

United Spirits Limited

ANNUAL REPORT 2020-21

DIAGEO

INDIA



EMERGING  
STRONGER







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# CHAIRMAN'S MESSAGE



**We committed ₹ 75 crore to 'Raising the Bar', an initiative that will run over two years to support bars, pubs, and restaurants serving alcohol.**

## Dear Shareholders,

The year under review commenced with the unprecedented COVID-19 pandemic that gripped the world, leading to disruption and changing the way we live and work. In India, just when we thought the worst was over, the deadly second wave of the pandemic struck, claiming innumerable lives, causing unimaginable agony and grief. On behalf of the USL Board, we offer our deepest condolences to those who have lost their loved ones. While the vaccine rollout has provided optimism in controlling the surge of infections, accelerating the pace of vaccination will be crucial, especially as lockdowns are lifted across the country.

The COVID-19 outbreak impacted economies across the world. Like many other countries, India too endured an erosion of growth in FY21. The Gross Domestic Product (GDP) contracted by 7.3% during the year as consumer spending, private investments and exports plummeted sharply. Notwithstanding the Government's economic stimulus measures to support

demand recovery, the lockdown-like curbs in wake of the second wave of the pandemic have cast a dark shadow over India's ongoing economic revival.

Our Company's performance has been remarkably resilient, thanks to the solidarity and commitment of our people. While revenues and operating margins were significantly impacted in the first quarter of FY21 during which the alcoholic beverages sector faced a complete shutdown for six weeks, we made a steady sequential recovery to deliver commendable full-year results. Our focus on strengthening brands, fostering close connections with business partners, and maintaining an agile response to the fluid situation enabled us to bounce back faster.

During this health crisis, our Company has stood up as a responsible corporate citizen. Early in 2020, when the country was staring at a huge shortage of sanitisers, we were amongst the first companies to publicly commit a donation of 300,000 litres of bulk hand sanitisers and 150,000 masks to frontline workers across public health departments, police, and the army. The restaurant industry, the third-largest in the services sector in India has been severely impacted by the pandemic. In 2020, we committed ₹ 75 crore to 'Raising the Bar', an initiative that will run over two years to support bars, pubs, and restaurants serving alcohol. This programme provides strong on-ground support to qualifying outlets, with physical equipment and 'hygiene kits', and helps to establish partnerships with online reservations and cashless systems.

And very recently, Diageo pledged ₹ 45 crore to augment public healthcare infrastructure in One District in each State and Union Territory of India by setting up Pressure Swing Adsorption (PSA) Oxygen Plants, fully-equipped prefabricated 16-bed mini-hospital units, and donating medical equipment.

With mixed feelings, we bid adieu to our Managing Director & CEO, Anand Kripalu, who has stepped down effective June 30, 2021, after leading this organisation for seven years. Anand was responsible for spearheading USL's integration with Diageo India and transforming USL into a future-ready enterprise. He played an outstanding role in aligning the culture and values of the organisation with that of Diageo by being a role model for probity and ethical conduct and cascading it through the entire Company as a non-negotiable

aspect of conducting business. His focus on strengthening and accelerating core brands and driving productivity across every aspect of the business has created a solid runway for the future. Anand tirelessly championed responsible drinking and shaped USL's trusted relationships through community endeavours and partnerships. I extend the Board's sincere appreciation for his invaluable contribution and wish him luck in his future endeavours.

We welcomed our next phase of leadership with Hina Nagarajan joining the Company on April 1, 2021 as CEO-Designate. Post Anand's departure, she took over as Managing Director and CEO of USL. Hina has delivered outstanding outcomes as the Managing Director of Diageo's Africa Regional Markets (ARM). She is an accomplished senior leader with a proven track record in business transformation and development in complex emerging markets across several consumer sectors (food & beverage, health & hygiene, nutrition, beauty, home décor), with more than 30 years of experience. The Board is confident that USL will continue to go from strength to strength under her able leadership.

Hina's joining is also a strong commitment to our inclusion and diversity agenda and I am delighted to share that women now constitute 50% of the USL executive team.

Despite the unprecedented economic disruption, USL has emerged stronger and is well-positioned to harness the long-term growth opportunity in India. Rapid urbanisation, favourable demographics, rising disposable income, growing acceptance of drinking, changing social norms, and increasing inclination towards premium products will drive market growth. Backed by the global experience of our parent company and our local strengths, we are confident of unlocking these unfolding opportunities.

I would like to thank you, our shareholders, for your trust and support in these challenging times. USL will continue to work together with all stakeholders in pursuit of our goal to be one of the best performing and trusted consumer products companies in India.

Stay safe. Stay well.

Yours sincerely,

**Mahendra Kumar Sharma**  
Chairman

# BOARD OF DIRECTORS



**Mahendra Kumar Sharma**  
Chairman & Independent Director



**Anand Kripalu**  
Managing Director and CEO



**Ms. Hina Nagarajan**  
CEO-Designate



**V. K. Viswanathan**  
Independent Director



**Vinod Rao**  
Non-Executive Director



**D. Sivanandhan**  
Independent Director



**Rajeev Gupta**  
Independent Director



**Dr. Indu Shahani**  
Independent Director



**John Thomas Kennedy**  
Non-Executive Director



**Randall Ingber**  
Non-Executive Director

## Committee Membership

■ Audit Committee

■ Risk Management Committee

■ Stakeholders Relationship and General Committee

■ Nomination and Remuneration Committee

■ Corporate Social

Responsibility Committee

Anand Kripalu is a member of Stakeholders Relationship and General Committee, Corporate Social Responsibility Committee and Risk Management Committee & he ceased to be a member of all the aforesaid Committees effective end of day June 30, 2021.

Anand Kripalu ceases to be a Managing Director and Chief Executive Officer effective end of day June 30, 2021.

Hina Nagarajan is appointed as Managing Director and Chief Executive Officer with effect from July 01, 2021.

Pradeep Jain, CFO is a member of Risk Management Committee.

# MANAGING DIRECTOR & CEO'S MESSAGE



**Our people make us who we are; caring for our employees by supporting and connecting with them as they worked through a difficult year has been integral to our approach to navigate the crisis.**

## Dear Shareholders,

I write to you during unprecedented times. The second wave of the COVID-19 pandemic in India has been even more devastating. Our frontline medical staff as well as countless essential and emergency workers stood strong and ensured that so many of us could stay safe and secure.

They say that every storm leaves you stronger. Our business too has emerged stronger by weathering this rough storm, while providing valuable lessons on sailing through rough seas. During this difficult phase, it was only the single-minded commitment of everyone at United Spirits that enabled us to deliver a solid performance. I am incredibly proud of our team's efforts.

The pandemic has probably inflicted the largest economic shock the world has experienced in decades. In India, private final consumption expenditure, a key metric to assess household spending in the country, fell by 54.3% in the first quarter of FY21, compared to a 56.4% growth in the same period in the

previous fiscal. While the third and fourth quarter data gave rise to optimism about an economic revival in FY22, the second wave of COVID-19 is likely to affect this rebound.

## Sequential recovery during the year

For the alcoholic beverages sector, the first quarter was very challenging, as operations were shut for several weeks. In the first half of the financial year, the on-premise channel remained closed and subsequently re-opened at a much lower capacity due to social distancing measures. Some territories in India saw a decline in demand due to high COVID-led taxes. All of these had a cascading effect by causing a 13.2% drop in our reported net sales in FY21 and a 7.2% decline in Prestige & Above (P&A) net sales.

Nonetheless, I am pleased to report that we delivered sequential improvement in performance quarter-on-quarter, demonstrating the resilience and agility of our business. Our strategy of premiumisation has served us well, as reflected in the increase of our Scotch sales.

Underpinning our performance is our strong financial framework. We continue to deliver consistently solid cash flows with net cash from operating activities at ₹ 1,728 crore. The internal accruals have been utilised towards debt reduction. At the end of FY21, our debt stood at ₹ 556 crore, a reduction of ₹ 1,517 crore over the previous fiscal year, thus further strengthening our balance sheet. We enter the new financial year with renewed optimism.

## Strengthening our brands

With the uncertain economic environment exacerbated by the pandemic and the on-going restrictions, we decided to focus only on two areas that fell within our 'circle of control' – protecting our business and doing what was right for our people, customers, suppliers and communities.

Innovation is at the heart of our culture, which enhances consumer appeal and experience. Our two flagship brands - Royal Challenge and McDowell's No. 1 - were renovated and rolled out nationally during the year. These renovations were strongly supported by our Jalwa lighthouse stores on-ground, resulting in strong sales owing to their high impact and visibility.

Even in this unprecedented year, our impact and scale of execution has been par excellence and we have seen this consistently across the country. Driving our market-winning performance was the agility and flexibility demonstrated by our employees. Our supply chain readiness also played a big role in our performance. Implementation of industry-leading safety protocols, complemented by production ramp-up helped deliver market share growth.



As the pandemic restricted mobility, in-home consumption and premiumisation increased – consumers discovered that drinking at home was safer and lighter on the wallet, leaving them with more to spend on better quality alcohol. Restricted overseas travel also resulted in a shift from duty-free to duty-paid purchases. In response to these new trends, focussed interventions were undertaken to strengthen our Scotch portfolio.

### Standing with the bar community

We tried being true business partners by staying closely connected with our partners and supporting them as their businesses went through turmoil. Demonstrating our steadfast support to customers and other key stakeholders, we committed ₹ 75 crore to 'Raising the Bar', a two-year initiative for the revival and recovery of bars across New Delhi, Mumbai, Bengaluru and other cities. This programme provides strong on-ground support to qualifying outlets, with physical equipment and 'hygiene kits', and helps to establish partnerships with online reservations and cashless systems. In the first phase, 'Raising the Bar' has witnessed over 1,500+ registrations across the country. We also introduced a ₹ 3 crore healthcare insurance cover for bartenders, as part of our Diageo Bar Academy programme.

### Caring for our employees

Our people make us who we are; caring for our employees by supporting and connecting with them as they worked through a difficult year has been integral to our approach to navigate the crisis.

We continued to invest in talent, leadership, and inclusive workplaces to drive individual and organisational growth. An important initiative during the year was the launch of our new wellness policy, which now applies to all employees regardless of sexual orientation, gender identity or expression including LGBTQ+. Considerable progress was made on our goal to become a model for inclusion and diversity (I & D) with our gender diversity ratio reaching 22%, nearly doubling in the past four years.

Several initiatives were rolled out to ensure the physical, mental and emotional wellbeing of our employees, including leave to care for family members and enhanced medical reimbursement. We also pledged additional life insurance benefits to named beneficiaries, in case of untimely demise of any of our employees.

### Playing our part

As a responsible corporate citizen, we have been committed to help our community and trade partners in the fight against the pandemic. During the first wave of the pandemic in India, we contributed 300,000 litres of hand sanitiser, which were manufactured in-house by repurposing our production facilities. We also donated 150,000 masks.

Given the scale of devastation in the second wave of the pandemic in India, Diageo has pledged ₹ 45 crore to augment the public health infrastructure. We have adopted the

'One District One State' approach, with the aim to ensure that support reaches at least one district in each state and union territory of the country. As part of this initiative, Pressure Swing Adsorption (PSA) oxygen plants will be set up in government hospitals. State governments will also be provided fully equipped, prefabricated 16-bed mini-hospital units with PSA oxygen plants. In addition, the Company will donate medical equipment to public hospitals. With this recent pledge, Diageo has so far contributed nearly ₹ 130 crore towards COVID-19 relief in India.

### Committed to a sustainable future

Sustainability in business operations and community work is a fundamental principle for us. In 2020, our parent company Diageo launched a new 10-year sustainability action plan, aligned with the United Nations Sustainable Development Goals.

At Diageo India, we are committed to reaching net-zero emissions in our operations by 2025, achieving net water positive status by 2026 as well as ensuring 100% use of recycled content in plastic packaging by 2030.

During the year, through our initiative 'Cool Teens', we educated over 14,000 students on the harmful effects of underage consumption. Through our programme DRINKIQ, we reached out to the armed forces and educational institutes to promote moderation in drinking. We also transitioned to a UNITAR (United Nations) designed 'Anti Drink Drive' online training programme.

### Looking ahead

We remain focussed on building the long-term health of our brands, supported by data-led insights and a culture of everyday efficiency. Despite the near-term challenges, the medium and long-term growth drivers and opportunities for our business remain intact and our approach of 'Emerging Stronger' despite all odds will hold us in good stead.

To lead your Company through the next phase of growth, let me welcome Hina Nagarajan as my successor. Given her track record in leading Africa Emerging Markets at Diageo, the parent company of USL, the reins of our Company are being passed on to the most capable hands. I wish Hina the very best.

As Managing Director and CEO, it has been a true privilege and honour for me to have led this Company for seven years. I would like to thank the Board for its constant support and guidance, and to every member of the USL family for their unwavering commitment. I would also like to thank all our consumers and business partners for their loyalty over the years. Finally, thank you to you, our shareholders for your continued confidence in this Company.

Wishing you all good health and safety,

Yours sincerely,

**Anand Kripalu**

Managing Director & CEO

## MESSAGE FROM CEO-DESIGNATE



**The COVID-19 pandemic has caused severe human suffering. At this time, I am proud that we have put tremendous focus on caring for our people.**

### Dear Shareholders,

At the outset, I would like to thank the Chairman and Board of Directors for the trust reposed in me. I feel privileged to be at the helm of India's leading alcohol-beverage company. I would also like to thank Anand Kripalu for his outstanding contribution during his tenure as the Managing Director & CEO of USL and for facilitating a smooth transition of leadership.

I am honoured and delighted to lead one of the most exciting markets in the world for our industry. I have joined at a difficult time but am really energised and proud of USL's results in a tough year, riding on the strength of great brands and people, and on the foundation of what Anand and the team have built.

Since joining USL in April 2021, it has been a tremendously busy yet wonderful period getting to know the Company first-hand. My interactions with the senior management team have provided me with a richer understanding of the culture that permeates the organisation, our depth of talent, and our robust capabilities.

The COVID-19 pandemic has caused severe human suffering. At this time, I am proud that we have put tremendous focus on caring for our people. We have taken every possible step to ensure that our employees, as well as their families, receive comprehensive wellness support through our "We Care" programme. The care that our teams have shown for each other, and the spirit of community and togetherness is heartening to see.

We took significant steps in caring for our community as well. We pledged ₹ 45 crore to augment Public Healthcare Infrastructure in One District in Each State & Union Territory of India thereby providing help where it is needed the most and to be instrumental in playing a part in India's recovery. We also donated 300,000 litres of hand sanitiser and 150,000 masks for public healthcare use and committed ₹ 75 crore to the bar & restaurants' community through our two-year revival and recovery programme, 'Raising the Bar'.

I feel extremely proud to be a part of both Diageo India and Diageo.

I wish everyone well for the year ahead, and look forward to taking USL to greater heights.

**Hina Nagarajan**  
CEO-Designate



# INDIA SNAPSHOT

United Spirits Limited is one of the country's leading beverage alcohol companies and a subsidiary of global leader Diageo PLC. We manufacture, sell and distribute an outstanding collection of premium brands such as Johnnie Walker, Black Dog, Black & White, Vat 69, Antiquity, Signature, Royal Challenge, McDowell's No1, Smirnoff, and Captain Morgan. As a purpose-led business, we are sensitive to consumer, community, and societal needs, and champion the responsible consumption of alcohol.



# #1

**SPIRITS COMPANY  
IN INDIA**



# 2<sup>nd</sup>

**LARGEST SPIRITS  
COMPANY IN  
THE WORLD**



# AA+

**CREDIT RATING  
(CRISIL AND ICRA)**



# ₹22,401 cr

**CONTRIBUTION TO  
EXCHEQUER**

## Performance Snapshot FY21

# ₹27,176 cr

Revenue from  
operations

# ₹310 cr

Profit after tax

# 12.5%

EBITDA margin

# ₹4.27

Earnings per share

# 68.20 Mn

Cases produced

# 55%

Improvement in  
water efficiency in  
our operations  
(Base Year FY07)

# 96%

Reduction in GHG  
emissions  
(Base Year FY07)

# 22%

Gender diversity

# 3,261

Direct employment

# 50%

Women beneficiaries  
in our community  
programmes

# 56,809

People educated  
through our Positive  
Drinking programmes

# BUILDING A STRONGER TEAM

More inclusive, committed and caring. These are the attributes we continued to nurture in our workplace to support our people in a year marked by difficult personal challenges. Through our actions, we have demonstrated care for each other and together we are emerging stronger to navigate the new normal.



## Fostering inclusive and diverse workplaces

Celebrated INC (Inclusion) Week for the first time in India with focussed sessions on accelerating inclusion and equality. Diageo's INC Week is celebrated across countries.

Established employee resource group - EKA, a voluntary and cross-functional group with diverse mix of volunteers, to further our agenda of inclusion and diversity.



**46%**

of new hires are women



**29%**

Women within the top 42 members of Diageo India Leadership Team



**22%**

Overall gender diversity



**88%**

Employee engagement score (Your Voice Survey – internal)

## Launch of new wellness policy

We rolled out an enhanced wellness policy, which applies to all employees regardless of sexual orientation, gender identity or expression including LGBTQ+. The definition of 'family' has been revised and expanded to include 'same sex' and 'live in' partners. Thus, medical coverage and leave benefits are extended to both same sex and opposite-sex domestic partners. Moreover, the policy provides medical coverage for gender confirmation procedures. Similarly, surrogacy and fertility treatment medical benefits are available for all employees.



## 'We Care'

### COVID-19 support to employees

We have put tremendous focus on Caring for our people. We have taken every possible step to ensure that our employee as well as their families receive support on 8 dimensions of wellness namely - Occupational, Emotional, Spiritual, Environmental, Financial, Physical, Social, and Mental - through Our "We Care" Programme to help our people and their families cope with the challenges of COVID-19.



#### Term Life Insurance

Covers two times the amount of average salary at each level



#### COVID Vaccination

Camps and reimbursement



#### Quarantine Facilities

For employees and their families who have tested positive



#### Domiciliary Medical Expense Reimbursement

For COVID treatment at home



#### Salary Advance

In case there is a medical emergency due to COVID



#### Mindfulness Exercises and Counselling Support

For employees and their families to support mental health



#### One-year salary

As additional assistance to the family of deceased employee



#### COVID Care Leave

Of up to 14 days if employee or immediate family has tested positive



# COMMITTED TO STRONGER BRANDS AND PARTNERSHIPS



Even in a year marked by exceptional challenges, we stayed focussed on keeping our brand experiences innovative and exciting. We are also playing an active part in helping our customers emerge stronger on the other side of the crisis.

## Reinvigorating our product portfolio



### Reimagining Royal Challenge

Master Blender, Craig Wallace - a respected Scotch Whisky specialist, has created the new smoother and richer blend of Royal Challenge with which the brand evolves to be the most accessible and preferred by millennials. Further, the new pack brings alive the rampant LION which is a symbol of our boldness and our statement of pride.



### Rejuvenating McDowell's No1

All new bundle with – strengthened mix, a significantly dialled-up liquid, in a young contemporary design language sporting a sleek taller bottle and fresh graphics on the pack.



### Launch Of Copper Dog

A unique blend of eight fine Speyside single malt whiskies that is deliciously fruity with a hint of honey and spice, ready to break conventions.

## Deepening our brand engagement



### #WalkinWithJohnnie

To support bar continuity and inspire consumers to responsibly return to their favourite bars, Johnnie Walker launched the #WalkinWithJohnnie campaign. As part of the campaign, consumers could walk in to their favourite bars (responsibly) to deposit glass bottles and witness it become part of life size striding man installations forged by renowned glass artists, with their names inscribed on these installations as a token of their support to their favourite bars and designed to inspire us all to keep on walking and forge ahead during tough times.



### International Women's Day (IWD) Campaign

A renowned musician, mixologist and fashion stylist came together over a brunch with Black & White to go back richer with shared stories and experiences.

## Re-Engaging With Renovations

Our frontline team scaled on-ground renovations for our Jalwa lighthouse stores. The high impact and visibility amplified our brand connect and also helped our customers boost their total store sales.



## COVID-19 support to our customers

### Raising the Bar

We launched 'Raising The Bar', A ₹ 75 crore revival and recovery programme to support bars, pubs and restaurants serving alcohol across New Delhi, Mumbai, Bengaluru and other cities. This programme provides strong on-ground support to qualifying outlets, with physical equipment and 'hygiene kits', and helps to establish partnerships with online reservations and cashless systems.

# 1,500+

Outlets registered under 'Raising the Bar' programme

# 100%

Starter kit deployed

# 1,300

Outlets deployed Euronics sanitisation stations

# 1,110

Outlets deployed contactless dine out options

# 1,070

Outlets supported through Zomato digital ads

# 40 press ads & 63 OOH

Outlets deployed Euronics sanitisation stations

# 3,300

Staff in 366 outlets trained on Health, Hygiene & Safety as part of clean serve module



Won India Night Life Awards as part of COVID Warriors campaigns that supported trade



# STRENGTHENING OUR COMMUNITIES AND SOCIETY

During the COVID-19 pandemic, our aim has been to provide support that has a direct impact on our communities. We also continued our broader sustainability initiatives focussed on environmental protection, water conservation, livelihood generation and responsible consumption of alcohol.



## Pledging our support to the fight against COVID-19

Towards the end of the last financial year, as the pandemic hit our business, we quickly re-directed our priorities towards protecting the business and creating enablers that would help us to emerge stronger through a prolonged crisis. In the wake of the severe second wave, we further pledged to augment public healthcare infrastructure in One District in Each State & Union Territory of India.



₹130Cr

Committed towards COVID relief during the year

<b>1<sup>st</sup> Phase:</b>			
<b>300,000</b> Litres		<b>₹3 Cr</b>	<b>150,000</b>
Of bulk hand sanitisers produced across 15 manufacturing units for use by public healthcare workers		Healthcare insurance support provided to Bartenders in the Hospitality sector	Masks donated to 5 state's Public Health departments
<b>2<sup>nd</sup> Phase:</b>			
<b>₹45 Cr</b>	<b>Pressure Swing Adsorption (PSA) Oxygen Plants</b>	<b>Fully equipped, prefabricated 16-bed mini-hospital units, with PSA oxygen plants</b>	<b>Medical equipment</b>
Pledged to strengthen the public health infrastructure	To be set up in Government Hospitals in 21 districts to create long-term oxygen capacity	To be provided in 15 critical districts to increase bed capacity	To be donated to Public Hospitals across 10 States to address immediate needs at hospitals



## Society 2030: Spirit of Progress

We are committed to playing our part to protect the environment and building a more sustainable future. We are committed to support Diageo's global ambition of 'SOCIETY 2030: SPIRIT OF PROGRESS' with the aim to make a positive impact on the world by 2030 to achieve the United Nations Sustainable Development Goals.



### Diageo India's Goals for 2030

Achieve net zero carbon emissions across direct India operations by 2025

Achieve net water positive impact in India by 2026

Ensure 100% use of recycled content in plastic packaging by 2030



## Water stewardship

Our water replenishment projects during the year included construction of rainwater harvesting structures, dugwell rejuvenation and desilting of ponds, among others. A part of this programme is focussed on improving WASH facilities in the communities.

We have initiated work across 2 locations - Nanded and Baramati - covering 11 villages to replenish 2.01 lakh m3 of water and impacting more than 18,000 lives.

## Learning for Life programme

To create inclusive and thriving communities by providing equal access to skills and resources where we live, work, source and sell. The programme is designed to create an enabling environment, especially for women, to undertake sustainable livelihood opportunities. Skill training is also imparted to underprivileged youth and training was extended for jobs in the hospitality sector amongst others.

**50%**

women beneficiaries

**160**

people provided vocational training on hospitality, farming skill development

(Figures for FY21)

### Promoting Positive Drinking

We launched the India DrinkiQ website to provide access to comprehensive information about the harmful effects of alcohol and provide knowledge and tools to make informed choices.

We took the DrinkiQ programme to armed forces and educational institutions such as Tata Institute of Social Science (TISS) and Goa Institute of Management.



DRINKiQ.com

**14,236**

Reached through the programme “Cool Teens”, a programme focussed on addressing the issue of underage consumption amongst students. We reached 14,236 students

**More than  
2,800**

army officials and their families were engaged under our alcohol moderation programme

**22,750**

individuals reached through DRINKiQ quiz

*(Figures for FY21)*

**9,285**

DrinkiQ website visitors



### Pioneering Grain to Glass Sustainability

Diageo has pioneered Grain-to-Glass sustainability that aims to use natural resources responsibly, by reducing carbon, water and waste and using sustainable packaging in our operations.

Till date we have:



**96%**

Reduction of Greenhouse Gas emissions through biofuels, solar power and steam turbine power

**55%**

Improvement in water efficiency in operations through technology upgradation, wastewater treatment and water recycling (Base Year FY07)



## UNITED SPIRITS LIMITED

**Registered Office:** "UB Tower", No. 24, Vittal Mallya Road, Bengaluru – 560 001  
Tel: 080-4544 8000; Fax: 080-39856862; Corporate Identity Number: L01551KA1999PLC024991  
Website: www.diageoindia.com e-mail: investor.India@diageo.com

**DIAGEO**  
INDIA

NOTICE

# Notice

Notice is hereby given that the twenty-second Annual General Meeting ("AGM") of the members of United Spirits Limited ("the Company") will be held on Thursday, 26<sup>th</sup> August, 2021 at 3.30 p.m. through Video Conferencing ("VC")/Other Audio-Visual Means ("OVAM") to transact the following businesses:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements (including Consolidated Financial Statements) of the Company for the financial year ended March 31, 2021 and the Reports of the Directors' and Auditors thereon.
2. To appoint a Director in place of Mr. John Thomas Kennedy (DIN: 07529946), who retires by rotation and being eligible, offers himself for re-appointment.
3. **Re-appointment of Price Waterhouse & Co., Chartered Accountants LLP (FRN304026E/E-300009) as Auditors of the Company.**

To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of sections 139, 141, 142 and other applicable provisions of the Companies Act, 2013 and the Rules made there under [including any statutory modification or re-enactment thereof] if any, M/s. Price Waterhouse & Co., Chartered Accountants LLP, (FRN 304026E/E-300009) be and is hereby re-appointed as the Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the 27<sup>th</sup> Annual General Meeting of the Company and that the Board of Directors be and is hereby authorised 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.

FURTHER RESOLVED THAT any Director of the Company be and is hereby authorised to do all such acts, things and deeds as may be deemed necessary to give effect to the above resolution."

### SPECIAL BUSINESS

4. **Appointment of Ms. Hina Nagarajan as a Director**

To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of section 152 and all other applicable provisions of the Companies Act, 2013 and the Rules framed thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Ms. Hina Nagarajan (DIN: 00048506), who was appointed by the Board of Directors on the recommendation of Nomination and Remuneration Committee as an Additional

Director of the Company with effect from 1<sup>st</sup> July, 2021 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received a Notice in writing from a Member under Section 160 of the Companies Act, 2013 proposing her candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, whose office shall not be liable to determination by retirement by rotation."

5. **Appointment of Ms. Hina Nagarajan as a Managing Director and Chief Executive Officer of the Company for a period of five years and approval of remuneration payable to her for three years.**

To consider and, if thought fit, to pass the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, 203 read with Schedule V and any other applicable provisions, if any, of the Companies Act, 2013, and the Rules framed thereunder [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force] and pursuant to the Articles of Association of the Company, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment, modification, variation or re-enactment thereof and based on the recommendation of Nomination and Remuneration Committee and subject to the approval of the Central Government, Ms. Hina Nagarajan (DIN:00048506), appointed as Chief Executive Officer – Designate with effect from 1<sup>st</sup> April, 2021, (the 'appointee') be and is hereby appointed, with the benefit of continuity of service, as Managing Director and Chief Executive Officer of the Company for a period of five years with effect from 1<sup>st</sup> July, 2021 to 30<sup>th</sup> June, 2026 on such terms and conditions as set out in this Resolution and as specified in the letter of appointment and at below mentioned remuneration and whose office shall not be liable to determination by retirement by rotation:

Compensation Plan	Amount (₹ Per Annum)
Basic Salary	2,75,00,000
Basket of Allowances (BOA)	2,58,26,850
Company's contribution to Provident Fund	33,00,000
Gratuity	13,22,750
Group Medical Coverage (Health Insurance)	38,400
Group Term Life Insurance	12,000
Target Annual Incentive Plan (AIP)	2,20,00,000
<b>Target cost to Company (CTC) per annum</b>	<b>8,00,00,000</b>



FURTHER RESOLVED THAT the maximum Annual Incentive Plan (AIP) payable would be 200% of Target AIP depending on the performance of the appointee as may be recommended by the Nomination & Remuneration Committee and approved by the Board.

FURTHER RESOLVED THAT remuneration mentioned herein shall be the minimum remuneration payable in the event of any inadequacy or absence of profits in any financial year or years, for a period of three years with effect from 1<sup>st</sup> July, 2021 to 30<sup>th</sup> June, 2024, subject to such other revisions, modifications (including inter-se changes in various components of CTC) and increments, including any increments to the Basic and Basket of Allowances (BOA) and consequential increase to Company's contribution to Provident Fund, Gratuity, Annual Incentive Plan (AIP) etc., as may be approved by the Board from time to time based on the recommendation of the Nomination and Remuneration Committee and as per the rules/policy of the Company, within the overall limit of ₹ 35 crore per annum.

FURTHER RESOLVED THAT the appointee shall also be entitled to all other benefits/allowances, travel, telephone and other reimbursement entitlements, insurance coverage, as per her grade in accordance with the policy of the Company (as may be modified from time to time).

FURTHER RESOLVED THAT the appointee shall also be entitled to the annual grant of Diageo Performance Shares Plan (PSP), Diageo Senior Executive Share Option Plan (SESOP), Stock Appreciation Rights (SARs) of the Company or other Long Term Incentive plans, as may be approved by the Board of Directors from time to time, in accordance with the policy of the Company and as per the terms and conditions of the respective plan and upon approval of the Nomination & Remuneration Committee, subject to the overall limit on remuneration specified herein.

FURTHER RESOLVED THAT consent of the members be and hereby is accorded for the cost to be borne by the Company pursuant to vesting of Long Term Incentives (including equity and/or equity linked instruments), granted during her tenure with Diageo group, subject to the overall limit on remuneration specified herein.

FURTHER RESOLVED THAT the appointment can be terminated by the Company with 12 months' notice (or salary in lieu of such notice) and that the appointment can be terminated by the appointee with 6 months' notice as more particularly set out in the appointment letter.

FURTHER RESOLVED THAT Ms. Hina Nagarajan, appointed as the Managing Director and Chief Executive Officer, be entrusted with substantial powers of management and be responsible for the general conduct and management of the business and

affairs of the Company subject to the superintendence, control and direction of the Board of Directors of the Company.

FURTHER RESOLVED THAT in the event of the approval of the Central Government stipulating any changes with respect to the terms of appointment of Ms. Hina Nagarajan, the Board of Directors be and is hereby authorised to vary the terms of appointment in accordance herewith to the extent and in manner as may be agreed to by Ms. Hina Nagarajan.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary for obtaining necessary approvals in relation to the above and to execute all such documents, instruments and writings as may be required in this connection and to delegate all or any of its powers herein conferred to any Director, Company Secretary or any other officer(s) of the Company."

#### **6. Appointment of Mr. Vegulaparanan Kasi Viswanathan as an Independent Director of the Company for the second term.**

To consider and, if thought fit, to pass the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of sections 149, 150(2), 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force read with Schedule IV of the Companies Act, 2013 and based on the recommendation of the Nomination and Remuneration Committee and the Board of Directors, Mr. Vegulaparanan Kasi Viswanathan (DIN:01782934) who was appointed as an Independent Director of the Company on October 17, 2016 and whose first term of five years expires on October 16, 2021, be and is hereby re-appointed as an Independent Director of the Company for a period of 5 years with effect from October 17, 2021 to October 16, 2026 and who shall not be subject to retirement by rotation.

FURTHER RESOLVED THAT pursuant to regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, approval be and is hereby given for continuation of Mr. Vegulaparanan Kasi Viswanathan, as an Independent Director of the Company, on account of attaining the age of 75 years during his tenure."

#### **7. Continuation of Mr. Mahendra Kumar Sharma as a Director of the Company on completion of 75 years of age.**

To consider and, if thought fit, to pass the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to regulation 17(1A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or

re-enactment(s) thereof, for the time being in force), based on the recommendation of the Nomination and Remuneration Committee and the Board of Directors, approval be and is hereby accorded for continuation of Mr. Mahendra Kumar Sharma (DIN: 00327684) as an Independent Director of the Company even after attaining the age of 75 years during his tenure."

#### **8. Payment of Commission to Independent Directors and Non-Executive Directors.**

To consider and, if thought fit, to pass the following Resolution as a Special Resolution:

"RESOLVED THAT in supersession of the Resolutions passed by the members for the payment of remuneration through postal ballot on January 19, 2019 and at the Company's Fifteenth Annual General Meeting held on September 30, 2014 and pursuant to the provisions of sections 149(9), 197, 198, Schedule V and any other applicable provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules made thereunder ('the Act'), consent of the members be and is hereby accorded for payment of remuneration in each financial year to any one or more or all of the existing Non-Executive Directors or Non-Executive Directors to be appointed in future, in the form of commission and in addition to sitting fees, reimbursement of expenses for participation in the Board and other meetings, as the Board of Directors may from time to time, determine subject to the aggregate remuneration not exceeding 1% of the net profits of the Company in any financial year (computed in the manner provided in section 198 of the Act) and that this Resolution shall remain in force from April 01, 2021 till such time this Resolution is rescinded by the members.

FURTHER RESOLVED THAT in case of loss or of inadequacy of profits, the Company be and is hereby authorised to pay remuneration in the form of commission not exceeding ₹ 4,00,00,000 (Rupees four crore only), in aggregate, to any one or more or all of the existing Non-Executive Directors or Non-Executive Directors to be appointed in future for a period not exceeding three financial years commencing from April 1, 2021 (for the financial years 2021-22, 2022-23, 2023-24) in addition to sitting fees, reimbursement of expenses for participation in the Board and other meetings."

By Order of the Board

**Mital Sanghvi**

Company Secretary

Place : Mumbai

Date : 29<sup>th</sup> July 2021

#### **Notes:**

1. Please refer to the explanatory statement given hereunder.
2. The relevant details, pursuant to regulations 26(4) and 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and Secretarial Standard on General Meetings issued by The Institute of Company Secretaries of India, in respect of Director seeking appointment/re-appointment at this AGM is annexed.
3. In view of the continuing COVID-19 pandemic, Ministry of Corporate Affairs vide Circular No. 14/2020 dated April 8, 2020, Circular No. 17/2020 dated April 13, 2020, Circular No. 20/2020 dated May 05, 2020 and Circular No. 02/2021 dated January 13, 2021 and Securities and Exchange Board of India vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 and Circular No. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021, issued by SEBI (hereinafter collectively referred to as 'Circulars') permitted companies to hold Annual General Meeting ('AGM') through video conference ("VC") or other audio visual means ("OAVM"), without the physical presence of members at a common venue. Accordingly, the AGM of the Company will be held through VC/OAVM. In accordance with the Secretarial Standard-2 on General Meetings issued by The Institute of Company Secretaries of India ("ICSI") read with Clarification/Guidance on applicability of Secretarial Standards issued by the ICSI, the proceedings of the Annual General Meeting ('AGM') shall be deemed to be conducted at the Registered Office of the Company. Since the AGM will be held through VC/OAVM, the Route Map is not annexed to this Notice.
4. The Circulars waived the requirement of permitting the members to appoint proxies to attend and vote on his/her behalf, as the AGM is being held through VC/OAVM. Accordingly, the facility for appointment of proxies by the members will not be available. However, in pursuance of Section 112 and Section 113 of the Companies Act, 2013, representatives of the members such as the President of India or the Governor of a State or body corporate can attend the AGM through VC/OAVM and cast their votes through e-voting.
5. Corporate members intending to authorize their representatives to participate and vote at the meeting are requested to send a certified copy of the board resolution/ authorization letter to the Scrutinizer by email at the email id [sudhir.compsec@gmail.com](mailto:sudhir.compsec@gmail.com) or to the Company at the email id [investor.india@diageo.com](mailto:investor.india@diageo.com) or upload on the VC portal/ e-voting portal.
6. Participation of members through VC/OAVM will be reckoned for the purpose of quorum for the AGM as per Section 103 of the Companies Act, 2013 ("the Act").

7. In compliance with the aforesaid Circulars, Notice of the AGM along with the Annual Report 2020-21 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories. Members may note that the Notice and Annual Report for the year 2020-21 will also be available on the Company's website [www.diageoindia.com](http://www.diageoindia.com), websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively.
8. Members are required to immediately inform the Company's Registrars and Transfer Agents, Integrated Registry Management Services Private Limited (IRMSPL) #30, Ramana Residency, 4th Cross, Sampige Road, Bengaluru – 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, the 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.
9. Members holding shares in physical form, holding 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. 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.
10. Nomination facility for shares, held in physical form, is available for members. The prescribed form in this regard can be obtained from the Company's Registrars and Transfer Agents.
11. 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 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. Members may please note that effective April 1, 2019 transfer of shares are not permitted through physical mode pursuant to SEBI notification dated June 8, 2018.
12. All Unclaimed Dividend for the period from April 1, 1999 to March 31, 2013, required to be transferred to the Investor Education and Protection Fund ("Fund") in terms of the provisions of the Companies Act, 1956 and the Companies Act, 2013, were transferred to the Fund. The Company has not declared any dividend from financial year 2013-14 till date.
13. Members may note that the Unclaimed Dividends which are transferred to the Fund can be claimed only by submitting an application in form IEPF-5 to the Ministry of Corporate Affairs ('MCA') available on website [www.iepf.gov.in](http://www.iepf.gov.in). Details of unclaimed dividend have been uploaded on the Company's website [www.diageoindia.com](http://www.diageoindia.com).
14. The members are requested to email their grievances for redressal to [bglsta@integratedindia.in](mailto:bglsta@integratedindia.in)/ [investor.india@diageo.com](mailto:investor.india@diageo.com).
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 22<sup>nd</sup> AGM by electronic means and the votes may be cast through electronic voting ('e-voting') services provided by Central Depository Services (India) Limited ['CDSL'].
16. Facility for e-voting shall also be made available during the meeting and members attending the meeting through video conference, who have not cast their vote by remote e-voting can exercise their vote during 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.
18. Any person who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com). However, if he/she is already registered with CDSL for remote e-voting then he/she can use his/her existing user ID and password for casting the vote.
19. The instructions for shareholders voting electronically are as under:  
  
In compliance with the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, and Regulation 44 of the SEBI Listing Regulations, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by CDSL, on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below:  
  
The remote e-voting period begins on August 23, 2021 at 10.00 a.m. and ends on August 25, 2021 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 i.e. August 19, 2021, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Notice of the AGM is also disseminated on the website of CDSL [www.evotingindia.com](http://www.evotingindia.com).

**(i) Information and instructions for Remote e-voting by Individual Shareholders holding shares of the Company in demat mode:**

Pursuant to SEBI Circular No. SEBI/HO/CFD/CMD/ CIR/P/2020/242 dated December 9, 2020 on "e-Voting facility provided by Listed Companies", e-Voting process

has been enabled to all the individual demat account holders, by way of single login credential, through their demat accounts / websites of Depositories / DPs in order to increase the efficiency of the voting process.

Individual demat account holders would be able to cast their vote without having to register again with the e-voting Service Provider (ESP) thereby not only facilitating seamless authentication but also ease and convenience of participating in e-Voting process. Shareholders are advised to update their mobile number and e-mail ID with their DPs to access e-Voting facility.

- ii) Pursuant to abovesaid SEBI Circular, Login method for e-voting and joining virtual meetings **for Individual shareholders holding securities in Demat mode** is given below:

Type of Shareholders	Login Method
Individual Shareholders holding securities in Demat mode with <b>CDSL</b>	<ol style="list-style-type: none"> <li>1) Users who have opted for CDSL's Easi/Easiest facility, can login through their existing user id and password. Option will be made available to reach e-voting page without any further authentication. The URLs for users to login to Easi/Easiest are <a href="https://web.cdslindia.com/myeasi/home/login">https://web.cdslindia.com/myeasi/home/login</a> or <a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on Login icon and select New System Myeasi.</li> <li>2) After successful login the Easi/Easiest user will be able to see the e-voting option for eligible companies where the evoting is in progress. On clicking the e-voting option, the user will be able to see e-Voting page of the e-Voting Service Providers for casting votes along with links of the respective e-voting service provider i.e. CDSL/NSDL/KARVY/LINK INTIME as per information provided by Issuer/Company. Additionally, we are providing links to ESP so that the user can visit the ESP's site directly.</li> <li>3) If the user is not registered for Easi/Easiest, option to register is available at <a href="https://web.cdslindia.com/myeasi/Registration/EasiRegistration">https://web.cdslindia.com/myeasi/Registration/EasiRegistration</a></li> <li>4) Alternatively, the user can directly access e-voting page by providing Demat Account Number and PAN No. from a link in <a href="http://www.cdslindia.com">www.cdslindia.com</a> home page. The system will authenticate the user by sending OTP on registered Mobile &amp; Email as recorded in the Demat Account. After successful authentication, user will be provided links for the respective ESP where the e-voting is in progress during or before the AGM.</li> </ol>
Individual Shareholders holding securities in Demat mode with <b>NSDL</b>	<ol style="list-style-type: none"> <li>1) If you are already registered for National Securities Depository Limited ('NSDL') IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a> either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-voting services. Click on "Access to e-voting" under e-voting services and you will be able to see e-voting page. Click on company name or e-voting service provider name and you will be re-directed to e-voting service provider website for casting your vote during the remote e-voting period or joining virtual meeting &amp; voting during the meeting.</li> <li>2) If the user is not registered for IDeAS e-Services, option to register is available at <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a>. Select "Register Online for IDeAS" Portal or click at <a href="https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</a>.</li> <li>3) Visit the e-voting website of NSDL. Open web browser by typing the following URL: <a href="https://www.evoting.nsdl.com">https://www.evoting.nsdl.com</a> either on a Personal Computer or on a mobile. Once the home page of e-voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-voting page. Click on company name or e-voting service provider name and you will be redirected to e-voting service provider website for casting your vote during the remote e-voting period or joining virtual meeting &amp; voting during the meeting.</li> </ol>

Type of Shareholders	Login Method
Individual Shareholders (holding securities in demat mode) login through their <b>Depository Participants</b>	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-voting facility. After successful login, you will be able to see e-voting option. Once you click on e-voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-voting feature. Click on company name or e-voting service provider name and you will be redirected to e-voting service provider's website for casting your vote during the remote e-voting period or joining virtual meeting & voting during the meeting.

**Important note:** Members who are unable to retrieve User ID/Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

**iii) Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. CDSL and NSDL**

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with <b>CDSL</b>	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> or contact at 022- 23058738 and 022-23058542-43.
Individual Shareholders holding securities in Demat mode with <b>NSDL</b>	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a> or call at toll free no.: 1800 1020 990 and 1800 22 44 30

**(iv) Login method for e-voting and joining virtual meeting for **shareholders other than individual shareholders & physical shareholders.****

- 1) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- 2) Click on "Shareholders/Members" module.
- 3) Now enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.
- 4) Next enter the Image Verification as displayed and Click on Login.
- 5) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier e-voting of any company, then your existing password is to be used.

**6) If you are a first-time user follow the steps given below:**

	For Shareholders holding shares in Demat Form and Physical form
PAN	Enter your 10 digit alpha-numeric PAN* issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)  *Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact <a href="mailto:bglsta@integratedindia.in">bglsta@integratedindia.in</a>
Dividend Bank Details <b>OR</b> Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. • If both 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).

- (v) After entering these details appropriately, click on "SUBMIT" tab.
- (vi) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders 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 to be also used by the demat holders for voting on 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.
- (vii) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

- (viii) Click on the EVSN of the Company.
- (ix) 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 you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (x) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xi) 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.
- (xii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xiii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xiv) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xv) **Facility for Non-Individual Shareholders and Custodians – Remote Voting**

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves in the "Corporates" module.
- 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 linked in the login 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.
- Alternatively, Non-Individual shareholders are required to send the relevant Board Resolution/Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; [sudhir.compsec@gmail.com](mailto:sudhir.compsec@gmail.com) or [investor.india@diageo.com](mailto:investor.india@diageo.com) respectively, if they have voted from individual tab &

not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

**INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM & E-VOTING DURING MEETING ARE AS UNDER:**

1. The procedure for attending meeting & e-voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.
2. The link for VC/OAVM to attend meeting will be available where the EVSN of Company will be displayed after successful login as per the instructions mentioned above for Remote e-voting.
3. Shareholders who have voted through Remote e-voting will be eligible to attend the meeting. However, they will not be eligible to vote at the AGM.
4. Shareholders are encouraged to join the Meeting through Laptops/IPads for better experience.
5. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
6. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
7. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast **5 days prior to meeting** mentioning their name, demat account number/folio number, email id, mobile number at investor.india@diageo.com. The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance **5 days prior to meeting** mentioning their name, demat account number/folio number, email id, mobile number at investor.india@diageo.com. These queries will be responded appropriately by the company.
8. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.
9. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system available during the AGM.
10. If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have

not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

11. The Members can join the AGM in the VC/OAVM mode 15 minutes before the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to atleast 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

**PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL ADDRESSES ARE NOT REGISTERED WITH THE DEPOSITORIES FOR OBTAINING LOGIN CREDENTIALS FOR E-VOTING:**

1. For Physical shareholders - please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to [bglsta@integratedindia.in/investor.india@diageo.com](mailto:bglsta@integratedindia.in/investor.india@diageo.com).
2. For Demat shareholders - please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), Aadhar (self attested scanned copy of Aadhar Card) to Company/RTA email id. i.e. [investor.india@diageo.com](mailto:investor.india@diageo.com)/[bglsta@integratedindia.in](mailto:bglsta@integratedindia.in).

If you have any queries or issues regarding attending AGM & e-voting from the CDSL e-voting System, you can write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or contact at 022- 23058738 and 022-23058542/43.

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai – 400 013 or send an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or call on 022-23058542/43.

20. 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,

Bengaluru – 560 004 has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

21. The Scrutinizer shall, not later than 48 hours after the conclusion of the AGM 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.
22. The results declared along with the Scrutinizer's Report will be placed on the Company's website [www.diageoindia.com](http://www.diageoindia.com) and on the stock exchanges' website, National Stock Exchange of India Limited at [www.nseindia.com](http://www.nseindia.com) and BSE Limited at [www.bseindia.com](http://www.bseindia.com), immediately after the result is declared by the Chairman or any person authorised by the Company and communicated to the concerned stock exchanges.
23. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under section 170 of the Act, and the Register of Contracts or Arrangements in which the directors are interested, maintained under section 189 of the Act, will be available electronically for inspection by the members during the AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM, i.e. August 26, 2021. Members seeking to inspect such documents can send an email to [investor.india@diageo.com](mailto:investor.india@diageo.com).

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

**Item No. 3 - Re-appointment of Price Waterhouse & Co., Chartered Accountants LLP (FRN304026E/E-300009) as Auditors of the Company.**

The members at their meeting held on July 14, 2016 appointed M/s Price Waterhouse & Co., Chartered Accountants LLP, (FRN 304026E/E-300009) ("PWC") as Statutory Auditors of the Company, to hold office from the conclusion of the 17th Annual General Meeting ("AGM") till the conclusion of the 22nd AGM. The members may please note that PWC is one of the reputed international audit firm and one among 'big four' audit firm. Given their expertise in the field of audit, the audit committee recommended their re-appointment to the Board for another term of five years effective from the conclusion of this annual general meeting till the conclusion of 27th AGM of the Company. Accordingly, the Board of Directors at their meeting held on May 21, 2021 have recommended their re-appointment for a further period of five years subject to the approval of members.

The proposed remuneration to be paid to PWC, for the ensuing year is ₹ 5 crore (Rupees Five crore) plus applicable taxes, travelling and



other out of pocket expenses incurred by them in connection with the statutory audit, other Services and Certification services. The proposed fees is based on the scope of work, knowledge, industry experience, expertise, time and efforts required to be put by PWC. The proposed fees are also in line with the industry benchmarks. The remuneration to be paid to Statutory Auditors from the subsequent year onwards shall be mutually agreed between the Board of Directors and Statutory Auditors, from time to time.

The resolution under this item seeks the approval of the Members for the said appointment of auditors by way of ordinary resolution. None of the Directors, Key Managerial Personnel ("KMP") of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No. 3 of the Notice.

The Board recommends the ordinary resolution set forth in Item No. 3 for your approval.

**Item Nos. 4 & 5 - Appointment of Ms. Hina Nagarajan as a Director and as a Managing Director and Chief Executive Officer of the Company for a period of five years and approval of remuneration payable to her for three years**

Ms. Hina Nagarajan was appointed as an Additional Director by the Board of Directors of the Company at their meeting held on 27<sup>th</sup> January 2021 with effect from 1<sup>st</sup> July 2021. Ms. Nagarajan was appointed as Chief Executive Officer - Designate with effect from 1<sup>st</sup> April 2021. A notice has been received from a member proposing Ms. Hina Nagarajan as a candidate for the office of Director of the Company and her appointment has also been recommended by the Nomination and Remuneration Committee of the Directors.

Ms. Nagarajan, before joining the Company, was the Managing Director, Africa Regional Markets (ARM) of Diageo PLC, Company's holding company and has taken charge as Chief Executive Officer - Designate of the Company from 1<sup>st</sup> April 2021. Since joining Diageo PLC in the summer of 2018, she has led Diageo's ARM comprising operations in Ghana, Cameroon, Ethiopia, the Indian Ocean, Angola and several other countries. Under her leadership, ARM has become a significant growth driver for Diageo Africa. She is known for her passion and drive to deliver results and her ability to build strong teams that deliver outstanding outcomes, with a strong commitment to Diageo standards and compliance. She has leveraged capabilities and synergies across the market to drive regional growth, delivering a significant step change in supply chain performance across ARM. She has also been an active and passionate advocate for inclusion and diversity in Africa and Diageo more broadly.

Ms. Nagarajan holds MBA from the Indian Institute of Management, Ahmedabad, a Commerce Honors degree from Delhi University and a Diploma in Hotel Management from Pusa Institute, Delhi, India, has over 30 years of experience in Consumer-Packaged

Goods business and held several senior marketing and general management positions at Reckitt Benckiser (RB), Nestle India and Mary Kay India. In her most recent position before joining Diageo, she was Managing Director, China & Senior Vice President, North Asia with RB.

The Board of Directors has appointed, subject to the approval of the Members at the Annual General Meeting, Ms. Nagarajan as Managing Director and Chief Executive Officer of the Company with effect from 1<sup>st</sup> July 2021 for a period of five years. The remuneration proposed to be paid to her is detailed in the resolution under item no. 5. She will hold office for a period of five years and shall not be subject to retirement by rotation so long as she continues as Managing Director of the Company. Ms. Hina Nagarajan shall be entrusted with substantial powers of management and will be responsible for the general conduct and management of the business and affairs of the Company subject to the superintendence, control and supervision of the Board of Directors of the Company.

Since her joining the Company, Ms. Hina Nagarajan has been granted Diageo Incentive Plan (DIP) (award of Diageo Restricted Stock Units [RSUs]) of the value of £180,000 and 30,193 Stock Appreciation Rights (SARs) of the Company of the value of INR 1.68 crore in accordance with the policy of the Company and as per the terms and conditions of the respective plan.

Other disclosures to be provided in terms of Sections 196 to 198 read with Schedule V and applicable Rules under the Companies Act, 2013 and SEBI Regulations, as the case may be are given below:

**A. General Information:**

- Nature of industry: Alcoholic Beverages
- Date or expected date of commencement of commercial production: Existing Company
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable
- Financial performance based on given indicators: The Key Financial Parameters of the Company as on March 31, 2021 is given below:

Particulars	₹ in millions Amount
Gross Sales	271,764
Profit/Loss from operations	8,697
Exceptional and other non-recurring items	(1,514)
Less :	
Depreciation	2,493
Taxation (including deferred tax)	1,587
Profit/(Loss) after tax	3,103

- v. Foreign investments or collaborations, if any: The Company is a subsidiary of Diageo PLC (through Relay BV), which owns 55.94% of the paid-up equity capital of the Company.

**B. Information about the appointee:**

- i. Background details:** Ms. Hina Nagarajan holds an MBA from the Indian Institute of Management, Ahmedabad, a Commerce Honors degree from Delhi University and a Diploma in Hotel Management from Pusa Institute, Delhi, India, has over 30 years of experience in Consumer-Packaged Goods business and held several senior marketing and general management positions at Reckitt Benckiser (RB), Nestle India and Mary Kay India. In her recent position before joining Diageo, she was Managing Director, China & Senior Vice President, North Asia with RB in the year 2018.
- ii. Past Remuneration:** Ms. Hina Nagarajan has been appointed by the Company during the financial year 2021-22 and hence the past remuneration details are not applicable.
- iii. Recognition or Awards:** Ms. Hina Nagarajan has won WeQual Award 2019, Involve Empower Ethnic Minority Role Model 2019 and 2020 and Cranfield University Women to Watch 2019.
- iv. Job profile and her suitability:** Ms. Hina Nagarajan is MBA from the Indian Institute of Management, Ahmedabad, a Commerce Honors degree from Delhi University and a Diploma in Hotel Management from Pusa Institute, Delhi, India. She has over 30 years of experience in FMCG industry and also has a deep understanding of Indian market. She has had Profit & Loss (P&L) responsibilities during her illustrious career. Further, she has been associated with Diageo group since year 2018 and has significantly improved the business performance of the markets that she was responsible for.
- In view of the above, she is best positioned to be appointed as the Managing Director & CEO of the Company.
- v. Remuneration proposed: As per the details given in Resolution under item no. 5 of this notice above.**
- vi. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)**

The remuneration paid to the CEO/MD of the following comparable companies for the FY 2020-21 are given below for the purpose of comparison:

(₹ in crore)

Sl. No.	Names of Companies	Remuneration paid
1	Hindustan Unilever Limited	15.36
2	Colgate Palmolive Limited	8.78
3	Asian Paints Limited	10.42
4	Tata Global Beverages Limited	7.53
5	ACC Limited	3.32
6	United Breweries Limited	4.78*
7	Varun Beverages Limited	6.83

\* For part of the year

Taking into consideration the size of the Company, the profile of Ms. Hina Nagarajan, the responsibilities shouldered by her and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

- vii. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel or other director, if any:** No pecuniary relationship other than the remuneration as stated above.

**C. Other Information:**

- i. Reasons for loss or inadequate profits:

The Company has been consistently making profits except for the financial year ended March 31, 2014 and for the financial year ended March 31, 2015 due to certain exceptional and one-off items. If the profits of each of the years is calculated in terms of the provisions existing prior to the Companies (Amendment) Act, 2017 ("Amendment"), the Company had net profits calculated for this purpose under Section 198.

The reasons for the losses during the year 2013-14 and 2014-15 were due to certain exceptional and one-off items of provisions, write-offs and losses in those years which have already been disclosed and approved by the shareholders as part of the approved audited financial statements of those years.

- ii. **Steps taken or proposed to be taken for improvement:**

Pursuant to the approval of the shareholders of the Company at an extraordinary general meeting of the Company held on 9<sup>th</sup> January 2015, the Company entered into a number of agreements with certain Diageo entities for manufacture and sale of certain key brands owned by such Diageo entities. These agreements have enabled the Company to be

in a position to gain a diverse product portfolio, additional sales revenue and improve the Company's standing in the domestic market by virtue of leveraging the Diageo brand and know-how. Also, these agreements are value accretive for the Company and are consistent with the Company's strategy to build and extend its competitive advantage in the "Premium and above" market segments. This has been demonstrated by the Company achieving profitability over the years excluding the unprecedented Covid-19 year through its premiumization strategy. Prestige and above segment accounted for 70% of the net sales for the financial year ended March 31, 2021.

- iii. **Expected increase in productivity and profits in measurable terms:** The financial performance including the profitability over the four financial years are given below which clearly show that the Company is on the right path.

(₹ Millions)

Financial year	Gross sales	Profit after tax	Market capitalisation
2020-21	271,764	3,103	404,011
2019-20	285,892	7,047	352,129
2018-19	285,123	6,586	402,485
2017-18	260,691	5,617	454,825

Ms. Nagarajan is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and has given her consent to act as a Director. She is not debarred from holding the office of Director pursuant to any Order issued by the Securities and Exchange Board of India ("SEBI") or any other authority.

The Articles of Association of the Company is available for inspection by the Members in electronic form up to the date of the AGM.

Appointment letter and grant letters for Long Term Incentives (LTIs) are available for inspection by the Members in electronic form up to the date of the AGM.

The relevant details, pursuant to regulations 26(4) and 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and Secretarial Standard on General Meetings issued by The Institute of Company Secretaries of India, in respect of Director seeking appointment at this AGM is annexed.

Save and except Ms. Hina Nagarajan, and her relatives to the extent of their shareholding interest, if any, in the Company, none of the other Directors, Key Managerial Personnel ("KMP") of the Company and their relatives are, in any way,

concerned or interested, financially or otherwise, in the Resolution set out at Item Nos. 4 & 5 of the Notice. None of the Directors and KMP of the Company are inter-se related to each other.

The Board of Directors recommend passing of the resolution by the members as set out under Item No. 4 as an ordinary resolution and Item No. 5 as a special resolution.

**Item No. 6 - Appointment of Mr. Vegulaparanan Kasi Viswanathan as an Independent Director of the Company for the second term.**

The Members at the Annual General Meeting held on August 30, 2017 had approved appointment of Mr. Vegulaparanan Kasi Viswanathan (Mr. V K Viswanathan) as an Independent Director with effect from October 17, 2016 for a period of five consecutive years 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.

Mr V K Viswanathan will hold office up to October 16, 2021. The Nomination and Remuneration Committee at their meeting held on May 20, 2021 has recommended his appointment as an Independent Director for a further period of 5 years with effect from October 17, 2021. The Board has also received notice under Section 160 of the Companies Act, 2013 from a member signifying his intention to propose Mr. V K Viswanathan's appointment as director.

