Co. Limited	-	-	-	-	-
<b>i) Advertisement &amp; sales promotion expenses/(income)</b>					
-Four Seasons Wines Limited	(2,820)	-	-	(2,820)	-
-United Spirits Singapore Pte Limited	207,890	-	-	207,890	-
-Diageo India Private Limited	-	-	-	52,359	52,359

₹ Million

# Notes to the financial statements (continued)

## 24. (b) Summary of the transactions with related parties: (contd..)

Sl. No.	Nature of transactions	For the year ended 31 March 2016			For the year ended 31 March 2015			
		Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Holding company / Fellow subsidiaries / Entities having significant influence / Entities under common influence / control with the Company	Total	Employees' benefit plans where there is significant influence	Holding company/Fellow subsidiaries / Entities having significant influence / Entities under common influence / control with the Company
<b>j) Rent</b>								
-Whyte & Mackay Limited**	-	-	-	-	-	-	-	-
-McDowell & Co (Scotland) Limited	-	-	-	-	-	-	-	-
<b>k) Blending and sampling charges</b>								
-Whyte & Mackay Limited**	-	-	-	-	-	-	-	-
<b>l) Wood repair charges</b>								
-Whyte & Mackay Limited**	-	-	-	-	-	-	-	-
<b>m) Salary recharge - expense /Income)</b>								
-Diageo India Private Limited	-	-	-	29,149	29,149	-	-	-
-Diageo Australia Limited	-	-	-	33,395	33,395	-	-	-
-Diageo Singapore Pte Limited	-	-	-	6,842	6,842	-	-	-
-Diageo Vietnam Limited	-	-	-	(17,451)	(17,451)	-	-	-
-Diageo Scotland Limited	-	-	-	(16,093)	(16,093)	-	-	-
-Diageo Plc.	-	-	-	(20,227)	(20,227)	-	-	-
-Pioneer Distilleries Limited	15,475	-	-	-	15,475	-	-	-
-Sovereign Distilleries Limited	0,572	-	-	-	0,572	-	-	-
-Diageo Great Britain Limited	-	-	-	(20,391)	(20,391)	-	-	-
<b>n) Market research expense recharge</b>								
-Diageo Plc.	-	-	-	2,254	2,254	-	-	-
<b>o) Royalty expense</b>								
-Diageo Scotland Limited	-	-	-	1,435	1,435	-	-	-
-Diageo North America Inc.	-	-	-	66,404	66,404	-	-	-
<b>p) Trademark license/brand fee</b>								
-United Breweries (Holdings) Limited	-	-	-	575,939	575,939	-	-	-
-Four Seasons Wines Limited	2,688	-	-	-	2,688	-	-	-
<b>q) Property maintenance fees</b>								
-Kingsfisher Finvest India Limited	-	-	-	-	-	-	-	-
<b>r) Guarantee / security commission</b>								
-United Breweries (Holdings) Limited	-	-	-	6,301	6,301	-	-	-
<b>s) Sale / (purchase) of fixed asset</b>								
-Whyte and Mackay Limited**	-	-	-	-	(3,444)	-	-	-
-Diageo India Private Limited	-	-	-	(60,903)	(60,903)	-	-	-
-Pioneer Distilleries Limited	-	-	-	-	3,640	-	-	-
<b>t) Finance (including loans and advances, equity contributions in cash or in kind and exchange gain / (loss))</b>								
-ISL Holdings Limited	2,857,021	-	-	-	2,857,021	20,165	-	-
-Royal Challengers Sports Private Limited	56,500	-	-	-	56,500	75,700	-	-
-Asian Opportunities & Investments Limited	(130,1713)	-	-	-	(130,1713)	75,700	-	-
-Four Seasons Wines Limited	18,1670	-	-	-	18,1670	15,115	-	-
-Sovereign Distilleries Limited	108,335	-	-	-	108,335	670,203	-	-
-Tern Distilleries Private Limited	69,748	-	-	-	69,748	172,555	-	-
-McDowell & Co (Scotland) Limited	37,383	-	-	-	37,383	-	-	-
<b>u) Remuneration</b>								
-Managing Directors - Anand Kirpal	-	118,620	-	-	118,620	-	62,013	-
-Managing Directors - Ashok Kapoor	-	-	-	-	-	-	2,894	-
-Executive Directors - P.A. Murali	-	27,236	-	-	27,236	-	153,092	-

₹ Million

## Notes to the financial statements (continued)

### 24. (b) Summary of the transactions with related parties: (contd..)

Sl. No.	Nature of transactions	For the year ended 31 March 2016			For the year ended 31 March 2015			Total	
		Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Holding company/ Fellow subsidiaries / Entities having significant influence/ Entities under common influence/ control with the Company	Total	Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence
<b>v) Rent</b>									
- Managing Directors - Ashok Kapoor	-	-	-	-	-	-	0.720	-	-
- Executive Directors - PA Murali	-	1,285	-	-	1,285	-	14,454	-	14,454
<b>w) Contribution to gratuity fund</b>									
- McDowell & Company Limited Officers Gratuity Fund	-	-	438,377	-	438,377	-	-	332,283	-
- McDowell & Company Limited Staff Gratuity Fund	-	-	111,976	-	111,976	-	-	180,920	-
<b>x) Contribution to provident fund</b>									
- McDowell & Company Limited Provident Fund	-	-	170,734	-	170,734	-	-	160,057	-
<b>y) Contribution to Superannuation Fund</b>									
- United Spirits Superannuation Fund	-	-	10,168	-	10,168	-	-	-	-
<b>z) Guarantees and collaterals given / (withdrawn)</b>									
- USL Holdings Limited	-	-	-	-	-	(1,244,880)	-	-	(1,244,880)
<b>aa) Assignment of receivables in favour of Company by</b>									
- Diageo India Private Limited	-	-	-	-	62,239	62,239	-	-	-
<b>ab) Provisions for doubtful loans and advances</b>									
- USL Holdings Limited	2,907,994	-	-	-	2,907,994	2,144,468	-	-	2,144,468
- USL Holdings (UK) Limited	4,354	-	-	-	4,354	178,411	-	-	178,411
- Pioneer Distilleries Limited	-	-	-	-	-	81,902	-	-	81,902
- Sovereign Distilleries Limited	(2,207,090)	-	-	-	(2,207,090)	2,207,090	-	-	2,207,090
- Asian Opportunities & Investments Limited	25,029	-	-	-	25,029	245,477	-	-	245,477
- Tern Distilleries Private Limited	(27,910)	-	-	-	(27,910)	271,910	-	-	271,910
- Four Seasons Wines Limited	249,981	-	-	-	(249,981)	248,981	-	-	-
<b>ac) Expenses incurred on behalf of the Company, reimbursable</b>									
- Diageo Great Britain Limited	-	-	-	-	14,080	14,080	-	-	-
- Diageo Plc.	-	-	-	-	83,313	83,313	-	-	-
- United Breweries Limited	-	-	-	-	-	-	-	-	-
- United Breweries (Holdings) Limited	-	-	-	-	0.154	0.154	-	-	4,791
- Pioneer Distilleries Limited	5,665	-	-	-	-	5,665	-	-	4,791
<b>ad) Expenses incurred by the Company on behalf of others, reimbursable</b>									
- Reay BV	-	-	-	-	0.955	0.955	-	-	-
- Four Seasons Wines Limited	0.524	-	-	-	0.524	0.524	-	-	-
- United Breweries (Holdings) Limited	-	-	-	-	0.589	0.589	-	-	-
- United Breweries Limited	-	-	-	-	21,828	21,828	-	-	12,037
<b>ae) House keeping and security services</b>									
- City Properties Maintenance Company Bangalore Limited	-	-	-	-	47,199	47,199	-	-	12,037
					-	-	-	-	50,559
									50,559

₹ Million

# Notes to the financial statements (continued)

## 24. (c) Summary of closing balances with related parties:

Sl. No.	Nature of transactions	Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Holding company / Fellow subsidiaries / Entities having significant influence / Entities under common influence / control with the Company	Total	Entities where there is control	Key management personnel	As at 31 March 2016	As at 31 March 2015	Holding company / Fellow subsidiaries / Entities having significant influence / Entities under common influence / control with the Company	Total
									As at 31 March 2016	As at 31 March 2015		
a)	<b>Unamortised trademark license fees</b>	-	-	-	2,344,672	2,344,672	-	-	-	-	2,635,822	2,635,822
b)	<b>Rental Deposit</b>	- United Breweries (Holdings) Limited	-	-	-	-	-	-	8,640	-	-	8,640
		- Managing Directors - Ashok Kapoor	-	-	-	-	-	-	6,415	-	-	6,415
		- Executive Directors - PA Murali	-	-	-	-	-	-	-	-	-	-
c)	<b>Amount due from / to</b>	- USL Holdings Limited	52,369,810	-	52,369,810	495,127,90	-	-	-	-	495,127,90	-
		- Asian Opportunities & Investments Limited	50,2,506	-	50,2,506	1,804,517	-	-	-	-	1,804,517	-
		- Royal Challengers Sports Private Limited	4,072,846	-	4,072,846	3,507,846	-	-	-	-	3,507,846	-
		- Four Seasons Wines limited	819,555	-	819,555	625,251	-	-	-	-	625,251	-
		- SW Finance Co. Limited	-	-	-	(493,387)	-	-	-	-	(493,387)	-
		- Sovereign Distilleries Limited	6,043	-	6,043	3,862,391	-	-	-	-	3,862,391	-
		- Pioneer Distilleries Limited	3,130,694	-	3,130,694	3,211,924	-	-	-	-	3,211,924	-
		- United Spirits Singapore Pte Limited	16,220	-	16,220	624,703	-	-	-	-	624,703	-
		- Whyte & Mackay Limited**	-	-	-	(121,660)	-	-	-	-	(121,660)	-
		- Tern Distilleries Private Limited	-	-	-	876,615	-	-	-	-	876,615	-
		- USL Holdings (UK) Limited	18,2765	-	18,2765	178,411	-	-	-	-	178,411	-
		- Mc Dowell & Co (Scotland) Limited	434,562	-	434,562	395,040	-	-	-	-	395,040	-
		- United Spirits Shanghai Trading Co. Limited	15,741	-	15,741	15,741	-	-	-	-	15,741	-
		- United Spirits Nepal Private Limited	7,7552	-	7,7552	108,594	-	-	-	-	108,594	-
		- Liquidity Inc.	53,808	-	53,808	53,808	-	-	-	-	53,808	-
		- Diageo India Private Limited	-	-	(42,998)	(42,998)	-	-	-	-	88,396	88,396
		- Diageo Scotland Limited	-	-	4,518	4,518	-	-	-	-	-	-
		- Diageo Singapore Pte Limited	-	-	(4,330)	(4,330)	-	-	-	-	-	-
		- Diageo Singapore Supply Pte Limited	-	-	(17,107)	(17,107)	-	-	-	-	-	-
		- Diageo Australia Limited	-	-	(28,612)	(28,612)	-	-	-	-	-	-
		- Diageo North America Inc.	-	-	(18,089)	(18,089)	-	-	-	-	-	-
		- Diageo Great Britain Limited	-	-	0,935	0,935	-	-	-	-	-	-
		- Diageo Vietnam Limited	-	-	1,619	1,619	-	-	-	-	-	-
		- Diageo Pte. Ltd.	-	-	1,733	1,733	-	-	-	-	-	-
		- Diageo Brands BV	-	-	(254,069)	(254,069)	-	-	-	-	(255,863)	(255,863)
		- Mc Dowell & Company Limited Provident Fund	-	-	(33,891)	(33,891)	-	-	-	-	(30,539)	(30,539)
		- Mc Dowell & Company Limited Officers' Gratuity Fund	-	-	(337,464)	(337,464)	-	-	-	-	(438,777)	(438,777)
		- Mc Dowell & Company Limited Staff Gratuity Fund	-	-	(18,546)	(18,546)	-	-	-	-	(11,1976)	(11,1976)
		- United Spirits Superannuation Fund	-	-	(9,540)	(9,540)	-	-	-	-	-	-
		- City Properties Maintenance Company Bangalore Limited	-	-	(0,322)	(0,322)	-	-	-	-	(7,016)	(7,016)
		- Kingfisher Finvest India Limited	-	-	(1,442)	(1,442)	-	-	-	-	0,865	0,865
		- United Breweries (Holdings) Limited	-	-	13,965,151	13,965,151	-	-	-	-	14,219,646	14,219,646
		- United Breweries (Holdings) Limited - UB Global Corporation	-	-	85,612	85,612	-	-	-	-	134,703	134,703
		- United Breweries (Holdings) Limited - Pegasus Fee	-	-	-	-	-	-	-	-	(126,405)	(126,405)
		- United Breweries Limited	-	-	8,396	8,396	-	-	-	-	16,879	16,879

## Notes to the financial statements (continued)

### 24. (c) Summary of closing balances with related parties: (contd..)

Sl. No.	Nature of transactions	As at 31 March 2016			As at 31 March 2015			Total
		Entities where there is control	Keyman- management personnel	Employees' benefit plans where there is significant influence	Holding company / Fellow subsidiaries / Entities having significant influence / Entities under common influence / control with the Company	Entities where there is control	Key management personnel	
<b>d) Provisions for doubtful loans and advances</b>								
- USL Holdings Limited	41,194,803	-	-	-	41,194,803	38,286,732	-	- 38286.782
- USL Holdings (UK) Limited	182,765	-	-	-	182,765	178,411	-	- 178.411
- Liquidity Inc.	53,808	-	-	-	53,808	53,808	-	- 53.808
- United Spirits Shanghai Trading Co. Limited	15,741	-	-	-	15,741	15,741	-	- 15.741
- Pioneer Distilleries Limited	819,020	-	-	-	819,020	819,020	-	- 819,020
- Sovereign Distilleries Limited	-	-	-	-	-	- 2,207,090	-	- 2,207,090
- Asian Opportunities & Investments Limited	502,506	-	-	-	502,506	245,477	-	- 245.477
- Tem Distilleries Private Limited	-	-	-	-	-	- 271,910	-	- 271,910
- Four Seasons Wines Limited	248,981	-	-	-	248,981	-	-	-
- United Breweries (Holdings) Limited - UB Global Corporation	-	-	-	-	85,612	85,612	-	-
- United Breweries (Holdings) Limited (Includes provision for interest ₹ 73,170 Million (2015: ₹ 963,069 Million)	-	-	-	-	13,971,551	3,971,551	-	-
<b>e) Interest as sole beneficiary in USL Benefit Trust</b>	1,195,969	-	-	-	1,195,969	1,196,969	-	- 1,196,969
<b>f) Guarantees and collaterals given / (received) outstanding</b>								
- Pioneer Distilleries Limited	934,400	-	-	-	934,400	934,400	-	- 934,400
- United Breweries (Holdings) Limited	-	-	-	-	(550,000)	(550,000)	-	- (550,000) (550,000)

^ During the year, the Company has not recognised interest income amounting to ₹ 1,270.545 Million on advances to United Breweries (Holdings) Limited.

\*\* Represents balance as on 31 October 2014 when the company ceased to be the subsidiary

The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.



## Notes to the financial statements *(continued)*

**24. d)** As per the requirements of the then listing agreements, entered into by the Company with various stock exchanges, and applicable circulars issued by SEBI (including circular No. CIR/CFD/POLICY CELL/2/2014 dated 17 April 2014 ("April 17 Circular") and circular No. CIR/CFD/POLICY CELL/7/2014 dated 15 September 2014), the Company had sought approval of its shareholders for certain historical agreements at the extraordinary general meeting ("EGM") held on 28 November 2014, including the following: (a) loan agreement dated 3 July 2013, between the Company and UBHL; (b) agreements dated 30 September 2011 and 22 December 2011 respectively, between the Company and UBHL requiring UBHL to sell to the Company certain immovable properties; (c) services agreement dated 3 July 2013, between the Company and Kingfisher Finvest India Limited; (d) advertising agreement dated 1 October 2013 (which amended and restated the original agreement dated 3 July 2013) between the Company and Watson Limited; (e) sponsorship agreement dated 11 June 2013 between the Company and United Racing & Bloodstock Breeders Limited; (f) sponsorship agreement dated 11 June 2013 between the Company and United Mohun Bagan Football Team Private Limited; (g) aircraft services agreement dated 11 June 2013 between the Company and UB Air Private Limited; (h) properties call agreement dated 11 June 2013 between the Company and PE Data Centre Resources Private Limited; and (i) contribution agreement dated 11 June 2013 between the Company and Vittal Mallya Scientific Research Foundation.

As stated in the EGM notice dated 31 October 2014, each of the above-mentioned transactions were duly approved by the then existing board of directors of the Company, prior to entering into the agreement corresponding to such transaction. The EGM notice further stated that while the April 17 Circular mandates that all existing material related party transactions be placed before the shareholders for their approval by way of a special resolution, thus far, the consequences of any non-approval of such existing transactions by the shareholders by the requisite majority is unclear. It is therefore possible that non-approval of one or more of the above-mentioned agreements by the requisite majority may result in the Company being obliged to cease to act upon and potentially put the Company in breach of such agreements, which are the subject of non-approval by the shareholders. This could potentially result in a dispute with the relevant counterparties who may contend that the Company has breached the relevant agreement by failing to act on or fulfil its obligations under the same. Such potential disputes could be protracted and costly, and could result in financial or other liabilities on the Company. Also, any inability on the part of the Company to act on or fulfil its obligations under the unapproved agreements could result in the Company being potentially unable to receive the benefit of the various rights that it is entitled to under such agreements (such as in the case of the agreement noted in (b) above). It was also stated in the EGM Notice that in the absence of sufficient clarity in respect of the provisions dealing with existing material related party contracts and arrangements, the Company was tabling the above-mentioned agreements for the approval of the shareholders by way of abundant caution.

It was further stated in the EGM notice that the Company was still in the process of seeking confirmations from, and verifying the position in relation to, the counterparties to, inter alia, the above mentioned agreements as to whether or not they are related parties of the Company, and it was not clear whether the counterparties to such agreements are indeed related parties of the Company for the purpose of Clause 49(VII) of the then Listing Agreement. However, to the extent it ultimately transpired that all or any of above mentioned agreements do not qualify as existing material related party contracts or arrangements, or the counterparties to all or any of these agreements do not qualify as related parties of the Company, such that approval of the shareholders of the Company is not required under the April 17 Circular in respect of any of the above mentioned contracts or arrangements then, in that case, it shall follow that there will be no consequences on such contracts or arrangements or on their validity or on any act or omission that may have been committed or omitted pursuant thereto, by reason of the shareholders having approved or not approved any of such contracts or arrangements.

At the EGM, the above-mentioned agreements were not approved by the shareholders of the Company by requisite majority. Consequently, the Company sought clarifications / directions from SEBI with respect to the implications of the non-approval of the aforesaid agreements by the shareholders of the Company.

Pending clarification / direction from SEBI on the above, the Company has recognised the charges up to 28 November 2014, in respect of the agreements listed in (c) to (g) and (i) above, amounting to ₹ 1,357.3 Million during the financial year ended 31 March 2015 (₹ 1,382.2 Million for the financial year ended 31 March 2014). In light of the fact that the Company's shareholders have not approved the said agreements on 28 November 2014, the Company did not recognise the charges from 29 November 2014 payable under the agreements listed in (c) to (g) and (i) above. The Company had informed the respective counterparties that the contracts mentioned above were not approved by the shareholders on 28 November 2014. Further, subsequent to 28 November 2014, in response to the letters received by the Company from the concerned counterparties, the Company has made payments amounting to ₹ 74.3 Million (excludes a cheque of ₹ 6.1 Million which has not been encashed) to some of these counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. Pending the clarifications / directions from SEBI, the Company had not made any payments to the respective

## Notes to the financial statements (continued)

### 24. d) (contd...)

counterparties under the agreements in (c) to (g) and (i) above for the period subsequent to 28 November 2014 and considered these amounts as contingent liabilities. During the previous year, the Company received communications from some of the counterparties identified above stating that they do not qualify as related parties of the Company, to which the Company has responded. In addition, during the previous year, the Company received multiple notices from one of the counter-parties, demanding payments of sums due under the relevant agreement for periods after 28 November 2014. The Company has suitably responded to these notices. As mentioned in note 24 (e) below, the Company has entered into mutual release and termination agreements with the respective counterparties under the agreements in (c) to (e), and (g) to (i) above and the agreement with the party named in (f) above has not yet been terminated. Further, with respect to the terminated agreements, the Company has retained the right to recover the amounts paid to the respective parties for the period before 28 November 2014 in case any regulatory authority and / or any court of competent jurisdiction decides that these amounts were not payable by the Company at a future date. In view of shareholders non-approval of these agreements in the EGM held on 28 November 2014 and thereafter the termination of some of these agreements, pending clarification from SEBI, which has not been forthcoming, the Company has obtained an opinion from a senior legal counsel opining that these contracts would have been rendered void by, and from the date of rejection by, the shareholders. Accordingly, the Company has not recognised the charges amounting to ₹ 121.0 Million from 29 November 2014 to 31 March 2016 (including ₹ 91.0 Million for the year ended 31 March 2016) payable under the agreements listed in (f) above.

The summary of the transactions in relation to the historical agreements as below (excluding transactions already disclosed in note 24(b)):

Sl. No.		Name of party	Nature of transactions	1 April 2015 to 31 March 2016	1 April 2014 to 28 November 2014	₹ Million
1	United Racing and Bloodstock Breeders Limited		Advertisement & sales promotion	-	56.180	
2	United Mohun Bagan Football Team Private Limited		Advertisement & sales promotion	-	59.925	
3	Watson Limited		Advertisement & sales promotion	-	816.347	
4	Vittal Mallya scientific research foundation		Contribution for scientific research	-	16.667	
5	UB Air Private Limited		Aircraft charges	-	280.900	
6	PE Data Centre Resources Private Limited		Property option agreement	281.394	-	
7	PE Data Centre Resources Private Limited		Interest on call option money	67.530	-	

Summary of closing balances with the above mentioned parties (excluding transactions already disclosed in note 24 (c)):

Sl. No.		Name of party	Nature of transactions	As at 31 March 2016	As at 31 March 2015	₹ Million
1	UB Air Private Limited		Deposits outstanding	50.000	50.000	
2	UB Air Private Limited		Provision for doubtful advance	(50.000)	-	
3	PE Data Centre Resources Private Limited		Property Call Money Received	-	281.394	
4	United Mohun Bagan Football Team Private Limited		Amount due from / (to)	(0.311)	(6.400)	
5	Vittal Mallya Scientific Research Foundation		Amount due from / (to)	-	(0.000)	
6	UB Air Private Limited		Amount due from / (to)	157.040	157.040	
7	UB Air Private Limited		Provision for doubtful advance	(157.040)	(157.040)	

**24. e)** On 25 February 2016, USL entered into a settlement agreement with Dr Mallya pursuant to which he resigned from his positions as a director and chairman of the Company and of the boards of its subsidiaries. Pursuant to this settlement, the Company and Dr Mallya agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its financial statements for the financial year ended 31 March 2014 (as mentioned in note 26 (a)). Additionally USL undertook to Dr Mallya that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note 26 (a) in relation to matters arising out of the initial inquiry mentioned therein. In connection with the settlement, Dr Mallya procured or undertook to procure the termination by the relevant counterparties of certain historical agreements to which the Company was party and which were voted down by the shareholders in November 2014. As a result, the Company entered into mutual release and termination agreements with all the respective counterparties under the agreements identified in (c) to (e) and (g) to (i) of 24 (d) above, terminating the relevant agreements with effect from 28 November 2014 and mutually releasing the Company and each relevant counterparty of any claims arising thereunder subsequent to 28 November 2014. The termination of these agreements are on terms



## Notes to the financial statements *(continued)*

### 24. e) *(contd...)*

that release the Company from all liabilities / obligations under the agreements, including in respect of accrued, unpaid amounts, other than in the following specific and limited instances: (i) in respect of the agreement identified in (d) of note 24 (d) above, the parties have agreed that the Company shall have no obligation to pay the counterparty to that agreement amounts (including amounts which were due to be paid by the Company at the time of signing such agreement) until and unless the counterparty or its affiliate pay the Company certain amounts owed in connection with a prior sponsorship arrangement entered into by the Company with such affiliate; and (ii) in respect of agreement identified in (h) of note 24 (d) above, the Company agreed to refund (and has refunded) to the counterparty thereto, the entire call option fee of ₹ 281.439 Million which was paid to the Company during the financial year ended 31 March 2014 together with simple interest at 12%. The agreement with the party named in (f) of note 24 (d) has not yet been terminated, notwithstanding Dr Mallya's undertaking to procure such termination. In addition to the above terms in the settlement, Dr Mallya agreed to a global non-compete (excluding United Kingdom), non-interference and standstill obligations as regards the Company for a period of five years following the date of the settlement. The Company agreed that Dr Mallya will have the honorary title of "Founder Emeritus - USL". USL has confirmed that it has no intention to remove Mr Sidhartha Mallya (Dr Mallya's son) as a director of Royal Challengers Sports Private Limited ('RCSPL') which holds the franchise for the IPL team Royal Challengers Bangalore ('RCB'), for a period of two years or while RCB remains part of the USL Group, whichever is earlier, subject to Dr Mallya's continuing compliance with the terms of the settlement. Dr Mallya will have the status of Chief Mentor while Mr Sidhartha Mallya remains on the board of RCSPL. The members of the board of RCSPL will be able, if they wish, to consult with Dr Mallya. Dr Mallya's above mentioned titles carry no authority, responsibility, rights or benefits within the Company or its group. As part of its arrangements with Dr Mallya, the Company also entered into certain principles, pursuant to which Dr Mallya or a party nominated by him would have a limited period option to purchase up to 13 non-core properties from the Company.

If Dr Mallya or his nominee elects to acquire any or all of these properties, the election would need to be made in a time-bound manner and the price at which the properties may be acquired will be the fair market value as assessed by a reputed independent valuer appointed by USL, with a 10% discount applying to the valuation of three of the residential properties (in Mumbai, Goa and New Delhi), provided that each of the fair market value and the discounted value applicable to certain select properties as specified above, shall not be less than the value of that property adopted or assessed by any authority or state government for the purposes of payment of stamp duty in respect of the transfer of the relevant property. The sale prices for these properties (including the post-discount price for the relevant three properties) are expected to be higher than the prices, which applied under the now-terminated properties call agreement referred to in (h) of note 24 (d) above.

Pursuant to the settlement agreement, United Breweries (Holding) Limited ("UBHL") and Kingfisher Finvest India Limited's ("KFinvest's") nominated director on the USL board Dr Mallya, resigned. UBHL indicated it may be prevented from agreeing to terminate the Shareholders Agreement immediately by reason of certain legal and court restrictions which may apply as a result of winding-up proceedings to which UBHL is subject in India. USL was informed that UBHL proposes to seek court leave for an agreed termination of the Shareholders' Agreement, and USL has received certain undertakings in this regard from Dr Mallya. USL has received further notice from Dr Mallya regarding some steps taken though UBHL is yet to seek court leave to terminate the Shareholders' Agreement.

Given the nature and complexities of the settlement, and the possibility of varied interpretations of potentially applicable provisions of the Act and Securities Exchange Board of India ("SEBI") regulations, the Company obtained legal opinions from a senior legal counsel and from its external counsel, opining that the settlement agreement and related documents are in compliance with the applicable provisions of the Act and SEBI regulations.

### 25. Prepayment of Credit Facility

During the year ended 31 March 2014, the Company decided to prepay credit facilities availed in the earlier years from a bank, amounting to ₹ 6,216.6 Million, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of ₹ 6,280.0 Million, including prepayment penalty of ₹ 40.0 Million, with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the same and a petition is pending before the Honourable High Court of Karnataka. On 31 March 2015, the bank demanded an amount of ₹ 474.0 Million towards principal and interest on the said loan, which the Company contested in the Honourable High Court of Karnataka. As per the order of the Honourable High Court of Karnataka, the Company plans to engage with the bank to commence discussions. The tenure of the said credit facility has been completed as on 31 March 2015. Furthermore, during the year, the bank obtained an ex parte injunction in proceedings between the bank and Kingfisher Airlines Ltd before the Debt Recovery Tribunal Bangalore ("DRT"), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust have, upon receiving notice of the said order, filed its objections against such ex parte order passed in proceedings in which neither the Company nor the USL Benefit Trust are or have been enjoined as parties, and is vigorously contesting the same. During the quarter ended 31 December 2015, the Honourable High Court of Karnataka issued a stay order restraining the bank from

## Notes to the financial statements (continued)

### 25. Prepayment of Credit Facility (contd..)

dealing with the above-mentioned pledged shares until further orders by the Honourable High Court. Thereafter, the Company received another notice from the relevant bank seeking to recall the loan which had been prepaid, and demanding a sum of ₹ 459.4 Million, as well as a subsequent notice issued under section 13(2) of SARFAESI Act in relation to the same loan. Pursuant to an application filed by the Company before the Honourable High Court, in the writ proceedings, the Honourable High Court directed that if the Company deposited the sum of ₹ 459.4 Million with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets pledged by the Company under the loan till the disposal of the first petition filed by the Company in the Honourable High Court of Karnataka. Subsequent to the year end, the Company has accordingly deposited the said sum and has replied to the bank's various notices in light of the above. Pending closure of this matter, the demand by the bank has been disclosed as a contingent liability.

### 26. Provision for doubtful receivable, advances and deposits

During the financial year ended 31 March 2014, the Board directed a detailed and expeditious inquiry in relation to certain matters, including those referred to in paragraphs (a) and (b) below, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956, and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature (hereinafter referred to as "the Inquiry"). Pursuant to the directions of the Board, the Inquiry was headed by the Managing Director and Chief Executive Officer ("MD & CEO") of the Company. The Board also directed the MD & CEO to engage independent advisers and specialists as required. At its meeting held on 25 April 2015, the Board discussed and considered in detail the report submitted by the MD & CEO in relation to the Inquiry ("Inquiry Report"), the inputs and expert advice of the independent advisers and specialists and other relevant inputs.

**26. a)** During the financial year ended 31 March 2014, certain parties who had previously given undisputed balance confirmations for the financial year ended 31 March 2013, claimed in their balance confirmations to the Company for the financial year ended 31 March 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to tie-up manufacturing units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board, a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, the Management's assessment of recoverability and other considerations, as a matter of prudence, an aggregate amount of ₹ 6,495.5 Million (including interest claimed) was provided in the financial statements for the financial year ended 31 March 2014 and was disclosed as a prior period item. Management sought confirmations of balances from these counterparties for the year ended 31 March 2015 and 31 March 2016, but did not receive responses from some of them.

The Inquiry Report stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and / or its subsidiaries to certain UB Group companies, including in particular, Kingfisher Airlines Limited ("KFA"). The diverted amounts were included in the provision made by the Company in the financial statements for the year ended 31 March 2014. The Inquiry also indicated that the manner in which certain transactions were conducted, *prima facie*, indicates various improprieties and potential violations of provisions, *inter alia*, of the Companies Act, 1956, and the then listing agreements signed by the Company with various stock exchanges in India on which its securities are listed. The financial impact of these non-compliances were estimated by Management to be not material.

During the year ended 31 March 2015, an additional provision of ₹ 216.0 Million was made for interest claimed.

In connection with the recovery of the funds that were diverted from the Company and / or its subsidiaries, pursuant to the decision of the Board at its meeting held on 25 April 2015, the Company initiated steps for recovery against the relevant parties, so as to seek to expeditiously recover the Company's dues from such parties, to the extent possible. During the quarter ended 30 September 2015, the Company reached a settlement with one of the parties pursuant to which the party had withdrawn claims aggregating ₹ 278.6 Million. Accordingly, provision amounting to ₹ 278.6 Million has been written back. Subsequent to the year end, the Company has signed a settlement agreement with 3 other parties and based on the said settlements has reversed a provision with respect to interest claimed amounting to ₹ 264.6 Million as at the balance sheet date. Settlements with the other parties have not been reached as yet and management is continuing discussions in this regard. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off ₹ 5,666.0 Million out of the amounts provided for with respect to the aforesaid counterparties. The Management has determined that in light of these provisions, no additional material adjustment to the financial results are required on this account.



## Notes to the financial statements (continued)

**26. b)** Certain pre-existing loans / deposits / advances were due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited ("UBHL") and were in existence as on 31 March 2013. In addition, the amounts owed by UBHL to the Company's wholly-owned subsidiaries had been assigned by such subsidiaries to the Company and recorded as loans from such subsidiaries in the books of the Company. Such dues (together with interest) aggregating ₹ 13,374.0 Million, were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on 3 July 2013. The interest rate under the above mentioned loan agreement with UBHL is 9.5% p.a., with the interest to be paid at six-monthly intervals starting at the end of 18 months from the effective date of the loan agreement. The loan has been granted for a period of eight years and is payable in three annual instalments commencing from the end of 6th anniversary of the effective date of the loan agreement. Pursuant to the directions of the Board, the Inquiry also included a review of documentation to further understand and assess elements of and background to the above loan arrangement and to establish the rationale / basis for the interest rate applicable in respect of the consolidated loan amount. With regard to the prior transactions that were consolidated into the single loan on 3 July 2013, the Inquiry Report stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company (and its subsidiaries) to UBHL than the exposure that actually existed at that time. *Prima facie*, this indicates various improprieties and potential violations of provisions, inter alia, of the Companies Act, 1956, and the then listing agreements signed by the Company with various stock exchanges in India on which its securities are listed. The financial impact of these non-compliances were estimated by Management to be not material.

During the year ended 31 March 2014, as a matter of prudence, the Company had provided for receivables in relation to interest income of ₹ 963.069 Million and had provided ₹ 3,303.186 Million towards the principal outstanding as at 31 March 2014. The notes to accounts for the year ended 31 March 2014 had recorded the Management's belief that it should be able to recover, and that no further provision is required for the balance amount of ₹ 9,954.597 Million. The notes also mentioned that the Management would continue to assess the recoverability of the said loan on an on-going basis.

As per the terms of the said loan agreement, interest payable by UBHL to the Company in January 2015 amounted to ₹ 1,911.0 Million (gross of tax) and a further interest amounting to ₹ 1,270.5 Million (gross of tax) was due in January 2016. However, the Company is yet to receive such interest payments from UBHL. The Company received letters from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka and due to Court orders passed in winding up proceedings it is unable to pay such sums without leave of the Court which it proposes to seek. Despite prior undertakings to obtain such leave from the Court to pay USL the amounts due, and despite repeated follow up by the Company with UBHL in this regard, the Company has not received any update or information from UBHL indicating whether UBHL has applied to the Court for the requisite leave to pay USL. As a result of the above and other relevant factors, and as a matter of prudence, the Company had provided a further amount of ₹ 9,954.6 Million towards the entire balance principal amount (i.e., the entire principal amount due under the loan agreement less the amount already provided in the accounts for the financial year ended 31 March 2014) and did not recognise interest income of ₹ 1,207.0 Million for the year ended 31 March 2015. Accordingly, the Company has also not recognised interest income of ₹ 1,270.5 Million for the year ended 31 March 2016. The Company will pursue all rights and claims to recover the entire amount of the loan together with accrued interest from UBHL and has written to UBHL demanding payment of all sums. As a result of the foregoing and other relevant considerations, subsequent to the end of the quarter ended 31 December 2015, the Company has filed affidavits in the winding up proceedings against UBHL updating the Court with information regarding UBHL's conduct and default in payment of amounts due under the loan agreement. Additionally, during the current year, the Company has set-off an amount of ₹ 249.3 Million payable to UBHL under the trademark agreement against the provision for interest receivables from UBHL.

Also refer note 24 (d) in connection with the non-approval by the Company's shareholders of the loan agreement with UBHL (and of other potential related party transactions).

**26. c)** With regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which also dealt with transactions involving the counterparties referred to in note 26 (a) above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified raised concerns as to the propriety of the underlying transactions. The Management made the following provisions with respect to such transactions: (a) ₹ 200.0 Million made in the Company's financial statements for the year ended 31 March 2016, (b) ₹ 678.1 Million made in the Company's financial statements for the financial year ended 31 March 2015, (c) ₹ 445.4 Million made in the Company's subsidiaries' financial statements for the financial year ended 31 March 2015, (d) ₹ 157.0 Million made in the year ended 31 March 2014 in the Company's financial statements, and (e) ₹ 1,087.1 Million made in the year ended 31 March 2014 in the Company's consolidated financial statements. The Management believes these provisions are adequate and no additional material adjustments are likely to be required in relation thereto. As the Board determined it was necessary to assess whether the additional matters or the transactions with the additional parties

## Notes to the financial statements *(continued)*

### 26. c) *(contd...)*

were improper, the Board directed the MD & CEO to expeditiously review these aspects during the period covered by the Inquiry and report to the Board his conclusions on the transactions and any further impact on the Company's financial statements. This review is in progress.

### 26. d) The Company received a letter dated 5 May 2014 from the lawyers of an entity ("Alleged Claimant") alleging that the Alleged Claimant had given loans amounting to ₹ 2,000 Million to KFA at an interest rate of 15% p.a. purportedly on the basis of agreements executed in December 2011 and January 2012. The letter alleged that amongst several obligations under these purported agreements, certain investments held by the Company were subject to a lien, and required the Company, pending the repayment of the said loan, to pledge such investments in favour of the Alleged Claimant to secure the aforesaid loans. The Company responded to this letter received from the lawyers of the Alleged Claimant by its letter dated 3 June 2014, wherein the Company disputed the claim and denied having created the alleged security or having executed any document in favour of the Alleged Claimant. The Company reiterated its stand in a follow-up letter dated 28 July 2014 and asked for copies of purported documents referred to in the letter dated 5 May 2014. Subsequent to the above, the Company received a letter dated 31 July 2014 from the Alleged Claimant stating that in light of certain addenda to the aforesaid purported agreements (which had inadvertently not been informed to their lawyers) the Alleged Claimant has no claim or demand of any nature whatsoever against inter alia the Company, including any claim or demand arising out of or connected with the documents / agreements referred to in their lawyer's letter dated 5 May 2014. The Company replied to the Alleged Claimant by its letter dated 6 August 2014, noting the above mentioned confirmation of there being no claim or demand against the Company, and asked the Alleged Claimant to immediately provide to the Company all the alleged documents referred to in the letter dated 5 May 2014 and the addendum referred to in the letter dated 31 July 2014, and to also confirm the identity and capacity of the signatory to the letter dated 31 July 2014. Subsequently, in September 2014, the Company obtained scanned copies of the purported agreements (including the purported power of attorney) and various communications between KFA and the Alleged Claimant.

These documents indicated that while the purported agreements may have sought to create a lien on certain investments of the Company, subsequently, the Alleged Claimant and KFA sought to negotiate the release of the purported obligation to create such lien, which was formalised by way of a second addendum in September 2012. The notes to accounts for the year ended 31 March 2014 recorded that the Management had verified from a perusal of the minutes of meetings of the Board of Directors of the Company that the Board of Directors of the Company at the relevant time had not approved or ratified any such purported agreement. The Management had also represented to the Board that till the receipt of scanned copies of the purported agreements in September 2014, the Company had no knowledge of these purported agreements.

Pursuant to the directions of the Board, the Inquiry included a review of documentation to further understand and assess the Company's position in relation to the above matter. The Inquiry indicated that no Board authorisation or approval had been obtained to authorize anyone to execute any such agreement seeking to create a lien on the investments of the Company to secure the obligations of the Alleged Claimant.

No further claims have been received from the Alleged Claimant or any other person.

Based on the Inquiry and its current knowledge, Management does not expect any liability or obligation to arise on the Company out of this matter.

### 27. a) During the previous year, the scheme of arrangement between the Company and Enrica Enterprises Private Limited ("Enrica") and its shareholders and creditors as the case may be in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale, on a going concern basis, under Section 391 read with Section 394 of the Companies Act, 1956 (the "Scheme") with an Appointed Date of 1 April 2013 was sanctioned by the Honourable High Courts of Karnataka and Madras under their orders dated 19 February 2015 and 31 July 2014 respectively.

Upon necessary filing with the respective Registrar of Companies, the Scheme became effective from 30 March 2015 (the 'Effective Date') and the effect of the Scheme was given in the financial statements for the year ended 31 March 2015 of the Company. Consequently,

- i) the entire business and undertaking of the 'Transferred Undertaking' of the Company, including all assets and liabilities, as a going concern, stands transferred into Enrica with effect from 1 April 2013 being the Appointed Date. The book value of net assets of the Transferred Undertaking as at 1 April 2013 amounts to ₹ 894.200 million.
- ii) The Company recorded a net profit of ₹ 356.500 Million pursuant to sale of the Transferred Undertaking during the previous year. The profit was credited to the Statement of profit and loss and was been disclosed separately under the head "Exceptional items (net)".

## Notes to the financial statements (continued)

27. a) (contd...)

### Statement of profit and loss

Particulars	₹ Million	
	For the period from 1 April 2014 till 30 March 2015	For the year ended 31 March 2014
Net sales	5,126.129	4,509.057
Material cost	3,445.863	3,162.020
Gross profit	1,680.266	1,347.037
Other expenses (including Interest and depreciation)	1,482.172	1,264.460
Profit before tax	198.094	82.577

### Statement of assets and liabilities transferred to Enrica Enterprises Private Limited and accounting treatment in financial statements:

Particulars	1 April 2013
Total assets	2,002.620
Total liabilities	1,108.420
Net assets transferred	(A) 894.200
Sale consideration received	(B) 1,250.700
<b>Net surplus</b>	<b>(B - A) 356.500</b>

The Company had also entered into a Franchise Agreement with Enrica under which the Company is entitled to royalty payments in consideration for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the Appointed Date up to the Effective Date, the royalty payable was a fixed amount per case or the Franchisee's profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the Effective Date, royalty at net sales realisation linked slab rate will accrue to the Company as per the Franchise Agreement.

The net amount resulting from the reversal of the profits of the Transferred Undertaking recognised for the year ended 31 March 2014 and the income under the franchise agreements was been adjusted in the balance of surplus in Statement of profit and loss under the head "Reserves and Surplus". Further, revenue and expenses of the Transferred Undertaking for the Financial Year 2014-15 and its assets and liabilities as at 31 March 2015, were considered in the financial statements.

All costs and expenses incidental to the finalisation and implementation of the Scheme, including stamp duty charges, meeting expenses, professional fees, consulting fees and any other expenses attributable to the implementation of the Scheme are debited to respective head of 'Expenditure'.

As at 31 March 2015, an amount of ₹ 871.333 Million was recoverable from Enrica with respect to the working capital amount from the appointed date to the effective date and the balance consideration was receivable by the Company. Out of ₹ 871.333 Million receivable as at 31 March 2015, an amount of ₹ 250.0 Million was received during the year. The balance amount was fully provided by the Company based on Management's assessment of recoverability.

27. b) Further to Diageo plc's undertakings offered to UK's Office of Fair Trade ("OFT") (now called Competition and Markets Authority, UK), in January 2014, the Company's Board of Directors decided to initiate a process based on the outlined time-table provided in connection with the decision of the OFT to explore a potential sale of all or part of Whyte and Mackay. As a culmination of this process, on 9 May 2014 the Company's then wholly owned subsidiary, United Spirits (Great Britain) Limited ("seller" or "USGBL") entered into a Share Sale and Purchase agreement with Emperador UK Limited and Emperador Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited ("WMG") for an enterprise value of GBP 430 Million (calculated with a normalized level of working capital), from which deduction had been made for the payment of a warranty and indemnity insurance premium of GBP 0.85 Million agreed between the seller and the purchaser. An opinion from a leading merchant banker, addressed to the Board, confirmed that the enterprise value is fair from a financial point of view of the Company.

On 31 October 2014, the sale of the entire issued share capital of WMG by USGBL to Emperador UK Limited was completed. With the above sale, WMG and its 45 subsidiaries had ceased to be subsidiaries of the Company. Part of the proceeds from the sale was used to repay Whyte and Mackay acquisition debt amounting to GBP 370 million. A Retention Deposit of GBP 10 million was retained for

## Notes to the financial statements (continued)

### 27. b) (contd...)

any claims for a period of 7 months post completion. The sale had resulted in true up of provision towards the recoverability of the investments and loans given for WMG, including Palmer and Montrose amounting to ₹ 45,064.887 Million. Consequently, additional provision of ₹ 72,660 Million (2015: ₹ 1,848.520 Million) was recorded for the year ended 31 March 2015 as an exceptional item. The Company had received a letter dated 16 October 2014 from the authorised dealer advising the Company to complete the disinvestment of WMG and subsequent liquidation of the intermediary wholly owned subsidiary companies. The provisional write off approval is subject to submission of the required documents within a period of 30 days from the date of liquidation of the aforesaid wholly owned subsidiaries. The Company believes that it will comply with the requisite conditions specified by the authorised dealer and obtain the necessary approvals in accordance with applicable law.

The Company pursuant to mandatory applicable accounting standards, to impair its investment in USL Holdings Ltd., BVI and provide for the Intra-USL Group Loan as per details below:

Particulars	₹ Million	
	As at 31 March 2016	As at 31 March 2015
Provision for investment	22.183	22.183
Provision for loans given (net of FCTR balance of ₹ 10,273.789 Million)	38,063.466	37,990.866
<b>Total</b>	<b>38,085.649</b>	<b>38,013.049</b>

In addition to the above, based on the Management's assessments of the recoverability of the underlying assets, an aggregate provision for diminution in the value of investment of ₹ 7,051.733 Million has been made for the year ended 31 March 2014 on investments held in Palmer Investment Group Limited (₹ 6,917.801) Million and Montrose International S.A. (₹ 133.932) Million.

**28.** During the year ended 31 March 2016, the Company has recorded the provisions for diminution on long-term investments in subsidiaries amounting to ₹ 3,431.432 Million (2015: ₹ 3,618.093 Million) and loans and advances to subsidiaries amounting to ₹ 376.415 Million (2015: ₹ 3,543.507 Million). This provision arises primarily due to low capacity utilization, negative margins or strategic shift in focus of the business. The Company has recorded this provision based on third party valuations.

**29. a)** During the year, the Company has further infused:

- i) equity capital of ₹ 986.763 Million in Tern Distilleries Private Limited, a wholly owned subsidiary of the Company ("Tern"). Tern has repaid the loans (₹ 767.436 Million) and accrued interest (₹ 207.756 Million) to USL. Subsequent to the infusion, TERN has made an application to the Board for Industrial and Financial Reconstruction ("BIFR") for deregistering its name from the list of sick industrial undertakings. Accordingly, the Draft Rehabilitation Scheme for the amalgamation of TERN with the Company, as submitted to the BIFR, stands abandoned.
- ii) equity capital of ₹ 4,266.964 Million in Sovereign Distilleries Limited, a wholly owned subsidiary of the Company ("SDL"). SDL has repaid the loans (₹ 3,399.370 Million) and accrued interest (₹ 857.245 Million) to USL.

**29. b)** The Scheme of Amalgamation between the Company and SW Finance Co. Limited, a wholly owned subsidiary of the Company ("SWFCL"), under Section 391 and 394 read with Sections 100 to 103 of the Companies Act, 1956 (the "Scheme") with the appointed date of 1 January 2014 has been sanctioned by the Honourable High Court of Karnataka and Honourable High Court of Judicature at Bombay under the orders dated 12 June 2015 and 28 August 2015 respectively. Upon necessary filings with the respective Registrars of Companies, the Scheme has become effective from 28 September 2015 (the 'Effective Date') and effect thereof have been given in these financial statements. Consequently:

- (i) the Share capital of SWFCL to the extent held by SWFSL Trust stood cancelled;
- (ii) the entire business and undertakings of SWFCL including all assets and liabilities, as a going concern transferred to and vested in the Company in accordance with the provisions of the Scheme with effect from the appointed date;
- (iii) the Authorised capital of the Company increased to ₹ 7,192.0 Million divided into 548,000,000 equity shares of ₹ 10 each, 159,200,000 preference shares of ₹ 10 each and 1,200,000 preference shares of ₹ 100 each; and
- (iv) SWFCL ceased to be subsidiary of the Company, and as SWFCL was a wholly owned subsidiary (WOS) of the Company, no consideration was payable pursuant to amalgamation of SWFCL with the Company. Shaw Wallace Overseas Limited, a WOS of SWFCL has become a direct subsidiary of the Company.

## Notes to the financial statements (continued)

### 29. b) (contd...)

The Company has given effect to the Scheme in the accounts with effect from 1 January 2014, being the Appointed Date. As stipulated in the Scheme,

- Surplus arising out of cancellation of equity shares to the extent held by SWFSL Trust in SWFCL has been credited to "Capital Reserve" under "Reserves and Surplus".

- Difference between the value of net assets of SWFCL (including reserves) transferred to the Company after adjusting for investments cancelled has been debited to "General Reserve" under "Reserves and Surplus".

Net loss for the period from 1 January 2014 till 31 March 2015 has been debited to the 'Surplus as per the statement of profit and loss' under "Reserves and Surplus"; and

The net loss of SWFCL for the six months ended 30 September 2015 have been given effect in the financial statements.

The aforementioned has resulted in decrease in "Reserves and Surplus" by ₹ 1,160.173 Million and decrease in net profit for the quarter and six months ended 30 September 2015 by ₹ 1.621 Million

<b>Statement of profit and loss</b>		₹ Million	
<b>Particulars</b>		<b>For the period ended 01 April 2015 to 28 September 2015</b>	<b>For the year ended 31 March 2015</b>
Total revenue		4.886	11.657
Total expenses		4.965	120.831
Income tax		1.542	2.964
<b>Profit for the period</b>		<b>(1.621)</b>	<b>(112.138)</b>

<b>Statement of assets and liabilities</b>		₹ Million	
<b>Particulars</b>		<b>As at 28 September 2015</b>	<b>As at 31 March 2015</b>
Total assets		42,748	43,403
Total liabilities		2,815,070	2,814,111
<b>Net assets / (liabilities)</b>		<b>(2,772,322)</b>	<b>(2,770,708)</b>

**29. c)** During the year, on 15 January 2016, the Company entered into an agreement for the sale of its entire holding in United Spirits Nepal Private Limited of 67,716 equity shares (constituting 82.46% of the paid up equity share capital of United Spirits Nepal Private Limited). The consideration is subject to finalisation of accounts and deduction of taxes in Nepal. Further the sale is also subject to various regulatory approvals (both in India and Nepal) and other conditions precedent which are normal for such transactions, which the Company is in the process of seeking.

**29. d)** During the year ended 31 March 2016 USL's wholly owned subsidiary Asian Opportunities & Investments Limited (AOIL), has sold its entire interest in Bouvet Ladubay S.A.S. (and its wholly owned subsidiary Chapin Landais S.A.S). Consequent to the above sale Bouvet Ladubay S.A. (and its wholly owned subsidiary Chapin Landais S.A.S) ceased to be subsidiaries of the Company.

**30.** The following letters / notices were received by the Company with respect to the matters under Inquiry.

- The Company has received a notice from the Ministry of Corporate Affairs ("MCA") for an inspection, under Section 206(5) of the Act, of the books of accounts and other books and papers of the Company. Following the said inquiry, the Company and its directors and officers (including former directors and officers) have received a notice dated 11 January 2016 from the Joint Director, MCA requesting explanations and comments as to why action should not be initiated in relation to various contraventions alleged by the Joint Director under provisions of the Act. The Company has responded to this notice. A notice under Section 131 of the Income Tax Act, 1961 has also been received. The Company is cooperating fully with the authorities in relation to the same.
- The Company has also received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports. Any remedial actions proposed by the previous auditors will be considered by the Company in the light of applicable legal provisions.

## Notes to the financial statements *(continued)*

### 30. (contd...)

- c) As directed by the Board, the Company provided a copy of the Inquiry Report to its statutory auditors for their review and further actions as may be required. Following this, the Audit Committee of the Board has received from the statutory auditors a report under Section 143(12) of the Act and the relevant rules thereunder, seeking the Audit Committee's reply / observations. The Audit Committee had provided its reply / observations to the statutory auditors. Thereafter, the statutory auditors issued a report to the Central Government under Section 143(12) of the Act and the relevant rules thereunder.
- d) In February 2016, certain directors of the Company, including independent directors, were requested to provide statements and information to the Serious Frauds Investigation Office ("SFIO") in relation to the SFIO's investigation into Kingfisher Airlines.
- e) The Company has also received letters from the National Stock Exchange Limited ("NSE") pursuant to SEBI circular no. CIR/CFD/DIL/7/2012 dated 3 August 2012 in relation to Form B, along with audited financial statements for the financial year ended 31 March 2014. SEBI has directed the NSE to advise the Company to suitably rectify / provide relevant information / explanations on the qualifications raised by the statutory auditors. The Company has suitably addressed the same to the extent possible and responded to the NSE's letters.
- f) By a letter dated 21 October 2015, the Institute of Chartered Accountants of India has also sought a copy of the Inquiry Report, pursuant to the provisions of Section 21C of the Chartered Accountants Act, 1949. The Company has responded to the request.
- g) By a letter dated 29 October 2015, the Company received a request from the Enforcement Directorate of the Government of India, seeking information and documents regarding USL's present and former joint ventures and wholly-owned subsidiaries abroad, including USL Holdings Limited (BVI) and its subsidiaries. The Company has responded to the Enforcement Directorate and provided the information sought, and assured the authorities of such further cooperation as may be sought by them.
- h) By a warrant dated 24 November 2015, issued by the Office of the Tax Recovery Officer ("TDS"), the Company was informed that a certificate had been drawn up by the tax recovery officer against Kingfisher Airlines Limited, and its chairman cum managing director (who was also a director of the company), and stating that a sum of ₹ 3,506.0 Million had not been paid in satisfaction of the said certificate. The Company was accordingly directed to serve a copy of the warrant on the said director, and unless after such service the said director "pays forthwith the said sum of ₹ 3,506.0 Million together with interest at the rate of one and one-half per cent, for every month or part of a month" thereon, to proceed to attach the "salary, remuneration and allowances" of the director named in the warrant and to hold the same until further orders from the tax recovery officer. The Company has accordingly served such warrant.
- i) By a letter dated 9 March 2016, the Securities and Exchange Board of India ("SEBI") sought further information regarding various aspects of the settlement agreement referred to in note 24 (e) above. The Company has responded to SEBI and provided the information and clarifications sought. The Company recently received a follow up request, dated 11 May 2016 seeking additional clarifications including on the matters covered by the Company's inquiry referred to in note 26 above. The Company is in the process of preparing and submitting its responses to this additional request and will be cooperating fully with SEBI in this matter.
- j) By a letter dated 5 May 2016, the Enforcement Directorate ("ED") summoned one of the Company's senior officers to appear in person or by authorized agent and provide a statement and tender evidence in connection with the ED's investigation into matters under the Prevention of Money Laundering Act, 2002. The Company's officer duly responded to the summons and the Company will also be providing additional information, as requested by the ED, and cooperating fully with the authorities.

**31.** At an extraordinary general meeting of the shareholders of the Company on 22 January 2016, the shareholders approved the reporting of erosion of more than fifty per cent of the Company's peak net worth in the immediately preceding four financial years as required under Section 23(1)(a)(ii) read with Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"). The Company has reported the fact of such erosion to the BIFR as required under Section 23(1)(a)(i) of SICA.



## Notes to the financial statements (continued)

### 32. Capital and other commitments

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 815.599 Million (2015: ₹ 1,474.206 Million).
- (b) Other commitments relating to advertisement, sales promotion and trade mark fee ₹ 2,688.326 Million (2015: ₹ 3,616.568 Million). The amount with respect to contracts not approved by the Shareholders as mentioned in note 24(d) have not been disclosed as commitments.
- (c) The Company has also given letter of support to the following subsidiaries to conduct their operations in such a manner as to enable to meet its obligations.
  - i) Pioneer Distilleries Limited ii) Sovereign Distilleries Limited iii) Tern Distilleries Private Limited iv) Four Seasons Wines Limited v) Royal Challengers Sports Private Limited vi) Asian Opportunities & Investment Limited vii) United Spirits Singapore Pte Limited viii) Montrose International SA ix) Palmer Investment Group Limited x) UB Sports Management Overseas Ltd (Formerly known as "JIHL Nominees Limited") xi) USL Holdings Limited xii) USL Holdings (UK) Limited xiii) United Spirits (UK) Limited xiv) United Spirits (Great Britain) Limited xv) Liquidity Inc xvi) United Spirits (Shanghai) Trading Co. Limited

### 33. Contingent liabilities

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
(a) (i) Guarantee given on behalf of other bodies corporate.	934.400	934.400
(ii) Guarantees given by the Company's bankers for which counter guarantees have been given by the Company	500.863	219.064
(b) Disputed claims against the Company not acknowledged as debts, currently under appeal / sub judice:		
(i) State Excise demands for excess wastages and distillation losses	2,185.601	1,996.817
(ii) Central Excise demands under appeal	119.161	2.368
(iii) Service tax demands under appeal	289.647	233.384
(iv) Other miscellaneous claims (Refer note 25)	3,273.811	1,188.253
(v) Expenses relating to Historical agreements not recognised (Refer note 24(d))	121.025	486.157
(vi) Income tax demand (including interest) under appeal	2,849.383	2,604.345
(vii) Sales tax demands under appeal in various states	2,264.134	2,084.332
(c) Bills receivables discounted	-	295.243
(d) Claims from suppliers not acknowledged as debts	62.416	83.437

The Management is hopeful of succeeding in the above appeals / disputes based on legal opinions / legal precedents.

### 34. Dues to micro and small suppliers

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
The principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year:		
(a) (i) Principal	182.805	163.954
(ii) Interest	1.821	0.892
(b) The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.		
Interest	-	-
Payment	331.098	314.045
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
(d) The amount of interest accrued and remaining unpaid at the end of each accounting year	5.991	5.450
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	7.862	6.041

The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

## Notes to the financial statements (continued)

### 35. Value of Imports on C.I.F. basis

	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Raw materials	1,417.598	1,935.844
Packing material	169.680	150.342
	<b>1,587.278</b>	<b>2,086.186</b>

### 36. Work-in- progress

	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Spirits	2,928.956	2,304.991
Special spirits	6,442.184	6,476.853
Blends	308.082	273.310
	<b>9,679.222</b>	<b>9,055.154</b>

### 37. Details of consumption and purchases

	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
a. Purchase of stock-in-trade		
Beverage alcohol	16,784.409	12,110.254
b. Raw materials consumed		
Spirits	17,990.016	17,324.338
Grain	627.250	557.631
Molasses	311.125	306.037
Grape	160.196	161.221
Others	1,482.126	673.034
	<b>20,570.713</b>	<b>19,022.261</b>
Imported	21%	4,350.236
Indigenous	79%	16,220.477
	<b>20,570.713</b>	<b>19,022.261</b>
c. Consumption of packing material		
Imported	1%	248.425
Indigenous	99%	17,266.998
	<b>17,515.423</b>	<b>16,760.049</b>
d. Consumption of stores & spares		
Imported	-	-
Indigenous	100%	156.924
	<b>156.924</b>	<b>136.938</b>

### 38. Earnings in foreign currency

	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Export of goods and services on FOB basis	934.493	1,404.459
Income from brand franchise	50.384	53.460
Dividend income from subsidiary	16.082	14.813
	<b>1,000.959</b>	<b>1,472.732</b>

### 39. Expenditure in foreign currency

	₹ Million	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Advertisement	677.271	423.145
Rent	159.926	143.635
Professional Fees	5.677	75.952
Others (Subscription, foreign travel, bank charges, finance charges etc.)	526.130	369.150
	<b>1,369.004</b>	<b>1,011.882</b>

## Notes to the financial statements *(continued)*

**40.** There were no amounts remitted during the year in foreign currency on account of dividend to Non-resident shareholders

**41. Research and development expenses comprise the following**

	₹ Million	
	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
Salaries and wages	44,883	44,033
Contribution to provident fund and other funds	4,621	4,859
Staff welfare expenses	0.912	0.950
Rent	5,134	6,666
Contribution	-	16,666
Miscellaneous expenses	31,047	28,717
	<b>86.597</b>	<b>101.891</b>

**42. Tie-up Manufacturing arrangement:**

The Company has entered into arrangements with certain distilleries and bottling units (Tie-up units) for manufacture and marketing of its own brands. The Tie-up units have necessary license and regulatory permits to manufacture beverage alcohol. The arrangements stipulates the obligations of each party and the entire manufacturing activity is carried out under the close supervision of the Company executives. It is the responsibility of the Company to Market its products and ensure adequate finance to the tie-up units for its operations. The risk and reward of the activity lies with the Company. In the circumstances, it is considered appropriate to disclose the following information (Unaudited), as applicable to such activities.

(i) Income from operation through other distilleries / bottling units reflect the net constitution from the sales made by these units and is detailed as under:

Particulars	₹ Million	
	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
Gross sales	16,702.825	18,368.584
Net sales	14,161.484	15,940.788
Cost of sales	9,164.113	11,627.061
Gross profit	4,997.371	4,313.727
Expenses	782.480	373.279
Income	4,214.891	3,940.448

**43. Appointment of Chief Financial Officer**

The Board of Directors of the Company at its meeting held on 2 November 2015 have appointed Mr. Sanjeev Churiwala as Chief Financial Officer of the Company w.e.f 16 November 2015.

**44. Corporate Social Responsibility:**

Since average net profits of the Company made during the three immediately preceding financial years is negative, therefore the Company has not earmarked specific funding for Corporate Social Responsibility and sustainable activities as required under the provision of section 135 of the Act.

**45.** The managerial remuneration for the financial year ended 31 March 2015 aggregating ₹ 64,907 Million and ₹ 153,092 Million towards remuneration of the MD & CEO and the Executive Director and Chief Financial Officer ("ED & CFO"), respectively, was approved by the shareholders of the Company at the annual general meeting of the Company held on 30 September 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 ("Act"). Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration. Subsequent to the year end, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.

## Notes to the financial statements (continued)

### 46. a) Details of loans during the year ended 31 March 2016 as per section 186 (4)

₹ Million

Name of the borrower	Relationship	Secured / unsecured	Purpose	Rate of Interest	Term / Repayment schedule	As on 1 April 2015	Further funding during the year	Amalgamation / Mergers	Deposit converted to loan	Repayment during the year	Exchange restatement	As on 31 March 2016
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Unsecured	Working capital	12%	Principal and interest to be repaid on 31 March 2017 *	1,975.183	565.000	-	-	-	-	2,540.183
Four Seasons Wines Limited	Wholly owned subsidiary	Unsecured	Working capital	12%	Principal and interest to be repaid on 31 March 2017 *	539.412	88.908	93.257	-	-	-	721.577
Tern Distilleries Private Limited	Wholly owned subsidiary	Unsecured	Working capital / Capex funding	12%	Repayable on demand	677.001	90.435	-	-	(767.436)	-	-
Sovereign Distilleries Limited	Wholly owned subsidiary	Unsecured	Working capital	12%	Principal and interest to be repaid on 31 March 2017 *	3,308.000	94.525	-	-	(3,402.525)	-	-
Pioneer Distilleries Limited	Subsidiary	Unsecured	Working capital / Capex funding	12%	Principal and interest to be repaid on 31 March 2017 *	1,353.907	-	-	-	-	-	1,353.907
<b>Overseas Subsidiaries</b>												
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Bouvet Ladubay	Interest free	Refer note below	1,735.025	-	-	-	(1,363.682)	129.169	500.512
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Bouvet Ladubay	12%	Refer note below	67.200	-	-	-	(70.782)	3.582	-
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	393.375	-	-	-	-	18.499	411.874
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Unsecured	Working capital	12%	Refer note below	-	18.754	-	-	-	0.197	18.951
USL Holdings Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Whyte and Mackay Limited	Interest free	Refer note below	49,361.462	-	-	-	-	2,855.021	52,216.483
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	15.741	-	-	-	-	-	15.741
Liquidity Inc.	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	53.808	-	-	-	-	-	53.808
United Breweries (Holdings) Limited	Promoter	Unsecured		9.50%	8 years	13,374.167	-	-	-	-	-	13,374.167
<b>Total</b>						<b>72,854.281</b>	<b>857.622</b>	<b>93.257</b>		<b>(5,604.425)</b>	<b>3,006.468</b>	<b>71,207.203</b>

\* Pursuant to the loans agreement entered with specific related parties, the loan and interest is to be repaid on 31 March 2017 which can be renewed for further three years on mutual agreement. Management believes that as the loan agreement will be renewed the same is classified as long term.

Note: The loans and advances made to these companies are for acquisition of long term strategic investments.

## Notes to the financial statements (continued)

### 46. a) (contd...)

#### Details of loans during the year ended 31 March 2015 as per section 186 (4)

Name of the borrower	Relationship	Secured / unsecured	Purpose	Rate of Interest	Term / Repayment schedule	As on 1 April 2014	Further funding during the year	Amalgamation / Mergers	Advances / deposits converted to loan	Repayment during the year	Exchange restatement	As on 31 March 2015
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Unsecured	Working capital	13%	Repayable on demand	1,219,483	758,700	-	-	(3,000)	-	1,975,183
Four Seasons Wines Limited	Wholly owned subsidiary	Unsecured	Working capital	13%	Repayable on demand	288,147	251,265	-	-	-	-	539,412
Tern Distilleries Private Limited	Wholly owned subsidiary	Unsecured	Working capital / Capex funding	13%	Repayable on demand	739,389	59,711	-	-	(122,099)	-	677,001
Sovereign Distilleries Limited	Wholly owned subsidiary	Unsecured	Working capital	13%	Repayable on demand	2,637,765	166,026	-	506,330	(2,121)	-	3,308,000
Pioneer Distilleries Limited	Subsidiary	Unsecured	Working capital / Capex funding	13%	Repayable on demand	1,353,907	-	-	-	-	-	1,353,907
<b>Overseas Subsidiaries</b>												
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Bouvet Ladubay	Interest free	Refer note below	2,123,690	-	-	-	-	(388,665)	1,735,025
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Bouvet Ladubay	13%	Refer note below	-	75,700	-	-	-	(8,500)	67,200
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	394,045	-	-	-	-	(0.670)	393,375
USL Holdings Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Whyte and Mackay Limited	Interest free	Refer note below	47,878,858	-	-	-	-	1,482,604	49,361,462
USL Holdings Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Whyte and Mackay Limited	13%	Refer note below	-	2,441,425	-	-	(2,421,260)	(20.165)	-
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	15,741	-	-	-	-	-	15,741
Liquidity Inc.	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	53,808	-	-	-	-	-	53,808
United Breweries (Holdings) Limited	Promoter	Unsecured	-	9.50%	8 years	13,374,167	-	-	-	-	-	13,374,167
<b>Total</b>						<b>70,079,000</b>	<b>3,752,827</b>		<b>506,330</b>	<b>(2,548,480)</b>	<b>1,064,604</b>	<b>72,854,281</b>

Note: The loans and advances made to these companies are for acquisition of long term strategic investments.