Mr. Viswanathan holds a bachelor's degree in Commerce from University of Madras and is a Fellow of the Institute of Chartered Accountants of India. With overall, more than 40 years of post qualification professional experience. Mr. V K Viswanathan joined the Robert Bosch, Germany in August 1998 and worked in its global headquarters at Stuttgart for about 2½ years. He took over as the Joint Managing Director and CFO of Bosch Limited, India in January 2001, with responsibility for all Commercial, Finance, IT, HR functions and legal matters besides Corporate Strategy. Then he was transferred to Robert Bosch LLC, USA in 2006 as the Senior Vice President for the Automotive Electronics and Electricals Division. On his return to India in 2008, he became the President and Country Head of Bosch Group in India and Managing Director/CEO of Bosch Ltd. In July 2013 he took over the position of Chairman, of Bosch Ltd. He also worked in Hindustan Unilever Ltd. (HUL) in many senior leadership positions both in India and abroad for 17 years. Prior to that he worked with Tata Consultancy Services for 5 years. His last position in HUL was as Financial Controller and Head of Mergers and Acquisitions. Adjudged as the best CEO in India by Business World magazine for the year 2012.

Disclosures relating to re-appointment pursuant to Regulation 26(4) and 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Clause 1.2.5 of the Secretarial Standards on General Meetings is also annexed to this Notice.

In terms of Section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term of up to five consecutive years on the Board of a Company and the office of an Independent Director shall not be liable to retire by rotation in terms of Section 149(13) of the Companies Act, 2013.

The terms and conditions of appointment for Independent Directors is available on the Company's website [www.diageoindia.com](http://www.diageoindia.com) and would also be available for inspection by the Members in electronic form up to the date of the AGM.

Mr. V K Viswanathan will attain the age of 75 years during his tenure as an Independent Director. Pursuant to regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, a special resolution is required to be passed by the members for continue to act as a director after attaining the age of 75 years. Given his vast experience and knowledge on various matters including the domain knowledge he acquired during his 1<sup>st</sup> tenure as an Independent Director, Nomination and Remuneration Committee and the Board of Directors felt that his immense knowledge on various matters would be of great help to the Company and accordingly recommended his appointment for a 2<sup>nd</sup> term of 5 years with effect from October 17, 2021.

Mr. V K Viswanathan is not disqualified from being appointed as Directors in terms of Section 164 of the Act and has given his consent to act as Director. The Company has received declaration from Mr. V K Viswanathan stating that he meets the criteria of independence as prescribed under Sub-Section (6) of Section 149 of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Mr. V K Viswanathan is not debarred from holding the office of Director pursuant to any Order issued by the Securities and Exchange Board of India or any other authority.

The Board is of the opinion that during his current tenure as an Independent Director, Mr. Viswanathan has contributed significantly in the areas of audit, risk, controls, compliance and overall strategy of the Company. The Company has immensely benefitted from his experience and expertise.

Save and except Mr. V K Viswanathan, and his relatives to the extent of their shareholding interest, if any, in the Company, none of the other Directors, Key Managerial Personnel ("KMP") of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No. 6 of the Notice. None of the Directors and KMP of the Company are inter-se related to each other.

The Board recommends the special resolution set forth in Item No. 6 for your approval.

#### **Item No. 7 - Continuation of Mr. Mahendra Kumar Sharma as a Director of the Company on completion of 75 years of age.**

Mr. Mahendra Kumar Sharma, non-executive Chairman, was re-appointed as an Independent Director at the Annual General Meeting of the Company held on August 21, 2019 for a further period of 5 years. During his tenure in the Office, he will be attaining the age of 75 years. Pursuant to regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, a special resolution is required to be passed by the members for continue to act as a director after attaining the age of 75 years. Given his vast experience and knowledge on various matters including the domain knowledge he acquired during his tenure as an Independent Director, Nomination and Remuneration Committee and the Board of Directors felt that his immense knowledge on various matters would be of great help to the Company and accordingly recommended his continuation as an Independent Director even after attaining the age of 75 years.

The Board is of the opinion that Mr. Sharma is an outstanding legal professional. He also possesses deep understanding of Fast Moving Consumer Goods (FMCG) industry by virtue of his impressive career with Hindustan Unilever Limited. He has contributed immensely in the areas of regulatory compliances, corporate governance, risk management, shaping the culture & ethos as well as overall strategy of the Company. The Company has immensely benefitted from his experience and expertise.

Save and except Mr. Sharma, and his relatives to the extent of their shareholding interest, if any, in the Company, none of the other Directors, Key Managerial Personnel ("KMP") of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No. 7 of the Notice. None of the Directors and KMP of the Company are inter-se related to each other.

Disclosures as required pursuant to Regulation 26(4) and 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and clause 1.2.5 of the Secretarial Standards on General Meetings is also annexed to this Notice.

The Board recommends the special resolution set forth in Item No. 7 for your approval.

#### **Item No. 8 - Payment of Commission to Independent Directors and Non-Executive Directors**

The Companies (Amendment) Act, 2020 amended the provisions relating to payment of remuneration to non-executive directors. As per the amended provision, a company can pay remuneration to non-executive directors in case of absence or inadequacy of



profits in accordance with Schedule V of the Companies Act, 2013, by aligning the same with the provisions for remuneration to executive directors. The Board at its meeting held on 21<sup>st</sup> May 2021 recommended this item to be laid before the shareholders for their consideration and approval. It may be noted that the non-executive directors devote their valuable time and have experience to give critical advice to the company. The members may further please note that this is only an enabling resolution as your Company's profits calculated in accordance with Section 198 of the Companies Act, 2013 is allowing the Company to pay remuneration to non-executive directors. Further, the members may please note that the Company has not been paying any remuneration to the non-independent non-executive directors.

Other disclosures to be provided in terms of Sections 196 to 198 read with Schedule V and applicable Rules under the Companies Act, 2013 and SEBI Regulations, as the case may be are given below:

#### A. General Information:

- i. Nature of industry: Alcoholic Beverages
- ii. Date or expected date of commencement of commercial production: Existing Company
- iii. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable
- iv. Financial performance based on given indicators: The Key Financial Parameters of the Company as on March 31, 2021 is given below:

Particulars	₹ in millions Amount
Gross Sales	271,764
Profit/Loss from operations	8,697
Exceptional and other non-recurring items	(1,514)
Less :	
Depreciation	2,493
Taxation (including deferred tax)	1,587
Profit/(Loss) after tax	3,103

- v. Foreign investments or collaborations, if any: The Company is a subsidiary of Diageo PLC (through Relay BV), which owns 55.94% of the paid-up equity capital of the Company.

#### B. Information about the Non-Executive directors:

- i. **Background details:** The profile of the present Non-Executive Directors are given below:
  - a. Mr. Mahendra Kumar Sharma:  
Mr. Mahendra Kumar Sharma joined Hindustan Unilever Ltd. (HUL) in 1974, and retired from the Company in 2007. He was a member of the Board of Directors of HUL for 12 years, including seven 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 a member of the Corporate Law Committee of the Ministry of Corporate Affairs, and the Naresh Chandra Committee on Corporate Governance, as well as being involved in several industry associations. He is on the board of prestigious companies such as, Asian Paints and Ambuja Cements. He is also a member of the Executive Board of the Indian School of Business. He has also attended the Advance Management Program at Harvard Business School and have been a recipient of Best Independent Director Award for 2015 from Asian Centre for Corporate Governance and Sustainability.

- b. Mr. V K Viswanathan:

Mr. Viswanathan profile is already mention in Item No. 6 of this Notice.

- c. Mr. D Sivanandhan:

Mr. D Sivanandhan is a highly regarded IPS officer with an illustrious career spanning 36 years. After earning a postgraduate degree in Economics, he joined the IPS in 1976 and retired as the Director General of Police of Maharashtra state police in 2011. He has held several senior positions in the Intelligence Bureau, Central Bureau of Investigation 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 National Security Council Secretariat, New Delhi as a member of the special task force and also as the Security Adviser to the RBI for three years. He is on the Board of several prestigious companies.

- d. Mr. Rajeev Gupta:

Mr. Rajeev Gupta graduated from IIT Varanasi, and earned MBA from IIM Ahmedabad. He has over 35 years' experience in manufacturing, investment banking and private equity. A former Joint MD of DSP Merrill Lynch, he is currently the Managing Director of Arpwood Capital, 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 several prestigious companies.

- e. Dr. Indu Shahani

Dr. Shahani is the President and Chairperson of the Indian School of Design and Innovation (ISDI) and Founding Dean of Indian School of Management and

Entrepreneurship (ISME). Formerly Sheriff of Mumbai, Dr. Shahani served as the Principal of H. R. College of Commerce and Economics in Mumbai from the year 2000 until July 2016. She is on the board of several Indian Companies. A doyen in the field of academics, Dr. Shahani has over three decades of teaching experience at the College and University level. Dr. Shahani was awarded an Honorary Doctor of Letters degree by the University of Westminster in London. She is acknowledged worldwide for her significant contribution to education and value-based leadership. She has been a recipient of Women of the Decade Achievers' Award from ASSOCHAM, Citizen of Mumbai Award from Rotary Club of Bombay and Excellence in Education Award from FICCI FLO.

f) Mr. Vinod Rao

Mr. Vinod Rao has 35 years' professional experience in Asia, Middle East & Europe spanning three global companies – Akzo Nobel India Limited (previously known as ICI India), PepsiCo and Diageo - in sectors such as FMCG, consumer durables and chemical and industrial products. Mr. Rao holds a Bachelor of Commerce degree from Madras University, he is a member of the Institute of Chartered Accountants of India and attended a Senior Executive Programme from London Business School. He joined Diageo in July 2013 as Finance Director of Asia Pacific and has since held roles as Group Treasurer, Head of Group Audit and Risk and is currently Head of Investor Relations based out of London.

g) Mr. John Thomas Kennedy

Mr. John Thomas Kennedy graduated from the Duke University in 1986 and is a postgraduate in MBA from the Indiana University. Mr. Kennedy is currently the President of Diageo Europe & India and is a member of the Diageo Global Executive Team. He has held a variety of senior positions across Diageo including President – Western Europe, Managing Director – Ireland and Managing Director – Canada.

h) Mr. Randall Ingber

Mr. Randall Ingber is General Counsel for Asia Pacific (including India), Supply & Procurement and Global Litigation at Diageo. Mr. Ingber is responsible for the management of Diageo's most significant global disputes, as well as handling legal support for the company's fast growing Asia Pacific businesses and Supply and Procurement function. He has been with Diageo for over 16 years, covering market and corporate legal roles in Australia, Japan, Singapore, Malaysia, Indonesia,

Vietnam, Thailand, Philippines and India, in addition to head office support in the UK. Mr. Ingber graduated from the University of Pennsylvania in 1995 with a major in Psychology and later received a Juris Doctorate from the University of California Hastings College of the Law in 2000.

ii. **Past Remuneration:** The past remuneration drawn by Non-Executive Directors for financial year 2020-2021

Sr. No.	Name of Director	Commission	Sitting Fees	Total
1.	Mr. M K Sharma	47,00,000	10,25,000	57,25,000
2.	Mr. V K Viswanathan	39,00,000	11,75,000	50,75,000
3.	Dr. Indu Shahani	40,00,000	13,25,000	53,25,000
4.	Mr. Rajeev Gupta	35,00,000	10,00,000	45,00,000
5.	Mr. D Sivanandhan	39,00,000	13,25,000	52,25,000
	<b>Total</b>	<b>2,00,00,000</b>	<b>58,50,000</b>	<b>2,58,50,000</b>

iii. **Recognition or Awards :** These details are covered as a part of the profiles provided in above.

iv. **Job profile and suitability:** These details are covered as a part of the profiles provided in above.

v. **Remuneration proposed:** Aggregate remuneration in the form of commission not exceeding 1% of the net profits of the Company in each financial year of the Company for all non-executive directors (including non-executive directors to be appointed in future), is to be paid, excluding sitting fees and reimbursement. In case of loss or in adequate profits commission shall be paid in the aggregate of not exceeding ₹ 4,00,00,000/- (Rupees Four Crore Only) for all non-executive directors (including non-executive directors to be appointed in future) for a period of three years (FY 2021-22, 2022-23, 2023-24).

vi. **Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):** Taking into consideration the size of the Company, the profile of Non-Executive directors, the responsibilities shouldered by them and the industry benchmarks, the commission proposed to be paid is commensurate with those paid to Non-Executive Directors of other companies.

vii. **Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel or other director, if any:** No pecuniary relationship other than the remuneration as stated above.

C. **Other Information:**

i. **Reasons for loss or inadequate profits:** The Company has been consistently making profits except for the

financial year ended March 31, 2014 and for the financial year ended March 31, 2015 due to certain exceptional and one-off items. If the profits of each of the years is calculated in terms of the provisions existing prior to the Companies (Amendment) Act, 2017 ("Amendment"), the Company had net profits calculated for this purpose under section 198.

The reasons for the losses during the year 2013-14 and 2014-15 were due to certain exceptional and one-off items of provisions, write-offs and losses in those years which have already been disclosed and approved by the shareholders as part of the approved audited financial statements of those years.

ii. **Steps taken or proposed to be taken for improvement:**

Pursuant to the approval of the shareholders of the Company at an extraordinary general meeting of the Company held on 9<sup>th</sup> January 2015, the Company entered into a number of agreements with certain Diageo entities for manufacture and sale of certain key brands owned by such Diageo entities. These agreements have enabled the Company to be in a position to gain a diverse product portfolio, additional sales revenue and improve the Company's standing in the domestic market by virtue of leveraging the Diageo brand and know-how. Also, these agreements are value accretive for the Company and are consistent with the Company's strategy to build and extend its competitive advantage in the "Premium and above" market segments. This has been demonstrated by the Company achieving profitability over the years excluding the unprecedented Covid-19 year through its premiumization strategy. Prestige and above segment accounted for 70% of the net sales for the financial year ended March 31, 2021.

iii. **Expected increase in productivity and profits in measurable terms:** The financial performance including the profitability over the four financial years are given below which clearly show that the Company is on the right path.

(₹ Millions)

Financial year	Gross sales	Profit after tax	Market capitalisation
2020-21	271,764	3,103	404,011
2019-20	285,892	7,047	352,129
2018-19	285,123	6,586	402,485
2017-18	260,691	5,617	454,825

Except Non-executive Directors and their relatives, none of the other Directors, Key Managerial Personnel ("KMP") of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No. 8 of the Notice.

The Board recommends the special resolution set forth in Item No. 8 for your approval.

By Order of the Board

**Mital Sanghvi**  
 Company Secretary

Place : Mumbai  
 Date : 29<sup>th</sup> July 2021

## Annexure

**Disclosure relating to Directors pursuant to Regulation 26(4) and 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Clause 1.2.5 of the Secretarial Standards on General Meetings:**

Name of Director	<b>Mr. John Thomas Kennedy</b>
Age	56 years
Date of Appointment	August 17, 2016
Expertise in specific functional Areas	General Management
Experience	32 years
Brief resume	Mr. John Thomas Kennedy graduated from the Duke University in 1986 and Postgraduate in MBA from the Indiana University. Mr. Kennedy is currently the President of Diageo Europe and India and is a member of the Diageo Global Executive Team. He has held a variety of senior positions across Diageo including President – Western Europe, Managing Director – Ireland and Managing Director – Canada.
Qualifications	Graduate from Duke University and MBA from the Indiana University
Terms and conditions of re-appointment	He is a director nominated by Relay B V, holding Company and does not receive any remuneration from the Company and accordingly was not paid any remuneration ever since he became a director.
No. of Board meetings attended	Mr. Kennedy attended 6 board meetings held in the financial year 2020-21
List of other Indian Directorships held	Nil
Chairperson/Member of the Committee of the Board of Directors of the Company	Mr. Kennedy is a member of Audit Committee, Nomination and Remuneration Committee and Stakeholders' Relationship and General Committee
Chairperson/Member of the Committee of the Board of Directors of other companies in which he is a Director	Nil
No. of Shares held in the Company	Nil
Relationship with other directors	Not related to any of the directors of the Company



Name of Director	<b>Ms. Hina Nagarajan</b>
Age	56 years
Date of Appointment	1 <sup>st</sup> July 2021
Expertise in specific functional Areas	Expertise in leading manufacturing, Fast Moving Consumer Goods companies and General Management
Brief resume and experience	<p>Ms. Nagarajan, before joining the Company, was the Managing Director, Africa Regional Markets (ARM) of Diageo PLC, Company's holding company and has taken charge as Chief Executive Officer - Designate of the Company from 1<sup>st</sup> April 2021. Since joining Diageo PLC in the summer of 2018, she has led Diageo's ARM comprising operations in Ghana, Cameroon, Ethiopia, the Indian Ocean, Angola and several other countries. Under her leadership, ARM has become a significant growth driver for Diageo Africa. She is known for her passion and drive to deliver results and her ability to build strong teams that deliver outstanding outcomes, with a strong commitment to Diageo standards and compliance. She has leveraged capabilities and synergies across the market to drive regional growth, delivering a significant step change in supply chain performance across ARM. She has also been an active and passionate advocate for inclusion and diversity in Africa and Diageo more broadly.</p> <p>She has over 30 years of experience in Consumer-Packaged Goods business and held several senior marketing and general management positions at Reckitt Benckiser (RB), Nestle India and Mary Kay India. In her most recent position before joining Diageo, she was Managing Director, China &amp; Senior Vice President, North Asia with RB.</p>
Qualifications	Ms. Hina Nagarajan holds an MBA from the Indian Institute of Management, Ahmedabad, a Commerce Honors degree from Delhi University and a Diploma in Hotel Management from Pusa Institute, Delhi, India.
Terms and conditions of appointment	Appointed as an Additional Director with effect from 1 <sup>st</sup> July 2021 and also appointed as Managing Director and Chief Executive Officer subject to approval of shareholders and Central Government.
No. of Board meetings attended	Not Applicable
List of other Indian Directorships held	H and A Brand Services Private Limited (* The Company is in the process of striking off with Ministry of Corporate Affairs)
Chairperson/Member of the Committee of the Board of Directors of the Company	Ms. Hina Nagarajan is member of Stakeholders' Relationship and General Committee, Risk Management Committee and Corporate Social Responsibility Committee.
Chairperson/Member of the Committee of the Board of Directors of other companies in which she is a Director	NIL
No. of Shares held in the Company	NIL
Relationship with other directors	Not related to any of the directors of the Company

Name of Director	<b>Mr. V K Viswanathan</b>
Age	70 years
Date of Appointment	October 17, 2016
Expertise in specific functional Areas	Expertise in leading manufacturing & fast moving consumer goods companies
Brief resume including Experience	Mr. V K Viswanathan joined the Robert Bosch, Germany in August 1998 and worked in its global headquarters at Stuttgart for about 2½ years. He took over as the Joint Managing Director of Bosch Limited, India in January 2001, with responsibility for all Commercial, Finance, IT, HR functions and legal matters besides Corporate Strategy. Then he was transferred to Robert Bosch LLC, USA in 2006 as the Senior Vice President for the Automotive Electronics and Electricals Division. On his return to India in 2008, he became the President and Country Head of Bosch Group in India and Managing Director/CEO of Bosch Ltd. In July 2013 he took over the position of Chairman, of Bosch Ltd. He also worked in Hindustan Unilever Ltd. (HUL) in many senior leadership positions both in India and abroad for 17 years. Prior to that he worked with Tata Consultancy Services for 5 years. His last position in HUL was as Financial Controller and Head of Mergers and Acquisitions. Adjudged as the best CEO in India by Business World magazine for the year 2012.
Qualifications	Graduate in Commerce from Madras University and is a Fellow of the Institute of Chartered Accountants of India.
Terms and conditions of re-appointment	Proposed to re-appoint him for a further period of 5 years effective 17 <sup>th</sup> October 2021 at a Commission as may be fixed by the Board of Directors during the tenure and will be paid sitting fees for the Committee meetings he attends in which he is a member and the Board Meetings.
No. of Board meetings attended	Mr. V K Viswanathan attended 7 board meetings held in the financial year 2020-21
List of other Indian Directorships held	<ol style="list-style-type: none"> <li>1. Bharti Airtel Limited</li> <li>2. KSB Limited (formerly KSB Pumps Limited)</li> <li>3. Transunion CIBIL Limited</li> <li>4. Magma HDI General Insurance Company Limited</li> <li>5. HDFC Life Insurance Company Limited</li> <li>6. ABB India Limited</li> </ol>
Chairperson/Member of the Committee of the Board of Directors of the Company	Mr. V K Viswanathan is a Chairperson of Audit Committee and Member of Nomination and Remuneration Committee and Risk Management Committee
Chairperson/Member of the Committee of the Board of Directors of other companies in which he is a Director	
a. Audit Committee	<p><b>Chairperson &amp; Member</b></p> <ol style="list-style-type: none"> <li>1. Bharti Airtel Limited</li> <li>2. ABB India Limited</li> <li>3. HDFC Life Insurance Company Limited</li> <li>4. Transunion CIBIL Limited</li> </ol> <p><b>Member</b></p> <ol style="list-style-type: none"> <li>1. KSB Limited</li> <li>2. Magma HDI General Insurance Company Limited</li> </ol>
b. Stakeholders Relationship Committee	NIL
c. Nomination and Remuneration Committee	<p><b>Chairperson &amp; Member</b></p> <ol style="list-style-type: none"> <li>1. ABB India Limited</li> </ol> <p><b>Member</b></p> <ol style="list-style-type: none"> <li>1. Magma HDI General Insurance Company Limited</li> <li>2. Transunion CIBIL Limited</li> <li>3. HDFC Life Insurance Company limited</li> </ol>
d. Risk Management Committee	<p><b>Chairperson &amp; Member</b></p> <ol style="list-style-type: none"> <li>1. ABB India Limited</li> </ol> <p><b>Member</b></p> <ol style="list-style-type: none"> <li>1. Magma HDI General Insurance Company Limited</li> <li>2. HDFC Life Insurance Company limited</li> <li>3. Bharti Airtel Limited</li> </ol>
No. of Shares held in the Company	NIL
Relationship with other directors	Not related to any of the directors of the Company

Name of Director	<b>Mr. Mahendra Kumar Sharma</b>
Age	74 years
Date of Appointment	April 01, 2015
Expertise in specific functional Areas	Law, Finance, Strategy, Corporate Governance and General Management
Brief resume including Experience	Mr. Mahendra Kumar Sharma joined Hindustan Unilever Ltd. (HUL) in 1974, and retired from the company in 2007. He was a member of the Board of Directors of HUL for 12 years, including seven 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 a member of the Corporate Law Committee of the Ministry of Corporate Affairs, and the Naresh Chandra Committee on Corporate Governance, as well as being involved in several industry associations. He is on the board of prestigious companies such as Asian Paints and Ambuja Cements. He is also a member of the Executive Board of the Indian School of Business. He has also attended the Advance Management Program at Harvard Business School and have been a recipient of Best Independent Director Award for 2015 from Asian Centre for Corporate Governance and Sustainability
Qualifications	Graduate in Arts from Canning College, University of Lucknow Graduate in Law from Canning College, University of Lucknow Advanced Management Programme from Harvard Business School
Terms and conditions of re-appointment	Not Applicable
No. of Board meetings attended	Mr. Mahendra Kumar Sharma attended 7 board meetings held in the financial year 2020-21
List of other Indian Directorships held	<ol style="list-style-type: none"> <li>1. Asian Paints Limited</li> <li>2. Vedanta Limited</li> <li>3. Ambuja Cements Limited</li> <li>4. Atria Convergence Technologies Limited</li> <li>5. East India Investment Co Pvt Ltd</li> <li>6. Gwalior Webbing Co. Pvt. Ltd.</li> <li>7. The Anglo Scottish Education Society</li> <li>8. Indian School of Business</li> </ol>
Chairperson/Member of the Committee of the Board of Directors of the Company	Mr. Mahendra Kumar Sharma is a Member of Audit Committee and Chairperson of Risk Management Committee
Chairperson/Member of the Committee of the Board of Directors of other companies in which he is a Director	
a. Audit Committee	<b>Chairperson</b> <ol style="list-style-type: none"> <li>1. Asian Paints Limited</li> <li>2. Vedanta Limited</li> </ol> <b>Member</b> <ol style="list-style-type: none"> <li>1. Ambuja Cements Limited</li> </ol>
b. Stakeholders Relationship Committee	NIL
c. Nomination and Remuneration Committee	<b>Member</b> <ol style="list-style-type: none"> <li>1. Asian Paints Limited</li> <li>2. Vedanta Limited</li> </ol>
d. Risk Management Committee	<b>Chairperson &amp; Member</b> <ol style="list-style-type: none"> <li>1. Vedanta Limited</li> </ol>
e. Corporate Social Responsibility Committee	<b>Chairperson &amp; Member</b> <ol style="list-style-type: none"> <li>1. Vedanta Limited</li> </ol> <b>Member</b> <ol style="list-style-type: none"> <li>1. Ambuja Cements Limited</li> </ol>
No. of Shares held in the Company	NIL
Relationship with other directors	Not related to any of the directors of the Company

# Report of the Directors

Dear Members,

Your directors are pleased to present the 22<sup>nd</sup> Report of Directors of your Company and the audited financial statements for the year ended March 31, 2021.

₹ in Million

Particulars	Standalone		Consolidated	
	2020-21	2019-20	2020-21	2019-20
The working of your Company for the year under review resulted in				
Revenue from operations	271,764	285,892	274,185	288,237
Profit / Loss from operations	8,697	13,609	9,033	13,790
Exceptional and other non-recurring	(1,514)	13	(643)	666
Less:				
Depreciation	2,493	2,275	2,991	2,853
Taxation (including deferred tax)	1,587	4,300	1,778	5,397
Profit / (Loss) after tax	3,103	7,047	3,621	6,206
Profit B/F from previous year	(21,623)	(28,396)	(25,840)	(32,159)
Impact of change in Revenue Recognition policy on adoption of IND AS 115	-	-	-	-
Reinstated Profit B/F from previous year	(21,623)	(28,396)	(25,840)	(32,159)
Minority Interest appropriation	-	-	217	382
Foreign Currency Translation Reserve Considered separately	-	-	(15)	(49)
Total Comprehensive Income	57	(274)	63	(220)
Transfer between reserves	-	-	-	-
Profit / (Loss) available for appropriation	(18,463)	(21,623)	(21,954)	(25,840)
Your Directors have made the following appropriations:				
General Reserve	NIL	NIL	NIL	NIL
Dividend paid in respect to previous years	NIL	NIL	NIL	NIL
Proposed dividend	NIL	NIL	NIL	NIL
Balance carried to the Balance Sheet	(18,463)	(21,623)	(21,954)	(25,840)
EPS-Basic & Diluted (Rupees)	4.27	9.70	5.41	9.29
Balance carried to the Balance Sheet	(21,623)	(28,396)	(25,840)	(32,159)
EPS-Basic & Diluted (Rupees)	4.27	9.70	5.41	9.29

As can be seen from the above table, the revenue from operations decreased by 4.94% during the year on standalone basis and decreased by 4.88% on consolidated basis. Profit after tax has decreased during the year by 55.97% on standalone basis and decreased by 41.64% on consolidated basis. The challenges which the Company faced during the year and the environment in which the Company operates have been detailed in Management Discussion and Analysis Report which is forming part of this Annual Report ('Report').



# Report of the Directors (Continued)

## 1. Performance of the Company

During the year under review, your Company's sales volume was about 70.7 million cases resulting in a volume decline of 11.3% compared to previous year. Net sales/income from operations (net of duties and taxes) of your Company declined by 13.2% in the financial year ended March 31, 2021 which stood at ₹ 78,890 million (previous year ₹ 90,908 million). Adjusted one-off sale of bulk Scotch, net sales/income from operations declined by 10.8% for the year. Sales volume of the Company's brands in the 'Prestige and Above' segment declined by 9% in the financial year ended March 31, 2021 which stood at 37.2 million cases (previous year 40.9 million cases). Net sales of the 'Prestige and Above' segment declined by 7.2% which stood at ₹ 55,035 million net of duties and taxes (previous year ₹ 59,311 million). The 'Prestige and Above' segment represented 69.8% of total net sales and 52.6% of total sale volume during the year.

## 2. Board's responses to observations, qualifications and adverse remarks in auditor's report

The statutory and secretarial auditors have given unqualified opinion on the financial statements and in the secretarial audit report for the year ended March 31, 2021 and hence this is not applicable.

Secretarial Audit Report for financial year 2020-21 is annexed as **Annexure – 3**.

## 3. Material changes and commitments/events subsequent to the date of the financial statements

Certain events arising out of COVID-19 Virus Pandemic having impact on businesses worldwide have been covered in detail in the Management Discussion and Analysis Report forming part of this Report. The sharp rise in COVID-19 cases across India has led to implementation of lockdown order at most of the states in the country, while some states have imposed strict lockdown orders, others are partial in nature. Out of the 47 manufacturing sites including tie-up manufacturing units, 3 factories are not in operation currently due to complete lockdown while 6 factories are operating with government restrictions.

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

The details of change in nature of business, if any, are provided under Management Discussion and Analysis Report and the Report on Risk Management forming part of this Report.

## 5. Dividend

In view of the accumulated losses of the preceding years, your directors could not recommend any dividend.

## 6. Transfer to reserve

During the year under review, there was no amount transferred to reserves of the Company.

## 7. Capital

The authorized share capital of your Company remains unchanged at 2,740,000,000 equity shares of ₹ 2/- each and 171,200,000 preference shares of ₹ 10/- each. The issued, subscribed and paid-up capital of the Company is 726,638,715 equity shares of ₹ 2/- each aggregating ₹ 1,453,277,430. There was no change in the issued, subscribed and paid-up capital of the Company during the year under review.

## 8. Details of subsidiary companies and associate companies and their financial position

The performance of subsidiaries and associate Companies and their contribution to the overall performance of the Company is covered as part of the consolidated financial statement and form AOC-1 annexed as part of this Report as **Annexure – 1**. The Company has 14 subsidiary companies and 1 associate company. Out of 14 subsidiary companies, 12 subsidiary companies are non-operative.

During the year, 3 companies ceased to be subsidiary viz., (i) UB Sports Management Overseas Limited, a wholly owned overseas subsidiary consequent upon its merger with Palmer Investment Group Limited, another wholly owned overseas subsidiary; (ii) Liquidity Inc, an overseas subsidiary, consequent upon the sale of entire stake held by the Company and (iii) Tern Distilleries Private Limited, a wholly owned subsidiary, consequent upon sale of entire stake held by the Company.

After the end of financial year 2020-21, Montrose International (S.A.), Panama, a wholly owned overseas subsidiary of your Company was liquidated effective April 16, 2021 and thus ceased to be a subsidiary.

On June 25, 2018, the Company had subscribed to 4,567,568 equity shares of Hip Bar Private Limited ("Hip Bar"), constituting 26% of the paid-up equity share capital of Hip Bar. In April 2020, compulsory convertible preference shares (CCPS) were issued by Hip Bar to Hip Bar's promoter Group for ₹ 3 crore, to which the Company did not subscribe. While the exact conversion ratio of these CCPS would be fixed at a later date, the dilution of Company's equity in Hip Bar consequent to the aforesaid CCPS issuance is expected to be in the range of 2.4% to 3.4%. Further, in October 2020, the Company made an investment of ₹ 1.95 crore in CCPS of Hip Bar which is expected to be 2.4% to 3.4% based on the valuation at the

# Report of the Directors (Continued)

time of conversion. The shareholding of the Company in Hip Bar on fully diluted basis including the existing shareholding is expected to be 26% when the CCPS is exercised. During the year, investment in Hip Bar has been impaired, as the operations have been closed.

## Highlights

The Board of Directors ("Board") of Pioneer Distilleries Limited, a listed subsidiary of the Company ("PDL") and of the Company at their meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") in relation to the proposed merger of PDL with the Company under Sections 230 – 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. Upon completion of the merger, the non-promoter shareholders of PDL will receive 10 equity shares of the Company (face value of ₹ 2 each) for every 47 equity shares of PDL (face value of ₹ 10 each), held by them as on the record date. Post the merger, the Company's issued capital is expected to expand by 712,138 shares and the revised shareholding of Relay BV (the holding Company, a subsidiary of Diageo PLC) in the Company will change from 55.94% to 55.88%. The Scheme is subject to the receipt of requisite approvals from the relevant statutory authorities and the respective shareholders and creditors of PDL and of the Company. The BSE Limited and the National Stock Exchange of India Limited have issued their no-objection to the draft scheme and related documents filed, vide observation letters dated October 21, 2020 and October 22, 2020, respectively. The Company jointly with PDL have filed application under Sections 230 to 232 of the Companies Act, 2013 on November 27, 2020 with the National Company Law Tribunal, Bangalore ("NCLT") and again an Interlocutory Application was filed before NCLT on April 07, 2021.

Royal Challengers Sports Private Limited (RCSPL), a wholly owned subsidiary of your Company, reported a revenue from operations of ₹ 272 million during the year which was mainly attributed to the increase in central rights income from Board of Cricket Control of India (BCCI) and as a result of Royal Challengers Bangalore, a franchisee team of Indian Premier League (IPL), securing fourth position in the IPL Season 2020. RCSPL also accounted for a profit of ₹ 541 million with an increase of ₹ 504 million accounting to 326% of increase during the year.

The Company's policy for determining material subsidiaries is available at the Company's website at <https://www.diageoindia.com/investors/shareholder-centre/policies/policy-for-determining-material-subsidaries/>.

In accordance with the 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 <https://www.diageoindia.com/investors/subsidiaries-financial/>.

## 9. Prospects/Outlook

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

## 10. Appointment/reappointment and resignation/retirement/step down of Executive Directors and Key Managerial Personnel during the financial year:

### A. i) Retirement of Mr. V Ramachandran as Company Secretary & appointment of Mr. Mital Sanghvi as Company Secretary (CS) – Key Managerial Personnel (KMP)

As already updated in the annual report for the year ended 2019-20, the Board at its meeting held on January 27, 2020 appointed Mr. Mital Sanghvi as CS of the Company with effect from June 01, 2020 in the place of Mr. V Ramachandran, erstwhile CS who retired from the services of the Company effective end of day May 31, 2020.

### ii) Resignation of Executive Director and Chief Financial Officer (ED & CFO) – Key Managerial Personnel (KMP)

The Board at its meeting held on September 18, 2020 noted the resignation of Mr. Sanjeev Churiwala as ED & CFO of the Company effective end of day September 30, 2020. Mr. Sanjeev Churiwala resigned as an ED & CFO as he was promoted within Diageo group at Singapore.

### iii) Appointment of Chief Financial Officer (CFO)

The Board at its meeting held on September 18, 2020 appointed Mr. Pradeep Jain as CFO of the Company with effect from October 01, 2020.

### iv) Stepping down of Mr. Anand Kripalu as Managing Director and Chief Executive Officer (MD & CEO) – Key Managerial Personnel (KMP)

The Board at its meeting held on December 10, 2020 approved the stepping down of Mr. Anand Kripalu as MD & CEO of the Company effective end of day June 30, 2021. Mr. Anand Kripalu is stepping down as MD & CEO owing to his retirement.

### v) Appointment of Managing Director and Chief Executive Officer (MD & CEO)

The Board at its meeting held on December 10, 2020 approved the appointment of Ms. Hina Nagarajan (Ms. Nagarajan) as Additional Director and MD &

# Report of the Directors (Continued)

CEO with effect from July 01, 2021. Ms. Nagarajan assumed office as Chief Executive Officer – Designate with effect from April 01, 2021 and continue in that position till June 30, 2021. Details about Ms. Nagarajan is provided in the Notice of the 22<sup>nd</sup> annual general meeting of the Company.

Apart from the aforesaid appointment, there was no appointment of executive director during the year.

## vi) Re-appointment of Mr. John Thomas Kennedy

As per the provisions of the Companies Act, 2013, Mr. John Thomas Kennedy (Mr. Kennedy) retires by rotation at the ensuing annual general meeting (AGM) and being eligible, offered himself for re-appointment.

Members may please note that Mr. Kennedy, who is a nominee of Relay BV, was appointed as a director at the 19<sup>th</sup> AGM held on September 07, 2018. Mr. Kennedy is not debarred from holding the directorship under any statutory regulations. Details about Mr. Kennedy is provided in the Notice of the 22<sup>nd</sup> annual general meeting of the Company.

## vii) Appointment of Mr. Vegulaparanan Kasi Viswanathan as an Independent Director of the Company for the second term.

The tenure of office of Mr. Vegulaparanan Kasi Viswanathan (Mr. V K Viswanathan), who was appointed as an Independent Director of the Company on October 17, 2016 and whose first term of 5 years expires on October 16, 2021. The Board of Directors at their meeting held on May 21, 2021 has accepted the recommendation of the Nomination & Remuneration Committee for re-appointment of Mr. V K Viswanathan as an Independent Director for a further period of 5 years with effect from October 17, 2021. Details about Mr. V K Viswanathan is provided in the Notice of the 22<sup>nd</sup> annual general meeting of the Company.

## viii) Continuation of Mr. Mahendra Kumar Sharma as Director of the Company on completion of 75 years of age.

Mr. Mahendra Kumar Sharma (Mr. M K Sharma), non-executive Chairman, was re-appointed as an Independent Director at the Annual General Meeting of the Company held on August 21, 2019 for a further period of 5 years. During his tenure in the Office, he will be attaining the age of 75 years. Details about Mr. M K Sharma is provided in the Notice of this 22<sup>nd</sup> annual general meeting of the Company.

## B. Independent Directors

Your Company did not appoint any new Independent Director or Nominee Director in the financial year 2020-21. Criteria for selection/appointment or re-appointment of Independent Directors include skills, expertise of the Director, qualifications, experience and domain knowledge. The required skills of Independent Directors are leadership, managerial experience, diversity, risk management and corporate governance. All our Independent Directors viz., Mr. Mahendra Kumar Sharma, Mr. V K Viswanathan, Mr. D Sivanandhan, Mr. Rajeev Gupta and Dr. (Mrs.) Indu Shahani possess the aforesaid skills.

## C. Declaration by Independent Directors

Independent Directors have given a declaration pursuant to sub-section (6) of Section 149 of the Companies Act, 2013. In the opinion of the Board, Independent Directors fulfill the conditions specified in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations) and are independent of the management.

## D. Number of meetings of the Board

The details of the Board Meetings and other Committee Meetings held during the financial year 2020-21 are stated in the Corporate Governance Report which is forming part of this Report.

## E. Board Committees

The Company has the following committees of the Board:

- Audit Committee
- Risk Management Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship and General Committee
- Corporate Social Responsibility Committee.

The composition of each of the above Committees, their respective roles and responsibilities are provided in the Corporate Governance Report which forms part of this Report.

## F. Policies

The Company has adopted all policies as required to be maintained by the Company under the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations and the same are uploaded on the website of the Company wherever required and the salient features of the policies are detailed in Corporate Governance Report.

# Report of the Directors (Continued)

## G. Recommendations of the audit committee and other committees

All the recommendations of the Audit Committee and of the other Committees were accepted by the Board.

## H. Details of remuneration to directors

As required under Section 197(12) of the Companies Act, 2013 information relating to remuneration paid to Directors during the financial year 2020-21 is provided in the Corporate Governance Report. The Company has also prepared a draft annual return in revised e-form MGT-7 for FY 2020-21 and uploaded the same on Company's website at <https://www.diageoindia.com/investors/financials/annual-and-financial-reports/annual-return-2020-21>. Members may also note that the annual return uploaded on the website is a draft and the final annual return will be uploaded after the same is filed with the Ministry of Corporate Affairs ('MCA').

As stated in the Corporate Governance Report, sitting fees is paid to Independent 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 Independent Directors are also eligible for commission every year as may be recommended by the Nomination and Remuneration Committee and approved by the Board within the overall limit of ₹ 4 Crore or 1% of the net profits of the Company calculated in accordance with Section 198 of the Companies Act, 2013, whichever is higher, as approved by the shareholders through Postal Ballot Resolution effective January 18, 2019. Criteria for payment of remuneration to Independent Directors are as given below:

- i. Membership of Committees
- ii. Chairmanship of the Committees/Board
- iii. Benchmarking with other companies

The Board of Directors have approved payment of commission of ₹ 20 million to five independent directors after applying the criteria stated above for the financial year 2020-21.

The criteria for payment of remuneration to executive directors is determined by the Nomination and Remuneration Committee based on various criteria including performance criteria. Remuneration Policy is available on the Company's website at <https://www.diageoindia.com/investors/shareholder-centre/policies/remuneration-reward-policy/>.

## I. Board evaluation criteria

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the SEBI (LODR) Regulations, the Board has carried out an annual performance evaluation, based on parameters which, *inter alia*, include performance of the Board on deciding strategy, rating the composition & mix of Board members, discharging of their duties and handling critical issues etc. The parameters for the performance evaluation of the Directors include contribution made at the Board meeting, attendance, instances of sharing information on best practices applied in other industries, domain knowledge, vision, strategy, engagement with senior management, etc. The Independent Directors at their separate meetings, review the performance of non-independent directors and the Board as a whole. Chairperson of the Company after taking into account the views of Executive Director and non-executive directors, reviews the quality, quantity and timeliness of flow of information between the management and the Board for the Board to effectively and reasonably perform their duties. Based on the outcome of the performance evaluation exercise, areas have been identified for the Board to engage itself with and the same would be acted upon. The details of the evaluation process are set out in the Corporate Governance Report which forms part of this Report.

## J. Vigil Mechanism

The Company has a whistle blower mechanism known as SpeakUp, which is independently operated by a third-party agency. The Company encourage the employees/representatives acting on behalf of the Company to raise their compliance concerns through this mechanism, apart from other internal reporting channels viz. Line Manager or HR Business Partner, Legal Business Partner and Business Integrity partner. A structured Breach Management Standard is in place which is in line with the Global Standard, for timely and conclusive resolution of compliance concerns raised through the whistle blower mechanism.

The quality of investigation reports and remedial actions are reviewed and monitored by the Global Business Integrity team. The decision on sanctions on the reported breaches are determined and monitored by a Compliance Committee, in order to ensure that there is a collective and a fair decision-making process and consistent action is undertaken in resolving the breaches.

This mechanism also provides for adequate safeguards against the victimization of employees who avail the vigil mechanism for reporting the compliance complaint



# Report of the Directors (Continued)

in good faith and without fear of being punished for raising that concern. Access to the Chairman of the Audit Committee is provided as required under the Companies Act, 2013 and the SEBI (LODR) Regulations.

The SpeakUp channel is available on the Company's website at <https://www.diageoindia.com/about-us/corporate-governance/speak-up/>, and the toll-free number is available in english and other prominent regional languages.

## K. Related party transactions

The Company's policy on dealing with related party transactions was adopted by the Board on June 15, 2015 and further amended from time to time. This policy is available on the Company's website at <https://www.diageoindia.com/investors/shareholder-centre/policies/policy-on-related-party-transactions/>.

Form AOC-2 pursuant to Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014 is set out in the **Annexure-2** to this Report.

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

## L. Meeting amongst Independent Directors

Schedule IV of the Companies Act, 2013, SEBI (LODR) Regulations and Secretarial Standard - 1 on Meetings of the Board of Directors mandates that the Independent Directors of the Company hold at least one meeting in a year, without the attendance of Non-Independent Directors.

The Independent Directors met amongst themselves without the presence of any other persons on May 27, 2020, July 27, 2020 and November 04, 2020.

## 11. Auditors

### i) Financial audit

M/s Price Waterhouse & Co Chartered Accountants LLP, (FRN 304026E/E-300009) were appointed as Statutory Auditors of your Company at the 17<sup>th</sup> AGM of the Company for a period of 5 years and their term comes to an end at the conclusion of the 22<sup>nd</sup> AGM of the Company. The Audit Committee at their

meeting held on May 20 & 21, 2021, recommended the re-appointment of M/s Price Waterhouse & Co Chartered Accountants LLP, (FRN 304026E/E-300009) ('PWC') who have given their consent and willingness to be re-appointed as Auditors of your Company. PWC, being one of the reputed international audit firm and given their expertise in the field of audit, the Board of Directors at their meeting held on May 21, 2021, approved the recommendation of the Audit Committee and proposed to re-appoint PWC as Auditors of your Company for a period of 5 years, from the conclusion of the ensuing 22<sup>nd</sup> AGM till the conclusion of the 27<sup>th</sup> AGM of the Company subject to the approval of the members of the Company at the ensuing AGM.

### ii) Secretarial audit

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a Secretarial Audit has been carried out by Mr. Sudhir V Hulyalkar, Practicing Company Secretary (FCS: 6040 and CP No. 6137) and his report is annexed as **Annexure – 3**.

In addition, Pursuant to Regulation 24A of the SEBI (LODR) Regulation, the Secretarial Compliance Report for the financial year ended March 31, 2021, in relation to compliance of all applicable SEBI Regulations/circulars/guidelines issued thereunder, is annexed as **Annexure – 3A**. The Secretarial Compliance Report has been voluntarily disclosed as part of this Report as good disclosure practice. The said report has been submitted to the stock exchanges and is also available on the Company's website at <https://www.diageoindia.com/investors/shareholder-centre/notice-board/annual-secretarial-compliance-report-2021/>.

### iii) Cost audit

The Company is not covered by the requirement of maintenance of cost records, as specified under sub-section (1) of Section 148 of the Companies Act, 2013.

## 12. Reporting of fraud by Auditors

During the year under review, neither the statutory auditors nor the secretarial auditor have reported to the Audit Committee or the Board, under Section 143(12) of the Companies Act 2013, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in this Report.

# Report of the Directors (Continued)

## 13. Corporate governance

A Corporate Governance Report is annexed separately as part of this Report. Board confirms compliance with Secretarial Standards.

## 14. Management discussion and analysis report

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

## 15. Fixed deposits

As reported in the earlier annual reports, 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 Companies Act, 2013, 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 by paying additional interest of 1% per annum on those fixed deposits repaid before the maturity date pursuant to the contract entered into with the Fixed Deposit holders. Fixed Deposits from the public and shareholders which remained unclaimed and for which no discharge certificates were received from the depositors as on March 31, 2021 stood at ₹17,97,000. Unclaimed amount was transferred into a separate non-interest bearing escrow account opened specifically for the purpose of re-payment pursuant to the provisions of the Companies Act, 2013 and the rules made thereunder. Out of this amount, a sum of ₹1,15,000/- has since been paid as per instructions received after the year end and balance unclaimed amount as of May 21, 2021 is ₹16,82,000/-. The balance unclaimed fixed deposits continue to remain in the escrow account as on May 21, 2021.

## 16. Annual return

The draft Annual Return of the Company as on March 31, 2021 in E-Form MGT - 7 in accordance with Section 92(3) of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, is available on the website of the Company at <https://www.diageoindia.com/investors/financials/annual-and-financial-reports/annual-return-2020-21>.

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

The details of unclaimed/unpaid dividends and fixed deposits which have not been transferred to the IEPF account as the period of seven years have not been completed is given

below pursuant to the provisions of the Companies Act, 2013 and the applicable rules there under.

### i) Dividend:

The Company has not declared any dividend from financial year 2013-14 onwards owing to accumulated losses. Hence, there are no unclaimed/unpaid dividends from financial year 2013-14 onwards.

No shares were transferred during the year ended March 31, 2021 to Investor Education and Protection Fund pursuant to Section 124(6) of the Companies Act, 2013.

### ii) Fixed Deposits:

1.	Accepted during the year	NIL
2.	Remained unpaid or unclaimed as at the end of the year	₹17,97,000
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 Companies Act, 2013	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.

## 18. Human resources

Employee relations remained cordial at all the locations of the Company. Particulars of employees drawing an aggregate remuneration of ₹ 1,02,00,000/- or above per annum or ₹ 8,50,000/- 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 – 4** hereto.

## 19. Employees stock option scheme

Your Company has not offered any stock options to its employees during the year 2020-21 within the meaning of SEBI (Share Based Employee Benefit) Regulations, 2014.

## 20. Particulars of loans, guarantees and investments

Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 are detailed in Notes to the financial statements under Note 4, relating to investments and Note 5 relating to loans given as per the standalone

# Report of the Directors (Continued)

financial statements for the year ended March 31, 2021. The Company has not given any guarantee to any Company as on March 31, 2021.

## 21. Risk management

Details on Risk Management is annexed as **Annexure – 5** to this Report.

## 22. Internal financial controls

During the year Controls, Compliance & Ethics (CC&E) team have implemented a detailed plan under the direction of the Executive Committee of the Company, to reinforce the code of business conduct and to further embed compliance across the business. The CC&E team also undertook comprehensive review of existing controls (SOX & non-SOX controls) & added additional attributes in the existing controls. The same has been shared with the statutory auditors who have confirmed that they are aligned with the same. The controls with additional attributes have been tested both by Management tester (Deloitte) and by the Statutory auditors in March 2021 for its effectiveness. The Board after considering the materials placed before it, reviewed the confirmation received from external parties and 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 which are commensurate with the 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. A statement to this effect is also appearing in the Directors' Responsibility Statement.

## 23. Corporate social responsibility

Information on the composition of the Corporate Social Responsibility (CSR) Committee is provided in the Corporate Governance Report that forms part of this Report. Furthermore, as required by Section 135 of the Companies Act, 2013 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 – 6** to this Report.

## 24. Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars prescribed under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, are set out in **Annexure – 7** to this Report.

## 25. Details of significant and material orders passed by the regulators or courts impacting the going concern status and Company's operations in future pursuant to Rule 8(5)(vii) of Companies (Accounts) Rules, 2014

The Company has not received any significant or material order passed by regulators or courts or tribunals impacting the Company's going concern status or the Company's operations in future. The details of notices received from regulatory authorities and related matters have been disclosed as part of note no. 40(e) to the audited standalone financial statements for the year ended March 31, 2021 and as note no. 40(e) of the consolidated financial statements for the year ended March 31, 2021.

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

As per requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (SHWWA), the Company has implemented the policy and framework. Moreover, the Company's policy is all gender inclusive and the process ensures complete anonymity and confidentiality to the parties.

Internal Committees (IC) have been constituted for all locations. While maintaining the highest governance norms, the various Internal Committee has appointed internal members and an external member who have extensive experience in the field. The IC's meet on quarterly basis to discuss the matters on policy awareness, best practices, judicial trends, etc. During the year, IC has also been trained on nuances of the SHWWA.

The IC's role is to consider and resolve the complaints reported on sexual harassment at workplace. Investigation is conducted and decisions are made by the IC at the respective location, and a senior woman employee is the presiding officer over every case.

- i) Number of complaints filed during the financial year: 1
- ii) Number of complaints disposed of during the financial year: 1
- iii) Number of complaints pending as on end of the financial year: NIL

To build awareness in this area, the Company has been publishing newsletter, emailers, posters, conducting online training module and IBegin-induction training for newly joined employees. Besides the refresher, virtual training programmes are conducted in the organisation on a continuous basis for employees, consultants, contractual employees and permanent/contractual workers in regional

# Report of the Directors (Continued)

languages. The IC has also conducted informal sessions to check the pulse at the grassroot levels.

## 27. Business Responsibility Report (BRR)

In accordance with the SEBI (LODR) Regulations, 2015, the BRR has been placed on the Company's website at <https://www.diageoindia.com/investors/financials/annual-and-financial-reports/business-responsibility-report-2020-21>.

## 28. Other Disclosures

- a) The Company has not issued equity shares with differential rights as to dividend, voting or otherwise.
- b) The Company has not issued any sweat equity shares to its directors or employees.
- c) No application has been made under the Insolvency and Bankruptcy Code; hence the requirement to disclose the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the financial year is not applicable.
- d) The requirement to disclose the details of difference between amount of the valuation done at the time of onetime settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof, is not applicable.

## 29. Directors' responsibility report

Pursuant to Section 134 (5) of the Companies Act, 2013 in relation to financial statements (together with the notes to such financial statements) for the year 2020-21, the Board of Directors report that:

- (i) in the preparation of the annual accounts for the financial year ended March 31, 2021, the applicable accounting standards have been followed and there are no 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 as at March 31, 2021 and of the profit of the Company for year ended on that date;

- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 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.
- (vi) Proper systems have been devised to ensure compliance with the provisions of all applicable laws by implementing an automated process having comprehensive systems and securing reports of statutory compliances periodically from the functional units and that such systems are adequate and are operating effectively.

The Board of Directors place on record sincere gratitude and appreciation for all the employees at all levels for their hard work, solidarity, cooperation and dedication during the year.

The Board conveys its appreciation for its customers, shareholders, suppliers as well as vendors, bankers, business associates, regulatory and government authorities for their continued support.

By Order of the Board

**Mahendra Kumar Sharma**

Chairman

DIN: 00327684

Place : Mumbai

Date : May 21, 2021



# Corporate Governance Report

## 1. Company's philosophy on code of corporate governance

We believe in governance that supports not only the Company but also the value of the shareholders and Company's stakeholders. The path we have set out will be holistic and based on practices which helps achieve the Company's goals in an ethical, compliant and professional manner.

## 2. Board of directors

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

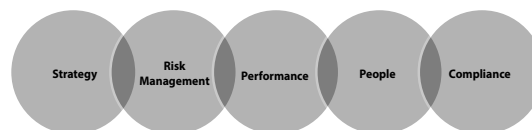
- A non-executive Independent Director as Chairman;
- One Managing Director;
- Three non-executive non-independent directors; and
- Five Independent Directors including the Chairman as stated above including a woman Independent Director.

2.2 In the opinion of the Board, the Independent Directors fulfilled the conditions specified in SEBI (LODR) Regulations and are independent of the management. None of the Directors are *inter-se* related to each other.

2.3 Your Company has a balanced mix of executive, non-executive and Independent Directors from diverse backgrounds, which enables the Board to discharge its duties and responsibilities in an effective manner.

2.4 During the financial year under review, 7 Board Meetings were held, i.e., on May 27, 2020, July 27, 2020, September 18, 2020, November 04, 2020, December 10, 2020, January 27, 2021 and March 23, 2021 and the gap between any two Board Meetings did not exceed 120 days.

The Board has set the following yardsticks in the context of its business and for its effective functioning:



**Strategy:** Directors help develop proposals on strategy;

**Risk Management:** Ensuring that integrity of financial information is maintained and that the financial controls and systems of risk management are robust;

**Performance:** Directors review and monitor the performance of management in terms of agreed goals and objectives;

**People:** Directors play a prime role in determining appropriate levels of remuneration of Executive Directors, Key Managerial Personnel and senior management and in appointing/retaining Executive Directors, Key Managerial Personnel and senior management and in succession planning;

**Compliance:** Maintain checks over the governance, and compliance with the applicable legislation and regulations and the conformity of the Company's practices to accepted governance norms.

The directors' strive to achieve the above through insights obtained from a combination of experience and expertise in their respective areas such as FMCG sectors, Investment Banking sectors, legal, finance, administration, technical knowledge and Global exposure.

Name of Director and Category	1	2	3	4	5	6	7	% of Meeting attended during the year
	May 27, 2020	July 27, 2020	September 18, 2020	November 04, 2020	December 10, 2020	January 27, 2021	March 23, 2021	
Mr Mahendra Kumar Sharma (Independent Non-Executive Director and Chairman)	✓	✓	✓	✓	✓	✓	✓	100%
Mr Anand Kripalu (Managing Director and Chief Executive Officer)	✓	✓	✓	✓	✓	✓	✓	100%
Mr Sanjeev Churiwala (Executive Director and Chief Financial Officer) *	✓	✓	✓	NA**	NA	NA	NA	100%
Mr V K Viswanathan (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	✓	100%
Dr (Mrs) Indu Shahani (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	✓	100%

# Corporate Governance Report (Continued)

Name of Director and Category	1	2	3	4	5	6	7	% of Meeting attended during the year
	May 27, 2020	July 27, 2020	September 18, 2020	November 04, 2020	December 10, 2020	January 27, 2021	March 23, 2021	
Mr D Sivanandhan (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	✓	100%
Mr Rajeev Gupta (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	✓	100%
Mr Vinod Rao (Non-Executive Nominee Director)	✓	✓	✓	✓	LOA***	✓	✓	85.71%
Mr John Thomas Kennedy (Non-Executive Nominee Director)	✓	✓	✓	✓	✓	✓	LOA	85.71%
Mr Randall Ingber (Non-Executive Nominee Director)	✓	✓	✓	✓	✓	✓	✓	100%

\* Mr Sanjeev Churiwala (Executive Director and Chief Financial Officer) resigned with effect from end of the day September 30, 2020

\*\* NA - Not Applicable

\*\*\* LOA - Leave of Absence

- 2.5 Attendance of each Director at the Board Meetings and at the last Annual General Meeting (AGM) and details of the number of outside directorship and committee positions held by each of the Directors are given below:

Name of Director and Category	No. of Board Meetings attended during the year	Attendance at last AGM held on August 26, 2020	No. of other Companies in which Director as on March 31, 2021	No. of committees (other than the Company)		Directorship in other listed Company and Category of Directorship
				Chairman / Chairperson	Member	
Mr Mahendra Kumar Sharma (Independent Non-Executive Chairman)	7	Yes	9	4	5	<b>1. Asian Paints Limited</b> (Independent Director) <b>2. Wipro Limited</b> (Independent Director) <b>3. Ambuja Cements Limited</b> (Non-Independent Director) <b>4. Vedanta Limited</b> (Independent Director)
Mr Anand Kripalu (Managing Director and Chief Executive Officer)	7	Yes	1	Nil	Nil	Nil
Mr Sanjeev Churiwala (Executive Director and Chief Financial Officer) resigned with effect from end of the day September 30, 2020	3	Yes	1	Nil	Nil	Nil

# Corporate Governance Report (Continued)

Name of Director and Category	No. of Board Meetings attended during the year	Attendance at last AGM held on August 26, 2020	No. of other Companies in which Director as on March 31, 2021	No. of committees (other than the Company)		Directorship in other listed Company and Category of Directorship
				Chairman / Chairperson	Member	
Mr V K Viswanathan (Independent Non-Executive Director)	7	Yes	6	4	6	<b>1. Bharti Airtel Limited</b> (Independent Director) <b>2. HDFC Life Insurance Company Limited</b> (Independent Director) <b>3. KSB Limited</b> (Independent Director) <b>4. ABB India Limited</b> (Independent Director)
Dr (Mrs) Indu Shahani (Independent Non-Executive Director)	7	Yes	8	0	5	<b>1. Bajaj Electricals Limited</b> (Independent Director) <b>2. Colgate Palmolive (India) Limited</b> (Independent Director) <b>3. Clariant Chemicals (India) Limited</b> (Independent Director)
Mr D Sivanandhan (Independent Non-Executive Director)	7	Yes	10	1	6	<b>1. Forbes &amp; Company Limited</b> (Independent Director) <b>2. Kirloskar Industries Limited</b> (Independent Director) <b>3. Inditrade Capital Limited</b> (Independent Director)
Mr Rajeev Gupta (Independent Non-Executive Director)	7	No	7	0	3	<b>1. EIH Limited</b> (Independent Director) <b>2. Rane Holdings Limited</b> (Independent Director) <b>3. TV Today Network Limited</b> (Independent Director) <b>4. Vardhman Special Steels Limited</b> (Independent Director)
Mr. Vinod Rao (Non-Executive Nominee Director)	6	No	Nil	Nil	Nil	Nil
Mr. John Thomas Kennedy (Non-Executive Nominee Director)	6	Yes	Nil	Nil	Nil	Nil
Mr. Randall Ingber (Non-Executive Nominee Director)	7	Yes	Nil	Nil	Nil	Nil

**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 and the last column consists of listed Indian companies only.

# Corporate Governance Report (Continued)

## 2.6 Awards and recognition

- Receiver of Bronze Award for Best Content Marketing by the Adgully DIGIXX Summit Awards 2020.
- Your Company was awarded the best launch plan of F20 Winner- Scotch Hipster by the Global F20 in Innovation Excellence Awards (INNIES)
- Your Company was awarded the Gold Award for the best music video of 'Yaarder Shonge' by the Adgully SCREENXX Summit Awards 2020.
- Your Company was awarded the Bronze Award for the Best Integrated Branded Content by the e4m Content Marketing Award.
- India Nightlife Convention & Awards (INCA) Award received in March 2021 for 'Raising the Bar' program.