### 46. b) Details of guarantee given

Name of the party	Relationship	Nature	As on 1 April 2015	Released during the year	As on 31 March 2016	As on 1 April 2014	Released during the year	As on 31 March 2015
Pioneer Distilleries Limited	Subsidiary	Guarantee given	934,400	-	934,400	934,400	-	934,400
<b>Overseas Subsidiaries</b>								
USL Holdings Limited	Wholly Owned Subsidiary	Guarantee given	-	-	-	1,244,880	(1,244,880)	-
<b>Total</b>			<b>934,400</b>		<b>934,400</b>	<b>2,179,280</b>	<b>(1,244,880)</b>	<b>934,400</b>

## Notes to the financial statements (continued)

### 47. Details of non-current investments purchased and sold for the year

Description	Face value Per Unit	As at 1 April 2015		Purchase during the year		Sold during the year		Transferred / cancelled pursuant to scheme of amalgamation		As at 31 March 2016		
		Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount	
<b>Trade investments</b>												
<b>Quoted</b>												
<b>In fully paid equity shares</b>												
McDowell Holdings Limited	₹ 10	50,000	0.500	-	-	-	-	-	-	50,000	0.500	
United Breweries Limited	₹ 1	8,500,000	150.000	-	-	8,500,000	150.000	-	-	-	-	
<b>In subsidiary companies</b>												
Pioneer Distilleries Limited	₹ 10	10,041,150	1,116.756	-	-	-	-	-	-	10,041,150	1,116.756	
<b>Unquoted</b>												
<b>In fully paid equity shares</b>												
Yankay Associates Private Limited	₹ 100	1	0.004	-	-	-	-	-	-	1	0.004	
Goa Fruit Distilleries Private Limited	₹ 100	350	0.035	-	-	-	-	-	-	350	0.035	
Baramati Teluka Fruits Growers Fed Limited	₹ 500	1,000	0.500	-	-	-	-	-	-	1,000	0.500	
<b>In subsidiary companies</b>												
Sovereign Distilleries Limited	₹ 10	58,442,746	315.462	426,696,406	4,266.964	-	-	-	-	485,139,152	4,582.426	
SW Finance Co. Limited (Formerly Shaw Wallace Breweries Limited)	₹ 10	80,198,513	3,302.175	-	-	-	-	(80,198,513)	(3,302.175)	-	-	
Asian Opportunities & Investments Limited	US\$ 1	4,998,706	301.000	-	-	-	-	-	-	4,998,706	301.000	
United Spirits Nepal Private Limited	NRS 100	67,716	65.626	-	-	-	-	-	-	67,716	65.626	
Palmer Investment Group Limited	US\$ 1	15,000,000	6,917.801	-	-	-	-	-	-	15,000,000	6,917.801	
Montrose International S.A	US\$ 1000	500	133.932	-	-	-	-	-	-	500	133.932	
Liquidity Inc.	US\$ 0.0001	4,000,000	119.313	-	-	-	-	-	-	4,000,000	119.313	
Four Seasons Wines Limited	₹ 10	27,668,899	290.652	-	-	-	-	-	-	27,668,899	290.652	
McDowell & Co (Scotland) Limited	£ 1	1,575,000	125.505	-	-	-	-	-	-	1,575,000	125.505	
USL Holdings Limited	US\$ 1	500,000	22.183	-	-	-	-	-	-	500,000	22.183	
United Spirits (Shanghai) Trading Company Limited	RMB 10	500,000	26.635	-	-	-	-	-	-	500,000	26.635	
SW Overseas Limited	GBP 1	-	-	357,745	13.838	-	-	-	-	357,745	13.838	
Royal Challengers Sports Private Limited	₹ 10	14,690	1,699.053	-	-	-	-	-	-	14,690	1,699.053	
Tern Distilleries Private Limited	₹ 10	4,000,000	139.539	98,676,347	986.763	-	-	-	-	102,676,347	1,126.302	
<b>In fully paid preference shares</b>												
<b>In subsidiary companies</b>												
12% Non-cumulative redeemable optionally convertible preference shares of Four Seasons Wines Limited	₹ 10	30,612,245	321.530	-	-	-	-	-	-	30,612,245	321.530	
12% Cumulative Redeemable (redeemable after 20 years) preference shares of Four Seasons Wines Limited	₹ 10	8,000,000	80.000	-	-	-	-	-	-	8,000,000	80.000	

# Notes to the financial statements (continued)

## 47. Details of non-current investments purchased and sold for the year (contd..)

₹ Million

Description	Face value Per Unit	As at 1 April 2015		Purchase during the year		Sold during the year		Transferred / cancelled pursuant to scheme of amalgamation		As at 31 March 2016		
		Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount	
<b>Other investments</b>												
<b>Quoted</b>												
<b>In fully paid equity shares</b>												
Mangalore Chemicals & Fertilizers Limited	₹ 10	6,150	0.032	-	-	-	-	-	-	6,150	0.032	
Housing Development Finance Corporation Limited	₹ 10	240	0.002	-	-	-	-	-	-	240	0.002	
ICICI Bank Limited	₹ 10	8,916	0.382	-	-	-	-	-	-	8,916	0.382	
HDFC Bank Limited	₹ 10	200	0.002	-	-	-	-	-	-	200	0.002	
Vijaya Bank	₹ 10	42,100	0.466	-	-	-	-	-	-	42,100	0.466	
Radico Khaitan Limited	₹ 2	537,850	2.043	-	-	-	-	-	-	537,850	2.043	
Khaitan Chemicals & Fertilizers Limited	₹ 1	13,880	0.725	-	-	-	-	-	-	13,880	0.725	
<b>Unquoted</b>												
<b>In fully paid units</b>												
Unit Trust of India												
- UTI Balance Fund - Income - Retail (formerly known as US 2002)	₹ 10	446,284	9.992	33,459	0.917	-	-	-	-	479,743	10.909	
<b>In fully paid equity shares</b>												
Madhav Co-operative Housing Society Limited	₹ 50	5	0.000	-	-	-	-	-	-	5	0.000	
Rampur Fertilizers Limited	₹ 10	27,760	0.527	-	-	-	-	-	-	27,760	0.527	
Sangam Bhavan Cooperative Housing Society Limited	₹ 10	15	0.001	-	-	-	-	-	-	15	0.001	
U.B. Electronics Instruments Limited	₹ 100	1,996	0.129	-	-	-	-	-	-	1,996	0.129	
Inv-Ansa Industrial Premises Co-op Soc Limited	₹ 50	60	0.003	-	-	-	-	-	-	60	0.003	
<b>In fully paid debentures (Non-redeemable)</b>												
6.5% Bengal Chamber of Commerce & Industry	₹ 1000	2	0.002	-	-	-	-	-	-	2	0.002	
5% Woodland Hospital & Medical Centre Limited	₹ 1	7,000	0.007	-	-	-	-	-	-	7,000	0.007	
0.5% Woodlands Medical Centre Limited	₹ 100	117	0.012	-	-	-	-	-	-	117	0.012	
5.0% Woodlands Medical Centre Limited	₹ 100	270	0.027	-	-	-	-	-	-	270	0.027	
<b>In Government securities</b>												
Indira Vikas Patra			0.103	-	-	-	-	-	-		0.103	
National Savings / Plan / Def. Certificates			0.147	-	0.006	-	-	-	-		0.153	
(Deposited with Govt. Authorities)												
		<b>15,142.803</b>		<b>5,268.488</b>		<b>150.000</b>		<b>(3,302.175)</b>		<b>16,959.116</b>		
Less: Provision for diminution in the value of investments			10,839.162								14,284.431	
<b>Total non-current investments</b>		<b>4,303.641</b>		<b>5,268.488</b>		<b>150.000</b>		<b>(3,302.175)</b>		<b>2,674.685</b>		

## Notes to the financial statements (continued)

### 47. Details of non-current investments purchased and sold for the year (contd...)

₹ Million

Description	Face value Per Unit	As at 1 April 2014		Purchase during the year		Sold during the year		As at 31 March 2015		
		Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount	
<b>Trade investments</b>										
<b>Quoted</b>										
<b>In fully paid equity shares</b>										
McDowell Holdings Limited	₹ 10	50,000	0.500	-	-	-	-	50,000	0.500	
United Breweries Limited	₹ 1	8,500,000	150,000	-	-	-	-	8,500,000	150,000	
<b>In subsidiary companies</b>										
Pioneer Distilleries Limited	₹ 10	11,561,217	1,285.814	-	-	1,520,067	169.058	10,041,150	1,116.756	
<b>Unquoted</b>										
<b>In fully paid equity shares</b>										
Yankay Associates Private Limited	₹ 100	1	0.004	-	-	-	-	1	0.004	
Goa Fruit Distilleries Private Limited	₹ 100	350	0.035	-	-	-	-	350	0.035	
Baramati Teluka Fruits Growers Fed Limited	₹ 500	1,000	0.500	-	-	-	-	1,000	0.500	
<b>In subsidiary companies</b>										
Sovereign Distilleries Limited	₹ 10	58,442,746	315.462	-	-	-	-	58,442,746	315.462	
SW Finance Co. Limited (Formerly Shaw Wallace Breweries Limited)	₹ 10	80,198,513	3,302.175	-	-	-	-	80,198,513	3,302.175	
Asian Opportunities & Investments Limited	US\$ 1	4,998,706	301,000	-	-	-	-	4,998,706	301,000	
United Spirits Nepal Private Limited	NRS 100	67,716	65.626	-	-	-	-	67,716	65.626	
Palmer Investment Group Limited	US\$ 1	15,000,000	6,917.801	-	-	-	-	15,000,000	6,917.801	
Montrose International S.A	US\$ 1000	500	133.932	-	-	-	-	500	133.932	
Liquidity Inc.	US\$ 0.0001	4,000,000	119.313	-	-	-	-	4,000,000	119.313	
Four Seasons Wines Limited	₹ 10	27,668,899	290.652	-	-	-	-	27,668,899	290.652	
McDowell & Co (Scotland) Limited	£ 1	1,575,000	125.505	-	-	-	-	1,575,000	125.505	
USL Holdings Limited	US\$ 1	500,000	22.183	-	-	-	-	500,000	22.183	
United Spirits (Shanghai) Trading Company Limited	RMB 10	500,000	26.635	-	-	-	-	500,000	26.635	
Royal Challengers Sports Private Limited	₹ 10	14,690	1,699.053	-	-	-	-	14,690	1,699.053	
Tern Distilleries Private Limited	₹ 10	4,000,000	139.539	-	-	-	-	4,000,000	139.539	
<b>In fully paid preference shares</b>										
<b>In subsidiary companies</b>										
12% Non-cumulative redeemable optionally convertible preference shares of Four Seasons Wines Limited	₹ 10	30,612,245	321.530	-	-	-	-	30,612,245	321.530	
12% Cumulative Redeemable (redeemable after 20 years) preference shares of Four Seasons Wines Limited	₹ 10	8,000,000	80.000	-	-	-	-	8,000,000	80.000	
<b>Other investments</b>										
<b>Quoted</b>										
<b>In fully paid equity shares</b>										
Mangalore Chemicals & Fertilizers Limited	₹ 10	6,150	0.032	-	-	-	-	6,150	0.032	
Housing Development Finance Corporation Limited	₹ 10	240	0.002	-	-	-	-	240	0.002	
ICICI Bank Limited	₹ 10	8,916	0.382	-	-	-	-	8,916	0.382	
HDFC Bank Limited	₹ 10	200	0.002	-	-	-	-	200	0.002	
Vijaya Bank	₹ 10	42,100	0.466	-	-	-	-	42,100	0.466	
Radico Khaitan Limited	₹ 2	537,850	2.043	-	-	-	-	537,850	2.043	
Khaitan Chemicals & Fertilizers Limited	₹ 1	13,880	0.725	-	-	-	-	13,880	0.725	
<b>Unquoted</b>										
<b>In fully paid units</b>										
Unit Trust of India										
- UTI Balance Fund - Income - Retail (formerly known as US 2002)	₹ 10	402,201	9.005	44,083	0.987	-	-	446,284	9.992	
<b>In fully paid equity shares</b>										
Madhav Co-operative Housing Society Limited	₹ 50	5	-	-	-	-	-	5		
Rampur Fertilizers Limited	₹ 10	27,760	0.527	-	-	-	-	27,760	0.527	
Sangam Bhavan Cooperative Housing Society Limited	₹ 10	15	0.001	-	-	-	-	15	0.001	
U.B. Electronics Instruments Limited	₹ 100	1,996	0.129	-	-	-	-	1,996	0.129	
Inv-Ansa Industrial Premises Co-op Soc Limited	₹ 50	60	0.003	-	-	-	-	60	0.003	
<b>In fully paid debentures (Non-redeemable)</b>										
6.5% Bengal Chamber of Commerce & Industry	₹ 1000	2	0.002	-	-	-	-	2	0.002	
5% Woodland Hospital & Medical Centre Limited	₹ 1	7,000	0.007	-	-	-	-	7,000	0.007	
0.5% Woodlands Medical Centre Limited	₹ 100	117	0.012	-	-	-	-	117	0.012	
5.0% Woodlands Medical Centre Limited	₹ 100	270	0.027	-	-	-	-	270	0.027	
<b>In Government securities</b>										
Indira Vikas Patra			0.003		0.100				0.103	
National Savings / Plan / Def. Certificates			0.172		-		0.025		0.147	
(Deposited with Govt. Authorities)										
				<b>15,310.799</b>	<b>1.087</b>			<b>169.083</b>	<b>15,142.803</b>	
Less: Provision for diminution in the value of investments				7,221.068					10,839.162	
Total non-current investments				<b>8,089.731</b>	<b>1.087</b>			<b>169.083</b>	<b>4,303.641</b>	

## Notes to the financial statements (continued)

**48. Disclosure as per Regulation 34 (3) and 53 (f) read with Part A of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of loans and advances, the amount in the nature of loans outstanding at year end:**

Subsidiary company	Value of Investments held	Loans outstanding as at 31 March 2016	₹ Million Maximum amount of loans outstanding during the year
<b>i) Amount of Investment, loans and advances in the nature of loans outstanding from subsidiaries</b>			
Asian Opportunities & Investments Limited	301,000	500,512	1,998,266
Four Season Wines Limited	692,182	721,577	721,577
Shaw Wallace Overseas Limited	13,838	-	-
USL Holdings Limited	22,183	52,216,483	53,813,531
Pioneer Distilleries Limited	1,116,756	1,353,907	1,353,907
United Spirits Nepal Private Limited	65,626	-	-
Palmer Investment Group Limited	6,917,801	-	-
Montrose International S.A	133,932	-	-
United Spirits Shanghai Trading Co. Limited	26,635	15,741	15,741
McDowell & Co (Scotland) Limited	125,505	430,825	445,225
Royal Challengers Sports Private Limited	1,699,053	2,540,183	2,540,183
Tern Distilleries Private Limited	1,126,302	-	767,436
Liquidity Inc.	119,313	53,808	53,808
Sovereign Distilleries Limited	4,582,426	-	3,399,370
<b>ii) Loans and advances in the nature of loans to firms / companies in which directors are interested</b>			
United Breweries (Holdings) Limited	-	13,374,167	13,374,167

Also refer note 24(e).

Subsidiary company	Value of Investments held	Loans outstanding as at 31 March 2015	₹ Million Maximum amount of loans outstanding during the year
<b>i) Amount of Investment, loans and advances in the nature of loans outstanding from subsidiaries</b>			
Asian Opportunities & Investments Limited	301,000	1,802,225	2,199,390
Four Season Wines Limited	692,182	539,412	539,412
SW Finance Co. Limited	3,302,175	-	-
USL Holdings Limited	22,183	49,361,462	52,120,229
Pioneer Distilleries Limited	1,116,756	1,353,907	1,353,907
United Spirits Nepal Private Limited	65,626	-	-
Palmer Investment Group Limited	6,917,801	-	-
Montrose International S.A	133,932	-	-
United Spirits (Shanghai) Trading Company Limited	26,635	15,741	15,741
McDowell & Co (Scotland) Limited	125,505	393,375	420,668
Royal Challengers Sports Private Limited	1,699,053	1,975,183	1,975,183
Tern Distilleries Private Limited	139,539	677,001	779,790
Liquidity Inc.	119,313	53,808	53,808
Sovereign Distilleries Limited	315,462	3,308,000	3,308,728
<b>ii) Loans and advances in the nature of loans to firms / companies in which directors are interested</b>			
United Breweries (Holdings) Limited	-	13,374,167	13,374,167

The aforesaid amount are gross of provisions, if any made based on Management assessment of recoverability.

For repayment schedule and interest related terms, refer note 46.

## Notes to the financial statements (continued)

**49.** During the year ended 31 March 2016 no material foreseeable loss was incurred for any long-term contract including derivative contracts.

**50.** The Bihar State Government by its notification dated 5 April 2016 has imposed a ban on trade and consumption of foreign liquor in the state of Bihar with immediate effect. Writ petitions have been filed with the Honourable High Court at Patna challenging the said notification.

As at 31 March 2016, the Company has receivables of ₹ 846.6 Million from the Bihar State Beverages Corporation Limited ("BSBCL") (including receivables for supplies made by the Company and its tie-up manufacturing units). The Honourable High Court at Patna has passed an interim order, directing BSBCL to make payments with respect to the supplies made by the manufacturers.

Considering the favourable interim order passed by the Honourable High Court at Patna, the management is confident of recovery of aforesaid balances. Pending outcome of the writ petition, no provision has been considered necessary by the management in this regard.

**51.** In accordance with Accounting Standard 29 - "Provisions, Contingent Liabilities and Contingent Assets", prescribed under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014, certain classes of liabilities have been identified as provisions which have been disclosed as under:

Description	As at 1 April 2015	Additions	Utilisation	₹ Million
				As at 31 March 2016
Sales and other taxes*	1,391.668	353.812	91.971	1,653.509

Description	As at 1 April 2014	Additions	Utilisation	₹ Million
				As at 31 March 2015
Sales and other taxes*	418.354	973.314	-	1,391.668

\*represents estimates made for probable cash outflow arising out of pending disputes / litigations with various regulatory authorities.

**52.** Previous year's figures have been regrouped / reclassified as per the current year's presentation for the purpose of comparability.

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

**Sunil Gaggar**

Partner

Membership number: 104315

Place: Bangalore

Date: 26 May 2016

for and on behalf of the Board of Directors

**Mahendra Kumar Sharma**

Chairman

**Anand Kripalu**

Managing Director & CEO

**Sanjeev Churiwala**

Chief Financial Officer

**V. Ramachandran**

Company Secretary

Place: Bangalore

Date: 26 May 2016



# Independent Auditor's Report

## To the Members of United Spirits Limited

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Spirits Limited ("the Company"), its subsidiaries and associate (collectively known as 'the Group'), comprising of the consolidated balance sheet as at 31 March 2016, the consolidated statement of profit and loss, the consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

### Management's responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the

consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraphs of the Other matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

### Basis for Qualified Opinion

- As stated in Notes 35 (a) and (c) to the consolidated financial statements, during the year ended 31 March 2014, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, claimed in their balance confirmations to the Company for the year ended 31 March 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board of Directors of the Company ("Board"), a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board; and Management's assessment of recoverability, an aggregate amount of ₹ 6,495.48 million (including interest claimed) was provided in the financial statements for the year ended 31 March 2014 and was disclosed as prior period items. During the year ended 31 March 2015, an additional provision of ₹ 216 million was made for interest claimed. The Company has not made provision for any unclaimed interest. During the quarter ended 30 September 2015, the Company reached a settlement with a party pursuant to which the party withdrew claims aggregating ₹ 278.60 million. Accordingly, provision aggregating ₹ 278.60 million has been written back. Additionally, subsequent to the year-end, the Company has signed settlement agreements with certain such parties and based on these settlements has reversed provisions with respect to interest claimed aggregating ₹ 264.60 million as at the balance sheet date. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off ₹ 5,666.00 million out of the amounts provided for with respect to the aforesaid parties.

## Independent Auditor's Report (continued)

During the year ended 31 March 2014, the Board had also directed a further detailed and expeditious inquiry in relation to the above matter, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature ("Inquiry"). While the Inquiry has since been completed, with regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which documents dealt with transactions involving the counterparties referred to above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified concerns as to the propriety of the underlying transactions.

Further, as stated in Note 26 (e) to the consolidated financial statements, the Company, under the settlement agreement with a director, *inter alia*, agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its consolidated financial statements for the year ended 31 March 2014 (refer note 35 (a)). Additionally, the Company undertook under the settlement agreement that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note relation to matters also set out therein.

Based on its current knowledge, the Management believes that the balance provisions carried with respect to the above matters are adequate and no additional material adjustments are likely to be required in relation thereto. In the previous year, the Board had directed the Management to expeditiously review the Additional Matters and transactions with the Additional Parties and report to the Board on Management's conclusions on the transactions and any further impact on the Company's financial statements. As the review of the Additional Matters and transactions with Additional Parties is in progress, we are unable to comment on the nature of these transactions; the provisions established; or any further impact on the consolidated financial statements including the impact on opening balances for the year. Further, pending resolution of the above disputes, we are unable to comment on whether the provision established for interest is appropriate.

- As stated in Note 44 to the consolidated financial statements, the Managerial remuneration for the year ended 31 March 2015 aggregated ₹ 64.91 million and ₹ 153.09 million towards remuneration of the Managing Director and Chief Executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO) respectively. The aforesaid amounts includes remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. Subsequent to the balance sheet date, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.

### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis for Qualified Opinion paragraph above, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2016 and their consolidated profit and their consolidated cash flows for the year ended on that date.

### Emphasis of Matter

We draw attention to:

- Note 35 (b) to the consolidated financial statements, which states that, during the year ended 31 March 2014, various pre-existing loans / advances / deposits (together with interest) due from United Breweries (Holdings) Limited ("UBHL") by the Company and its subsidiaries aggregating ₹ 13,374.17 million on 3 July 2013, were consolidated into a single loan agreement dated 3 July 2013 entered into between the Company and UBHL. With regard to the prior transactions that were consolidated into the single loan due from UBHL on 3 July 2013, the Inquiry stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company to UBHL than that which actually existed at that time. The inquiry also indicates that the manner in which these transactions were conducted and these entries made, *prima facie*, indicates various improprieties and legal violations. As per the terms of the said loan agreement, interest payable by UBHL to the Company in January 2015 amounted to ₹ 1,911.00 million (gross of tax) and a further interest amounting to ₹ 1,270.50 million (gross of tax) was due in January 2016. However, the Company is yet to receive such interest payment from UBHL. The Company has received a letter from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different Courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka. As a result of the above and other relevant factors, during the year ended 31 March 2015, the Company provided the remaining principal balance of the loan aggregating ₹ 9,954.60 million (in addition to the ₹ 3,303.19 million that was provided for during the year ended 31 March 2014) and did not recognise interest income of ₹ 1,207.00 million for the year ended 31 March 2015 (in addition to the provision for interest received (net) of ₹ 713.77 million for the year ended 31 March 2014). Accordingly, the Company has also not recognised interest income of ₹ 315.90 million and ₹ 1,270.50 million for the quarter and twelve months ended 31 March 2016 respectively;
- As stated in Note 26 (e) to the consolidated financial statements, on 25 February 2016, the Company entered into a settlement agreement with a director pursuant to which he resigned from his positions as a director and chairman of the Company and of the boards of its subsidiaries. Amongst other terms as



## Independent Auditor's Report (continued)

per the agreement, the director agreed to a five year global non-compete (except United Kingdom) and procured / agreed to procure termination of certain agreements that were voted down by the Company's shareholders in the Extra-ordinary General Meeting ("EGM") held on 28 November 2014. The Company, under the settlement agreement, inter alia agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its consolidated financial statements for the year ended 31 March 2014 (as mentioned in the Note 35 (a)). Additionally, the Company undertook to the aforesaid director that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note 35 (a) in relation to the matters referred to therein. The Company also entered into certain arrangements giving the director or his nominee an option to buy certain non-core properties of the Company as per the terms stated therein. The Securities and Exchange Board of India ("SEBI") sought information regarding certain aspects of the settlement agreement, to which the Company has responded (Refer Note 36 (i) to the consolidated financial statements). Given the nature and complexities of the settlement, and the possibility of varied interpretations of potentially applicable provisions of the Act and SEBI regulations, the Company obtained legal opinions from a senior legal counsel and its external counsel, opining that the settlement agreement and the related documents are in compliance with the applicable provisions of the Act and SEBI regulations;

3. As stated in Note 26 (d) to the consolidated financial statements, as per the requirements of the equity listing agreements entered into by the Company with various stock exchanges in India and various circulars and regulations issued by the SEBI and applicable provisions of the Act, the Company sought approval of its equity shareholders for certain agreements in the extraordinary general meeting ("EGM") held on 28 November 2014. Some of the agreements, as detailed in the aforesaid note, were not approved by the equity shareholders in the aforesaid EGM. The Company has sought clarification / direction from SEBI with respect to the implications arising from the non-approval of the said agreements. Pending the clarification / direction from the SEBI, during the year ended 31 March 2015, the Company had recognised the underlying expenses pursuant to these agreements up to 28 November 2014 aggregating ₹ 1,357.30 million. The Company has not recognised charges arising out of non-approved agreements for the period since 29 November 2014. Further, subsequent to 28 November 2014, in response to the letters received by the Company from some of the concerned counterparties, the Company has made payments amounting to ₹ 74.30 million (excludes a cheque of ₹ 6.10 million which has not been encashed) to such counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. During the current year, the Company has entered into mutual release and termination agreements with some of the counterparties,

wherein the Company has retained the right to recover the amounts paid to the respective counterparties for the period before 28 November 2014 in case any regulatory authority and / or any court of competent jurisdiction decides that these amounts were not payable by the Company at a future date. Pending clarifications from SEBI, based on an opinion received from a senior legal counsel, the Management believes that these contracts have been rendered void by, and from the date of voting down by, the shareholders;

4. Note 34 to the consolidated financial statements, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to ₹ 6,216.60 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of ₹ 6,280.00 million including prepayment penalty of ₹ 40.00 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the same and its writ petition is pending before the Honourable High Court of Karnataka. On 31 March 2015, the bank demanded an amount of ₹ 474.00 million towards principal and interest on the said loan, which the Company contested in the Honourable High Court of Karnataka. As per the order of the Honourable High Court of Karnataka, the Company engaged with the bank to commence discussions. During the quarter ended 30 September 2015, the bank obtained an ex parte injunction before the Debt Recovery Tribunal, Bangalore ("DRT"), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed objections against such ex parte order. During the quarter ended 31 December 2015, the Company obtained a stay from the Honourable High Court of Karnataka restraining the bank from dealing with the above-mentioned pledged shares until further orders. Thereafter, the Company received another notice from the relevant bank seeking to recall the loan which had been prepaid, and demanding a sum of ₹ 459.40 million, as well as a subsequent notice issued under section 13(2) of SARFAESI Act in relation to the same loan. Pursuant to an application filed by the Company before the Honourable High Court of Karnataka, in the writ proceedings, the Honourable High Court of Karnataka directed that if the Company deposited the sum of ₹ 459.40 million with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets pledged by the Company under the loan till the disposal of the first petition filed by the Company in the Honourable High Court of Karnataka. Subsequent to the year end, the Company has accordingly deposited the said sum and has replied to the bank's various notices in light of the above. The aforesaid amount has been disclosed as a contingent liability in the financial statements by the Company;
5. Note 43 (a) to the consolidated financial statements, which more fully describes the uncertainty related to the outcome of writ petitions with the Honourable High Court at Patna, in relation to

## Independent Auditor's Report *(continued)*

the ban imposed by the Bihar State Government on trade and consumption of foreign liquor in the state of Bihar with effect from 5 April 2016. Pending final disposal of the petitions, no adjustments are considered necessary in the financial statements;

6. Note 36 to the consolidated financial statements, wherein it is stated that (i) the Company has received a notice from the Ministry of Corporate Affairs, under section 206(5) of the Act, requesting explanations and comments as to why action should not be initiated in relation to various contraventions alleged by the Joint Director under provisions of the Act ; (ii) the Company has received notice under Section 131 of the Income Tax Act, 1961; (iii) the Company has received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports; (iv) the Company has received a letter from the Institute of Chartered Accountants of India seeking a copy of the Inquiry Report, pursuant to Section 21C of the Chartered Accountants Act, 1949; (v) the Company has received a letter from the Enforcement Directorate of the Government of India in connection with investigation being conducted under the provisions of Foreign Exchange Management Act, 1999 seeking necessary details; (vi) the Company has received a notice under Rule 20 of the Second Schedule to the Income tax Act, 1961, issued with respect to a director of the Company and another Company where such director is the principal officer; and (vii) the Company has received letters from the Securities and Exchange Board of India under Section 11 of the SEBI Act, 1992; and
7. Note 35 to the consolidated financial statements, wherein it is stated that the Inquiry noted certain regulatory non-compliances with respect to the Companies Act, 1956, the listing agreement with the stock exchanges in India and other regulations as mentioned in the said note, and that the financial impact of these non-compliances on the Company were estimated by Management to be not material.

Our opinion is not qualified in respect of these matters.

### Other matter

- a. We did not audit the financial statements and financial information of thirteen subsidiaries incorporated outside India, whose financial statements reflect total assets of ₹ 2,404.73 million as at 31 March 2016, total revenues of ₹ 1,666.52 million and net cash flows amounting to ₹ 417.85 million for the year ended on that date, as considered in the consolidated financial statements. The financial statements and financial information of these subsidiaries incorporated outside India as drawn up in accordance with the generally accepted accounting principles of the respective countries ('the local GAAP') have been audited by other auditors duly qualified to act as auditors in those countries. For the purposes of preparation of consolidated financial statements, the aforesaid local GAAP financial statements have been restated by the Management of the said entities so that they conform to the generally accepted accounting principles in India. This has been done on the basis of a reporting package prepared by the Company which covers accounting and disclosure requirements applicable to consolidated financial statements under the generally accepted accounting principles in India. The reporting packages made for this purpose have been audited by other auditors and the audit report of those other auditors have been furnished to us. Our opinion on the consolidated financial statements, in so far as it relates to the aforesaid subsidiaries, is based on the reports of the other auditors.
- b. We did not audit the financial statements and financial information of five subsidiaries whose financial statements reflect total assets of ₹ 10,003.24 million as at 31 March 2016, total revenues of ₹ 2,940.24 million and net cash flows amounting to ₹ 93.59 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements and financial information have been audited by other auditors whose reports have been furnished to / us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.
- c. We did not audit the financial statements and financial information of one subsidiary incorporated outside India, whose financial statements and financial information reflect total assets of ₹ 0.05 million as at 31 March 2016, total revenues of ₹ Nil and net cash flows amounting to ₹ (0.81) million for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ Nil million for the year ended 31 March 2016, as considered in the consolidated financial statements, in respect of one associate incorporated in India, whose financial statements and financial information have not been audited by us. These financial statements and financial information are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associate, and our report in terms of sub-sections (3) and (11) of section 143(3) of the Act in so far as it relates to the aforesaid subsidiaries and associate, is based solely on such unaudited financial statements and financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and financial information are not material to the Group.
- d. As detailed in Note 40 (b) to the consolidated financial statements, Company's wholly owned subsidiary Asian Opportunities & Investments Limited (AOIL), has sold its entire interest in Bouvet Ladubay S.A. (and its wholly owned subsidiary Chapin Landais S.A.S) accounting for total revenues of ₹ 1,076.79 million and net cash flows amounting to ₹ 101.37 million as shown in these consolidated financial statements, have been disposed off during the year. The interim



# Independent Auditor's Report (continued)

financial statements of these subsidiaries incorporated outside India until the date of disposal as drawn up in accordance with the generally accepted accounting principles of the respective countries ('the local GAAP') have been reviewed by other auditors duly qualified to act as auditors in those countries. For the purposes of preparation of consolidated financial statements, the aforesaid local GAAP financial statements have been restated by the Management of the said entities so that they conform to the generally accepted accounting principles in India. This has been done on the basis of a reporting package prepared by the Company which covers accounting and disclosure requirements applicable to consolidated financial statements under the generally accepted accounting principles in India. The reporting packages made for this purpose have been reviewed by the other auditors and the limited review reports of those other auditors have been furnished to us. Our opinion on the consolidated financial statements, in so far as it relates to these aforesaid subsidiaries, is based solely on the limited review reports of the other auditor.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and financial information certified by the Management.

## Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements of subsidiaries as noted in the 'Other Matter' paragraph, we report to the extent applicable, that:
  - (a) except for the possible effect of the matter described in the Basis for Qualified Opinion above, we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;
  - (b) except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
  - (c) the consolidated balance sheet, the consolidated statement of profit and loss, and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
  - (d) except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) the matters described in the Basis for Qualified Opinion paragraph above, and the matters described in sub-paragraphs (1), (2), (4) and (7) of the Emphasis of Matter paragraph above, in our opinion, may have an adverse effect on the functioning of the Group;

(f) on the basis of the written representations received from the Directors of the Holding Company as on 31 March 2016 taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors of its subsidiary companies incorporated in India, none of the directors of any such companies are disqualified as on 31 March 2016 from being appointed as a Director of that company in terms of sub-section 2 of Section 164 of the Act;

(g) the qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above;

(h) with respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and subsidiaries, incorporated in India and the operating effectiveness of such controls, refer to our separate report in Annexure A; and

(i) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements and other financial information of subsidiaries, as noted in the 'Other Matter' Paragraph.

- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group- Refer Note 29 (b), 34, 42 and 43 to the consolidated financial statements;
- ii. The Group did not have any on long-term contracts including derivative contracts for which there were any material foreseeable losses - Refer Note 45 to the consolidated financial statements; and
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Group, wherever applicable.

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration Number: 101248W/W-100022

**Sunil Gaggar**

Partner

Membership Number: 104315

Bangalore

26 May 2016

# Annexure A to the Independent Auditor's Report of even date on the consolidated financial statements of United Spirits Limited ("the Holding Company")

## Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Holding Company as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting of the Holding Company, its subsidiary companies and its associate (together referred to as "the Group"), which are companies incorporated in India, as of that date.

### Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company, its subsidiary companies and its associate, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal 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 its business, including adherence to the respective 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

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

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

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

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Holding Company, its subsidiary companies and its associate, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

# Annexure A to the Independent Auditor's Report of even date on the consolidated financial statements of United Spirits Limited ("the Holding Company") (continued)

## **Emphasis of Matter**

We would draw attention to matters disclosed in Paragraphs 1 under 'Basis for Qualified Opinion', and specifically the ongoing Inquiry with respect to the Additional Parties and Additional Matters which could indicate possible lapses in internal financial controls system at various points in time.

Our opinion under Clause (i) of Sub-section 3 of Section 143 of the Act is not qualified in respect of this matter.

## **Other matters**

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to five subsidiary

companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India

for **B S R & Co. LLP**

*Chartered Accountants*

Firm Registration Number: 101248W/ W-100022

**Sunil Gaggar**

*Partner*

Membership Number: 104315

Bangalore

26 May 2016



# Consolidated balance sheet

	Note	As at 31 March 2016	As at 31 March 2015	₹ Million
<b>Equity and liabilities</b>				
<b>Shareholders' funds</b>				
Share capital	2	1,453.277	1,453.277	
Reserves and surplus	3	16,425.965	5,141.876	
		<b>17,879.242</b>	<b>6,595.153</b>	
<b>Minority interest</b>		17.103	8.143	
<b>Non-current liabilities</b>				
Long-term borrowings	4.1	7,343.528	11,173.158	
Other long-term liabilities	4.2	569.322	1,219.867	
Long-term provisions	4.3	681.473	661.072	
		<b>8,594.323</b>	<b>13,054.097</b>	
<b>Current liabilities</b>				
Short-term borrowings	5.1	29,969.083	36,535.963	
Trade payables	5.2	7,406.775	7,997.541	
Other current liabilities	5.3	16,049.587	9,352.746	
Short-term provisions	5.4	5,685.740	5,342.445	
		<b>59,111.185</b>	<b>59,228.695</b>	
		<b>85,601.853</b>	<b>78,886.088</b>	
<b>Assets</b>				
<b>Non-current assets</b>				
Fixed assets				
Tangible assets	6.1	13,795.551	14,452.342	
Intangible assets	6.2	3,971.196	4,137.206	
Capital work-in-progress		2,827.817	1,141.438	
		<b>20,594.564</b>	<b>19,730.986</b>	
Goodwill on consolidation		1,124.531	620.280	
Non-current investments	7	781.186	914.798	
Deferred tax assets (net)	8	1,234.745	877.928	
Long-term loans and advances	9	6,807.274	8,108.420	
Other non-current assets	10	1.300	1.300	
		<b>8,824.505</b>	<b>9,902.446</b>	
<b>Current assets</b>				
Current investments	11.1	1,208.066	1,248.805	
Inventories	11.2	17,954.018	17,581.119	
Trade receivables	11.3	24,531.853	17,515.003	
Cash and bank balance	11.4	1,623.286	3,628.766	
Short-term loans and advances	11.5	9,740.283	7,786.603	
Other current assets	11.6	0.747	872.080	
		<b>55,058.253</b>	<b>48,632.376</b>	
		<b>85,601.853</b>	<b>78,886.088</b>	
<b>Significant accounting policies</b>	1			

See accompanying notes to the consolidated financial statements

As per our report of even date attached

for B S R & Co. LLP  
Chartered Accountants

Firm registration number: 101248W/W-100022

for and on behalf of the Board of Directors

**Mahendra Kumar Sharma**  
Chairman

**Anand Kripalu**  
Managing Director & CEO

**Sunil Gaggar**  
Partner  
Membership number: 104315  
Place: Bangalore  
Date: 26 May 2016

**Sanjeev Churiwala**  
Chief Financial Officer  
Place: Bangalore  
Date: 26 May 2016

**V. Ramachandran**  
Company Secretary

# Consolidated statement of profit and loss

₹ Million

	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Revenue</b>			
Revenue from operations (Gross)	12	226,792,053	222,303,762
Less: Excise duty		134,391,434	130,709,910
Revenue from operations (Net)		<b>92,400.619</b>	<b>91,593.852</b>
Other operating revenues	13.1	1,392,206	1,756,039
Other income	13.2	449,228	810,767
	<b>Total</b>	<b>94,242.053</b>	<b>94,160.658</b>
<b>Expenses</b>			
Cost of materials consumed	14	39,936,729	43,338,614
Purchase of stock-in-trade		14,322,262	12,355,212
Change in inventories of finished goods, work-in-progress and stock-in-trade	15	(1,774,965)	(3,503,665)
Employee benefits expense	16	6,987,378	7,778,538
Finance costs	17	4,558,060	6,873,362
Depreciation and amortisation expense	6	1,577,343	2,228,741
Other expenses	18	24,752,633	33,051,227
	<b>Total</b>	<b>90,359.440</b>	<b>102,122.029</b>
<b>Profit / (loss) before exceptional items and taxation</b>		<b>3,882.613</b>	<b>(7,961.371)</b>
Add / (less): Exceptional items (net)	19	7,908,997	(8,391,564)
<b>Profit / (loss) before tax and minority interest</b>		<b>11,791.610</b>	<b>(16,352.935)</b>
<b>Profit / (loss) from continuing operations before tax and minority interest</b>		<b>11,791.610</b>	<b>(18,808.818)</b>
Tax expense of continuing operations			
Current tax		2,204,228	658,784
Tax relating to earlier years		287,614	(36,374)
MAT credit availed		(27,357)	-
Deferred tax credit		(362,248)	(136,525)
<b>Total tax expenses of continuing operations</b>		<b>2,102.237</b>	<b>485.885</b>
<b>Profit / (loss) from continuing operations after tax</b>		<b>9,689.373</b>	<b>(19,294.703)</b>
Minority interest		11,933	3,815
<b>Net Profit / (loss) from continuing operations</b>		<b>9,677.440</b>	<b>(19,298.518)</b>
<b>Profit / (loss) from discontinuing operations before tax</b>	27	-	<b>2,455.883</b>
Tax expense of discontinuing operations			
Current tax		-	0.596
Deferred tax charge		-	33,918
<b>Total tax expenses of discontinuing operations</b>		-	<b>34.514</b>
<b>Net Profit / (loss) from discontinuing operations</b>		-	<b>2,421.369</b>
<b>Net Profit / (loss) for the year</b>		<b>9,677.440</b>	<b>(16,877.149)</b>
<b>Earnings per equity share</b> (Equity shares of par value of ₹10 each)	20		
<b>Basic and diluted</b>			
Computed on net profit / (loss) from continuing operations		66.59	(132.79)
Computed on net profit / (loss) from discontinuing operations		-	16.66
Computed on total profit / (loss)		66.59	(116.13)
<b>Significant accounting policies</b>	1		
See accompanying notes to the consolidated financial statements			

As per our report of even date attached

 for **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

for and on behalf of the Board of Directors

**Mahendra Kumar Sharma**  
Chairman

**Anand Kripalu**  
Managing Director & CEO

**Sunil Gaggar**

Partner

Membership number: 104315

Place: Bangalore

Date: 26 May 2016

**Sanjeev Churiwala**  
Chief Financial Officer

Place: Bangalore

Date: 26 May 2016

**V. Ramachandran**  
Company Secretary



## Consolidated cash flow statement

	₹ Million	
	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before tax and minority interest	<b>11,791.610</b>	<b>(16,352.935)</b>
<b>Adjustments for :</b>		
Depreciation and amortisation expense	1,577.343	2,228.741
Unrealised foreign exchange loss	194.428	4,700.954
Loss on fixed assets written off	17.390	0.216
Provision for doubtful debts / advances / deposits	1,389.807	-
Loss / (profit) on sale of subsidiaries	569.824	(2,415.210)
Write down in the value of investments	0.058	150.304
Impairment of goodwill	128.177	1,209.012
Interest expense	4,555.111	6,587.727
Debt issue costs	2.949	285.635
Bad and doubtful advances, deposit and trade receivables written off	5,665.985	7.133
Provision for doubtful debts / advances / deposits written back	(6,209.266)	11,582.822
Liabilities no longer required written back	(348.595)	(123.351)
Profit on sale of investment	(8,536.016)	-
Bad debts and advances recovered	(0.494)	(29.409)
Profit on sale of fixed assets (net)	(5.741)	(4.110)
Profit on sale of manufacturing unit	-	(356.500)
Dividend income	(1.522)	(11.460)
Interest income	(49.351)	<b>(1,049.913)</b>
<b>Operating profit before working capital changes</b>	<b>10,741.697</b>	<b>7,114.672</b>
(Increase) / decrease in trade receivables	(7,569.369)	(2,724.652)
(Increase) / decrease in other receivables	(1,316.918)	(754.348)
(Increase) / decrease in inventories	(1,628.574)	(4,535.558)
Increase / (decrease) in trade and other payables	4,059.453	<b>(6,455.408)</b>
<b>Cash generated from / (used in) operations</b>	<b>4,286.289</b>	<b>(549.739)</b>
Income taxes paid (net)	(1,900.400)	(1,413.397)
<b>Net cash generated from / (used in) operations</b>	<b>2,385.889</b>	<b>(1,963.136)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,595.844)	(1,643.396)
Proceeds from sale of fixed assets	17.324	17.021
Purchase of short term investments	-	(0.209)
Proceeds from sale of non-current investment	8,686.016	-
Proceeds from disposal of shares in subsidiaries (net of expenses)	-	60.261
Payment towards franchise rights	(450.818)	(446.400)
Movement in other bank balances	667.274	154.299
Loans given to related party	-	(29.310)
Proceeds from disposal of subsidiaries (net of expenses)	1,556.312	39,270.472
Proceeds from sale of manufacturing unit	250.000	1,000.000
Interest received	60.260	377.941
Dividend received	1.522	10.962
<b>Net cash generated from investing activities</b>	<b>8,192.046</b>	<b>38,771.641</b>



## Consolidated cash flow statement (continued)

	₹ Million	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds / (repayment) of long-term borrowings			
Proceeds	3,535.330	8,903.126	
Repayment	(3,952.381)	(4,385.921)	
Proceeds / (repayment) of short-term borrowings			
Proceeds	9,000.000	17,900.000	
Repayment	(10,000.000)	(50,263.947)	
Finance lease payments	(45.188)	(23.594)	
Proceeds / (repayment) of deposits (net)	(228.724)	(3,856.868)	
Inter corporate deposits	-	(6.522)	
Repayment of deferred sales tax liability	(24.705)	(20.637)	
Working capital loan / cash credit from banks (net)	(5,453.455)	(1,052.584)	
Debt issue cost paid	(2.949)	-	
Interest paid	(4,611.821)	(7,203.539)	
Dividends paid	(2.946)	(8.806)	
<b>Net cash used in financing activities</b>	<b>(11,786.839)</b>	<b>(40,019.292)</b>	
<b>Net decrease in cash and cash equivalents</b>	<b>(1,208.904)</b>	<b>(3,210.787)</b>	
 <b>Cash and cash equivalents as at the beginning of the year*</b>	<b>2,628.598</b>	<b>6,057.092</b>	
<b>Cash and cash equivalents of subsidiaries disposed</b>	<b>129.302</b>	<b>152.991</b>	
<b>Cash and cash equivalents transferred on composite scheme of arrangement</b>	<b>-</b>	<b>64.716</b>	
<b>Cash and cash equivalents at the end of the year*</b>	<b>1,290.392</b>	<b>2,628.598</b>	
	<b>(1,208.904)</b>	<b>(3,210.787)</b>	

**\*Refer Note 11.4**

Notes:

1. The above consolidated cash flow statement has been compiled from and is based on the consolidated balance sheet as at 31 March 2016 and the related consolidated statement of profit and loss for the year ended on that date.
2. The above cash flow statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 133 of the Companies Act, 2013 ('the Act'), read with rule 7 of the Companies (Accounts) Rules, 2014.
3. Cash flows in relation to discontinuing operations of previous year have been disclosed in Note 27.
4. Cash flows of subsidiaries disposed during the year is included until the date of disposal. Refer note 40(b).

As per our report of even date attached

for **B S R & Co. LLP**  
Chartered Accountants

Firm registration number: 101248W/W-100022

**for and on behalf of the Board of Directors**

**Mahendra Kumar Sharma**  
Chairman

**Anand Kripalu**  
Managing Director & CEO

**Sunil Gaggar**  
Partner  
Membership number:104315

Place: Bangalore  
Date: 26 May 2016

**Sanjeev Churiwala**  
Chief Financial Officer

Place: Bangalore  
Date: 26 May 2016

**V. Ramachandran**  
Company Secretary

# Notes to the consolidated financial statements

## 1. Significant accounting policies

### 1.1 Company overview

United Spirits Limited ("USL" or "the Company"), together with its subsidiaries and associate companies (collectively "the Group") is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines). In addition, the Group holds the perpetual right to the Bangalore Franchise of Board of Control for Cricket in India - Indian Premier League (BCCI-IPL). USL is headquartered in Bangalore, India.

### 1.2 Basis of preparation of consolidated financial statements

The consolidated financial statements of the Group are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under historical cost convention and are in accordance with Accounting Standard (AS) 21 on "Consolidated Financial Statements" and AS 23 on "Accounting for Investments in Associates in Consolidated Financial Statement" prescribed under Section 133 of the Companies Act, 2013 ('the Act'), read with rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act and the Companies Act, 1956( to the extent applicable) and the guidelines issued by the Securities and Exchange Board of India ('SEBI').

The Consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statement. Accounting policies have been consistently applied, to the extent possible, except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

On occasion, a subsidiary company whose financial statements are consolidated may issue its shares to third parties as either a public offering or private placement at per share amounts in excess of or less than the Company's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the dilution of interest are recorded as Capital Reserve / Goodwill. Gains or losses arising on the direct sale by the Company of its investment in subsidiaries or associated companies to third parties are transferred to Consolidated statement of profit and loss. Such gains or losses are the difference between the sale proceeds and the net carrying value of the investments. Surplus or deficit arising on sale of Company's own shares held by its subsidiaries along with the tax thereon is taken to capital reserve.

### 1.3 Subsidiary and associate companies considered in the consolidated financial statements:

SI No.	Name of the company	Country of incorporation	Proportion of ownership interest as at (%)		Proportion of voting power held directly or indirectly, if different from proportion of ownership interest (%)	
			31 March 2016	31 March 2015	31 March 2016	31 March 2015
<b>(A) Subsidiary companies:</b>						
1	Asian Opportunities and Investments Limited (AOIL)	Mauritius	100	100	-	-
2	United Spirits Nepal Private Limited	Nepal	82.47	82.47	-	-
3	SW Finance Co Limited (Formerly known as "Shaw Wallace Breweries Limited") (SWFCL) *	India	-	100	-	-
4	Palmer Investment Group Limited (PIG)	British Virgin Islands	100	100	-	-
5	Tern Distilleries Private Limited (Tern)	India	100	100	-	-
6	Shaw Wallace Overseas Limited (SWOL)	U.K.	100	100	-	-
7	UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited(JIHL)	Jersey Islands	100	100	-	-
8	Montrose International S.A (MI)	Panama	100	100	-	-
9	USL Holdings Limited (UHL)	British Virgin Islands	100	100	-	-
10	USL Holdings (UK) Limited (UHUKL)	U.K.	100	100	-	-

# Notes to the consolidated financial statements (continued)

## 1.3 Subsidiary and associate companies considered in the consolidated financial statements: (contd...)

Sl No.	Name of the company	Country of incorporation	Proportion of ownership interest as at (%)		Proportion of voting power held directly or indirectly, if different from proportion of ownership interest (%)	
			31 March 2016	31 March 2015	31 March 2016	31 March 2015
11	United Spirits (UK) Limited (USUKL)	U.K.	100	100	-	-
12	United Spirits (Great Britain) Limited (USGBL)	U.K.	100	100	-	-
13	Four Seasons Wines Limited (FSWL)	India	100	100	-	-
14	McDowell & Co. (Scotland) Limited (MSL)	Scotland	100	100	-	-
15	Bouvet Ladubay S.A.S (BL) **	France	-	100	-	-
16	Chapin Landias S.A.S (CL) **	France	-	100	-	-
17	Royal Challengers Sports Private Limited	India	100	100	-	-
18	Liquidity Inc.	USA	51	51	-	-
19	United Spirits (Shanghai) Trading Company Limited (USLS)	China	100	100	-	-
20	Sovereign Distilleries Limited	India	100	100	-	-
21	Pioneer Distilleries Limited	India	75	75	-	-
22	United Spirits Singapore Trading Pte Ltd (Formerly known as Whyte and Mackay Singapore Pte Ltd)	Singapore	100	100	-	-
<b>(B) Associate company:</b>						
1	Wine Society of India Private Limited	India	33.32	33.32	-	-

\* During the year, SW Finance Co Limited merged with United Spirits Limited.

\*\* During the year, the Group has disposed off its interest in Bouvet Ladubay S.A.S and Chapin Landias S.A.S. (Also refer note 40(b)).

## 1.4 Principles of consolidation

These consolidated financial statements have been prepared by consolidation of the financial statements of the Company and its subsidiaries on a line-by-line basis after fully eliminating the inter-company transactions. Investment in USL Benefit Trust has not been consolidated as the investment is considered to be temporary.

## 1.5 Accounting for Investment in Associates

a) Accounting for Investments in Associate Companies has been carried out under the Equity Method of accounting prescribed under AS 23 wherein Goodwill / Capital Reserve arising at the time of acquisition and the Group's share of profits or losses after the date of acquisition have been adjusted in the investment value.

b) U B Distilleries Limited (UBDL)

UBDL, which was an associate company of erstwhile Herbertson Limited in view of significant influence, ceased its operations in FY 2003-04, consequent to the order of the Honourable Supreme Court of India vesting the distillery unit with the state of Bihar. Since the Company does not have any investment / significant influence in UBDL, the same has not been accounted for as an associate in these consolidated financial statements under the Equity Method.

# Notes to the consolidated financial statements (continued)

## 1.6 Use of estimates

The preparation of the Consolidated financial statements, in conformity with GAAP, requires that the Management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

## 1.7 Fixed assets (Tangible and Intangible)

- a) Tangible fixed assets are stated at their original cost of acquisition or construction and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets concerned less accumulated depreciation, except amounts adjusted on revaluation and amalgamation. Interest on borrowings attributable to qualifying assets are capitalised and included in the cost of fixed assets as appropriate.
- b) The costs of fixed assets acquired in amalgamations (and accounted under purchase method) are determined at their fair values, on the date of acquisition, or as approved under the schemes of amalgamation.
- c) Fixed assets held for disposal are stated at their net book value or estimated net realisable value, whichever is lower.
- d) Goodwill on consolidation represents the difference between the Company's share in the net worth of a subsidiary and cost of acquisition at each point of time of making the investment in the subsidiary. Negative goodwill is treated as Capital Reserve and is presented netted off with Goodwill.
- e) Intangible fixed assets are stated at the consideration paid for acquisition less accumulated amortisation, if any.
- f) The cost of the fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

## 1.8 Leases

Assets acquired under leases, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired on leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the consolidated statement of profit and loss on accrual basis and in case of non-cancellable lease, on straight line basis over the lease term.

Income from operating leases is credited to consolidated statement of profit and loss on a straight line basis over the lease term.

## 1.9 Depreciation and amortisation

- a) Depreciation is provided on the Straight Line Method, including on assets revalued, at the useful life as prescribed in Part C of Schedule II of the Act except for the following, whose useful life is based on Management's estimate:
  - i) Computers, Vehicles and Aircrafts over a period of three, five and eleven years respectively;
  - ii) In respect of certain items of Plant and Machinery for which separate rates are prescribed in Part C of Schedule II of the Act, based on the number of shifts, depreciation is provided for the full year on triple shift basis.
  - iii) In respect of fixed assets of United Spirits (Great Britain) Limited and its subsidiaries, depreciation is provided based on Management estimate of useful lives of the assets concerned as below:

Buildings	50 years
Plant and Machinery	10 to 20 years
Vehicles	4 years
Computers	3 years

Also refer Note 30

# Notes to the consolidated financial statements (continued)

## 1.9 Depreciation and amortisation (contd...)

- iv) Fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of purchase. Useful lives of the above assets is based on the internal assessment. Management believes that the useful lives as given above best represent the period over which Management expects to use these assets. Hence the useful lives for these assets is different from the useful life as prescribed under Part C of Schedule II of the Act.
- b) Fixed assets acquired on amalgamation are depreciated over the remaining useful life at the date of acquisition.
- c) Assets taken on finance lease are depreciated over their estimated useful life or the lease term, whichever is lower.
- d) Leasehold Land is not amortised.
- e) Goodwill arising on amalgamation is charged to the Consolidated statement of profit and loss in the year of amalgamation.
- f) Goodwill arising on consolidation is not amortised and is tested for impairment on an annual basis.
- g) Leasehold improvements are amortised over the shorter of period of lease or useful life.
- h) Intangible assets are amortised, on a straight line basis, commencing from the date the asset is available for its use, over their respective individual estimated useful lives as estimated by the Management:

Brand	10 Years
License	5 Years
Franchise rights in perpetuity	50 Years (Refer Note 21)

- i) Depreciation on additions and disposals during the year is provided on proportionate basis.

## 1.10 Impairment

The Group assesses at each Balance sheet date whether there is any indication that an asset, including intangible, may be impaired. Goodwill on consolidation is tested for impairment on an annual basis. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Consolidated statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised.

## 1.11 Investments

Long-term investments (including investment property) are stated at cost to the Group. Provision for diminution in the value is made to recognise a decline, other than temporary, in the value of long-term investments.

Current investments are valued at lower of cost or fair value, for each investment individually.

## 1.12 Inventories

Inventories which comprise of raw materials, work-in-progress, finished goods, stock-in-trade, packing materials, stores and spares and loose tools are carried at the lower of cost or net realisable value.

In determining the cost, weighted average cost method is used. In the case of manufactured inventories and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities.

Work-in-progress is valued at input material cost plus conversion cost as applicable.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis.

Adequate allowance is made for obsolete and slow moving items.

In respect of following subsidiary, raw materials were valued at cost, computed under first-in-first-out basis. The value of these raw materials are given below

Name of the subsidiary	31 March 2016	31 March 2015
Bouvet Ladubay S.A.S	-	226.560

₹ Million

## Notes to the consolidated financial statements *(continued)*

### 1.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

### 1.14 Revenue recognition

Revenue from sale of goods is recognised on transfer of property in the goods for a price or all significant risks and rewards of ownership to the buyer which is generally on dispatch of goods from distilleries / warehouses of the Group in accordance with the terms of sale except where such terms provide otherwise, where sales are recognised based on such terms. Gross sales are inclusive of excise duty but are net of trade discounts and sales tax, where applicable.

Income arising from sales by manufacturers under "Tie-up" agreements (Tie-up units) comprises surplus income from Tie-up units (net share of the Company) and is recognised on the basis of the information provided to the Company by the Tie-up units. Income arising from brand franchise are recognised in terms of the respective contracts on sale of the products by the Tie-up units / Franchisees. Income from brand franchise is net of service tax, where applicable.

Dividend income on investments are recognised and accounted for when the right to receive the payment is established.

Income from distribution service is accounted based on the terms of the agreements for the service.

Interest income and guarantee commission is accounted on a time-proportion basis taking into account the amounts invested and the rate of interest.

### 1.15 Foreign currency transactions and translations

Transactions in foreign currency are recognised at the rates of exchange prevailing on the dates of the transactions.

Exchange differences arising on a monetary item that, in substance, forms part of an Group's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment. Upon reclassification of such non-integral foreign operations to integral foreign operations, all future exchange differences on the said monetary items are adjusted to Consolidated statement of profit and loss. Exchange differences accumulated in foreign currency translation reserve till such reclassification are not adjusted to Consolidated statement of profit and loss until the disposal of such foreign operations.

Exchange differences in respect of all other monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains / losses arising there from are adjusted to the Consolidated statement of profit and loss. The Group uses foreign exchange forward contracts to cover its exposure towards movements in foreign exchange rates. The Group does not use the foreign exchange forward contract for trading or speculative purposes. Premium or discount arising at the inception of forward contracts against the underlying assets is amortised as expense or income over the life of contract.

Exchange differences on forward contracts are recognised in the Consolidated statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

For forward exchange contracts and other derivatives that are not covered by Accounting Standard (AS) -11 'The Effects of Changes in Foreign Exchange Rates', the Group follows the guidance in the announcement of the Institute of Chartered Accountants of India (ICAI), whereby for each category of derivatives, the Group records any net mark-to-market losses. Net mark-to-market gains are not recorded for such derivatives.

#### **Foreign company:**

In respect of overseas subsidiary companies determined to be in the nature of non-integral foreign operations, income and expenses are translated at average exchange rate for the year. Assets and liabilities, both monetary and non-monetary, are translated at the year-end exchange rates. The differences arising out of translation are included in the Foreign Currency Translation Reserve. Any Goodwill or Capital Reserve arising on acquisition of non-integral foreign operation is translated at closing rate.

In respect of overseas subsidiary companies determined to be in the nature of integral foreign operation, monetary assets and liabilities are translated at the year end exchange rates and non monetary assets and liabilities are carried at historical rate. The items in the Consolidated statement of profit and loss are translated at the rates prevailing on the dates of the respective transactions. The differences arising out of translation are recognised in Consolidated statement of profit and loss.

# Notes to the consolidated financial statements (continued)

## 1.16 Employee benefits

### (a) Defined-contribution plans

These are plans in which the Group pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the Employees' Provident Fund with the government, Superannuation Fund and certain state plans like Employees' State Insurance and Employees' Pension Scheme. The Group's payments to the defined contribution plans are recognised as expenses during the period in which the employees perform the services that the payment covers.

#### **Death Benefit:**

The Company has a Group term policy with an Insurance company with lump sum coverage for a specific category of executives. Premium paid to Insurance company are recognised as expense. The Company will not have any further liability. On death of an employee, specific amount will be paid by Insurance company to the nominee of the deceased.

### (b) Defined-benefit plans

#### **Gratuity:**

The Group provides for gratuity, a defined benefit plan (the Gratuity Plan), to employees. Liability with regard to gratuity plan is accrued based on actuarial valuation, based on Projected Unit Credit Method at the balance sheet date, carried out by an independent actuary. Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Consolidated statement of profit and loss as income or expense. Gratuity fund benefits are administered by a Trust formed for this purpose.

#### **Provident fund:**

The Company's provident funds administered by trusts set up by the Company where the Company's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk if any fall, in substance, on the Company are treated as a defined benefit plan. Liability with regard to such provident fund plans are accrued based on actuarial valuation, based on Projected Unit Credit Method, carried out by an independent actuary at the Balance sheet date. Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Consolidated statement of profit and loss as income or expense, as the case may be.

### (c) Other employee benefits

- i) Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the obligation as at the Balance sheet date based on an actuarial valuation.
- ii) Undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences for e.g. paid annual leave, performance incentives, etc.

## 1.17 Research and development

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, further economic benefit are probable, the Company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

## 1.18 Taxes on income

Tax expense comprises current and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the balance sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable / virtual certainty (as the case may be) that sufficient future taxable income will be available against which such deferred tax asset can be realised.

## Notes to the consolidated financial statements (continued)

### 1.18 Taxes on income (contd...)

The Company offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal income-tax during the specified period. The Group offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

### 1.19 Earnings per share (EPS)

Basic EPS is arrived at based on net profit or loss after tax available to equity shareholders to the weighted average number of equity shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive.

### 1.20 Provisions

A provision is recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions, other than employee benefits, are not discounted to their present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

#### **Onerous contracts:**

Provision for onerous contracts, i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation. When a leasehold property ceases to be used in the business or a commitment is entered into which would cause this to occur, provision is made for the entire amount by which the recoverable amount of interest in the property is expected to be insufficient to cover future obligations relating to the lease.

### 1.21 Contingencies

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources or an obligation for which the future outcome cannot be ascertained with reasonable certainty. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

### 1.22 Share issue expenses

Share issue expenses incurred are adjusted to the Securities Premium Account as permitted by Section 52 of the Act.

### 1.23 Debt issue costs

Expenditure incurred for raising borrowed funds represents ancillary costs incurred in connection with the arrangement of borrowings and is amortised over the tenure of the respective borrowings. Amortisation of such debt issue costs is included under finance costs.

### 1.24 Borrowing costs

Borrowing costs incurred for the acquisition or construction of qualifying assets are recognised as part of cost of such assets when it is considered probable that they will result in future economic benefits to the Group while other borrowing costs are expensed in the period in which they are incurred.

Expenditure incurred for raising borrowed funds represents ancillary costs incurred in connection with the arrangement of borrowings and is amortised over the tenure of the respective borrowings. Amortisation of such debt issue costs is included under finance costs.



# Notes to the consolidated financial statements (continued)

## 1.25 Government grants related to revenue

Government grants related to revenue are recognised in the consolidated statement of profit and loss on a systematic basis over the periods to which they relate when there is a reasonable assurance that the Group will comply with the conditions attaching to them and the reasonable certainty exists of the collection.

## 1.26 Exceptional items

When an item of income or expense within profit or loss from ordinary activity is of such size, nature or incidence that their disclosure is relevant to explain the performance of the Group for the year, the nature and amount of such items is disclosed as exceptional items.

## 1.27 IPL franchisee

The Group, through one of its wholly owned subsidiary, owns the franchisee right of the Bangalore team at Indian Premier League (IPL) - Royal Challengers Bangalore (RCB).

As per the agreement, BCCI-IPL shares its income from the sale of media rights (Central Media Rights) and sponsorship income (Central Sponsorship Rights) with all the franchisees. In addition to this common income, further income from Central Media and Sponsorship rights is earned based on the final standing of the team at each IPL. The franchisee also has other local revenues like gate collections, team sponsorships, uniform sponsors, licensing and other merchandising. The income from operating the franchisee is grouped as "income from IPL franchise" under "revenue from operations".

The costs involved in operating the franchise like remuneration to the players, travelling and accommodation expenses, advertisements, promotions etc., are accounted on accrual basis. The expenses are grouped as "direct expenses on IPL franchise" under "other expenses". Also refer note 21.

## 2. Share capital

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
<b>Authorised</b>		
548,000,000 (2015: 395,000,000) Equity Shares of ₹10/- each	5,480.000	3,950.000
159,200,000 (2015: 159,200,000) Preference Shares of ₹10/- each	1,592.000	1,592.000
1,200,000 (2015: Nil) 7% Non Cumulative Redeemable Preference Shares of ₹100 each	120.000	-
	<b>7,192.000</b>	<b>5,542.000</b>
<b>Issued, subscribed and paid-up</b>		
145,327,743 (2015: 145,327,743) Equity Shares of ₹10/- each fully paid up	1,453.277	1,453.277
	<b>1,453.277</b>	<b>1,453.277</b>

### a. Reconciliation of the number of shares outstanding

	As at 31 March 2016		As at 31 March 2015	
	No. of Shares	Amount in ₹ Million	No. of Shares	Amount in ₹ Million
Balance at the beginning of the year	145,327,743	1,453.277	145,327,743	1,453.277
Add: Equity shares issued during the year	-	-	-	-
Balance at the end of the year	<b>145,327,743</b>	<b>1,453.277</b>	<b>145,327,743</b>	<b>1,453.277</b>

### b. Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of ₹ 10 per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any in proportion to their holdings.

## Notes to the consolidated financial statements (continued)

### 2. Share capital (contd..)

#### c. Shares held by holding / ultimate holding company / promoters and / or their subsidiaries / associates

Out of the equity shares issued by the Company, shares held by its promoters, ultimate holding company and their subsidiaries / associates are as below:

	As at 31 March 2016		As at 31 March 2015	
	No. of Shares	Amount in ₹ Million	No. of Shares	Amount in ₹ Million
Relay B V (wholly owned subsidiary of Diageo Plc) *	79,612,346	796.123	79,612,346	796.123
United Breweries (Holdings) Limited *	4,116,306	41.163	4,208,556	42.086
Kingfisher Finvest India Limited (formerly "Kingfisher Radio Limited ")	1,208,180	12.082	1,658,180	16.582
Rossi & Associates Private Limited	35,112	0.351	35,112	0.351
Vittal Investments Private Limited	31,270	0.313	31,270	0.313
Dr. Vijay Mallya	12,510	0.125	12,510	0.125
Devi Investments Private Limited	2,700	0.027	2,700	0.027
Mallya Private Limited	1,005	0.010	1,005	0.010
	<b>85,019,429</b>	<b>850.194</b>	<b>85,561,679</b>	<b>855.617</b>

\* On 20 December 2013, the Honourable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo group setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares in the Company to Relay B V, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. has approached the Honourable Supreme Court by way of special leave petition (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs the Honourable Supreme Court has directed that status quo be maintained in respect of the transaction of sale of shares to Relay B V.

Pursuant to the settlement agreement (refer note 26 (e)), Dr. Vijay Mallya, erstwhile Chairman and non-executive director, undertakes to reclassify the shares held by United Breweries (Holdings) Limited, Kingfisher Finvest India Limited, Rossi & Associates Private Limited, Vittal Investments Private Limited, Dr. Vijay Mallya, Devi Investments Private Limited and Mallya Private Limited from promoter shareholders to public shareholders as per Regulation 31A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### d. Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date

	As at 31 March 2016	As at 31 March 2015
Equity shares allotted as fully paid up pursuant to amalgamations for consideration other than cash not earlier than five years	-	5,200,639

#### e. Details of shareholders holding more than 5% shares in the Company

	As at 31 March 2016		As at 31 March 2015	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Relay B V	79,612,346	54.78%	79,612,346	54.78%

- f.** The Company had issued 17,502,762 Global Depository Shares (GDSs) representing 8,751,381 equity shares ranking pari-passu in all respects with the existing paid up equity shares, 2 GDSs representing 1 equity share of par value of ₹ 10/- each at US \$7.4274 per GDSs aggregating to US \$ 130 million. These GDSs are listed on the Luxembourg Stock Exchange. Out of the above, 1,491,176 GDSs (2015: 1,431,494 GDSs) outstanding representing 745,588 equity shares (2015: 715,747 equity shares) as of 31 March 2016 have no voting rights.
- g.** During the previous year, Relay B V further acquired 37,785,214 equity shares representing 26 % equity share capital of the Company through an open offer. As a result of the acquisition of these shares, Relay B V holds 79,612,346 equity shares, representing 54.78 % equity share capital of the Company, and is the holding company of the Company.