- Received the 2021 BELA (Business Ethics Leadership Alliance) Global Vanguard Award for initiatives taken in business integrity and compliance.
- Exchange for Media PLAY Awards – 1 Gold for Best Use of Video Marketing on Digital OTT Platform for 'Yaarika Circle'.

## 2.7 Rating

For the year under review, there has been a significant improvement in your Company's overall financial flexibility, corporate governance and compliance framework. During the year, ICRA Limited re-affirmed the long term rating at "AA+" and re-affirmed the short term rating at "A1+". During the year, CRISIL re-affirmed the rating at "AA+". The short term rating was also re-affirmed at "A1+". These ratings will enable the Company to access more economical sources of debt leading to lower interest cost and increased shareholder value.

## 2.8 Matrix Setting out the core Skills /Expertise/ Competence of the Board of Directors

A chart/Matrix setting out the core skills/expertise/competencies identified by the Nomination and Remuneration Committee in the context of the Company's business and sectors as required for it to function effectively and those actually available with the Board along with the names of Directors who have such skills/expertise/competence, are given below:

Skills/Expertise/Competency					
Name of Director	Leadership	Managerial Experience	Diversity	Risk Management	Corporate Governance
Mr. Mahendra Kumar Sharma	✓	✓	✓	✓	✓
Mr. Anand Kripalu	✓	✓	✓	✓	✓
Mr. V K Viswanathan	✓	✓	✓	✓	✓
Dr. (Mrs.) Indu Shahani	✓	✓	✓	✓	✓
Mr. D. Sivanandhan	✓	✓	✓	✓	✓
Mr. Rajeev Gupta	✓	✓	✓	✓	✓
Mr. Vinod Rao	✓	✓	✓	✓	✓
Mr. John Thomas Kennedy	✓	✓	✓	✓	✓
Mr. Randall Ingber	✓	✓	✓	✓	✓

## 2.9 Other corporate governance requirements

In compliance with Regulation 23, the Company has framed policy on Related Party Transactions and the same is uploaded on our website at <https://www.diageoindia.com/investors/shareholder-centre/policies/policy-on-related-party-transactions/>.

Regulation 24 with respect to Independent Directors on Unlisted Material Subsidiaries is not applicable since the Company does not have material subsidiary Companies.

Regulation 25 with respect to Independent Directors are complied with. The details of the familiarisation programmes imparted to the Independent Directors are disclosed on the Company's website at <https://www.diageoindia.com/investors/shareholder-centre/notice-board/directors-familiarization-program-details/>.

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 has been complied with.

Requirements stipulated under Regulation 17 to 27 read with Schedule V and Clauses (b) to (i) of sub-regulation (2) of Regulation 46 of SEBI (LODR) Regulations, as applicable, with regard to corporate governance has been complied with by your Company.

Other requirements of Corporate Governance as per the SEBI (LODR) Regulations are disclosed on the Company's



# Corporate Governance Report (Continued)

website at <https://www.diageoindia.com/investors/> and as applicable have been disclosed elsewhere in this report and Annexures.

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

The details of appointment/re-appointment of directors are mentioned in point 9 of the Directors Report pursuant to Regulation 36(3) of SEBI (LODR) Regulations. Brief profile of the directors who are being appointed/re-appointed is mentioned as part of AGM Notice annexed to this Report.

## 3. Audit committee

- 3.1 It may be noted that the Board at its meeting held on November 04, 2020 split the audit and risk management committee into audit committee and risk management committee with immediate effect.

The Audit Committee constituted by the Company is presently comprised of 7 directors as follows:

Mr V K Viswanathan (Chairman)	Non-Executive Independent Director
Dr (Mrs) Indu Shahani	Non-Executive Independent Director
Mr D Sivanandhan	Non-Executive Independent Director
Mr Rajeev Gupta	Non-Executive Independent Director
Mr Vinod Rao	Non-Executive Nominee Director
Mr Mahendra Kumar Sharma	Non-Executive Independent Director
Mr John Thomas Kennedy	Non-Executive Nominee Director

- 3.2 Pursuant to Regulation 18(3) and Part C of Schedule II, SEBI (LODR) Regulations, the terms of reference of the Audit Committee *inter alia* 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, 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.
- 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.
- To lay down the criteria for granting such Omnibus Approval in line with this Policy and such Omnibus Approval shall be applicable in respect of Related Party Transactions which are repetitive in nature.
- To satisfy itself the need for such Omnibus Approval and that such approval is in the interest of the Company.
- Such Omnibus Approval shall specify (i) the name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price/current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit. However, where the need for such Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant Omnibus Approval for such transactions subject to their value not exceeding ₹ 1 crore per transaction.
- To review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each Omnibus Approval given.
- Such Omnibus Approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of the financial year.

- 3.3 The Audit Committee, *inter alia*, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2021 and has recommended its adoption. In addition, the Audit Committee has also reviewed the unaudited quarterly financial results for the quarter ended June 30, 2020, quarterly and six months ended September 30, 2020 and quarterly and nine months ended December 31, 2020 (which were subjected to a limited review by the Statutory Auditors of the Company).

# Corporate Governance Report (Continued)

- 3.4 During the financial year under review, six meetings of the Audit Committee were held i.e., on May 26 & 27, 2020, July 27, 2020, September 18, 2020, November 03 & 04, 2020, January 27, 2021 and March 23, 2021 and the gap between any two Audit Committee Meetings did not exceed 120 days. The details of attendance by members of the Audit Committee at such meetings are as stated below:

Name of Director	1	2	3	4	5	6
	May 26 & 27, 2020	July 27, 2020	September 18, 2020	November 03 & 04, 2020	January 27, 2021	March 23, 2021
Mr. V K Viswanathan (Chairman)	✓	✓	✓	✓	✓	✓
Dr. (Mrs.) Indu Shahani	✓	✓	✓	✓	✓	✓
Mr. Vinod Rao	✓	✓	✓	✓	✓	✓
Mr. D Sivanandhan	✓	✓	✓	✓	✓	✓
Mr. Rajeev Gupta	✓	✓	✓	✓	✓	✓
Mr. Mahendra Kumar Sharma	✓	✓	✓	✓	✓	✓
Mr. John Thomas Kennedy	✓	✓	✓	✓	✓	LOA*

\* LOA – Leave of Absence

## 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
Mr V K Viswanathan	Non-Executive Independent Director
Mr John Thomas Kennedy	Non-Executive Nominee Director

- 4.2 Pursuant to Regulation 19(4) and Part D of Schedule II of SEBI (LODR), Regulations, the terms of reference of the NRC *inter alia* include the following:

- Assist the Board of Directors of the Company to:
  - Determine, review and propose compensation principles and policy of the Company;
  - Assess and review compensation plans recommended by the management;
  - Recommend the compensation packages of the Company's Executive Directors.
- 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.

- Approve and recommend matters relating to compensation by way of salary, perquisites, benefits, etc., to the Managing/Whole Time/Executive Directors of the Company.
- 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 of the directors including Independent Directors, key managerial personnel and senior management employees.
- 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 Companies Act, the SEBI (LODR) Regulations and other statutory enactments.
- To set up policy and procedure for succession planning of Key Managerial Personnel and other senior management of the Company.
- Approve any share incentive or other plans for the employees of the Company.

- 4.3 During the financial year under review, six meetings were held i.e., on May 26, 2020, July 22, 2020, September 03, 2020,

# Corporate Governance Report (Continued)

September 18, 2020, December 10, 2020 and January 25, 2021. The details of attendance by members of the NRC at such meetings are as stated below:

Name of Director	1	2	3	4	5	6
	May 26, 2020	July 22, 2020	September 03, 2020	September 18, 2020	December 10, 2020	January 25, 2021
Dr. (Mrs.) Indu Shahani (Chairperson)	✓	✓	✓	✓	✓	✓
Mr. V K Viswanathan	✓	✓	✓	✓	✓	✓
Mr. D Sivanandhan	✓	✓	✓	✓	✓	✓
Mr. John Thomas Kennedy	✓	✓	✓	✓	✓	✓

## 4.4 Remuneration of Directors

The details of remuneration paid to the directors during the financial year April 1, 2020 to March 31, 2021 are given below.

### A. Executive Director

Remuneration to Managing Director, Whole-time Directors and/or Manager: (Amount in ₹)

Sl. No.	Particulars of Remuneration	Anand Kripalu, Managing Director and Chief Executive Officer	Sanjeev Churiwala, Executive Director and Chief Financial Officer (Up to September 30, 2020)
1.	Gross Salary	8,30,65,783	1,95,85,920
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 191		
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	1,36,77,845	9,02,844
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-
2.	Stock Options/ other stock related compensation	3,45,66,832	21,39,517
3.	Sweat Equity	-	-
4.	Commission – as % of Profit Others – Specify	-	-
5.	Others	-	-
	<b>Total</b>	<b>13,13,10,460</b>	<b>2,26,28,281*</b>

### Note:

- The above remuneration is in terms of approval of the members of the Company through postal ballot resolution effective January 18, 2019 and for the Managing Director and CEO effective August 14, 2019.
  - The gross remuneration shown above does not include employer's contribution to various retirement funds.
  - The value of stock option granted by the parent Company Diageo PLC is included above.
- \* The remuneration paid to Mr. Sanjeev Churiwala is for part of the year.

### B. Non-Executive Independent Directors

- Sitting Fees have been paid to Non-Executive Directors for attending Board / Committee Meetings as specified in the table below. 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. Other than the sitting fees, reimbursement of expenses and as commission as explained below, no other remuneration was paid. No securities / convertible instruments were issued or allotted to any of the non-executive directors during the financial year 2020-21.
- Independent Directors are also eligible for commission as approved by the Board of Directors every year within the limit of one per cent of the net profits of the Company or ₹ 4 crore, whichever is higher, as approved by the members of the Company through Postal Ballot effective January 18, 2019. Such commission is determined based on the recommendation of the Nomination and

# Corporate Governance Report (Continued)

Remuneration Committee and as approved by the Board of Directors. Presently, the Company is not paying any remuneration to non-executive directors other than the Independent Directors.

iii. Details of sitting fees & commission paid to the Independent Directors approved by the Board of Directors for the financial year 2020-21 is given below:

(Amount in ₹)

Name of the Independent Director	Sitting fees	Commission	Total Remuneration
Mr. Mahendra Kumar Sharma	10,25,000	47,00,000	57,25,000
Mr. V K Viswanathan	11,75,000	39,00,000	50,75,000
Mr. D Sivanandhan	13,25,000	39,00,000	52,25,000
Mr. Rajeev Gupta	10,00,000	35,00,000	45,00,000
Dr. (Mrs.) Indu Shahani	13,25,000	40,00,000	53,25,000
<b>Total</b>	<b>58,50,000</b>	<b>2,00,00,000</b>	<b>2,58,50,000</b>

## C. Particulars of equity shares of the Company currently held by Directors

As on the date of this Report, Mr. D Sivanandhan, Independent Director holds 332 equity shares of the Company.

## D. Performance Evaluation of Independent Directors

Pursuant to the provisions of the Companies Act, 2013 and regulation 34(3) read with Schedule V(C) (4)(d) of the SEBI (LODR) Regulations, the NRC has prescribed performance evaluation criteria for Independent Directors as well as for the non-independent directors, the committee and the Board as a whole. Such evaluation was carried out during the year for all the Directors and the Committees viz. Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship and General Committee, Corporate Social Responsibility Committee and Risk Management Committee. The Board and Committee members appreciated that the evaluation process of the Company was in par with other major corporates and also compared and benchmarked the Company with other top corporates in terms of involvement, participation, transparency, objectivity, information made available on time, qualitative comments on improvements, diversity on the Board. The evaluation of Independent Directors is undertaken by the entire Board of directors including (a) performance of the directors; and (b) fulfillment of the independence criteria as specified in SEBI (LODR) Regulations and their independence from the management. In the above evaluation, the directors who are subject to evaluation did not participate. The results of evaluation showed high level of commitment and engagement of Board, its various committees. The

results of the evaluation were shared with the Board, Chairman of respective Committees and individual Directors. Based on the outcome of the evaluation, the Board and Committees have agreed on an action plan to further improve the effectiveness and functioning of the Board and Committees. The Directors expressed their satisfaction with the evaluation process. During the year under review, the Committee ascertained and reconfirmed that the deployment of "questionnaire" as a methodology, is effective for evaluation of performance of Board and Committees and Individual Directors.

## 5. Stakeholders' relationship and general committee

5.1 The composition of the Stakeholders' relationship and general committee (SRGC) is as under:

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

5.2 The terms of reference of the SRGC *inter alia* include the following:

- 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 Companies 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.
- j. Issue / revocation / modification of powers of attorney to represent the Company.
- k. Power to borrow subject to applicable laws from banks, financial institutions and other bodies corporate, apart from the money(s) already borrowed till date under any specific resolutions, such that the borrowings availed by the Company pursuant to the resolutions of the Stakeholders & General Committee of Directors and outstanding at any point of time, do not exceed an amount of ₹ 500 Crore in aggregate.
- l. Power to give loans subject to applicable laws to wholly owned subsidiaries of the Company for the purpose of Working Capital, apart from the loans already made to the wholly owned subsidiaries of the Company till date under any specific resolutions for such purpose(s), such that the total amount of loan given pursuant to the resolutions of the Stakeholders & General Committee of Directors for such purpose(s) and outstanding, at any point of time, do not exceed ₹ 500 Crore in aggregate.

5.3 Mr Mital Sanghvi, Company Secretary is the Compliance Officer of the Company.

5.4 During the financial year under review three meetings were held i.e., on May 26, 2020, November 03, 2020 and January 25, 2021 respectively.

5.5 The details of attendance by members of the SRGC are as below:

Name of Director	1	2	3
	May 26, 2020	November 03, 2020	January 25, 2021
Mr. D Sivanandhan (Chairman)	✓	✓	✓
Mr. John Thomas Kennedy	✓	✓	✓
Dr. (Mrs.) Indu Shahani	✓	✓	✓
Mr. Anand Kripalu	✓	✓	✓

5.6 The Company/Company's Registrar and Transfer Agents received 08 complaints during the financial year, all of which were resolved to the satisfaction of shareholders/investors.

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	01	01
3.	Non-receipt of share certificates	02	02
4.	Non-receipt of Report/Rights forms/ Bonus shares/interest on delayed refund/Dividend and Interest	01	01
5.	Others	04	04
	<b>Total</b>	<b>08</b>	<b>08</b>

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

## 5.7 Dividend distribution policy

Pursuant to Regulation 43A of SEBI (LODR) Regulations the Company has framed a Dividend Distribution Policy which lays out the parameters to be considered while declaring dividend. The said policy is available on the website of the Company at <https://www.diageoindia.com/investors/shareholder-centre/policies/dividend-policy/>. The parameters for dividend payment as per policy includes dividend payout ratio as well.

# Corporate Governance Report (Continued)

## 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
Mr. Randall Ingber	Non-Executive Nominee Director

6.2 During the financial year under review, four meetings were held i.e., on May 27, 2020, July 22, 2020, November 04, 2020 and March 29, 2021. The details of attendance by members of the CSR Committee are as below:

Name of Director	1	2	3	4
	May 27, 2020	July 22, 2020	November 04, 2020	March 29, 2021
Mr. D Sivanandhan (Chairman)	✓	✓	✓	✓
Dr. (Mrs.) Indu Shahani	✓	✓	✓	✓
Mr. Anand Kripalu	✓	✓	✓	✓
Mr. Randall Ingber	✓	LOA*	✓	✓

\* LOA – Leave of Absence

6.3 The CSR Report of the Company for the year ended March 31, 2021 has been approved by the Board and provided in **Annexure – 6** as part of the Board's Report. The copy of your Company's CSR policy is available on the Company's website at <https://www.diageoindia.com/investors/shareholder-centre/policies/corporate-social-responsibility-policy/>.

## 7. Risk Management Committee

The Board of directors at their meeting held on November 04, 2020 split the combined committee of Audit and Risk Management Committee into Audit Committee and Risk Management Committee (RMC) with effect from November 04, 2020.

7.1 The composition of the RMC is as under:

Mr. Mahendra Kumar Sharma (Chairman)	Non-Executive Independent Director
Mr. V K Viswanathan	Non-Executive Independent Director
Mr. Anand Kripalu	Managing Director and Chief Executive Officer
Mr. Pradeep Jain	Chief Financial Officer

7.2 The terms of reference of the RMC *inter alia* include the following:

- To assess risks periodically for the effective execution of business strategy and review the risks associated with business strategy.
- To annually review and approve the Risk Management Framework of the Company including risk management processes and practices of the Company and ensure that the Company is taking the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- Evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner so as to ensure the business continuity.
- The committee shall make reports to the Board at least once in a year with respect to risk management and minimization procedures and for inclusion in the Report and such other disclosures.
- Set the procedures for identifying business risks (including financial risks) and controlling their financial impact on the Company.
- To evaluate and ensure that appropriate processes and systems are in place to monitor and report cyber security risks.
- The Committee shall perform such other functions as may be required under the relevant provisions of the Securities and Exchange Board of India (Listing Regulations and Disclosure Requirements) Regulations, 2015, any other applicable laws and various circulars issued by the regulatory authorities thereof, as amended from time to time.

7.3 After the split of RMC from the Audit Committee with effect from November 04, 2020 one meeting of RMC was held on March 17, 2021 during the financial year under review.

7.4 The details of attendance by members of the RMC are as below:

Name of the Director	No. of Meetings	Meetings attended
Mr. Mahendra Kumar Sharma (Chairman)	1	1
Mr. V K Viswanathan	1	1
Mr. Anand Kripalu	1	1
Mr. Pradeep Jain	1	1

# Corporate Governance Report (Continued)

## 8. General meetings

8.1 The details of the last three AGMs held are furnished below:

Financial year ended	Date	Time	Venue
March 31, 2020	August 26, 2020	3.30 p.m.	Through Video Conferencing/Other Audio Visual Means
March 31, 2019	August 21, 2019	3.30 p.m.	Vivanta By Taj; No. 3, 41/3 M.G. Road, Bangalore – 560 001
March 31, 2018	September 07, 2018	3.30 p.m.	Vivanta By Taj; No. 3, 41/3 M.G. Road, Bangalore – 560 001

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

AGM held on	Subject matter of the Special Resolution
August 26, 2020	No Special Resolution was passed.
August 21, 2019	<ul style="list-style-type: none"> <li>(i) Re-appointment of Mr. Anand Kripalu as Managing Director and Chief Executive Officer</li> <li>(ii) Re-appointment of Mr. Sivanandhan Dhanushkodi as Independent Director</li> <li>(iii) Re-appointment of Mr. Mahendra Kumar Sharma as Independent Director</li> <li>(iv) Re-appointment of Mr. Rajeev Gupta as Independent Director</li> <li>(v) Re-appointment of Dr. (Mrs.) Indu Ranjit Shahani as Independent Director</li> <li>(vi) Approval for granting Loans and Guarantees to Pioneer Distilleries Limited</li> </ul>
September 07, 2018	No Special Resolution was passed.

All the special resolutions set out in the AGM Notices in respect of the above subject matter were passed by the shareholders with the requisite majority.

## 9. Postal ballot & Extraordinary General Meeting (EGM)

The Company has not passed any resolution at the above AGMs held which was required to be passed through Postal Ballot as per the provisions of the Companies Act, 2013 and the rules framed thereunder. No Special Resolution is proposed to be conducted through Postal Ballot as on date. No EGM was conducted during the year.

The Company has not passed any resolution through Postal Ballot during the financial year.

## 10. Disclosures

10.1 For the past three financial years viz., from April 01, 2018 to March 31, 2021, the Company has complied with the statutory requirements comprised in the SEBI (LODR) Regulations/ Guidelines/Rules of the Stock Exchanges/SEBI/ other statutory authorities and 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. Please refer to Secretarial Audit Report and Secretarial Compliance Report in **Annexure – 3 and 3A**.

## 10.2 Code of conduct

The Code of Conduct reflects the Company's commitment to principles of integrity, transparency and fairness. Company's Code is a key guiding document governing the compliance and ethics framework of the Company. It is intended to embody the Company's purpose and values and sets out the Company's collective and individual commitment to conducting business in accordance with those principles, and with all relevant laws, regulations and industry standards. We hold ourselves to the principles of Code of Business Conduct (our Code), Standards and Policies, which is embedded through a comprehensive training and education programme for all employees. Our Code enables our employees to make the right choices and demonstrate the highest standards of integrity and ethical behaviour. Our Code has also been extended to suppliers, contractors and its subsidiaries.

Know Your Business Partner (KYBP) process covers all Customers and Business partners as part of onboarding process.

In addition to our Code, the compliance program is also anchored by policies and procedures, prescribed as per the global standards, covering areas such as Antibribery and Corruption (including guidelines on gifting & entertainment), Information Management & Security, Data Privacy & Personal Information, Health Safety & Personal Security, Prevention of Sexual Harassment at Workplace, Dignity at Workplace and Employee Alcohol policy as part of its commitment to responsible drinking. Regular updates are also provided to the senior leadership team on various aspects of the compliance program, not only to set the tone at the top but also as a part of management's commitment to continuous improvement in integrating compliance with the business.

Our Code is available at <https://www.diageoindia.com/PR1346/aws/media/8080/code-of-conduct-diageo-india-sept-2019.pdf>. Our standard code for suppliers ("Partnering

# Corporate Governance Report (Continued)

with Suppliers (PwS)”) has been extended to suppliers and contractors the Company work with. PwS is available at <https://www.diageo.com/PR1346/aws/media/12062/refreshed-partnering-with-suppliers-standard-november-2020.pdf>

All new joiners are required to undertake training on the requirements of our Code within 30 days of joining the employment. Further, all employees are required to complete mandatory e-Learning training module on our Code as part of the annual compliance certification program every year. In addition, during the year virtual trainings on our Code including prevention on sexual harassment at workplace, has also been imparted to all employees including off role employees and all workers (including contractual), in their local languages. The Company has also leveraged technology for creating awareness on applicable policies for field sales personnel. The workers have also been empowered by building their capability for training the executives on key policies in the local languages.

The Covid-19 pandemic has created multiple different risks for our business. The spread has been rapid and the impact to the global economic outlook remains uncertain. Protecting our people and our business and supporting our suppliers, customers and communities have been at the forefront of our response to the pandemic. During this pandemic, the Company has reinforced its communications and awareness on key policies. Further, virtual sessions have been conducted with key functions vide Integrity Clinic Sessions to understand and resolve the challenges and concerns faced by the employees at the grassroot level.

The Company has adopted a Whistle Blower mechanism known as SpeakUp. The compliance complaint can be raised by the employees and anyone acting on behalf of the Company. The Breach management standard is in place to address the compliance complaints, which are perceived to be in violation of our Code. Further, there is an oversight & review of the investigations by Global Business Integrity team and the Compliance Committee.

In compliance with SEBI (LODR) Regulations, 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 on the Company's website at <https://www.diageoindia.com/PR1346/aws/media/8080/code-of-conduct-diageo-india-sept-2019.pdf>. All Board members and senior management personnel have affirmed compliance with the code for the year ended March 31, 2021 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.

## 10.3 Disclosure on utilization of proceeds of preferential issue and Qualified institutional placement (QIP)

There were no issue of securities during the year.

## 10.4 Declaration from the Directors:

All the Directors have submitted a declaration that they are not disqualified under sub-section (2) of section 164 of the Companies Act, 2013. Mr. Sudhir V Hulyalkar, a Practicing Company Secretary, has submitted a certificate to the effect that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority, pursuant to requirement under Clause (i) Para 10 Clause (C) of Schedule V of SEBI (LODR) Regulations, 2015. Copy of the Certificate and Declaration by the Chief Executive Officer pursuant to SEBI (LODR) Regulations, 2015 on compliance with the code of conduct by the Board of Directors and senior management is enclosed as part of corporate governance report.

## 10.5 Remuneration to Auditors

Pursuant to SEBI (LODR) Regulations, 2015, remuneration paid to the statutory auditors and their network of firms/entities in India during the year by the Company and its subsidiaries are as follows:

By United Spirits Limited – ₹ 45 Million

By the subsidiaries of United Spirits Limited – ₹ 6.52 Million.

Further details on fees to statutory auditors are disclosed in the standalone and consolidated financial statements.

## 10.6 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 “Prajavani” (Kannada Daily). The results are displayed on the Company's website at <https://www.diageoindia.com/investors/financials/annual-and-financial-reports/>. Press Releases are also issued which 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 Stock Exchanges.
- The Company has designated an exclusive email address, i.e., [Investor.India@diageo.com](mailto:Investor.India@diageo.com) to enable investors to post their grievances and monitor redressal.

## 10.7 Details of compliance with mandatory requirements and adoption of the non-mandatory requirements:

The Company has complied with all the mandatory requirements of the SEBI (LODR) Regulations relating to Corporate Governance.

## 11. Management discussion and analysis report

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

# Corporate Governance Report (Continued)

## 12. Depository system

The trading in the equity shares of your Company is under compulsory dematerialization mode. As on March 31, 2021, equity shares representing 99.44% of the equity share capital are in dematerialized form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail the facility of dematerialization of the Company's shares. Moreover, transfer of shares of the Company by physical means has been barred

from April 01, 2019 pursuant to SEBI's Notification dated December 03, 2018.

## 13. Commodity price risk or foreign exchange risk and hedging activities:

During the year under review, no hedging activities on any commodity were carried out by the Company. Therefore, there is no disclosure to offer in terms of SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2018/0000000141 dated November 15, 2018.

## 14. General shareholder information:

A)	Corporate Identification Number	L01551KA1999PLC024991												
B)	AGM Date, Time and Venue	August 26, 2021 at 3.30 p.m. through video conference												
C)	Financial year	April 1 to March 31												
	Tentative Board Meeting calendar:													
	First Quarterly Results	July 23, 2021												
	Second Quarterly Results	October 27, 2021												
	Third Quarterly Results	January 25, 2022												
	Audited yearly Financial Results	May 27, 2022												
		In addition, Board may also meet on other dates for transacting other urgent business or due to any specific requirements												
D)	Cut-off date of E-Voting purpose	August 19, 2021												
E)	Dividend payment date	NA												
F)	Listing on Stock Exchanges	The shares of the Company are listed on the following Stock Exchanges: BSE Limited National Stock Exchange of India Limited Phiroze Jeejeebhoy Towers, Dalal Street, Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Mumbai - 400 001 Bandra (East), Mumbai - 400 051.												
G)	Stock Code													
	BSE	UNITDSPR ; 532432												
	NSE	SYMBOL - MCDOWELL-N												
H)	ISIN No.	INE854D01024												
I)	Market price data	As per Annexure A												
J)	Stock performance in comparison to BSE Sensex and NSE Nifty	As per Annexure B												
K)	Registrars and Transfer Agents	Integrated Registry Management Services Private Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 Tel. Nos. (080) 23460815-818 Fax No. (080) 23460819												
L)	Share Transfer System	The power to transmission/transposition/consolidation/sub-division, etc., is delegated to Stakeholders Relationship and General Committee of Directors. The requirements under the SEBI LODR Regulations, and other statutory regulations in this regard are being followed.												
M)	Distribution of Shareholding	As per Annexure C												
N)	Dematerialisation of shares (as on March 31, 2021)	<table> <tr> <th>Depositories</th><th>Shares</th><th>%</th></tr> <tr> <td>NSDL</td><td>67,49,53,682</td><td>92.89</td></tr> <tr> <td>CDSL</td><td>4,75,91,443</td><td>6.55</td></tr> <tr> <td>Total</td><td>72,25,45,125</td><td>99.44</td></tr> </table>	Depositories	Shares	%	NSDL	67,49,53,682	92.89	CDSL	4,75,91,443	6.55	Total	72,25,45,125	99.44
Depositories	Shares	%												
NSDL	67,49,53,682	92.89												
CDSL	4,75,91,443	6.55												
Total	72,25,45,125	99.44												



# Corporate Governance Report (Continued)

O)	Outstanding GDRs/ADRs/Warrants or any other Convertible Instruments	NIL
P)	Plant locations – owned manufacturing units (operational)	<ol style="list-style-type: none"> <li>1. Alwar (Rajasthan)</li> <li>2. Asansol (West Bengal)</li> <li>3. Aurangabad (Maharashtra)</li> <li>4. Baramati (Maharashtra)</li> <li>5. Gopalpur-On-Sea (Orissa)</li> <li>6. Gulbarga (Karnataka)</li> <li>7. Hyderabad I (Nacharam, Telangana)</li> <li>8. Hyderabad II (Malkajgiri, Telangana)</li> <li>9. Kumbalgodu (Karnataka)</li> <li>10. Nasik-I (Maharashtra)</li> <li>11. Nasik-II (Maharashtra)</li> <li>12. Ponda (Goa)</li> <li>13. Rosa (Uttar Pradesh)</li> <li>14. Udaipur (Rajasthan)</li> <li>15. Nimapara (Orissa)</li> </ol>
Q)	Address for correspondence	<p>Shareholder correspondence should be addressed to the Company's Registrars and Transfer agents:</p> <p>Integrated Registry Management Services Private Ltd. 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore – 560 003. Tel. Nos. (080) 2346 0815-818, Fax No. (080) 2346 0819, Email: bglsta@integratedindia.in</p> <p>Investors may also write or contact Company Secretary or General Manager–Secretarial at the Registered Office of the Company at UB Tower, #24, Vittal Mallya Road, Bangalore – 560 001 Tel. Nos. (080) 4544 8000, Fax No. (080) 3985 6862</p>
R)	Email for investor grievances	In compliance with the provisions of Regulation 46(2)(j) of the SEBI (LODR) Regulations, an exclusive email address, Investor.India@diageo.com has been designated for registering Investor complaints, which is available on the Company's website at <a href="http://www.diageoindia.com">www.diageoindia.com</a>

15. 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 following unclaimed shares, 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 has released shares from the said suspense account upon receipt of requests from the shareholders and after checking veracity of such shareholder's claims. Physical shares on which dividend has not been claimed for a continuous period of seven years have been transferred to Investor Education Protection Fund (IEPF) as per applicable rules. The details of such release of shares are given below:

Particulars	No. of Shareholders	No. of equity shares held
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on April 01, 2020	1,585	907,890
Shares added to the Unclaimed Suspense account during this year (Stock split of Undelivered shares) *	1,440	750,315
Total Shares	3,025	1,658,205
Number of shareholders who approached issues for transfer of shares from Unclaimed Suspense Account during the year	13	5,870
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	13	5,870
Number of Shareholders and shares transferred to IEPF during the year	Nil	Nil
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on March 31, 2021	3,012	1,652,335

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

## 16. Discretionary Requirements

Pursuant to Regulation 27(1) and Part E of Schedule II of SEBI (LODR) Regulations, your Company also complied with the following optional requirement:

### Board

Non-Executive Chairman is entitled to reimbursement of expenses incurred in performing his duties as Chairman.

### Audit qualifications

There are no qualifications in the Audit Report of the Statutory Auditors and the Secretarial Auditors for the year ended March 31, 2021.

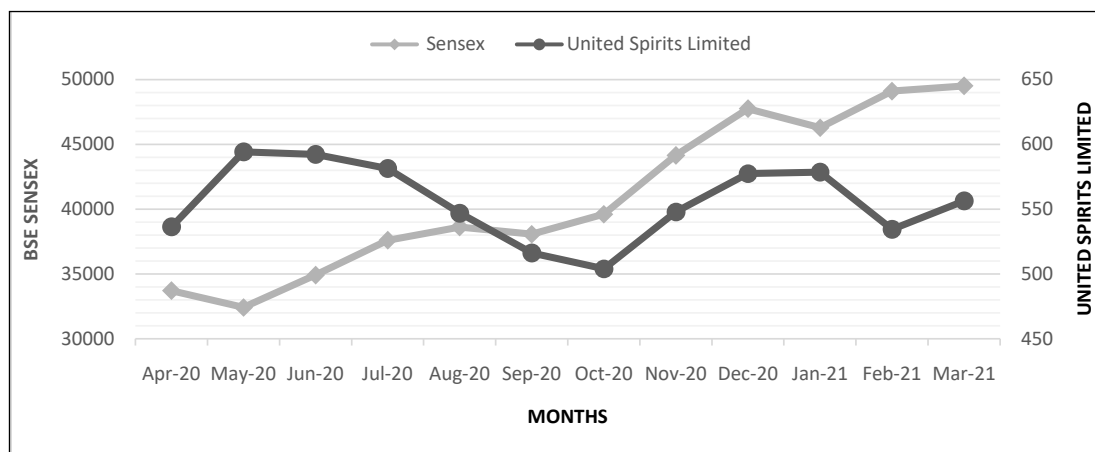
### Reporting of internal Auditor

The internal auditor reports directly to the Audit Committee.

## ANNEXURE A: MARKET PRICE DATA

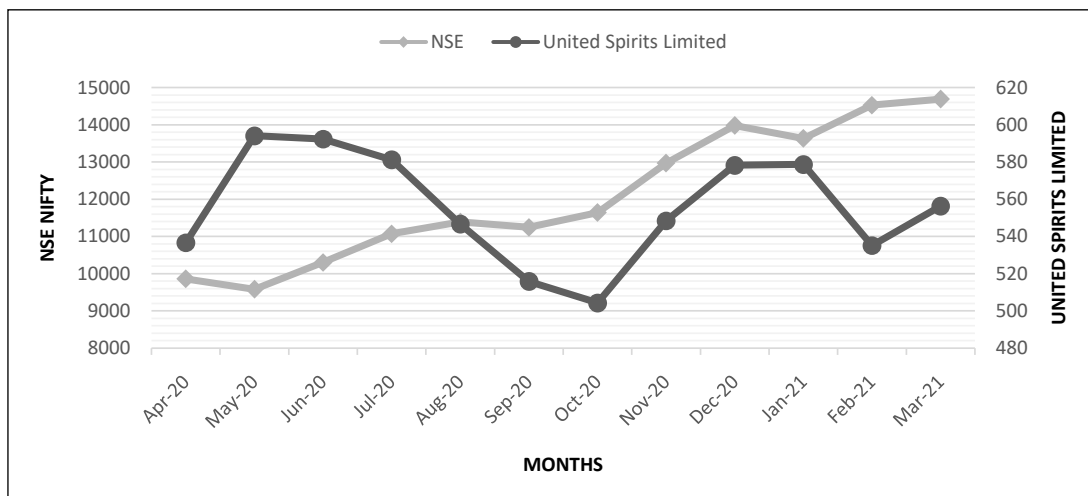
United Spirits Limited - Market Data BSE						United Spirits Limited - Market Data NSE					
Month	Open	High	Low	Close	Volume	Month	Open	High	Low	Close	Volume
Apr-20	494.95	581.30	458.50	536.50	26,94,640	Apr-20	489.00	580.50	458.40	536.65	5,62,00,366
May-20	559.90	615.10	478.85	594.25	84,91,750	May-20	550.00	615.75	478.50	594.10	14,12,83,312
Jun-20	602.00	643.15	570.00	592.30	39,07,847	Jun-20	602.00	642.35	569.95	592.30	9,24,97,094
Jul-20	592.40	644.85	570.40	581.45	28,44,492	Jul-20	594.00	645.00	570.25	581.20	7,50,13,859
Aug-20	575.00	604.80	545.00	546.95	17,89,979	Aug-20	582.70	604.55	545.00	546.65	4,09,09,474
Sep-20	549.00	588.85	494.00	516.20	19,04,623	Sep-20	545.00	588.85	494.00	515.85	5,01,65,432
Oct-20	519.80	536.55	500.60	504.00	8,72,141	Oct-20	522.00	536.65	500.80	504.30	3,09,28,169
Nov-20	510.00	587.30	500.50	547.85	21,78,336	Nov-20	508.00	587.00	500.10	548.40	5,57,83,376
Dec-20	551.00	605.00	544.40	577.40	22,03,237	Dec-20	554.00	604.70	544.15	578.25	4,41,89,020
Jan-21	580.00	661.50	568.55	578.55	25,87,765	Jan-21	579.00	661.65	568.70	578.70	6,92,19,763
Feb-21	589.70	595.50	495.15	534.50	28,52,158	Feb-21	580.50	595.00	531.00	535.10	5,03,11,756
Mar-21	544.00	573.75	517.80	556.40	24,16,989	Mar-21	537.90	573.65	517.65	556.35	4,81,46,974

## ANNEXURE B: UNITED SPIRITS LIMITED, SHARE PRICES COMPARED TO BSE SENSEX DURING THE FINANCIAL YEAR 2020-21



# Corporate Governance Report (Continued)

## USL CLOSE VS NSE NIFTY CLOSE DURING THE FINANCIAL YEAR 2020-21



## ANNEXURE C: DISTRIBUTION OF HOLDINGS (AS ON MARCH 31, 2021) Value-wise

Value-wise				
Shareholding of nominal value	Shareholders		Share Amount	
₹	Number	% to total	₹	% to total
Upto - 5,000	183788	98.21	6,27,52,922	4.32
5,001 - 10,000	1526	0.82	1,12,46,950	0.77
10,001 - 20,000	689	0.37	1,01,76,800	0.70
20,001 - 30,000	251	0.13	62,60,532	0.44
30,001 - 40,000	141	0.08	50,13,464	0.35
40,001 - 50,000	84	0.04	38,49,872	0.26
50,001 - 1,00,000	226	0.12	1,57,63,622	1.08
100,001 and above	436	0.23	1,33,82,13,268	92.08
<b>Total</b>	<b>187141</b>	<b>100.00</b>	<b>1,45,32,77,430</b>	<b>100.00</b>
Snapshot of shareholding as on March 31, 2021				
Category-wise				
Category	No. of Shares		% of Equity Capital	
Promoter	41,24,10,600		56.76	
Resident Body Corporates (including Clearing Members)	1,28,50,649		1.77	
Banks/FIs/FII/MF/UTI Trust / Central /State Government & Insurance Companies	22,43,65,127		30.88	
NRI/OCB/FCB/FOREIGN NATIONALS	34,46,317		0.47	
Venture Capital	11,21,236		0.15	
Resident Individuals	7,24,44,786		9.97	
<b>Total</b>	<b>72,66,38,715</b>		<b>100.00</b>	

# Corporate Governance Report (Continued)

## SHARE CAPITAL HISTORY (SINCE 1999)

<b>Mar 31, 1999</b>	<ul style="list-style-type: none"> <li>■ Company Incorporated</li> <li>■ Shares on Incorporation - 60 Nos.</li> </ul>	
<b>Jul 09, 2001</b>	<ul style="list-style-type: none"> <li>■ Merger with McDowell &amp; Co. Limited</li> <li>■ Ratio 1:1</li> </ul>	<ul style="list-style-type: none"> <li>■ Issued 5,17,19,968 Shares</li> <li>■ Pre Issue - 60 Nos ; Post Issue - 5,17,20,028 Nos</li> </ul>
<b>Mar 29, 2006</b>	<ul style="list-style-type: none"> <li>■ GDR Issue</li> <li>■ Issued 87,51,381 Shares</li> </ul>	<ul style="list-style-type: none"> <li>■ Pre Issue - 5,17,20,028 Nos; Post Issue - 6,04,71,409 Nos</li> </ul>
<b>Nov 06, 2006</b>	<ul style="list-style-type: none"> <li>■ BGIL* merged with McDowell and Company Limited (Ratio 20:31) (*BGIL – Baramati Grape Industries Limited)</li> </ul>	<ul style="list-style-type: none"> <li>■ Issued 3,37,780 Shares</li> <li>■ Pre Issue - 6,04,71,409 Nos; Post Issue - 6,08,09,189 Nos</li> </ul>
<b>Nov 06, 2006</b>	<ul style="list-style-type: none"> <li>■ SWDL* merged with McDowell and Company Limited (Ratio 20:7) (*SWDL – Shaw Wallace Distilleries Limited)</li> </ul>	<ul style="list-style-type: none"> <li>■ Issued 2,81,12,971 Shares</li> <li>■ Pre Issue - 6,08,09,189 Nos; Post Issue - 8,89,22,160 Nos</li> </ul>
<b>Nov 06, 2006</b>	<ul style="list-style-type: none"> <li>■ Herberson Limited merged with McDowell and Company Limited</li> <li>■ Ratio 3:2</li> </ul>	<ul style="list-style-type: none"> <li>■ Issued 31,17,209 Shares</li> <li>■ Pre Issue - 8,89,22,160 Nos; Post Issue - 9,20,39,369 Nos</li> </ul>
<b>Nov 06, 2006</b>	<ul style="list-style-type: none"> <li>■ TDVL* merged with McDowell and Company Limited (Ratio 4:83) (*TDVL – Triumph Distilleries &amp; Vintners Limited)</li> </ul>	<ul style="list-style-type: none"> <li>■ Issued 20,75,000 Shares</li> <li>■ Pre Issue - 9,20,39,369 Nos; Post Issue - 9,41,14,369 Nos</li> </ul>
<b>Nov 06, 2006</b>	<ul style="list-style-type: none"> <li>■ UDIL* merged with McDowell and Company Limited (Ratio 100:3) (*UDIL – United Distillers India Limited)</li> </ul>	<ul style="list-style-type: none"> <li>■ Issued 3,60,000 Shares</li> <li>■ Pre Issue - 9,41,14,369 Nos; Post Issue - 9,44,74,369 Nos</li> </ul>
<b>Nov 06, 2006</b>	<ul style="list-style-type: none"> <li>■ Fractional Shares upon merger</li> <li>■ Issued 7,561 Shares</li> </ul>	<ul style="list-style-type: none"> <li>■ Pre Issue - 9,44,74,369 Nos; Post Issue - 9,44,81,930 Nos</li> </ul>
<b>Jul 07 to Mar 08</b>	<ul style="list-style-type: none"> <li>■ FCCB Conversion and Allotment</li> <li>■ Issued 56,81,326 Shares</li> </ul>	<ul style="list-style-type: none"> <li>■ Pre Issue - 9,44,81,930 Nos; Post Issue - 10,01,63,256 Nos</li> </ul>
<b>Jul 24, 2009</b>	<ul style="list-style-type: none"> <li>■ SWCL* merged with United Spirits Limited (Ratio 17:4) (*SWCL - Shaw Wallace &amp; Company Limited)</li> </ul>	<ul style="list-style-type: none"> <li>■ Issued 77,49,121 Shares</li> <li>■ Pre Issue - 10,01,63,256 Nos; Post Issue - 10,79,12,377 Nos</li> </ul>
<b>Oct 23, 2009</b>	<ul style="list-style-type: none"> <li>■ QIP Placement</li> <li>■ Issued 1,76,81,952 Shares</li> </ul>	<ul style="list-style-type: none"> <li>■ Pre Issue - 10,79,12,377 Nos; Post Issue - 12,55,94,329 Nos</li> </ul>
<b>Jan 14, 2011</b>	<ul style="list-style-type: none"> <li>■ BDL* merged with United Spirits Limited (Ratio 55:2) (*BDL – Balaji Distilleries Limited)</li> </ul>	<ul style="list-style-type: none"> <li>■ Issued 55,00,639 Shares</li> <li>■ Pre Issue - 12,55,94,329 Nos; Post Issue - 13,07,94,968 Nos</li> </ul>
<b>May 27, 2013</b>	<ul style="list-style-type: none"> <li>■ Preferential issue to Relay B.V (wholly owned subsidiary of Diageo Plc)</li> <li>■ Issued 1,45,32,775 Shares</li> </ul>	<ul style="list-style-type: none"> <li>■ Pre Issue - 13,07,94,968 Nos; Post Issue - 14,53,27,743 Nos</li> </ul>
<b>Jul 03, 2018</b>	<ul style="list-style-type: none"> <li>■ Shares Split</li> <li>■ Ratio 1:5</li> </ul>	<ul style="list-style-type: none"> <li>■ Pre Issue - 14,53,27,743 Nos; Post Issue - 72,66,38,715 Nos</li> </ul>

By Order of the Board

**Mahendra Kumar Sharma**  
Chairman  
DIN: 00327684

Place : Mumbai  
Date : May 21, 2021

# Corporate Governance Report (Continued)

## CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members,  
United Spirits Limited, Bengaluru

I have examined the compliance of conditions of corporate governance, as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by United Spirits Limited (the Company) for the year ended on March 31, 2021.

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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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.

Place : Bangalore  
Date : May 21, 2021

**Sudhir Vishnupant Hulyalkar**  
Company Secretary in Practice  
FCS No.: 6040, CP No. 6137  
Peer Review Certificate No. 607/2019  
UDIN: F006040C000354465

## CERTIFICATE ON DIRECTORS APPOINTMENT AND CONTINUATION ON THE BOARD OF DIRECTORS OF UNITED SPIRITS LIMITED (the Company) (In terms of Regulation 34(3) read with Para C, Sub Para 10 (i) of the Schedule V to the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015)

I have examined the relevant records of the Company and disclosures made by the directors of the Company, relevant information on disqualification and proclaimed offenders as declared by Courts and disseminated on the website of Ministry of Corporate Affairs, the Orders and other information available on the website of Securities and Exchange Board of India and the stock exchanges, Reserve Bank of India and information on wilful defaulters as declared by the banks and made available on the web sites of credit information companies registered with the Reserve Bank of India and based on such examination, I hereby certify that none of the directors on the Board of UNITED SPIRITS LIMITED (CIN:L01551KA1999PLC024991) as on March 31, 2021 have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, Reserve Bank of India and other statutory authorities.

Place : Bangalore  
Date : May 21, 2021

**Sudhir Vishnupant Hulyalkar**  
Company Secretary in Practice  
FCS No.: 6040, CP No. 6137  
Peer Review Certificate No. 607/2019  
UDIN: F006040C000354465



# Corporate Governance Report (Continued)

## 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) Regulations, 2015, code of conduct of the Company has been displayed at the Company's website [www.diageoindia.com](http://www.diageoindia.com). All the members of the Board and the senior management personnel had affirmed compliance with the code for the year ended March 31, 2021.

Place : Mumbai  
Date : May 21, 2021

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

## CEO/CFO CERTIFICATE

To

The Board of Directors,  
United Spirits Limited

- A. We have reviewed the standalone and consolidated financial statements for the year ended March 31, 2021 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.

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.

**Pradeep Jain**  
Chief Financial Officer

Place : Bengaluru  
Date : May 21, 2021

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

Place : Mumbai  
Date : May 21, 2021

# Management Discussion and Analysis

## A. Economic Scenario

**Global economy:** Global prospects remain highly uncertain one year into the pandemic. New virus mutations and the accumulating human toll raise concerns, even as growing vaccine coverage lifts sentiment. Economic recoveries are diverging across countries and sectors, reflecting variation in pandemic-induced disruptions and the extent of policy support. Although GDP, in general, recovered stronger than expected in the second half of 2020, it remains significantly below pre-pandemic trends in most countries. Output losses have been particularly large for countries that rely on tourism and commodity exports and for those with limited policy space to respond.

The outlook depends not just on the outcome of the battle between the virus and vaccines—it also hinges on how effectively economic policies deployed under high uncertainty can limit lasting damage from this unprecedented crisis. However, emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses.

Global growth is projected at 6 percent in 2021, moderating to 4.4 percent in 2022. The projections for 2021 and 2022 are stronger than in the October 2020 World Economic Outlook (WEO). The upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. High uncertainty surrounds this outlook, related to the path of the pandemic, the effectiveness of policy support to provide a bridge to vaccine-powered normalization, and the evolution of financial conditions.

**(Source: IMF Global Economic Outlook, Apr.'21)**

### Indian economy:

The year 2020 saw the outbreak of novel COVID-19 virus that posed economic challenge and threatening mobility, safety, and a normal life. The need of containing the spread of pandemic resulted in lockdowns, which led to restrictions of economic activities. This inherent trade-off led to the policy dilemma of “lives versus livelihoods”. As per National Statistical Office, India's GDP (gross domestic product) contracted 24.4% in Q1, 7.3% in Q2 and recorded GDP growth of 0.4% in the third quarter of FY21. This rise indicates V-shaped recovery progression that started in the second quarter of FY21.

India's real gross domestic product (GDP) at current prices stood at ₹ 195.86 lakh crore (US\$ 2.71 trillion) in FY21, as per the second advance estimates (SAE) for 2020-21. India's Consumer Food Price Index (CFPI) – combined inflation was 3.87% and Consumer Price Index (CPI) – combined inflation was 5.03% in February'21.

Some of the recent initiatives and developments undertaken by the Government of India are listed below:

- The Government of India announced ₹ 2.65 lakh crore (US\$ 36 billion) stimulus package to generate job opportunities and provide liquidity support to various sectors such as tourism, aviation, construction and housing.
- Numerous foreign companies are setting up their facilities in India on account of various Government initiatives like Make in India and Digital India.
- The Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.
- In the Union Budget 2021-22, capital expenditure for FY22 is likely to increase by 34.5% at ₹ 5.5 lakh crore (US\$ 75.81 billion) over FY21 (BE) to boost the economy.

As per Economic Survey 2020-21, India's real GDP growth for FY22 is projected at 11%. The January 2021 WEO update forecast a 11.5% increase in FY22 and a 6.8% rise in FY23. According to the IMF, in the next two years, India is also expected to emerge as the fastest-growing economy.

(Source: <https://www.ibef.org/economy/economic-survey-2020-21>)

India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behaviour and expenditure pattern, according to a Boston Consulting Group (BCG) report.

The second wave of pandemic which has started spreading in Mar 21, has also led to restrictions and lockdown to contain the spread. The same will have impact on the current outlook, however the exact quantum will be ascertained in due course of time.

## B. Industry Overview

India is one of the fastest growing liquor markets in the world. Alcoholic beverages are considered a sunrise industry owing to its high-growth potential and increasing social acceptance.

The outlook for the Indian alcoholic beverages continues to remain positive due to favorable demographics, expanding middle class, rising disposable income levels, greater preference for premium food and drink experiences and greater acceptance of alcoholic beverages in social circles. Increased consumption of liquor in rural areas will be another major reason for the growth in the market.

Although the average per adult intake of alcohol is considerably low in India when compared to other countries such as the United States, drinkers among young Indians

# Management Discussion and Analysis (Continued)

are more prevalent. This provides tremendous opportunity to drive growth of Alcobev industry on the back of its rising working-age population. It is expected that per capita consumption will increase with changes in lifestyle and aspiration of the population.

## C. Performance Indian Spirits Market Overview

**Industry performance:** The Indian spirits industry has been growing at more than 12% CAGR for the decade starting 2001 making it one of the fastest growing markets in the World. A slowdown of economy in 2019 followed by COVID-19 virus outbreak in 2020 had an adverse impact on consumption in India.

**Market segmentation:** The Indian alcobev industry is segmented into IMFL (Indian Made Foreign Liquor), IMIL (Indian Made Indian Liquor), Wine, Beer and imported alcohol. Whiskey dominates the Indian spirits industry by a very wide margin. The IMFL category accounts for almost 72% of the market.

**Consumption pattern:** The states of Karnataka, Maharashtra, West Bengal, Odisha, Telangana, Delhi, Haryana, Punjab etc. are amongst the largest consuming states for alcobev in India. The most popular channel of alcobev sale in India is liquor stores as its consumption is primarily an outdoor activity and supermarkets and malls are present only in the tier I and tier II cities of India.

**Constantly changing regulatory environment:** In 2020, Government in the State of Andhra Pradesh has changed the route to market by setting up state managed retail outlets and discontinuing private retailers. In contrast, State of Chhattisgarh has rolled back from government controlled to private parties which is expected to flourish the industry. During the year, there has been proposal for change in route to market in Delhi.

**Growth drivers:** Indian Alcobev industry holds great potential for spirits companies given the current low per capita consumption, favorable demographics and aspirations of growing younger population. Rapid urbanization is expected to enhance disposable income, which is favourable for the growth of the industry. The revival in GDP will give a further fillip to Alcobev sales as IMFL volumes are seen to grow ahead of GDP when GDP growth picks up. Favourable demographics with a median age of 27.9 years and growing social acceptability of Alcobev consumption are likely to bode well for the industry. The organized players stand to benefit from steady growth in the conversion from country liquor to IMFL given increasing health concerns associated with consumption of country liquor. States like Tamil Nadu and Karnataka have banned the sale of country liquor primarily

on account of rising death toll due to consumption of country liquor.

**Growing prevalence of premium Alcobev:** Rapid urbanization is expected to enhance disposable income, which is favorable for the growth of the industry. With more Indians traveling abroad, rising aspirations, favorable environment for imported liquor and higher disposable income, consumers are upgrading towards premium segments in the country. The rise in premiumization is evident in the increased focus of the big players on semi-premium and premium categories with an increase in launches and increased marketing of these categories. Another trend which is gaining traction in the Alcobev space is the growing popularity of grain-based liquor as against traditionally popular molasses-based liquor.

## D. Regulatory Scenario in Indian Market

Regulatory oversight of both central and state governments encompass a slew of restrictions on production, movement and sale of alcobev products. Alcobev also falls under the purview of Food Safety and Standards Authority of India (FSSAI). In addition, direct advertising of alcobev products is not permitted in India. Prohibitively high inter-state duties compel national alcobev players to set-up owned or contract manufacturing setups in every state. Licenses are required to produce, bottle, store, distribute or retail all alcobev products. Distribution is also highly controlled, both at the wholesale and retail levels. In states with government control on pricing, price increase is based on government notifications. In states where retailing is controlled by the state government, there is a specified quota that each player can sell, capping potential to increase market share for our products. These regulations make operations restrictive for the industry players.

During the year, post the COVID outbreak, most of the states experienced lockdown which created stress in the economy. As an outcome of the same, there were additional taxes/levies in some of the States leading to consumer price increase. Pricing continues to remain a challenge for the category since with continuous increase in excise duties, end consumer prices continue to experience upsurge with no benefit to your Company. During the year, Company secured pricing in multiple states across India.

## E. Business analysis Company overview

United Spirits Limited (USL/your Company) is the largest alco beverage Company in India and is also among the largest consumer goods companies. Your Company is involved in the manufacture, sale and distribution of beverage alcohol. It has a comprehensive brand portfolio with over about 80 brands of Scotch whisky, IMFL whisky, brandy, rum, vodka and gin. 9 of these brands sell more than a million cases annually. Your

# Management Discussion and Analysis (Continued)

Company has brands spanning across price points operating in all segments of Popular, Prestige, Premium and Luxury.

Your Company produces and sells around 80 million cases. McDowell's No.1, Royal Challenge, Signature, Antiquity, Black Dog, Director's Special Black, McDowell's Rum, McDowell's Brandy, Bagpiper, Old Tavern, Haywards are some of the marquee brands owned by your Company. In addition, your Company also imports, manufactures, distributes and sells various iconic Diageo brands such as Haig Gold Label, Captain Morgan, Johnnie Walker, J&B, Baileys, Lagavulin, Talisker, VAT 69, Black & White, Smirnoff and Ciroc in India under different licensing agreements.

Your Company has a strong distribution network, and its route to consumer is superior in the industry with almost 1 in every 2 branded spirits bottles being sold in India in the Company's P&A portfolio.

Diageo PLC holds 55.94% shareholding in your Company. Post takeover by Diageo, your Company set out the vision to become the Best Performing, Most Trusted and Respected Consumer Goods Company in India. For this, it has been working on a five-point agenda viz.,

1. Strengthen & Accelerate core brands
2. Evolve route to consumer
3. Drive out cost to invest in growth and expand margins
4. Lead USL and industry towards the highest ideals of corporate citizenship
5. Creating a future-ready organisation

Your Company has been striving hard with a strong focus on premiumisation and at the same time also trying to maximise value from brands in the popular segment.

## Strengths

Your Company has 9 brands in its portfolio which sell more than a million cases every year, of which 1 brand sell more than 25 million cases each annually. The Company's exports business is also growing.

Your Company boasts of pan-India manufacturing presence with +47 facilities and robust distribution network of more than 70,000 outlets, which provide access to vendors, suppliers and distributors.

With high brand equity and significant market share, your Company is able to have a significant influence on industry issues through representations made on behalf of the industry.

Your Company has a wide range of portfolio spanning across categories of Scotch whisky, IMFL whisky, brandy, rum, vodka and gin; and in various price points from Luxury, Premium, Prestige to Popular.

Your Company's rich heritage ensures long-lasting relationships with most of the raw material suppliers, which enables it to ensure uninterrupted procurement at competitive rates. This, in turn, helps the Company to ensure continuous production and supply of its products through the length and breadth of the country.