## Notes to the consolidated financial statements (continued)

### 3. Reserves and surplus

₹ Million

	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>
<b>Capital reserve</b>		
At the beginning of the year	4,861.851	4,861.851
Add: Transfer of capital reserve on merger of a subsidiary with the Company	932.628	-
	5,794.479	4861.851
<b>Capital redemption reserve</b>		
At the beginning of the year	578.946	578.946
Add: Addition during the year	-	-
	578.946	578.946
<b>Securities premium account</b>		
At the beginning of the year	45,682.010	45,682.010
Add: Addition during the year	-	-
	45,682.010	45,682.010
<b>Other reserves:</b>		
Central subsidy (Refer note (i) below)		
At the beginning of the year	48.111	48.111
Add: Addition during the year	-	-
	48.111	48.111
Contingency reserve (Refer note (ii) below)	110.000	110.000
Employee housing fund	0.625	0.625
<b>Foreign currency translation reserve (Refer note (iii) below)</b>		
At the beginning of the year	(175.625)	6,032.241
Add: Changes during the year	674.021	(6,207.866)
	498.396	(175.625)
<b>General reserve</b>		
At the beginning of the year	10,407.997	10,407.997
Add: Addition during the year	-	-
	10,407.997	10,407.997
<b>Surplus / (deficit) as per consolidated statement of profit and loss</b>		
At the beginning of the year	(56,372.039)	(38,852.405)
Add: Net impact of profit of demerged unit and the Royalty income therefrom (Refer note 33)	-	24.908
Less: Transitional depreciation (Refer note (iv) below)	-	(667.393)
Add: Profit / (loss) for the year	9,677.440	(16,877.149)
	(46,694.599)	(56,372.039)
	<b>16,425.965</b>	<b>5,141.876</b>

- (i) Includes ₹ 1,500 million arising as a result of amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended 31 March 2006 as per the terms of the arrangement approved by the Honourable High Courts of Karnataka and Mumbai.
- (ii) Taken over on amalgamation of McDowell & Co. Limited with the Company during the year ended 31 March 2001 as per the terms of the arrangement approved by the Honourable High Court of Karnataka.
- (iii) Pursuant to disposal of Bouvet Ladubay S.A.S and Chapin Landias S.A.S, relevant portion of foreign currency translation reserve has been taken to Consolidated statement of profit and loss (Also refer note 19). Similarly during previous year, relevant portion of foreign currency translation reserve of Whyte and Mackay Group Limited was taken to Consolidated statement of profit and loss.
- (iv) Net of taxes of ₹ Nil (2015: ₹ 58.485 Million (Also refer note 6 on note 6.1 and 6.2)).

## Notes to the consolidated financial statements (continued)

### 4.1. Long-term borrowings

₹ Million

	As at 31 March 2016	As at 31 March 2015
<b>Secured</b>		
Term loan from banks	5,108.847	5,591.209
Finance lease (Refer note 23(a))	99.884	109.285
<b>Unsecured</b>		
Term loan from banks	7,000.000	7,310.650
Term loan from others	87.053	82.125
Deferred sales tax liability	214.558	239.215
	<b>12,510.342</b>	<b>13,332.484</b>
<b>Less: current maturities</b>		
<b>Secured</b>		
Term loan from banks (Refer note 5.3)	5,096.000	205.008
Finance lease (Refer note 23(a) and 5.3)	42.872	34.118
<b>Unsecured</b>		
Term loan from banks (Refer note 5.3)	-	1,895.598
Deferred sales tax liability (Refer note 5.3)	27.942	24.602
	<b>7,343.528</b>	<b>11,173.158</b>

#### a. Nature of security and terms of repayment for secured borrowings:

Nature of security	Terms of repayment
(i) Term loan from banks amounting to ₹ 5,000.000 Million (2015: ₹ 5,000.000 Million) are secured by a charge on certain fixed assets of the Company.	Repayable after three years from the date of first disbursement (3 March 2014). The loan carries floating interest and presently the rate of interest is 10.10% p.a. payable monthly.
(ii) Term loans from banks amounting to ₹ Nil (2015: ₹ 306.432 Million) taken by one of the subsidiaries are secured by a charge on property of that subsidiary.	The subsidiary has been disposed during the year
(iii) Term loans from banks amounting to ₹ Nil (2015: ₹ 3,049 Million) taken by one of the subsidiaries are secured by a charge on the plant and machinery of that subsidiary.	The subsidiary has been disposed during the year
(iv) Term loans from banks amounting to ₹ Nil (2015: ₹ 2,868 Million) taken by one of the subsidiaries are secured by a charge on the plant and machinery of that subsidiary.	The subsidiary has been disposed during the year
(v) Term loans from banks amounting to ₹ Nil (2015: ₹ 2,055 Million) taken by one of the subsidiaries is secured by a charge on the plant and machinery of that subsidiary.	The subsidiary has been disposed during the year
(vi) Term loan from a bank amounting to ₹ Nil (2015: ₹ 67.947 Million) taken by one of the subsidiaries is secured by a charge on fixed assets including land and building of that subsidiary. This loan is further secured by second charge on current assets and corporate guarantee given by the Company.	The entire loan has been repaid during the year.
(vii) Term loan from a bank amounting to ₹ 108.847 Million (2015: ₹ 208.858 Million) taken by one of the subsidiaries is secured by a charge on entire fixed assets including hypothecation charge over entire plant and equipment, building of the proposed expansion project of that subsidiary. This loan is further secured by second charge on current assets and corporate guarantee given by the Company.	Repayable in 21 equal quarterly installments commencing from March 2013 along with interest of 13.75% p.a.



# Notes to the consolidated financial statements (continued)

## 4.1. Long-term borrowings (contd...)

### b. Terms of repayment for unsecured borrowings :

<b>Borrowings</b>	<b>Terms of repayment</b>
i. Long term loan from banks:	
(a) amounting to ₹ Nil (2015: ₹ 2,949 Million)	The subsidiary has been disposed during the year
(b) amounting to ₹ Nil (2015: ₹ 2,574 Million)	The subsidiary has been disposed during the year
(c) amounting to ₹ Nil (2015: ₹ 3,594 Million)	The subsidiary has been disposed during the year
(d) amounting to ₹ Nil (2015: ₹ 2,282 Million)	The subsidiary has been disposed during the year
(e) amounting to ₹ Nil (2015: ₹ 4,718 Million)	The subsidiary has been disposed during the year
(f) amounting to ₹ Nil (2015: ₹ 3,335 Million)	The subsidiary has been disposed during the year
(g) amounting to ₹ Nil (2015: ₹ 3,791,198 Million)	The subsidiary has been disposed during the year
(h) amounting to ₹ 3,500.000 Million (2015: ₹ 3,500.000 Million)	Repayable after three year from the date of first disbursement (5 January 2015).The loan carries floating interest and presently the rate of interest is 9.5% p.a. payable monthly.
(i) amounting to ₹ 3,500.000 Million (2015: ₹ Nil)	Repayable after three year from the date of first disbursement (29 June 2015).The loan carries floating interest and presently the rate of interest is 9.5% p.a. payable monthly.
ii. Long term loan from others	
(a) amounting to ₹ 87,053 Million (2015: ₹ 82,125 Million)	Terms of repayment are not stipulated. The loan is interest free.

c. The liability on sales tax deferment for Pioneer Distilleries Limited made up to 2009-10 is ₹ 287.806 Million which has been collected under deferral scheme of Maharashtra State Government and is repayable in 14 years starting from the end of the 10th year i.e 2010-11.

## 4.2. Other long-term liabilities

₹ Million

	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>
Security deposits	176.827	210.170
Due to asset vendors	84,433	250,817
Term liability towards franchisee rights (Refer note 21)	308,062	758,880
	<b>569.322</b>	<b>1,219.867</b>

## 4.3. Long-term provisions

₹ Million

	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>
Employee Benefits:		
Provision for shortfall in provident fund trust (Refer note 22(b))	39,821	97,139
Provision for compensated absences	626,097	545,275
Provision for pension liability (Refer note 22(b))	15,555	18,658
	<b>681,473</b>	<b>661,072</b>

## 5.1. Short-term borrowings

₹ Million

	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>
<b>Secured</b>		
Working capital loans from banks (Refer note 34)	6,319,083	16,235,963
Short-term loan from banks	6,650,000	4,800,000
<b>Unsecured</b>		
Short-term loan from banks	12,250,000	13,000,000
Short-term loan from others	4,750,000	2,500,000
	<b>29,969.083</b>	<b>36,535.963</b>

<b>Nature of security</b>	<b>Terms of repayment</b>
(i) Working capital loans are secured by hypothecation of inventories, book debts and other current assets.	Interest rates are linked to respective banks base rates, and ranges from 9.4% to 12.45% p.a (2015: 10.95% to 13.85% p.a) payable monthly in case of Indian subsidiaries. Further in case of Overseas subsidiaries which have been disposed during the year the interest rate ranged from 3% to 5% p.a. payable monthly.
(ii) Short term loan from bank amounting to ₹ 1,400,000 Million (2015: ₹ 1,400,000 Million) are secured by charge on inventories, book debts and other current assets of the Company.	Repayable on 15 April 2016, carrying an interest of 9.40% p.a. The interest is payable monthly.

# Notes to the consolidated financial statements (continued)

## 5.1. Short-term borrowings (contd...)

Nature of security	Terms of repayment
(iii) Short term loan from bank amounting to ₹ Nil (2015: ₹ 1,000.000 Million) are secured by a charge on certain fixed assets of the Company.	The loan has been rolled over to a short term unsecured loan during the current year.
(iv) Short term loan from bank amounting to ₹ Nil (2015: ₹ 2,400.000 Million) are secured by a pledge of certain shares held by the company.	The entire loan has been repaid during the year.
(v) Short term loan from bank amounting to ₹ 2,000.000 Million (2015: ₹ Nil) are secured by a charge on inventories, book debts and other current assets of the Company.	Repayable on 17 April 2016. Carrying an interest of 9.35% p.a. The interest is payable monthly.
(vi) Short term loan from bank amounting to ₹ 3,250.000 Million (2015: ₹ Nil) are secured by a charge on book debts and moveable property of the Company.	Repayable on 13 April 2016. Carrying an interest of 9.50% p.a. The interest is payable monthly.

## 5.2. Trade payables

	₹ Million	As at 31 March 2016	As at 31 March 2015
Acceptances	-	159.289	159.289
Trade creditors	7,059.140	7,582.389	7,582.389
Dues to related parties (refer note 26)	347.635	255.863	255.863
	<b>7,406.775</b>	<b>7,997.541</b>	

## 5.3. Other current liabilities

	₹ Million	As at 31 March 2016	As at 31 March 2015
Current maturities of:			
Long-term borrowings (Refer note 4.1)	5,096.000	2,100.606	2,100.606
Finance lease (Refer note 4.1)	42.872	34.118	34.118
Deferred sales tax liability (Refer note 4.1)	27.942	24.602	24.602
Interest accrued but not due	113.386	164.976	164.976
Interest accrued and due	-	5.120	5.120
Liability towards franchisee rights (Refer note 21)	446.400	446.400	446.400
Advance from customers and others	139.064	452.813	452.813
Unpaid / unclaimed dividends*	14.154	17.100	17.100
Unpaid / unclaimed debentures*	0.001	0.001	0.001
Security deposit	9.950	-	-
Unpaid / unclaimed matured fixed deposits (including accrued interest)**	31.883	260.607	260.607
Others:			
Due to asset vendors	702.879	426.252	426.252
Employee payables	760.902	653.261	653.261
Statutory dues	2,221.491	1,154.490	1,154.490
Other liabilities	6,442.663	3,612.400	3,612.400
	<b>16,049.587</b>	<b>9,352.746</b>	

\* Investor Education and Protection Fund shall be credited when due.

\*\* Includes unclaimed fixed deposit of ₹ 16.081 Million (2015 ₹ 215.462 Million) in case of which the duly discharged fixed deposit receipts are not surrendered by the deposit holders.

## 5.4. Short-term provisions

	₹ Million	As at 31 March 2016	As at 31 March 2015
Provision for income tax (net of advance tax)	3,485.623	3,173.467	3,173.467
Provision for sales and other taxes (Refer note 42)	1,653.509	1,391.668	1,391.668
Fringe benefit tax (net of payments)	1.389	1.389	1.389
Employee benefits:			
Provision for gratuity (Refer note 22(b))	384.282	602.128	602.128
Provision for pension liability (Refer note 22(b))	2.359	2.311	2.311
Provision for compensated absences	158.578	171.482	171.482
	<b>5,685.740</b>	<b>5,342.445</b>	



## 6. Fixed assets

## 6.1 Tangible assets

## Notes to the consolidated financial statements *(continued)*

## 6. Fixed assets

## 6.1 Tangible assets

6.1. Tangible assets									
Description	Gross block at cost			Accumulated depreciation			Net block		
	As at 1 April 2015	Translation adjustments	Additions during the year	Disposal / adjustment during the year	On disposal (Refer note 4 below)	As at 31 March 2016	As at 01 April 2015	Translation adjustments	Transitional Depreciation (Refer note 6)
Land:									
Freehold	2,659,508	0.506	-	-	9,712	2,650,302	-	-	-
Leasehold	112,203	-	8,875	-	-	121,138	-	-	-
Buildings (Notes 1 to 3 below)	5,192,928	28,241	233,383	48,710	673,739	4,732,103	1,193,238	11,097	144,960
Plant and equipment	13,652,291	24,859	897,588	276,431	376,568	13,921,739	6,587,758	17,642	1,091,617
Furniture and fixtures	924,650	10,681	41,357	-	94,1977	475,880	10,678	-	56,198
Office equipment:									
Finance lease	113,452	-	35,334	-	148,786	13,148	-	-	41,942
Owned	307,801	1,283	66,312	36,975	29,065	309,556	302,870	1,292	-
Vehicles									63,828
Finance lease	25,169	-	-	13,293	-	11,876	12,630	-	-
Owned	229,940	0,238	28,13	3,510	-	229,481	180,176	0,183	3,164
Aircraft	186,290	-	-	186,290	-	-	186,290	-	14,014
<b>Previous Year</b>	<b>23,404,322</b>	<b>65,808</b>	<b>-</b>	<b>1,285,662</b>	<b>599,960</b>	<b>1,089,084</b>	<b>23,066,758</b>	<b>8,351,990</b>	<b>40,892</b>
									<b>- 1,415,723</b>
									<b>570,987</b>
									<b>- 1,415,723</b>
									<b>566,411</b>
									<b>- 9,271,207</b>
									<b>- 14,452,342</b>
									<b>13,795,551</b>
									<b>- 14,452,342</b>

E 2 Intangible assets

3

**Notes:**

- Buildings include an amount of ₹ 357.014 Million (2015: ₹ 357.014 Million) which is yet to be registered in the name of the Company. The amount paid is also a part of the additional review as stated in note 35(C).
- Cost of buildings includes the following payments made for the purpose of acquiring the right of occupation of Mumbai godown space.
  - 660 equity shares (unquoted) of ₹ 100 each fully paid in Shree Madhu Industrial Estate Limited ₹ 0.066 Million (2015: ₹ 0.066 Million). Application has been made for duplicate share certificates and the same is in the process.
  - 199.6 % Debentures (unquoted) of ₹ 1,000 each fully paid in Shree Madhu Industrial Estate Limited ₹ 0.199 Million (2015: ₹ 0.199 Million). Application has been made for duplicate debentures certificates and the same is in the process.
  - Deposit with Shree Madhu Industrial Estate Limited ₹ 0.132 Million (2015: ₹ 0.132 Million)

## Notes to the consolidated financial statements (continued)

### 6. Fixed assets (contd...)

#### Notes: (contd...)

3. Cost of buildings include value of fully paid shares ₹ 0.006 Million (2015: ₹0.006 Million) held in Co-operative Housing Societies.
4. Disposals / adjustments during the year represents gross block and accumulated depreciation amounting to ₹ 1,113.754 Million and ₹ 568.325 Million respectively pertaining to Bouvet Ladubay S.A.S and Chapin Landias S.A.S. Previous year disposals / adjustments represented ₹ 14,796.151 Million and ₹ 7,788.674 Million respectively pertaining to Whyte and Mackay Group Limited and ₹ 1,032.294 Million (Refer note 27) and ₹ 235.824 Million pertaining to demerger of a unit (Refer Note 33).
5. Depreciation and amortisation for the year ended :

	₹ Million	31 March 2016	31 March 2015
Depreciation charge		1,415.723	2,131.564
Amortisation		161.620	137.364
Transfer of depreciation on account of slump sale to Enrica Enterprises Private Limited (Refer note 33)		-	(40.187)
	<b>1,577.343</b>	2,228.741	

6. Consequent to the enactment of the Act and its applicability to accounting periods commencing from 1 April 2014, the Company and certain subsidiaries have realigned the remaining useful lives of their tangible fixed assets in accordance with the provisions prescribed under Schedule II of the Act. Consequently, in case of tangible fixed assets which have completed their useful lives, the carrying value (net of residual value) as at 1 April 2014 amounting to ₹ Nil (2015: 667.334 Million (net of tax of ₹ 58.544 Million)) has been debited to "Surplus / (deficit) as per consolidated statement of profit and loss" under Reserves and Surplus and in case of other tangible fixed assets, the carrying value (net of residual value) is being depreciated over the revised remaining useful lives.

### 7. Non-current investments

₹ Million

	As at 31 March 2016	As at 31 March 2015
<b>Investment property</b> (Valued at cost) [Refer note 1 below]	764.681	748.293
	<b>764.681</b>	<b>748.293</b>
<b>Trade investments (Valued at cost)</b>		
<b>Quoted</b>		
In fully paid equity shares (Refer note 2 below)	0.532	150.532
<b>Unquoted</b>		
In fully paid equity shares	2.582	2.582
<b>Associates**</b>	31.821	31.821
Add: Accumulated losses of associates	(31.821)	(31.821)
(net of dividend received)	-	-
** including Goodwill on acquisition of Associates ₹ 3.518 Million (2015: ₹ 3.518 Million)	<b>3.114</b>	<b>153.114</b>
<b>Other investments</b>		
<b>Quoted</b>		
In fully paid equity shares	3.652	3.652
<b>Unquoted</b>		
In fully paid units	9.986	9.986
Less: Provision for diminution in the value of investment	(1.205)	(1.205)
	8.781	8.781

## Notes to the consolidated financial statements (continued)

### 7. Non-current investments (contd..)

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
In fully paid equity shares	0.660	0.660
In fully paid debentures (Non-redeemable) (Refer note 3)	0.048	0.048
In Government securities	0.250	0.250
	<b>13.391</b>	<b>13.391</b>
<b>Total investments</b>	<b>781.186</b>	<b>914.798</b>
<b>Aggregate value of quoted investments:</b>		
Book value	4.184	154.184
Market value	56.910	8,684.485
<b>Aggregate book value of unquoted investments</b>	<b>777.002</b>	<b>760.614</b>
<b>Aggregate provision for diminution in the value of investments</b>	<b>1.205</b>	<b>1.205</b>

#### Notes:

- 1 Investment property represents the castle and residential premises owned by the Group in Scotland and Hongkong respectively. Castle in Scotland carrying book value ₹ 92.391 Million (2015: ₹ 90.188 Million) was transferred to a trust by the previous legal owner, a former director of the Company, some years ago. However legal ownership of the investment property has not, to date, been transferred to the trust. One of the subsidiaries controls the trust and is the beneficial owner of this investment property.
- 2 During the year, the Group has sold 8,500,000 equity shares held in United Breweries Limited (constituting 3.21% of the paid up equity capital of United Breweries Limited) (UBL) for a total sale consideration net of brokerage of ₹ 8,686.016 Million (against book value of ₹ 150.0 Million). The profit of ₹ 8,536.016 Million and disclosed as exceptional item.
- 3 Market quotations are not available for investments amounting to ₹ 0.039 Million (2015: ₹ 0.039 Million)

### 8. Deferred tax assets (net)

	₹ Million	
	As at 31 March 2016	As at 31 March 2015
<b>Deferred tax assets</b>		
Provision for doubtful debts / advances / deposits	971.300	1,111.641
Employee benefits	229.921	284.834
Interest capitalisation in inventory	28.652	-
Provisions allowed on payments	520.802	66.051
Others	81.572	15.899
	<b>1,832.247</b>	<b>1,478.425</b>
<b>Deferred tax liabilities</b>		
Depreciation	597.502	600.497
	<b>1,234.745</b>	<b>877.928</b>

## Notes to the consolidated financial statements (continued)

### 9. Long term loans and advances

(Unsecured, considered good unless stated otherwise)

₹ Million

	As at 31 March 2016	As at 31 March 2015		
Capital advances	399.969	665.923		
Loans and advances to tie-up units				
Considered good	-	-		
Considered doubtful	128.410	133.790		
	128.410	133.790		
Less: Provision for doubtful loans and advances (Refer note 35)	128.410	133.790		
Loans and advances to related parties				
Considered good	-	116.705		
Considered doubtful	13,540.331	13,373.159		
	13,540.331	13,489.864		
Less : Provision for doubtful advances (Refer note 35)	13,540.331	13,373.159		
Advance income tax (net of provisions)	2,243.218	2,495.147		
Security deposits [Refer note (i) and (ii) below]				
Considered good	514.908	490.547		
Considered doubtful	63.225	1,416.809		
	578.133	1,907.356		
Less: Provision for doubtful deposits (Refer note 35)	63.225	514.908	1,416.809	490.547
Pre-paid expenses (Refer note (iii) below)		2,108.154		2,345.442
Other advances:				
Considered good (Refer note (iv) below)	1,541.025	1,994.656		
Considered doubtful	2,680.471	3,976.792		
	4,221.496	5,971.448		
Less: Provision for doubtful advances (Refer note 35)	2,680.471	1,541.025	3,976.792	1,994.656
	<b>6,807.274</b>			<b>8,108.420</b>

The above amounts include:

- (i) due from Company Secretary ₹ Nil (2015: ₹ Nil). Maximum amount outstanding at any time during the year ₹ Nil (2015: ₹ 3,041 Million).
- (ii) due from the Directors of the Company ₹ Nil (2015: ₹ 6,415 Million). Maximum amount outstanding at any time during the year ₹ 6,415 Million (2015: ₹ 15,055 Million)
- (iii) ₹ 2,108.154 Million (2015: ₹ 2,340.315 Million) paid to a related party under trade mark licence agreement.
- (iv) amount deposited ₹ 350,000 Million (2015: ₹ 350,000 Million) in Honourable Civil Court, Mapusa, Goa to establish the proprietary interest it has on the property.

### 10. Other non-current assets

₹ Million

	As at 31 March 2016	As at 31 March 2015
<b>Others</b>		
Margin money deposit with a bank (Refer note 11.4)	1.300	1.300
	<b>1.300</b>	<b>1.300</b>

# Notes to the consolidated financial statements (continued)

## 11.1. Current investments

(Valued at cost or fair value, whichever is lower)

	₹ Million	As at 31 March 2016	As at 31 March 2015
<b>Unquoted</b>			
Investments in mutual funds	11,097	10,696	
Sole beneficial interest in trusts*	1,196,969	1,238,109	
	<b>1,208.066</b>	1,248,805	
<b>Aggregate value of quoted investments</b>			
Book value	-	-	
Market value	-	-	
<b>Aggregate book value of unquoted investments</b>	<b>1208.066</b>	<b>1248.805</b>	

\*Includes

- a) sole beneficial interest in USL Benefit Trust (UBT) of ₹ 1,196.969 Million (2015: ₹ 1,196.969 Million). UBT holds shares of the Company which were pledged in favour of Unit Trust of India Investment Advisory Services Limited, a Security Trustee for Punjab National Bank (PNB) and IDBI Bank Limited (IDBI) for the term loan availed by USL from PNB and IDBI. The loan has been repaid and PNB has issued "No Objection Letter", however IDBI is yet to release the Company's shares. A Writ Petition has been filed by the Company and the same is pending before Honourable High Court of Karnataka. [Refer note 34]
- b) sole beneficial interest in SWFSL Benefit Trust (SBT) of ₹ Nil (2015: ₹ 41,140 Million). SBT held 72,416,505 equity shares of SWFCL. These shares were kept with escrow agent in view of court order. Pursuant to a scheme of amalgamation, such beneficial interest were held in trust by the trustee of SBT for the benefit of SWFCL. Upon merger of SWFCL with the Company, SBT has been dissolved and the resultant impact has been adjusted with Capital reserve under Reserves and surplus.

## 11.2. Inventories\*

(Valued at lower of cost and net realisable value)

	₹ Million	As at 31 March 2016	As at 31 March 2015
Raw materials	1,444.925	2,668.717	
[(including materials in transit ₹ 66,512 Million (2015: ₹ 201,594 Million))]			
Work-in-progress **	9,730.092	10,002,495	
[(including held by a branch outside India ₹ 3,811,463 Million (2015: ₹ 4,065,822 Million))]			
Finished goods	4,701.356	2,888,203	
Stock-in-trade	500.285	351.113	
[(including goods in transit ₹ 23,477 Million (2015: ₹ 206,332 Million))]			
Stores and spares	85.979	82,870	
Packing materials	1,491.381	1,587,721	
[(including materials in transit ₹ 57,669 Million (2015: ₹ 48,548 Million))]			
	<b>17,954.018</b>	<b>17,581.119</b>	

\* Refer note 1.12 for mode of valuation for inventories

\*\* Interest included in the stock of work in progress

## Notes to the consolidated financial statements (continued)

### 11.3. Trade receivables

(Unsecured, considered good unless stated otherwise)

	₹ Million	As at 31 March 2016	As at 31 March 2015
Outstanding for a period of more than six months:			
Considered good	526.378	526.378	
Considered doubtful	1,490.460	3,378.847	
	<b>2,016.838</b>	<b>3,905.225</b>	
Others: Considered good*	24,005.475	16,988.625	
Considered doubtful	199.580	540.642	
	<b>26,221.893</b>	<b>21,434.492</b>	
Less: Provision for doubtful debts	1,690.040	3,919.489	
	<b>24,531.853</b>	<b>17,515.003</b>	

\* includes due from related parties of ₹ 85.612 (2015: ₹ 223.099 Million) [Refer note 26(c)].

### 11.4. Cash and bank balance

	₹ Million	As at 31 March 2016	As at 31 March 2015
(a) Cash and cash equivalents:			
Cash on hand	1.709	2.127	
Cheques on hand	11.317	162.468	
Balances with banks:			
On current accounts (Refer note (i) below)	1266.068	2,356.337	
On deposit account with original maturity of less than three months	11.298	107.666	
	<b>1,290.392</b>	<b>2,628.598</b>	
(b) Other bank balances:			
On unpaid dividend / debenture accounts	14.155	17.101	
On unpaid deposit accounts (Refer note (ii) below)	31.883	260.607	
Margin money deposits	1.300	1.300	
On escrow with bank (Refer note (iii) below)	266.889	-	
Deposits due to mature within 12 months from the reporting date (Refer note (iv) below)	19.967	722.460	
	<b>334.194</b>	<b>1,001.468</b>	
(c) Amounts disclosed under non-current assets (Refer note 10)			
On margin money deposits	(1.300)	(1.300)	
	<b>(1.300)</b>	<b>(1.300)</b>	
	<b>1,623.286</b>	<b>3,628.766</b>	

The above accounts:

- (i) includes ₹Nil (2015: ₹ 8.347 Million) in Exchange Earners Foreign Currency (EEFC) Account and ₹ 1.577 Million (2015: ₹ 2.071 Million) in Foreign currency and have not been hedged.
- (ii) includes ₹ 16.081 Million (2015: ₹ 215.462 Million) transferred to a separate non-interest bearing escrow account pertaining to unclaimed FDs wherein duly discharged FDRs were not received.
- (iii) includes ₹ 266.889 Million (2015: ₹ 246.039 Million as deposits) kept under escrow pending resolution of various taxation matters.
- (iv) includes ₹ Nil (2015: ₹ 462.500 Million) held in an escrow account deposited by purchaser of Whyte and Mackay Group Limited for a period of 8 months post the effective date of sale.

# Notes to the consolidated financial statements (continued)

## 11.5. Short-term loans and advances

(Unsecured, considered good unless stated otherwise)

	₹ Million	As at 31 March 2016	As at 31 March 2015
Income accrued on investments and deposits / advances			
Considered good	14,610	25,518	
Considered doubtful	48,467	48,467	
Income accrued on advances - related parties			
Considered doubtful	713,770	963,069	
Advances to Tie-up units			
Considered good	2,564,561	2,496,050	
Considered doubtful	351,655	708,136	
Advances to related parties	7,186		
Taxes and duties paid in advance	5,524,721	3,590,716	
MAT credit receivable	27,357	-	
Loans and advances to employees	26,792	14,345	
Advances to suppliers			
Considered good	514,247	471,963	
Considered doubtful	938,263	982,206	
Other receivables	-	71,030	
Prepaid expenses *	1,060,809	1,116,981	
	11,792,438	10,488,481	
Less: Provision for doubtful advances (Refer note 35)	2,052,155	2,701,878	
	<b>9,740.283</b>	<b>7,786.603</b>	

\* includes ₹ 236.518 Million (2015: ₹ 295.507 Million) paid to a related party under trade mark license agreement.

## 11.6. Other current assets

	₹ Million	As at 31 March 2016	As at 31 March 2015
Assets held for sale (net of provisions)	0.747	0.747	
Other receivable [Refer note 33]			
Considered good	-	871,333	
Considered doubtful	621,185	-	
	621,185	871,333	
Less: Provision for doubtful advances	621,185	-	
	-	871,333	
	<b>0.747</b>	<b>872.080</b>	

## 12. Revenue from operations

	₹ Million	For the year ended 31 March 2016	For the year ended 31 March 2015
Revenue from operations (Gross)			
Own manufactured goods	199,913,833	201,786,382	
Traded goods	20,628,200	14,688,752	
Income arising from sale by manufacturers under 'Tie-up' agreements (Tie-up units) (Refer note 32)	4,214,891	3,940,448	
Income from brand franchise	686,237	952,841	
Income from IPL franchise	1,348,892	935,339	
	<b>226,792.053</b>	<b>222,303.762</b>	

## Notes to the consolidated financial statements (continued)

### 13.1. Other operating revenues

₹ Million

	For the year ended 31 March 2016	For the year ended 31 March 2015
Scrap sales	340.432	333.020
Sales tax incentive*	812.720	344.353
Income from distribution services	10.624	369.191
Miscellaneous	228.430	709.475
	<b>1,392.206</b>	<b>1,756.039</b>

\* represents Maharashtra Value Added Tax (MVAT) incentive from Govt. of Maharashtra under Industrial promotion subsidy (IPS).

### 13.2. Other income

₹ Million

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income (long-term)*	49.351	344.897
Dividend income from short-term investments	1.522	11.460
Lease rent	21.201	295.643
Profit on sale of fixed assets, net	5.741	4.110
Liabilities no longer required written back	348.595	123.351
Bad debts and advances recovered	0.494	29.409
Insurance claims	22.324	1.897
	<b>449.228</b>	<b>810.767</b>

\* An amount of ₹ 1,270.545 Million (2015: ₹ 1,207.018 Million) has not been recognised based on Management's assessment of recoverability.

### 14. Cost of materials consumed

₹ Million

	For the year ended 31 March 2016	For the year ended 31 March 2015
Raw materials	21,671.720	24,887.145
Packing materials	18,265.009	18,451.469
	<b>39,936.729</b>	<b>43,338.614</b>

### 15. Changes in inventories of finished goods, work-in-progress and stock-in-trade

₹ Million

	For the year ended 31 March 2016	For the year ended 31 March 2015
Opening stock:		
Finished goods	2,888.203	4,460.954
Work-in-progress	10,002.495	20,473.135
Stock-in-trade	351.113	83.254
	<b>13,241.811</b>	<b>25,017.343</b>
Less : Stocks of the Demerged unit as on 1 April 2014 (refer note 33)		
Finished goods	-	89.611
Work-in-progress	-	81.315
	<b>-</b>	<b>170.926</b>
Less: Stocks of subsidiaries disposed as on date of disposal *		
Finished goods	80.445	2,507.159
Work-in-progress	890.371	12,358.910
	<b>970.816</b>	<b>14,866.069</b>

## Notes to the consolidated financial statements (continued)

### 15. Changes in inventories of finished goods, work-in-progress and stock-in-trade (contd...) ₹ Million

	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
Closing stock:		
Finished goods	4,701.356	2,888.203
Work-in-progress	9,730.092	10,002.495
Stock-in-trade	500.285	351.113
	<b>14,931.733</b>	<b>13,241.811</b>
Excise duty on opening / closing stock of finished goods (net)	885.773	(242.202)
	<b>(1,774.965)</b>	<b>(3,503.665)</b>

\* represents stock of Bouvet Ladubay S.A.S and Chapin Landias S.A.S as at 18 November 2015 amounting to ₹ 970.816 Million. Previous year closing stock includes of Whyte and Mackay Group Limited as at 31 October 2014 amounting to ₹ 14,866.069 Million.

### 16. Employee benefits expense ₹ Million

	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
Salaries, wages and bonus	5,749.354	5,889.364
Contribution to provident and other funds	777.488	1,474.474
Staff welfare expenses	460.536	414.700
	<b>6,987.378</b>	<b>7,778.538</b>

### 17. Finance costs ₹ Million

	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
Interest expense	4,555.111	6,587.727
Debt issue costs	2.949	285.635
	<b>4,558.060</b>	6,873.362

### 18. Other expenses ₹ Million

	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
Direct expenses on IPL franchise	1,083.082	910.364
Consumption of stores and spares	167.059	164.344
Sub-contracting wages	781.910	533.491
Power and fuel	359.966	368.352
Rent	1,484.724	1,435.533
Repairs and maintenance:		
Buildings	66.886	177.614
Plant and machinery	216.328	254.101
Others	301.367	186.160
Insurance	131.277	167.231
Rates and taxes #	1,269.499	2,229.634
Travelling and conveyance	503.048	915.805
Legal and professional	1,059.829	1,366.753
Freight outwards	1,797.863	2,135.029
Advertisement and sales promotion	9,811.552	10,563.306
Commission on sales	503.045	564.726

## Notes to the consolidated financial statements (continued)

### 18. Other expenses (contd...)

₹ Million

	For the year ended 31 March 2016	For the year ended 31 March 2015
Royalty / brand fee / trademark / licence fees	643.778	576.407
Cash discount	587.615	630.843
Sales tax	283.355	180.581
Exchange loss (net)	157.489	5,238.740
Fixed assets written off	17.390	0.216
Directors' remuneration:		
Sitting fee	14.560	7.930
Commission	12.500	-
Bad debts and advances written off	0.105	7.133
Provision for doubtful debts / advances / deposits	917.403	1,628.225
Write down of value of investments	0.058	150.304
Research and development	86.597	101.891
Others		
Administrative expenses	590.008	745.785
Distribution costs	1,324.578	1,461.375
Miscellaneous	579.762	349.354
	<b>24,752.633</b>	<b>33,051.227</b>

# includes provision for sales and other taxes (Refer note 42)

### 19. Exceptional items (net)

₹ Million

	For the year ended 31 March 2016	For the year ended 31 March 2015
Profit / (loss) on disposal of subsidiaries*	(569.824)	2,415.545
Provision on advances to related parties [Refer note 35(b)]	-	(9,954.597)
Profit on sale of investment	8,536.016	-
Provision for doubtful debts / advances / deposits written back	6,209.266	
Less: Bad and doubtful advances, deposit and trade receivables written off	(5,665.880)	543.386
Provision on advances to associates [Refer note 26(b)]		(156.550)
Impairment in Goodwill**	(128.177)	(1,209.012)
Provision for doubtful advances (Refer note 33)	(315.854)	-
Profit on sale of manufacturing unit (refer note 33)	-	356.500
	<b>7,908.997</b>	<b>(8,391.564)</b>

\* During the period the Group has sold its entire interest in Bouvet Ladubay S.A.S and Chapin Landais S.A.S. Consequent to the above sale Bouvet Ladubay S.A.S and Chapin Landais S.A.S ceased to be subsidiaries of the Group w.e.f 18 November 2015. Upon disposal, foreign currency translation reserve (FCTR) and Goodwill on Consolidation relevant to these subsidiaries have been adjusted to Consolidated statement of profit and loss. A loss of ₹ 569.824 Million has been recognised as an exceptional item.

\*\* During the year ended 31 March 2016, the Group has recorded impairment in Goodwill with respect to certain subsidiaries amounting to ₹ 128.177 Million (2015: ₹ 1,209.012 Million). The impairment arises primarily due to low capacity utilization, negative margins or strategic shift in focus of the business. The Group has recorded this impairment based on third party valuations.



# Notes to the consolidated financial statements (continued)

## 20. Earnings per share

	As at 31 March 2016	As at 31 March 2015
Nominal value of equity shares (₹)	10.00	10.00
(a) Net profit / (loss) after tax (₹ Million)		
- Continuing	9,677.440	(19,298.518)
- Discontinuing	-	2,421.369
- Total	9,677.440	(16,877.149)
(b) Basic number of equity shares of ₹ 10 each outstanding during the year	145,327,743	145,327,743
(c) Weighted average number of equity shares of ₹ 10 each outstanding during the year	145,327,743	145,327,743
(d) Basic and diluted earnings per share (₹)		
- Continuing	66.59	(132.79)
- Discontinuing	-	16.66
- Total	<b>66.59</b>	<b>(116.13)</b>

## 21. Term liability towards franchisee rights:

The Group holds the perpetual right of the Bangalore Franchise of BCCI-IPL. Although this right is perpetual, it would be prudent to consider this having a 'finite' rather than an 'infinite' life. The limited over version of the game which was first introduced in 1970s is continuing even now after 46 years and an even shorter version (20 over) has only recently been introduced and is more popular than the 50 over format. The Management has held discussion internally as well as with other experts in the field on the subject of useful life and the period of amortisation. Although the Management regards the useful life as indefinite, as a measure of prudence a useful life of 50 years is considered as appropriate and the rights are amortised over 50 years having regard to the following factors:

- The game of cricket has been in existence for over 100 years and there is no indication of interest in the game and the commercial prospects waning.
- The shorter version of the game is increasingly popular.
- The commercial exploitation of the shorter version is on an increasing scale and is expected to reach the scale which other games like soccer have reached.
- This industry (cricket) is, therefore, highly stable and the market demand for this game is likely to remain for more than 50 years with its spread to many countries.
- IPL and its teams have acquired brand status and teams are not identified with countries or geographies but with brand names.
- The franchisees have the intent and ability to provide the necessary financial and other resources required to obtain the expected future economic benefits from this for at least 50 years.

Franchise fee payments to be made upto 2017 have been capitalised. From and including 2018 an amount equal to 20% of the franchise income received in respect to each year is payable as franchise fees. The carrying value of the capitalized rights is assessed for impairment at every balance sheet date.

The carrying amount of Franchise Rights as at 31 March 2016 is ₹ 3,904.418 Million (2015: ₹ 3,997.380 Million) to be amortised over the remaining period of 42 years (2015: 43 years).

Term liability towards franchisee rights at the year end aggregating to ₹ 754.462 Million (2015: ₹ 1,205.280 Million) is payable over a period of 2 years (2015: 3 years), of which ₹ 446.400 Million (2015: ₹ 446.400 Million) is payable within one year.

The governing bodies of this sport in India and globally, over a period of last 7 to 15 years have experienced annualized growth of 19% to 35% in their media / central rights. The Management believes that given the sheer appeal of this format, which has surpassed all expectations, an annualised growth rate of approximately 6% is projected. Based on the facts above, the Management believes that there is no impairment on the franchise rights.

## Notes to the consolidated financial statements (continued)

### 22. Employee benefits

#### a) Defined contribution plans

The Group offers its Employees defined contribution plans in the form of Provident Fund (PF) and Employees' Pension Scheme (EPS) with the Government, Superannuation Fund (SF) and certain state plans such as Employees' State Insurance (ESI). PF and EPS cover substantially all regular employees while the SF covers certain executives and the ESI covers certain workers. Contribution to SF is made to United Spirits Superannuation Fund ('USSF') which was set up during the year. Before the formation of USSF, contributions were being made to United Breweries Staff Superannuation Fund ('UBSSF'). During the year, USSF has received ₹ 298.419 Million out of ₹ 449.585 Million from UBSSF. The balance amount of ₹ 151.166 Million is yet to be received. Other contributions are made to the Government's funds. While both the employees and the Group pay predetermined contributions into the Provident Fund and the ESI Scheme, contributions into the pension fund and the superannuation fund are made only by the Group. The contributions are normally based on a certain proportion of the employee's salary.

During the year, the Group has recognised the following amounts in the Consolidated statement of profit and loss, which are included in contribution to provident and other funds in Note 16:

₹ Million

	For the year ended 31 March 2016	For the year ended 31 March 2015
Provident fund and employees pension scheme*	110.162	103.791
Superannuation Fund	150.744	178.749
Employees State Insurance	6.668	7.875
Death benefit	9.595	10.397
National pension fund	4.391	2.202
	<b>281.560</b>	<b>303.014</b>

\* Excluding contribution to PF made to trusts managed by the Group.

#### b) Defined benefit plans

##### Gratuity:

The Group provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's last drawn salary and years of employment with the Group. The Group has employees' gratuity funds managed by the Group as well as by Insurance Companies.

##### Pension:

Whyte and Mackay Group Limited operated and contributed in a defined benefit pension scheme, under which amounts were held in a separately administered trust. Subsequent to disposal of Whyte and Mackay Group Limited during previous year, this scheme was no longer a part of the Group.

##### Provident fund:

For certain executives and workers of the Group, contributions are made as per applicable Indian laws towards Provident Fund to certain Trusts set up and managed by the Group, where the Group's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the Group. Having regard to the assets of the Fund and the return on the investments, shortfall in the assured rate of interest notified by the Government, which the Group is obliged to make good is determined actuarially.

# Notes to the consolidated financial statements (continued)

## 22. (b) Defined benefit plans (contd...)

₹ Million

	31 March 2016						31 March 2015					
	Funded			Non funded			Funded			Non funded		
	Gratuity	Pension fund	Provident fund	Gratuity	Pension fund	Death Benefit	Gratuity	Pension fund	Provident fund	Gratuity	Pension fund	Death Benefit
<b>A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation</b>												
Obligation at the beginning of the year	2,149.755	-	2,291.496	4.223	20.969	-	1,755.188	14,268.409	2,087.507	2,756	20.879	-
Contribution by plan participants	-	-	319.721	-	-	-	-	-	331.615	-	-	-
Current service cost	152.207	-	124.523	0.850	1.498	-	116.600	-	176.809	0.850	4.308	-
Interest cost	150.956	-	168.475	0.253	-	-	141.528	347.152	154.850	0.253	-	-
Actuarial (gain) / loss on obligations	170.583	-	-	(0.122)	-	-	454.748	984.108	-	(0.122)	-	-
Benefits paid	(393.984)	-	(448.882)	(0.038)	(4.553)	-	(312.193)	(290.080)	(459.285)	(0.038)	(4.218)	-
Exchange fluctuation	8.941	-	(0.544)	0.524	-	-	(6.116)	(1,018.339)	-	0.524	-	-
Disposal during the year	(24.372)	-	-	-	-	-	-	(14,291.250)	-	-	-	-
Obligation at the end of the year	<b>2,214.086</b>	-	<b>2,454.789</b>	<b>5.690</b>	<b>17.914</b>	-	<b>2,149.755</b>	-	<b>2,291.496</b>	<b>4.223</b>	<b>20.969</b>	-
<b>B. Reconciliation of opening and closing balances of the fair value of plan assets</b>												
Plan assets at the beginning of the year	1,551.850	-	2,194.357	-	-	-	1,195.962	13,467.315	1,963.530	-	-	-
Adjustment for opening fair value	5.650	-	13.113	-	-	-	(0.047)	-	-	-	-	-
Contribution by plan participants	-	-	319.721	0.799	-	-	-	-	331.615	0.038	-	-
Contribution by the Company	558.047	-	170.734	-	-	-	532.215	281.755	160.057	-	-	-
Expected return on plan assets	150.696	-	184.499	-	-	-	120.364	542.975	158.366	-	-	-
Actuarial gains / (losses)	(36.888)	-	(18.032)	-	-	-	16.146	331.705	40.068	-	-	-
Benefits paid	(392.644)	-	(449.424)	(0.799)	-	-	(312.193)	(290.080)	(459.279)	(0.038)	-	-
Exchange fluctuation	(1.217)	-	-	-	-	-	(0.597)	(1,807.920)	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	(12,525.750)	-	-	-	-
Plan assets at the end of the year	<b>1,835.494</b>	-	<b>2,414.968</b>	-	-	-	<b>1,551.850</b>	-	<b>2,194.357</b>	-	-	-
<b>C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognized in the balance sheet</b>												
Present value of obligation at the end of the year	2,214.086	-	2,454.789	5.690	17.914	-	2,149.755	-	2,291.496	4.224	20.969	-
Fair value of plan assets at the end of the year	1,835.494	-	2,414.968	-	-	-	1,551.850	-	2,194.357	-	-	-
Liability / (net asset) recognised in consolidated balance sheet	<b>378.592</b>	-	<b>39.821</b>	<b>5.690</b>	<b>17.914</b>	-	<b>597.905</b>	-	<b>97.139</b>	<b>4.224</b>	<b>20.969</b>	-
Current portion of liability / (net asset) recognised in consolidated balance sheet*	378.592	-	-	5.690	2.359	-	597.905	-	-	4.224	2.311	-
Non- current portion of liability / (net asset) recognised in consolidated balance sheet	-	-	39.821	-	15.555	-	-	-	97.139	-	18.658	-
<b>D. Expenses recognised in the consolidated statement of profit and loss</b>												
Current service cost	149.902	-	124.523	0.850	4.308	-	116.600	-	176.809	0.850	4.308	-
Interest cost	149.385	-	168.476	0.253	-	-	141.528	347.152	154.850	0.253	-	-
Expected return on plan assets	(150.693)	-	(184.499)	-	-	-	(120.364)	(542.975)	(158.366)	-	-	-
Actuarial (gains) / losses	215.515	-	18.030	(0.122)	-	-	438.602	652.403	(40.068)	(0.122)	-	-
Total expenses recognised in the consolidated statement of profit and loss	<b>364.109</b>	-	<b>126.530</b>	<b>0.981</b>	<b>4.308</b>	-	<b>576.366</b>	<b>456.580</b>	<b>133.225</b>	<b>0.981</b>	<b>4.308</b>	-
Included in:												
Contribution to provident and other funds in Note 16	364.109	-	126.530	0.981	4.308	-	576.366	456.580	133.225	0.981	4.308	-
<b>E. Investment details of plan assets</b>												
Government securities	0%	0%	17%				0%	0%	21%			
Securities guaranteed by Government	0%	0%	0%				0%	0%	0%			
Private Sector Bonds	0%	0%	5%				0%	0%	0%			
Public Sector / Financial Institutional Bonds	0%	0%	68%				0%	0%	68%			
Special Deposit Scheme	0%	0%	5%				0%	0%	5%			
Fund balance with Insurance Companies	99%	0%	0%				98%	0%	0%			
Others (including bank balances)	1%	0%	5%				2%	0%	6%			
	<b>100%</b>	<b>0%</b>	<b>100%</b>				<b>100%</b>	<b>0%</b>	<b>100%</b>			

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on the assets is expected to vary from year to year reflecting the returns on matching government bonds.

## Notes to the consolidated financial statements (continued)

### 22. (b) Defined benefit plans (contd...)

₹ Million

	2016			2015		
	Funded			Funded		
	Gratuity	Pension	PF	Gratuity	Pension	PF
<b>F. Actual return on plan assets</b>	6.79%			7.56%	10.41%	
<b>G. Assumptions</b>						
Discount rate (per annum)	7.80%	NA	7.80%	7.80%	NA	7.80%
Expected rate of return on plan assets	9.25%	NA	8.33%	9.25%	NA	7.85%
Rate of increase in compensation levels	15.00%	NA	NA	12.80%	NA	NA
Attrition rate	13.20%	NA	13.20%	10.20%	NA	10.20%
Average past service of employees (years)	13.00	NA	NA	13.10	NA	NA
Mortality rates	Standard Indian Assured Lives (2006-08) Ultimate Table	NA	LIC (a) 1996-98 ultimate table, standard India assured lives 2006-08 ultimate table	Standard Indian Assured Lives (2006-08) Ultimate Table	NA	LIC (a) 1996-98 ultimate table, standard India assured lives 2006-08 ultimate table

₹ Million

	2016			2015			2014		
	Gratuity	Pension	PF	Gratuity	Pension	PF	Gratuity	Pension	PF
<b>H. Others (funded)</b>									
Present value of obligation	2,214.086	-	2,454.789	2,149.755	-	2,291.496	1,755.188	14,268.409	2,087.502
Fair value of plan assets	1,835.494	-	2,414.968	1,551.850	-	2,194.357	1,195.962	13,467.315	1,963.530
Amount recognised in balance sheet – liability	378.592	-	39.821	597.905	-	97.139	559.227	801.094	123.972
Experience adjustments on present value of obligation	37.251	-	-	(337.759)	-	-	(98.240)	-	-
Experience adjustments on plan assets	(38.115)	-	(18.030)	15.026	-	40.068	(18.003)	-	(27.441)

₹ Million

	2013			2012		
	Gratuity	Pension	PF	Gratuity	Pension	PF
Present value of obligation	1,331.939	11,922.784	1,847.025	1,090.818	10,196.114	1,602.320
Fair value of plan assets	1,052.724	10,879.802	1,789.385	817.888	9,520.150	1,494.056
Amount recognised in balance sheet – liability	279.215	1,042.982	57.640	272.930	675.964	108.264
Experience adjustments on present value of obligation	(94.788)	-	-	(80.822)	-	-
Experience adjustments on plan assets	(1.900)	-	58.216	(18.421)	-	(25.559)

₹ Million

	2016			2015			2014		
	Gratuity	Pension	Death Benefit	Gratuity	Pension	Death Benefit	Gratuity	Pension	Death Benefit
<b>Others (Non-funded)</b>									
Present value of obligation	5.690	17.914	-	4.223	20.969	-	2.756	20.879	-
Present value of plan assets	-	-	-	-	-	-	-	-	-
Amount recognised in Balance sheet – Liability	5.690	17.914	-	4.223	20.969	-	2.756	20.879	-

₹ Million

	2013			2012		
	Gratuity	Pension	Death Benefit	Gratuity	Pension	Death Benefit
Present value of obligation	1.645	22.237	23.466	1.356	24.155	20.331
Present value of plan assets	-	-	-	-	-	-
"Amount recognised in Balance sheet – Liability	1.645	22.237	23.466	1.356	24.155	20.331

Notes:

1. The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
2. As per the best estimate of the Management, contribution of ₹ 386.309 Million (2015: ₹ 604.440 Million) is expected to be paid to the plans during the year ending 31 March 2017.

# Notes to the consolidated financial statements (continued)

## 23. Leases

### a) Finance leases

The Company has acquired computer equipment and cars on finance leases. The lease agreement is for a primary period of 36 to 60 months for computer equipments and cars. The Company has an option to renew these leases for a secondary period.

The minimum lease payments and their present value for the finance leases, for the following periods are as follows: ₹ Million

Particulars	As at 31 March 2016		As at 31 March 2015	
	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments
Not later than one year	42,872	48,171	34,118	40,591
Later than one year and not later than five years	51,684	61,032	71,933	79,941
Later than five years	5,328	-	3,234	3,358
	<b>99,884</b>	<b>109,203</b>	<b>109,285</b>	<b>123,890</b>
Less: Finance charges		9,319		14,605
Present value of net minimum lease payments		<b>99,884</b>		<b>109,285</b>

### b) Operating leases

The Group's significant leasing arrangements in respect of operating leases for premises (residential, office, stores, godown, manufacturing facilities etc.) and plant and machineries, which includes both cancellable and non cancellable leases ranging between 11 months and 3 years generally (or longer in certain cases) and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as rent under note 18 to the Consolidated financial statements.

Consequent to disposal of Bouvet Ladubay S.A.S certain non-cancellable leasing arrangements are no more a part of the Group. Non-cancellable operating lease rental payable (minimum lease payments) under these lease were as follows: ₹ Million

Particulars	As at	As at
	31 March 2016	31 March 2015
(i) not later than one year;	-	60,468
(ii) later than one year and not later than five years;	-	177,579
(iii) later than five years;	-	149,800
The total of future minimum sublease payments expected to be received under non-cancellable subleases at the consolidated balance sheet date;	-	<b>387,847</b>

## 24. Onerous lease provision

₹ Million

	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>At the beginning of the year</b>	-	782,708
Translation adjustment	-	(51,643)
	-	731,065
Payments during the year	-	(57,303)
Charged to the consolidated statement of profit and loss	-	-
Disposal of subsidiary	-	(673,762)
<b>At the end of the year</b>	-	-

### Note:

These provisions were set up in relation to certain leasehold properties of Whyte and Mackay Group Limited, which were un-let or sub-let at a discount. The provisions took account of current market conditions and expected future vacant periods and were utilised over the remaining period of the lease. Whyte and Mackay Group Limited is disposed off during the previous year. (Refer Note 27)

# Notes to the consolidated financial statements (continued)

## 25. Segment reporting

The Group is primarily organised into two main geographic segments:

**India:** The 'India' segment is engaged in the business of manufacture, purchase and sale of Beverage Alcohol (Spirits and Wines) including through Tie-up units / brand franchisees within India.

**Outside India:** The 'Outside India' segment is engaged in the business of manufacture, purchase and sale of Beverage Alcohol (Spirits and Wines) including through Tie-up units / brand franchisees outside India.

Geographic segment	2016				2015				₹ Million
	India	Outside India (Refer Note (g))	Unallocated / eliminations	Total	India	Outside India (Refer Note (f))	Unallocated / eliminations	Total	
<b>(i) Revenue (including other income)</b>									
External	2,25,258.360	3,373.605	1.522	2,28,633.487	2,07,189.367	17,669.741	11.460	2,24,870.568	
Less: Excise duty	1,33,759.986	631.448	-	1,34,391.434	1,26,120.505	4,589.405	-	1,30,709.910	
Inter-segment	207.890	1,020.761	(1,228.651)	-	2,790.325	1,598.171	(4,388.496)	-	
Total revenue	91,706.264	3,762.918	(1,227.129)	94,242.053	83,859.187	14,678.507	(4,377.036)	94,160.658	
<b>(ii) Result</b>									
Segment result – profit / (loss)	8,374.504	222.138	(157.491)	8,439.151	4,369.172	(5,468.641)	-	(1,099.469)	
Income from investments	-	-	1.522	1.522	-	-	11.460	11.460	
Finance cost	-	-	4,558.060	4,558.060	-	-	6,873.362	6,873.362	
Profit / (loss) before taxation	8,374.504	222.138	(4,714.029)	3,882.613	4,369.172	(5,468.641)	(6,861.902)	(7,961.371)	
Exceptional items	(8,606.998)	-	698.001	(7,908.997)	9,597.762	-	(1,206.198)	8,391.564	
Profit before taxation	16,981.502	222.138	(5,412.030)	11,791.610	(5,228.590)	(5,468.641)	(5,655.704)	(16,352.935)	
Provision for taxation	-	-	2,102.237	2,102.237	-	-	520.399	520.399	
Profit / (loss) after taxation	16,981.502	222.138	(7,514.267)	9,689.373	(5,228.590)	(5,468.641)	(6,176.103)	(16,873.334)	
Share of Minority interest				11.933				3.815	
Net profit / (loss) for the year				9,677.440				(16,877.149)	
<b>(iii) Other information</b>									
Segment assets	80,835.961	2,405.322	2,360.570	85,601.853	72,265.011	5,122.869	1,498.208	78,886.088	
Segment liabilities	24,949.406	276.363	42,479.739	67,705.508	21,827.359	586.509	49,868.924	72,282.792	
Capital expenditure (per cash flow)	2,582.078	13.766	-	2,595.844	1,247.957	395.439	-	1,643.396	
Depreciation and amortisation	1,478.613	98.730	-	1,577.343	2,508.245	462.137	-	2,970.382	
Other non cash expenses (per cash flow)	7,073.140	0.100	-	7,073.240	12,015.667	5,634.110	-	17,649.777	

## B. Secondary segmental reporting

The Group is engaged in the business of manufacture, purchase and sale of Beverage Alcohol (Spirits and Wines) including through Tie-up units / brand franchisees, which constitutes a single business segment. The Group's other operations did not exceed the quantitative threshold for disclosure as envisaged in AS 17-'Segment Reporting' prescribed under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.

### Notes:

- Segment accounting policies are in line with the accounting policy of the Group.
- Segment revenue includes sales and other income directly identifiable with / allocable to the segment including intersegment revenues.
- Expenses that are directly identifiable with / allocable to segment are considered for determining the segment results. Expenses which relates to the group as a whole and not allocable to segments, are included under "Unallocable Corporate expenses".
- Segment revenue resulting from transactions with other segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.
- Segment assets and liabilities includes those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represents the assets and liabilities that relates to the Group as a whole and not allocable to any segments. Unallocable assets mainly comprise of investments in subsidiary companies (Goodwill on consolidation). Unallocable liabilities include mainly loan funds and proposed dividend.
- Previous year outside India segment includes balances of Whyte and Mackay Group Limited which had been disposed off then. Same was presented as discontinuing operations during previous year.
- A significant portion of current year's outside India segment representing balances of Bouvet Ladubay S.A.S and Chapin Landias S.A.S has been disposed off during the year.

# Notes to the consolidated financial statements (continued)

## 26. Related party disclosures

### a) Names of related parties and description of relationship

Associates	Entities where there is control	Key Management Personnel (KMPs)	Employees' Benefit Plans where there is significant influence	Holding companies	Fellow subsidiaries	Entities under common influence / control with the company	Entities having significant influence over the Group
Wine Society of India Private Limited	USL Benefit Trust	Mr Anand Kripal - Managing Director and Chief Executive Officer	Mc Dowell & Company Limited Staff Gratuity Fund (McD SGF)	Diageo Plc. (ultimate holding company of Relay B V)	Diageo Scotland Limited	City Properties Maintenance Company Bangalore Limited (effective till 25 February 2016)	United Breweries (Holdings) Limited (effective till 25 February 2016)
	SWFSL Benefit Trust (Disolved during the year upon merger of SWFCL with the Company)	Mr P A Murali - Executive Director and Chief Financial Officer (effective upto 22 April 2015)	McDowell & Company Limited Officers' Gratuity Fund (McD OGF)	Relay B V	Diageo India Private Limited	United Breweries Limited (effective till 25 February 2016)	Kingfisher Finvest India Limited (effective till 25 February 2016)
		Mr. Ashok Kapoor - Managing Director (effective upto 30 April 2014)	Phipson & Company Limited Management Staff Gratuity Fund. (PCL SGF)		Diageo Brands BV		
			Phipson & Company Limited Gratuity Fund. (PCL GF)		Diageo Vietnam Limited		
			Carew & Company Ltd. Gratuity Fund (CCL GF)		Diageo Great Britain Limited		
			McDowell & Company Limited Provident Fund (McD PF)		Diageo Australia Limited		
			Shaw Wallace & Associated Companies Employees Gratuity Fund (SWCEGF)		Diageo North America Inc.		
			Shaw Wallace & Associated Companies Executive Staff Fund (SWCSGF)		Diageo Singapore Pte Limited		
			Shaw Wallace & Co. Associated Companies Provident Fund (SWCPF)		Diageo Singapore Supply Pte Limited		
			Balaji Distilleries Employees Gratuity Trust (until 30 March 2015)		Guiness Nigeria Limited^		
			United Spirits Superannuation Fund (with effect from 15 June 2015)		Diageo Ireland^		
			Whyte and Mackay pension scheme (WMPS) (till 31 October 2014)				

^ No transactions during the year.

Pursuant to the settlement agreement entered on 25 February 2016 with Dr. Vijay Mallya, erstwhile Chairman and non-executive director, the parties mentioned below will not be considered as related party:

- United Breweries (Holdings) Limited
- Kingfisher Finvest India Limited
- City Properties Maintenance Company Bangalore Limited
- United Breweries Limited

## Notes to the consolidated financial statements (continued)

## 26. Related party disclosures (contd...)

## b) Summary of transactions with related parties

# Notes to the consolidated financial statements (continued)

## 26. Related party disclosures (contd...)

### b) Summary of transactions with related parties (contd...)

Sl. No.	Nature of transactions	March 2016						March 2015					
		Associates	Entities where there is control	Key Management Personnel	Employees Benefit Plans where there is significant influence	Holding company / Fellow subsidiaries / Entities having significant influence	Total	Associates	Entities where there is control	Key Management Personnel	Employees Benefit Plans where there is significant influence	Holding company / Fellow subsidiaries / Entities having significant influence / Entities under common influence or control	Total
<b>n) Rent</b>													
	- Managing Director (Mr Anand Kripal)	-	-	-	-	-	-	-	-	-	-	-	
	- Managing Director (Mr Ashok Kapoor)	-	-	-	-	-	-	-	-	-	-	-	<b>0.720</b>
	- Executive Director (Mr P A Murali)	-	-	1,285	-	-	1,285	-	-	-	14,454	-	<b>14,454</b>
<b>o) Contribution to gratuity fund</b>													
	- McDGF	-	-	438,377	-	438,377	-	-	-	-	332,283	-	<b>332,283</b>
	- McDGF	-	-	111,976	-	111,976	-	-	-	-	180,920	-	<b>180,920</b>
<b>p) Contribution to provident fund</b>													
	- McDPF	-	-	170,734	-	170,734	-	-	-	-	160,057	-	<b>160,057</b>
<b>q) Contribution to superannuation fund</b>													
	- United Spirits Superannuation Fund	-	-	10,168	-	10,168	-	-	-	-	-	-	
<b>r) Contribution to pension fund scheme</b>													
	- WMP5	-	-	-	-	-	-	-	-	-	299,324	-	<b>299,324</b>
<b>s) Income from agency commission</b>													
	- Diageo India Private Limited	-	-	-	-	12,079	12,079	-	-	-	369,191	-	<b>369,191</b>
<b>t) Property maintenance fees</b>													
	- Kingfisher Finvest India Limited	-	-	-	-	-	-	-	-	-	127,341	-	<b>127,341</b>
<b>u) House keeping and security services</b>													
	City Properties Maintenance Company Bangalore Limited	-	-	-	-	47,199	47,199	-	-	-	50,559	-	<b>50,559</b>
<b>v) Expenses incurred by the Company on behalf of others, reimbursable</b>													
	- Relay BV	-	-	-	-	0.955	0.955	-	-	-	-	-	
	- United Breweries (Holdings) Limited	-	-	-	-	0.589	0.589	-	-	-	-	-	
	- United Breweries Limited	-	-	-	-	21,828	21,828	-	-	-	12,037	-	<b>12,037</b>
<b>w) Expenses incurred on behalf of the Company, reimbursable</b>													
	- Diageo Great Britain Limited	-	-	-	-	14,080	14,080	-	-	-	-	-	
	- Diageo Pte.	-	-	-	-	83,313	83,313	-	-	-	-	-	
	- United Breweries Limited	-	-	-	-	-	-	-	-	-	4,791	-	<b>4,791</b>
	- United Breweries (Holdings) Limited	-	-	-	-	0.154	0.154	-	-	-	-	-	
<b>x) Provision for doubtful loans and advances</b>													
	-Wines Society of India Private Limited	167,968	-	-	-	167,968	116,582	-	-	-	116,582	-	
	-UBHL	-	-	-	-	(249,299)	(249,299)	-	-	-	9,954,598	-	<b>9,954,598</b>
<b>y) Assignment of receivables in favour of Company by</b>													
	- Diageo India Private Limited	-	-	-	-	62,239	62,239	-	-	-	-	-	

# Notes to the consolidated financial statements (continued)

## 26. Related party disclosures (contd...)

### c) Summary of closing balances

Sl. No.	Nature of transactions	Associates	Entities where there is control	Key Management Personnel	Employees Benefit Plans where there is significant influence	Holding company Fellow subsidiaries / Entities having significant influence / Entities under common influence or control	March 2016		March 2015		₹ Million
							Total	Associates	Entities where there is control	Key Management Personnel	
<b>a) Amount due from / (due to)</b>											
- Diaeo India Private Limited	-	-	-	-	-	(42,998)	(42,998)	-	-	-	88,396
- Diaeo Scotland Limited	-	-	-	-	-	4,518	4,518	-	-	-	88,396
- Diaeo Singapore Pte Limited	-	-	-	-	-	(4,330)	(4,330)	-	-	-	-
- Diaeo Singapore Supply Pte Limited	-	-	-	-	-	(7,107)	(7,107)	-	-	-	-
- Diaeo Australia Limited	-	-	-	-	-	(28,612)	(28,612)	-	-	-	-
- Diaeo North America Inc.	-	-	-	-	-	(18,089)	(18,089)	-	-	-	-
- Diaeo Great Britain Limited	-	-	-	-	-	0,935	0,935	-	-	-	-
- Diaeo Vietnam	-	-	-	-	-	1,619	1,619	-	-	-	-
- Diaeo plc.	-	-	-	-	-	1,733	1,733	-	-	-	-
- Diaeo Brands BV	-	-	-	-	-	(254,069)	(254,069)	-	-	-	(255,863)
- Relay BV	-	-	-	-	-	-	-	-	-	-	-
- UBHL	-	-	-	-	-	13,965,053	13,965,053	-	-	-	14,219,646
- UBHL - UB Global Corporation	-	-	-	-	-	85,612	85,612	-	-	-	134,703
- Wine Society of India Private Limited	284,550	-	-	-	-	284,550	233,287	-	-	-	233,287
- UBHL - Pegasus	-	-	-	-	-	-	-	-	-	-	(126,405)
- United Breweries Limited	-	-	-	-	-	8,396	8,396	-	-	-	16,879
- Kingfisher Finvest India Limited	-	-	-	-	-	(1,442)	(1,442)	-	-	-	0,865
- McD PF	-	-	-	-	-	(33,891)	(33,891)	-	-	-	(30,539)
- McD OFG	-	-	-	-	-	(337,464)	(337,464)	-	-	-	(438,377)
- McD SGF	-	-	-	-	-	(18,546)	(18,546)	-	-	-	(111,976)
- United Spirits Superannuation Fund	-	-	-	-	-	(9,540)	(9,540)	-	-	-	-
- City Properties Maintenance Company Bangalore Limited	-	-	-	-	-	(0,322)	(0,322)	-	-	-	(7,016)
<b>b) Rental deposits on behalf of KMPs</b>											
- Managing Director (Mr Ashok Kapoor)	-	-	-	-	-	-	-	-	-	-	8,640
- Executive Director (Mr P A Murali)	-	-	-	-	-	-	-	-	-	-	6,415
<b>c) Guarantees and collaterals given / (received) outstanding</b>											
- UBHL	-	-	-	-	-	(550,000)	(550,000)	-	-	-	(550,000)
<b>d) Interest as sole beneficiary in</b>											
- USL Benefit Trust	-	1,196,969	-	-	-	1,196,969	-	-	-	-	1,196,969
- SWFSL Benefit trust	-	-	-	-	-	-	41,140	-	-	-	41,140
<b>e) Provision for doubtful loans and advances</b>											
- UBHL	-	-	-	-	-	13,971,551	13,971,551	-	-	-	14,220,850
- Wine Society of India Private Limited	284,550	-	-	-	-	-	284,550	116,582	-	-	-
<b>f) Unmortised trademark license fees</b>											
- UBHL	-	-	-	-	-	-	2,344,672	2,344,672	-	-	-
											2,635,822
											2,635,822

^During the year, the Group has not recognised interest income amounting to ₹ 1,270,545 Million (2015: ₹ 1,207,018 Million) on advances to United Breweries (Holdings) Limited. The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.