The in-house Technical Centre and its tie-up with the global giant Diageo, enables your Company to undertake research on new products, analytics and sensory sciences, process R&D, special spirits and flavour management. Your Company's professional team of expert scientists work constantly with perseverance to renovate the portfolio. The strong marketing team creates impactful communication to convey the renewed brand salience.

Your Company's workforce of over about 3,200 regular employees are the key strength in achieving the goals laid down by the Company. Our team has enabled us to emerge as the leading player in the industry, despite facing various industry tailwinds. Gender diversity of about 15% has been achieved and the industrial relations during the year were cordial. There have been no material developments in Human Resource during the year.

## F. Business performance

Your Company's transformational journey to improve operations under the new leadership of Diageo post 2014, encompasses a strategic road map covering five strategic pillars to steer its future growth trajectory. These are:

### 1. Strengthen and accelerate core brands

Your Company has embarked on a long-term plan to not just grow revenues year-on-year by increasing market share but to also grow the categories that we play in significantly through expanding areas of consumption as well as providing new flavors/accessible spirits. This includes a heightened drive at key accounts or premium on-premise venues as well as the channel of wedding & banquets. McDowell's No. 1 and Scotch were the key brands around which communication was focused to increase brand image and recall. Your Company continued to invest in its power brands and continue to improve no effectiveness of A&P spends to win across each of the 3 India's - Affluent, Middle and aspiring population. Power brands like McDowell's No. 1 Whiskey and Royal Challenge witnessed renovations and we solidified the

# Management Discussion and Analysis (Continued)

momentum of renovation with unprecedented scale of media with IPL broadcast sponsorship. Modern retail was charged with iconic visibility of Johnnie Walker. This has strengthened the portfolio with a strong step-up proposition.

We stood together with on trade and supported them across key markets with 'Raising the Bar' programme. This is reflected in an increase in contribution of the Prestige and above segment from 53% of net sales in the financial year ended March 31, 2016 to 69.8% of net sales in the financial year ended March 31, 2021.

## 2. Evolve route to consumer

Given the prohibition on liquor advertising, your Company is focusing on leveraging retail outlets to strengthen its brand equity in the Luxury, Premium and Prestige categories. Your Company endeavours to capture consumer attention using preferential placements in outlets and better visual appeal and customer recall. Your Company collaborated with start-ups, invested in party and night-life content ecosystem and increased spends on digital media to increase its consumer reach.

As on-trade gradually opened across the country, we supported bars by inspiring consumers to walk forward towards their favorite bars responsibly with a 360-campaign called #WalkInWithJohnnie. The campaign not only engaged with consumers at on-trade channels, but also reached out to consumers through digital campaigns to build awareness about socializing responsibly. Through the year we have focused on winning consumers in the in-home occasions with our 'Home Bar' offers at Off Trade and (Do It Yourself) DIY drinks campaigns.

## 3. Drive out costs to invest in growth

During the financial year ended March 31, 2021, your Company was able to drive productivity across all line items in the profit and loss account. There are initiatives to create more efficient trade spends under NRM program (Net Revenue Management), marketing efficiency and effectiveness for above-the-line spends as well as better overhead management in terms of creating a fit-for-purpose organization across each function as well as by reducing operating overheads. On the cost front, a strong pipeline has been created on each line item in materials, manufacturing and logistics to counter inflation with benefits accruing not also in the coming years. Similarly, loan repayment and reduction in cost of debt led to interest cost savings. Your Company successfully invested these savings in future growth.

## 4. Corporate citizenship

Your Company continued to be the leader in shaping the regulatory landscape and conform to the highest compliance and governance standards. We are a responsible marketer of alcobev products. Your Company implemented a host of innovative initiatives to influence public policy. We continued to promote the cause of road safety, responsible consumption, water conservation, skills development, and women empowerment. We have extended support to Government Hospital and institution with medical equipment's such as oxygen cylinders, test kits, PPE kits, High flow nasal Cannula, etc. Also provided drinking water facility in Maharashtra and Jharkhand for frontline health care workers.

## 5. Creating a winning organisation

Your Company continues to automate and simplify all systems and processes to create a winning organization. Your Company has enhanced its capabilities in digital, corporate relations, legal and compliance. Smooth integration with Diageo, its investment in shared service centre and intent to attract best-in-class talent pool are right steps in developing a future-ready organisation.

## G. Business Review – Revenue and Revenue Mix

Your Company continued its journey of premiumization by improving the mix of P&A salience to ~70% in F21. F21 remained a challenging year for the industry on multiple fronts with COVID led initial lockdown and sliding consumer confidence index impacting the category growth in general. Our portfolio is uniquely positioned to access the high growth opportunities that the Indian market provides. Your Company has been relentlessly striving to achieve double-digit top-line growth and improve organic operating margin to mid-high teens. To achieve this, your Company is taking all possible efforts to strengthen and accelerate its core brands, upgrade its route to consumer strategy and leverage economies of scale. At the same time, your Company has remained committed to the highest ideals of corporate citizenship. Its integration with Diageo brand portfolio has enabled your Company to establish leadership in terms of both volume and value.

Your Company has strengthened its entire portfolio through a mix of rationalisation and renovation. Prestige and above brands which represent about 70% of net sales are the core focus of your Company, wherein it has laid emphasis on renovation to keep pace with evolving consumer tastes. Your Company's robust performance in the Prestige and Above segment is reflective of its commitment and success of the



# Management Discussion and Analysis (Continued)

premiumisation strategy. At the same time, your Company has ensured that it has maximised value gains in the Popular segment as well.

During the year under review, your Company achieved a sales volume of 70.71 million cases as against 79.75 million cases in the previous year resulting in softness in volume by ~11%. Your Company's net sales revenue stood at about ₹ 78,892 million in the financial year ended March 31, 2021, as against about ₹ 90,909 million in the previous year. This translate to decline of 13.2% over previous year.

With continuous focus on premiumization, overall Prestige & Above segment represented 53% of total volumes (Vs 51% previous year) and ~ 70% of total net sales (Vs 65% previous year) during the financial year ended March 31, 2021. The Prestige and Above segment's net sales were down 7.2% under stressed COVID environment.

The Popular segment represented 47% (Vs 49% previous year) of total volumes and ~ 29% (Vs 30% previous year) of total net sales during the financial year ended March 31, 2021. The Popular segment's net sales shrunk by 17.5% during the financial year ended March 2021 Vs 4.2% decline during last year.

## H. Net Debts

Your Company's net debt stood at ₹ 5,556 million as on March 31, 2021. Your Company used profit from operations, intercompany loan repayments and reduction in working capital to repay its loans amounting to ₹ 15,175 million. This reduction in debt (including repayment of NCD of ₹ 7500 million) together with renegotiation of borrowing rates and a favorable mix of debt reduced external borrowing cost by 610 million during the financial year.

Significant improvement in your Company's overall financial flexibility, corporate governance and compliance framework has led to further improvement in our credit rating. During the year, ICRA Limited & CRISIL held the Long Term Rating of "AA+" with positive outlook. While the Short Term Rating was reaffirmed at "A1+" which is the highest possible rating in that category. These ratings will enable the Company to access more economical sources of debt leading to lower interest cost and increased shareholder value.

## I. Outlook

Your Company remains the leader in India's alcobev industry by virtue of strong portfolio and benefits from the guidance of Diageo PLC, the Company's ultimate holding Company. Diageo continues to strengthen the Company with changes at management & distribution levels, revamp of brand promotions strategy, enhanced supply chain efficiency,

focusing on lean portfolio, engaging with the government and improving work culture and driving gender diversity. Your Company looks on track to deliver on its medium-term goal of delivering double-digit topline growth and achieve mid-high teens EBITDA margins led by better pricing and cost optimization. Your Company's move on focus towards the franchisee model in the Popular segment with successful implementation in 13 states had been well received and a further strategic review has been initiated. Regulatory overhangs will continue to pose challenges for the alcobev industry. As seen in the past, your Company is well equipped to overcome such challenges.

## J. Risks & Concerns, Opportunities & Threats

### Risks & Concerns

- The industry is exposed to multiple regulatory risks emanating from state taxes, adverse ruling from courts and changes in regulations with respect to pricing, licensing, working of operating facilities, manufacturing processes, marketing, advertising and distribution.
- With or without lockdowns, some economists see the COVID-19 pandemic weighing on the confidence of consumers - the backbone of the economy. Localized containment measures will act as a drag on growth.
- Increased tendency towards prohibition in an election year.
- Another concern emerges from the dependence on state governments to get price increases. Margins may get severely impacted in case of inflation in raw material costs or any increase in cost due to change in regulations.
- Significant changes in route to market strategies by various state governments pose a concern on establishing distribution network with new intermediaries. This also poses credit risk in case the existing distributors default due to the closure of their respective businesses.
- Prohibition in certain states poses a threat to legitimate sales and gives rise to inter-state smuggling impacting industry growth. This may also lead to a proliferation of country liquor sales in absence of / curtailed availability of branded products.
- The Company continues to work to promote responsible drinking and to mitigate risks due to drinking and driving through its 'Responsible Drinking' initiatives as highlighted in the CSR Report appearing in Annexure 6 of the Directors' Report, showcasing the corporate social responsibility initiatives of the Company.

# Management Discussion and Analysis (Continued)

## K. Opportunities

- Your Company's strong focus on premiumisation coupled with rising disposable income and evolving consumer lifestyles presents significant opportunity to grow sales and expand margins.
- Your Company has initiated a strategic review of selected Popular brands, continuing the strategy towards long-term profitable growth through premiumising the Company's portfolio.
- Renovation and revamping of key brands to upgrade them in the Prestige and Above segment presents opportunities to expand margins.
- Strong focus on accomplishment of medium-term vision and adherence to Diageo policies is likely to aid your Company's sales and margins.
- Low per capita consumption, rapid urbanisation, favourable macroeconomic indicators, higher disposable incomes and evolving lifestyles bode well for the industry as a whole.
- Increasing conversion from country liquor to branded IMFL given health issues associated with country liquor consumption present growth opportunity especially for your Company's Popular segment brands.

## L. Threats

- Strict imposition of distribution strategies by states growth prospects of the industry.
- High competitive intensity in the segment due to lucrative growth prospects of the industry.
- High pricing control by states pose a threat to margin.
- Proliferation of spurious liquor consumption poses a threat to growth of the Popular segment brands.

## M. Internal Control Systems

The Company maintains an adequate system of internal controls commensurate with the nature, size and complexity of the business operations. The Company has ensured that stringent and comprehensive controls are put in place to ensure

- Effective and productive use of resources;
- Safeguarding of Company's assets and interests;
- Transactions are approved, registered and properly reported and
- Checks and balances guarantee reliability and consistency of accounting data.

Regulatory compliance is ensured by adhering to various laws, regulations and prevailing statutes. An extensive program of internal, external audits along with periodic reviews by the management is carried out to ensure adherence to the best practices and oversight monitoring by the Board establishes a strong control environment. The management has evaluated that the internal controls over financial reporting are operating effectively by adopting the required procedures.

COVID-19 has set forth challenges in the operation and performance of certain controls which required physical presence of employees for control operation. The management has successfully overcome these challenges by adopting to alternate and supplementary procedures warranting the effective and efficient functioning of the controls. The control framework prevailing in the Company was regularly reviewed and controls were monitored to ensure that corrective measures were taken on time for minimum failures.

## N. COVID-19 Assessment

In view of the nationwide lockdown due to the outbreak of COVID-19 pandemic, your Company's operations at all of its manufacturing, warehousing and office locations were temporarily stopped from March 25, 2020. Operations resumed in a staggered manner beginning May 2020 with adequate precautions being taken in accordance with Government guidelines, and since second quarter of current year the Group's manufacturing locations have been fully operational. Your Company has a prudent liquidity risk management policy for maintenance of required cash and/or has access to funds through adequate unutilized sanctioned borrowing limits from banks and is confident of servicing its debt obligations as they fall due. The Company has assessed its existing controls and internal financial reporting processes and made appropriate changes, as required, in view of the situation arising due to COVID-19 pandemic. Amid surging COVID-19 cases in the country, your Company will apply learnings from the last year when nationwide and several localized lockdowns impacted manufacturing and supply chain, to mitigate impact of any future disruption. Based on the earlier experience, the Company is well prepared to manage any sudden local lockdown and resultant uncertainties, if any. The second COVID-19 wave may also have long-term negative effects not to mention high mortality and unprecedented pressure on health care. Company had reviewed its contracts/arrangements and does not expect any material impact on account of non-fulfilment of the obligations by any party.

# Management Discussion and Analysis (Continued)

## O. Key financial and Other ratios

Key financial ratios arising from the financials as given below for the financial year ended March 31, 2021 and March 31, 2020

(Fig. in ₹ Million)

### Key Financial Numbers (Standalone financial statements)

	Particulars	31-Mar-21	31-Mar-20
(i)	Share Capital	1,453	1,453
	Reserves & Surplus	39,815	36,644
	<b>Total Equity (Net worth)</b>	<b>41,268</b>	<b>38,097</b>
	<b>Gross Debt (excludes accrued interest and lease liability)</b>	<b>5,556</b>	<b>20,730</b>
	PAT	3,103	7,047
	Share Price (INR Rupees)	556	485
	Other Income	478	455
	Total Revenue	271,764	285,892
	Total Expenses	266,038	275,013
	Less: Depreciation	-2,493	-2,275
	Less: Finance Cost	-1,658	-1,907
	Expenses	261,887	270,831
	<b>EBIDTA</b>	<b>9,877</b>	<b>15,061</b>
	<b>EBIT</b>	<b>7,862</b>	<b>13,241</b>
(ii)	Inventory	19,810	18,361
	Receivables	21,601	22,835
	Payables	(13,813)	(11,712)
	<b>Net Working Capital</b>	<b>27,598</b>	<b>29,484</b>
	Revenue from Operations	271,764	285,892
	Less: Excise Duty	192,872	194,983
	<b>Net Sales Value</b>	<b>78,892</b>	<b>90,909</b>
	<b>Debtors Turnover Ratio</b>		
	Average Receivables	22,218	24,008
	NSV	78,892	90,909
	<b>Receivable Turnover</b>	<b>3.6</b>	<b>3.8</b>
(iii)	<b>Receivable Turnover (in days)</b>	<b>103</b>	<b>97</b>
	<b>Payable Turnover Ratio</b>		
	Average Payables	12,763	12,536
	Purchases (Cogs)	44,682	50,220
	Payable Turnover	3.5	4.0
(iv)	<b>Payable Turnover (in days)</b>	<b>104</b>	<b>91</b>
	<b>Inventory Turnover Ratio</b>		
	Average Inventory	19,086	18,564
	Purchases (Cogs)	44,682	50,220
	<b>Inventory Turnover</b>	<b>2.3</b>	<b>2.7</b>
(v)	<b>Inventory Turnover (in days)</b>	<b>156</b>	<b>135</b>

	Particulars	31-Mar-21	31-Mar-20
(vi)	<b>Interest Coverage Ratio #</b>		
	Bank Int	1,658	1,907
	EBIDTA	9,877	15,061
	<b>Interest Cover</b>	<b>6.0</b>	<b>7.9</b>
	Interest	1,658	1,907
	EBIT	7,862	13,241
	<b>Interest Cover</b>	<b>4.7</b>	<b>6.9</b>
(vii)	<b>Return of Capital Employed Ratio</b>		
	EBIT	7,862	13,241
	Capital Employed	46,824	58,827
	<b>Return on Capital Employed</b>	<b>17%</b>	<b>23%</b>
(viii)	<b>Net Profit Margin Ratio</b>		
	PAT	3,103	7,047
	NSV	78,892	90,909
	<b>Net profit Margin (PAT/NSV)</b>	<b>4%</b>	<b>8%</b>
(ix)	<b>Operating Margin Ratio</b>		
	EBIT	7,862	13,241
	NSV	78,892	90,909
	<b>Operating Margin (EBIT/NSV)</b>	<b>10%</b>	<b>15%</b>

### Summary of Key Ratios

#### Leverage Ratios

Particulars	F21	F20
Debt-Equity Ratio	0.16	0.5
Interest Cover	6	8

#### Valuation Ratios

EPS	4.27	9.70
P/E Ratio	130x	50x

#### Profitability Ratios

Return on Equity	8%	19%
Return on Capital Employed	17%	23%
Net Profit Margin Ratio	4%	8%
Operating Margin Ratio	10%	15%

#### Liquidity Ratios

Inventory Turnover Ratio	156	135
Receivable Turnover Ratio	103	97
Payable Turnover Ratio	104	91
Current Ratio	1.23	1.04

# - Debt Equity and Interest coverage ratio has shown improvement during the financial year 2020-21 due to repayment of loans, reduction in borrowing rates at a favourable mix.

- Turnover ratios viz., Receivable Turnover Ratio, Payable Turnover Ratio and Inventory Turnover Ratio have increased during the year owing to lower scale of operations induced by lockdowns. Year-end balances are in usual course of business as compared to P&L.

- Valuation and Profitability ratios are again skewed because of lower scale of operations coupled with one time Raising the Bar support.

# Annexure-1

## Details of Subsidiaries, Associates and Joint Ventures

### Form AOC 1

(Pursuant to the provisions of Section 129(3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014 Statement containing as on March 31, 2021 salient features of the financial statement of subsidiaries/associate companies/joint ventures)

#### Part A: Subsidiaries

Sl. No.	Name of the Subsidiary	Currency	Closing ex-change rate	Average ex-change rate	Share capital	Re-serves	Total assets	Total liabilities	Investments	Turn-over	Profit/(loss) before taxation	Provision for taxation	Profit/(loss) after taxation	Total comprehensive income	Proposed dividend	% of share-holding	Country
1.	Asian Opportunities & Investments Limited (AOIL)	USD	72.90	74.02	364	-1,194	20	849	-	-	-43	-	-43	-43	-	100	Mauritius
2.	Palmer Investment Group Limited (PIG) (merged with UB Sports Management Overseas Limited)	USD	72.90	74.02	1,094	-1,056	39	1	-	-	37	-	37	37	-	100	British Virgin Islands
3.	Shaw Wallace Overseas Limited (SWOL)	GBP	100.60	96.89	36	-17	20	1	-	-	-1	-	-1	-1	-	100	U.K.
4.	Montrose International SA (MI)*	USD	72.90	74.02	36	51	89	1	-	-	-2	-	-2	-2	-	100	Panama
5.	USL Holdings Limited (UHL)	USD	72.90	74.02	55,888	-61,996	41	6,150	-	-	-150	-	-150	-150	-	100	British Virgin Islands
6.	USL Holdings (UK) Limited (UHLUK)	GBP	100.60	96.89	0	-62,107	14	62,121	0	-	6,612	-	6,612	6,612	-	100	U.K.
7.	United Spirits (UK) Limited (USUKL)	GBP	100.60	96.89	0	-26,462	10	26,472	-	-	-2	-	-2	-2	-	100	U.K.
8.	United Spirits (Great Britain) Limited (USGBL)	GBP	100.60	96.89	0	-26,435	7	26,443	-	-	-1	-	-1	-1	-	100	U.K.
9.	McDowell & Co. (Scotland) Limited (MSL)	GBP	100.60	96.89	158	-28	140	9	-	-	-2	-	-2	-2	-	100	Scotland
10.	Royal Challengers Sports Private Limited	INR	-	-	0	1,491	4,298	2,807	-	2,319	734	192	542	542	-	100	India
11.	United Spirits (Shanghai) Trading Company Limited	RMB	11.15	10.89	56	-76	0	21	-	-	1	-	1	1	-	100	China
12.	Sovereign Distilleries Limited	INR	-	-	4,851	-4,815	300	263	-	-	-81	-	-81	-81	-	100	India
13.	Pioneer Distilleries Limited	INR	-	-	134	-2,913	4,006	6,784	-	1,674	-866	-	-866	-874	-	75	India
14.	United Spirits Singapore Trading Pte Ltd. (Formerly known as Whyte and Mackay Singapore Pte Ltd.)	USD	72.90	74.02	0	-2	13	15	-	-	1	-	1	1	-	100	Singapore

\* - Montrose International ceased to be a subsidiary with effect from April 16, 2021.

# Annexure-1 (Continued)

## Part B: Associates and Joint Ventures

Sl. No.	Name of Associates/Joint Ventures	Hip Bar Private Limited
1.	Latest audited Balance Sheet Date	March 31, 2020
2.	Shares of Associates/Joint Ventures held by the Company on the year end*	4,567,568
	Amount of Investment in Associates/Joint Venture	₹ 270 million
	Extent of holding %	26%
3.	Description of how there is significant influence	The shareholding in Hip Bar Private Limited # is more than 20% coupled with the right to appoint one director on the Board of Hip Bar Private Limited 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 Ind AS
5.	Net worth attributable to Shareholding as per latest audited Balance Sheet	₹ 20 million. (Investment is fully impaired during the year ended March 31, 2021).
6.	Balance Sheet	
	i. Considered in Consolidation	Nil
	ii. Not considered in Consolidation	₹ 97,705

- 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
- Hip Bar Private Limited became USL's associate with effect from June 25, 2018.
- \* Shares of Associates/Joint Ventures held by the Company on the year ended March 31, 2021.

### For and on behalf of the Board of Directors

**Mahendra Kumar Sharma**  
Chairman  
DIN: 05178019  
Place: Mumbai

**Anand Kripalu**  
Managing Director & Chief Executive Officer  
DIN: 00118324

**V K Viswanathan**  
Director  
DIN: 01782934  
Place: Bengaluru

**Pradeep Jain**  
Chief Financial Officer  
Place: Bengaluru

**Mital Sanghvi**  
Company Secretary  
Place: Mumbai

Date: May 21, 2021



# Annexure-2

## Related Party Transactions

### FORM AOC 2

(Pursuant to Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered by the Company with related parties referred to in Section 188(1) of the Companies Act, 2013 including certain arm's length transactions under the fourth proviso thereto.

- a) Details of Contracts or transactions not at arm's length basis: There are no contracts or arrangements or transactions that were not at arm's length basis for the year ended March 31, 2021.
- b) Details of Material Contracts or transactions at arm's length basis: There are no material contracts or arrangements or transactions at arm's length basis and in the ordinary course of business for the year ended March 31, 2021.

By Order of the Board

**Mahendra Kumar Sharma**

Chairman

DIN : 00327684

Place : Mumbai

Date : May 21, 2021

# Annexure-3

## Form No. MR-3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2021

[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, 2021, 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, 2021, 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 Act');
  - (a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - (b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (No instances for compliance requirements during the year);
  - (e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (No instances for compliance requirements during the year);
  - (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No instances for compliance requirements during the year);
  - (g) 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;
  - (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No instances for compliance requirements during the year);
  - (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (No instances for compliance requirements during the year); and
  - (j) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

## Annexure-3 (Continued)

- vi. Laws specifically applicable to the Company as identified by the Company:
  - (a) Various State Excise Laws relating to alcohol and related industry;
  - (b) Food Safety and Standards Act, 2006 and Rules and Regulations made thereunder;
- vii. All other Labour, Employee and Industrial or factory and environmental Laws to the extent of necessary permissions, licenses, compliance and control mechanisms as applicable to the Company;

I have also examined compliance with the applicable clauses of Secretarial Standards issued by the Institute of Company Secretaries of India.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above wherever applicable.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. 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.

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 with necessary compliance wherever sent at shorter period 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.

All decisions are carried through majority and recorded in the minutes and there were no dissenting views.

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 there were no specific actions having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

**SUDHIR VISHNUPANT HULYALKAR**

Company Secretary in Practice

FCS No.: 6040, C.P. No.: 6137

Peer Review Certificate No.: 607/2019

UDIN: F006040C000354322

Place : Bangalore

Date : May 21, 2021

## Annexure-3 (Continued)

### ANNEXURE TO SECRETARIAL AUDIT REPORT (AUDITORS RESPONSIBILITY)

To,  
United Spirits Limited  
Bangalore

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place : Bangalore  
Date : May 21, 2021

**SUDHIR VISHNUPANT HULYALKAR**

Company Secretary in Practice  
FCS No.: 6040 and C.P. No.: 6137  
Peer Review Certificate No.: 607/2019  
UDIN: F006040C000354322

# Annexure-3 (Continued)

## ANNEXURE – 3A

### SECRETARIAL COMPLIANCE REPORT OF UNITED SPIRITS LIMITED (CIN: L01551KA1999PLC024991) FOR THE YEAR ENDED MARCH 31, 2021.

I Sudhir Vishnupant Hulyalkar, Company Secretary in practice have examined:

- (a) all the documents and records made available to us and explanation provided by **United Spirits Limited ("the listed entity")**,
- (b) the filings/submissions made by the listed entity to the stock exchanges,
- (c) website of the listed entity,
- (d) Relevant Forms and attachments as filed with the Registrar of Companies and other authorities of Ministry of Corporate Affairs for the year ended March 31, 2021 ("Review Period") in respect of compliance with the provisions of:
  - (a) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and
  - (b) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

The specific Regulations, whose provisions and the circulars/guidelines issued thereunder, have been examined, include: -

- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (No instances for compliance requirements during the year);
- (c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (No instances for compliance requirements during the year);
- (e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (No instances for compliance requirements during the year);
- (f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No instances for compliance requirements during the year);
- (g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013 (No instances for compliance requirements during the year);
- (h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (i) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No instances for compliance requirements during the year);
- (j) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and circulars/guidelines issued thereunder; and based on the above examination, I hereby report that, during the Review Period:
  - (a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder.
  - (b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/guidelines issued thereunder insofar as it appears from my examination of those records.
  - (c) No action was taken against the listed entity/its promoters/directors/material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/Regulations and circulars/ guidelines issued thereunder.
  - (d) Since there were no observations in previous year report the listed entity was not required to take any action of compliance on observations of previous reports.

**SUDHIR VISHNUPANT HULYALKAR**

Company Secretary in Practice

FCS No.: 6040, C.P. No.: 6137

Peer Review Certificate No.: 607/2019

UDIN: F006040C000354432

Place : Bangalore

Date : May 21, 2021



# Annexure-4

## EMPLOYEE DETAILS

### Details of Ratio of Remuneration of Directors and Key Managerial Personnel (KMP)

[Section 197(12) of the Companies Act, 2013 r/w Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

(i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year;	Name of the Directors/KMP	Designation	Ratio to the Median	Percentage Increase
The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Anand Kripalu	Managing Director & Chief Executive Officer	261:1	-43%*
	Sanjeev Churiwala (Up to September 30, 2020)**	Executive Director and Chief Financial Officer	NA	NA
	Pradeep Jain (w.e.f. October 01, 2020)**	Chief Financial Officer	NA	NA
	V Ramachandran (Up to May 31, 2020)**	Executive Vice President & Company Secretary	NA	NA
	Mital Sanghvi (w.e.f. June 01, 2020)**	Vice President & Company Secretary	NA	NA
	Mahendra Kumar Sharma	Independent Non-Executive Chairman	11:1	3%***
	V K Viswanathan	Independent Non-Executive Director	10:1	5%***
	D Sivanandhan	Independent Non-Executive Director	10:1	8%***
	Indu Shahani	Independent Non-Executive Director	11:1	6%***
	Rajeev Gupta	Independent Non-Executive Director	9:1	7%***
	<p>* The percentage decrease in the remuneration for Managing Director &amp; CEO from last year was mainly attributed to no pay-out of performance-based pay (which varies from year to year based on individual and/or business performance) and lower earnings from exercised long term incentives (stocks) as compared to previous year.</p> <p>** The remuneration paid to Mr. Sanjeev Churiwala, Mr. Pradeep Jain, Mr. V Ramachandran and Mr. Mital Sanghvi is for part of the year. Accordingly, the percentage increase/decrease in their remuneration and ratio of remuneration to median remuneration is not reported.</p> <p>***For Non-executive Directors, change in percentage denotes change in remuneration (including commission and sitting fees) and for the period of their Directorship during the year.</p>			
(ii) The percentage increase in the median remuneration of employees in the financial year;	The average increase in remuneration in the Financial Year 2020-21 compared to the median remuneration of employees in the previous year is 1.64 %.			
(iii) The number of permanent employees on the rolls of Company;	The Company had a permanent headcount of <b>3,261</b> on the rolls as of March 31, 2021.			
(iv) Average percentile increase already made in the salaries of employees other than the key managerial personnel in the last financial year and its comparison with the percentile increase in the key managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	The change in the average remuneration of employees other than the key managerial personnel in the current financial year compared to the last financial year was -1.7% while the change in the key managerial average remuneration was -46%. The decrease in salaries for employees other than the key managerial personnel was attributed to difference in performance based pay compared to last year. The decrease in the key managerial average remuneration was attributed to lower earnings from exercised long-term incentives (stock) and no pay-out of performance-based pay (which varies from year to year based on individual and/or business performance).			
(v) 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 Order of the Board

**Mahendra Kumar Sharma**  
Chairman  
DIN: 00327684

Place : Mumbai  
Date : May 21, 2021

## Annexure-4 (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, 2021.

#### A. Employees employed for full year

Sl. No.	Employee Name	Age as of March 31, 2021	Shares held (No's)	Remuneration paid (in ₹)	Designation and Nature of employment/duties	Qualification	Experience (in yrs)	Date of commencement of employment	Particulars of previous employment
1.	Aarif Aziz	46	-	3,09,31,697	Chief Human Resources Officer	PGDM, BE	22	01-01-2019	GE gas power, Global HR Head
2.	Abanti Sankaranarayanan	52	-	4,58,38,083	Chief Strategy & Corporate Affairs Officer	PGDBA	28	01-05-2015	Managing Director - India, Diageo India Pvt. Ltd.
3.	Abhishek Shahabadi	43	-	1,07,40,873	Vice President and Portfolio Head, Marketing	B.Com., PGDM-C	21	23-02-2006	Group Head, Madison Communications
4.	Amarpreet Singh Anand	44	-	1,81,34,705	Executive Vice President and Portfolio Head	PGDM	20	02-02-2015	Mondelez International Ltd.
5.	Amrut Aiyamma	48	-	1,13,41,159	VP - Human Resources	MSW, Mangalore University	25	02-05-2019	Dover Corporation India
6.	Anand Kripalu	62	-	13,13,10,460	Managing Director and Chief Executive Officer	B.Tech, PGDM	36	01-05-2014	Managing Director, Cadbury India Ltd.
7.	Avinash Deoskar	46	-	1,20,90,836	Vice President and Sales Head (East)	PGDM, SIMS	22	18-08-2016	Pernod Ricard
8.	Baskaran Thiagarajan	50	-	1,29,41,030	Vice President - Manufacturing (TMU)	Bachelor of Engineering in Mechanical Engineering, Thiagarajar College Of Engineering, Madurai, Tamil Nadu, India	29	12-01-2017	Heading India operations - Manufacturing, Avery Dennison India (P) Ltd.
9.	Jagbir Singh Sidhu	51	-	1,91,87,699	EVP & Chief Operating Officer - North & West	MBA, Punjab University, 1994	26	05-07-2017	Pernod Ricard
10.	Kashinath Jha	52	-	1,29,83,402	Vice President - Manufacturing	BE	30	06-09-2016	Reckitt Benckiser
11.	Kedar Vivekanand Ulman	47	-	2,51,34,183	Chief Supply Chain Officer	BE, IIM - B	25	24-04-2009	Sr. Manager, Accenture Services Pvt. Ltd.
12.	Mamta Sundara	44	-	2,36,24,928	EVP and General Counsel	LLB	18	15-02-2015	Senior Counsel - India Projects, Diageo India Pvt. Ltd.
13.	Mital Sanghvi	42	-	1,03,48,454	VP and Company Secretary	B.Com., ACS, FCCA, ACA	19	09-12-2019	Provenance Land Private Limited
14.	Nicola Burke	47	-	1,31,01,449	Vice President - Customer Marketing	Bachelor of Business, Marketing & Management	26	19-08-2019	Diageo PLC

## Annexure-4 (Continued)

Sl. No.	Employee Name	Age as of March 31, 2021	Shares held (No's)	Remuneration paid (in ₹)	Designation and Nature of employment/duties	Qualification	Experience (in yrs)	Date of commencement of employment	Particulars of previous employment
15.	Nitesh Chhapru	42	-	1,12,86,700	Vice President and Chief Innovation Officer	MBA	16	01-01-2014	Founder Director, The Brahma Innovation Company
16.	Pradeep Jain	53	-	2,10,50,833	Chief Financial Officer	B.Com., 1988, CA 1991	29	04-04-2017	CFO, Pidilite Industries
17.	Prathmesh Mishra	51	-	3,22,21,892	Chief Commercial Officer	PGDM, BA	23	18-06-2014	Pernod Ricard
18.	Sandeep Kumar Singal	57	-	2,12,17,270	EVP & Chief Operating Officer - South & East	B.Tech., MBA	22	14-10-2015	Head- Branded Retail & Alternate Channels, Tata Tele Services Ltd.
19.	Sanjeev Ganesh	45	100	1,43,05,593	EVP- Procurement	B.Tech., MBA	16	01-04-2010	Managing Consultant, Aqua Management Consulting Group
20.	Sanjeev Kumar Gupta	54	-	2,19,88,451	Executive Vice President - Manufacturing Operations	BE 1987, PGD NIE, 1988	32	03-07-2017	Mondelez
21.	Shelley Sengupta	45	-	1,02,68,378	Vice President- Consumer Planning & Insights	B.Com., PG Diploma	18	30-11-2007	Head of Qualitative Research Division, South, Synovate India
22.	Subroto Geed	46	-	1,96,96,532	EVP & Chief Operating Officer - Popular and Franchise Business	PGDISM	22	21-09-2015	Nicholas Piramal India Ltd.
23.	Vikram Damodaran	46	-	1,61,88,854	Vice President - Technical Centre	B.E. (Mech.)	23	14-10-2019	GE Healthcare

### B. Employed for the part of the year

Sl. No.	Employee Name	Age as of March 31, 2021	Shares held (No's)	Remuneration paid (in ₹)	Designation and Nature of employment/ duties	Qualification	Experience (in yrs)	Date of commencement of employment	Particulars of previous employment
1.	Atul Chandra Jha	52	-	1,11,73,919	Senior General Manager - HR Business Partner	PGD (PM&IR), XISS,	24	25-04-2016	Reckitt Benckiser
2.	Ajay Goel	45	-	1,51,46,411	EVP and Financial Controller	B.Com., FCA, ACS	22	18-04-2016	CFO, Supply Chain - GE India
3.	Deepak Kumar Katty	57	-	1,58,52,349	Global Commercial Performance Director	MBA	32	28-10-2014	Pernod Ricard
4.	Rohini Seth	51	-	1,94,84,418	Vice President- National HR Operations	BA, MA in HR	27	29-06-2015	Reckitt Benckiser as HR Head
5.	Sanjeev Churiwala	51	-	2,50,47,267	Executive Director & Chief Financial Officer	ACA, ACS, ACWA & Executive MBA from London Business School	27	16-11-2015	Ambuja Cements
6.	Mathew Xavier	57	-	2,76,31,876	EVP and Chief Operating Officer (South)	PGDM / B.Com.	32	10-11-2003	VP Marketing Erstwhile Swdl

## Annexure-4 (Continued)

Sl. No.	Employee Name	Age as of March 31, 2021	Shares held (No's)	Remuneration paid (in ₹)	Designation and Nature of employment/ duties	Qualification	Experience (in yrs)	Date of commencement of employment	Particulars of previous employment
7.	Amrit Thomas	55	-	15,27,33,493	Chief Marketing Officer	B.Tech., PGDM	29	12-06-2007	Category Head - Beverages, HIL
8.	Julie Bramham	46	-	1,17,34,052	Chief Marketing Officer	BBM	22	01-07-2018	Diageo PLC
9.	Rajatha Shetty	53	-	1,37,69,017	Senior General Manager-Demand FC	M.Com.	32	19-05-1997	Mallya Hospital
10.	Manoj Chigal	40	-	21,25,975	Vice President & Head - Internal Audit	Chartered Accountant (CA), ICAI, India	18	18-01-2021	Director Audit & Sox - Whirlpool Corporation, United States & India
11.	Manish Shetty	46	-	86,37,538	Vice President - IT	BE, MBA	21	01-06-2020	Director It - Tata Global Beverages Ltd.
12.	Deepika Warriar	52	-	1,97,80,975	Chief Marketing Officer India	PGDM	27	27-07-2020	Ceo/Md - Pepsico-Tata Jv (Nourishco Beverages)

**Note:**

1. None of the employees are related to the directors of the Company. None of the employees hold more than 2% of paid-up equity share capital of the Company.
2. Since employees listed above includes the names of top 10 employees in terms of remuneration drawn, the list of such names is again not repeated in above table pursuant to sub rule 2 of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.
3. Remuneration details are not comparable with last year since many of the employees joined / exited during the year and the figures vary due to variable pay, retinals etc. and other payments made on such joining / exit.

By Order of the Board

**Mahendra Kumar Sharma**  
Chairman  
DIN: 00327684

Place : Mumbai  
Date : May 21, 2021

# Annexure-5

## Risk Management

USL's ambition is to create the best performing, most trusted and respected Consumer Products Company in India. We believe that great risk management starts with the right conversations to drive better business decisions, protect our assets, supports a growing, resilient and sustainable business. Our focus is to identify and embed mitigation actions for material risks that could impact our current or future performance, and/or our reputation. Our approach is holistic and integrated, bringing together risk management, internal controls, and business integrity, ensuring that our activities across this agenda focus on the risks that could have the greatest impact.

The management of risk is embedded in the corporate strategies of developing a portfolio of world-class businesses that best match organizational capability with market opportunities and succession planning processes, nurturing specialism and enhancing organizational capabilities through timely developmental inputs.

Responding to the COVID-19 pandemic: The COVID-19 pandemic has created multiple different risks for our business. The spread has been rapid and the impact to the Indian economic outlook remains uncertain. Protecting our people and our business and supporting our suppliers, customers and communities have been at the forefront of our response to the pandemic. Risk mitigations have been agile and effective with support and oversight by Risk Management Committee and the Board. An Executive Working Group has developed risk mitigation actions to protect our people that included best practice protocols aligned with government strategies and our people's safety. Robust employee safety protocols were implemented including having all employees who were able to do so working remotely, heightened sanitation measures and restrictions on movement to and from our production sites and warehousing sites. Protocols for a safe return to work have been developed and are being implemented on a location-by-location basis in line with government guidelines and ensuring an environment that supports our employees' well-being and safety as the primary concern. Our business performance has been impacted by the containment actions adopted by governments as they seek to mitigate the impact of the pandemic, and the resulting disruption and economic effect on our consumers, customers and suppliers. We continued to focus on identifying and assessing potential emerging risks.

In its journey towards risk intelligence: A robust governance structure has been developed across the organization. The nature of business is such that it is subject to certain risks at different points of time. Some of these include escalation in the cost of raw materials and other inputs, increasing competitive intensity from other players, changes in regulation from central and state governments, cyber security, data management and migration risks, data privacy risk, environmental and climate risk. USL has always had a proactive approach when it comes to risk management where it periodically reviews the risks and strives to develop appropriate risk mitigation measures for the same. To enhance this focus, Board of Directors has constituted a Committee of the Board called the Risk Management Committee to frame, implement and monitor risk management plan.

Focus in the year: The Risk Management Committee and Board considered the entity level principal risks and reviewed our risk appetite, setting the level of risk tolerance we have for risks that could impact delivery of our strategic objectives. Examples of risks for which we have zero appetite include risks that could: harm our people; impact product quality; cause us to market irresponsibly or otherwise act without integrity; and be non-compliant with laws and regulations, including those relating to financial reporting. Our principal risks remain unchanged and continue to reflect a challenging external environment.

**Our risk management objectives are:**  
**Our approach:**





## Annexure-5 (Continued)

We have identified, assessed, determined, expected impact and likelihood of the risk occurring over the next 12-24 months by using the various parameters such as brand management, reputation management, Operations management, our people, workplace & safety and financial impact on profit.

- We take a holistic and end-to-end approach in managing risk.
- All aspects of risk such as commercial, operational, financial, strategic, reputational, and compliance risks, whether internal or external in nature are covered as part of Risk Management Committee meeting.
- The Committee is concerned not only with the risk itself, but root causes and the range of consequences. Insightful, challenging, discussion is at the heart of our approach and is always directed at achieving positive business outcomes.
- We learn lessons when things go wrong or play out unexpectedly.
- We are agile, and identify and respond to risks as they arise in the short term, or over the medium and longer terms.
- We are attuned to an evolving external environment and emerging new risks. Risk at Diageo are defined as "an uncertainty that could help or hinder achieving our business objectives". Risk management refers to all the things we do to identify, assess, manage and report on risks.
- We have an existing framework for Entity Level and Process Level controls. Documented policies, KPIs and Delegations of Authority are in place. It provides the mechanism for assessing and managing the sum of the opportunities and risks, both external and internal that may impact the business.

All business functions follow a coordinated process that uses common language of risk and work on the process to either mitigate or reduce the impact of risk. It provides designated owners of the process and risk with a framework for defining the essential tasks of risk management to facilitate timely management of change and ensure effective management of risks.

It is driven, demonstrated in action and endorsed by senior management team. The Board exercises independent review through Audit Risk Committee.

### Key components of risk management framework:



## Annexure-5 (Continued)

### Risk governance structure:



### Risk Categories:

Following are the broad categories of risks considered in our risk management framework:

Strategic	Operational		Financial		Compliance/Regulatory
<b>1. Strategic Business Model</b>	<b>1. Business resilience</b>	<b>3. People and Workplace Safety</b>	<b>1. Financial Management</b>	<b>2. Treasury</b>	<b>1. Compliance Framework</b>
Organisation structure (inc. major change and transformation)	Business Disruption and Business Continuity	People - Talent Management	Financial reporting and statutory governance	Multiple areas - hedging, banking, dividends, financing, share schemes, factoring	Third party compliance (inc. KYBP)
Mergers and acquisitions & divestitures		People - Industrial Relations	Record to Report	Insurance	Data Privacy (inc. GDPR and KYD)
Equity or JV investments		People - Workplace Health & Safety	Source to pay		Code of business conduct / ACC
<b>2. External Environment</b>	<b>2. Business Execution</b>	<b>4. Cyber &amp; Information Management</b>	Order to cash	<b>3. Tax</b>	Anti Money Laundering
International Tax Environment	Business Planning & Forecasting	Theft/Loss of Information and Data Manipulation	Data Maintenance	Corporate Tax (e.g. income tax)	Anti Bribery and Corruption (inc. G&E)
Critical Industry Developments	Marketing (Brand Protection including DMC & Digital Code)	IT Supplier Compromise	Segregation of duties	Indirect Taxes (e.g. customs/excise/GST)	Competition and anti-trust
Sustainability & responsibility and climate change	Supply - Vendor third party management	Operational Technology	Statement of authorities	Transfer Pricing	Sanctions and trade controls
Economic Change	Supply - Raw Materials, Finished Goods and COGS	Strategy & Service Delivery		<b>4. Payroll &amp; Benefits</b>	Human Rights / Dignity At Work
Political instability, civil unrest, and terrorism	Supply - Logistics	Retention & Disposal of Information		Pension	
Government regulatory restrictions & indirect tax	Supply - Procurement			Payroll	
	Supply - Quality, Contamination, Counterfeit				

### Risk management highlights for the year

During the year, the USL Executive committee and Board focused on principal risks falling into several categories including increasingly volatile external environment, political changes, risk posed by critical industry development, leadership succession planning and business disruptions due to cyber-attacks. Information regarding key risks facing and their mitigation strategies are given here:

# Annexure-5 (Continued)

1 Performance 2 Reputation 3 Operational 4 Financial 5 Compliance

RISK	IMPACT	MITIGATION ACTIVITY	RISK DIRECTION
<b>Strategic Risk</b>			
Regulatory restrictions on price increase 1	Impact on profitability	<ul style="list-style-type: none"> <li>Continuous representation and engagement with external stakeholders at all levels.</li> <li>Industry level initiatives in addressing structural barriers to pricing through co-creation of model excise policies, mutually beneficial to the industry and the governments, with state excise depts.</li> </ul>	—
<b>Operational Risk</b>			
Counterfeiting 1 2	<ul style="list-style-type: none"> <li>Harm to consumers</li> <li>Corporate and brand reputation is damaged.</li> <li>Financial losses due to supply disruption, product recalls, penalties, and a loss of consumer trust.</li> </ul>	<ul style="list-style-type: none"> <li>Anti-counterfeiting measures embedded in our packaging deter against reuse and make our products more difficult to copy.</li> <li>Active program to identify high-risk areas, engaging with excise and law enforcement authorities and participating in industry initiatives to monitor and prevent counterfeit activity.</li> <li>Brand protection and anti-counterfeit activities focused on high-risk markets and on new technology to assist with product verification.</li> <li>Actively working with e-commerce sites to identify counterfeit activities and seek to stop those activities promptly.</li> </ul>	↓
Cyber Risk 2 3 4	<ul style="list-style-type: none"> <li>Financial loss</li> <li>Operational disruption</li> <li>Reputational damage.</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise-wide cyber risk management processes and policies.</li> <li>Comprehensive IT controls framework extends to manufacturing facilities.</li> <li>Use of machine learning and threat intelligence to detect and block sophisticated threats.</li> <li>Continuously reviewing and adapting our cyber strategy to tackle risks related to COVID-19 and remote working.</li> <li>Mandatory global e-learning and regular phishing exercises for all employees.</li> </ul>	↓
<b>Compliance &amp; Regulatory</b>			
Anti-Trust 2 4	<ul style="list-style-type: none"> <li>Severe damage to our Company reputation and/or significant financial penalty.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous awareness, trainings and communications in vernacular languages</li> <li>Framework for market data collection (standard operating procedure) finalized with Global &amp; agreed with market stakeholders and being followed.</li> <li>To analyze and pre-approve market share based scheme proposals from time-to-time, basis business request.</li> <li>Actively working with Legal working group set up at industry body to monitor and keep a watch to ensure no anti-competitive practices are followed.</li> </ul>	—
Data Privacy 2 5	<ul style="list-style-type: none"> <li>Harm to our reputation with consumers, customers and/or our people.</li> <li>Non-compliance with data protection regulation resulting in penalties</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training and awareness on data privacy policy.</li> <li>Privacy impact assessments in key risk areas of the business.</li> <li>Minimum standard for compliance has been set to focus on key risk areas.</li> <li>Detailed review of data privacy requirements carried out in respect of information systems and processes, through a structured program including analysis of access controls, data minimization and masking, data retention and storage, record of processing activities, and third-party data management.</li> </ul>	—
<b>Financial Risk</b>			
Policy change 4	<ul style="list-style-type: none"> <li>Change in state excise policy precedes to delay in collections.</li> </ul>	<ul style="list-style-type: none"> <li>Representation through letters and through industry association.</li> <li>Continues engagement with State Excise officials to expedite the collection methodology.</li> </ul>	↓

— No Change ↓ Decrease

By Order of the Board

**Mahendra Kumar Sharma**  
Chairman  
DIN: 00327684

Place : Mumbai  
Date : May 21, 2021

# Annexure-6

## Corporate Social Responsibility (CSR)

### THE ANNUAL REPORT ON CSR ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2021

(Pursuant to section 135 of Companies Act, 2013 read with Rule 8 of Companies (CSR Policy) Rules, 2014)

#### Annexure II

##### 1. Brief outline on CSR Policy of the Company.

CSR Strategy of the Company supports our ambition to become the best performing, most trusted and respected consumer Products Company in India. Your Company recognizes that its business activities directly affects the lives of people around our plants and in the markets that we operate in. We believe that the communities in which we operate should benefit from our presence. We are aware of the importance of being responsible about our brands, and the way we develop, produce, and sell them. As one of the world's leading alcoholic beverage business, we want to be at the forefront of industry efforts to promote responsible drinking and reduce the harmful use of alcohol. Our Sustainability & Responsibility Strategy integrates social responsibility into our core business to create value for society and our shareholders.

##### 2. Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Indu Shahani	Non-Executive Independent Director	4	4
2.	Anand Kripalu	Managing Director and Chief Executive Officer	4	4
3.	Randall Ingber	Non-Executive Nominee Director	4	3
4.	D Sivanandhan	Non-Executive Independent Director	4	4

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company.

<https://www.diageoindia.com/investors/corporate-social-responsibility/>

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable.

Not Applicable (N.A.)

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any.

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
1.	N.A.	N.A.	N.A.

6. Average net profit of the Company as per section 135(5) of the Companies Act, 2013.

₹ 4,673 Million

7. (a) Two percent of average net profit of the Company as per section 135(5) of the Companies Act, 2013.

₹ 93.5 Million

- (b) Surplus arising out of CSR projects or programmes or projects or activities of the previous financial years.

N.A.

- (c) Amount required to be set off for the financial year, if any

N.A.

- (d) Total CSR obligation for the financial year (7a+7b- 7c).

₹ 93.5 Million

## Annexure-6 (Continued)

### 8. (a) CSR amount spent or unspent for the financial year:

Total amount spent for the financial year (in ₹)	Amount unspent (in ₹)				
	Total amount transferred to unspent CSR account as per section 135(6) of the Companies Act, 2013.		Amount transferred to any fund specified under schedule VII as per second proviso to section 135(5) of the Companies Act, 2013.		
	(in ₹)	Date of transfer	Name of the Fund	(in ₹)	Date of transfer
94,372,789	N.A	N.A	N.A	N.A	N.A

### (b) Details of CSR amount spent against ongoing projects for the financial year:

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Companies Act, 2013	Local area (Yes/No)	Location of the project		Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial year (in ₹)	Amount transferred to unspent CSR account for the project as per section 136 (6) of the Companies Act, 2013 (in ₹)	Mode of Implementation Direct (Yes/No)	Mode of Implementation: Through Implementing Agency	
				State	District						Name	CSR Registration No.
1.							N.A.					

### (c) Details of CSR amount spent against other than ongoing projects for the financial year:

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Companies Act, 2013	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of Implementation Direct (Yes/No)	Mode of Implementation: Through Implementing Agency	
				State	District			Name	CSR Registration No.
1.	Water replenishment	Point IV: Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.  Point I: Eradicating hunger, poverty and malnutrition, "promoting health care including preventive, health care" and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Yes	Maharashtra	Baramati	24,202,500	No	United Nations Global Compact Network India	CSR00006252
				Maharashtra	Nanded				
				Karnataka	Kumbalgodu				



## Annexure-6 (Continued)

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Companies Act, 2013	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of Implementation Direct (Yes/No)	Mode of Implementation: Through Implementing Agency	
				State	District			Name	CSR Registration No.
2.	Create awareness amongst the age group 13-17 years with impacts of under- age consumption through programme “ Act Smart India”	Point II: Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	No	Across India	Across India	9,744,563	Yes	N.A.	
3.	Promoting moderation	Point II: Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	No	Across India	Across India	241,134	Yes	N.A.	
4.	Anti-drink and drive	Point II: Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	No	Across India	Across India	5,975,336	Yes	N.A.	
5.	IRTE Road to safety - Safe System Approach project in Haryana	Point II: Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	No	Haryana	Gurgaon, Ambala, Rewari, Sonipat	2,360,000	No	Institute of Road Traffic Education	CSR00001718
6.	Skill Training on Hospitality Management in Goa	Point II: Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Yes	Goa	Goa	4,016,250	No	Research and Extension Association for Conservation Horticulture and Agro-forestry	CSR00000086
7.	Implementation of SHE Project in Alwar	Point II: Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Yes	Rajasthan	Alwar	2,188,578	No	Gramodaya Samajik Sansthan	CSR00000264

## Annexure-6 (Continued)

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Companies Act, 2013	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of Implementation Direct (Yes/No)	Mode of Implementation: Through Implementing Agency	
				State	District			Name	CSR Registration No.
8.	Implementation of SHE Project in Gopalpur	Point II: Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Yes	Odisha	Gopalpur	915,677	No	Indo Global Social Service Society	CSR00001677
9.	Supported pain relief centre in Chandigarh	Point I: Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Yes	Punjab	Chandigarh	832,460	No	Gramodaya Samajik Sansthan	CSR00000264
10.	Bedsheet provided to the quarantine facility near Nashik unit.	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Maharashtra	Nashik	45,000	Yes	N.A.	
11.	Supply and installation of oxygen tank in Nanded District Hospital	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Maharashtra	Nanded	4,131,000	No	Gramodaya Samajik Sansthan	CSR00000264
12.	Provide Oxygen cylinder in Sasoon Hospital in Pune.	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Maharashtra	Pune.	4,013,700	No	Gramodaya Samajik Sansthan	CSR00000264
13.	Provided 100 units of High Flow Nassal Cannula along with accessories to government hospitals in Telangana	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Telangana	Telangana	23,900,016	Yes	N.A.	
14.	Provided 500 rapid testing kits and PPE kits to government hospitals in Karnataka	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Karnataka	Karnataka	4,043,060	No	Give India	CSR00000389
15.	Installed RO units in 16 government hospitals in Jharkhand	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Jharkhand	Jharkhand	2,575,440	No	Give India	CSR00000389

## Annexure-6 (Continued)

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Companies Act, 2013	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of Implementation Direct (Yes/No)	Mode of Implementation: Through Implementing Agency	
				State	District			Name	CSR Registration No.
16.	Provide 1000 mask to Odisha State Beverages Corporation Ltd.	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Odisha	Bhubaneswar	163,800	Yes	N.A.	
17.	Supported Nanded Hospital with medical supplies	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Maharashtra	Nanded	689,695	Yes	N.A.	
18.	Provided Kyan Machine to school in Nasik.	Point II: Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Yes	Maharashtra	Nasik	406,782	No	IL&FS	
19.	Advocacy around water replenishment by highlighting effort of Diageo in FICCI 6th India Industry Water Conclave	Point IV: Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.	Yes	Across India	Across India	500,000	Yes	N.A.	
20.	Supported government in organizing Rath Yatra in Odisha	Point V: Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts.	Yes	Odisha	Puri	100,000	Yes	N.A.	
21.	Support provided to rural sports organized by Odisha Excise dept.	Point VII: Training to promote rural sports, nationally recognized sports, paralympic sports and olympic sports.	Yes	Odisha	Puri	30,000	Yes	N.A.	

## Annexure-6 (Continued)

- (d) Amount spent in Administrative Overheads: ₹ 3,816,298
- (e) Amount spent on Impact Assessment, if applicable: N.A. (however, we spent ₹ 1,681,500 voluntarily)
- (f) Total amount spent for the financial year (8b+8c+8d+8e): ₹ 94,372,789
- (g) Excess amount for set off, if any : N.A.

Sl. No.	Particulars	Amount (in ₹)
(i)	Two percent of average net profit of the Company as per section 135(5) of the Companies Act, 2013	93,500,000
(ii)	Total amount spent for the financial year	94,372,789
(iii)	Excess amount spent for the financial year [(ii)-(i)]	872,789
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	N.A.
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	N.A.

9. (a) Details of unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding financial year	Amount transferred to unspent CSR Account under section 135 (6) of the Companies Act, 2013 (in ₹)	Amount spent in the reporting financial year (in ₹)	Amount transferred to any fund specified under schedule VII as per section 135(6) of the Companies Act, 2013, if any			Amount remaining to be spent in succeeding financial years (in ₹)
				Name of the fund	Amount (in ₹)	Date of transfer	
1.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

- (b) Details of CSR amount spent in the financial year for **ongoing projects** of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting financial year (in ₹)	Cumulative amount spent at the end of reporting financial year (in ₹)	Status of the project - Completed /Ongoing
1.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

1. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year:
- N.A.
- (a) Date of creation or acquisition of the capital asset(s).
- N.A.
- (b) Amount of CSR spent for creation or acquisition of capital asset.
- N.A.

## Annexure-6 (Continued)

- (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.  
N.A.
- (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).  
N.A.
- (e) Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per section 135(5) of the Companies Act, 2013.  
N.A.

**Anand Kripalu**

(Managing Director and Chief Executive Officer)

**Indu Shahani**

(Chairperson CSR Committee)



# Annexure-7

## Energy Conservation, Technology Absorption & Foreign Exchange

**Details of Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outflow (section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014)**

### A) (i) Conservation of Energy

As a responsible corporate, your company has committed to eliminate the use of fossil fuel for all your energy requirement of distilleries by installing all Boilers which can use renewable fuel and 100% of energy requirement is being met through renewable fuel.

Your company has well progressed to achieve and sustain 100% renewable electricity status by generating renewable electricity through steam turbines, biogas engines, Solar electricity, and International Renewable Electricity Certificates (i-REC).

Your company has installed steam Turbine at Alwar to power 20% of Sites Operation through renewable and Installed Bio-gas Engine at Aurangabad to Power 30% the Sites operations through Renewable Electricity.

Your company continues its efforts to sustain the 100% renewable energy and 100% renewable Electricity status through investing in enhancing in-house capability to generate renewable electricity and conservation of Energy

### (ii) Renewable Energy (Own units):

- o As an entity, we are improving consistently in the following areas and making steady progress
  - We are committed towards achieving 100% renewable energy
  - Biofuel based boilers at all distilleries for Process steam & heat requirements
  - Self-generation of renewable electricity through steam turbines and Solar Panels
  - Procurement of International Renewable Energy Certificates (i-REC) against electricity imported from grid

### B) Technology Absorption

#### (i) The efforts made towards technology absorption;

- A. Fully Integrated High Speed 400BPM line for N1W 180ml SKU – First of its kind line For Alco-Bev Industry in India: This Line is bought from KHS India, whereas most of the components are imported from Germany including Capping Machine, Shrink Wrapper & Empty/ Filled Bottle Inspection Systems.
- B. Automatic Inspection Systems for Empty Bottle & Filled Bottle to ensure Zero Quality issues in final Product – This is to enable quality assurance and to bring in Customer Delight.

#### (ii) The benefits derived like product improvement, cost reduction, product development or import substitution;

All these automations are first of its kind for Diageo India and enabled delivery with respect to less dependency on manpower, high outputs, low operating cost, improved safety & quality.

#### (iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-

- (a) The details of technology imported; Bottle Inspection Systems, Shrink Wrapping Machines & Bottling Line.
- (b) The year of import; 2020.
- (c) Whether the technology been fully absorbed; Yes. It is completely Installed and operating at Nasik factory.
- (d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof;  
Not applicable.

#### (iv) The expenditure incurred on Research and Development:

Around ₹ 25 crore on research and development which includes development spends on renovation and innovation.