# Notes to the consolidated financial statements (continued)

## 26. Related party disclosures (contd...)

**26. (d)** As per the requirements of the then listing agreements, entered into by the Company with various stock exchanges, and applicable circulars issued by Securities Exchange Board of India ("SEBI") (including circular No. CIR/CFD/POLICY CELL/2/2014 dated 17 April 2014 ("April 17 Circular") and circular No. CIR/CFD/POLICY CELL/7/2014 dated 15 September 2014), the Company had sought approval of its shareholders for certain historical agreements at the extraordinary general meeting ("EGM") held on 28 November 2014, including the following: (a) loan agreement dated 3 July 2013, between the Company and UBHL; (b) agreements dated 30 September 2011 and 22 December 2011 respectively, between the Company and UBHL requiring UBHL to sell to the Company certain immovable properties; (c) services agreement dated 3 July 2013, between the Company and Kingfisher Finvest India Limited; (d) advertising agreement dated 1 October 2013 (which amended and restated the original agreement dated 3 July 2013) between the Company and Watson Limited; (e) sponsorship agreement dated 11 June 2013 between the Company and United Racing & Bloodstock Breeders Limited; (f) sponsorship agreement dated 11 June 2013 between the Company and United Mohun Bagan Football Team Private Limited; (g) aircraft services agreement dated 11 June 2013 between the Company and UB Air Private Limited; (h) properties call agreement dated 11 June 2013 between the Company and PE Data Centre Resources Private Limited; and (i) contribution agreement dated 11 June 2013 between the Company and Vittal Mallya Scientific Research Foundation.

As stated in the EGM notice dated 31 October 2014, each of the above-mentioned transactions were duly approved by the then existing board of directors of the Company, prior to entering into the agreement corresponding to such transaction. The EGM notice further stated that while the April 17 Circular mandates that all existing material related party transactions be placed before the shareholders for their approval by way of a special resolution, thus far, the consequences of any non-approval of such existing transactions by the shareholders by the requisite majority is unclear. It is therefore possible that non-approval of one or more of the above-mentioned agreements by the requisite majority may result in the Company being obliged to cease to act upon and potentially put the Company in breach of such agreements, which are the subject of non-approval by the shareholders. This could potentially result in a dispute with the relevant counterparties who may contend that the Company has breached the relevant agreement by failing to act on or fulfil its obligations under the same. Such potential disputes could be protracted and costly, and could result in financial or other liabilities on the Company. Also, any inability on the part of the Company to act on or fulfil its obligations under the unapproved agreements could result in the Company being potentially unable to receive the benefit of the various rights that it is entitled to under such agreements (such as in the case of the agreement noted in (b) above). It was also stated in the EGM Notice that in the absence of sufficient clarity in respect of the provisions dealing with existing material related party contracts and arrangements, the Company was tabling the above-mentioned agreements for the approval of the shareholders by way of abundant caution.

It was further stated in the EGM notice that the Company was still in the process of seeking confirmations from, and verifying the position in relation to, the counterparties to, inter alia, the above mentioned agreements as to whether or not they are related parties of the Company, and it was not clear whether the counterparties to such agreements are indeed related parties of the Company for the purpose of Clause 49(VII) of the then Listing Agreement. However, to the extent it ultimately transpired that all or any of above mentioned agreements do not qualify as existing material related party contracts or arrangements, or the counterparties to all or any of these agreements do not qualify as related parties of the Company, such that approval of the shareholders of the Company is not required under the April 17 Circular in respect of any of the above mentioned contracts or arrangements then, in that case, it shall follow that there will be no consequences on such contracts or arrangements or on their validity or on any act or omission that may have been committed or omitted pursuant thereto, by reason of the shareholders having approved or not approved any of such contracts or arrangements.

At the EGM, the above-mentioned agreements were not approved by the shareholders of the Company by requisite majority. Consequently, the Company sought clarifications / directions from SEBI with respect to the implications of the non-approval of the aforesaid agreements by the shareholders of the Company.

Pending clarification / direction from SEBI on the above, the Company has recognised the charges up to 28 November 2014, in respect of the agreements listed in (c) to (g) and (i) above, amounting to ₹ 1,357.300 Million during the financial year ended 31 March 2015 (₹ 1,382.2 Million for the financial year ended 31 March 2014). In light of the fact that the Company's shareholders have not approved the said agreements on 28 November 2014, the Company did not recognise the charges from 29 November 2014 payable under the agreements listed in (c) to (g) and (i) above. The Company had informed the respective counterparties that the contracts mentioned above were not approved by the shareholders on 28 November 2014. Further, subsequent to 28 November 2014, in response to the letters received by the Company from the concerned counterparties, the Company has made payments amounting to ₹ 74.300 Million (excludes a cheque of ₹ 6.100 Million which has not been encashed) to some of these counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable



## Notes to the consolidated financial statements (continued)

### 26. (d) Related party disclosures (contd...)

to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. Pending the clarifications / directions from SEBI, the Company had not made any payments to the respective counterparties under the agreements in (c) to (g) and (i) above for the period subsequent to 28 November 2014 and considered these amounts as contingent liabilities. During the previous year, the Company received communications from some of the counterparties identified above stating that they do not qualify as related parties of the Company, to which the Company has responded. In addition, during the previous year, the Company received multiple notices from one of the counter-parties, demanding payments of sums due under the relevant agreement for periods after 28 November 2014. The Company has suitably responded to these notices. As mentioned in note 26(e) below, the Company has entered into mutual release and termination agreements with the respective counterparties under the agreements in (c) to (e), and (g) to (i) above and the agreement with the party named in (f) above has not yet been terminated. Further, with respect to the terminated agreements, the Company has retained the right to recover the amounts paid to the respective parties for the period before 28 November 2014 in case any regulatory authority and / or any court of competent jurisdiction decides that these amounts were not payable by the Company at a future date. In view of shareholders non-approval of these agreements in the EGM held on 28 November 2014 and thereafter the termination of some of these agreements, pending clarification from SEBI, which has not been forthcoming, the Company has obtained an opinion from a senior legal counsel opining that these contracts would have been rendered void by, and from the date of rejection by, the shareholders. Accordingly, the Company has not recognised the charges amounting to ₹ 121.000 Million from 29 November 2014 to 31 March 2016 (including ₹ 91.000 Million year ended 31 March 2016) payable under the agreements listed in (f) above.

The summary of the transactions in relation to the historical agreements as below [excluding transactions already disclosed in note 26 (b)]:

₹ Million

Sl. No.	Name of party	Nature of transactions	For the year ended 31 March 2016	01 April 2014 to 28 November 2014
1	United Racing and Bloodstock Breeders Limited	Advertisement & sales promotion	-	56.180
2	United Mohun Bagan Football Team Private Limited	Advertisement & sales promotion	-	59.925
3	Watson Limited	Advertisement & sales promotion	-	816.347
4	Vittal Mallya scientific research foundation	Contribution for scientific research	-	16.667
5	UB Air Private Limited	Aircraft charges	-	280.900
6	PE Data Centre Resources Private Limited	Property option agreement	281.394	-
7	PE Data Centre Resources Private Limited	Interest on call option money	67.530	-

Summary of closing balances with the above mentioned parties [excluding transactions already disclosed in note 26 (c)]:

₹ Million

Sl. No.	Name of party	Nature of transactions	As at 31 March 2016	As at 31 March 2015
1	UB Air Private Limited	Deposits outstanding	50.000	50.000
2	UB Air Private Limited	Provision for doubtful advance	(50.000)	
3	PE Data Centre Resources Private Limited	Property Call Money Received	-	281.394
4	United Mohun Bagan Football Team Private Limited	Amount due from / (to)	-	(6.400)
5	Vittal Mallya Scientific Research Foundation	Amount due from / (to)	-	-
6	UB Air Private Limited	Amount due from / (to)	157.040	157.040
7	UB Air Private Limited	Provision for doubtful advance	(157.040)	(157.040)



## Notes to the consolidated financial statements (continued)

**26. (e)** On 25 February 2016, USL entered into a settlement agreement with Dr Mallya pursuant to which he resigned from his positions as a director and chairman of the Company and of the boards of its subsidiaries. Pursuant to this settlement, the Company and Dr Mallya agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its financial statements for the financial year ended 31 March 2014 (as mentioned in note 35 (a)). Additionally USL undertook to Dr Mallya that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note 35 (a) in relation to matters arising out of the initial inquiry mentioned therein. In connection with the settlement, Dr Mallya procured or undertook to procure the termination by the relevant counterparties of certain historical agreements to which the Company was party and which were voted down by the shareholders in November 2014. As a result, the Company entered into mutual release and termination agreements with all the respective counterparties under the agreements identified in (c) to (e) and (g) to (i) of note 26 (d) above, terminating the relevant agreements with effect from 28 November 2014 and mutually releasing the Company and each relevant counterparty of any claims arising thereunder subsequent to 28 November 2014. The termination of these agreements are on terms that release the Company from all liabilities / obligations under the agreements, including in respect of accrued, unpaid amounts, other than in the following specific and limited instances: (i) in respect of the agreement identified in (d) of note 26 (d) above, the parties have agreed that the Company shall have no obligation to pay the counterparty to that agreement amounts (including amounts which were due to be paid by the Company at the time of signing such agreement) until and unless the counterparty or its affiliate pay the Company certain amounts owed in connection with a prior sponsorship arrangement entered into by the Company with such affiliate; and (ii) in respect of agreement identified in (h) of note 26 (d) below, the Company agreed to refund (and has refunded) to the counterparty thereto, the entire call option fee of ₹ 281.439 Million which was paid to the Company during the financial year ended 31 March 2014 together with simple interest at 12%. The agreement with the party named in (f) of note 26 (d) has not yet been terminated, notwithstanding Dr Mallya's undertaking to procure such termination. In addition to the above terms in the settlement, Dr Mallya agreed to a global non-compete (excluding United Kingdom), non-interference and standstill obligations as regards the Company for a period of five years following the date of the settlement. The Company agreed that Dr Mallya will have the honorary title of "Founder Emeritus - USL". USL has confirmed that it has no intention to remove Mr Sidhartha Mallya (Dr Mallya's son) as a director of Royal Challengers Sports Private Limited ('RCSPL') which holds the franchise for the IPL team Royal Challengers Bangalore ('RCB'), for a period of two years or while RCB remains part of the USL Group, whichever is earlier, subject to Dr Mallya's continuing compliance with the terms of the settlement. Dr Mallya will have the status of Chief Mentor while Mr Sidhartha Mallya remains on the board of RCSPL.

The members of the board of RCSPL will be able, if they wish, to consult with Dr Mallya. Dr Mallya's above mentioned titles carry no authority, responsibility, rights or benefits within the Company or its group. As part of its arrangements with Dr Mallya, the Company also entered into certain principles, pursuant to which Dr Mallya or a party nominated by him would have a limited period option to purchase up to 13 non-core properties from the Company. If Dr Mallya or his nominee elects to acquire any or all of these properties, the election would need to be made in a time-bound manner and the price at which the properties may be acquired will be the fair market value as assessed by a reputed independent valuer appointed by USL, with a 10% discount applying to the valuation of three of the residential properties (in Mumbai, Goa and New Delhi), provided that each of the fair market value and the discounted value applicable to certain select properties as specified above, shall not be less than the value of that property adopted or assessed by any authority or state government for the purposes of payment of stamp duty in respect of the transfer of the relevant property. The sale prices for these properties (including the post-discount price for the relevant three properties) are expected to be higher than the prices, which applied under the now-terminated properties call agreement referred to in (h) of note 26 (d) above.

Pursuant to the settlement agreement, United Breweries (Holding) Limited ("UBHL") and Kingfisher Finvest India Limited's ("KFinvest's") nominated director on the USL board Dr Mallya, resigned. UBHL indicated it may be prevented from agreeing to terminate the Shareholders Agreement immediately by reason of certain legal and court restrictions which may apply as a result of winding-up proceedings to which UBHL is subject in India. USL was informed that UBHL proposes to seek court leave for an agreed termination of the Shareholders' Agreement, and USL has received certain undertakings in this regard from Dr Mallya. USL has received further notice from Dr Mallya regarding some steps taken though UBHL is yet to seek court leave to terminate the Shareholders' Agreement.

Given the nature and complexities of the settlement, and the possibility of varied interpretations of potentially applicable provisions of the Act and SEBI regulations, the Company obtained legal opinions from a senior legal counsel and from its external counsel, opining that the settlement agreement and related documents are in compliance with the applicable provisions of the Act and SEBI regulations.



## Notes to the consolidated financial statements (continued)

### 27. Discontinuing operations

- (i) Further to Diageo plc's undertakings offered to UK's Office of Fair Trade (now called Competition and Markets Authority, UK), in January 2014, the Company's Board of Directors decided to initiate a process based on the outlined time-table provided in connection with the decision of the OFT to explore a potential sale of all or part of Whyte and Mackay. As a culmination of this process, on 9 May 2014 the Company's wholly owned subsidiary, United Spirits (Great Britain) Limited (seller or USGBL) entered into a Share Sale and Purchase agreement (SPA) with Emperador UK Limited and Emperador Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited (WMG) for an Enterprise Value of GBP 430 Million (calculated with a normalized level of working capital) from which deduction had been made for the payment of a warranty and indemnity insurance premium of GBP 0.85 Million agreed between the seller and the purchaser. The Company had also obtained an opinion from a leading merchant banker and considered that the Enterprise Value is fair from a financial point of view of the Company. The Group had received a letter dated 16 October 2014 from the Authorised Dealer advising the Company to complete the disinvestment of WMG and subsequent liquidation of the intermediary wholly owned subsidiary companies.
- (ii) On 31 October 2014, the sale of the entire issued share capital of WMG by USGBL to Emperador UK Limited had been completed. With the above sale, WMG and its 45 subsidiaries had ceased to be subsidiaries of the Company. Post adjustment of Pension Deficit, repayment of debt, movements in Net Working Capital and other expenses, the Group has got the balance funds amounting to GBP 400 Million, of which GBP 370 Million has been used to repay Whyte and Mackay acquisition debt.
- (iii) On disposal of WMG, foreign current translation reserve (FCTR) relevant to WMG had been adjusted to consolidated statement of profit and loss after adjustment of losses incurred on its disposal. These losses had been computed after adjustment of goodwill on consolidation with respect to WMG. Upon transfer of FCTR to consolidated statement of profit and loss, a gain of ₹ 2,415 million had been recognised as an exceptional items in the consolidated statement of profit and loss in the previous year.

WMG represented significant geographical area of operation accounting for nearly 16% of the group income and qualified as discontinuing operations under AS 24 Discontinuing Operations.

The following statement shows the revenue, expenses and profits of the discontinuing operation.

₹ Million

	For the year ended 31 March 2016	For the period 1 April 2014 to 31 October 2014
<b>Income</b>		
Revenue from operations	-	8,722.739
Other income	-	274.677
	<b>8,997.416</b>	
<b>Expenditure</b>		
Cost of materials consumed	-	4,219.378
Employee benefits expenses	-	1,033.545
Finance cost	-	0.312
Depreciation and amortisation	-	292.895
Other expenses	-	3,410.948
	<b>8,957.078</b>	
<b>Profit before exceptional items and tax</b>	-	<b>40.338</b>
Exceptional items (Refer note 19)	-	2,415.545
Profit / (loss) before tax	-	<b>2,455.883</b>
Current tax	-	0.596
Deferred tax charge	-	33.918
<b>Profit / (loss) after tax</b>	<b>2,421.369</b>	

The carrying value of the assets and liabilities of the discontinuing operations is as follows:

₹ Million

	As at 31 March 2016		As at 31 March 2015	
	Continuing operations	Discontinuing operations	Continuing operations	Discontinuing operations
Total assets (excluding goodwill)	84,477.322	-	78,265.808	-
Total liabilities	67,705.508	-	72,282.792	-

# Notes to the consolidated financial statements (continued)

## 27. Discontinuing operations (contd...)

The net cash flows attributable to the discontinuing operations are as follows:

₹ Million

	For the year ended 31 March 2016	For the period 1 April 2014 to 31 October 2014
Net cash generated from operating activities	-	(1,611.891)
Net cash generated from / (used in) investing activities	-	(520.236)
Net cash used in financing activities	-	818.836
<b>Net cash generated from discontinuing operations</b>	<b>-</b>	<b>(1,313.291)</b>

## 27. a) Additional information pursuant to para 2 of 'General instructions for the preparation of Consolidated financial statements' of Schedule III to the Act.

₹ Million

Name of the entity	Net assets, i.e., Total assets minus total liabilities		Share in profit or loss	
	As % of consolidated net assets <sup>#</sup>	Amount <sup>#</sup>	As % of consolidated profit or loss <sup>#</sup>	Amount <sup>#</sup>
<b>Parent Company</b>				
United Spirits limited	43.12%	7,710.139	135.62%	13,124.891
<b>Foreign Subsidiaries</b>				
Asian Opportunities and Investments Limited (AOIL)	0.55%	99.142	-1.80%	(174.361)
Bouvet Ladubay S.A.S (BL) *	0.00%	-	-0.51%	(48.937)
Chapin Landias S.A.S (CL) *	0.00%	-	1.37%	132.190
Liquidity Inc.	-1.09%	(194.769)	-0.35%	(34.274)
McDowell & Co. (Scotland) Limited (MSL)	4.32%	771.971	-0.47%	(45.851)
Montrose International S.A (MI)	0.00%	0.506	-0.02%	(1.453)
United Spirits Nepal Private Limited	0.98%	175.175	2.22%	214.434
Palmer Investment Group Limited (PIG)	0.00%	0.277	0.00%	(0.188)
UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited (JIHL)	0.02%	3.207	-0.01%	(0.774)
United Spirits Singapore Trading Pte Ltd	0.85%	151.511	9.73%	941.274
United Spirits (UK) Limited (USUJKL)	0.00%	(0.660)	-0.01%	(0.807)
USL Holdings Limited (UHL)	-0.04%	(7.300)	1.04%	100.744
USL Holdings (UK) Limited (UHUJKL)	0.00%	(0.808)	-20.73%	(2,006.170)
United Spirits (Shanghai) Trading Company Limited (USLS)	0.02%	3.341	-0.04%	(4.203)
United Spirits (Great Britain) Limited (USGBL)	5.78%	1,033.396	-0.32%	(31.431)
Shaw Wallace Overseas Limited (SWOL)	0.04%	6.370	0.00%	0.261
<b>Indian Subsidiaries</b>				
Four Seasons Wines Limited (FSWL)	2.91%	520.894	-2.96%	(286.447)
Pioneer Distilleries Limited	15.12%	2,703.818	-20.36%	(1,970.470)
Royal Challengers Sports Private Limited	22.24%	3,976.521	1.00%	97.008
Sovereign Distilleries Limited	3.23%	577.842	-1.92%	(185.601)
Tern Distilleries Private Limited (Tern)	2.05%	365.772	-1.35%	(130.462)
		<b>17,896.345</b>		<b>9,689.373</b>
<b>Minority interest in subsidiaries</b>				
United Spirits Nepal Private Limited	-0.10%	(17.103)	-0.13%	(11.933)
		<b>(17.103)</b>		<b>(11.933)</b>
<b>Associates</b>				
Wine Society of India Private Limited	0.00%	-	0.00%	-
<b>Total</b>	<b>100.00%</b>	<b>17,879.242</b>	<b>100.00%</b>	<b>9,677.440</b>

\* During the year, the Group has disposed off its interest in Bouvet Ladubay S.A.S and Chapin Landias S.A.S.

# The above balances are calculated after elimination of inter-company transactions and balances.

## Notes to the consolidated financial statements (continued)

### 27. b) Details of loans during the year ended 31 March 2016 as per section 186 (4)

₹ Million

Name of the borrower	Relationship	Secured / unsecured	Purpose	Rate of Interest	Term / Repayment schedule	As on 1 April 2015	Further funding during the year	Amalgamation / Mergers	Deposit converted to loan	Repayment during the year	Exchange restatement	As on 31 March 2016
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Unsecured	Working capital	12%	Principal and interest to be repaid on 31 March 2017 *	1,975.183	565.000	-	-	-	-	2,540.183
Four Seasons Wines Limited	Wholly owned subsidiary	Unsecured	Working capital	12%	Principal and interest to be repaid on 31 March 2017 *	539.412	88.908	93.257	-	-	-	721.577
Tern Distilleries Private Limited	Wholly owned subsidiary	Unsecured	Working capital / Capex funding	12%	Repayable on demand	677.001	90.435	-	-	(767.436)	-	-
Sovereign Distilleries Limited	Wholly owned subsidiary	Unsecured	Working capital	12%	Principal and interest to be repaid on 31 March 2017 *	3,308.000	94.525	-	-	(3,402.525)	-	-
Pioneer Distilleries Limited	Subsidiary	Unsecured	Working capital / Capex funding	12%	Principal and interest to be repaid on 31 March 2017 *	1,353.907	-	-	-	-	-	1,353.907
Wine Society of India Private Limited	Associate	Unsecured	Working capital	12%	Repayable on demand	233.287	51.263	-	-	-	-	284.550

#### Overseas Subsidiaries

Asian Opportunities & Investments Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Bouvet Ladubay	Interest free	Refer note below	1,735.025	-	-	-	(1,363.682)	129.169	500.512
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Bouvet Ladubay	12%	Refer note below	67.200	-	-	-	(70.782)	3.582	-
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	393.375	-	-	-	-	18.499	411.874
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Unsecured	Working capital	12%	Refer note below	-	18.754	-	-	-	0.197	18.951
USL Holdings Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Whyte and Mackay Limited	Interest free	Refer note below	49,361.462	-	-	-	-	2,855.021	52,216.483
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	15.741	-	-	-	-	-	15.741
Liquidity Inc.	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	53.808	-	-	-	-	-	53.808
United Breweries (Holdings) Limited	Promoter	Unsecured		9.50%	8 years	13,374.167	-	-	-	-	-	13,374.167
<b>Total</b>						<b>73,087.568</b>	<b>908.885</b>	<b>93.257</b>	<b>- (5,604.425)</b>	<b>3,006.468</b>	<b>71,491.753</b>	

\* Pursuant to the loans agreement entered with specific related parties, the loan and interest is to be repaid on 31 March 2017 which can be renewed for further three years on mutual agreement. Management believes that as the loan agreement will be renewed the same is classified as long term.

#### Note:

1. The loans and advances made to these companies are for acquisition of long term strategic investments.
2. Includes details of loans within the Group and eliminated on consolidation.

## Notes to the consolidated financial statements (continued)

### 27. b) Details of loans during the year ended 31 March 2015 as per section 186 (4) (contd...)

₹ Million

Name of the borrower	Relationship	Secured / unsecured	Purpose	Rate of Interest	Term / Repayment schedule	As on 1 April 2014	Further funding during the year	Amalgamation / Mergers	Advances / deposits converted to loan	Repayment during the year	Exchange restatement	As on 31 March 2015
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Unsecured	Working capital	13%	Repayable on demand	1,219,483	758,700		-	(3,000)	-	1,975,183
Four Seasons Wines Limited	Wholly owned subsidiary	Unsecured	Working capital	13%	Repayable on demand	288,147	251,265		-	-	-	539,412
Tern Distilleries Private Limited	Wholly owned subsidiary	Unsecured	Working capital / Capex funding	13%	Repayable on demand	739,389	59,711		-	(122,099)	-	677,001
Sovereign Distilleries Limited	Wholly owned subsidiary	Unsecured	Working capital	13%	Repayable on demand	2,637,765	166,026		506,330	(2,121)	-	3,308,000
Pioneer Distilleries Limited	Subsidiary	Unsecured	Working capital / Capex funding	13%	Repayable on demand	1,353,907	-		-	-	-	1,353,907
Wine Society of India Private Limited	Associate	Unsecured	Working capital	12%	Repayable on demand	181,661	51,626		-	-	-	233,287
<b>Overseas Subsidiaries</b>												
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Bouvet Ladubay	Interest free	Refer note below	2,123,690	-	-	-	(388,665)	1,735,025	
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Bouvet Ladubay	13%	Refer note below	-	75,700		-	(8,500)	67,200	
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	394,045	-	-	-	(0,670)	393,375	
USL Holdings Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Whyte and Mackay Limited	Interest free	Refer note below	47,878,858	-	-	-	1,482,604	49,361,462	
USL Holdings Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Whyte and Mackay Limited	13%	Refer note below	-	2,441,425		-	(2,421,260)	(20,165)	-
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	15,741	-	-	-	-	-	15,741
Liquidity Inc.	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	53,808	-	-	-	-	-	53,808
United Breweries (Holdings) Limited	Promoter	Unsecured		9.50%	8 years	13,374,167	-	-	-	-	-	13,374,167
<b>Total</b>						<b>70,260,661</b>	<b>3,804,453</b>		<b>506,330</b>	<b>(2,548,480)</b>	<b>1,064,604</b>	<b>73,087,568</b>

Note:

1. The loans and advances made to these companies are for acquisition of long term strategic investments.
2. Includes details of loans within the Group and eliminated on consolidation.

### 27. c) Details of guarantee given

₹ Million

Name of the party	Relationship	Nature	As on 1 April 2015	Released during the year	As on 31 March 2016	As on 1 April 2014	Released during the year	As on 31 March 2015
Pioneer Distilleries Limited	Subsidiary	Guarantee given	934,400	-	934,400	934,400	-	934,400
<b>Overseas Subsidiaries</b>								
USL Holdings Limited	Wholly Owned Subsidiary	Guarantee given	-	-	-	1,244,880	(1,244,880)	-
<b>Total</b>			<b>934,400</b>	-	<b>934,400</b>	<b>2,179,280</b>	<b>(1,244,880)</b>	<b>934,400</b>

## Notes to the consolidated financial statements (continued)

### 27. d) Details of non-current investments purchased and sold for the year

₹ Million

Description	Face value Per Unit	As at 1 April 2015		Purchase during the year		Sold during the year		Transferred / cancelled pursuant to scheme of Amalgamation		As at 31 March 2016	
		Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount
<b>Trade investments</b>											
<b>Quoted</b>											
<b>In fully paid equity shares</b>											
McDowell Holdings Limited	₹ 10	50,000	0.500	-	-	-	-	-	-	50,000	0.500
United Breweries Limited	₹ 1	8,500,000	150.000	-	-	8,500,000	150.000	-	-	-	-
<b>In subsidiary companies</b>											
Pioneer Distilleries Limited	₹ 10	10,041,150	1,116.756	-	-	-	-	-	-	10,041,150	1,116.756
<b>Unquoted</b>											
<b>In fully paid equity shares</b>											
Yankay Associates Private Limited	₹ 100	1	0.004	-	-	-	-	-	-	1	0.004
Goa Fruit Distilleries Private Limited	₹ 100	350	0.035	-	-	-	-	-	-	350	0.035
Baramati Teluka Fruits Growers Fed Limited	₹ 500	1,000	0.500	-	-	-	-	-	-	1,000	0.500
<b>In subsidiary companies</b>											
Sovereign Distilleries Limited	₹ 10	58,442,746	315.462	426,696,406	4,266.964	-	-	-	-	485,139,152	4,582,426
SW Finance Co. Limited (Formerly Shaw Wallace Breweries Limited)	₹ 10	80,198,513	3,302.175	-	-	-	-	(80,198,513)	(3,302.175)	-	-
Asian Opportunities & Investments Limited	US\$ 1	4,998,706	301.000	-	-	-	-	-	-	4,998,706	301.000
United Spirits Nepal Private Limited	NRS 100	67,716	65.626	-	-	-	-	-	-	67,716	65.626
Palmer Investment Group Limited	US\$ 1	15,000,000	6,917.801	-	-	-	-	-	-	15,000,000	6,917.801
Montrose International S.A	US\$ 1000	500	133.932	-	-	-	-	-	-	500	133.932
Liquidity Inc.	US\$ 0.0001	4,000,000	119.313	-	-	-	-	-	-	4,000,000	119.313
Four Seasons Wines Limited	₹ 10	27,668,899	290.652	-	-	-	-	-	-	27,668,899	290.652
McDowell & Co (Scotland) Limited	£ 1	1,575,000	125.505	-	-	-	-	-	-	1,575,000	125.505
USL Holdings Limited	US\$ 1	500,000	22.183	-	-	-	-	-	-	500,000	22.183
United Spirits (Shanghai) Trading Company Limited	RMB 10	500,000	26.635	-	-	-	-	-	-	500,000	26.635
SW Overseas Limited	GBP 1	-	-	357,745	13.838	-	-	-	-	357,745	13.838
Royal Challengers Sports Private Limited	₹ 10	14,690	1,699.053	-	-	-	-	-	-	14,690	1,699.053
Tern Distilleries Private Limited	₹ 10	4,000,000	139.539	98,676,347	986.763	-	-	-	-	102,676,347	1,126.302
<b>In associate companies</b>											
Wine Society of India Private Limited	₹ 10	324,812	31.817	-	-	-	-	-	-	324,812	31.817
<b>In fully paid preference shares</b>											
<b>In subsidiary companies</b>											
12% Non-cumulative redeemable optionally convertible preference shares of Four Seasons Wines Limited	₹ 10	30,612,245	321.530	-	-	-	-	-	-	30,612,245	321.530
12% Cumulative Redeemable (redeemable after 20 years) preference shares of Four Seasons Wines Limited	₹ 10	8,000,000	80.000	-	-	-	-	-	-	8,000,000	80.000
<b>Other investments</b>											
<b>Quoted</b>											
<b>In fully paid equity shares</b>											
Mangalore Chemicals & Fertilizers Limited	₹ 10	6,150	0.032	-	-	-	-	-	-	6,150	0.032
Housing Development Finance Corporation Limited	₹ 10	240	0.002	-	-	-	-	-	-	240	0.002
ICICI Bank Limited	₹ 10	8,916	0.382	-	-	-	-	-	-	8,916	0.382
HDFC Bank Limited	₹ 10	200	0.002	-	-	-	-	-	-	200	0.002
Vijaya Bank	₹ 10	42,100	0.466	-	-	-	-	-	-	42,100	0.466
Radico Khaitan Limited	₹ 2	537,850	2.043	-	-	-	-	-	-	537,850	2.043
Khaitan Chemicals & Fertilizers Limited	₹ 1	13,880	0.725	-	-	-	-	-	-	13,880	0.725
<b>Unquoted</b>											
<b>In fully paid units</b>											
Unit Trust of India											
- UTI Balance Fund - Income - Retail (formerly known as US 2002)	₹ 10	446,284	9.992	33,459	0.917	-	-	-	-	479,743	10.909
<b>In fully paid equity shares</b>											
Madhav Co-operative Housing Society Limited	₹ 50	5	0.000	-	-	-	-	-	-	5	0.000
Rampur Fertilizers Limited	₹ 10	27,760	0.527	-	-	-	-	-	-	27,760	0.527
Sangam Bhavan Cooperative Housing Society Limited	₹ 10	15	0.001	-	-	-	-	-	-	15	0.001

# Notes to the consolidated financial statements (continued)

## 27. d) Details of non-current investments purchased and sold for the year (contd...)

₹ Million

Description	Face value Per Unit	As at 1 April 2015		Purchase during the year		Sold during the year		Transferred / cancelled pursuant to scheme of Amalgamation		As at 31 March 2016	
		Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount
UB Electronics Instruments Limited	₹ 100	1,996	0.129	-	-	-	-	-	-	1,996	0.129
Inv-Ansa Industrial Premises Co-op Soc Limited	₹ 50	60	0.003	-	-	-	-	-	-	60	0.003
<b>In fully paid debentures (Non-redeemable)</b>											
6.5% Bengal Chamber of Commerce & Industry	₹ 1000	2	0.002	-	-	-	-	-	-	2	0.002
5% Woodland Hospital & Medical Centre Limited	₹ 1	7,000	0.007	-	-	-	-	-	-	7,000	0.007
0.5% Woodlands Medical Centre Limited	₹ 100	117	0.012	-	-	-	-	-	-	117	0.012
5.0% Woodlands Medical Centre Limited	₹ 100	270	0.027	-	-	-	-	-	-	270	0.027
<b>In Government securities</b>											
Indira Vikas Patra			0.103	-	-	-	-	-	-	-	0.103
National Savings / Plan / Def. Certificates			0.147	-	0.006	-	-	-	-	-	0.153
(Deposited with Govt. Authorities)											
		<b>15,174.620</b>		<b>5,268.488</b>		<b>150.000</b>		<b>(3,302.175)</b>		<b>16,990.932</b>	
Less: Provision for diminution in the value of investments			10,839.162								14,284.431
		<b>4,335.458</b>		<b>5,268.488</b>		<b>150.000</b>		<b>(3,302.175)</b>		<b>2,706.501</b>	

Note: Includes details of investments within the Group and eliminated on consolidation.