### C) Foreign Exchange Earnings and Outgo –

(₹ in Millions)

Foreign exchange earned in terms of actual inflows during the year	2170.93
Foreign exchange outgo in terms of actual outflows during the year	3780.84

By Order of the Board

**Mahendra Kumar Sharma**

Chairman

DIN: 00327684

Place : Mumbai

Date : May 21, 2021

# Independent Auditors' Report

## To the Members of United Spirits Limited Report on the audit of the Standalone Financial Statements

### Opinion

1. We have audited the accompanying standalone financial statements of United Spirits Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 (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 March 31, 2021, its total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

### Basis for opinion

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

### Emphasis of Matter

4. We draw attention to the following matters:
  - a) As explained in Note 40(a) to the standalone financial statements, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases,

Indian and overseas entities that appear to be affiliated or associated with the Company's erstwhile non-executive Chairman and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Company and/or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Company, if any, arising from potential non-compliances with applicable laws in respect of the above.

- b) As explained in Note 40(b)(i) to the standalone financial statements, the Company has commenced the rationalisation process for divestment/ liquidation/ merger of certain overseas subsidiaries including step down subsidiaries. The completion of the above process is subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential historical non-compliances with applicable laws, if established.
- c) As explained in Note 40(d) to the standalone financial statements, the Managerial remuneration for the year ended March 31, 2015 included an amount paid in excess of the limit prescribed under the provisions of Schedule V to the Act by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO). The Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration from the former ED & CFO.
- d) Note 40(e) to the standalone financial statements which describes the various regulatory notices and communications received from Securities Exchange Board of India ('SEBI'), Ministry of Corporate Affairs ('MCA')/ Registrar of Companies, Karnataka (the 'Registrar'), Directorate of Enforcement ('ED') to which the Company has responded to and communication received from the Company's authorised dealer banks ('AD') to which the Company is in the process of responding.
- e) Note 40(f) to the standalone financial statements which describes the uncertainty relating to the final outcome of litigations with a bank ("the bank") that continues to retain the pledge of certain assets of the Company and of the Company's shares held by USL Benefit Trust (of which the Company is the sole beneficiary) despite the Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the bank and as directed by the Hon'ble High Court of Karnataka (the "Court"). Based on management assessment supported by external legal opinions, the Company has disclosed the aforesaid amount of INR 459 million under Other

# Independent Auditors' Report (Continued)

Non-current financial assets as recoverable from the bank pending the final outcome of the litigation. In a separate proceeding before the Debt Recovery Appellate Tribunal, the bank's appeal against the judgement awarded by Debt Recovery Tribunal in favour of the Company in respect of attachment of the aforesaid pledged shares for recovery of the loans advanced by the bank to Kingfisher Airlines Limited is pending disposal.

- f) As explained in Note 40(g) to the standalone financial statements, the Company came across information suggesting continuing past practices resulting in differences in reporting to the relevant Regulatory Authorities of yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process. Related actions taken and monitoring of future

development by the Company in this respect have been described in the said note.

Our opinion is not modified in respect of the matters described under paragraph 4 above.

## Key audit matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>a) Assessment of Expected Credit Loss (ECL) provision in respect of Loans to subsidiaries</b></p> <p>(Refer Notes 5 and 31 to the standalone financial statements)</p> <p>These loans to subsidiaries fall within the scope of Ind AS 109- Financial Instruments and are measured at amortised cost using effective interest method. A credit loss provision is recorded to adjust the balance to the present value of estimated cash flows. The Company has made a (net) provision for credit loss of INR 475 million (March 31, 2020: INR 478 million) for the year ended March 31, 2021.</p> <p>We considered provisioning for credit loss on loans to subsidiaries as a key audit matter as estimation of credit loss provision requires management to make significant assumptions on forward looking information for subsidiaries such as financial projections, other resources and the ability of the subsidiaries to repay those loans.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Understood, evaluated and tested the design and operating effectiveness of Company's controls to assess the adequacy of credit loss on loans to subsidiaries.</li> <li>Tested the methodology applied in the credit loss provision estimation by comparing it to the requirements of the relevant accounting standard.</li> <li>Examined the repayment terms by reference to the loan agreements with subsidiaries</li> <li>Tested the mathematical accuracy of management's model used to calculate credit loss provision and evaluated key underlying assumptions such as expected growth in revenue, cost savings, timing and ability to repay loans by evaluation of forecasts of future cash flows.</li> <li>Evaluated the adequacy of disclosures made in the standalone financial statements.</li> </ul> <p>Based on above audit procedures performed, we did not note any significant exception to ECL provision in respect of loans to subsidiaries.</p>
<p><b>a) Assessment of the appropriateness of provisions recognised and contingent liabilities disclosed in respect of certain tax matters</b> (Refer notes 8, 17 and 42 to the standalone financial statements and Appendix 1 to Annexure A of the Audit Report)</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Understood, assessed and tested the design and operating effectiveness of the Company's controls in respect of identifying potential tax exposures and/or the accounting and disclosures thereof.</li> <li>Evaluated the related accounting policy for provisioning for tax exposures/ disclosure of contingent liabilities by comparing it to the requirements of the relevant accounting standards.</li> </ul>

# Independent Auditors' Report (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>As at March 31, 2021, the Company has significant tax exposures and is subject to periodic assessments/ demands by tax authorities on transfer pricing, income tax and a range of indirect tax matters. Consequent to such tax assessments and demands relating to past several years, the Company has paid certain amounts under protest at various dates. The Company has also filed appeals with various appellate authorities against such demands.</p> <p>Management judgement is involved in assessing the likelihood of ultimate outcome of the tax disputes to decide on the accounting/ disclosure requirements. In certain complex matters the probable amount of the outflows determined by management is supported by opinions obtained from external tax counsels/ assessment performed by internal experts (management tax experts).</p> <p>We considered this a key audit matter as:</p> <ul style="list-style-type: none"> <li>The amounts involved are significant to the standalone financial statements.</li> <li>Change in the management's judgements and estimates may significantly affect the provisions recognised or contingent liabilities disclosed.</li> <li>Matters of disputes are complex in some cases due to the industry in which the Company operates and may lack clarity under tax laws.</li> </ul>	<ul style="list-style-type: none"> <li>Obtained management's assessment in respect of tax demands on whether tax outflow is either probable, possible or remote.</li> <li>Evaluated the management's assessment with the help of auditors' experts, where necessary, as follows: <ul style="list-style-type: none"> <li>For the samples selected, read the correspondences received during the year from the tax authorities/ orders from appellate authorities.</li> <li>Read views provided by the management/ management tax experts as applicable.</li> <li>Assessed management's positions on significant tax exposures in accordance with tax laws and past precedents of tax judgements.</li> <li>Ensured completeness of litigations by inquiring with the management, review of board minutes, and review of significant legal expenses.</li> <li>Evaluated the objectivity, competence and capabilities of the management tax experts.</li> <li>Evaluated the adequacy of disclosures made in the standalone financial statements.</li> </ul> </li> </ul> <p>Based on the above procedures, we considered the management's assessment in recognising provisions and disclosing contingent liabilities in respect of the stated tax matters, as reasonable.</p>

## Other Information

- The Company's Board of Directors is responsible for preparation of the other information. The other information comprises the information included in the Report of the Directors, Business Responsibility Report, Corporate Governance Report and Management Discussion and Analysis, but does not include the standalone financial statements and our auditor's report thereon.
- Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have

performed, we conclude that there is a material misstatement of other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the Standalone Financial Statements

- The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and

# Independent Auditors' Report (Continued)

for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the Standalone Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.
12. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit.
13. We also:
  - a) Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
  - b) Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to the standalone financial statements in place and the operating effectiveness of such controls.
  - c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
14. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.
15. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law

# Independent Auditors' Report (Continued)

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

## Report on Other Legal and Regulatory Requirements

17. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of Section 143(11) of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the "Annexure A" statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
18. As required by Section 143(3) of the Act, to the extent applicable, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on March 31, 2021 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls with reference to the financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2021 on its financial position in its standalone financial statements – Refer Notes 8, 17, 40(c), 40(d), 40(f) and 42 to the standalone financial statements;
- ii. The Company has long-term contracts for which there are no material foreseeable losses. The Company did not have derivative contracts as at March 31, 2021 – Refer Note 39 to the standalone financial statements;
- iii. The Company has transferred amounts required to be transferred to the Investor Education and Protection Fund by due dates during the year ended March 31, 2021. Also Refer Note 16 to the Standalone financial statements;
- iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2021.

19. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

## For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration Number: 304026E/E-300009  
Chartered Accountants

## Dibyendu Majumder

Partner  
Membership Number: 057687  
UDIN: 21057687AAAAAP6562

Place : Bengaluru  
Date : May 21, 2021



# Annexure A to Independent Auditors' Report

**Referred to in paragraph 17 of the Independent Auditors' Report of even date to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2021**

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) The title deeds of immovable properties, as disclosed in Note 3.1 and Note 3.2 to the standalone financial statements (Property, plant and equipment), are held in the name of the Company except as disclosed as below:

Description	Building
Number of properties	1
Gross carrying amount as at March 31, 2021 (INR millions)	339
Net carrying amount as at March 31, 2021 (INR millions)	301

The above table does not include the title deeds of immovable properties mortgaged with a bank, properties for which title deeds are held in the name of erstwhile merged entities and certain immovable properties for which management has furnished photocopies of the title deeds and other corroborative documents to evidence the ownership of the properties. Refer notes 3.1, 3.2 and 33 to the standalone financial statements.

- ii. The physical verification of inventory including stocks with certain third parties and excluding stock in transit have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with the third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. There are no companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act for the purpose of loans granted by the Company.
- iv. In our opinion, and according to the information and

explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of the loans and investments made. The Company has not provided any guarantees or security to parties covered under Sections 185 and 186 of the Act.

- v. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 73, 74, 75 and 76 or any other relevant provisions of the Act and the Rules framed thereunder to the extent notified, with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
  - vi. The Central Government of India has not specified the maintenance of cost records under Section 148 (1) of the Act for any of the products of the Company.
  - vii. (a) According to the information and explanations given to us including management's assessment in respect of the provident fund matter as referred to in Note 42 (d) to the standalone financial statements and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues in respect of employees' state insurance, tax deducted at source, value added tax, provident fund, income tax and professional tax though there has been slight delay in a few cases and is regular in depositing other undisputed statutory dues including goods and services tax, tax collected at source, sales tax, duty of excise, duty of customs and other material statutory dues, as applicable, with appropriate authorities.
- Further, for the period April to May 2020, the company has paid Goods and Services Tax and filed GSTR- 3B after the due date but within the timelines allowed by Central Board of Indirect Taxes and Customs under the Notification number 32/2020 and Circular no- 136/06/2020 dated April 3, 2020 on fulfilment of conditions specified therein.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, value added tax, service tax, duty of customs, duty of excise and entry tax as at March 31, 2021 which have not been deposited on account of a dispute are disclosed in Appendix 1 to this report. There have been no dues of goods and services tax which have not been deposited on account of a dispute.

## Annexure A to Independent Auditors' Report (Continued)

- viii. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.
- xi. The Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act. Also refer to paragraph 19 of the main audit report.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with them. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

**For Price Waterhouse & Co Chartered Accountants LLP**  
 Firm Registration Number: 304026E/E-300009  
 Chartered Accountants

**Dibyendu Majumder**  
 Partner  
 Membership Number: 057687  
 UDIN: 21057687AAAAAP6562

Place : Bengaluru  
 Date : May 21, 2021

## Annexure A to Independent Auditors' Report (Continued)

### Appendix 1 – Particulars of Tax dues not deposited on account of a dispute \*

Referred to in paragraph vii(b) of Annexure A to the Independent Auditors' Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2021

Name of the statute	Nature of dues	Disputed amount (INR millions)	Amount paid (INR millions)	Unpaid Amount (INR millions)	Financial year to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	3,298	2,949	350	2006-07 to 2008-09, 2010-11 and 2011-12	Assessing Officer of Income Tax
Income Tax Act, 1961	Income Tax	158	158	-	2009-10	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	6,822	-	6,822	2015-16	Dispute Resolution Panel
Income Tax Act, 1961	Income Tax	19,341	6,611	12,730	1988-89, 1989-90, 1991-92, 1992-93, 1993-94, 1995-96, 2000-01, 2005-06, 2006-07, 2008-09, 2012-13 to 2014-15	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	8,927	553	8,374	1985-86 to 2004-05, 2007-08, 2011-12	High Courts of various states
Customs Act, 1962	Custom Duty	0	-	0	1997-98	Commissioner of Customs
Customs Act, 1962	Custom Duty	2	-	2	1993-94 to 1995-96	Madras High Court
Service Tax - Finance Act 1994	Service Tax	1,344	-	1,344	2006-07 to 2015-16	Commissioner of Service Tax
Service Tax - Finance Act 1994	Service Tax	924	40	884	2004-05 to 2006-07, 2008-09 to 2010-11, 2015-16, 2016-17	Customs Excise and Service Tax Appellate Tribunal
Service Tax - Finance Act 1994	Service Tax	2	-	2	2012-13	High Court of Kerala
Central Excise Act, 1944	Central Excise Duty	1,780	14	1,766	1994-95, 1999-2000 and 2017-2018	Commissioner of Central Excise
Central Excise Act, 1944	Central Excise Duty	2	-	2	1999-2000	Deputy Commissioner of Central Excise
Karnataka Sales Tax Act, 1957	Sales Tax/ Value Added Tax	3	-	3	2006-07	Civil Court, Karnataka
West Bengal Sales Tax Act, 1994	Sales Tax/ Value Added Tax	766	-	766	2015-16	Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	7	3	4	2015-16, 2016-17	Assessing Officer
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	10	6	4	1993-94 to 1997-98	Commercial Tax Officer

\* As represented by the management

# '0' indicates that the amounts involved are below INR five lakhs and the sign '-' indicates that amounts are Nil

## Annexure A to Independent Auditors' Report (Continued)

### Appendix 1 – Particulars of Tax dues not deposited on account of a dispute \*

Referred to in paragraph vii(b) of Annexure A to the Independent Auditors' Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2021

Name of the statute	Nature of dues	Disputed amount (INR millions)	Amount paid (INR millions)	Unpaid Amount (INR millions)	Financial Year to which the amount relates	Forum where the dispute is pending
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	156	43	113	1994-95 to 1996-97, 2005-06, 2006-07, 2009-10 to 2013-14, 2015-16 to 2017-18	Assistant Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	29	1	28	2003-04, 2004-05, 2006-07 to 2013-14, 2016-17 and 2017-18	Additional Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	208	56	152	1985-86, 1989-90, 2004-05 to 2013-14, 2015-16 and 2017-18	Deputy Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	2,191	537	1,654	2000-01 to 2015-16	Joint Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	215	25	190	1987-88, 1990-91, 1992-93 to 2000-01, 2004-05, 2005-06, 2007-08, 2012-13	Commercial Taxes Appellate Tribunal
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	15	-	15	1993-94, 2003-04, 2005-06	Commercial Taxes Appellate Tribunal and Revisionary Board
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	198	157	41	1978-79 to 1984-85, 1988-89, 1989-90, 1992-93, 1993-94, 1996-97 to 2001-02, 2007-08 and 2009-10 to 2011-12	High Courts of various states
Various Entry Tax Acts	Entry Tax	5	2	3	1989-90 and 2015-16	Assessing Officer
Various Entry Tax Acts	Entry Tax	7	1	6	2007-08 to 2010-11	Joint Commissioner of Commercial Taxes
Various Entry Tax Acts	Entry Tax	24	16	8	2000-01, 2004-05 and 2007-08	Commercial Taxes Appellate Tribunal

\* As represented by the management

# '0' indicates that the amounts involved are below INR five lakhs and the sign '-' indicates that amounts are Nil

## Annexure A to Independent Auditors' Report (Continued)

### Appendix 1 – Particulars of Tax dues not deposited on account of a dispute \*

Referred to in paragraph vii(b) of Annexure A to the Independent Auditors' Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2021

Name of the statute	Nature of dues	Disputed amount (INR millions)	Amount paid (INR millions)	Unpaid Amount (INR millions)	Financial Year to which the amount relates	Forum where the dispute is pending
Various Entry Tax Acts	Entry Tax	337	15	322	2005-06, 2007-08 to 2013-14	High Courts of various states
Various Entry Tax Acts	Entry Tax	17	14	3	2003-04 to 2007-08	Supreme Court
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	13	-	13	1993-94	Civil Court, West Bengal
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	1	-	1	1994-95 and 2014-15	Collector of State Excise, West Bengal
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	1	-	1	2016-17	Additional District Magistrate, West Bengal
Various State Excise Acts	State Excise	26	-	26	2010-11 to 2017-18	Superintendent of State Excise
The Maharashtra Prohibition Act, 1949	State Excise	168	36	132	2019-20	Deputy Superintendent of State Excise
Various State Excise Acts	State Excise	66	33	33	2001-02, 2002-03, 2015-16	Principal Secretary Excise
Various State Excise Acts	State Excise	181	51	130	1974-75 to 1988-89, 1993-94 to 1998-99, 2002-03 to 2009-10, 2011-12, 2013-14 to 2016-17	Commissioners of State Excise
Various State Excise Acts	State Excise	2	1	1	1987-88	Additional Commissioners of Excise
Various State Excise Acts	State Excise	10	-	10	1994-95, 2001-02 and 2003-04 to 2007-08	State Taxation Tribunals
Various State Excise Acts	State Excise	254	94	161	1972-73, 1973-74, 1980-81, 1982-83, 1997-98, 1998-99, 2001-02, 2002-03, 2010-11, 2012-13 to 2015-16	High Courts of various states
Various State Excise Acts	State Excise	1,506	84	1,422	1971-72, 1992-93, 1996-97, 2002-03, 2004-05, 2012-13	Supreme Court

\* As represented by the management

# '0' indicates that the amounts involved are below INR five lakhs and the sign '-' indicates that amounts are Nil

# Annexure B to Independent Auditors' Report

**Referred to in paragraph 18(f) of the Independent Auditors' Report of even date to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2021**

## **Report on the Internal Financial Controls with reference to Financial Statements under Section 143(3)(i) of the Act**

1. We have audited the internal financial controls with reference to the financial statements of United Spirits Limited ("the Company") as of March 31, 2021 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**

2. 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**

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing 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 ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit

opinion on the Company's internal financial controls system with reference to the financial statements.

### **Meaning of Internal Financial Controls with reference to Financial Statements**

6. A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements 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 with reference to Financial Statements**

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as of March 31, 2021, 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.

### **For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration Number: 304026E/E-300009  
Chartered Accountants

### **Dibyendu Majumder**

Partner  
Membership Number: 057687  
UDIN: 21057687AAAAAP6562

Place : Bengaluru  
Date : May 21, 2021



# Balance Sheet

(All amounts in ₹ Millions unless otherwise stated)

	Notes	As at March 31, 2021	As at March 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3.1	11,048	11,069
Right-of-use assets	3.2	1,644	1,975
Capital work-in-progress	3.3	781	1,017
Intangible assets	3.4	316	303
Intangible assets under development	3.5	84	170
Investments in subsidiaries and associate	4	2,021	2,526
<b>Financial assets</b>			
Loans	5	1,742	4,000
Other financial assets	6	792	770
Deferred tax assets (net)	7	1,711	1,590
Current tax assets (net) (Non-current)	8	10,367	10,714
Other non-current assets	9	2,914	3,592
<b>Total non-current assets</b>		<b>33,420</b>	<b>37,726</b>
<b>Current assets</b>			
Inventories	10	19,810	18,361
<b>Financial assets</b>			
Trade receivables	11	21,601	22,835
Cash and cash equivalents	12.1	492	271
Bank balances other than cash and cash equivalents	12.2	61	74
Loans	5	1,005	159
Other financial assets	6	2,047	2,915
Other current assets	9	2,976	3,204
<b>Total current assets</b>		<b>47,992</b>	<b>47,819</b>
<b>Total assets</b>		<b>81,412</b>	<b>85,545</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	13	1,453	1,453
<b>Other equity</b>			
Reserves and surplus	14	39,815	36,644
<b>Total equity</b>		<b>41,268</b>	<b>38,097</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Lease liabilities	3.2	925	1,203
Provisions	17	75	70
<b>Total non-current liabilities</b>		<b>1,000</b>	<b>1,273</b>

## Balance Sheet (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	As at March 31, 2021	As at March 31, 2020
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	15	5,556	13,230
Lease liabilities	3.2	653	762
Trade payables	18		
(A) total outstanding dues of micro and small enterprises		640	440
(B) total outstanding dues of creditors other than micro and small enterprises		13,173	11,272
Other financial liabilities	16	1,921	9,246
Provisions	17	5,379	4,275
Current tax liabilities (net)	8	3,225	2,976
Other current liabilities	19	8,597	3,974
<b>Total current liabilities</b>		<b>39,144</b>	<b>46,175</b>
<b>Total liabilities</b>		<b>40,144</b>	<b>47,448</b>
<b>Total equity and liabilities</b>		<b>81,412</b>	<b>85,545</b>

The above balance sheet should be read in conjunction with the accompanying notes.

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP  
Firm registration number: 304026E/E-300009  
Chartered Accountants

**Dibyendu Majumder**  
Partner  
Membership Number: 057687

For and on behalf of the Board of Directors

**Mahendra Kumar Sharma**  
Chairman  
DIN: 05178019  
Place: Mumbai

**Anand Kripalu**  
Managing Director & Chief Executive Officer  
DIN: 00118324  
Place: Mumbai

**V K Viswanathan**  
Director  
DIN: 01782934  
Place: Bengaluru

**Pradeep Jain**  
Chief Financial Officer  
Place: Bengaluru

**Mital Sanghvi**  
Company Secretary

Place : Bengaluru  
Date: May 21, 2021

Date: May 21, 2021

Place: Mumbai

# Statement of Profit and Loss

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>INCOME</b>			
Revenue from operations	20	271,764	285,892
Other income	21	478	455
<b>Total income</b>		<b>272,242</b>	<b>286,347</b>
<b>EXPENSES</b>			
Cost of materials consumed	22	39,886	46,239
Purchase of stock-in-trade		3,494	2,907
Change in inventories of finished goods, work-in-progress and stock-in-trade	23	1,302	1,074
Excise duty		192,872	194,983
Employee benefits expense	24	5,404	5,143
Finance costs	25	1,658	1,907
Depreciation, amortisation and impairment expense	26	2,493	2,275
Others:			
Advertisement and sales promotion		5,716	7,153
Loss allowance on trade receivables and other financial assets (net)	31	484	(503)
Other expenses	27	12,729	13,835
<b>Total expenses</b>		<b>266,038</b>	<b>275,013</b>
<b>Profit before exceptional items and tax</b>		<b>6,204</b>	<b>11,334</b>
Add/(Less): Exceptional items (net)		(1,514)	13
<b>Profit before tax</b>		<b>4,690</b>	<b>11,347</b>
Tax expense:	29		
Current tax		1,764	3,063
Current tax relating to earlier years		(37)	857
Deferred tax (credit) / charge		(140)	380
<b>Total tax expense</b>		<b>1,587</b>	<b>4,300</b>
<b>Profit for the year</b>		<b>3,103</b>	<b>7,047</b>
<b>Other comprehensive Income</b>			
A. Items that will be reclassified to profit or loss		-	-
B. Items that will not be reclassified to profit or loss			
(i) Remeasurements of post-employment benefit plans	38(b)E	76	(366)
(ii) Income tax credit / (charge) relating to these items		(19)	92
<b>Other comprehensive income for the year, net of tax</b>		<b>57</b>	<b>(274)</b>
<b>Total comprehensive income for the year</b>		<b>3,160</b>	<b>6,773</b>
Basic and diluted earnings per share (in ₹)	30	4.27	9.70

The above statement of profit and loss should be read in conjunction with the accompanying notes.

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP  
Firm registration number: 304026E/E-300009  
Chartered Accountants

**Dibyendu Majumder**  
Partner  
Membership Number: 057687

For and on behalf of the Board of Directors

**Mahendra Kumar Sharma**  
Chairman  
DIN: 05178019  
Place: Mumbai

**V K Viswanathan**  
Director  
DIN: 01782934  
Place: Bengaluru

**Anand Kripalu**  
Managing Director & Chief Executive Officer  
DIN: 00118324  
Place: Mumbai

**Pradeep Jain**  
Chief Financial Officer  
Place: Bengaluru

**Mital Sanghvi**  
Company Secretary

Place: Mumbai

Place : Bengaluru  
Date: May 21, 2021

Date: May 21, 2021

# Statement of Changes in Equity

## A. Equity

Particulars	Note	Amount
Equity share capital as at April 1, 2019	13	1,453
Changes in equity share capital		-
Equity share capital as at March 31, 2020	13	1,453
Changes in equity share capital		-
Equity share capital as at March 31, 2021	13	1,453

## B. Other equity

### Reserves and Surplus

Particulars	Note	Capital reserve	Capital redemption reserve	Securities premium account	Central subsidy	Share based incentive reserve	Contingency reserve	General reserve	Retained earnings	Total
Balance as at April 1, 2019	14	683	699	45,682	2	49	110	11,033	(28,396)	29,862
Profit for the year		-	-	-	-	-	-	-	7,047	7,047
Other Comprehensive Income (OCI), net of tax		-	-	-	-	-	-	-	(274)	(274)
<b>Total comprehensive income</b>		-	-	-	-	-	-	-	<b>6,773</b>	<b>6,773</b>
Share based payments	34	-	-	-	-	84	-	-	-	84
Cross charge by a Diageo group company during the year towards share based payments	36(b)(xi)	-	-	-	-	(75)	-	-	-	(75)
<b>Balance as at March 31, 2020</b>	<b>14</b>	<b>683</b>	<b>699</b>	<b>45,682</b>	<b>2</b>	<b>58</b>	<b>110</b>	<b>11,033</b>	<b>(21,623)</b>	<b>36,644</b>
Profit for the year		-	-	-	-	-	-	-	3,103	3,103
Other Comprehensive Income (OCI), net of tax		-	-	-	-	-	-	-	57	57
<b>Total comprehensive income</b>		-	-	-	-	-	-	-	<b>3,160</b>	<b>3,160</b>
Share based payments	34	-	-	-	-	70	-	-	-	70
Cross charge by a Diageo group company during the year towards share based payments	36(b)(xi)	-	-	-	-	(59)	-	-	-	(59)
<b>Balance as at March 31, 2021</b>	<b>14</b>	<b>683</b>	<b>699</b>	<b>45,682</b>	<b>2</b>	<b>69</b>	<b>110</b>	<b>11,033</b>	<b>(18,463)</b>	<b>39,815</b>

The above statement of changes in equity should be read in conjunction with accompanying notes.

As per our report of even date

For **Price Waterhouse & Co Chartered Accountants LLP**  
Firm registration number: 304026E/E-300009  
Chartered Accountants

**Dibyendu Majumder**  
Partner  
Membership Number: 057687

For and on behalf of the Board of Directors

**Mahendra Kumar Sharma**  
Chairman  
DIN: 05178019  
Place: Mumbai

**V K Viswanathan**  
Director  
DIN: 01782934  
Place: Bengaluru

**Anand Kripalu**  
Managing Director & Chief Executive Officer  
DIN: 00118324  
Place: Mumbai

**Pradeep Jain**  
Chief Financial Officer  
Place: Bengaluru

**Mital Sanghvi**  
Company Secretary

Place: Mumbai

Place : Bengaluru  
Date: May 21, 2021

Date: May 21, 2021

# Statement of Cash Flow

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2021		For the year ended March 31, 2020	
A. CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax			4,690		11,347
Adjustments for					
Depreciation, amortisation and impairment expense	26	2,493		2,275	
Employee share based payment expense	24	66		124	
Loss allowance on trade receivables and other financial assets (net)	31	484		(503)	
Provision on doubtful other assets (net)	27	59		(20)	
Exchange gain (net) on translation of foreign currency monetary assets and liabilities		11		(24)	
Finance costs	25	1,658		1,907	
Liabilities/provisions no longer required written back	21	(82)		(60)	
Gain on disposal of property, plant and equipment (net)	21	(165)		(63)	
Interest income	21	(230)		(281)	
Exceptional items	28	1,514		(13)	
			5,808		3,342
Operating profit before changes in working capital			10,498		14,689
(Increase) / decrease in trade receivables		913		2,515	
(Increase) / decrease in loans and other financials assets		735		(991)	
(Increase) / decrease in other assets		614		(228)	
(Increase) / decrease in inventories		(1,449)		406	
Increase / (decrease) in trade payables		2,032		(1,683)	
Increase / (decrease) in other financial liabilities		315		(399)	
Increase / (decrease) in other liabilities		4,623		(1,944)	
Increase / (decrease) in provisions		253	8,036	(37)	(2,361)
Cash generated from operations			18,534		12,328
Income taxes paid (net of refund)			(1,252)		(5,658)
Net cash generated from operating activities (A)			17,282		6,670
B. CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment and intangible assets		(1,411)		(2,096)	
Advance lease payments for right-of-use assets		(148)		-	
Proceeds from sale of property, plant and equipment		349		118	
Investment in an associate		(20)		-	
Proceeds from sale of investment in subsidiaries		300		-	
Loans given to subsidiaries	36(b)(xiv)	(1,525)		(1,739)	
Repayment of loans by subsidiaries	36(b)(xv)	2,398		2,343	
Interest received		191		1,639	
Net cash inflow from investing activities (B)			134		265

# Statement of Cash Flow (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2021		For the year ended March 31, 2020	
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>					
Repayment of long term loans	16	(7,500)		-	
Repayment of commercial papers	15	-		(9,000)	
Net proceeds / (repayment) of working capital loans	15	(7,674)		4,073	
Interest paid on borrowings	15	(1,058)		(1,439)	
Principal repayment of lease liabilities	15	(807)		(645)	
Interest paid on lease liabilities	15	(156)		(162)	
<b>Net cash outflow from financing activities (C)</b>			<b>(17,195)</b>		<b>(7,173)</b>
<b>Net increase / (decrease) in cash and cash equivalents [D = A+B+C]</b>			<b>221</b>		<b>(238)</b>
<b>Cash and cash equivalents as at the beginning of the year (E)</b>			<b>271</b>		<b>509</b>
Effects of exchange rate changes on cash and cash equivalents			0		0
Net increase / (decrease) in cash and cash equivalents			221		(238)
<b>Cash and cash equivalents as at the end of the year [D+E]</b>	12.1		<b>492</b>		<b>271</b>
<b>Note:</b>					
Non-cash financing and investing activities					
Acquisition of right-of-use assets	3.2		490		803
Conversion of loan to investment in equity shares	4(c)		56,267		-

The above statement of cash flows should be read in conjunction with the accompanying notes.

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP  
Firm registration number: 304026E/E-300009  
Chartered Accountants

**Dibyendu Majumder**  
Partner  
Membership Number: 057687

For and on behalf of the Board of Directors

**Mahendra Kumar Sharma**  
Chairman  
DIN: 05178019  
Place: Mumbai

**Anand Kripalu**  
Managing Director & Chief Executive Officer  
DIN: 00118324  
Place: Mumbai

**V K Viswanathan**  
Director  
DIN: 01782934  
Place: Bengaluru

**Pradeep Jain**  
Chief Financial Officer  
Place: Bengaluru

**Mital Sanghvi**  
Company Secretary

Place : Bengaluru  
Date: May 21, 2021

Date: May 21, 2021

Place: Mumbai



# Notes to the Financial Statements

## Company overview

United Spirits Limited ("the Company" or "USL") is a public company domiciled and headquartered in Bengaluru, Karnataka, 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 and other allied spirits, including through tie-up manufacturing units and through strategic franchising of some of its brands.

These financial statements are approved for issue by the Company's Board of Directors on May 21, 2021.

## Note 1 - Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 1.1 Basis of preparation of financial statements

#### (i) Compliance with Ind AS

These financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the 'Act') [Companies (Indian Accounting Standards) Rules, 2015, as amended] and other relevant provisions of the Act.

#### (ii) Historical cost convention

These financial statements have been prepared on a historical cost basis, except for the following:

- defined benefits plans – plan assets is measured at fair value; and
- share-based payment obligations measured at fair value

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III (Division II) to the Act. Based on the nature of products and the time between the acquisition of asset for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current / non-current classification of assets and liabilities.

#### (iii) New and amended standards adopted

The Company has adopted the following amendments to Ind AS standards from April 1, 2020:

- Definition of Material – amendments to Ind AS 1 and Ind AS 8

- Definition of a Business – amendments to Ind AS 103
- COVID-19 related rent concessions – amendments to Ind AS 116
- Interest Rate Benchmark Reform – amendments to Ind AS 109 and Ind AS 107.

The amendments listed above did not have any impact on the amounts recognised in current and prior periods and are not expected to significantly affect any future periods.

#### (iv) Standard issued but not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards. There are no new standards or amendments to existing standards which have been notified by the MCA and not yet been adopted by the Company.

### 1.2 Foreign currency translation

#### (i) Functional and presentation currency

The financial statements are presented in Indian Rupee (INR), which is company's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the Statement of profit and loss.

### 1.3 Property, plant and equipment and Intangible assets

#### Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation, and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All expenses in the nature of repairs and maintenance are charged to Statement of profit and loss during the reporting period in which they are incurred.

# Notes to the Financial Statements (Continued)

The cost of property, plant and equipment which are not ready for their intended use at the balance sheet date, are disclosed as capital work-in-progress.

## Depreciation methods, estimated useful lives and residual value

Depreciation is calculated using the straight-line method as per the estimated useful lives of assets as below:

Asset category	Useful life (in years)
Buildings	
- Roads	5
- Buildings	30 – 60
Plant and equipment	
- Wooden casks	15
- Others	7.5 – 15
Furniture and Fittings	10
Office Equipment	
- Computers	3
- Servers	3
- Others	5
Vehicles	5

Useful lives of asset classes determined by management estimate, which are different than those prescribed under Schedule II of the Act are supported by internal technical assessment of the useful lives. Estimated useful lives based on technical evaluation considers the impact of additional depreciation for working extra shifts.

## Disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are accounted in Statement of profit and loss within Other income/ Other expenses, on a net basis.

## Transition to Ind AS

On transition to Ind AS, the group has elected to continue with the carrying value of all of its property, plant and equipment measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

## Intangible assets

### Brands and Licenses

Licenses acquired are carried at cost less accumulated amortisation and impairment losses, if any. Brands are regarded as having indefinite useful lives and are not amortised, but are assessed for impairment at every reporting date.

### Computer software

Computer software acquired or developed are carried at cost less accumulated amortisation and impairment losses, if any. Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of customised computer software applications are recognised as intangible assets under development or intangible assets when ready for intended use, when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use,
- there is an ability to use or sell the software,
- it can be demonstrated that the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the customised computer software applications include employee costs and other directly attributable costs and are amortised from the point at which the software asset is available for use.

## Transition to Ind AS

On transition to Ind AS, the group has elected to continue with the carrying value of all of intangible assets measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

## Research and development costs

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

## Amortisation method and useful lives

The Company amortises intangible assets with finite useful

# Notes to the Financial Statements (Continued)

life using the straight-lined method over their estimated useful lives as follows:

- Licenses – over the license period
- Computer software – 5 years

## Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 1.4 Leases

### As a lessee

The Company recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments, for example arrangements that require payments based on agreed minimum production volumes)
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the company use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment and furniture.

# Notes to the Financial Statements (Continued)

## 1.5 Investments in subsidiaries and associate

Investments in subsidiaries and associates are carried at cost/deemed cost, less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

On disposal of investments in subsidiaries and associates, the difference between net disposal proceeds and the carrying amounts are recognised in the Statement of profit and loss.

## 1.6 Financial Instruments

### A) Financial Assets:

#### a) Recognition and measurement

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is recognised at fair value.

Financial assets are subsequently classified and measured at amortised cost. Financial assets are not reclassified subsequent to their recognition, except if and in the period the Company changes its business model for managing financial assets.

#### i) Trade Receivables:

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate (EIR) method net of any expected credit losses (ECL). The EIR is the rate that discounts estimated future cash flows through the expected life of financial instrument.

#### ii) Loans

On initial recognition, Loans are measured at fair value. Since the objective is to hold these financial assets to collect contractual cash flows that are solely payments of principal and interest, these assets are subsequently measured at amortised cost using the EIR method less impairment, if any.

#### iii) Other financial assets:

On initial recognition, Other financial assets are measured at fair value, and subsequently, measured at the amortised cost, less impairment if any. Loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

#### b) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

#### c) Impairment of financial assets

The Company applies ECL model for measurement and recognition of loss allowance on Trade receivables and other financial assets measured at amortised cost.

In case of trade receivables, the Company follows the provision matrix approach (as permitted by Ind AS 109) wherein an amount equal to lifetime ECL is measured and recognised as loss allowance.

The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

In case of other financial assets, the Company determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognised as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognised as loss allowance.

Subsequently, if the credit quality of the financial asset improve such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive (i.e., cash shortfalls), discounted at the original effective interest rate.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of

# Notes to the Financial Statements (Continued)

the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

ECL are measured in a manner that they reflect probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/expense in the Statement of Profit and Loss under the head 'Loss allowance on trade receivables and other financial assets'.

## d) Income recognition

Dividend income on investments is recognised and accounted for when the right to receive the payment is established, it probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

Interest income is accounted for on a time-proportion basis using effective interest rate method taking into account the amounts invested and the rate of interest, except for financial assets that subsequently become credit impaired.

For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance)

## B) Financial Liabilities:

### a) Recognition and measurement

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value and subsequently measured at amortised cost.

#### Trade and other payables

In case of trade and other payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the effective interest rate method.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are

presented as current liabilities unless payment is not due within 12 months after the reporting period.

### b) Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

## C) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

## 1.7 Inventories

Inventories which comprise raw materials, work-in-progress (intermediates), finished goods, stock-in-trade, packing materials and stores and spares are carried at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost of inventories, weighted average cost method is used. In case of manufactured finished goods and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

## 1.8 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances with banks that are readily convertible to known amounts of cash and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 1.9 Revenue recognition

Revenue comprises revenue from contracts with customers for sale of goods and income from brand franchisee royalties

# Notes to the Financial Statements (Continued)

receivable. Revenue from sale of goods is inclusive of excise duties and is net of returns, trade allowances, rebates, value added taxes and such amounts collected on behalf of third parties.

Revenue is recognised as and when performance obligations are satisfied by transferring goods or services to the customer, as below:

**a. Revenue from sale of products:**

Revenue is recognised on transfer of control, being on dispatch of goods or upon delivery to customer, in accordance with the terms of sale.

**b. Revenue from manufacture and sale of products from tie-up manufacturing arrangements:**

The Company has entered into arrangements with Tie-up Manufacturing Units (TMUs), where-in TMUs manufacture and sell beverage alcohol on behalf of the Company. Under such arrangements, the Company has exposure to significant risks and rewards in such arrangements i.e. it has the primary responsibility for providing goods to the customer, has pricing latitude and is also exposed to inventory and credit risks. The Company is considered to be a principal in such arrangements with TMUs. Accordingly, the transactions of the TMUs under such arrangements have been recorded as gross revenue, excise duty and expenses as if they were transactions of the Company. The Company presents inventory held by the TMUs under such arrangements as its own inventory. The net receivables from/payable to TMUs are recognised under other financial assets/other financial liabilities respectively.

**c. Income from brand franchise arrangements**

Revenue in respect of fixed income brand franchise arrangements is recognised proportionately in each period. Income from variable franchise arrangements is recognised based on the terms of the respective contracts upon sale of products by the franchisees.

## 1.10 Employee benefits

**(a) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and performance incentives that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services rendered up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities

are presented under 'Other financial liabilities' in the balance sheet.

**(b) Post-employment obligations**

The Company's defined benefit plans comprise gratuity, pension and provident fund (administered by trusts set up by the Company, where the Company's obligation is to provide the agreed benefit to the qualifying employees and the actuarial risk and investment risk if any, fall in substance, on the Company).

**Pension and gratuity obligations**

The net liability or asset recognised in the balance sheet in respect of pension and gratuity (defined benefit plans) is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

**Provident fund**

The Company operates a defined benefit provident fund plan for certain category of eligible employees. The minimum statutory rate at which the annual rate of interest is payable to the beneficiaries of such plan is declared by the Central Government. The Company has an obligation to make good the shortfall if any, in the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Company also has an obligation to fund any shortfall in the fair value



# Notes to the Financial Statements (Continued)

of plan assets as compared with the defined benefit obligation.

## Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to funds administered by government authority/Company and does not have any legal or constructive obligation to pay additional sums. These comprise contributions in respect of Employees' Provident Fund, Employees' Pension Scheme, Employees' State Insurance, Superannuation fund and National Pension Scheme. The Company's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

## (c) Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields of government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Statement of profit and loss.

## (d) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## (e) Share based payments

Share based compensation benefits are provided to certain grades of employees in the form of United Spirits Limited-Stock Appreciation Rights Plan, a cash settled

scheme, and various equity settled schemes managed by Diageo group.

## Stock appreciation rights

Liabilities for the Company's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as current/non-current provisions in the balance sheet.

## Diageo group share based payment arrangements

The fair value of equity settled share options based on shares of Diageo plc. (the ultimate holding company) is initially measured at grant date and is charged to the Statement of profit and loss over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, and the credit is included in equity. At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market and service conditions. It recognises the impact of revision to original estimate, if any, in profit or loss, with a corresponding adjustment to equity. Once the costs towards share option plans are cross charged by Diageo group companies, the same is accounted for as a reduction from equity. To the extent the amount or recharge exceeds the fair value of equity shares on the date of exercise, the same is recognised in the Statement of Profit and Loss.

## 1.11 Income tax

Income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted

# Notes to the Financial Statements (Continued)

by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 1.12 Earnings per share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by 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. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented in case of share splits.

## 1.13 Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is made in respect of onerous contracts, i.e., contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contracts. Provisions are not recognised for other future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting

period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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.

## 1.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Statement of profit and loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of profit and loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## 1.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

## 1.16 Exceptional items

When an item of income or expense within Statement of profit and loss from ordinary activity is of such size, nature and incidence that its disclosure is relevant to explain more meaningfully the performance of the Company for the

# Notes to the Financial Statements (Continued)

year, the nature and amount of such items is disclosed as exceptional items.

## 1.17 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Executive committee, which has been identified as the chief operating decision maker, assesses the financial performance and position of the Company and makes strategic decisions. The executive committee consists of the Managing Director & Chief Executive Officer and other senior management team members. Since segment disclosures have been provided in the consolidated financial statements, no such disclosures have been made in these standalone financial statements.

## 1.18 Equity

Own shares represent shares of the Company and those held in treasury by USL Benefit Trust. Pursuant to orders of the High Court of Karnataka and the High Court of Bombay, shares held in aforesaid trust have been treated as an investment.

**Dividends** - Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## 1.19 Rounding of amounts

All amounts disclosed in the financial statements and notes

have been rounded off to the nearest million as per the requirement of Schedule III (Division II) to the Act, unless otherwise stated. The sign '0' in these financial statements indicates that the amounts involved are below INR five lakhs and the sign '-' indicates that amounts are nil.

## 2. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual result. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates and judgements are:

- Estimation of provisions recognised and contingent liabilities disclosed in respect of tax matters– Notes 8, 17 and 49
- Impairment of trade receivables – Note 31
- Impairment of loans to subsidiaries – Notes 5, 31 and 36

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 3.1 Property, Plant and Equipment

	Owned						Leased			Total
	Freehold Land [Refer Note (a) below]	Buildings [Refer Note (b) and (c) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Land	Office Equipment	Vehicles	
<b>Year ended March 31, 2020</b>										
<b>Gross carrying amount</b>										
Opening	2,542	3,468	8,633	462	443	17	131	501	10	16,207
Adjustment on adoption of Ind AS 116 on Leases [Refer Note (d) below]							(131)	(501)	(10)	(642)
Additions	15	336	1,276	46	118	-	-	-	-	1,791
Disposals	(21)	(30)	(387)	(3)	(3)	(2)	-	-	-	(446)
<b>Closing gross carrying amount</b>	<b>2,536</b>	<b>3,774</b>	<b>9,522</b>	<b>505</b>	<b>558</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,910</b>
<b>Accumulated depreciation and impairment</b>										
Opening	-	628	3,499	298	302	15	48	256	10	5,056
Adjustment on adoption of Ind AS 116 on Leases [Refer Note (d) below]	-	-	-	-	-	-	(48)	(256)	(10)	(314)
Depreciation charge during the year	-	191	1,165	50	84	2	-	-	-	1,492
Disposals	-	(11)	(372)	(3)	(5)	(2)	-	-	-	(393)
<b>Closing accumulated depreciation and impairment</b>	<b>-</b>	<b>808</b>	<b>4,292</b>	<b>345</b>	<b>381</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,841</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>2,536</b>	<b>2,966</b>	<b>5,230</b>	<b>160</b>	<b>177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,069</b>
<b>Year ended March 31, 2021</b>										
<b>Gross carrying amount</b>										
Opening	2,536	3,774	9,522	505	558	15	-	-	-	16,910
Additions	-	270	1,302	-	10	-	-	-	-	1,582
Disposals	(44)	(136)	(352)	(15)	(11)	-	-	-	-	(558)
<b>Closing gross carrying amount</b>	<b>2,492</b>	<b>3,908</b>	<b>10,472</b>	<b>490</b>	<b>557</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,934</b>
<b>Accumulated depreciation and impairment</b>										
Opening	-	808	4,292	345	381	15	-	-	-	5,841
Depreciation charge during the year	-	200	1,037	30	82	-	-	-	-	1,349
Impairment during the year [Refer Note (e) below]	-	-	70	-	-	-	-	-	-	70
Disposals	-	(54)	(295)	(15)	(10)	-	-	-	-	(374)
<b>Closing accumulated depreciation and impairment</b>	<b>-</b>	<b>954</b>	<b>5,104</b>	<b>360</b>	<b>453</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,886</b>
<b>Net carrying amount as at March 31, 2021</b>	<b>2,492</b>	<b>2,954</b>	<b>5,368</b>	<b>130</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,048</b>

### Notes:

- (a) Land includes: (i) gross carrying amount of ₹ 1,216 million (2020: ₹ 1,224 million) in respect of which the title deeds are in the name of erstwhile merged entities; and (ii) gross carrying amount of ₹ 585 million (2020: ₹ 592 million) in respect of which the Company is in possession of photocopies of title deeds.
- (b) Building includes: (i) gross carrying amount of ₹ 1,092 million (2020: ₹ 1,183 million) in respect of which the title deeds are in the name of erstwhile merged entities; (ii) gross carrying amount of ₹ 625 million (2020: ₹ 672 million) in respect of which the Company is in possession of photocopies of title deeds; and (iii) gross carrying amount of ₹ 339 million (2020: ₹ 339 million) in respect of which the Company has initiated litigation for execution of sale deed in favour of the Company.
- (c) Opening and closing cost of buildings includes payments below rounding off norms adopted by the Company towards fully paid shares held in a co-operative housing society for the purpose of acquiring the right of occupation.
- (d) Pursuant to adoption of Ind AS 116, assets under finance lease as at March 31, 2019 were transferred to right-of-use assets on April 01, 2019 and are presented as a separate line item in the balance sheet from March 31, 2020, Refer Note 3.2.
- (e) Represents impairment of Plant and Equipment of a closed manufacturing facility.

### Property, plant and equipment pledged as security

Refer Note 33 for information on property, plant and equipment pledged as security by the Company.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 3.2 Leases

This note provides information for leases where the Company is a lessee. The Company takes on lease land, offices, warehouses, plant and equipment and office equipment. Lease contracts are typically entered into for 30 years to 100 years for leasehold land and for periods of 11 months to 5 years for other categories, and may have extension options as described in Notes (c) below. Some of the leasing arrangements entered into by the Company include non-cancelable lease terms.

### (i) Amounts recognised in Balance Sheet

	As at March 31, 2021	As at March 31, 2020
<b>Right-of-use assets</b>		
Leasehold land	81	82
Buildings	478	1,069
Plant and equipment	957	605
Office equipment	128	219
<b>Total</b>	<b>1,644</b>	<b>1,975</b>
<b>Movement of right-of-use assets during the year</b>		
Opening right-of-use assets	1,975	1,896
Additions	638	803
Depreciation for the year	(899)	(724)
Deletions to right-of-use assets	(70)	-
Closing right-of-use assets	<b>1,644</b>	<b>1,975</b>
<b>Lease Liabilities</b>		
Current	653	762
Non-current	925	1,203
<b>Total</b>	<b>1,578</b>	<b>1,965</b>

### (ii) Amounts recognised in the Statement of Profit and Loss

	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
(a) Depreciation charge of right-of-use assets	<b>26</b>		
Leasehold land		1	1
Buildings		264	368
Plant and equipment		529	248
Office equipment		105	107
<b>Total</b>		<b>899</b>	<b>724</b>

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
(b) Interest expenses (included in finance cost)	25	156	162
(c) Lease related expenses included in Rent expenses	27		
Short term leases		68	126
Leases of low value assets		67	109
Variable lease payments (not included in lease liabilities)		2,245	2,453
<b>Total</b>		<b>2,380</b>	<b>2,688</b>

(iii) The total cash outflow for leases for the year ended March 31, 2021 was ₹ 3,343 million (2020 : ₹ 3,495 million). This excludes advance lease payments amounting to ₹ 148 million in respect of one leasing arrangement, representing lease payments for approximately 12 months, which has been presented as a cash outflow under investing activities in the statement of cashflows.

## Notes:

- (a) Additions to the right-of-use assets for year ended March 31, 2021 aggregate to ₹ 638 million (2020: ₹ 803 million).
- (b) Variable lease payments  
The Company has lease contracts for plant and equipment that contain variable payments. Variable lease payments that depend on production volumes are recognised in the statement of profit and loss in the period in which the condition that triggers those payments occurs. Any changes in production under contracts which includes variable lease payments, would have a proportionate impact on the variable lease payments. Certain agreements contain clauses for minimum production volumes and hence portion of lease payments in these agreements are 'in-substance fixed'. "In-substance" fixed lease payments are included in the determination of the lease liabilities and consequently included in determining the value of right-of-use assets.
- (c) Extension and termination options  
Extension and termination options are included in a number of property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Management considers contractual terms and conditions, leasehold improvements undertaken, costs relating to termination of lease, incentives received from the Government (if any) and importance of the underlying asset to the Company's operations in determining the lease term for the purpose of recognising/measuring the lease liability.
- (d) Leasehold land includes: (i) net carrying amount of ₹ 33 million (2020: ₹ 35 million) in respect of which the lease deeds are in the name of erstwhile merged entities; (ii) net carrying amount of ₹ 4 million (2020: ₹ 5 million) in respect of which the Company is in possession of photocopies of lease deeds.

## 3.3 Capital work-in-progress

### Movement of Capital work-in-progress set-out below

	As at March 31, 2021	As at March 31, 2020
Opening capital work-in-progress	1,017	1,006
Additions	1,346	1,802
Assets capitalised during the year	(1,582)	(1,791)
<b>Closing capital work-in-progress</b>	<b>781</b>	<b>1,017</b>



# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 3.4 Intangible assets

	Brands	Licenses	Computer Software	Total
<b>Year ended March 31, 2020</b>				
<b>Gross carrying amount</b>				
Opening	9	38	152	199
Additions to internally developed intangible assets	-	-	231	231
Disposals	-	-	-	-
<b>Closing gross carrying amount</b>	<b>9</b>	<b>38</b>	<b>383</b>	<b>430</b>
<b>Accumulated amortisation and impairment</b>				
Opening	9	15	44	68
Amortisation charge for the year	-	3	56	59
Disposals	-	-	-	-
<b>Closing accumulated amortisation and impairment</b>	<b>9</b>	<b>18</b>	<b>100</b>	<b>127</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>-</b>	<b>20</b>	<b>283</b>	<b>303</b>
<b>Year ended March 31, 2021</b>				
<b>Gross carrying amount</b>				
Opening	9	38	383	430
Additions to internally developed intangible assets	-	-	151	151
Acquired during the year	-	-	37	37
Disposals	-	-	(103)	(103)
<b>Closing gross carrying amount</b>	<b>9</b>	<b>38</b>	<b>468</b>	<b>515</b>
<b>Accumulated amortisation and impairment</b>				
Opening	9	18	100	127
Amortisation charge for the year	-	3	103	106
Impairment charge during the year	-	-	69	69
Disposals	-	-	(103)	(103)
<b>Closing accumulated amortisation and impairment</b>	<b>9</b>	<b>21</b>	<b>169</b>	<b>199</b>
<b>Net carrying amount as at March 31, 2021</b>	<b>-</b>	<b>17</b>	<b>299</b>	<b>316</b>

**Note:** Brands and licenses have indefinite life and remaining useful life of computer software ranges from 1 year to 5 years

## 3.5 Intangible assets under development

### Movement of intangible assets under development set-out below

	As at March 31, 2021	As at March 31, 2020
Opening intangible assets under development	170	165
Additions	102	236
Intangible assets capitalised during the year	(188)	(231)
<b>Closing intangible assets under development</b>	<b>84</b>	<b>170</b>

Management has performed an impairment assessment on the intangible assets under development and determined that no impairment loss is necessary for the year.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 4. Investments in subsidiaries and associate

	Face value	Number of shares	As at March 31, 2021	Number of shares	As at March 31, 2020
<b>a) Investments in subsidiaries</b>					
Investment in equity instruments carried at cost (fully paid-up) [Refer Note (b) below]					
Quoted					
Pioneer Distilleries Limited	₹ 10/-	10,041,150	-	10,041,150	-
Unquoted					
McDowell & Co (Scotland) Limited	GBP 1/-	1,575,000	126	1,575,000	126
Shaw Wallace Overseas Limited	GBP 1/-	357,745	-	357,745	-
Sovereign Distilleries Limited	₹ 10/-	485,139,152	4,267	485,139,152	4,267
Less: Impairment in the value of investment (Refer Note 35)			(3,990)		(3,942)
			277		325
Tern Distilleries Private Limited	₹ 10/-		-	102,676,347	987
Less: Impairment in the value of investment [Refer Note 35 and 48(b)]			-		(800)
			-		187
Asian Opportunities & Investments Limited	USD 1/-	4,998,706	-	4,998,706	-
Palmer Investment Group Limited	USD 1/-	15,000,000	-	15,000,000	-
Montrose International S.A	USD 1000/-	500	-	500	-
Liquidity Inc. [Refer Note 40 (b)(iii)]	USD 0.0001/-		-	4,000,000	-
USL Holdings Limited [Refer Note (c) below]	USD 1/-	766,640,114	-	500,000	-
United Spirits (Shanghai) Trading Company Limited	RMB 10	500,000	-	500,000	-
Royal Challengers Sports Private Limited	₹ 10/-	14,690	421	14,690	421
<b>Total investments in equity instruments</b>			<b>824</b>		<b>1,059</b>
<b>b) Investment in associate</b>					
Investment in equity instruments carried at cost (fully paid-up)					
Hip Bar Private Limited	₹ 10/-	4,567,568	270	4,567,568	270
Less: Impairment in the value of investment (Refer Note 35)			(270)		-
			-		270
Investment in compulsory convertible preference shares (CCPS) carried at fair value through profit and loss (fully paid-up)					
Hip Bar Private Limited [Refer Note (d) below]	₹ 10/-	1,950,000	-		-
<b>c) Investment in trust controlled by the Company</b>					
Investment as sole beneficiary in USL Benefit Trust [Refer Note (a) below]			1,197		1,197
			2,021		2,526
Aggregate amount of quoted investments			-		-
Aggregate market value of quoted investments			1,081		968
Aggregate amount of unquoted investments			6,281		7,268
Aggregate amount of impairment in the value of investments (Refer Note 35)			(4,260)		(4,742)

### Notes:

- (a) Investment as a sole beneficiary in USL Benefit Trust (the 'Trust') was recorded as per the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, upon amalgamating various companies with United Spirits Limited. The Trust has been established for the exclusive benefit of the Company and holds 17,295,450 equity shares of ₹ 2/- face value (2020: 17,295,450 equity shares of ₹ 2/- face value) of the Company [Refer Note 13(h)]. As per the terms of the aforesaid scheme of arrangement, Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. Also refer Note 33(b) for assets pledged and Note 40(f).
- (b) On adoption of Ind AS, Company has measured these investments at deemed cost using the net carrying value as per previous GAAP as at March 31, 2015. The Company has subsequently measured its investments in subsidiaries and the associate at cost in accordance with Ind AS 27.
- (c) The outstanding loans to USL Holdings Limited stood at USD 766,140,114, in equivalent USD terms (₹ 56,267 million), as of September 21, 2020 (March 31, 2020: ₹ 57,317 million). Pursuant to the approval by the board at their meeting held on July 27, 2020, conversion of the said loans into equity shares was completed on September 21, 2020 by allotting 766,140,114 equity shares of USD 1 each to the Company by USL Holdings Limited. The Company has made the relevant filing with the RBI on December 19, 2020 for the above conversion. The loans were fully provided for in the books of account on the date of conversion and accordingly upon conversion of loans into equity shares, investment is recorded at ₹ Nil (which represents gross investment of ₹ 56,267 million and impairment of investment of ₹ 56,267 million). As at year ended March 31, 2021, the gross carrying value of investment is ₹ 56,289 million and related impairment is ₹ 56,289 million.
- (d) On October 1, 2020, Company invested ₹ 20 million in CCPS issued by Hip Bar Private Limited, which has been carried at fair value through profit and loss. The Company has recognised a fair value loss of ₹ 20 million during the year ended March 31, 2021. Refer Note 28(b).

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 5. Loans

	As at March 31, 2021		As at March 31, 2020	
	Current	Non-current	Current	Non-current
Loan to UBHL [Refer Note 40(c)]	-	12,452	-	12,755
Loans to subsidiaries [Refer Note 4(c) and Note 36(c)(vi)]	850	3,722	-	62,943
Loans to employees	13	-	18	-
Security deposits	247	159	234	180
	1,110	16,333	252	75,878
Less: Loss allowance				
Loan to UBHL [Refer Note 40(c)]	-	(12,452)	-	(12,755)
Loans to subsidiaries [Refer Note 4(c) and Note 36(c)(vii)]	-	(2,139)	-	(59,123)
Security deposits	(105)	-	(93)	-
	(105)	(14,591)	(93)	(71,878)
<b>Total loans</b>	<b>1,005</b>	<b>1,742</b>	<b>159</b>	<b>4,000</b>

Details of securities/ categorisation of credit risk on loans

	As at March 31, 2021	As at March 31, 2020
Loans considered good - secured	-	-
Loans considered good - unsecured	3,233	4,633
Loans which have significant increase in credit risk	-	-
Loans - credit impaired	14,210	71,497
<b>Total</b>	<b>17,443</b>	<b>76,130</b>
Less: Loss allowance	(14,696)	(71,971)
<b>Total Loans</b>	<b>2,747</b>	<b>4,159</b>

Refer Note 31 for information about financial risk management.

## 6. Other financial assets

	As at March 31, 2021		As at March 31, 2020	
	Current	Non-current	Current	Non-current
Balances with banks [Refer Note below]	-	792	-	770
Receivable from related parties [Refer Note 36(c)(i)]	62	-	31	-
Receivable from Tie-up manufacturing units	2,470	348	2,870	672
Other receivables	14	134	172	-
	2,546	1,274	3,073	1,442
Less: Loss allowance				
Receivable from Tie-up manufacturing units	(485)	(348)	-	(672)
Other receivables	(14)	(134)	(158)	-
	(499)	(482)	(158)	(672)
<b>Total other financial assets</b>	<b>2,047</b>	<b>792</b>	<b>2,915</b>	<b>770</b>

### Balance with banks comprise of:

- (a) deposit of ₹ 459 million (2020: ₹ 459 million) with a bank in suspense account (Refer Note 40(f)).
- (b) fixed deposits of ₹ 321 million (2020: ₹ 310 million) with a bank kept under escrow pending resolution of various taxation matters.
- (c) Margin money against bank guarantees ₹ 1 million (2020: ₹ 1 million).
- (d) Represents Bank deposits under lien in respect of bank guarantees provided to tax authorities ₹ 11 million.

Refer Note 31 for information about financial risk management.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 7. Deferred tax assets (net)

	As at March 31, 2021	As at March 31, 2020
<b>Deferred tax assets</b>		
Allowance for doubtful receivable balances	834	944
Provisions allowed on payment basis	1,098	1,027
Indexation benefit on land	74	80
Lease liabilities	254	495
Others	80	5
	2,340	2,551
<b>Deferred tax liabilities</b>		
Difference between carrying amount and tax base of property, plant and equipment and intangible assets	378	484
Right-of-use assets	251	477
	629	961
<b>Total Deferred tax assets (net)</b>	<b>1,711</b>	<b>1,590</b>

Movement in deferred tax assets	Doubtful receivable balances	Provisions allowed on payment basis	Difference between carrying amount and tax base of property, plant and equipment and intangible assets	Indexation benefit on land	Lease liabilities	Right- of-use assets	Others	Total
<b>At March 31, 2019</b>	<b>1,370</b>	<b>1,197</b>	<b>(815)</b>	<b>94</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>1,878</b>
(Charged) / Credited:								
- to profit and loss - due to Income tax rate change [Refer Note (a) below]	(385)	(336)	229	-	-	-	(9)	(501)
- to profit and loss	(41)	74	102	(14)	495	(477)	(18)	121
- to other comprehensive income	-	92	-	-	-	-	-	92
<b>At March 31, 2020</b>	<b>944</b>	<b>1,027</b>	<b>(484)</b>	<b>80</b>	<b>495</b>	<b>(477)</b>	<b>5</b>	<b>1,590</b>
(Charged) / Credited:								
- to profit and loss	(110)	90	106	(6)	(241)	226	75	140
- to other comprehensive income	-	(19)	-	-	-	-	-	(19)
<b>At March 31, 2021</b>	<b>834</b>	<b>1,098</b>	<b>(378)</b>	<b>74</b>	<b>254</b>	<b>(251)</b>	<b>80</b>	<b>1,711</b>

## 8. Income tax balances

	As at March 31, 2021	As at March 31, 2020
Current tax liabilities (net of advance tax)	3,225	2,976
Non-current tax assets (net of provision for current tax)	10,367	10,714

### Notes:

(a) The above amounts include amounts paid under protest of ₹ 10,271 million (2020: ₹ 11,857 million) pertaining to various assessment years.

### (b) Disputed income tax matters relating to earlier years

Pursuant to The Direct Tax Vivad se Vishwas Act, 2020 (the 'Scheme') which was notified on March 17, 2020, the Company opted to settle its income tax disputes under the Income Tax Act, 1961 by payment of arrears of the disputed tax amount according to the provisions of the Scheme. During the year ended March 31, 2020, the Company evaluated all the disputed income tax litigations and decided to avail the Scheme in respect of certain disputed matters for which a provision of ₹ 408 million for tax amount and a reversal of provision of ₹ 904 million for accrued interest was recorded. Further, the Company made a provision for tax and interest in respect of certain disputed legacy matters of earlier years of ₹ 2,114 million during the year ended March 31, 2020. Following a favourable order received from the Appellate Authorities in respect of an earlier disputed tax matter and based on risk assessment by management, the Company reversed the provision in respect of disputed tax and interest aggregating to ₹ 1,539 million during the year ended March 31, 2020.

On account of the above matters, the Company has accounted ₹ 897 million pertaining to tax under the heading Income tax relating to earlier years and ₹ 131 million under the heading Current tax for the year and an amount of ₹ 949 million towards reversal of accrued interest under the heading exceptional items [Refer Note 28(h)] in these Standalone Financial Statement for the year ended March 31, 2020.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 9. Other assets

	As at March 31, 2021		As at March 31, 2020	
	Current	Non-current	Current	Non-current
Capital advances	-	67	-	92
Balances with government authorities (Refer Note below)				
Considered good	519	1,757	635	1,874
Considered doubtful	40	65	57	104
Trade advance to a subsidiary [Refer Note 36(c)(iii)]	723	-	820	-
Advances to suppliers				
Considered good	448	-	567	-
Considered doubtful	60	734	789	-
Net surplus in gratuity plan [Refer Note 38(b)(C)]	-	369	-	385
Pre-paid expenses	1,286	721	1,182	1,241
	3,076	3,713	4,050	3,696
Less: Allowance for doubtful balances	(100)	(799)	(846)	(104)
<b>Total other assets</b>	<b>2,976</b>	<b>2,914</b>	<b>3,204</b>	<b>3,592</b>

### Note:

Balance with government authorities include amounts paid under protest amounting to ₹ 1,499 million (2020: ₹ 1,471 million) in respect of disputed indirect tax matters.

## 10. Inventories

(Valued at lower of cost and net realisable value)

	As at March 31, 2021	As at March 31, 2020
Raw materials	3,409	1,511
[including materials in transit ₹ 391 million (2020: ₹ 445 million)]		
Work-in-progress [Refer Note (a) below]	5,956	5,889
Finished goods	7,181	7,623
[including goods in transit ₹ 336 million (2020: ₹ 996 million)]		
Stock-in-trade	1,338	1,332
[including goods in transit ₹ 535 million (2020: ₹ 218 million)]		
Packing materials	1,853	1,913
[including materials in transit ₹ 46 million (2020: ₹ 20 million)]		
Stores and spares	73	93
<b>Total inventories</b>	<b>19,810</b>	<b>18,361</b>

### Notes:

- Work-in-progress (intermediates) includes stocks of maturing spirits held by a branch outside India (in custody of an overseas vendor) amounting to ₹ 284 million (2020: ₹ 428 million).
- Amounts recognised in the Statement of and Loss.  
Allowance for obsolete inventories (net) for the year amounting to ₹ 752 million (2020: ₹ 404 million) has been recognised as an expense during the year and is included in Cost of materials consumed and Change in inventories of finished goods, work-in-progress and stock-in-trade in the Statement of Profit and Loss.
- Inventories include inventory held by tie up manufacturing units amounting to ₹ 2,700 million (2020: ₹ 2,416 million).
- For details of Inventories pledged as security Refer Note 33.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 11. Trade receivables

	As at March 31, 2021	As at March 31, 2020
From Contracts with customers - related parties [Refer Note 36(c)(iii)]	96	844
From Contracts with customers - others	22,995	24,006
	23,091	24,850
Less: Loss allowance	(1,490)	(2,015)
<b>Total trade receivables</b>	<b>21,601</b>	<b>22,835</b>
<b>Details of securities/ categorisation of credit risk of trade receivables</b>		
Trade Receivables considered good - secured	-	-
Trade Receivables considered good - unsecured	23,091	24,850
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables - credit impaired	-	-
<b>Total</b>	<b>23,091</b>	<b>24,850</b>
Less: Loss allowance	(1,490)	(2,015)
<b>Total trade receivables</b>	<b>21,601</b>	<b>22,835</b>

Refer Note 31 for information about financial risk management

## 12.1 Cash and cash equivalents

	As at March 31, 2021	As at March 31, 2020
Balances with banks		
In current accounts	381	271
Cheques on hand	111	-
<b>Total cash and cash equivalents</b>	<b>492</b>	<b>271</b>

## 12.2 Bank balances other than cash and cash equivalents

	As at March 31, 2021	As at March 31, 2020
In unpaid dividend accounts	1	3
In unpaid public deposit accounts [Refer Note (a) below]	7	8
Bank deposits due to mature within 12 months from the reporting date [Refer Note (b) below]	53	63
<b>Total bank balances other than cash and cash equivalents</b>	<b>61</b>	<b>74</b>

### Notes:

- Includes ₹ 1 million (2020: ₹ 3 million) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits which had matured in earlier years and for which duly discharged deposit receipts were not received from deposit holders.
- Represents Bank deposits under lien in respect of bank guarantees provided to tax authorities.



# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 13. Equity share capital

	As at March 31, 2021	As at March 31, 2020
<b>Authorised</b>		
2,740,000,000 equity shares of ₹ 2/- each (2020: 2,740,000,000 equity shares of ₹ 2/- each)	5,480	5,480
171,200,000 preference shares of ₹ 10/- each (2020: 171,200,000 preference shares of ₹ 10/- each)	1,712	1,712
	<b>7,192</b>	<b>7,192</b>
<b>Issued, subscribed and paid-up</b>		
726,638,715 equity shares of ₹ 2/- each (2020: 726,638,715 equity shares of ₹ 2/- each) fully paid up	1,453	1,453
	<b>1,453</b>	<b>1,453</b>

### (a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2021	No. of Shares	As at March 31, 2020
Balance at the beginning of the year [Face value of ₹ 2/- each]	726,638,715	1,453	726,638,715	1,453
Add: equity shares issued during the year	-	-	-	-
Balance at the end of the year (Face value of ₹ 2/- each)	726,638,715	1,453	726,638,715	1,453

### (b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of ₹ 2/- 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 / or their subsidiaries / associates

Out of the equity shares issued by the Company, shares held by the holding company are as below:

	No. of Shares	As at March 31, 2021	No. of Shares	As at March 31, 2020
Relay B V (wholly owned subsidiary of Diageo Plc) [Refer Note (i) below]	406,447,245	813	406,447,245	813
	<b>406,447,245</b>	<b>813</b>	<b>406,447,245</b>	<b>813</b>

### (d) The Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the reporting date.

### (e) Details of shareholders holding more than 5% shares in the Company.

	As at March 31, 2021		As at March 31, 2020	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Relay B V [Refer Note (i) below]	406,447,245	55.94%	406,447,245	55.94%

### (f) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestments.

### (g) There are no bonus shares issued or bought back during the period of five years immediately preceding the reporting date.

### (h) Details of shares in the Company held by subsidiaries, associates or controlled trusts

	As at March 31, 2021		As at March 31, 2020	
	No. of Shares	% of Holding	No. of Shares	% of Holding
USL Benefit Trust [Refer Note 4(a)]	17,295,450	2.38%	17,295,450	2.38%

### (i) On December 20, 2013, the Honorable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo Plc. setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares on ₹ 10/- each in the Company to Relay B V, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. have approached the Honorable Supreme Court by way of special leave petitions (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs, the Honorable Supreme Court has directed that status quo be maintained in respect of the above mentioned transaction of sale of shares to Relay B V. Such shares are included in arriving at Relay BV's shareholding in the Company.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 14. Reserves and surplus

	As at March 31, 2021	As at March 31, 2020
Capital reserve	683	683
Capital redemption reserve	699	699
Securities premium account	45,682	45,682
Central subsidy	2	2
Share based incentive reserve	69	58
Contingency reserve	110	110
General reserve	11,033	11,033
Retained earnings	(18,463)	(21,623)
<b>Total reserves and surplus</b>	<b>39,815</b>	<b>36,644</b>

### Nature and purpose of reserves:

- a) **Capital reserve:** Created pursuant to a Scheme of Amalgamation between the Company and SW Finance Co. Limited, sanctioned by the Honourable High Court of Karnataka and Honourable High Court of Bombay under the orders dated June 12, 2015 and August 28, 2015, respectively.
- b) **Capital redemption reserve:** Capital Redemption Reserve is created for an amount equivalent to the nominal value of shares redeemed in earlier years by the Company (including the erstwhile Companies that were merged with the Company through several schemes of amalgamations / mergers).
- c) **Securities premium account:** Securities premium account is credited when shares are issued at premium. The balance is utilised in accordance with the provisions of the Act.
- d) **Central subsidy:** The balance is taken over on amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended March 31, 2006 as per the terms of the arrangement approved by the Honourable High Courts of Karnataka and Bombay.
- e) **Share based incentive reserve:** The share based incentive reserve is used to recognise grant date fair value of Diageo Plc's share options under the group share based payment arrangements. Recharges towards such arrangements are debited to this reserve.
- f) **Contingency reserve:** The balance is taken over on amalgamation of McDowell Spirits Limited with the Company during the year ended March 31, 2001 as per the terms of the arrangement approved by the Honorable High Court of Karnataka.
- g) **General reserve:** The General reserve is created by way of transfer of profits from retained earnings for appropriation purposes. This reserve is utilised in accordance with the provisions of the Act.
- h) **Retained earnings:** Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

## 15. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2021	As at March 31, 2020
<b>Non-current</b>					
<b>Unsecured</b>					
Nil (2020: 7,500) 7.45% Non-convertible Debentures of face value of ₹ 1,000,000 each [Refer Note (a) below]	December 28, 2020	Principal loan and annual interest is paid on December 28, 2020	Nil (2020: 7.45%)	-	7,641
				-	7,641
Less: Current maturities of Non-convertible Debentures (Refer Note 16)				-	7,500
Less: Interest accrued but not due (Refer Note 16)				-	141
<b>Total non-current borrowings</b>				-	-

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2021	As at March 31, 2020
<b>Current</b>					
<b>Unsecured</b>					
Working capital loans from banks [Refer note (a) below]	Payable on demand	Payable on demand	4.05% to 5.15% (2020: 6.1% to 7.5%)	5,560	13,246
<b>Total</b>				<b>5,560</b>	<b>13,246</b>
Less: Interest accrued but not due (Refer Note 16)				4	16
<b>Total current borrowings</b>				<b>5,556</b>	<b>13,230</b>

**Notes:**

- a) Includes interest accrued but not due as at year end  
b) Net debt reconciliation

**(i) Net debt summary:**

Particulars	Note	As at March 31, 2021	As at March 31, 2020
Current borrowings	15	5,556	13,230
Current maturities of long-term borrowings	16	-	7,500
Interest accrued but not due	16	4	157
Lease liabilities	3.2	1,578	1,965
Total debt		7,138	22,852
Less: Cash and cash equivalents	12.1	492	271
<b>Net debt</b>		<b>6,646</b>	<b>22,581</b>

**(ii) Movements in net debt:**

Particulars	Finance lease obligations	Lease liabilities	Non- convertible debentures	Commercial papers	Working capital loans	(Less) Cash and cash equivalents	Net debt
<b>Net debt as at March 31, 2019</b>	<b>239</b>	<b>-</b>	<b>7,641</b>	<b>8,929</b>	<b>9,157</b>	<b>(509)</b>	<b>25,457</b>
Transferred to Lease liabilities on adoption of Ind AS 116	(239)	239	-	-	-	-	-
Recognised on adoption of Ind AS 116	-	1,568	-	-	-	-	1,568
<b>Net debt as at April 1, 2019 (restated)</b>	<b>-</b>	<b>1,807</b>	<b>7,641</b>	<b>8,929</b>	<b>9,157</b>	<b>(509)</b>	<b>27,025</b>
Acquisition- leases	-	803	-	-	-	-	803
Net proceeds from / (Repayment of) borrowings	-	-	-	(9,000)	-	-	(9,000)
Net proceeds from working capital loans	-	-	-	-	4,073	-	4,073
Interest expense (Refer Note 25)	-	162	560	471	495	-	1,688
Interest paid	-	(162)	(560)	(400)	(479)	-	(1,601)
Principal lease payments	-	(645)	-	-	-	-	(645)
Cash flows	-	-	-	-	-	238	238
<b>Net debt as at March 31, 2020</b>	<b>-</b>	<b>1,965</b>	<b>7,641</b>	<b>-</b>	<b>13,246</b>	<b>(271)</b>	<b>22,581</b>
Acquisition- leases (net)*	-	420	-	-	-	-	420
Net proceeds from / (Repayment of) borrowings	-	-	(7,500)	-	-	-	(7,500)
Net proceeds from / (Repayment of) working capital loans	-	-	-	-	(7,674)	-	(7,674)
Interest expense (Refer Note 25)	-	156	413	-	492	-	1,061
Interest paid	-	(156)	(554)	-	(504)	-	(1,214)
Principal lease payments*	-	(807)	-	-	-	-	(807)
Cash flows	-	-	-	-	-	(221)	(221)
<b>Net debt as at March 31, 2021</b>	<b>-</b>	<b>1,578</b>	<b>-</b>	<b>-</b>	<b>5,560</b>	<b>(492)</b>	<b>6,646</b>

\* Excludes advance lease payment amounting to ₹ 148 million (2020: Nil)

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 16. Other financial liabilities

	As at March 31, 2021	As at March 31, 2020
<b>Current</b>		
Current maturities of		
Borrowings (Refer Note 15)	-	7,500
Interest accrued but not due (Refer Note 15)	4	157
Unpaid / unclaimed dividends [Refer Note (a) below]	1	3
Unpaid / unclaimed public deposits (Including accrued interest [Refer Notes (a), (b) and (c) below])	7	8
<b>Others</b>		
Liability for customer claim	127	127
Due to Tie-up manufacturing units	431	817
Capital creditors	252	239
Employee benefits payable	872	293
Other financial liabilities	227	102
<b>Total other current financial liabilities</b>	<b>1,921</b>	<b>9,246</b>

### Notes:

- (a) As at March 31, 2021 no balances are due to be transferred to IEPF. As at March 31, 2020 an amount aggregating to ₹ 1 million was due to be transferred to IEPF which was transferred during the year.
- (b) Includes unclaimed public deposit which had matured in earlier years of ₹ 1 million (2020: ₹ 3 million) for which the duly discharged fixed deposit receipts have not been received from the deposit holders.
- (c) MCA vide its circular dated April 13, 2020 extended the timelines for filing the IEPF Forms including E-form IEPF-1 till September 30, 2020. The Company has filed relevant e-forms and simultaneously remitted the unclaimed amount to IEPF before the extended deadline and thereby complied with the provisions of the Companies Act, 2013 and rules made thereunder.

## 17. Provisions

	As at March 31, 2021		As at March 31, 2020	
	Current	Non-current	Current	Non-current
Employee benefits				
Compensated absences	478	-	557	-
Pension liability [Refer Note 38(b)(C)]	1	11	2	13
Share appreciation rights (Refer Note 34)	56	64	64	57
Provident fund obligation [Refer Note 38(b)(C)]	367	-	367	-
Provision for indirect tax and other legal matters [Refer Note (a) below]	4,032	-	3,285	-
Commitment towards "Raising the Bar" programme [Refer Note (b) below and Note 48(a)]	445	-	-	-
<b>Total provisions</b>	<b>5,379</b>	<b>75</b>	<b>4,275</b>	<b>70</b>

### Notes:

(a) Movement in provisions for indirect taxes and other legal matters

Description	As at April 1, 2019	Additions/amounts written back	Amounts utilised	As at March 31, 2020
Indirect taxes and other legal matters [refer (i) below]	3,037	583	335	3,285

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Description	As at April 1, 2020	Additions/amounts written back	Amounts utilised	As at March 31, 2021
Indirect taxes and other legal matters [refer (i) below]	3,285	748	1	4,032

(b) Movement in Commitment towards "Raising the Bar" programme

Description	As at April 1, 2020	Additions	Amounts utilised	As at March 31, 2021
Commitment towards "Raising the Bar" programme [refer (ii) below]	-	750	305	445

(i) Provision is made for probable cash outflow arising out of pending or potential indirect tax disputes / litigations. It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings. Refer Note 9 for payments made under protest in respect of indirect tax and other legal matters.

(ii) Refer Note 48(a) for Commitment towards "Raising the Bar" programme.

## 18. Trade payables

	As at March 31, 2021	As at March 31, 2020
Dues to Micro and Small enterprises (Refer Note 44)	640	440
Dues to creditors other than Micro and Small enterprises		
Dues to related parties [Refer Note 36(c)(iv)]	2,518	1,416
Others	10,655	9,856
<b>Total trade payables</b>	<b>13,813</b>	<b>11,712</b>

## 19. Other current liabilities

	As at March 31, 2021	As at March 31, 2020
Contract liabilities (Advances from customers)	455	1,144
Statutory liabilities	3,153	1,149
Liability for taxes on closing inventory (net of prepaid taxes)	4,989	1,681
<b>Total other current liabilities</b>	<b>8,597</b>	<b>3,974</b>

## 20. Revenue from operations

	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from contracts with customers:		
Sale of products (includes excise duty)	270,763	283,877
Income from brand franchise arrangements	761	1,671
	<b>271,524</b>	<b>285,548</b>
Other operating revenue:		
Scrap sales	188	251
Miscellaneous	52	93
	<b>240</b>	<b>344</b>
<b>Total revenue from operations</b>	<b>271,764</b>	<b>285,892</b>
<b>Reconciliation between contract price and revenue recognised</b>		
Contract price	280,801	294,796
Less: Items offset against revenue from contracts with customers as required under Ind AS 115	(9,277)	(9,248)
<b>Revenue from sale of products</b>	<b>271,524</b>	<b>285,548</b>
<b>Disaggregation of revenue from contracts with customers</b>		
<b>Categories of products</b>		
Prestige and above	55,040	59,311
Popular	22,720	27,596
Others	892	4,709
Add: Excise duty collected from customers	192,872	193,932
<b>Total</b>	<b>271,524</b>	<b>285,548</b>

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 21. Other income

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest income on fixed deposits held at amortised cost	13	20
Interest income from loans to subsidiaries held at amortised cost [Refer Note 36(b)(iv)]	217	261
Exchange gain (net)	-	44
Gain on disposal of property, plant and equipment (net)	165	63
Liabilities no longer required written back	82	60
Miscellaneous income	1	7
<b>Total other income</b>	<b>478</b>	<b>455</b>

## 22. Cost of materials consumed

	For the year ended March 31, 2021	For the year ended March 31, 2020
Raw materials	24,790	31,285
Packing materials	15,096	14,954
<b>Total cost of materials consumed</b>	<b>39,886</b>	<b>46,239</b>

## 23. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening inventory:		
Finished goods	7,623	6,624
Work-in-progress	5,889	7,964
Stock-in-trade	1,332	859
<b>Total opening balance (A)</b>	<b>14,844</b>	<b>15,447</b>
Closing inventory:		
Finished goods	7,181	7,623
Work-in-progress	5,956	5,889
Stock-in-trade	1,338	1,332
<b>Total closing balance (B)</b>	<b>14,475</b>	<b>14,844</b>
Increase / (decrease) in excise duty on finished goods, net (C)	933	471
<b>Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)</b>	<b>1,302</b>	<b>1,074</b>

## 24. Employee benefits expense

	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries, wages and bonus	4,635	4,355
Contribution to provident and other funds [Refer Note 38(a)]	124	142
Defined benefits plans cost [Refer Note 38(b)D]	227	206
Share based payment expense (Refer Note 34)	66	124
Staff welfare expenses	352	316
<b>Total employee benefits expense</b>	<b>5,404</b>	<b>5,143</b>



# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 25. Finance costs

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest charges on lease liabilities	156	162
Interest expense on borrowings at amortised cost	905	1,526
Interest- others	597	219
<b>Total finance costs</b>	<b>1,658</b>	<b>1,907</b>

## 26. Depreciation, amortisation and impairment expense

	For the year ended March 31, 2021	For the year ended March 31, 2020
Depreciation / impairment of property, plant and equipment (Refer Note 3.1)	1,419	1,492
Depreciation of right-of-use assets (Refer Note 3.2)	899	724
Amortisation / impairment of intangible assets (Refer Note 3.4)	175	59
<b>Total depreciation, amortisation and impairment expense</b>	<b>2,493</b>	<b>2,275</b>

## 27. Other expenses

	For the year ended March 31, 2021	For the year ended March 31, 2020
Consumption of stores and spares	97	141
Sub-contracting charges	1,038	1,153
Power and fuel	180	212
Rent (Refer Note 3.2)	2,380	2,688
Repairs and maintenance:		
Buildings	25	38
Plant and machinery	336	222
Others	260	307
Insurance	169	161
Rates and taxes	1,481	1,229
Travel and conveyance	210	480
Legal and professional	1,062	1,366
Auditors' remuneration (Refer Note below)	45	48
Freight outwards	2,249	2,535
Royalty [Refer Note 36(b)(ix)]	59	97
Trade mark license fees	575	574
Remuneration to non-executive directors:		
Sitting fee	6	4
Commission	24	20
Allowance for doubtful other assets (net)	59	(20)
Expense towards corporate social responsibility (Refer Note 45)	94	168
Information technology and communication expenses	1,042	1,080
Sales distribution charges	1,032	1,019
Miscellaneous expenses	306	313
<b>Total other expenses</b>	<b>12,729</b>	<b>13,835</b>
<b>Note:</b>		
<b>Auditors' remuneration*</b>		
a) as auditors		
for Statutory audit	14	15
for Quarterly reviews	9	9
for Certifications	4	7
b) for other audit related services	18	17
<b>Total payment to auditors</b>	<b>45</b>	<b>48</b>

\* Excluding goods and services tax

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## 28. Exceptional items (net)

	Note	For the year ended March 31, 2021	For the year ended March 31, 2020
(a) Impairment in the value of Investment in a subsidiary and associate	35	(318)	(458)
(b) Fair value loss on financial assets mandatorily measured at fair value through profit or loss	4(d)	(20)	-
(c) Loss allowance on loans due from subsidiaries	36(b)(xx)	(540)	(553)
(d) Reversal of loss allowance on loans due from subsidiaries	36(b)(xvi)	65	75
(e) Loans due from a subsidiary written-off	36(b)(xvii) and 48(b)	(54)	-
(f) Gain on disposal of Investment in a subsidiary	48(b)	103	-
(g) Commitment towards "Raising the Bar" programme	48(a)	(750)	-
(h) Reversal of accrued interest expense relating to income tax cases of earlier years	8(b)	-	949
<b>Total exceptional items (net)</b>		<b>(1,514)</b>	<b>13</b>

## 29. Reconciliation of tax expense and accounting profit multiplied by India's tax rate

	For the year ended March 31, 2021	For the year ended March 31, 2020
Profit before income tax expense	4,690	11,347
<b>Tax at Indian tax rate @ 25.17% (2020: 25.17%)</b>	<b>1,180</b>	<b>2,856</b>
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Remeasurement of deferred tax asset due to tax rate change	-	501
Provision for disputed taxes of earlier years (net of reversal)	(9)	857
Commitment towards "Raising the bar" Programme	189	
Impairment on investment in subsidiaries and associate and allowance for doubtful loans to subsidiaries (net of reversals)	192	208
Reversal of provisions/write offs (net) which were not claimed as allowable expenses in earlier years	(76)	(321)
Others	111	199
<b>Total</b>	<b>407</b>	<b>1,444</b>
<b>Income tax expense as per Statement of Profit and Loss</b>	<b>1,587</b>	<b>4,300</b>

### Note:

Deferred income tax assets have not been recognized on long term and short term capital losses aggregating to ₹ 2,956 million (2020: ₹ 1,455 million) as it is not probable that long term and short term capital gains would be available in the foreseeable future to offset such losses.

## 30. Earnings per share

	As at March 31, 2021	As at March 31, 2020
Nominal value of equity shares (in ₹)	2/-	2/-
(a) Profits attributed to equity holders of the Company	3,103	7,047
(b) Weighted average number of equity shares used as denominator	726,638,715	726,638,715
(c) Basic and diluted earnings per share (in ₹)	4.27	9.70

### Note:

- There are no dilutive equity shares in the Company.
- In calculating the weighted average number of outstanding equity shares during the year, Company has not reduced the own shares held by USL Benefit Trust (of which Company is the sole beneficiary), as the investment in the said Trust has been accounted under a scheme approved by courts [Refer Note 4(a)].

# Notes to the Financial Statements

## Note 31: Financial risk management

The Company's activities exposes it to credit risk, liquidity risk and market risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks, trade receivables, loans and other financial assets measured at amortised cost	Review of receivables	Diversification of bank deposits, monitoring of credit limits and assessment of recoverability of loan from subsidiaries and other counterparties
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk — interest rate	Short-term borrowings at floating rates	Sensitivity analysis of interest rates	Monitoring of changes in interest rates

The Company's financial risk management is carried out by treasury department under policies approved by the Board. Corporate treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's other functions. The Board sets written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess funds.

The Company does not have significant exposure to foreign currency fluctuations.

### (A) Credit risk

#### Credit risk management

##### Trade receivables:

Company's Credit policy provides guidance to keep the risk of credit sales within an acceptable level. The Company's management monitors (at customer group level) and reviews credit limits, overdue trade receivables, provisioning and write-off of credit impaired receivables.

Trade receivables are unsecured and are derived from revenue earned from two main classes of customers, receivable from sales to government corporations/government owned entities and receivables from sales to private third parties.

Receivables from government corporations/government owned entities amounted to ₹ 14,441 million; 63% (2020: ₹ 15,442 million; 62%) and private customers amounted to ₹ 8,650 million; 37% (2020: ₹ 9,408 million; 38%) respectively, of total trade receivables, on the reporting date.

The Company determines allowances for expected credit losses separately for different categories of customers using age based provision matrix.

Movement in loss allowances for trade receivables is provided below:

Particulars	March 31, 2021	March 31, 2020
Balance at the beginning of the year	2,015	2,249
Loss allowance (net)	311	(145)
Write offs	(836)	(89)
<b>Balance at the end of the year (Refer Note 11)</b>	<b>1,490</b>	<b>2,015</b>

##### Loans and other financial assets:

'Other financial assets' includes balances with banks, receivable from Tie-up manufacturing units, loans including loans to subsidiaries and interest accrued on such loans.

The Company recognises allowances using expected credit loss method on other financial assets. Such allowances are measured considering either 12-month expected credit loss approach or life-time credit loss approach, based on management's assessment of credit risk. Assets are written-off where there is no reasonable expectation of recovery. Where the loans or receivables are written-off the Company continues to engage in enforcement activity to attempt to recover the amounts due. Where recoveries are made, these are recognised in profit or loss.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Movement in loss allowances for financial assets other than for trade receivables during the reporting period is provided below:

Particulars	March 31, 2021	March 31, 2020
Balance at the beginning of the year	72,801	68,456
Loss allowance recognised:		
Included in the Statement of Profit and Loss	173	(358)
Disclosed as exceptional item, net [Refer Note 28(c), 28(d) and 28(e)]	529	478
Restatement of loss allowance recognised in earlier years in respect of credit impaired loans to overseas subsidiaries in foreign currency (*)	(1246)	4,282
Conversion of loan into equity shares [Refer Note 4(c)]	(56,267)	-
Write offs	(313)	(57)
<b>Balance at the year end (Refer Note 5 and 6)</b>	<b>15,677</b>	<b>72,801</b>

(\*) Loans denominated in foreign currency to subsidiaries are credit impaired. Exchange differences arising on restatement of such loans at year-end exchange rates, are offset against an equivalent restatement of loss allowances at year end exchange rates, and hence there is no impact on the statement of profit and loss, on this account.

## Significant estimate in measurement of impairment on loans to subsidiaries

Loans to subsidiaries are measured at amortized cost using the effective interest method. In assessing the expected credit loss, management considers the expected manner of recovery, the contractual terms of the loan, operational status of the subsidiary, historical experience and forecast cash flows. An impairment provision is made to reflect any expected credit loss. Changes in expected manner of recovery consequent to change in forecast cash flows, could lead to the losses being higher/ lower than estimated as at the year end.

The Company has credit risk from loans provided to subsidiaries:

- Loans to overseas subsidiaries- these loans are classified as credit impaired and have been fully provided for as these subsidiaries are non-operative and do not have the resources to repay the loans.
- Loans to domestic subsidiaries- management has determined the amount of impairment considering the expected manner of recovery, contractual terms and estimated future cash flows. Based on this assessment, management has concluded that no material allowance for expected credit loss is required in respect of loans to domestic subsidiaries, other than for loan to Pioneer Distilleries Limited. During the year, management has re-estimated the expected future cash flows and has recognised an allowance of ₹ 540 million on the principal amount (2020: ₹ 490 million (which includes an allowance of ₹ 109 million on interest accrued and an allowance of ₹ 381 million on the principal amount)) using the lifetime expected credit loss approach in respect of loan to Pioneer Distilleries Limited [Refer Note 28(c)].

The future cash flows of Pioneer Distilleries Limited are sensitive to the estimated capacity utilisation of its manufacturing facility. The below table provides the impact of changes in the estimated capacity utilisation each year, on the loss allowance and carrying value of the loan:

Particulars	As at March 31, 2021		As at March 31, 2020	
	Increase/(decrease) in		Increase/ (decrease) in	
	Loss allowance	Carrying value of the loan	Loss allowance	Carrying value of the loan
Increase in capacity utilisation by 5% each year	(105)	105	(226)	226
Decrease in capacity utilisation by 5% each year	105	(105)	226	(226)

## (B) Liquidity Risk

Changes in regulations, guidelines and operating models influence liquidity risk. The Company generates enough cash flow from the current operation that provides liquidity both in the short-term as well as in the long-term. The Company has prudent liquidity risk management to ensure maintenance of required cash and / or have access to funds through adequate unutilised sanctioned borrowing limits from banks. The company maintains an optimal debt mix with the different categories of borrowings to meet both short-term and long-term funding requirements. Besides, the Company has planned monetisation of certain non-core assets to infuse

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

liquidity and reduce debts and remains committed to maintaining a healthy liquidity, a low debt to equity ratio, deleverage and strengthen its balance sheet.

## Financing arrangements

The Company has access to the following undrawn borrowing facilities as at end of the reporting period:

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Floating rate</b>		
Cash credit / working capital loans	23,340	23,375

The above facilities may be drawn at any time and such borrowings are repayable on demand.

## Maturities of financial liabilities

The maturity profile of the Company's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Company.

### March 31, 2021

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	5,583	-	-	-	-	-	5,583
Lease liabilities	217	155	300	682	313	56	1,723
Trade payables	13,813	-	-	-	-	-	13,813
Other financial liabilities	1,917	-	-	-	-	-	1,917
<b>Total liabilities</b>	<b>21,530</b>	<b>155</b>	<b>300</b>	<b>682</b>	<b>313</b>	<b>56</b>	<b>23,036</b>

### March 31, 2020

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	13,246	-	8,059	-	-	-	21,305
Lease liabilities	226	225	411	633	671	89	2,255
Trade payables	11,712	-	-	-	-	-	11,712
Other financial liabilities	1,589	-	-	-	-	-	1,589
<b>Total liabilities</b>	<b>26,773</b>	<b>225</b>	<b>8,470</b>	<b>633</b>	<b>671</b>	<b>89</b>	<b>36,861</b>

## (C) Interest rate risk

The Company is exposed to interest rate risk on its loans from Banks. The Company's short-term borrowings are benchmarked to Bank's MCLR (Marginal Cost of Lending Rates) and Money Market Rates. Interest rate risk arises due to uncertainties about the future market interest rate on these borrowings. The Company maintains an optimal debt mix and tenure to minimise the impact of interest rate risk.

The exposure of the Company's borrowings to interest rate changes at the end of reporting period are as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Floating rate borrowings	5,556	13,230
Fixed rate borrowings	-	7,500
<b>Total borrowings</b>	<b>5,556</b>	<b>20,730</b>

**Note:** Reasonable possible changes in interest rate is not expected to have a significant impact on the Company's profit/ loss.

## (D) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions and balances, primarily with respect to the USD and GBP. Foreign Exchange risk arises from future commercial transactions and monetary assets and liabilities denominated in a currency that is not the Company's functional currency (₹). The risk is measured through a forecast of highly probable foreign currency cash flows.

# Notes to the Financial Statements (Continued)

## Foreign currency risk management

(All amounts in ₹ Millions unless otherwise stated)

The Company's risk management policy is to assess the Company's net exposures which is mainly represented by receivable and payable towards exports and imports respectively, and partly represented by the loans extended in foreign currencies.

The Company can hedge its net exposures with a view on forex outlook. Since the net exposure is currently not material, this has not been hedged.

## Foreign currency risk exposure

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹ millions is as follows:

Financial assets	As at March 31, 2021					
	USD	GBP	EURO	SGD	AUD	Total
Cash and cash equivalents	0	0	0	-	-	0
Other financial assets	17	11	4	0	-	32
Trade receivables	144	-	-	-	-	144
<b>Exposure to foreign currency risk (assets)</b>	<b>161</b>	<b>11</b>	<b>4</b>	<b>0</b>	<b>-</b>	<b>176</b>
<b>Financial liabilities</b>						
Trade payables	11	159	12	17	1	200
Contract liabilities (Advances from customers)	12	-	-	-	-	12
<b>Exposure to foreign currency risk (liabilities)</b>	<b>23</b>	<b>159</b>	<b>12</b>	<b>17</b>	<b>1</b>	<b>212</b>
<b>Net exposure [asset / (liability)]</b>	<b>138</b>	<b>(148)</b>	<b>(8)</b>	<b>(17)</b>	<b>(1)</b>	<b>(36)</b>

Financial assets	As at March 31, 2020					
	USD	GBP	EURO	SGD	AUD	Total
Trade receivables	117	775	-	-	-	892
<b>Exposure to foreign currency risk (assets)</b>	<b>117</b>	<b>775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>892</b>
<b>Financial liabilities</b>						
Trade payables	8	217	22	8	-	255
<b>Exposure to foreign currency risk (liabilities)</b>	<b>8</b>	<b>217</b>	<b>22</b>	<b>8</b>	<b>-</b>	<b>255</b>
<b>Net exposure [asset / (liability)]</b>	<b>109</b>	<b>558</b>	<b>(22)</b>	<b>(8)</b>	<b>-</b>	<b>637</b>

### Notes:

- A reasonable possible fluctuation in foreign exchange rates are not expected to have a material effect on the profit / loss.
- Loans given to subsidiaries, denominated in foreign currency are fully provided for and hence they do not carry any foreign currency risk.

## Note 32: Capital management

### Risk management

The Company's objectives when managing capital is to:

- have a balanced financial profile from short-term (1 year) to mid-term (3 years) for sustainable leverage, providing;
  - Headroom for future growth / expansion
  - Financial flexibility in case of adverse business cycles
- ensure the capital structure is at competitive advantage when compared to peers and other sector players through optimum debt mix:
  - Diversification of funding sources to manage liquidity and rollover risk
  - Financial flexibility in case of adverse business cycles



# Notes to the Financial Statements (Continued)

## Net debt to equity ratio:

(All amounts in ₹ Millions unless otherwise stated)

Particulars		As at March 31, 2021	As at March 31, 2020
Total Debt	(a)	7,138	22,852
Cash and cash equivalents	(b)	492	271
Net debt	(c) = (a) - (b)	6,646	22,581
Total equity	(d)	41,268	38,097
Net debt to equity ratio	(c) / (d)	0.16	0.59

## Note 33: Assets pledged as security

- (a) In respect of secured loans from banks ('lenders') obtained and repaid during earlier years, the Company has in most cases obtained no objection letters from lenders for the release of the hypothecation/mortgage and have filed the necessary forms with Ministry of Corporate Affairs ("MCA") to reflect the release of such charge in MCA's records. In the few remaining cases, the Company is in the process of securing no objection letters from the lenders. As there are no secured loans outstanding as at March 31, 2021, no assets have been shown as hypothecated / mortgaged as at March 31, 2021.
- (b) Further the following assets have been pledged with a bank with whom the Company is involved in a litigation [Refer Note 40(f)]

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
<i>First charge</i>			
Freehold land	3.1	1,177	1,177
Buildings*	3.1	564	614
Leasehold land	3.2	37	37
Plant and equipment*	3.1	267	346
Investments as a sole beneficiary in USL Benefit Trust	4	1,197	1,197
<b>Total assets pledged as security</b>		<b>3,242</b>	<b>3,371</b>

\*Includes an amount of ₹ 401 million and ₹ 262 million under buildings and Plant & Machinery respectively, capitalised subsequent to creation of pledge.

- (c) Assets pledged, as disclosed under this note does not include inventory aggregating to ₹ 122 million (2020: ₹ 165 million) and net carrying value of Nil (2020: ₹ 165 million) in custody of third-party tie-up manufacturing units (TMUs), which have been hypothecated by the said TMUs for securing credit facilities.

## Note 34: Share based payments

### Diageo Plc. share based plans

Diageo Plc. (Ultimate parent company) runs various equity settled share based plans such as Diageo Performance Incentive (DPI), Diageo Executive Long Term Incentive Plan (DELTIPI), Performance Share Plan (PSP) and Senior Executive Share Option Plan (SESOP) and Diageo Exceptional Stock Award Plan (DESAP) for qualifying employees of the Group. Vesting under these plans is subject to conditions such as continuity of employment and achievement of certain other performance factors.

The net credit for the year in respect of such plans included in employee benefits expense amounted to ₹ 23 million (March 31, 2020: charge of ₹ 84 million). ₹ 23 million includes share based payment expense of ₹ 70 million recognised over the vesting period for certain eligible employees. This has been offset with credit notes amounting to ₹ 93 million received from Diageo Great Britain Limited pertaining to excess amount cross-charged in prior years. Disclosures are provided to the extent of information available with the Group.

### Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employees' reward to Company's share price performance. Under this plan, Company grants stock appreciation rights (based on USL share price on the date of grant) to qualifying employees. Cash pay-out equivalent to the value of the Company's share will be made at the end of three years from the date of grant (the vesting period).

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

The fair value of the SARs is determined using the Black-Scholes model using the following inputs at the grant dates and as at each reporting date:

	As at March 31, 2021	As at March 31, 2020
Share price as at balance sheet date (remeasurement date) (₹ per share)	556.35	484.6
Expected volatility (%)	33.72% - 36.16%	33.70% - 36.87%
Dividend yield (%)	-	-
Risk-free interest rate (%)	5.18%	5.55% - 7.78%

As at March 31, 2021 such outstanding SARs are 496,460 (March 31, 2020: 517,199). Refer below for summary of movement in provision for SAR:

Particulars	Note	Amount
Provision as at April 1, 2019		162
Charge for the year	24	40
Payout during the year	24	(81)
<b>Provision as at March 31, 2020</b>	<b>17</b>	<b>121</b>
Charge for the year	24	89
Payout during the year	24	(90)
<b>Provision as at March 31, 2021</b>	<b>17</b>	<b>120</b>

## Provision as at the year-end classified as:

Particulars	As at March 31, 2021	As at March 31, 2020
Current	56	64
Non-current	64	57
<b>Total</b>	<b>120</b>	<b>121</b>

## Note 35: Impairment of investments in subsidiaries and an associate

The Company performs impairment assessment of its investments in subsidiaries and associate whenever events or changes in circumstances indicate a diminution in the carrying value of the investments or when such events indicate that a reversal of a previously recognised impairment loss is likely.

The Company has determined recoverable values of its investments using 'market approach' i.e., fair value of net assets, less cost of disposal. Such fair values have been determined using Level 3 inputs. An analysis of investments in subsidiaries and an associate where impairment charge/ reversal has been recognised, is provided below:

As at and for the year ended March 31, 2021	Sovereign Distilleries Limited	Hip Bar Private Limited	Total
Carrying amount of investments (Gross)			
Investments in equity	4,267	270	
Recoverable amount	277	-	
<b>Shortfall in recoverable amount over carrying value</b>	<b>3,990</b>	<b>270</b>	
Impairment allowance recognised in earlier years	3,942	-	
Impairment allowance recognised during the year [Refer Note 28(a)]	48	270	318
<b>Closing impairment allowance (Refer Note 4)</b>	<b>3,990</b>	<b>270</b>	

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

As at and for the year ended March 31, 2020	Sovereign Distilleries Limited	Tern Distilleries Private Limited [refer note(d) below]	Total
Carrying amount of investments (Gross)			
Investments in equity	4,267	987	
Recoverable amount	325	187	
<b>Shortfall in recoverable amount over carrying value</b>	<b>3,942</b>	<b>800</b>	
Impairment allowance recognised in earlier years	3,484	800	
Impairment allowance recognised during the year [Refer Note 28(a)]	458	-	<b>458</b>
<b>Closing impairment allowance (Refer Note 4)</b>	<b>3,942</b>	<b>800</b>	

**Notes:**

- (a) Any changes in fair value of the underlying assets held by the subsidiaries and the associate would have an equivalent effect on the impairment charge.
- (b) During the year the Company impaired its investment in Hip Bar Private Limited, as the operations have been closed.
- (c) Investment in Tern Distilleries Private Limited was sold during the year. [Refer Note 48(b)]

**Note 36: Related party disclosures****(a) Names of related parties and description of relationship****(i) Parent entities**

- Diageo Plc. United Kingdom (Ultimate Holding Company)
- Tanqueray Gordon & Company Ltd., United Kingdom (Holding Company of Relay B V)
- Relay B V, Netherlands (Holding Company)

**(ii) Subsidiaries**

Name of the subsidiary	% of Ownership Interest	Country of Incorporation
<b>Indian Subsidiaries</b>		
Pioneer Distilleries Limited	75	India
Royal Challengers Sports Private Limited	100	India
Sovereign Distilleries Limited	100	India
Tern Distilleries Private Limited [up to January 27, 2021 - Refer Note 48(b)]	100	India
<b>Overseas Subsidiaries</b>		
Asian Opportunities and Investments Limited	100	Mauritius
Liquidity Inc. [up to December 17, 2020 - Refer Note 40(b)(iii)]	51	USA
McDowell & Co. (Scotland) Limited	100	Scotland, U.K.
Montrose International S.A.	100	Panama
Palmer Investment Group Limited	100	British Virgin Islands
Shaw Wallace Overseas Limited	100	U.K.
UB Sports Management Overseas Limited [up to July 15, 2020 - Refer Note 40(b) (ii)]	100	Jersey Islands
United Spirits (Great Britain) Limited	100	U.K.
United Spirits (Shanghai) Trading Company Limited	100	China

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the subsidiary	% of Ownership Interest	Country of Incorporation
United Spirits (UK) Limited	100	U.K.
United Spirits Singapore Pte Ltd	100	Singapore
USL Holdings (UK) Limited	100	U.K.
USL Holdings Limited	100	British Virgin Islands

**(iii) Other entity where there is control**

- USL Benefit Trust, India

**(iv) Associate**

Name of the associate	% of Ownership Interest	Country of Incorporation
Hip Bar Private Limited	26	India

**(v) Fellow subsidiaries (with whom transactions have taken place during the year or in the previous year)**

- Diageo Scotland Limited
- Diageo Brands BV
- Diageo Great Britain Limited
- Diageo Australia Limited
- Diageo North America Inc.
- Diageo Singapore Supply Pte Limited
- Guinness Nigeria Plc
- Diageo Ireland Ltd
- Diageo Business Services India Private Limited
- UDV Kenya Ltd
- Diref - Industria De Bebidas Lda.
- Guinness Ghana Breweries Ltd
- Diageo Singapore Pte
- Diageo India Private Limited
- Diageo Indonesia (PT Langgeng Kreasi Jayaprima)
- Diageo Mexico

**(vi) Employees' Benefit Plans:**

- McDowell & Company Limited Staff Gratuity Fund
- McDowell & Company Limited Officers' Gratuity Fund
- McDowell & Company Limited Employees Provident Fund
- Phipson & Company Limited Management Staff Gratuity Fund
- Phipson & Company Limited Gratuity Fund
- Carew & Company Ltd. Gratuity Fund
- United Spirits Superannuation Fund
- UB Group Employee Benefit Trust

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## (vii) Key management personnel

- Anand Kripalu (Managing Director and Chief Executive Officer)
- Sanjeev Churiwala (Executive Director & Chief Financial Officer) up to September 30, 2020

## (viii) Non-executive/Independent directors

- Mahendra Kumar Sharma – Chairman
- V K Viswanathan
- Dr. Indu Shahani
- D Sivanandhan
- Rajeev Gupta
- John Thomas Kennedy
- Randall Ingber
- Vinod Rao

## Note 36(b): Summary of the transactions with related parties

Name of the related party	Relationship	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>(i) Investments in compulsory convertible preference shares</b>			
Hip Bar Private Limited [Refer Note 4(d)]	Associate	20	-
<b>Total-investments in compulsory convertible preference shares</b>		<b>20</b>	<b>-</b>
<b>(ii) Sale of products (including excise duty) to</b>			
Pioneer Distilleries Limited	Subsidiary	55	33
Guinness Nigeria Plc.	Fellow subsidiary	12	11
Guinness Ghana Breweries Ltd	Fellow subsidiary	-	1
Diref - Industria De Bebidas Lda.	Fellow subsidiary	-	3
UDV Kenya Ltd	Fellow subsidiary	-	8
Diageo Scotland Limited	Fellow subsidiary	-	2,483
Diageo Brands BV	Fellow subsidiary	47	-
<b>Total- Sale of products</b>		<b>114</b>	<b>2,539</b>
<b>(iii) Royalty and brand franchise income</b>			
Guinness Nigeria Plc.	Fellow subsidiary	3	12
<b>Total- Royalty and brand franchise income</b>		<b>3</b>	<b>12</b>
<b>(iv) Interest income on loans given to</b>			
Royal Challengers Sports Private Limited	Subsidiary	208	247
Pioneer Distilleries Limited	Subsidiary	9	13
Sovereign Distilleries Limited	Subsidiary	0	1
Tern Distilleries Private Limited	Subsidiary	0	0
<b>Total - Interest income from subsidiaries (Refer Note 21)</b>		<b>217</b>	<b>261</b>

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the related party	Relationship	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>(v) Reimbursement of expenses from</b>			
Diageo Plc.	Parent	19	117
Pioneer Distilleries Limited	Subsidiary	5	2
Royal Challengers Sports Private Limited	Subsidiary	20	17
Diageo India Private Limited	Fellow subsidiary	2	1
Diageo Great Britain Limited	Fellow subsidiary	160	77
Diageo Brands BV	Fellow subsidiary	9	0
Diageo Ireland Ltd	Fellow subsidiary	-	2
Diageo North America Inc.	Fellow subsidiary	8	41
Diageo Singapore Pte	Fellow subsidiary	3	5
Diageo Scotland Limited	Fellow subsidiary	152	169
Diageo Mexico	Fellow subsidiary	1	-
Diageo Indonesia (PT Langgeng Kreasi Jayaprima)	Fellow subsidiary	7	-
<b>Total - Reimbursement of expenses received</b>		<b>386</b>	<b>431</b>
<b>(vi) Purchase of stock-in-trade from</b>			
Diageo Brands BV	Fellow subsidiary	2,409	1,962
Diageo Scotland Limited	Fellow subsidiary	-	3
Diageo Singapore Supply Pte Limited	Fellow subsidiary	5	3
<b>Total- Purchase of stock-in-trade</b>		<b>2,414</b>	<b>1,968</b>
<b>(vii) Purchase of raw materials from</b>			
Pioneer Distilleries Limited (including purchase through intermediaries)	Subsidiary	1,544	1,372
Diageo Brands BV	Fellow subsidiary	1,780	1,013
<b>Total- Purchase of materials</b>		<b>3,324</b>	<b>2,385</b>
<b>(viii) Bottling charges paid to tie-up manufacturing operations</b>			
Pioneer Distilleries Limited	Subsidiary	70	95
<b>Total- Bottling charges</b>		<b>70</b>	<b>95</b>
<b>(ix) Royalty expense</b>			
Diageo North America Inc.	Fellow subsidiary	59	97
<b>Total- Royalty expense (Refer Note 27)</b>		<b>59</b>	<b>97</b>
<b>(x) Professional charges</b>			
Diageo Business Services India Private Limited	Fellow subsidiary	172	196
<b>Total- Professional charges</b>		<b>172</b>	<b>196</b>



# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the related party	Relationship	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>(xi) Cross Charge towards share based payments</b>			
Diageo Great Britain Limited	Fellow subsidiary	59	75
<b>Total- Cross charge</b>		<b>59</b>	<b>75</b>
<b>(xii) Other services received</b>			
<b>Advertisement and sales promotion expenses</b>			
Royal Challengers Sports Private Limited	Subsidiary	24	35
<b>Information Technology expenses</b>			
Diageo Great Britain Limited	Fellow subsidiary	159	148
Diageo North America Inc	Fellow subsidiary	4	15
Diageo Business Services India Private Limited	Fellow subsidiary	24	26
<b>Total- Other services received</b>		<b>211</b>	<b>224</b>
<b>(xiii) Reimbursement of expenses paid to</b>			
Tern Distilleries Private Limited	Subsidiary	-	1
Diageo Scotland Limited	Fellow subsidiary	82	4
Diageo Brands BV	Fellow subsidiary	4	5
Diageo Great Britain Limited	Fellow subsidiary	43	56
Diageo Ireland Ltd	Fellow subsidiary	1	-
Diageo Business Services India Private Limited	Fellow subsidiary	9	-
Diageo Australia Ltd	Fellow subsidiary	1	-
Diageo Plc.	Parent	1	-
<b>Total- reimbursement of expenses paid</b>		<b>141</b>	<b>66</b>
<b>(xiv) Loans given to</b>			
Sovereign Distilleries Limited	Subsidiary	23	30
Royal Challengers Sports Private Limited	Subsidiary	1,495	1,700
Tern Distilleries Private Limited	Subsidiary	7	9
<b>Total- Loans given</b>		<b>1,525</b>	<b>1,739</b>
<b>(xv) Loans repaid by</b>			
Royal Challengers Sports Private Limited	Subsidiary	2,333	1,408
USL Holdings Limited	Subsidiary	-	614
USL Holdings Limited UK	Subsidiary	-	47
McDowell & Co. (Scotland) Limited	Subsidiary	65	274
<b>Total- Loans repaid</b>		<b>2,398</b>	<b>2,343</b>

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the related party	Relationship	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>(xvi) Allowances reversed on loans/interest</b>			
USL Holdings (UK) Limited	Subsidiary	-	52
USL Holdings Limited	Subsidiary	-	23
McDowell & Co. (Scotland) Limited	Subsidiary	65	-
<b>Total-Allowances reversed [Refer Note 28(d)]</b>		<b>65</b>	<b>75</b>
<b>(xvii) Loans written-off</b>			
Tern Distilleries Private Limited [Refer Note 28(e)]	Subsidiary	54	-
Liquidity Inc*	Subsidiary	66	-
<b>Total-Loans written-off</b>		<b>120</b>	<b>-</b>
<b>(xviii) Conversion of loans into equity</b>			
USL Holdings Limited	Subsidiary	56,267	-
<b>Total Conversion of loans into equity [Refer Note 4(c)]</b>		<b>56,267</b>	<b>-</b>
<b>(xix) Contribution to employee benefit plans</b>			
McDowell & Company Limited Employees Provident Fund	Employee benefits plan	136	145
United Spirits Superannuation Fund	Employee benefits plan	39	49
<b>Total- Contribution to employee benefit plans</b>		<b>175</b>	<b>194</b>
<b>(xx) Allowances during the year for loans/ interest receivable</b>			
Pioneer Distilleries Limited	Subsidiary	540	490
McDowell & Co. (Scotland) Limited	Subsidiary	-	63
<b>Total-Allowances created [Refer Note 28(c)]</b>		<b>540</b>	<b>553</b>

\*Loan to Liquidity Inc. amounting to ₹ 66 Million was fully provided for in the Statement of Profit and Loss prior to the date of write-off.