₹ Million

Description	Face value Per Unit	As at 1 April 2014		Purchase during the year		Sold during the year		As at 31 March 2015		
		Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount	
<b>Trade investments</b>										
<b>Quoted</b>										
<b>In fully paid equity shares</b>										
McDowell Holdings Limited	₹ 10	50,000	0.500	-	-	-	-	50,000	0.500	
United Breweries Limited	₹ 1	8,500,000	150,000	-	-	-	-	8,500,000	150,000	
<b>In subsidiary companies</b>										
Pioneer Distilleries Limited	₹ 10	11,561,217	1,285,814	-	-	1,520,067	169,058	10,041,150	1,116,756	
<b>Unquoted</b>										
<b>In fully paid equity shares</b>										
Yankay Associates Private Limited	₹ 100	1	0.004	-	-	-	-	1	0.004	
Goa Fruit Distilleries Private Limited	₹ 100	350	0.035	-	-	-	-	350	0.035	
Baramati Teluka Fruits Growers Fed Limited	₹ 500	1,000	0.500	-	-	-	-	1,000	0.500	
<b>In subsidiary companies</b>										
Sovereign Distilleries Limited	₹ 10	58,442,746	315,462	-	-	-	-	58,442,746	315,462	
SW Finance Co. Limited (Formerly Shaw Wallace Breweries Limited)	₹ 10	80,198,513	3,302.175	-	-	-	-	80,198,513	3,302.175	
Asian Opportunities & Investments Limited	US\$ 1	4,998,706	301,000	-	-	-	-	4,998,706	301,000	
United Spirits Nepal Private Limited	NRS 100	67,716	65,626	-	-	-	-	67,716	65,626	
Palmer Investment Group Limited	US\$ 1	15,000,000	6,917,801	-	-	-	-	15,000,000	6,917,801	
Montrose International S.A	US\$ 1000	500	133,932	-	-	-	-	500	133,932	
Liquidity Inc.	US\$ 0.0001	4,000,000	119,313	-	-	-	-	4,000,000	119,313	
Four Seasons Wines Limited	₹ 10	27,668,899	290,652	-	-	-	-	27,668,899	290,652	
McDowell & Co (Scotland) Limited	£ 1	1,575,000	125,505	-	-	-	-	1,575,000	125,505	
USL Holdings Limited	US\$ 1	500,000	22,183	-	-	-	-	500,000	22,183	
United Spirits (Shanghai) Trading Company Limited	RMB 10	500,000	26,635	-	-	-	-	500,000	26,635	
Royal Challengers Sports Private Limited	₹ 10	14,690	1,699,053	-	-	-	-	14,690	1,699,053	
Tern Distilleries Private Limited	₹ 10	4,000,000	139,539	-	-	-	-	4,000,000	139,539	
<b>In associate companies</b>										
Wine society of India Private Limited	₹ 10	324,812	31,817	-	-	-	-	324,812	31,817	
<b>In fully paid preference shares</b>										
<b>In subsidiary companies</b>										
12% Non-cumulative redeemable optionally convertible preference shares of Four Seasons Wines Limited	₹ 10	30,612,245	321,530	-	-	-	-	30,612,245	321,530	
12% Cumulative Redeemable (redeemable after 20 years) preference shares of Four Seasons Wines Limited	₹ 10	8,000,000	80,000	-	-	-	-	8,000,000	80,000	

## Notes to the consolidated financial statements (continued)

### 27. d) Details of non-current investments purchased and sold for the year (contd...) ₹ Million

Description	Face value Per Unit	As at 1 April 2014		Purchase during the year		Sold during the year		As at 31 March 2015		
		Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount	
<b>Other investments</b>										
<b>Quoted</b>										
<b>In fully paid equity shares</b>										
Mangalore Chemicals & Fertilizers Limited	₹ 10	6,150	0.032	-	-	-	-	6,150	0.032	
Housing Development Finance Corporation Limited	₹ 10	240	0.002	-	-	-	-	240	0.002	
ICICI Bank Limited	₹ 10	8,916	0.382	-	-	-	-	8,916	0.382	
HDFC Bank Limited	₹ 10	200	0.002	-	-	-	-	200	0.002	
Vijaya Bank	₹ 10	42,100	0.466	-	-	-	-	42,100	0.466	
Radico Khaitan Limited	₹ 2	5,37,850	2.043	-	-	-	-	5,37,850	2.043	
Khaitan Chemicals & Fertilizers Limited	₹ 1	13,880	0.725	-	-	-	-	13,880	0.725	
<b>Unquoted</b>										
<b>In fully paid units</b>										
Unit Trust of India										
- UTI Balance Fund - Income - Retail (formerly known as US 2002)	₹ 10	4,02,201	9.005	44,083	0.987	-	-	4,46,284	9.992	
<b>In fully paid equity shares</b>										
Madhav Co-operative Housing Society Limited	₹ 50	5	-	-	-	-	-	5	-	
Rampur Fertilizers Limited	₹ 10	27,760	0.527	-	-	-	-	27,760	0.527	
Sangam Bhavan Cooperative Housing Society Limited	₹ 10	15	0.001	-	-	-	-	15	0.001	
U.B. Electronics Instruments Limited	₹ 100	1,996	0.129	-	-	-	-	1,996	0.129	
Inv-Ansa Industrial Premises Co-op Soc Limited	₹ 50	60	0.003	-	-	-	-	60	0.003	
<b>In fully paid debentures (Non-redeemable)</b>										
6.5% Bengal Chamber of Commerce & Industry	₹ 1000	2	0.002	-	-	-	-	2	0.002	
5% Woodland Hospital & Medical Centre Limited	₹ 1	7,000	0.007	-	-	-	-	7,000	0.007	
0.5% Woodlands Medical Centre Limited	₹ 100	117	0.012	-	-	-	-	117	0.012	
5.0% Woodlands Medical Centre Limited	₹ 100	270	0.027	-	-	-	-	270	0.027	
<b>In Government securities</b>										
Indira Vikas Patra			0.003		0.100				0.103	
National Savings / Plan / Def. Certificates			0.172		-		0.025		0.147	
(Deposited with Govt. Authorities)									-	
			<b>15,342.616</b>		<b>1.087</b>		<b>169.083</b>		<b>15,174.620</b>	
Less: Provision for diminution in the value of investments			7,221.068						10,839.162	
			<b>8,121.548</b>		<b>1.087</b>		<b>169.083</b>		<b>4,335.458</b>	

Note: Includes details of investments within the Group and eliminated on consolidation.

### 28. Capital and other commitments

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 996.690 Million (2015: ₹ 1,734.976 Million).
- (b) Other commitment as on 31 March 2016
  - (i) Advertising contracts, sales promotion and Trade Mark fee - ₹ 2,688.326 Million (2015: ₹ 3,616.568 Million)
  - (ii) Players and support staff - ₹ 663.289 Million (2015: ₹ 699.032 Million)

# Notes to the consolidated financial statements (continued)

## 29. Contingent liabilities

	₹ Million	As at 31 March 2016	As at 31 March 2015
(a) Guarantees given by the Company's bankers for which counter guarantees have been given by the Company		501.503	219.704
(b) Disputed claims against the Group not acknowledged as debts, currently under appeal / sub judice:			
(i) State Excise demands for excess wastages and distillation losses		2,185.601	1,997.698
(ii) Central Excise demands under appeal		120.042	2.368
(iii) Service tax demands under appeal		639.247	582.984
(iv) Other miscellaneous claims (Refer note 34)		3,283.881	1,198.325
(v) Income tax demand (including interest) under appeal		2,893.687	2,668.621
(vi) Sales tax demands under appeal in various states		2,520.649	2,095.377
(vii) Expenses relating to Historical agreements not recognised [Refer note 26(d)]		121.025	486.157
(c) Bills receivables discounted		-	295.243
(d) Claims from suppliers not acknowledged as debts		78.296	99.316

## 30. Fixed assets

In view of different sets of environment in which foreign subsidiaries operate in their respective countries, provision for depreciation is made to comply with local laws and use of Management estimate. It is practically not possible to align rates of depreciation of such subsidiaries with those of the Company. However on review, the management is of the opinion that provision of such depreciation is adequate.

Accounting policies followed by United Spirits (Great Britain) Limited and its subsidiaries in respect of depreciation on fixed assets are different from accounting policies of the Company as mentioned in Note 1.9. The proportion of the fixed assets in the consolidated financial statement to which different accounting policies have been applied are as below:

	₹ Million	2016	2015	
	Gross block	Proportion (%)	Gross block	Proportion (%)
Building	-	0%	-	0%
Plant and equipment	232.993	2%	227.436	2%
Vehicles	-	0%	-	0%

## 31. Foreign currency transactions

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Currency	Amount in ₹	Amount in foreign currency	Amount in ₹	Amount in foreign currency	₹ Million
<b>Receivables</b>					
US Dollars	595.884	8.992	562.601	9.002	
Great Britain Pounds	0.459	0.005	-	-	
Singapore Dollars	0.062	0.001	-	-	
Euros	19.612	0.262	-	-	
<b>Payables</b>					
US Dollars	13.129	0.198	3.810	0.060	
Great Britain Pounds	188.191	1.986	143.660	1.550	
Singapore Dollars	6.093	0.124	-	-	
Australia Dollars	28.612	0.565	-	-	
Euros	-	-	0.610	0.010	

## Notes to the consolidated financial statements (continued)

### 32. Tie-up Manufacturing arrangement:

The Company has entered into arrangements with certain distilleries and bottling units (Tie-up units) for manufacture and marketing of its own brands. The Tie-up units have necessary license and regulatory permits to manufacture beverage alcohol. The arrangements stipulates the obligations of each party and the entire manufacturing activity is carried out under the close supervision of the Company executives. It is the responsibility of the Company to Market its products and ensure adequate finance to the tie-up units for its operations. The risk and reward of the activity lies with the Company. In the circumstances, it is considered appropriate to disclose the following information (Unaudited), as applicable to such activities.

(i) Income from operation through other distilleries / Bottling units reflect the net constitution from the sales made by these Units and is detailed as under:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Gross sales	16,702.825	18,368.584
Net sales	14,161.484	15,940.788
Cost of sales	9,164.113	11,627.061
Gross profit	4,997.371	4,313.727
Expenses	782.480	373.279
Income	4,214.891	3,940.448

**33.** During the previous year, the scheme of arrangement between the Company and Enrica Enterprises Private Limited ("Enrica") and its shareholders and creditors as the case may be in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale, on a going concern basis, under Section 391 read with Section 394 of the Companies Act, 1956 (the "Scheme") with an Appointed Date of 1 April 2013 was sanctioned by the Honourable High Courts of Karnataka and Madras under their orders dated 19 February 2015 and 31 July 2014 respectively.

Upon necessary filing with the respective Registrar of Companies, the Scheme has become effective from 30 March 2015 (the 'Effective Date') and the effect of the Scheme has been given in these financial statements of the Company. Consequently,

(i) the entire business and undertaking of the 'Transferred Undertaking' of the Company, including all assets and liabilities, as a going concern, stands transferred into Enrica with effect from 1 April 2013 being the Appointed Date. The book value of net assets of the Transferred Undertaking as at 1 April 2013 amounts to ₹ 894.200 million.

(ii) The Company has recorded a net profit of ₹ 356.500 Million pursuant to sale of the Transferred Undertaking during the year. The profit has been credited to the Statement of profit and loss and has been disclosed separately under the head "Exceptional items (net)."

Statement of profit and loss	₹ Million	
Particulars	For the period from 1 April 2014 till 30 March 2015	For the year ended 31 March 2014
Net sales	5,126.129	4,509.057
Material cost	3,445.863	3,162.020
Gross profit	1,680.266	1,347.037
Other expenses (including Interest and depreciation)	1,482.172	1,264.460
Profit before tax	198.094	82.577

### Statement of Assets and liabilities transferred to Enrica enterprises limited and accounting treatment in financial statements:

Particulars	1 April 2013
Total assets	2,002.620
Total liabilities	1,108.420
Net assets transferred	(A) 894.200
Sale consideration received	(B) 1,250.700
<b>Net surplus</b>	<b>(B-A) 356.500</b>

# Notes to the consolidated financial statements (continued)

## 33. (contd...)

The Company has also entered into a Franchise Agreement with Enrica under which the Company is entitled to royalty payments in consideration for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the Appointed Date up to the Effective Date, the royalty payable was a fixed amount per case or the Franchisee's profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the Effective Date, royalty at net sales realisation linked slab rate will accrue to the Company as per the Franchise Agreement.

The net amount resulting from the reversal of the profits of the Transferred Undertaking recognised for the year ended 31 March 2014 and the income under the franchise agreements has been adjusted in the balance of surplus in Statement of profit and loss under the head "Reserves and Surplus". Further, revenue and expenses of the Transferred Undertaking for the Financial Year 2014-15 and its assets and liabilities as at 31 March 2015, have not been considered in the financial statements.

All costs and expenses incidental to the finalisation and implementation of the Scheme, including stamp duty charges, meeting expenses, professional fees, consulting fees and any other expenses attributable to the implementation of the Scheme are debited to respective head of 'Expenditure'. As at 31 March 2015, an amount of ₹ 871.333 Million was recoverable from Enrica with respect to the working capital amount from the appointed date to the effective date and the balance consideration was receivable by the Company. Out of ₹ 871.333 Million receivable as at 31 March 2015, an amount of ₹ 250.000 Million was received during the year. The balance amount of ₹ 620.310 Million was fully provided by the Group based on Management's assessment of recoverability.

## 34. Prepayment of Credit Facility

During the year ended 31 March 2014, the Company decided to prepay credit facilities availed in the earlier years from a bank, amounting to ₹ 6,216.600 Million, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of ₹ 6,280.000 Million, including prepayment penalty of ₹ 40.000 Million, with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the same and a petition is pending before the Honourable High Court of Karnataka. On 31 March 2015, the bank demanded an amount of ₹ 474.000 Million towards principal and interest on the said loan, which the Company contested in the Honourable High Court of Karnataka. As per the order of the Honourable High Court of Karnataka, the Company plans to engage with the bank to commence discussions. The tenure of the said credit facility has been completed as on 31 March 2015. Furthermore, during the year, the bank obtained an ex parte injunction in proceedings between the bank and Kingfisher Airlines Ltd before the Debt Recovery Tribunal Bangalore ("DRT"), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust have, upon receiving notice of the said order, filed its objections against such ex parte order passed in proceedings in which neither the Company nor the USL Benefit Trust are or have been enjoined as parties, and is vigorously contesting the same. During the quarter ended 31 December 2015, the Honourable High Court of Karnataka issued a stay order restraining the bank from dealing with the above-mentioned pledged shares until further orders by the Honourable High Court. Thereafter, the Company received another notice from the relevant bank seeking to recall the loan which had been prepaid, and demanding a sum of ₹ 459.4 Million, as well as a subsequent notice issued under section 13(2) of SARFAESI Act in relation to the same loan. Pursuant to an application filed by the Company before the Honourable High Court, in the writ proceedings, the Honourable High Court directed that if the Company deposited the sum of ₹ 459.4 Million with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets pledged by the Company under the loan till the disposal of the first petition filed by the Company in the Honourable High Court of Karnataka. Subsequent to the year end, the Company has accordingly deposited the said sum and has replied to the bank's various notices in light of the above. Pending closure of this matter, the loan amount and balance available in cash credit account is presented on net basis and the demand by the bank has been disclosed as a contingent liability.

## 35. Provision for doubtful receivable, advances and deposits

During the financial year ended 31 March 2014, the Board directed a detailed and expeditious inquiry in relation to certain matters, including those referred to in paragraphs (a) and (b) below, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956, and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature (hereinafter referred to as "the Inquiry"). Pursuant to the directions of the Board, the Inquiry was headed by the Managing Director and Chief Executive Officer ("MD & CEO") of the Company. The Board also directed the MD & CEO to engage independent advisers and specialists as required. At its meeting held on 25 April 2015, the Board discussed and considered in detail the report submitted by the MD & CEO in relation to the Inquiry ("Inquiry Report"), the inputs and expert advice of the independent advisers and specialists and other relevant inputs.

- (a) During the financial year ended 31 March 2014, certain parties who had previously given undisputed balance confirmations for the financial year ended 31 March 2013, claimed in their balance confirmations to the Company for the financial year ended 31 March 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company

## Notes to the consolidated financial statements (continued)

### 35. Provision for doubtful receivable, advances and deposits (contd..)

would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to tie-up manufacturing units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board, a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, the Management's assessment of recoverability and other considerations, as a matter of prudence, an aggregate amount of ₹ 6,495.5 Million (including interest claimed) was provided in the financial statements for the financial year ended 31 March 2014 and was disclosed as a prior period item. Management sought confirmations of balances from these counterparties for the year ended 31 March 2015 and 31 March 2016, but did not receive responses from some of them.

The Inquiry Report stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and / or its subsidiaries to certain UB Group companies, including in particular, Kingfisher Airlines Limited ("KFA"). The diverted amounts were included in the provision made by the Company in the financial statements for the year ended March 31, 2014. The Inquiry also indicated that the manner in which certain transactions were conducted, *prima facie*, indicates various improprieties and potential violations of provisions, *inter alia*, of the Companies Act, 1956, and the then listing agreements signed by the Company with various stock exchanges in India on which its securities are listed. The financial impact of these non-compliances were estimated by Management to be not material.

During the year ended 31 March 2015, an additional provision of ₹ 216.000 Million was made for interest claimed.

In connection with the recovery of the funds that were diverted from the Company and / or its subsidiaries, pursuant to the decision of the Board at its meeting held on 25 April 2015, the Company initiated steps for recovery against the relevant parties, so as to seek to expeditiously recover the Company's dues from such parties, to the extent possible. During the quarter ended 30 September 2015, the Company reached a settlement with one of the parties pursuant to which the party had withdrawn claims aggregating ₹ 278.600 Million. Accordingly, provision amounting to ₹ 278.600 Million has been written back. Subsequent to the year end, the Company has signed a settlement agreement with 3 other parties and based on the said settlements has reversed a provision with respect to interest claimed amounting to ₹ 264.600 Million as at the balance sheet date. Settlements with the other parties have not been reached as yet and management is continuing discussions in this regard. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off ₹ 5,666.0 Million out of the amounts provided for with respect to the aforesaid counterparties. The Management has determined that in light of these provisions, no additional material adjustments to the financial statements are required on this account.

- (b)** Certain pre-existing loans / deposits / advances were due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited ("UBHL") and were in existence as on 31 March 2013. In addition, the amounts owed by UBHL to the Company's wholly-owned subsidiaries had been assigned by such subsidiaries to the Company and recorded as loans from such subsidiaries in the books of the Company. Such dues (together with interest) aggregating ₹ 13,374.167 Million, were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on 3 July 2013. The interest rate under the above mentioned loan agreement with UBHL is 9.5% p.a., with the interest to be paid at six-monthly intervals starting at the end of 18 months from the effective date of the loan agreement. The loan has been granted for a period of eight years and is payable in three annual instalments commencing from the end of 6th anniversary of the effective date of the loan agreement.

Pursuant to the directions of the Board, the Inquiry also included a review of documentation to further understand and assess elements of and background to the above loan arrangement and to establish the rationale / basis for the interest rate applicable in respect of the consolidated loan amount.

With regard to the prior transactions that were consolidated into the single loan on 3 July 2013, the Inquiry Report stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company (and its subsidiaries) to UBHL than the exposure that actually existed at that time. *Prima facie*, this indicates various improprieties and potential violations of provisions, *inter alia*, of the Companies Act, 1956, and the then listing agreements signed by the Company with various stock exchanges in India on which its securities are listed. The financial impact of these non-compliances were estimated by Management to be not material.

During the year ended 31 March 2014, as a matter of prudence, the Company had provided for receivables in relation to interest income of ₹ 963.069 Million and had provided ₹ 3,303.186 Million towards the principal outstanding as at 31 March 2014. The notes to accounts



# Notes to the consolidated financial statements (continued)

## 35. Provision for doubtful receivable, advances and deposits (contd...)

for the year ended 31 March 2014 had recorded the Management's belief that it should be able to recover, and that no further provision is required for the balance amount of ₹ 9,954.597 Million. The notes also mentioned that the Management would continue to assess the recoverability of the said loan on an on-going basis."

As per the terms of the said loan agreement, interest payable by UBHL to the Company in January 2015 amounted to ₹ 1911.000 Million (gross of tax) and a further interest amounting to ₹ 1,270.500 Million (gross of tax) was due in January 2016. However, the Company is yet to receive such interest payments from UBHL. The Company received letters from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka and due to Court orders passed in winding up proceedings it is unable to pay such sums without leave of the Court which it proposes to seek. Despite prior undertakings to obtain such leave from the Court to pay USL the amounts due, and despite repeated follow up by the Company with UBHL in this regard, the Company has not received any update or information from UBHL indicating whether UBHL has applied to the Court for the requisite leave to pay USL.

As a result of the above and other relevant factors, and as a matter of prudence, the Company had provided a further amount of ₹ 9,954.600 Million towards the entire balance principal amount (i.e., the entire principal amount due under the loan agreement less the amount already provided in the accounts for the financial year ended 31 March 2014) and did not recognise interest income of ₹ 1,207.000 Million for the year ended 31 March 2015. Accordingly, the Company has also not recognised interest income of ₹ 1,270.500 Million for the year ended 31 March 2016. The Company will pursue all rights and claims to recover the entire amount of the loan together with accrued interest from UBHL and has written to UBHL demanding payment of all sums. As a result of the foregoing and other relevant considerations, subsequent to the end of the quarter ended 31 December 2015, the Company has filed affidavits in the winding up proceedings against UBHL updating the Court with information regarding UBHL's conduct and default in payment of amounts due under the loan agreement. Additionally, during the current year, the Company has set-off an amount of ₹ 249.300 Million payable to UBHL under the trademark agreement against the provision for interest receivables from UBHL.

Also refer Note 26 (d) in connection with the non-approval by the shareholders of the Company of the loan agreement with UBHL (and of other potential related party transactions).

- (c)** With regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which also dealt with transactions involving the counterparties referred to in note 35 (a) above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified raised concerns as to the propriety of the underlying transactions. The Management made the following provisions with respect to such transactions: (a) ₹ 200.000 Million made in the Company's financial results for the year ended March 31, 2016 (b) ₹ 1,123.566 Million made in the Company's consolidated financial statements for the financial year ended 31 March 2015, (c) ₹ 1,244.140 Million made in the year ended 31 March 2014 in the Company's consolidated financial statements. The Management believes these provisions are adequate and no additional material adjustments are likely to be required in relation thereto.

As the Board determined it was necessary to assess whether the additional matters or the transactions with the additional parties were improper, the Board directed the MD & CEO to expeditiously review these aspects during the period covered by the Inquiry and report to the Board his conclusions on the transactions and any further impact on the Company's consolidated financial statements. This review is in progress.

- (d)** The Company received a letter dated 5 May 2014 from the lawyers of an entity ("Alleged Claimant") alleging that the Alleged Claimant had given loans amounting to ₹ 2,000.000 Million to KFA at an interest rate of 15% p.a. purportedly on the basis of agreements executed in December 2011 and January 2012. The letter alleged that amongst several obligations under these purported agreements, certain investments held by the Company were subject to a lien, and required the Company, pending the repayment of the said loan, to pledge such investments in favour of the Alleged Claimant to secure the aforesaid loans. The Company responded to this letter received from the lawyers of the Alleged Claimant by its letter dated 3 June 2014, wherein the Company disputed the claim and denied having created the alleged security or having executed any document in favour of the Alleged Claimant. The Company reiterated its stand in a follow-up letter dated 28 July 2014 and asked for copies of purported documents referred to in the letter dated 5 May 2014. Subsequent to the above, the Company received a letter dated 31 July 2014 from the Alleged Claimant stating that in light of certain addenda to the aforesaid purported agreements (which had inadvertently not been informed to their lawyers) the Alleged Claimant has no claim or demand of any nature whatsoever against inter alia the Company, including any claim or demand arising out of or connected with the

## Notes to the consolidated financial statements *(continued)*

### 35. Provision for doubtful receivable, advances and deposits *(contd...)*

documents / agreements referred to in their lawyer's letter dated 5 May 2014. The Company replied to the Alleged Claimant by its letter dated 6 August 2014, noting the above mentioned confirmation of there being no claim or demand against the Company, and asked the Alleged Claimant to immediately provide to the Company all the alleged documents referred to in the letter dated 5 May 2014 and the addendum referred to in the letter dated 31 July 2014, and to also confirm the identity and capacity of the signatory to the letter dated 31 July 2014. Subsequently, in September 2014, the Company obtained scanned copies of the purported agreements (including the purported power of attorney) and various communications between KFA and the Alleged Claimant.

These documents indicated that while the purported agreements may have sought to create a lien on certain investments of the Company, subsequently, the Alleged Claimant and KFA sought to negotiate the release of the purported obligation to create such lien, which was formalised by way of a second addendum in September 2012. The notes to accounts for the year ended 31 March 2014 recorded that the Management had verified from a perusal of the minutes of meetings of the Board of Directors of the Company that the Board of Directors of the Company at the relevant time had not approved or ratified any such purported agreement. The Management had also represented to the Board that till the receipt of scanned copies of the purported agreements in September 2014, the Company had no knowledge of these purported agreements.

Pursuant to the directions of the Board, the Inquiry included a review of documentation to further understand and assess the Company's position in relation to the above matter. The Inquiry indicated that no Board authorisation or approval had been obtained to authorize anyone to execute any such agreement seeking to create a lien on the investments of the Company to secure the obligations of the Alleged Claimant.

No further claims have been received from the Alleged Claimant or any other person.

Based on the Inquiry and its current knowledge, Management does not expect any liability or obligation to arise on the Company out of this matter.

### 36. The following letters / notices were received by the Company with respect to the matters under Inquiry.

- (a) The Company has received a notice from the Ministry of Corporate Affairs ("MCA") for an inspection, under Section 206(5) of the Act, of the books of accounts and other books and papers of the Company. Following the said inquiry, the Company and its directors and officers (including former directors and officers) have received a notice dated 11 January 2016 from the Joint Director, MCA requesting explanations and comments as to why action should not be initiated in relation to various contraventions alleged by the Joint Director under provisions of the Act. The Company has responded to this notice. A notice under Section 131 of the Income Tax Act, 1961 has also been received. The Company is cooperating fully with the authorities in relation to the same.
- (b) The Company has also received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports. Any remedial actions proposed by the previous auditors will be considered by the Company in the light of applicable legal provisions.
- (c) As directed by the Board, the Company provided a copy of the Inquiry Report to its statutory auditors for their review and further actions as may be required. Following this, the Audit Committee of the Board has received from the statutory auditors a report under Section 143(12) of the Act and the relevant rules thereunder, seeking the Audit Committee's reply / observations. The Audit Committee had provided its reply / observations to the statutory auditors. Thereafter, the statutory auditors issued a report to the Central Government under Section 143(12) of the Act and the relevant rules thereunder.
- (d) In February 2016, certain directors of the Company, including independent directors, were requested to provide statements and information to the Serious Frauds Investigation Office ("SFIO") in relation to the SFIO's investigation into Kingfisher Airlines.
- (e) The Company has also received letters from the National Stock Exchange Limited ("NSE") pursuant to SEBI circular no. CIR/CFD/DIL/7/2012 dated 3 August 2012 in relation to Form B, along with audited financial statements for the financial year ended 31 March 2014. SEBI has directed the NSE to advise the Company to suitably rectify / provide relevant information / explanations on the qualifications raised by the statutory auditors. The Company has suitably addressed the same to the extent possible and responded to the NSE's letters.
- (f) By a letter dated 21 October 2015, the Institute of Chartered Accountants of India has also sought a copy of the Inquiry Report, pursuant to the provisions of Section 21C of the Chartered Accountants Act, 1949. The Company has responded to the request.
- (g) By a letter dated 29 October 2015, the Company received a request from the Enforcement Directorate of the Government of India, seeking information and documents regarding USL's present and former joint ventures and wholly-owned subsidiaries abroad, including USL Holdings Limited (BVI) and its subsidiaries. The Company has responded to the Enforcement Directorate and provided the information sought, and assured the authorities of such further cooperation as may be sought by them.



# Notes to the consolidated financial statements (continued)

## 36. (contd...)

- (h) By a warrant dated 24 November 2015, issued by the Office of the Tax Recovery Officer ("TDS"), the Company was informed that a certificate had been drawn up by the tax recovery officer against Kingfisher Airlines Limited, and its chairman cum managing director (who was also a director of the company), and stating that a sum of ₹ 3,506.000 Million had not been paid in satisfaction of the said certificate. The Company was accordingly directed to serve a copy of the warrant on the said director, and unless after such service the said director "pays forthwith the said sum of ₹ 3,506.000 Million together with interest at the rate of one and one-half per cent, for every month or part of a month" thereon, to proceed to attach the "salary, remuneration and allowances" of the director named in the warrant and to hold the same until further orders from the tax recovery officer. The Company has accordingly served such warrant.
- (i) By a letter dated 9 March 2016, the Securities and Exchange Board of India ("SEBI") sought further information regarding various aspects of the settlement agreement referred to in note 26(e) above. The Company has responded to SEBI and provided the information and clarifications sought. The Company recently received a follow up request, dated 11 May 2016 seeking additional clarifications including on the matters covered by the Company's inquiry referred to in note 35(a) above. The Company is in the process of preparing and submitting its responses to this additional request and will be cooperating fully with SEBI in this matter.
- (j) By a letter dated 5 May 2016, the Enforcement Directorate ("ED") summoned one of the Company's senior officers to appear in person or by authorized agent and provide a statement and tender evidence in connection with the ED's investigation into matters under the Prevention of Money Laundering Act, 2002. The Company's officer duly responded to the summons and the Company will also be providing additional information, as requested by the ED, and cooperating fully with the authorities.

**37.** The accounts of certain banks, secured loans, trade receivables, trade payables, other current liabilities and loans and advances in the books of certain subsidiaries are subject to formal confirmations / reconciliation and consequent adjustments if any. The Management does not expect any material difference affecting the current period's consolidated financial statements on such reconciliations / adjustments.

## 38. Appointment of Chief financial officer

The Board of Directors of the Company at its meeting held on 2 November 2015 have appointed Mr. Sanjeev Churiwala as Chief Financial Officer of the Company with effect from 16 November 2015.

**39.** Royal Challengers Sports Private Limited (RCSPL) and its the then three Directors have received a show cause notice from the RBI Enforcement Directorate regarding the 2009 IPL tournament that was held in South Africa. The notice wrongly alleges that in relation to the 2009 IPL tournament held in South Africa, RCSPL made per diem payments to players in South Africa in foreign exchange and thereby contravened sections 3(a) and 4 of the Foreign Exchange Management Act, 1999. The notice calls on RCSPL to show cause as to why adjudication proceedings should not be initiated against RCSPL and its named Directors in this regard. RCSPL is informed that similar notices have been sent to the other IPL franchisees.

RCSPL has responded to the notice informing the RBI that the allegations in the notice are entirely false and that accordingly no adjudication proceedings should be initiated against RCSPL or any individuals in this regard. No adjustment has been made to the consolidated financial statements with respect to this. Management does not expect any liability or obligation to arise from this matter, and accordingly no adjustments have been made to consolidated financial statements.

**40. a)** On 15 January 2016, the Company entered into an agreement for the sale of its entire holding in United Spirits Nepal Private Limited of 67,716 equity shares (constituting 82.46% of the paid up equity share capital of United Spirits Nepal Private Limited). The consideration is subject to finalisation of accounts and deduction of taxes in Nepal. Further the sale is also subject to various regulatory approvals (both in India and Nepal) and other conditions precedent which are normal for such transactions, which the Company is in the process of seeking.

**b)** During the year ended 31 March 2016 USL's wholly owned subsidiary Asian Opportunities & Investments Limited (AOIL), has sold its entire interest in Bouvet Ladubay S.A. (and its wholly owned subsidiary Chapin Landais S.A.S). Consequent to the above sale Bouvet Ladubay S.A. (and its wholly owned subsidiary Chapin Landais S.A.S) ceased to be subsidiaries of the Company with effect from 18 November 2015.

**41.** At an extraordinary general meeting of the shareholders of the Company on 22 January 2016, the shareholders approved the reporting of erosion of more than fifty per cent of the Company's peak net worth in the immediately preceding four financial years as required under Section 23(1)(a)(ii) read with Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"). The Company has reported the fact of such erosion to the BIFR as required under Section 23(1)(a)(i) of SICA.

## Notes to the consolidated financial statements (continued)

**42.** In accordance with Accounting Standard 29 - "Provisions, Contingent Liabilities and Contingent Assets", prescribed under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014, certain classes of liabilities have been identified as provisions which have been disclosed as under:

Description	As at 1 April 2015	Additions	Utilisation	As at 31 March 2016	₹ Million
				₹ Million	
Description	As at 1 April 2014	Additions	Utilisation	As at 31 March 2015	
Sales and other taxes*	1,391.668	353.812	91.971	<b>1,653.509</b>	
					₹ Million
Sales and other taxes*	418.354	973.314	-	<b>1,391.668</b>	

\*represents estimates made for probable cash outflow arising out of pending disputes / litigations with various regulatory authorities.

**43. a)** The Bihar State Government by its notification dated 5 April 2016 has imposed ban on trade and consumption of foreign liquor in the state of Bihar with immediate effect. Writ petitions have been filed with the Honourable High Court at Patna challenging the said notification.

As at 31 March 2016, the Company has receivables of ₹ 846.600 Million from the Bihar State Beverages Corporation Limited ("BSBCL") (including receivables for supplies made by the Company and its tie-up manufacturing units). The Honourable High Court at Patna has passed an interim order, directing BSBCL to make payments with respect to the supplies made by the manufacturers.

Considering the favourable interim order passed by the Honourable High Court at Patna, the management is confident of recovery of aforesaid balances. Pending outcome of the writ petition, no provision has been considered necessary by the management in this regard.

**b)** In one of the subsidiaries, a case has been filed by certain land owners against the Subsidiary and the erstwhile promoters of that subsidiary for declaration of ownership and vacant possession of the land belonging to them. The subsidiary has filed a written statement along with a counter claim before the Honourable Senior Civil Judge. Based on the legal opinion, the management is hopeful of resolving the issues in due course.

**44.** The managerial remuneration for the financial year ended 31 March 2015 aggregating ₹ 64.907 Million and ₹ 153.092 Million towards remuneration of the MD & CEO and the Executive Director and Chief Financial Officer ("ED & CFO"), respectively, was approved by the shareholders of the Company at the annual general meeting of the Company held on 30 September 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 ("Act"). Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration. Subsequent to the year end, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.

**45.** During the year ended 31 March 2016 no material foreseeable loss was incurred for any long-term contract including derivative contracts.

### 46. Corporate social responsibility:

Since average net profits of the Company made during the three immediately preceding financial years is negative, therefore the Company has not earmarked specific funding for Corporate Social Responsibility and sustainable activities as required under the provision of section 135 of the Act.

**47.** Previous year's figures have been regrouped / reclassified as per the current year's presentation for the purpose of comparability.

As per our report of even date attached

for **B S R & Co. LLP**  
Chartered Accountants  
Firm registration number: 101248W/W-100022

**for and on behalf of the Board of Directors**

**Mahendra Kumar Sharma**  
Chairman

**Anand Kripalu**  
Managing Director & CEO

**Sunil Gaggar**  
Partner  
Membership number: 104315

Place: Bangalore  
Date: 26 May 2016

**Sanjeev Churiwala**  
Chief Financial Officer

Place: Bangalore  
Date: 26 May 2016

**V. Ramachandran**  
Company Secretary

## NOTES



## NOTES



The background of the page features several abstract, three-dimensional geometric shapes, primarily in shades of blue and white, arranged in a loose, overlapping composition. These shapes resemble stylized birds in flight or architectural elements.

# UNITED SPIRITS

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