## Note 36(c): Summary of closing balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Name of the related party	Relationship	As at March 31, 2021	As at March 31, 2020
<b>(i) Financial assets receivable</b>			
Royal Challengers Sports Private Limited	Subsidiary	39	16
Diageo Scotland Limited	Fellow subsidiary	-	12
Diageo Brands BV	Fellow subsidiary	9	-
Diageo India Private Limited	Fellow subsidiary	-	1
Pioneer Distilleries Limited	Subsidiary	-	2
Diageo Great Britain Limited	Fellow subsidiary	7	-
Diageo Indonesia (PT Langgeng Kreasi Jayaprima)	Subsidiary	7	-
<b>Total- Financial assets receivable (Refer Note 6)</b>		<b>62</b>	<b>31</b>

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the related party	Relationship	As at March 31, 2021	As at March 31, 2020
<b>(ii) Trade advances to</b>			
Pioneer Distilleries Limited	Subsidiary	723	820
<b>Total- Trade advances (Refer Note 9)</b>		<b>723</b>	<b>820</b>
<b>(iii) Trade receivables from</b>			
Diageo Brands BV	Fellow Subsidiary	47	-
Diageo Scotland Limited	Fellow subsidiary	-	775
Diref - Industria De Bebidas Lda	Fellow subsidiary	-	1
UDV Kenya Ltd	Fellow subsidiary	-	8
Guinness Nigeria Plc.	Fellow subsidiary	49	60
<b>Total- Trade receivables (Refer Note 11)</b>		<b>96</b>	<b>844</b>
<b>(iv) Trade payables to</b>			
Diageo Plc.	Parent	1	-
Pioneer Distilleries Limited	Subsidiary	107	-
Sovereign Distilleries Limited	Subsidiary	4	4
Diageo Brands BV	Fellow subsidiary	2,176	1,103
Diageo Great Britain Limited	Fellow subsidiary	74	190
Diageo North America Inc.	Fellow subsidiary	34	50
Diageo Scotland Limited	Fellow subsidiary	62	-
Diageo Singapore Supply Pte Limited	Fellow subsidiary	5	4
Diageo Business Services India Private Limited	Fellow subsidiary	53	65
Diageo Ireland Ltd	Fellow subsidiary	1	-
Diageo Australia	Fellow subsidiary	1	-
<b>Total trade payables (Refer Note 18)</b>		<b>2,518</b>	<b>1,416</b>
<b>(v) Payables to tie-up manufacturing units</b>			
Pioneer Distilleries Limited		56	193
<b>Total payables to tie-up manufacturing units</b>	<b>Subsidiary</b>	<b>56</b>	<b>193</b>
<b>(vi) Loans (including interest) outstanding from</b>			
<b>(a) Principal</b>			
Royal Challengers Sports Private Limited	Subsidiary	1,888	2,725
Pioneer Distilleries Limited	Subsidiary	1,354	1,354
Sovereign Distilleries Limited	Subsidiary	98	75
Tern Distilleries Private Limited	Subsidiary	-	47
Asian Opportunities & Investments Limited	Subsidiary	568	545
Liquidity Inc.	Subsidiary	-	75
United Spirits (Shanghai) Trading Company Limited	Subsidiary	21	22
McDowell & Co. (Scotland) Limited	Subsidiary	-	63

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the related party	Relationship	As at March 31, 2021	As at March 31, 2020
USL Holdings Limited [Refer Note 4(c)]	Subsidiary	-	57,317
USL Holdings (UK) Limited	Subsidiary	139	129
(b) Interest accrued			
Royal Challengers Sports Private Limited	Subsidiary	12	0
Pioneer Distilleries Limited	Subsidiary	488	486
Sovereign Distilleries Limited	Subsidiary	4	4
USL Holdings Limited [Refer Note 4(c)]	Subsidiary	-	101
<b>Total - Loans outstanding (Refer Note 5)</b>		<b>4,572</b>	<b>62,943</b>

<b>(vii) Allowance on loans at year end</b>			
(a) Principal			
Liquidity Inc.	Subsidiary	-	75
United Spirits (Shanghai) Trading Company Limited	Subsidiary	21	22
Pioneer Distilleries Limited	Subsidiary	921	381
Asian Opportunities & Investments Limited	Subsidiary	568	545
USL Holdings (UK) Limited	Subsidiary	139	129
USL Holdings Limited (Refer Note 4(c))	Subsidiary	-	57,317
McDowell & Co. (Scotland) Limited	Subsidiary	-	63
(b) Interest			
USL Holdings Limited (Refer Note 4(c))	Subsidiary	-	101
Pioneer Distilleries Limited	Subsidiary	486	486
Sovereign Distilleries Limited	Subsidiary	4	4
<b>Total Allowance on loans (Refer Note 5)</b>		<b>2,139</b>	<b>59,123</b>

<b>(viii) Minimum offtake commitment for purchase of bulk scotch</b>			
Diageo Scotland Limited	Fellow subsidiary	536	1,308

<b>(ix) Liability towards reimbursement of levies to</b>			
Pioneer Distilleries Limited	Subsidiary	-	43

## Note 36(d): Key management personnel and compensation

Executive directors	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Anand Kripalu (***)	Sanjeev Churiwala	Anand Kripalu	Sanjeev Churiwala
Remuneration (*)	102	26	139	43
Employee share-based payments (**)	35	2	95	30
<b>Total compensation</b>	<b>137</b>	<b>28</b>	<b>234</b>	<b>73</b>

(\*) As the employee benefits obligations such as gratuity, compensated absences and bonuses are provided for the Company as a whole, the amounts pertaining to individual Key Management Personnel are not included above on an accrual basis. Such amounts are included on payment basis.

(\*\*) Based on options exercised.

(\*\*\*) Excludes an amount of ₹ 0 which pertains to reimbursement of penalty paid by Director.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Non-executive/ Independent directors	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Sitting Fee	Commission	Sitting Fee	Commission
Mahendra Kumar Sharma	1.0	4.7	0.9	4.7
V K Viswanathan*	1.2	3.9	0.9	3.9
Dr. Indu Shahani	1.3	4.0	1.0	4.0
D Sivanandhan	1.3	3.9	0.9	3.9
Rajeev Gupta	1.0	3.5	0.7	3.5
<b>Total</b>	<b>5.8</b>	<b>20.0</b>	<b>4.4</b>	<b>20.0</b>

Note: The above amounts are reported in millions, and the decimals are rounded off to the nearest lakhs.

## Note 36 (e): General terms and conditions for transactions with related parties

Transactions with related parties are carried out in the normal course of business and are generally on normal commercial terms.

All loans to subsidiaries are unsecured. For tenure of the loans and interest rate, Refer Note 46(b).

## Note 37: Offsetting of financial assets and financial liabilities

As at year end, the Company has Receivables from Tie-up manufacturing units, which are presented after offsetting liabilities payable by the Company towards bottling charges. Company is not obligated to pay the bottling charges and only the net amounts due are settled by the Tie-up manufacturing units. The relevant amounts have therefore been presented net in the balance sheet. Details of such offset is given in the below table.

Particulars	As at March 31, 2021	As at March 31, 2020
Receivable from Tie-up manufacturing units (gross)	2,945	3,542
Less: Bottling charges payable	(127)	-
Receivable from Tie-up manufacturing units as reported (Refer Note 6)	2,818	3,542

## Note 38(a): Defined contribution plans

### Provident Fund:

Provident Fund covers substantially all permanent workmen. Both the eligible employees and the Company make monthly contributions to the Provident Fund as per regulations to a fund administered by government authority, equal to a specified percentage of the employees' salary. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

### Employee Pension Scheme:

Employee Pension Scheme covers all eligible employees (i.e., permanent workmen and executive staff) of the Company. A portion of the Company's contribution in respect of government administered Provident Fund and Company administered Provident Fund Plan is made to the government administered Employee Pension Scheme, as per regulations. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

### Employees' State Insurance:

Employees' State Insurance is a state plan which is applicable to those employees of the Company whose salaries do not exceed a specified amount. The contributions are made based on a percentage of salary to a fund administered by government authority. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

### Superannuation fund:

Certain executive staff of the Company participate in United Spirits Superannuation fund (the 'Fund'), which is a voluntary contribution plan. The Company has no further obligations to the plan beyond its monthly contributions to the Fund, the corpus of which is administered by a Trust and is invested in insurance products.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## National Pension Scheme:

Certain executive staff of the Company participate in National Pension Scheme, which is a voluntary contribution plan. The Company has no further obligations to the plan beyond its monthly contributions to a fund administered by a pension fund manager appointed by Pension Fund Regulatory and Development Authority.

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 under the employee benefits expense in Note 24.

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Provident fund*	26	31
Employees' pension scheme	48	47
Employees' state insurance	3	6
Superannuation fund	39	49
National pension scheme	8	9
<b>Total (Refer Note 24)</b>	<b>124</b>	<b>142</b>

\*Excludes contributions to Provident Fund Trust which are in the nature of defined benefit plans managed by the Company.

## Note 38(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 or upon resignation from service, of an amount based on the respective employee's last drawn salary and years of employment with the Company. Vesting occurs only upon completion of five years of service, except in case of death or permanent disability. The funds are managed by a trust administered by the Company.

### Pension plan:

The Company operates an unfunded defined benefit pension plan for certain retired employees of an erstwhile entity which has merged into the Company in earlier years. This plan provides benefits to members in the form of a guaranteed level of pension payable for life post retirement or termination of employment. The level of benefits provided depends on their salary in the final year leading up to retirement, or termination.

### Provident fund plan:

Executive staff and certain permanent workmen receive benefits from the provident fund plan, which is a defined benefit plan. Both the employees and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the employee's salary. A portion of Company's contribution is transferred to Employee Pension Scheme, which is a defined contribution plan and the remaining amount is transferred to provident fund plan. The Provident Fund contributions are made to McDowell & Company Limited Employees Provident Fund Trust set up and managed by the Company. The Trust invests in specific designated instruments as permitted by Indian laws. The Company has an obligation to make good the shortfall if any, being the difference between the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Company also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation. The actuarial risk and investment risk fall, in substance, on the Company.

## Gratuity, Provident Fund and Pension

### A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):

	For the year ended March 31, 2021			For the year ended March 31, 2020		
	Gratuity	Provident fund	Pension	Gratuity	Provident fund	Pension
	(Funded)	(Funded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)
Obligation at the beginning of the year	1,283	3,305	15	1,176	3,009	16
Current service cost	120	136	-	105	139	-
Interest cost	80	276	1	81	259	1

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	For the year ended March 31, 2021			For the year ended March 31, 2020		
	Gratuity	Provident fund	Pension	Gratuity	Provident fund	Pension
	(Funded)	(Funded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)
Benefit payments from plan assets	(157)	(446)	-	(150)	(438)	-
Transfer in/(out)	-	14	-	-	73	-
Employee contributions	-	191	-	-	195	-
Benefit payments from the Company	-	-	(1)	-	-	(3)
Actuarial (gain)/loss from changes in demographic assumptions	-	-	-	24	-	-
Actuarial (gain)/loss from changes in financial assumptions	3	-	0	59	(19)	1
Actuarial (gain)/loss from experience adjustments	(75)	(30)	(3)	(12)	87	(0)
<b>Obligation at the end of the year</b>	<b>1,254</b>	<b>3,446</b>	<b>12</b>	<b>1,283</b>	<b>3,305</b>	<b>15</b>

## B. Reconciliation of opening and closing balances of the fair value of plan assets:

	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Gratuity	Provident fund	Gratuity	Provident fund
	(Funded)	(Funded)	(Funded)	(Funded)
Plan assets at the beginning of the year	1,669	2,938	1,625	3,032
Employee contributions	-	191	-	195
Transfer in/(out)	-	14	-	67
Contribution by the Company	-	136	-	145
Return on plan assets	110	276	120	259
Actuarial gains/(losses)*	1	(30)	74	(322)
Benefits paid	(157)	(446)	(150)	(438)
<b>Plan assets at the end of the year</b>	<b>1,623</b>	<b>3,079</b>	<b>1,669</b>	<b>2,938</b>

\*During the year ended March 31, 2020, the Company recognized a charge of ₹ 275 million, (net of tax of ₹ 92 million) in Other Comprehensive Income, arising from impairment in the fair value of certain investments held by the Company administered Provident Fund trust.

## 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 at the end of the year:

	As at March 31, 2021			As at March 31, 2020		
	Gratuity	Provident fund	Pension	Gratuity	Provident fund	Pension
	(Funded)	(Funded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)
Present value of obligation	1,254	3,446	12	1,283	3,305	15
Fair value of plan assets	1,623	3,079	-	1,668	2,938	-
Asset ceiling	-	-	-	-	-	-
<b>Liability/(asset) recognised in Balance Sheet (Refer Notes 9 and 17)</b>	<b>(369)</b>	<b>367</b>	<b>12</b>	<b>(385)</b>	<b>367</b>	<b>15</b>
Current	-	367	1	-	367	2
Non-current	(369)	-	11	(385)	-	13



# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

**D. Expenses recognised in the Statement of profit and loss:**

	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Gratuity	Provident fund	Pension	Total	Gratuity	Provident fund	Pension	Total
	(Funded)	(Funded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	
Current service cost	120	136	-	256	105	139	-	244
Net interest cost								
a. Interest expense on DBO	80	276	1	357	80	259	1	340
b. Interest (income) on plan assets	(110)	(276)	-	(386)	(119)	(259)	-	(378)
Total net interest cost (a-b)	(30)	-	1	(29)	(39)	-	1	(38)
<b>Defined benefit cost (Refer Note 24)</b>	<b>90</b>	<b>136</b>	<b>1</b>	<b>227</b>	<b>66</b>	<b>139</b>	<b>1</b>	<b>206</b>

**E. Re-measurement effects recognised in Other comprehensive income (OCI):**

	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Gratuity	Provident fund	Pension	Total	Gratuity	Provident fund	Pension	Total
	(Funded)	(Funded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	
a. Actuarial (gain)/ loss due to demographic assumptions changes in DBO	-	-	-	-	24	-	-	24
b. Actuarial (gain)/ loss due to financial assumptions changes in DBO	3	-	0	3	60	(19)	1	42
c. Actuarial (gain)/ loss due to experience on DBO	(75)	(30)	(3)	(108)	(12)	87	0	75
d. Return on plan assets (greater)/ less than discount rate	(1)	30	-	29	(74)	322	-	248
e. Movement in asset ceiling (gain)/ loss	-	-	-	-	-	(23)	-	(23)
<b>Total actuarial (gain)/ loss included in OCI</b>	<b>(73)</b>	<b>-</b>	<b>(3)</b>	<b>(76)</b>	<b>(2)</b>	<b>367</b>	<b>1</b>	<b>366</b>

**F. Total cost recognised in Comprehensive Income:**

	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Gratuity	Provident fund	Pension	Total	Gratuity	Provident fund	Pension	Total
	(Funded)	(Funded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	
Expense recognised in Profit and Loss (Refer Note 24)	90	136	1	227	66	139	1	206
Remeasurements effects recognised in OCI	(73)	-	(3)	(76)	(2)	367	1	366
<b>Total cost recognised in Comprehensive Income</b>	<b>17</b>	<b>136</b>	<b>(2)</b>	<b>151</b>	<b>64</b>	<b>506</b>	<b>2</b>	<b>572</b>

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## G. Investment details of plan assets:

	As at March 31, 2021		As at March 31, 2020	
	Gratuity	Provident fund	Gratuity	Provident fund
Government securities	-	68%	-	61%
Private sector bonds	-	9%	-	10%
Public sector / financial institutional bonds	-	6%	-	12%
Special deposit scheme	-	4%	-	4%
Insurance products	100%	-	100%	2%
Others (including bank balances)	0%	13%	0%	11%
	100%	100%	100%	100%

## H. Assumptions:

	As at March 31, 2021			As at March 31, 2020		
	Gratuity	Provident fund	Pension	Gratuity	Provident fund	Pension
	(Funded)	(Funded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)
Discount rate (per annum)	6.54%	6.58%	6.54%	6.58%	6.55%	6.58%
Rate of increase in compensation levels	10%	10%	NA	10%	10%	NA
Attrition rate	5% - 11%	5% - 11%	NA	5% - 11%	5% - 11%	NA
Mortality rates	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table

\*IALM: Indian Assured Lives Mortality

## Note 38(c): Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is provided below:

### Gratuity:

	Changes in assumptions		(Decrease)/Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Discount rate	1%	1%	(72)	(80)	81	93
Compensation levels	1%	1%	78	88	(71)	(79)

### Provident Fund:

	Changes in assumptions		(Decrease)/Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Discount rate	1%	1%	(104)	(118)	180	192
Compensation levels	1%	1%	167	178	(102)	(116)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## Note 38(d): Risk exposure:

Through its defined benefit plans, Company is exposed to number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to yields of government securities; if plan assets underperform this yield, this will create a deficit. Plan asset investments for provident fund are made in government securities, private sector bonds and public sector/financial institution bonds. Plan asset investments for gratuity are made in pre-defined insurance plans. These are subject to risk of default and interest rate risk. The fund manages credit risk/ interest rate risk through continuous monitoring to minimise risk to an acceptable level.
Change in bond yields	A decrease in yields of government securities will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation Risk	In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life Expectancy	The pension plan provides benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets consists of government and public sector bonds, although the Company also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective regulations.

## Note 38(e): Effect of the defined benefit plan on the entity's future cash flows

The Company does not expect to contribute any amounts into the gratuity plan assets during the year ending March 31, 2022, considering the net surplus portion as at March 31, 2021. The Company is expected to contribute ₹ 149 Million (2020: ₹ 153 million) to Provident fund during the year ended March 31, 2022.

The weighted average duration of the defined benefit obligation is 8.30 years (2020: 8.36 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

March 31, 2021	Less than a year	Between 1-2 years	Between 2- 5 years	Over 5 years	Total
Gratuity	150	124	364	1,501	2,139
Provident fund	364	397	1,426	3,400	5,587
<b>Total</b>	<b>514</b>	<b>521</b>	<b>1,790</b>	<b>4,901</b>	<b>7,726</b>

March 31, 2020	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	147	124	406	1,514	2,191
Provident fund	345	377	1,355	3,242	5,319
<b>Total</b>	<b>492</b>	<b>501</b>	<b>1,761</b>	<b>4,756</b>	<b>7,510</b>

### Note:

The estimates of future increase in compensation levels, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

## Note 39: Long term contracts, including derivative contracts

The Company does not have any derivative contracts as at March 31, 2021. The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. No provision for material foreseeable losses is considered necessary based on the review of such contracts as at year end.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## Note 40: Historical matters

### a) Additional Inquiry

As disclosed in each of the annual financial statements commencing from year ended March 31, 2017, upon completion of an inquiry into past improper transactions which was completed in April 2015 ('Initial Inquiry') and which identified references to certain additional parties and certain additional matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an additional inquiry into past improper transactions ('Additional Inquiry') which was completed in July 2016. The Additional Inquiry prima facie identified transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's former non-executive chairman, Dr. Vijay Mallya, and other potentially improper transactions. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of the Company or its subsidiaries in prior periods. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliance with applicable laws in relation to such fund diversions.

### b) Overseas subsidiaries Rationalisation

As disclosed in each of the annual financial statements, commencing from year ended March 31, 2019, in relation to its subsidiaries and pursuant to its strategic objective of divesting non-core assets, the Company has reviewed its subsidiaries' operations, obligations and compliances, and as approved by the Board has made plans for their rationalisation through sale, liquidation or merger ("Rationalisation Process").

- i. The Company had sought approval of regulatory authorities for liquidating its wholly owned subsidiaries, USL Holdings Limited (including its three wholly owned step-down overseas subsidiaries USL Holdings (UK) Limited, United Spirits (UK) Limited and United Spirits (Great Britain) Limited). The Board has approved liquidation of Asian Opportunities and Investments Limited, McDowell & Co. (Scotland) Limited, Shaw Wallace Overseas Limited and United Spirits Singapore Pte Ltd, for which the Company is in the process of seeking regulatory approvals for liquidating the said subsidiaries. The Board has also approved the merger of Palmer Investment Group Limited with the Company.

On December 01, 2020, the Company received a no-objection letter from the Reserve Bank of India (RBI), for the liquidation of United Spirits (Shanghai) Trading Company Limited and has initiated the liquidation proceedings of this subsidiary, in Shanghai..

The completion of the above liquidations and merger are subject to regulatory and other approvals (in India and overseas). During this Rationalisation Process, if any historical non-compliances are established, the Company will consult with its legal advisors, and address any such issues including, if necessary, considering filing appropriate compounding applications with the relevant authorities. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliances with applicable laws, if established.

- ii. The Company received an order on July 22, 2020 from the Jersey Financial Service Commission, Company Registry, with respect to the merger of UB Sports Management Overseas Limited with Palmer Investments Group Limited. Consequently, UB Sports Management Overseas Limited stands merged with Palmer Investment Group Limited with effect from July 15, 2020. The Company has made the relevant filing with the RBI on December 21, 2020 for the above merger.
- iii. On December 01, 2020, the Company received a no-objection letter from the RBI, for stake sale in Liquidity, Inc. On December 18, 2020, the Company completed the sale of its entire shareholding in Liquidity Inc to its joint venture partner, Plonk!, LLC, a Delaware limited liability company. The business was sold for a sale consideration of USD 1. As a pre-condition to the stake sale, the Company waived a loan of ₹ 66 million provided to Liquidity, Inc. The loan was fully provided for in an earlier year and hence there was no impact on the Statement of Profit and Loss, upon waiver. Following the completion of the sale, Liquidity Inc ceased to be a subsidiary of the Company. This transaction resulted in a profit of Nil and has been accounted as an exceptional item in the Statement of Profit & loss for the year ended March 31, 2021. Also refer note 28(f).
- iv. December 01, 2020, the Company received a no-objection letter from the Reserve Bank of India (RBI), for the liquidation of Montrose International S.A and initiated the liquidation proceedings of Montrose International S.A.. Subsequent to the year end, Montrose International S.A. has been liquidated with effect from April 16, 2021.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## c) Loan to United Breweries (Holdings) Limited ('UBHL')

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, the Company had pre-existing loans/ deposits/ advances/ accrued interest that were due to the Company and its subsidiaries from UBHL and its subsidiaries aggregating to ₹ 13,374 million and that were consolidated into, and recorded as, an unsecured loan through an agreement entered into between the Company and UBHL on July 3, 2013 ('Loan Agreement'). The Company has already made provision in prior financial years for the entire principal amount due, of ₹ 13,374 million, and for the accrued interest of ₹ 846 million up to March 31, 2014. The Company has not recognised interest income on said loan after March 31, 2014 which cumulatively amounts to ₹ 8,719 million up to March 31, 2021. The Company has offset payable to UBHL under the trademark agreement amounting to ₹ 303 million for the year ended March 31, 2021, and consequently, the corresponding provision for loan has been reversed to 'Loss allowance on trade receivables and other financial assets (net)'. The cumulative offset up to March 31, 2021 amounted to ₹ 1,987 million.

Since UBHL had defaulted on its obligations under the Loan Agreement, the Company sought redressal of disputes and claims through arbitration under the terms of the Loan Agreement. On April 8, 2018, the arbitral tribunal passed a final award against the Company. The reasons for this adverse award were disputed by the Company, and the Company had obtained leave from the High Court of Karnataka to file a challenge against this arbitral award. The Company has on July 6, 2018 filed the petition challenging the said award before the Jurisdictional Court in Bangalore (the "Court"). The Court has issued notice pursuant thereto on the Official Liquidator and the hearing has commenced. Notwithstanding the arbitration award, based on management assessment supported by an external legal opinion, the Company continues to offset payable to UBHL under the trademark agreement against the balance of loan receivable from UBHL. During the quarter ended March 31, 2021, The Official Liquidator and the Company exchanged correspondences.

## d) Excess managerial remuneration pertaining to earlier year

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, the managerial remuneration for the financial year ended March 31, 2015 aggregating ₹ 153 million to the former Executive Director and Chief Financial Officer ('ED & CFO'), was approved by the shareholders at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Act, by ₹ 134 million. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration which was not approved, and the Company had sought Central Government to reconsider approving the waiver of excess remuneration paid. In light of the findings from the Additional Inquiry, by its letter dated July 12, 2016, the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO and has filed a civil suit before the jurisdictional court to recover the sums from the former ED & CFO during the quarter ended March 31, 2017. There have been no developments with respect to this matter during the year ended March 31, 2021.

## e) Regulatory notices and communications

The Company has previously received letters and notices from various regulatory and other government authorities as follows:

- i) as disclosed in each of the annual financial statements commencing from year ended March 31, 2016, from the Securities Exchange Board of India ('SEBI'), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya to which the Company has responded. No further communications have been received thereafter;
- ii) as disclosed in each of the annual financial statements commencing from year ended March 31, 2016, from the Ministry of Corporate Affairs ('MCA') in relation to its inspection conducted under Section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. The Company had also received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. During the year ended March 31, 2018, the Company had filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices, and requested the Registrar to drop one show cause notice based on expert legal advice received. During the quarter ended September 30, 2020, the Company had received an order on the adjudication applications for aforesaid two show cause notices and complied with the said order. During the quarter ended March 31, 2021, the Company had received an order on compounding application for one of the aforesaid show cause notices and has complied with the said order. The penalty and compounding fees arising out of adjudication applications and compounding application are not material. The Company is awaiting a response from the Registrar on the remaining applications.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

The management is of the view that the financial impact arising out of compounding/ adjudication of these matters will not be material to the Company's financial statements.

- iii) as disclosed in each of the annual financial statements commencing from year ended March 31, 2016, from the Directorate of Enforcement ('ED') in connection with Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002, to which the Company had responded. No further communications have been received thereafter; and
- iv) as disclosed in each of the annual financial statements commencing from year ended March 31, 2017, from the Company's authorised dealer banks in relation to certain queries from the Reserve Bank of India ('RBI') with regard to: (A) remittances made in prior years by the Company to its overseas subsidiaries to which the Company has responded to; (B) past acquisition of the Whyte and Mackay group to which the Company has responded to; (C) clarifications/ queries received from the Authorised Dealer from time to time on Annual Performance Reports ('APR') for prior years; to which the Company is in the process of responding and (D) compliances relating to the Company's overseas Branch office, which the Company has duly responded to.

## f) Dispute with IDBI bank

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, during the year ended March 31, 2014, the Company decided to prepay a term loan taken from IDBI Bank Limited (the "bank") in earlier years which was secured by certain property, plant and equipment and brands of the Company as well as by a pledge of certain shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The Company deposited a sum of ₹ 6,280 million, including prepayment penalty of ₹ 40 million, with the bank and instructed the bank to debit the amount from its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment, following which the Company filed a writ petition ("WP") in November 2013 before the Hon'ble High Court of Karnataka challenging the actions of the bank.

In February 2016, following the original maturity date of the loan, the Company received a notice from the bank seeking to recall the loan and demanding a sum of ₹ 459 million on account of outstanding principal, accrued interest and other amounts as also further interest till the date of settlement. This notice was challenged by the Company by way of a separate application filed in the pending writ proceedings. The Hon'ble High Court of Karnataka, by an order passed in the said application, directed that, subject to the Company depositing ₹ 459 million with the bank in a suspense account, the bank should not deal with any of the secured assets including the shares until disposal of the writ petition. The Company deposited the full amount, and the bank was restrained from dealing with any of the secured assets.

In June 2019, a single judge bench of the Hon'ble High Court of Karnataka issued an order dismissing the writ petition filed by the Company, amongst other reasons, on the basis that the matter involved an issue of breach of contract by the Company and was therefore not maintainable in exercise of the court's writ jurisdiction. The Company disputed the Order and filed an appeal against this order before a division bench of the Hon'ble High Court of Karnataka. During the quarter ended September 30, 2019, the division bench of the Hon'ble High Court of Karnataka reinstated the interim order in the writ petition, thereby granting a stay on the disposal of the secured assets of the Company by the bank. On January 13, 2020, the division bench of the Hon'ble High Court of Karnataka admitted the writ appeal and extended the interim stay.

There have been no further developments in this respect during the year ended March 31, 2021. Based on management assessment supported by external legal opinions, the Company continues to believe that it has a strong case on merits and therefore continues to believe that the aforesaid amount of ₹ 459 million remains recoverable from the bank.

In a separate proceeding before the Debt Recovery Tribunal (DRT), Bengaluru, initiated by a consortium of banks (including the bank) for recovery of the loans advanced by the bank to Kingfisher Airlines Limited (KAL), the bank filed an application for attachment of the pledged shares belonging to USL Benefit Trust. DRT dismissed the said application of the bank. During the quarter ended September 30, 2017, the bank filed an ex-parte appeal before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai against the order of the DRT. During the quarter ended December 31, 2017, following an application by the Company, DRAT has issued an Order impleading the Company in the proceedings. The bank's appeal is pending for final hearing by DRAT. There have been no developments with respect to this matter during the year ended March 31, 2021.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## g) Difference in yield of certain non-potable intermediates and associated process losses

As disclosed in each of the annual financial statements commencing from year ended March 31, 2019, the Company came across information suggesting continuing past practices that may have resulted in yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process being higher than what has been reported to the relevant regulatory authorities (the 'Authorities') as per the records being maintained in certain plants (the 'Affected Plants').

With prior information to and engagement with the Authorities, the Company also engaged independent third-party experts to undertake a physical verification of the inventory of intermediates on a sample basis in the Affected Plants and shared these reports with the Authorities. Based on the understanding/ discussion with such Authorities and advice received from external legal counsels, the Company has discharged/ provided the amounts of financial obligation (which were determined to be not material) in the financial statements. There have been no developments with respect to this matter during the year ended March 31, 2021.

Under the direction of the board of directors, the management had engaged an independent law firm to conduct a review of past practices in this area and during the quarter ended June 30, 2019, has taken appropriate action, where a violation of the company's code of business conduct had occurred.

There have been no developments with respect to this matter during the year ended March 31, 2021.

Management will continue to monitor developments, if any, in this matter.

## h) Developments in Relation to Past Claims from a Customer

In April 2021, a customer notified the Company that it was stopping further payment to the Company until pending issues of recovery were resolved. It appears that the customer is referring to, and seeking to review, the historical and settled issue regarding differential trade terms which was disclosed in the annual financial statements for the years ended March 31, 2017 and March 31, 2018. The matter related to a voluntary disclosure made by the Company regarding prices historically charged to the customer being inconsistent with the agreed trading terms. Post internal deliberations, the customer raised claims for recoveries against the Company, which the customer acknowledged as having been fully recovered in the year ended March 31, 2018. The customer and the Company also agreed revised trading terms for future supplies and normal business operations resumed until this letter was received. Based on legal advice the Company believes that it has no further liability towards the customer and that the trade receivable from the customer is good and fully recoverable and the Company has responded to the customer accordingly. The Company is in consultation with the customer and discussions are ongoing as at the date of approval of the annual financial statements.

## Note 41: Capital and other commitments

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Capital commitments for property, plant and equipment	750	924
(b) Other commitments:		
i. relating to advertisement, sales promotion and trade mark fee	977	789
ii. Towards minimum offtake commitment for purchase of bulk scotch from a related party	536	1,308

### Notes:

- a) The Company has given letters of financial support to the following subsidiaries to conduct their operations in such a manner as to enable them to meet their obligations, as and when they fall due for a period of twelve months from the balance sheet date:
  - i. Pioneer Distilleries Limited
  - ii. Sovereign Distilleries Limited
  - iii. Palmer Investment Group Limited

The Company has given a letter of comfort to a bank, towards a loan facility from that bank amounting to ₹ 3,500 million (2020: ₹ 3,500 million) availed by Pioneer Distilleries Limited (PDL), a subsidiary. As per the letter, the Company has expressed its intention to ensure that PDL repays the outstanding amount under the facility on due date and in the event of default by PDL, to take appropriate steps to cause PDL to repay the outstanding out of PDL's resources. The said letter does not constitute a guarantee by USL, as in the event of default by PDL, the bank shall have no recourse to USL.



# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## Note 42: Contingent Liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Income tax matters	7,344	7,157
(b) Indirect tax matters		
(i) State excise	2,080	2,033
(ii) Central excise	2	2
(iii) Sales tax and entry tax	4,130	3,423
(c) Other civil litigations and claims	1,734	1,843

### Notes:

- (a) **Income tax matters**- Income tax matters primarily relate to exposures under transfer pricing and disallowance of certain expenses that the Company had claimed as deductions in its Income Tax returns.
- (b) **Indirect tax matters**- The Company has operations across various states in India. The Company has identified possible exposures relating to local sales tax, entry tax, state excise duty and central excise duty.
- (c) **Other civil litigations and claims**- Other civil litigations relate to various claims from third parties under dispute which are lying with various courts/ appellate authorities.
- (d) **Provident fund**- The Company has evaluated the impact of the Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to non-inclusion of certain allowances in the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. In the assessment of the management, the aforesaid matter is not likely to have a significant impact on the Company and accordingly, no provision has been made in the financial statements.
- (e) **Use of Judgement**  
Management categorizes the matters based on the probability of cash outflow, which require judgement. Management obtains the views of external consultants where necessary. Based on the assessment, management recognises liability/ provision, or discloses the matter as a contingent liability, except for matters where the probability of outflow of cash is considered remote. Due to uncertainties involved in the process, actual outflows may be different from those originally estimated.  
The Company may be involved in legal proceedings in respect of which it is not possible to make a reliable estimate of any expected settlement. In such cases, appropriate disclosure is provided but no provision is made and no contingent liability is quantified.
- (f) Management is optimistic of a favourable outcome in the above matters based on legal opinions / management assessment. It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

## Note 43: Research expenses

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries and wages	65	68
Contribution to provident fund and other funds	4	4
Staff welfare expenses	2	2
Rent	8	7
Miscellaneous expenses	20	26
<b>Total Research expenses</b>	<b>99</b>	<b>107</b>

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## Note 44: Dues to Micro and Small enterprises

Particulars	As at March 31, 2021	As at March 31, 2020
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	640	440
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	15	17
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	3,117	1,859
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	26
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
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 MSMED Act	-	-
Interest accrued and remaining unpaid at the end of each accounting year	-	-
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 MSMED Act	32	17

**Note:** The above information has been determined to the extent such parties have been identified by the Company.

## Note 45: Corporate Social Responsibility (CSR)

CSR amount required to be spent as per Section 135 of the Companies Act, 2013 read with Schedule VII thereof by the company during the current year is ₹ 93.5 million (2020: ₹ 34 million).

### Details of actual CSR expenditure incurred:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Amount spent during the year on:		
i) Ongoing projects	-	-
ii) Other than Ongoing projects (Refer Note 27)	94.4	168

The company did not undertake any ongoing projects, and thus, the requirement of transferring to a separate bank account as per Section 135(6) of the Companies Act, 2013 read with Schedule VII thereof does not arise.

There are no amounts required to be transferred to the fund specified in Section 135 of the Companies Act, 2013.

The Company had spent excess amount of ₹ 0.9 million on CSR activities during the year. Hence, as per third proviso to Section 135(5) of the Act amount of ₹ 0.9 million is carried forward to the next year.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## Note 46(a): Details of Investments (Original cost) as per Section 186 (4) of Companies Act, 2013

### i) Investment in subsidiaries

Name of the Subsidiaries	Relationship	As at March 31, 2021	As at March 31, 2020
<b>Domestic subsidiaries</b>			
Royal Challengers Sports Private Limited	Wholly owned subsidiary	1,699	1,699
Tern Distilleries Private Limited (upto January 27, 2021) – Refer Note 48(b)	Wholly owned subsidiary	-	1,127
Sovereign Distilleries Limited	Wholly owned subsidiary	4,582	4,582
Pioneer Distilleries Limited	Subsidiary	1,117	1,117
<b>Overseas subsidiaries</b>			
Asian Opportunities & Investments Limited	Wholly owned subsidiary	301	301
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	126	126
USL Holdings Limited (refer note 4(c))	Wholly owned subsidiary	56,289	22
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	27	27
Liquidity Inc. (upto December 18, 2020) – Refer Note 40(b)(iii)	Subsidiary	-	119
Shaw Wallace Overseas Limited	Wholly owned subsidiary	14	14
Palmer Investment Group Limited	Wholly owned subsidiary	6,918	6,918
Montrose International S.A	Wholly owned subsidiary	134	134
<b>Total</b>		<b>71,207</b>	<b>16,186</b>

### ii) Investment in associate:

Name of the associate	Relationship	As at March 31, 2021	As at March 31, 2020
Hip Bar Private Limited	Associate	290	270

# Notes to the Financial Statements (Continued)

## Note 46(b): Details of loans (gross) as per Section 186 (4) of Companies Act, 2013

(All amounts in ₹ Millions unless otherwise stated)

Name of the borrower	Relationship	Purpose	Rate of Interest 2020-21	Rate of Interest 2019-20	Term/ Repayment schedule	As at March 31, 2021	As at March 31, 2020
<b>Domestic subsidiaries (Refer note below):</b>							
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Working capital	8%	9%	Principal and interest to be repaid by July 31, 2021	1,888	2,725
Tern Distilleries Private Limited (upto January 27, 2021) – Refer Note 48(b)	Wholly owned subsidiary	Working capital	8%	9%	Principal and interest to be repaid by July 31, 2021	-	47
Sovereign Distilleries Limited	Wholly owned subsidiary	Working capital / Capex funding	8%	9%	Principal and interest to be repaid by June 30, 2022.	98	75
Pioneer Distilleries Limited	Subsidiary	Working capital / Capex funding	8%	9%	Principal and interest to be repaid by August 5, 2026.	1,354	1,354
<b>Overseas subsidiaries:</b>							
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Working capital / Funding towards acquisition of Bouvet Ladubay	Interest free	Interest free	Term/ repayment schedule not specified.	568	545
USL Holdings Limited - Refer Note 4(c)	Wholly owned subsidiary	Funding towards acquisition of Whyte and Mackay Limited/ Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	-	57,317
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	21	22
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	-	63
Liquidity Inc. (upto December 18, 2020) – Refer Note 40(b)(iii)	Subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	-	75
USL Holdings UK Ltd	Wholly owned subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	139	129
<b>Others:</b>							
United Breweries (Holdings) Limited	Unrelated	Refer Note 40(f)	9.50%	9.50%	8 years	12,452	12,755
<b>Total</b>						<b>16,520</b>	<b>75,107</b>

Note: As per contract, simple interest is charged for loans to domestic subsidiaries.

## Note 47: 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/ advances/ investments outstanding as at year end

Particulars	Investments in equity / preference held as at		Gross loans outstanding as at		Maximum amount of loans and advances outstanding during the year	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Asian Opportunities & Investments Limited	301	301	568	545	593	545
Shaw Wallace Overseas Limited	14	14	-	-	-	-
USL Holdings Limited - Refer Note 4(c)	56,289	22	-	57,317	57,728	57,317
USL Holdings UK Ltd	-	-	139	129	141	175
Pioneer Distilleries Limited	1,117	1,117	1,354	1,354	1,354	1,354
Palmer Investment Group Limited	6,918	6,918	-	-	-	-
Montrose International S.A	134	134	-	-	-	-
United Spirits Shanghai Trading Co. Limited	27	27	21	22	22	22
McDowell & Co (Scotland) Limited	126	126	-	63	63	335
Royal Challengers Sports Private Limited	1,699	1,699	1,888	2,725	2,885	2,836
Tern Distilleries Private Limited (upto January 27, 2021) – Refer Note 48(b)	-	-	1,127	47	54	47
Liquidity Inc. (upto December 18, 2020) – Refer Note 40(b)(iii)	-	-	-	75	76	75
Sovereign Distilleries Limited	4,582	4,582	98	75	98	75
Hip Bar Private Limited	290	270	-	-	-	-
<b>Total</b>	<b>71,497</b>	<b>16,456</b>	<b>4,068</b>	<b>62,352</b>		

The aforesaid amounts are gross of provisions, if any, made based on Management assessment of recoverability. For repayment schedule and interest related terms, Refer Note 46(b).

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

## Note 48: Exceptional Items

- a) As part of Diageo group's COVID-19 ("Raising the Bar") programme the Company has committed to spend ₹ 750 million over a period of two years from July 1, 2020, in order to support the post Covid-19 revival and recovery of pubs, bars and restaurants serving alcohol. Raising the Bar aims to provide non-cash support to qualifying pubs, bars and restaurants serving alcohol in Mumbai, Delhi, Bengaluru and other select cities through the Diageo Bar Academy. The programme includes providing hygiene kits, a range of personal protection equipment (such as masks, gloves, hand sanitizers), digital support and training to help these outlets effectively maintain social distancing and enhanced hygiene standards while deploying confidence building measures for consumers to safely visit and socialize. The amount of ₹ 750 million has been accounted as exceptional item in the Statement of Profit & loss for the year ended March 31, 2021. Also refer note 28(g).
- (b) On January 27, 2021, the Company completed the sale of its equity shares held by the Company in its wholly owned subsidiary, Tern Distilleries Limited to NCL Industries Limited. The shares were sold for a total consideration of ₹ 300 million. Prior to the sale, the Company waived a loan (including interest) of ₹ 54 million provided to Tern Distilleries Limited. Following the completion of the sale, the Company does not hold any shares in Tern Distilleries Private Limited and Tern Distilleries Private Limited has ceased to be a subsidiary of the Company. Prior to the sale, the Company has written-off loan provided to Tern Distilleries Private Limited of ₹ 54 million. The sale transaction resulted in a profit of ₹ 103 million in the Statement of Profit & loss for the year ended March 31, 2021. Both the loan written-off and profit on sale have been presented as exceptional items. Also refer note 28(f).

## Note 49: Proposed merger of Pioneer Distilleries Limited with United Spirits Limited:

The Board of Directors ("Board") of PDL and of the Company at their meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") in relation to the proposed merger of PDL with the Company under Sections 230 – 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. Upon completion of the merger, the non-promoter shareholders of PDL will receive 10 equity shares of the Company (face value of ₹ 2 each) for every 47 equity shares of PDL (face value of ₹ 10 each), held by them as on the record date. Post the merger, the Company's issued capital is expected to expand by 712,138 shares and the revised shareholding of Relay BV (the holding company, a subsidiary of Diageo plc) in the Company will change from 55.94% to 55.88%. The Scheme is subject to the receipt of requisite approvals from the relevant statutory authorities and the respective shareholders and creditors of PDL and of the Company. The BSE Limited and the National Stock Exchange of India Limited have issued their no-objection to the draft scheme and related documents filed, vide observation letters dated October 21, 2020 and October 22, 2020, respectively. The Company, jointly with PDL, has filed an application under Sections 230 to 232 of the Companies Act, 2013 on November 27, 2020 with the National Company Law Tribunal, Bangalore ("NCLT"), and again an Interlocutory Application was filed before NCLT on April 7, 2021.

## Note 50: Strategic review of selected brands

The Company has initiated a strategic review of selected brands in the Company's "Popular" segment of brands, continuing the strategy towards long-term profitable growth through premiumising the company's portfolio. The Company's Popular portfolio comprises around 30 brands and the strategic review focuses on approximately half of this portfolio by volume. This review does not include the McDowell's or Director's Special trademarks. The strategic review is expected to be completed by the end of the December 31, 2021. The Company believes that there is no impact on account of the strategic review on the financial statements for the year ended March 31, 2021.

## Note 51: Impact of Covid-19

Once the lockdown due to Covid-19 pandemic was lifted in May 2020, Management had taken appropriate actions to scale up the Group's manufacturing to the levels prior to Covid-19 across all locations. Both off-trade and on-trade sales also gradually resumed across the country. Temporary disruptions have occurred from time to time during the pendency of a curfew or lockdown, including as a result of the recent surge in the spread of Covid-19 in India subsequent to the year end.

With respect to the Company's subsidiary, Royal Challengers Sports Private Limited, IPL 2021, which commenced on April 09, 2021 was suspended on May 04, 2021 until further notice.

The Group has a prudent liquidity risk management policy for maintenance of required cash and / or has access to funds through adequate unutilised sanctioned borrowing limits from banks and is confident of servicing its debt obligations as they fall due. Based on the management's assessment, no material impact on the carrying amounts of current and non-current assets (including financial assets) is expected. The Group had assessed its existing controls and internal financial reporting processes and made appropriate changes, as required, in view of the situation arising due to Covid-19 pandemic. Group continues to review its contracts/ arrangements and does not expect any material impact on account of non-fulfilment of the obligations by any party.

# Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Management has considered various internal and external information available up to the date of approval of financial statements in assessing the impact of Covid-19 pandemic on the financial statements for the year ended March 31, 2021. The Company continues to maintain a positive outlook for the next financial year and will continue to monitor changes in future economic conditions.

**Notes 52:** Previous year figures have been regrouped / reclassified to conform to the current year's classification.

For Price Waterhouse & Co Chartered Accountants LLP

Firm registration number: 304026E/E-300009

Chartered Accountants

**Dibyendu Majumder**

Partner

Membership Number: 057687

For and on behalf of the Board of Directors

**Mahendra Kumar Sharma**

Chairman

DIN: 05178019

Place: Mumbai

**Anand Kripalu**

Managing Director & Chief Executive Officer

DIN: 00118324

Place: Mumbai

**V K Viswanathan**

Director

DIN: 01782934

Place: Bengaluru

**Pradeep Jain**

Chief Financial Officer

Place: Bengaluru

**Mital Sanghvi**

Company Secretary

Place: Mumbai

Place : Bengaluru

Date: May 21, 2021

Date: May 21, 2021

# Independent Auditor's Report

## To the Members of United Spirits Limited

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

#### Opinion

1. We have audited the accompanying consolidated financial statements of United Spirits Limited (hereinafter referred to as the 'Holding Company') and its subsidiaries and a trust controlled by it (Holding company, its subsidiaries and the trust together referred to as "the Group") and its associate company [refer Notes 45(a) and (b) to the attached consolidated financial statements], which comprise the consolidated Balance Sheet as at March 31, 2021, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information prepared based on the relevant records.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("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 and its associate company as at March 31, 2021, of consolidated total comprehensive income (comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year then ended.

#### 3. Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associate company in accordance with the Code of Ethics issued by Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the relevant provisions of the Act and the Rules thereunder, and we have fulfilled our ethical responsibilities in accordance with these requirements and the Code of Ethics. 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 paragraphs 18 and 19 of the Other Matters section of our report, other than the unaudited financial information as certified by the management and referred to in paragraph 20 of the Other Matters section of our report, is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter

4. We draw attention to the following matters:
  - a) As explained in Note 40(a) to the consolidated financial statements upon completion of the Initial Inquiry which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO of the Holding Company, pursuant to the direction of the Board of Directors of the Holding Company, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Holding Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Holding Company's erstwhile non-executive Chairman and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Holding Company and/or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Holding Company, if any, arising from potential non-compliances with applicable laws in respect of the above.
  - b) As explained in Note 40(b)(i) to the consolidated financial statements, the Group has commenced the rationalization process for divestment/ liquidation/ merger of certain overseas subsidiaries including step down subsidiaries. The completion of the above process is subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Holding Company, if any, arising out of potential historical non-compliances with applicable laws, if established.
  - c) As explained in Note 40(b)(iii) to the consolidated financial statements and as included in the reports of other auditors, consequent to the rationalisation process initiated by the Group in respect of 10 overseas subsidiaries including step down subsidiaries, the financial statements of such subsidiaries included in the consolidated financial statements have been prepared on a liquidation basis. Accordingly, the assets and liabilities of such subsidiaries have been recognized as current at their fair values that approximate their carrying values as at March 31, 2021.
  - d) As explained in Note 40(d) to the consolidated financial statements, the Managerial remuneration for the year ended March 31, 2015 included an amount paid in excess of the limit prescribed under the provisions of Schedule V to the Act by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO) of the Holding Company. The Holding Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration from the former ED & CFO of the Holding Company.



# Report of the Auditor's (Continued)

- e) Note 40(e) to the consolidated financial statements, which describes the various regulatory notices and communications received from Securities Exchange Board of India ('SEBI'), Ministry of Corporate Affairs ('MCA')/ Registrar of Companies, Karnataka (the 'Registrar'), Directorate of Enforcement ('ED') to which the Holding Company has responded to and communications received from the Holding Company's authorised dealer banks ('AD') to which the Holding Company has responded to/ is in the process of responding.
- f) Note 40(f) to the consolidated financial statements, which describes the uncertainty relating to the final outcome of litigations with a bank ("the bank") that continues to retain the pledge of certain assets of the Holding Company and of the Holding Company's shares held by USL Benefit Trust (of which the Holding Company is the sole beneficiary) despite the Holding Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the bank and as directed by the Hon'ble High Court of Karnataka (the "Court"). Based on management assessment supported by external legal opinions, the Holding Company has disclosed

the aforesaid amount of INR 459 million under Other Non-current financial assets as recoverable from the bank pending the final outcome of the litigation. In a separate proceeding before the Debt Recovery Appellate Tribunal, the bank's appeal against the judgement awarded by Debt Recovery Tribunal in favour of the Holding Company in respect of attachment of the aforesaid pledged shares for recovery of the loans advanced by the bank to Kingfisher Airlines Limited is pending disposal.

- g) As explained in Note 40(g) to the consolidated financial statements, the Holding Company, during the year ended March 31, 2019, came across information suggesting continuing past practices resulting in differences in reporting to the relevant Regulatory Authorities of yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process. Related actions taken and monitoring of future development by the Holding Company in this respect have been described in the said note.

Our opinion is not modified in respect of the matters described under paragraph 4 above.

## Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>a) Assessment of the appropriateness of provisions recognised and contingent liabilities disclosed in respect of certain tax matters</b> (Refer Notes 8, 18 and 43 to the consolidated financial statements)</p> <p>As at March 31, 2021, the Holding Company has significant tax exposures and is subject to periodic assessments/ demands by tax authorities on transfer pricing, income tax and a range of indirect tax matters. Consequent to such tax assessments and demands relating to past several years, the Holding Company has paid certain amounts under protest at various dates. The Holding Company has also filed appeals with various appellate authorities against such demands.</p> <p>Management judgement is involved in assessing the likelihood of ultimate outcome of the tax disputes to decide on the accounting/ disclosure requirements. In certain complex matters the probable amount of the outflows determined by management is supported by opinions obtained from external tax counsels/ assessment performed by internal experts (management tax experts).</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Understood, assessed and tested the design and operating effectiveness of the Holding Company's controls in respect of identifying potential tax exposures and/or the accounting and disclosures thereof.</li> <li>Evaluated the related accounting policy for provisioning for tax exposures/ disclosure of contingent liabilities by comparing it to the requirements of the relevant accounting standards.</li> <li>Obtained management's assessment in respect of tax demands on whether tax outflow is either probable, possible or remote.</li> <li>Evaluated the management's assessment with the help of auditors' experts, where necessary, as follows: <ul style="list-style-type: none"> <li>For the samples selected, read the correspondences received during the year from the tax authorities/ orders from appellate authorities.</li> <li>Read views provided by the management/ management tax experts as applicable.</li> <li>Assessed management's positions on significant tax exposures in accordance with tax laws and past precedents of tax judgements.</li> <li>Ensured completeness of litigations by inquiring with the management, review of board minutes, and review of significant legal expenses.</li> <li>Evaluated the objectivity, competence and capabilities of the management tax experts.</li> </ul> </li> </ul>

# Report of the Auditor's (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>We considered this a key audit matter as:</p> <ul style="list-style-type: none"> <li>The amounts involved are significant to the consolidated financial statements</li> <li>Change in the management's judgements and estimates may significantly affect the provisions recognised or contingent liabilities disclosed</li> <li>Matters of disputes are complex in some cases due to the industry in which the Holding Company operates and may lack clarity under tax laws.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluated the adequacy of disclosures made in the consolidated financial statements.</li> </ul> <p>Based on the above procedures, we considered the management's assessment in recognising provisions and disclosing contingent liabilities in respect of the stated tax matters, as reasonable.</p>

The following Key Audit Matters were included in our audit report dated May 7, 2021, containing an unmodified opinion on the financial statements of Pioneer Distilleries Limited (PDL), a subsidiary of the Holding Company:

Key Audit Matters	How our audit addressed the key audit matters
<p><b>a) Assessment of contingent liabilities and provisions for significant litigations</b> (Refer Note 43(e)(i) to the consolidated financial statements)</p> <p>PDL has litigations related to legal and regulatory matters, of which the most significant ones are related water charges levied on purchase of water for the PDL's processing plant.</p> <p>The amount involved in litigations are significant and Management applies judgment in estimating the likelihood of the outcome and the amount of liability, if any.</p> <p>We have considered this as a key audit matter as the amounts are significant to PDL's financial statements and the eventual outcome of these matters is uncertain and the position taken by Management is based on the exercise of significant judgement, supported by external legal advice, where applicable.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Understood and evaluated the PDL's processes and controls in relation to identifying the risk of not identifying or not disclosing significant litigations and the actions taken by Management to address the risk including the design and operating effectiveness of controls in relation to litigations.</li> <li>Inquired with the PDL's internal legal counsel on the status of litigations and examined underlying notices from Government authorities.</li> <li>Verified the underlying calculations supporting the appropriateness of related provisions recognised and contingent liabilities disclosed.</li> <li>Sought and obtained direct confirmation from external lawyers assisting PDL in dealing with the litigations.</li> </ul> <p>Based on the above work performed, Management's assessment in respect of these litigations and related disclosures relating to contingent liabilities, where applicable, appears reasonable.</p>
<p><b>b) Assessment of Going Concern as a basis of accounting for PDL</b> (Refer Note 46(a) to the consolidated financial statements)</p> <p>PDL has incurred losses during the current year and its accumulated losses as at the year-end exceeds its share capital. Apart from the erosion of net worth, PDL's current liabilities as at the year-end exceeds the value of current assets.</p> <p>These indicators cast doubt on the ability of PDL to generate adequate cash from operations to meet its financial obligations over the next twelve months. However, PDL has received a letter of financial support from the Holding Company to support the operations of PDL in the foreseeable future.</p> <p>Management and the Board of Directors of PDL have reviewed and approved the cash flow forecast for the next twelve months. Considering the cash flow forecast and the letter of financial support received from the Holding Company, Management and the Board of Directors of PDL have concluded that there is no material uncertainty, which impacts the ability of PDL to continue as a going concern.</p> <p>The availability of sufficient funding and testing whether PDL will be able to continue meeting its obligations are important for the going concern assumption and, as such, are significant aspects of our audit. The cash flow forecast contains assumptions like revenue growth and improvement in plant operations (increase in capacity utilisation) where Management has applied judgements that, in the current external environment, are significant. Hence, this area has been considered as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Understood and evaluated the PDL's processes and controls in relation to identifying the risk of going concern and the actions taken by Management of PDL to address the risk including the design and operating effectiveness of controls in relation to going concern.</li> <li>Verified the letter of financial support received by PDL from the Holding Company.</li> <li>Assessed the financial condition of the Holding Company to examine whether it would be able to enable PDL to meet its obligations as they fall due for a period of at least one year from the date of the balance sheet.</li> <li>Evaluated the inputs and assumptions used in the cash flow forecast prepared by Management of PDL by evaluating the assumptions and comparing them to external data as well as estimates used in the preparation of financial statements of PDL.</li> <li>Verified that the cash flow forecast has been prepared considering the attributes of the prior year approved budget and that the assumptions considered in the cash flow forecast are consistent and comparable with those in the prior year approved budget; and that the estimates and assumptions have been updated where applicable.</li> </ul> <p>Based on the above work performed, Management's assessment of the going concern assumption in the preparation of financial statements of PDL appears reasonable.</p>

# Report of the Auditor's (Continued)

Also refer to the Key Audit Matters included by us in our audit report of even date on the standalone financial statements of the Holding Company.

## Other Information

6. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Report of the Directors, Business Responsibility Report, Corporate Governance Report and Management Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.
7. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
8. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

9. The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance (including consolidated other comprehensive income), consolidated cash flows, and consolidated changes in equity of the Group and its associate company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associate company and the trustees of the Trust are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate 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 the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring 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.

10. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate company and the trustees of the Trust are responsible for assessing the ability of the Group and of its associate company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or its associate company or to cease operations, or has no realistic alternative but to do so.
11. The respective Board of Directors of the companies included in the Group and of its associate company and the trustees of the Trust are responsible for overseeing the financial reporting process of the Group and of its associate company.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

# Report of the Auditor's (Continued)

are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate company to cease to continue as a going concern.
  - e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.
15. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.
  16. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may

reasonably be thought to bear on our independence, and where applicable, related safeguards.

17. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Matters

18. We did not audit the financial statements of one trust controlled by the Holding Company and incorporated in India, included in the consolidated financial statements, whose financial statements reflect total assets of INR 41 million and net assets of INR 41 million as at March 31, 2021, total revenue of Nil, total comprehensive loss (comprising of loss and other comprehensive income) of INR 0\* million and net cash outflows of INR 0\* million for the year ended March 31, 2021, have been prepared in accordance with accounting principles applicable to the trust and have been audited by the other auditor under generally accepted auditing standards applicable in India. The Holding Company's management has converted the financial statements of the trust from the accounting principles followed by the trust to the accounting principles applicable to the Holding Company. We have audited these conversion adjustments as necessary made by the Holding Company's management. Our opinion on the consolidated financial statements insofar as it relates to the balances and affairs of the trust, including other information, is based on the report of the other auditor and the conversion adjustments prepared by the Management of the Holding Company as necessary and audited by us.

(\*) '0' indicates that the amounts involved are below INR five lakhs.

19. We did not audit the financial statements of 11 subsidiaries located outside India, included in the consolidated financial statements, whose financial statements constitute total assets of INR 316 million and net assets of INR 297 million as at March 31, 2021, total revenues of Nil, total comprehensive loss (comprising of loss and other comprehensive income) of INR 21 million and net cash outflows of INR 15 million for the year ended March 31, 2021, have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally

# Report of the Auditor's (Continued)

accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments as necessary made by the Holding Company's management. Our opinion on the consolidated financial statements insofar as it relates to the balances and affairs of such subsidiaries located outside India, including other information, is based on the reports of other auditors and the conversion adjustments prepared by the Management of the Holding Company as necessary and audited by us.

20. The Consolidated Financial Statements include: (i) financial information relating to 3 subsidiaries which have either been sold or merged during the year and which reflect total assets of Nil and net assets of Nil as at March 31, 2021, total revenue of Nil, total comprehensive loss (comprising of loss and other comprehensive income) of INR 32 million and net cash outflows amounting to INR 2 million for the year then ended; and ii) Group's share of total comprehensive loss of INR 13 million (comprising of loss and other comprehensive income) for the year ended March 31, 2021 in respect of one associate company. The said financial information relating to the 3 subsidiaries and the associate company have not been audited by us. The financial information relating to these subsidiaries and the associate company are unaudited and have been furnished to us by the Management of the Holding Company, and our opinion on the consolidated financial statements, insofar as it relates to the amounts and disclosures included in respect of the aforesaid subsidiaries and the associate company, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Holding Company's Management, such financial information are not material to the Group.
21. 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 specified in paragraphs 18 and 19 with respect to our reliance on the work done and the reports of the other auditors and as specified in paragraph 20 with respect to the financial information certified by the Management.

## Report on Other Legal and Regulatory Requirements

22. As required by Section 143(3) of the Act, to the extent applicable, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and

belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

- (b) 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 (including other comprehensive income), Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) With respect to the adequacy of internal financial controls with reference to financial statements of the Holding Company and subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate report in "Annexure A". Reporting under Section 143(3)(i) of the Act in respect of the adequacy of internal controls with reference to financial statements is not applicable to the controlled trust as it is not a company.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Group has disclosed the impact, if any, of pending litigations as at March 31, 2021 on the consolidated financial statements – Refer Notes 8, 18, 40(c), 40(d), 40(f) and 43 to the consolidated financial statements.
  - ii. The Group has long-term contracts for which there are no material foreseeable losses. The Group did not have derivative contracts as at March 31, 2021 – Refer Note 49 to the consolidated financial statements;

# Report of the Auditor's (Continued)

- iii. The Holding Company and its subsidiary companies incorporated in India have transferred amounts required to be transferred to the Investor Education and Protection Fund by due dates during the year ended March 31, 2021. Also refer Note 17(c) to the consolidated financial statements; and
  - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2021. The Holding Company and its subsidiary companies incorporated in India have paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
23. The Holding Company and its subsidiary companies incorporated in India have paid/ provided for managerial

remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration Number: 304026E/ E-300009

Chartered Accountants

**Dibyendu Majumder**

Partner

Membership Number: 057687

UDIN: 21057687AAAAAQ9153

Place: Bengaluru

Date: May 21, 2021



# Annexure A to Independent Auditor's Report

**Referred to in paragraph 22(f) of the Independent Auditors' Report of even date to the members of United Spirits Limited on the consolidated financial statements for the year ended March 31, 2021**

**Report on the Internal Financial Controls with reference to financial statements under Section 143(3)(i) of the Act**

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to financial statements of United Spirits Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies which are companies incorporated in India, as of that date.

## **Management's Responsibility for Internal Financial Controls**

2. The respective Board of Directors of the Holding Company and its subsidiary companies, which are companies incorporated in India, to whom reporting under Section 143(3)(i) of the Act in respect of the adequacy of the internal financial controls with reference to financial statements is applicable, are responsible for establishing and maintaining internal financial controls based on 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**

3. Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Companies Act, 2013, 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 with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements of the Holding Company and its subsidiary companies, which are companies incorporated in India.

## **Meaning of Internal Financial Controls with reference to financial statements**

6. A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements 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 with reference to financial statements**

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not



## Annexure A to Independent Auditor's Report (Continued)

be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

8. In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, 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 the ICAI.

For **Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration Number: 304026E/ E-300009

Chartered Accountants

**Dibyendu Majumder**

Partner

Membership Number: 057687

UDIN: 21057687AAAAAQ9153

Place: Bengaluru

Date: May 21, 2021

# Consolidated Balance Sheet

(All amounts in ₹ Millions unless otherwise stated)

	Notes	As at March 31, 2021	As at March 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3.1	13,247	13,538
Right-of-use Assets	3.2	1,644	1,975
Capital work-in-progress	3.3	883	1,041
Goodwill	3.4	210	210
Intangible assets	3.4	3,755	3,836
Intangible assets under development	3.5	84	170
Investment Property	3.6	75	-
Investments accounted for using Equity Method	4.1	-	219
Investments	4.2	-	-
<b>Financial assets</b>			
Loans	5	162	184
Other financial assets	6	1,651	1,754
Deferred tax assets	7	1,711	1,590
Current tax assets (net) (Non-current)	8	10,823	11,361
Other non-current assets	9	3,095	3,932
<b>Total non-current assets</b>		<b>37,340</b>	<b>39,810</b>
<b>Current assets</b>			
Inventories	10	20,519	19,275
<b>Financial assets</b>			
Trade receivables	11	21,872	22,835
Cash and cash equivalents	12.1	778	661
Bank balances other than cash and cash equivalents	12.2	61	74
Loans	5	156	160
Other financial assets	6	2,186	3,058
Other current assets	9	2,458	2,570
<b>Total current assets</b>		<b>48,030</b>	<b>48,633</b>
Assets held for sale	13	-	70
<b>Total assets</b>		<b>85,370</b>	<b>88,513</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	14	1,453	1,453
<b>Other equity</b>			
Reserves and surplus	15	39,745	35,827
<b>Equity attributable to the owners of United Spirits Limited</b>		<b>41,198</b>	<b>37,280</b>
Non-controlling interests		(609)	(413)
<b>Total equity</b>		<b>40,589</b>	<b>36,867</b>

# Consolidated Balance Sheet (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	As at March 31, 2021	As at March 31, 2020
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	16	22	147
Lease Liabilities	3.2	925	1,203
Deferred tax liabilities	7	261	76
Provisions	18	96	82
Other non-current liabilities	20	100	200
<b>Total non-current liabilities</b>		<b>1,404</b>	<b>1,708</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	16	8,745	16,060
Lease Liabilities	3.2	653	762
Trade payables	19		
(A) total outstanding dues of micro enterprises and small enterprises; and		662	469
(B) total outstanding dues of creditors other than micro enterprises and small enterprises		13,510	11,525
Other financial liabilities	17	1,998	9,426
Provisions	18	5,738	4,539
Current tax liabilities (net)	8	3,225	2,976
Other current liabilities	20	8,846	4,181
<b>Total current liabilities</b>		<b>43,377</b>	<b>49,938</b>
<b>Total liabilities</b>		<b>44,781</b>	<b>51,646</b>
<b>Total equity and liabilities</b>		<b>85,370</b>	<b>88,513</b>

As per our report of even date

For **Price Waterhouse & Co Chartered Accountants LLP**  
 Firm registration number: 304026E/E-300009  
 Chartered Accountants

**Dibyendu Majumder**  
 Partner  
 Membership Number: 057687

Place : Bengaluru  
 Date: May 21, 2021

For and on behalf of the Board of Directors

**Mahendra Kumar Sharma**  
 Chairman  
 DIN: 05178019  
 Place: Mumbai

**V K Viswanathan**  
 Director  
 DIN: 01782934  
 Place: Bengaluru

Date: May 21, 2021

**Anand Kripalu**  
 Managing Director & Chief Executive Officer  
 DIN: 00118324  
 Place: Mumbai

**Pradeep Jain**  
 Chief Financial Officer  
 Place: Bengaluru

**Mital Sanghvi**  
 Company Secretary

Place: Mumbai

# Consolidated Statement of Profit and Loss

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>INCOME</b>			
Revenue from operations	21	274,185	288,237
Other income	22	396	220
<b>Total income</b>		<b>274,581</b>	<b>288,457</b>
<b>EXPENSES</b>			
Cost of materials consumed	23	39,731	46,398
Purchase of stock-in-trade		3,494	2,907
Change in inventories of finished goods, work-in-progress and stock-in-trade	24	1,331	984
Excise duty		192,872	194,983
Employee benefits expense	25	5,564	5,300
Finance costs	26	1,876	2,120
Depreciation, amortisation and impairment expense	27	2,991	2,853
Others:			
Advertisement and sales promotion		5,747	7,173
Loss allowance on trade receivables and other financial assets (net)	32	510	(551)
Other expenses	28	14,409	15,320
<b>Total expenses</b>		<b>268,525</b>	<b>277,487</b>
<b>Profit before exceptional items, share of net profit of investments in associate accounted for using equity method and tax</b>		<b>6,056</b>	<b>10,970</b>
Share of net profit/(loss) in associate accounted for using equity method		(13)	(33)
<b>Profit before exceptional items and tax</b>		<b>6,043</b>	<b>10,937</b>
Add/ (Less): Exceptional items (net)	29	(643)	666
<b>Profit before tax</b>		<b>5,400</b>	<b>11,603</b>
Tax expense:	30		
Current tax		1,764	3,063
Current tax relating to earlier years		(31)	857
Deferred tax (credit)/ charge		46	1,373
MAT credit utilised/ (availed)		-	104
<b>Total tax expense</b>		<b>1,779</b>	<b>5,397</b>
<b>Profit for the year</b>		<b>3,621</b>	<b>6,206</b>

# Consolidated Statement of Profit and Loss (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Other comprehensive income</b>			
<i>A. Items that will be reclassified to profit or loss</i>			
(i) Exchange difference on translation of foreign operations		15	49
<i>B. Items that will not be reclassified to profit or loss</i>			
(i) Remeasurements of post-employment benefit obligations		67	(360)
(ii) Income tax credit/(charge) relating to these items		(19)	91
<b>Other comprehensive income for the year, net of income tax</b>		<b>63</b>	<b>(220)</b>
<b>Total comprehensive income for the year</b>		<b>3,684</b>	<b>5,986</b>
<b>Profit is attributable to:</b>			
Owners of United Spirits Limited		3,836	6,589
Non-controlling interests		(215)	(383)
		<b>3,621</b>	<b>6,206</b>
<b>Other comprehensive income is attributable to:</b>			
Owners of United Spirits Limited		65	(221)
Non-controlling interests		(2)	1
		<b>63</b>	<b>(220)</b>
<b>Total comprehensive income is attributable to:</b>			
Owners of United Spirits Limited		3,901	6,368
Non-controlling interests		(217)	(382)
		<b>3,684</b>	<b>5,986</b>
Basic and diluted earnings per share (₹)	31	5.41	9.29

The above consolidated statement of profit and loss should be read in conjunction with the accompanying notes.

As per our report of even date

For **Price Waterhouse & Co Chartered Accountants LLP**  
Firm registration number: 304026E/E-300009  
Chartered Accountants

**Dibyendu Majumder**  
Partner  
Membership Number: 057687

For and on behalf of the Board of Directors

**Mahendra Kumar Sharma**  
Chairman  
DIN: 05178019  
Place: Mumbai

**Anand Kripalu**  
Managing Director & Chief Executive Officer  
DIN: 00118324  
Place: Mumbai

**V K Viswanathan**  
Director  
DIN: 01782934  
Place: Bengaluru

**Pradeep Jain**  
Chief Financial Officer  
Place: Bengaluru

**Mital Sanghvi**  
Company Secretary

Place : Bengaluru  
Date: May 21, 2021

Date: May 21, 2021

Place: Mumbai

# Consolidated Statement of Changes in Equity

## A. Equity (Refer Note 14)

Particulars	Note	Amount
Equity share capital as at April 1, 2019	14	1,453
Changes in equity share capital		-
Equity share capital as at March 31, 2020	14	1,453
Changes in equity share capital		-
Equity share capital as at March 31, 2021	14	1,453

## B. Other equity (Refer Note 15)

Particulars	Note	Attributable to owners of United Spirits Limited										Non-Controlling interest	Total
		Capital reserve	Capital redemption reserve	Securities premium	Treasury shares	Central subsidy	Share based incentive reserve	Foreign currency translation reserve	Contin-gency reserve	General reserve	Retained earnings	Total	
Balance as at April 1, 2019	15	5,675	699	45,682	(1,197)	48	49	135	110	10,408	(32,159)	29,450	29,419
Profit/(Loss) for the year		-	-	-	-	-	-	-	-	-	6,589	6,589	6,206
Other comprehensive income (OCI), net of tax		-	-	-	-	-	-	49	-	-	(270)	(221)	1
<b>Total comprehensive income</b>		-	-	-	-	-	-	49	-	-	6,319	6,368	5,986
Share based payments	35	-	-	-	-	-	84	-	-	-	-	84	84
Cross charge by a Diageo group company	37	-	-	-	-	-	(75)	-	-	-	-	(75)	(75)
during the year towards share based payments	(b)(ix)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2020	15	5,675	699	45,682	(1,197)	48	58	184	110	10,408	(25,840)	35,827	35,414
Profit/(Loss) for the year		-	-	-	-	-	-	-	-	-	3,836	3,836	3,621
Non-controlling Interest derecognised on disposal of subsidiary	40	-	-	-	-	-	-	-	-	-	-	-	21
Redclassification adjustment on disposal of subsidiary	(b)(iv)	-	-	-	-	-	-	6	-	-	-	6	6
Other comprehensive income (OCI), net of tax		-	-	-	-	-	-	15	-	-	50	65	63
<b>Total comprehensive income</b>		-	-	-	-	-	-	21	-	-	3,886	3,907	3,711
Share based payments	35	-	-	-	-	-	70	-	-	-	-	70	70
Cross charge by a Diageo group company	37	-	-	-	-	-	(59)	-	-	-	-	(59)	(59)
during the year towards share based payments	(b)(ix)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2021	15	5,675	699	45,682	(1,197)	48	69	205	110	10,408	(21,954)	39,745	39,136

The above consolidated statement of changes in equity should be read in conjunction with accompanying notes.

As per our report of even date

For **Price Waterhouse & Co Chartered Accountants LLP**

Firm registration number: 304026E/E-300009

Chartered Accountants

For and on behalf of the Board of Directors

**Dibyendu Majumder**

Partner

Membership number: 057687

**Mahendra Kumar Sharma**

Chairman

DIN: 05178019

Place: Mumbai

**V K Viswanathan**

Director

DIN: 01782934

Place: Bengaluru

**Anand Kripalu**

Managing Director & Chief Executive Officer

DIN: 00118324

Place: Mumbai

**Pradeep Jain**

Chief Financial Officer

Place: Bengaluru

**Mital Sanghvi**

Company Secretary

Place: Mumbai

Place: Bengaluru

Date: May 21, 2021

Date: May 21, 2021

# Consolidated Statement of Cash Flows

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax		5,400	11,603
<b>Adjustments for</b>			
Depreciation, amortisation and impairment expense	27	2,991	2,853
Employee share based payment	25	66	124
Loss allowance on trade receivables and other financial assets (net)		510	(551)
Loss allowance on other assets (net)	28	61	(16)
Exchange gain (net) on translation of assets and liabilities		15	49
Finance costs	26	1,876	2,120
Liabilities, provisions or allowances no longer required written back	22	(86)	(79)
Gain on disposal of property, plant and equipment (net)	22	(168)	(52)
Interest income	22	(111)	(62)
Share of net (profit)/loss in associate accounted for using equity method	4	13	33
Exceptional items	29	643	(666)
		5,810	3,753
<b>Operating profit before working capital changes</b>		11,210	15,356
(Increase) / decrease in trade receivables		652	2,713
(Increase) / decrease in loans and other financial assets		811	444
(Increase) / decrease in other assets		474	(124)
(Increase) / decrease in inventories		(1,244)	68
Increase / (decrease) in trade payables		2,092	(2,010)
Increase / (decrease) in other financial liabilities		328	(541)
Increase / (decrease) in other liabilities		4,565	(2,341)
Increase / (decrease) in provisions		357	95
		8,035	(1,696)
<b>Cash generated from operations</b>		19,245	13,660
Income taxes paid (net of refund)		(1,068)	(5,828)
<b>Net cash generated from operating activities</b>		18,177	7,832
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and intangible assets		(1,589)	(2,116)
Advance lease payments for right-of-use assets		(148)	-
Proceeds from sale of property, plant and equipment and assets held for sale		354	118
Investments in an associate		(20)	-
Proceeds from sale of subsidiaries	40(b) (iv) and 41(b)	300	-
Interest received		111	62
<b>Net cash inflow / (outflow) from investing activities</b>		(992)	(1,936)



# Consolidated statement of cash flows (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2021		For the year ended March 31, 2020	
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>					
Repayment of long term loans	17	(7,500)		-	
Repayment of commercial papers	16	-		(9,000)	
Net proceeds / (repayment) of working capital loans	16	(7,315)		4,095	
Repayment of deferred sales tax liability	16	(26)		(38)	
Interest paid on borrowings	16	(1,264)		(1,649)	
Principal repayment of lease liabilities	16	(807)		(645)	
Interest paid on lease liabilities		(156)		(162)	
<b>Net cash inflow / (outflow) from financing activities</b>			(17,068)		(7,399)
<b>Net increase / (decrease) in cash and cash equivalents</b>			117		(1,503)
Cash and cash equivalents as at the beginning of the year			661		2,164
Effects of exchange rate changes on cash and cash equivalents			0		0
Net increase / (decrease) in cash and cash equivalents (as above)			117		(1,503)
<b>Cash and cash equivalents as at the end of the year</b>	12.1		778		661
<b>Non-cash financing and investing activities</b>					
Acquisition of right-of-use assets	3.2		490		803

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP  
Firm registration number: 304026E/E-300009  
Chartered Accountants

Dibyendu Majumder  
Partner  
Membership Number: 057687

Place : Bengaluru  
Date: May 21, 2021

For and on behalf of the Board of Directors

Mahendra Kumar Sharma  
Chairman  
DIN: 05178019  
Place: Mumbai

V K Viswanathan  
Director  
DIN: 01782934  
Place: Bengaluru

Date: May 21, 2021

Anand Kripalu  
Managing Director & Chief Executive Officer  
DIN: 00118324  
Place: Mumbai

Pradeep Jain  
Chief Financial Officer  
Place: Bengaluru

Mital Sanghvi  
Company Secretary

Place: Mumbai

# Notes to the Consolidated Financial Statements

## Group overview

United Spirits Limited ("the Company" or "USL") which is a public company domiciled and headquartered in Bengaluru, Karnataka, India, together with its subsidiaries and its controlled trust (collectively "the Group"). It is incorporated under the Companies Act, 1956 and its shares are listed on the BSE Limited and National Stock Exchange of India Limited. It is engaged in the business of manufacture, purchase and sale of beverage alcohol and other allied spirits, including through tie-up manufacturing units and through strategic franchising of some of its brands. In addition, the Group holds perpetual right to the Bangalore Franchise of Board of Control for Cricket in India – Indian Premier League (BCCI-IPL).

These consolidated financial statements are approved for issue by the Company's Board of Directors on May 21, 2021.

## Note 1 - Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 1.1 Basis of preparation of consolidated financial statements

#### (i) Compliance with Ind AS

These consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the 'Act') [Companies (Indian Accounting Standards) Rules, 2015, as amended] and other relevant provisions of the Act.

#### (ii) Going concern

These consolidated financial statements are prepared on a going concern basis unless the Holding Company management either intends to liquidate any entities within the Group or has no realistic alternative but to do so, in which case the financial statements of such entities are prepared and consolidated on a liquidation basis (i.e. "break up" basis).

#### (iii) Historical cost convention

These consolidated financial statements have been prepared on a historical cost basis, except for the following:

- defined benefits plans – plan assets is measured at fair value; and
- share-based payment obligations measured at fair value.

All assets and liabilities have been classified as current or non-current as per the Group's normal operating

cycle and other criteria set out in the Schedule III (Division II) to the Act. Based on the nature of products and the time between the acquisition of asset for processing and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as twelve months for the purpose of current/non-current classification of assets and liabilities.

#### (iv) New and amended standards adopted

The Group has adopted the following amendments to Ind AS standards from April 1, 2020:

- Definition of Material – amendments to Ind AS 1 and Ind AS 8
- Definition of a Business – amendments to Ind AS 103
- COVID-19 related rent concessions – amendments to Ind AS 116
- Interest Rate Benchmark Reform – amendments to Ind AS 109 and Ind AS 107.

The amendments listed above did not have any impact on the amounts recognised in current and prior periods and are not expected to significantly affect any future periods.

#### (v) Standard issued but not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards. There are no new standards or amendments to existing standards which have been notified by the MCA and not yet been adopted by the Group.

### 1.2 Principles of consolidation and equity accounting

#### (i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group except for common control transactions.

The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances

# Notes to the Consolidated Financial Statements (Continued)

and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet, respectively.

## (ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting [see (iii) below], after initially being recognized at cost.

## (iii) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit and loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of loss in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also estimated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described in note 1.4 below.

The Group does not have any investments in joint ventures.

## (iv) Changes in ownership interests

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

## 1.3 Foreign currency translation

### (i) Functional and presentation currency

The consolidated financial statements are presented in Indian Rupee (₹), which is USL's functional and presentation currency.

### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the Statement of Profit and Loss.

### (iii) Translation of Group Companies

The results and financial position of foreign operations (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at average exchange rates (unless this is not a reasonable

# Notes to the Consolidated Financial Statements (Continued)

approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized in other comprehensive income as 'Foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## 1.4 Property, plant and equipment, Investment Properties and Intangible assets

### *Property, plant and equipment*

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation, and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All expenses in the nature of repairs and maintenance are charged to Statement of Profit and Loss during the reporting period in which they are incurred.

The cost of property, plant and equipment which are not ready for their intended use at the balance sheet date, are disclosed as capital work-in-progress.

### **Depreciation methods, estimated useful lives and residual value**

Depreciation is calculated using the straight-line method as per the estimated useful lives of assets as below:

Asset category	Useful life (in years)
Buildings	
- Roads	5
- Buildings	30 – 60
Plant and equipment	
- Wooden casks	15
- Others	7.5 – 15
Furniture and Fittings	10
Office Equipment	
- Computers	3
- Servers	3
- Others	5
Vehicles	5

Useful lives of asset classes determined by management estimate, which are different than those prescribed under Schedule II of the Act are supported by internal technical assessment of the useful lives. Estimated useful lives based on technical evaluation considers the impact of additional depreciation for working extra shifts.

### **Disposals**

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are accounted in Statement of profit and loss within Other income/Other expenses, on a net basis.

### **Transition to Ind AS**

On transition to Ind AS, the group has elected to continue with the carrying value of all of its property, plant and equipment measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

# Notes to the Consolidated Financial Statements (Continued)

## **Investment Properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are depreciated using the straight-line method over their estimated useful lives. The useful life has been determined based on technical evaluation performed by the management's expert.

## **Intangible assets**

### **Brands and Licenses**

Licenses acquired are carried at cost less accumulated amortisation and impairment losses, if any. Brands are regarded as having indefinite useful lives and are not amortised, but are assessed for impairment at every reporting date.

### **Computer software**

Computer software acquired or developed are carried at cost less accumulated amortisation and impairment losses, if any. Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of customised computer software applications are recognised as intangible assets under development or intangible assets when ready for intended use, when the following criteria are met:

- a) it is technically feasible to complete the software so that it will be available for use,
- b) there is an ability to use or sell the software,
- c) it can be demonstrated that the software will generate probable future economic benefits,
- d) adequate technical, financial and other resources to complete the development and to use the software are available, and
- e) the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the customised computer software applications include employee costs and other directly attributable costs and are amortised from the point at which the software asset is available for use.

## **Franchisee right**

The Group, through one of its wholly owned subsidiary, owns perpetual right to the Bangalore Franchisee of Board of Control for Cricket in Indian Premier League (BCCI – IPL). Franchisee right acquired is carried at cost less accumulated amortisation and impairment losses, if any.

## **Transition to Ind AS**

On transition to Ind AS, the group has elected to continue with the carrying value of all of intangible assets measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

## **Research and development costs**

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Group has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

## **Amortisation method and useful lives**

The Group amortises intangible assets with finite useful life using the straight-lined method over their estimated useful lives as follows:

- Licenses – over the license period
- Computer software – 5 years
- Franchisee rights – 50 years/ IPL seasons

## **Goodwill**

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, which in our case are the operating segments.

## **Impairment of assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment atleast annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment at least annually or

# Notes to the Consolidated Financial Statements (Continued)

whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## **Asset held for sale**

Non-current assets are classified as held for sale under current assets if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable and is expected to be completed within one year from the balance sheet date. Such assets are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of such asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of such non-current assets is recognised at the date of de-recognition.

## **1.5 Leases**

### **As a lessee**

The Group recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments, for example arrangements that require payments based on agreed minimum production volumes),
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment and furniture.



# Notes to the Consolidated Financial Statements (Continued)

## 1.6 Financial Instruments

### A) Financial Assets:

#### a) Recognition and measurement

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is recognised at fair value.

Financial assets are subsequently classified and measured at amortised cost. Financial assets are not reclassified subsequent to their recognition, except if and in the period the Group changes its business model for managing financial assets.

#### i) Trade Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate (EIR) method net of any expected credit losses (ECL). The EIR is the rate that discounts estimated future cash flows through the expected life of financial instrument.

#### ii) Loans

On initial recognition, Loans are measured at fair value. Since the objective is to hold these financial assets to collect contractual cash flows that are solely payments of principal and interest, these assets are subsequently measured at amortised cost using the EIR method less impairment, if any.

#### iii) Other financial assets

On initial recognition, Other financial assets are measured at fair value, and subsequently, measured at the amortised cost, less impairment if any. Loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

#### b) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

#### c) Impairment of financial assets

The Group applies ECL model for measurement and recognition of loss allowance on Trade receivables

and other financial assets measured at amortised cost.

In case of trade receivables, the Group follows the provision matrix approach (as permitted by Ind AS 109) wherein an amount equal to lifetime ECL is measured and recognised as loss allowance.

The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

In case of other financial assets, the Group determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognised as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognised as loss allowance.

Subsequently, if the credit quality of the financial asset improve such that there is no longer a significant increase in credit risk since initial recognition, the Group reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive (i.e., cash shortfalls), discounted at the original effective interest rate.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

ECL are measured in a manner that they reflect probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Statement of Profit and Loss under the head 'Loss allowance on trade receivables and other financial assets'.

#### d) Income recognition

Dividend income on investments is recognised and



# Notes to the Consolidated Financial Statements (Continued)

accounted for when the right to receive the payment is established, it probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

Interest income is accounted for on a time-proportion basis using effective interest rate method taking into account the amounts invested and the rate of interest, except for financial assets that subsequently become credit impaired.

For credit impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## B) Financial Liabilities:

### a) Recognition and measurement

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value and subsequently measured at amortised cost.

### Trade and other payables

In case of trade and other payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the effective interest rate method.

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

### b) Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

## C) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

## 1.7 Inventories

Inventories which comprise raw materials, work-in-progress (intermediates), finished goods, stock-in-trade, packing materials and stores and spares are carried at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost of inventories, weighted average cost method is used. In case of manufactured finished goods and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

## 1.8 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances with banks that are readily convertible to known amounts of cash and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 1.9 Revenue recognition

Revenue comprises revenue from contracts with customers for sale of goods and income from brand franchisee royalties receivable. Revenue from sale of goods is inclusive of excise duties and is net of returns, trade allowances, rebates, value added taxes and such amounts collected on behalf of third parties.

Revenue is recognised as and when performance obligations are satisfied by transferring goods or services to the customer, as below:

### a. Revenue from sale of products:

Revenue is recognised on transfer of control, being on dispatch of goods or upon delivery to customer, in accordance with the terms of sale.

### b. Revenue from manufacture and sale of products from tie-up manufacturing arrangements:

The Group has entered into arrangements with Tie-up Manufacturing Units (TMUs), wherein TMUs manufacture and sell beverage alcohol on behalf of the Group. Under such arrangements, the Group has exposure to significant risks and rewards in such arrangements i.e. it has the primary responsibility for providing goods to the customer, has pricing latitude and is also exposed to

# Notes to the Consolidated Financial Statements (Continued)

inventory and credit risks. The Group is considered to be a principal in such arrangements with TMUs. Accordingly, the transactions of the TMUs under such arrangements have been recorded as gross revenue, excise duty and expenses as if they were transactions of the Group. The Group presents inventory held by the TMUs under such arrangements as its own inventory. The net receivables from/payable to TMUs are recognised under other financial assets/other financial liabilities respectively.

## c. Income from brand franchise arrangements

Revenue in respect of fixed income brand franchise arrangements is recognised proportionately in each period. Income from variable franchise arrangements is recognised based on the terms of the respective contracts upon sale of products by the franchisees.

## d. Revenue from BCCI-IPL franchise

- (i) Revenue from various contractual arrangements for central rights, sponsorship, royalty and licensing fee  
Central Rights income – The Group receives a share of central rights revenue from BCCI for conducting and participating in cricket matches during IPL league season. Central Rights revenue is recognised on a straight-line basis over 5 IPL seasons (IPL 11 to IPL 15) based on current terms of arrangement with BCCI.

Sponsorship Income, Royalty and licensing fee – The Group receives sponsorship revenue for displaying sponsor's logo/brand on the players jersey, company website etc. Royalty and licensing revenue is received from customers for usage of RCB brand name, RCB logo, player photograph etc. Revenue from Sponsorship and Royalty and Licensing Contracts are recognised over the period of IPL league season, based on number of matches played, which corresponds with the period of service.

Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues are reflected in the statement of profit and loss in the period in which the circumstances that give rise to the revision become known to the management.

Contract assets are in the nature of unbilled receivables where the Group has partially satisfied the performance obligation and hence does not have an unconditional right to consideration. Where the Group has an obligation to transfer goods or services to a customer for which the Group has received consideration from the customer in advance, a contract liability is recognised.

## (ii) Revenue from sale of tickets

The Group earns revenue from sale of tickets for home league IPL matches. Revenue from sale of tickets is recognised in the period when the matches are played.

## (iii) Transfer fees

Fee received for transfer of players to another franchisee is recognised when the Group transfers control of rights on the player.

## (iv) Play-off fees

Group receives a share of income from BCCI for qualifying for the play-offs in the tournament and this is recognised in financial year in which such tournament is concluded.

## 1.10 Employee benefits

### (a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and performance incentives that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services rendered up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented under 'Other financial liabilities' in the balance sheet.

### (b) Post-employment obligations

The Group's defined benefit plans comprise gratuity, pension and provident fund (administered by trusts set up by the Group, where the Group's obligation is to provide the agreed benefit to the qualifying employees and the actuarial risk and investment risk if any, fall in substance, on the Group).

#### **Pension and gratuity obligations**

The net liability or asset recognised in the balance sheet in respect of pension and gratuity (defined benefit plans) is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is

# Notes to the Consolidated Financial Statements (Continued)

included in employee benefit expense in the Statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

## **Provident fund**

The Group operates a defined benefit provident fund plan for certain category of eligible employees. The minimum statutory rate at which the annual rate of interest is payable to the beneficiaries of such plan is declared by the Central Government. The Group has an obligation to make good the shortfall if any, in the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Group also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation.

## **Defined-contribution plans**

These are plans in which the Group pays pre-defined amounts to funds administered by government authority/Group and does not have any legal or constructive obligation to pay additional sums. These comprise contributions in respect of Employees' Provident Fund, Employees' Pension Scheme, Employees' State Insurance, Superannuation Fund and National Pension Scheme. The Group's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

## **(c) Other long-term employee benefit obligations**

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields of government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Statement of Profit and Loss.

## **(d) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## **(e) Share-based payments**

Share-based compensation benefits are provided to certain grades of employees in the form of United Spirits Limited – Stock Appreciation Rights Plan, a cash settled scheme, and various equity settled schemes managed by Diageo group.

## **Stock appreciation rights**

Liabilities for the Group's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as current/ non-current provisions in the balance sheet.

## **Diageo group share-based payment arrangements**

The fair value of equity settled share options based on shares of Diageo plc. (the ultimate holding company) is initially measured at grant date and is charged to the Statement of profit and loss over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, and the credit is included in equity. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market and service conditions. It recognises the impact of revision to original estimate, if any, in profit or loss, with a corresponding adjustment to equity. Once the costs towards share option plans are cross charged by Diageo group companies, the same is accounted for as a reduction from equity. To the extent the amount or recharge exceeds the fair value of equity shares on the date of exercise, the same is recognised in the Statement of Profit and Loss.

## **1.11 Income tax**

Income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities

# Notes to the Consolidated Financial Statements (Continued)

attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 1.12 Earnings per share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by 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. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented in case of share splits.

## 1.13 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is made in respect of onerous contracts, i.e., contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contracts. Provisions are not recognised for other future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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.

## 1.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Statement of profit and loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of profit and loss as other gains/(losses).

# Notes to the Consolidated Financial Statements (Continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## 1.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

## 1.16 Exceptional items

When an item of income or expense within Statement of profit and loss from ordinary activity is of such size, nature and incidence that its disclosure is relevant to explain more meaningfully the performance of the Group for the year, the nature and amount of such items is disclosed as exceptional items.

## 1.17 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Executive committee, which has been identified as the chief operating decision maker, assesses the financial performance and position of the Group and makes strategic decisions. The executive committee consists of the Managing Director & Chief Executive Officer and other senior management team members.

## 1.18 Equity

Own shares represent shares of the Group and those held in treasury by USL Benefit Trust. Pursuant to orders of the High Court of Karnataka and the High Court of Bombay, shares held in aforesaid trust have been treated as an investment in the standalone financial statements. In the consolidated financial statements, own shares held by the trust have been considered as treasury shares and deducted from equity.

**Dividends** - Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## 1.19 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III (Division II) to the Act, unless otherwise stated. The sign '0' in these consolidated financial statements indicates that the amounts involved are below ₹ five lakhs and the sign '-' indicates that amounts are nil.

## 2. Critical estimates and judgements

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual result. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

The areas involving critical estimates and judgements are:

- Estimation of provisions recognised and contingent liabilities disclosed in respect of tax matters – Notes 8, 18, 40(g) and 43
- Impairment of trade receivables – Notes 32

### Note:

The Group holds perpetual franchise right for the Bangalore team of IPL. The limited over version of the game which was first introduced in 1970s is continuing even now after 50 years and an even shorter version (20 overs) introduced in 2000s is more popular than the 50 overs format. Although the Management regards the useful life as indefinite, as a measure of prudence a useful life of 50 years/ IPL seasons is considered as appropriate and the rights are amortized over 50 years/IPL seasons 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;
- IPL and its teams have acquired brand status and teams are not identified with countries or geographies but with brand names; and
- 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.

The carrying value of the capitalized rights would be assessed for impairment at every balance sheet date.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.



# Notes to the Consolidated Financial Statements

## 3.1 Property, Plant and Equipment

(All amounts in ₹ Millions unless otherwise stated)

Particulars	Owned						Leased			Total
	Freehold Land [Refer note (a) below]	Buildings [Refer note (b) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Land	Office Equipment	Vehicles	
<b>Year ended March 31, 2020</b>										
<i>Gross carrying amount</i>										
Opening	2,601	4,525	12,231	473	448	21	131	501	10	20,941
Adjustment on adoption of Ind AS 116 on Leases [Refer Note (d) below]	-	-	-	-	-	-	(131)	(501)	(10)	(642)
Additions	15	338	1,293	47	121	0	-	-	-	1,814
Disposals	(21)	(35)	(456)	(3)	(6)	(2)	-	-	-	(523)
<b>Closing gross carrying amount</b>	<b>2,595</b>	<b>4,828</b>	<b>13,068</b>	<b>517</b>	<b>563</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,590</b>
<i>Accumulated depreciation and impairment</i>										
Opening	-	802	5,023	300	305	15	48	256	10	6,759
Adjustment on adoption of Ind AS 116 on Leases [Refer Note (d) below]	-	-	-	-	-	-	(48)	(256)	(10)	(314)
Depreciation charge for the year	-	255	1,671	51	85	2	-	-	-	2,064
Disposals	-	(17)	(429)	(3)	(6)	(2)	-	-	-	(457)
<b>Closing accumulated depreciation and impairment</b>	<b>-</b>	<b>1,040</b>	<b>6,265</b>	<b>348</b>	<b>384</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,052</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>2,595</b>	<b>3,788</b>	<b>6,803</b>	<b>169</b>	<b>179</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,538</b>
<b>Year ended March 31, 2021</b>										
<i>Gross carrying amount</i>										
Opening	2,595	4,828	13,068	517	563	19	-	-	-	21,590
Additions	201	270	1,400	-	10	-	-	-	-	1,881
Disposals	(44)	(139)	(422)	(15)	(11)	-	-	-	-	(631)
Disposal of subsidiary [Refer Note 41(b)]	(5)	(82)	(284)	(0)	(0)	-	-	-	-	(371)
<b>Closing gross carrying amount</b>	<b>2,747</b>	<b>4,877</b>	<b>13,762</b>	<b>502</b>	<b>562</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,469</b>
<i>Accumulated depreciation and impairment</i>										
Opening	-	1,040	6,265	348	384	15	-	-	-	8,052
Depreciation charge for the year	-	259	1,381	31	83	0	-	-	-	1,754
Impairment during the year [refer note (e) below]	-	-	70	-	-	-	-	-	-	70
Disposals	-	(54)	(367)	(15)	(10)	-	-	-	-	(446)
Disposal of subsidiary [Refer Note 41(b)]	-	(20)	(188)	(0)	(0)	-	-	-	-	(208)
<b>Closing accumulated depreciation and impairment</b>	<b>-</b>	<b>1,225</b>	<b>7,161</b>	<b>364</b>	<b>457</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,222</b>
<b>Net carrying amount as at March 31, 2021</b>	<b>2,747</b>	<b>3,652</b>	<b>6,601</b>	<b>138</b>	<b>105</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,247</b>

### Notes:

- Land includes: (i) gross carrying amount of ₹ 1,216 million (2020: ₹ 1,224 million) in respect of which the title deeds are in the name of erstwhile merged entities; and (ii) gross carrying amount of ₹ 585 million (2020: ₹ 592 million) in respect of which the Company is in possession of photocopies of title deeds.
- Building includes: (i) gross carrying amount of ₹ 1,092 million (2020: ₹ 1,183 million) in respect of which the title deeds are in the name of erstwhile merged entities; (ii) gross carrying amount of ₹ 255 million (2020: ₹ 272 million) in respect of which the Company is in possession of photocopies of title deeds; and (iii) gross carrying amount of ₹ 339 million (2020: ₹ 339 million) in respect of which the Company has initiated litigation for execution of sale deed in favour of the Company.
- Opening and closing cost of buildings includes payments below rounding off norms adopted by the Group towards fully paid shares held in a co-operative housing society for the purpose of acquiring the right of occupation.
- Pursuant to adoption of Ind AS 116, assets under finance lease as at March 31, 2019 had been transferred to right-of-use assets on April 01, 2019 and presented as a separate line item in the balance sheet from March 31, 2020, refer Note 3.2.
- Represents impairment of Plant and Equipment of a closed manufacturing facility.

### Property, plant and equipment pledged as security

Refer to note 34 for information on property, plant and equipment pledged as security by the Group.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## 3.2 Leases

This note provides information for leases where the Group is a lessee. The Group takes on leases various offices, warehouses, plant and equipment and office equipment. Lease contracts are typically entered into 30 years to 100 years for leasehold land and for periods of 11 months to 5 years for other categories, and may have extension options as described in Note (c) below. Some of the leasing arrangements entered by the Group include non-cancelable lease terms.

### (i) Amounts recognised in Balance Sheet

	As at March 31, 2021	As at March 31, 2020
<b>Right-of-Use assets</b>		
Leasehold Land	81	82
Buildings	482	1,069
Plant and Equipment	889	605
Office Equipment	192	219
<b>Total</b>	<b>1,644</b>	<b>1,975</b>
<b>Movement in right-of-use assets during the year</b>		
Opening right-of-use assets	1,975	1,896
Additions	638	803
Depreciation for the year	(899)	(724)
Deletions to right-of-use assets	(70)	-
Closing right-of-use assets	1,644	1,975
<b>Lease Liabilities</b>		
Current	653	762
Non-Current	925	1,203
<b>Total</b>	<b>1,578</b>	<b>1,965</b>



# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## (ii) Amounts recognised in the Statement of Profit and Loss

	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
a) Depreciation charge of right-of-use assets	27		
Leasehold Land		1	1
Buildings		130	368
Plant and Equipment		663	248
Office Equipment		105	107
<b>Total</b>		<b>899</b>	<b>724</b>
b) Interest expenses (included in finance cost)	26	156	162
c) Lease related expenses included in Rent expenses	28		
Short term leases		68	126
Leases of low value assets		67	109
Variable lease payments (not included in lease liabilities)		2,153	2,373
<b>Total</b>		<b>2,288</b>	<b>2,608</b>

(iii) The total cash outflow for leases for the year ended March 31, 2021 was ₹ 3,270 million (2020 : ₹ 3,415 million).

**Notes:**

(a) Additions to the right-of-use assets for year ended March 31, 2021 aggregate to ₹ 638 million (2020: ₹ 803 million).

(b) Variable lease payments

The Group has lease contracts for plant and equipment that contain variable payments. Variable lease payments that depend on production volumes are recognised in the statement of profit and loss in the period in which the condition that triggers those payments occurs. Any changes in production under contracts which includes variable lease payments, would have a proportionate impact on the variable lease payments. Certain agreements contain clauses for minimum production volumes and hence portion of lease payments in these agreements are 'in-substance fixed'. "In-substance" fixed lease payments are included in the determination of the lease liabilities and consequently included in determining the value of right-of-use assets.

(c) Extension and termination options

Extension and termination options are included in a number of property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Management considers contractual terms and conditions, leasehold improvements undertaken, costs relating to termination of lease and importance of the underlying asset to the Company's operations in determining the lease term for the purpose of recognising/measuring the lease liability.

(d) Leasehold land includes: (i) net carrying amount of ₹ 33 million (2020: ₹ 35 million) in respect of which the lease deeds are in the name of erstwhile merged entities; and (ii) net carrying amount of ₹ 4 million (2020: ₹ 5 million) in respect of which the Company is in possession of photocopies of lease deeds.

## 3.3 Capital work-in-progress

Movement of Capital work-in-progress set-out below:

	As at March 31, 2021	As at March 31, 2020
Opening capital work-in-progress	1,041	1,019
Additions	1,723	1,836
Assets capitalised during the year	(1,881)	(1,814)
Closing capital work-in-progress	883	1,041

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## 3.4 Intangible assets

Particulars	Other Intangible Assets					Goodwill
	Brand	Licenses	Computer Software	Franchise Right [Refer Note (a) below]	Total	
<b>Year ended March 31, 2020</b>						
<b>Gross carrying amount</b>						
Opening	114	38	153	3,997	4,302	1,385
Additions to internally developed intangible assets	-	-	231	-	231	-
Disposals	-	-	-	-	-	-
<b>Closing gross carrying amount</b>	<b>114</b>	<b>38</b>	<b>384</b>	<b>3,997</b>	<b>4,533</b>	<b>1,385</b>
<b>Accumulated amortisation and impairment</b>						
Opening	114	15	44	392	565	892
Amortisation charge for the year	-	3	56	73	132	-
Impairment charge for the year	-	-	-	-	-	283
Disposals	-	-	-	-	-	-
<b>Closing accumulated amortisation and impairment</b>	<b>114</b>	<b>18</b>	<b>100</b>	<b>465</b>	<b>697</b>	<b>1,175</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>-</b>	<b>20</b>	<b>284</b>	<b>3,532</b>	<b>3,836</b>	<b>210</b>
<b>Year ended March 31, 2021</b>						
<b>Gross carrying amount</b>						
Opening	114	38	384	3,997	4,533	1,385
Additions to internally developed intangible assets	-	-	151	-	151	-
Additions acquired during the year	-	-	37	-	37	-
Disposals	-	-	(103)	-	(103)	-
<b>Closing gross carrying amount</b>	<b>114</b>	<b>38</b>	<b>469</b>	<b>3,997</b>	<b>4,618</b>	<b>1,385</b>
<b>Accumulated amortisation and impairment</b>						
Opening	114	18	100	465	697	1,175
Amortisation charge for the year	-	3	103	93	199	-
Impairment charge for the year	-	-	69	-	69	-
Disposals	-	-	(103)	-	(103)	-
<b>Closing accumulated amortisation and impairment</b>	<b>114</b>	<b>21</b>	<b>169</b>	<b>558</b>	<b>862</b>	<b>1,175</b>
<b>Net carrying amount as at March 31, 2021</b>	<b>-</b>	<b>17</b>	<b>300</b>	<b>3,439</b>	<b>3,756</b>	<b>210</b>

### Notes:

- The Group has estimated the useful life of the franchisee right to be 50 years/IPL seasons. The actual useful life may differ depending on various circumstances. If the useful life were shorter by 5 years, the carrying amount of franchise right would be ₹ 3,271 million (2020: ₹ 3,426 million). If the useful life were longer by 5 years, the carrying amount would be ₹ 3,501 million (2020: ₹ 3,652 million).
- Brands and licences have indefinite life and remaining useful life of computer software ranges from 1 year to 5 years. The carrying amount of franchise right will be amortized over the remaining period of 37 years/IPL seasons. (2020 : 38 years/IPL seasons).
- Refer Note 45(c) for subsidiary wise details of movement in Goodwill.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## 3.5 Intangible assets under development

Movement of intangible assets under development set-out below:

Particulars	As at March 31, 2021	As at March 31, 2020
Opening intangible assets under development	170	165
Additions	65	236
Intangible assets capitalised during the year	(151)	(231)
<b>Closing intangible assets under development</b>	<b>84</b>	<b>170</b>

Management has performed an impairment assessment on the intangible assets under development and determined that no impairment loss is necessary for the year.

## 3.6 Investment Property

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Gross Carrying Amount</b>		
Opening	-	-
Reclassified from Asset held for Sale (Refer Note 13)	75	-
<b>Closing gross carrying amount</b>	<b>75</b>	<b>-</b>
<b>Accumulated Depreciation</b>		
Opening	-	-
Depreciation charge for the year	-	-
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>75</b>	<b>-</b>

Amounts recognised in statement of profit and loss for investment property

Particulars	As at March 31, 2021	As at March 31, 2020
Direct operating expenses	1	-
<b>Total</b>	<b>1</b>	<b>-</b>

Fair Value

Particulars	As at March 31, 2021	As at March 31, 2020
Investment Property	86	-
<b>Total</b>	<b>86</b>	<b>-</b>

### Estimation of fair value

The group obtains independent valuations for its investment property. The best evidence of fair value is current prices in an active market for similar properties. When such information is not available, the Group considers information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projection based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence

The fair value of investment property has been determined by a valuation expert who holds relevant professional qualification and experience. The market value of the investment property has been assessed on an open market basis with the benefit of vacant possession. In the course of valuation, a direct comparison method has been adopted by making a reference to the relevant market transaction in the building where the investment property is located. The appropriate adjustments have been made in order to account for the differences between the subject property and the comparable in terms of time, floor level, view, condition, quality and facilities etc.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## 4.1 Investments accounted for using Equity Method

An analysis of the Group's interests in associates is as follows:

	As at March 31, 2021	As at March 31, 2020
As at the beginning of the year	219	252
Share of profits/(losses) for the year	(13)	(33)
Impairment in the value of Investment	(206)	-
<b>As at the end of the year</b>	<b>-</b>	<b>219</b>

Management has determined that its investment in associate is not material to the Group.

The financial information of the associate is as follows:

	For the period ended March 31, 2021	For the year ended March 31, 2020
Profit/(Loss) after tax	(59)	(127)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(59)</b>	<b>(127)</b>

### Note:

- Hip Bar, incorporated on February 20, 2015, owns and operates a web-based mobile application under the name and style of "HIPBAR", which acts as an electronic payment platform servicing the beverage alcohol industry and its consumers. Hip Bar has been treated as an "associate company", i.e., by virtue of the Group having a shareholding in excess of 20% in Hip Bar.
- Management has fully impaired its investment in Hip Bar Private Limited as the operations of the associate have been closed.
- Management has used the financial information of Hip Bar Private Limited for 9 months ended December 31, 2020 for the purposes of consolidation since the financial statements of Hip Bar Private Limited for the year ended March 31, 2021 were not made available. Management does not expect any material adjustments to the financial statements in this respect.

## 4.2 Investments

Investment in compulsory convertible preference shares (CCPS) carried at fair value through profit and loss (fully paid-up)	As at March 31, 2021	As at March 31, 2020
Hip Bar Private Limited [Refer note below]	-	-
(1,950,000 (2020: Nil) CCPS having face value of ₹ 10 each)		
<b>As at the end of the year</b>	<b>-</b>	<b>-</b>

### Note:

- On October 1, 2020, Company invested ₹ 20 million in CCPS issued by Hip Bar Private Limited, which has been carried at fair value through profit and loss. The Company has recognised a fair value loss of ₹ 20 million during the year ended March 31, 2021. Refer Note 29(f).

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	As at March 31, 2021		As at March 31, 2020	
	Current	Non-current	Current	Non-current
<b>5. Loans</b>				
Loan to UBHL [Refer Note 40(c)]	-	12,452	-	12,755
Loans to employees	14	-	19	-
Security deposits	247	162	234	184
	261	12,614	253	12,939
Less: Loss allowance				
Loan to UBHL [Refer Note 40(c)]	-	(12,452)	-	(12,755)
Security deposits	(105)	-	(93)	-
	(105)	(12,452)	(93)	(12,755)
<b>Total Loans</b>	<b>156</b>	<b>162</b>	<b>160</b>	<b>184</b>

	As at March 31, 2021	As at March 31, 2020
<b>Details of securities/categorisation of credit risk on loans</b>		
Loans considered good – secured	-	-
Loans considered good – unsecured	423	437
Loans which have significant increase in credit risk	-	-
Loans – credit impaired	12,452	12,755
<b>Total</b>	<b>12,875</b>	<b>13,192</b>
Less: Loss allowance	(12,557)	(12,848)
<b>Total Loans</b>	<b>318</b>	<b>344</b>

Refer Note 32 for information about financial risk management.

	As at March 31, 2021		As at March 31, 2020	
	Current	Non-current	Current	Non-current
<b>6. Other financial assets</b>				
Balances with banks [Refer Note below]	-	792	-	770
Considered good	-	-		
Considered doubtful	-	-		
Receivable from related parties [Refer note 37(c)(i)]	23	-	13	-
Government grant	171	1,102	127	1,200
Receivable from Tie-up manufacturing units	2,470	348	2,905	672
Other receivables	25	134	171	-
	2,689	2,376	3,216	2,642
Less: Loss allowance				
Government grant	-	(243)	-	(216)
Receivable from Tie-up manufacturing units	(485)	(348)	-	(672)
Other receivables	(18)	(134)	(158)	-
	(503)	(725)	(158)	(888)
<b>Total other financial assets</b>	<b>2,186</b>	<b>1,651</b>	<b>3,058</b>	<b>1,754</b>

**Balances with banks comprise:**

- (a) Deposit of ₹ 459 million (2020: ₹ 459 million) with a bank in suspense account [Refer Note 40(f)].
- (b) Fixed deposits of ₹ 321 million (2020: ₹ 310 million) with a bank kept under escrow pending resolution of various taxation matters.
- (c) Margin money against bank guarantees ₹ 1 million (2020: ₹ 1 million).
- (d) Represents Bank deposits under lien in respect of bank guarantees provided to tax authorities ₹ 11 million.

Refer Note 32 for information about financial risk management.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## 7. Deferred Tax Assets (net)

	As at March 31, 2021	As at March 31, 2020
<b>Deferred tax assets</b>		
Allowance for doubtful receivable balances	835	945
Provisions allowed on payment basis	1,102	1,029
Carried forward tax losses and unabsorbed depreciation	511	740
Indexation benefit on land	74	80
Lease liabilities	254	495
Others	79	3
	2,855	3,292
<b>Deferred tax liabilities</b>		
Depreciation and amortisation	1,154	1,301
Right-of-use assets	251	477
	1,405	1,778
	1,450	1,514
<b>Deferred tax assets (net)</b>	1,711	1,590
<b>Deferred tax liabilities (net)</b>	261	76

Movement in deferred tax assets	Allowance for doubtful receivable balances	Provisions allowed on payment basis	Carried forward tax losses and unabsorbed depreciation	Indexation benefit on land	MAT Credit Entitlement	Depreciation and amortisation	Lease	Right-of- use assets	Others	Total
<b>At April 1, 2019</b>	1,658	1,220	1,424	94	220	(1,828)	-	-	112	2,900
(Charged) / Credited:										
- to profit and loss - due to rate change	(419)	(338)	(114)	-	-	336	-	-	(9)	(544)
- to other comprehensive income	(294)	57	(571)	(14)	(220)	191	495	(477)	(100)	(933)
- to other comprehensive income	-	91	-	-	-	-	-	-	-	91
<b>At March 31, 2020</b>	945	1,030	739	80	-	(1,301)	495	(477)	3	1,514
(Charged) / Credited:										
- to profit and loss - due to rate change	-	-	-	-	-	-	-	-	-	-
- to profit and loss	(110)	91	(228)	(6)	-	147	(241)	226	76	(45)
- to other comprehensive income	-	(19)	-	-	-	-	-	-	-	(19)
<b>At March 31, 2021</b>	835	1,102	511	74	-	(1,154)	254	(251)	79	1,450

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## 8. Income Tax Balances

	As at March 31, 2021	As at March 31, 2020
<b>Current tax liabilities (net of advance tax)</b>	<b>3,225</b>	<b>2,976</b>
<b>Non-current tax assets (net of provision for current tax)</b>	<b>10,823</b>	<b>11,361</b>

### Note:

(a) The above amounts include amounts paid under protest of ₹ 10,271 million (2020: ₹ 11,857 million) pertaining to various assessment years.

### (b) Impact on tax charge pursuant to Taxation Laws (Amendment) Act, 2019

Pursuant to a notification of the Taxation Laws (Amendment) Act, 2019, subsidiaries 'Pioneer Distilleries Limited' and 'Sovereign Distilleries Limited' have opted to pay tax as per Section 115BAA at the income tax rate of 22% (plus applicable surcharge and cess). Accordingly, the Income Tax Return for the year ended 31 March 2020 was filed as per the new rate (25.168%) and hence there is a deferred tax charge which is adjusted against the unrecognised deferred tax assets including MAT credit entitlement.

### (c) Disputed income tax matters relating to earlier years

Pursuant to The Direct tax Vivad se Vishwas Act, 2020 (the 'Scheme') which was notified on March 17, 2020, the Holding Company has an option to settle its income tax disputes under the Income Tax Act, 1961 by payment of arrears of the disputed tax amount according to the provisions of the Scheme. During the year ended March 31, 2020, the Holding Company has evaluated all the disputed income tax litigations and has decided to avail the Scheme in respect of certain disputed matters for which a provision of ₹ 408 million for tax amount and a reversal of provision of ₹ 904 million for accrued interest has been recorded during the year ended March 31, 2020. Further, the Holding Company on a prudent accounting basis has made a provision for tax and interest in respect of a disputed legacy matter of earlier years of ₹ 2,114 million during the year ended March 31, 2020. Following a favourable order received from the Appellate Authorities in respect of an earlier disputed tax matter and based on risk assessment by management, the Holding Company has reversed the provision in respect of disputed tax and interest aggregating to ₹ 1,539 million during the year ended March 31, 2020.

On account of the above matters, the Holding Company has accounted ₹ 897 million pertaining to tax under the heading Income tax relating to earlier years and ₹ 131 million under the heading Current tax for the year and an amount of ₹ 949 million towards reversal of accrued interest under the heading exceptional items [Refer Note 29(d)] in these Consolidated Financial Statement for the year ended March 31, 2020.

	As at March 31, 2021		As at March 31, 2020	
	Current	Non-current	Current	Non-current
<b>9. Other assets</b>				
Capital advances [Refer Note (a) and (b) below]				
Considered good	-	100	-	306
Considered doubtful	-	24	-	24
Balances with government authorities [Refer Note (c) below]				
Considered good	593	1,901	685	1,995
Considered doubtful	40	74	65	140
Advances to suppliers				
Considered good	472	-	589	-
Considered doubtful	63	734	790	-
Net surplus in gratuity plan [Refer Note 39(b)(C)]	-	369	-	385
Pre-paid expenses	1,392	722	1,293	1,243
Other advances				
Considered good	1	3	3	3
	2,561	3,927	3,425	4,096
Less: Allowance for doubtful balances	(103)	(832)	(855)	(164)
<b>Total other assets</b>	<b>2,458</b>	<b>3,095</b>	<b>2,570</b>	<b>3,932</b>

### Notes:

- (a) Capital advances considered good includes an amount of ₹ 17 million (2020: ₹ 199 million) being advance paid towards purchase of land pursuant to an "agreement to sell" entered by Pioneer Distilleries Limited ("PDL") with the owners of the land. PDL is in the process of resolving certain matters and expects to execute the sale deed and have the same registered in due course.
- (b) Capital advances considered doubtful includes an amount of ₹ 22 million (2020: ₹ 22 million) in which multiple cases have been filed by the land owners against Sovereign Distilleries Limited ("SDL") and erstwhile promoters for declaration and vacant possession of land belonging to them. SDL has filed a written statement along with a counter claim before the Court of Principal Civil Judge at Sindhanur. The amount of ₹ 22 million (2020: ₹ 22 million) is considered doubtful of recovery and has been fully provided for.
- (c) Balances with government authorities include amounts paid under protest amounting to ₹ 1,513 million (2020: ₹ 1,489 million)



# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
<b>10. Inventories</b>		
(Valued at lower of cost and net realisable value)		
Raw materials	3,661	1,924
[including materials in transit ₹ 393 million (2020: ₹ 445 million)]		
Work-in-progress [Refer Note (a) below]	6,289	6,191
Finished goods	7,255	7,757
[including goods in transit ₹ 336 million (2020: ₹ 996 million)]		
Stock-in-trade	1,338	1,332
[including goods in transit ₹ 535 million (2020: ₹ 218 million)]		
Packing materials	1,853	1,913
[including materials in transit ₹ 46 million (2020: ₹ 20 million)]		
Stores and spares	123	158
<b>Total inventories</b>	<b>20,519</b>	<b>19,275</b>

**Notes:**

- (a) Work-in-progress (intermediates) includes stocks of maturing spirits held by a branch outside India (in custody of an overseas vendor) amounting to ₹ 284 million (2020: ₹ 428 million).
- (b) Amounts recognised in the Statement of profit and loss:  
Allowance for obsolete inventories (net) for the year amounting to ₹ 766 million (2020: ₹ 438 million) has been recognised as an expense during the year and is included in Cost of materials consumed and Change in inventories of finished goods, work-in-progress and stock-in-trade in the Statement of Profit and Loss.
- (c) Inventories include inventory held by the tie-up manufacturing units amounting to ₹ 2,655 million (2020: ₹ 2,184 million).
- (d) For details of Inventories pledged as security Refer Note 34.

	As at March 31, 2021	As at March 31, 2020
<b>11. Trade receivables</b>		
From Contract with Customers – related parties [Refer Note 37(c)(ii)]	96	844
From Contract with Customers	23,269	24,013
	23,365	24,857
Less: Loss allowance	(1,493)	(2,022)
<b>Total trade receivables</b>	<b>21,872</b>	<b>22,835</b>
<b>Details of securities/categorisation of credit risk of trade receivables</b>		
Trade Receivables considered good – secured	-	-
Trade Receivables considered good – unsecured	23,365	24,857
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables – credit impaired	-	-
<b>Total</b>	<b>23,365</b>	<b>24,857</b>
Less: Loss allowance	(1,493)	(2,022)
<b>Total trade receivables</b>	<b>21,872</b>	<b>22,835</b>
<b>Notes:</b>		
(a) Includes unbilled receivables of ₹ 244 Million (2020: Nil)		
(b) Refer Note 32 for information about financial risk management		

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
<b>12.1 Cash and cash equivalents</b>		
Balances with banks		
In current accounts	667	661
Cheques on hand	111	-
<b>Total cash and cash equivalents</b>	<b>778</b>	<b>661</b>
<b>12.2 Bank balances other than cash and cash equivalents</b>		
In unpaid dividend accounts	1	3
In unpaid public deposit accounts [Refer Note (a) below]	7	8
Bank deposits due to mature within 12 months from the reporting date [Refer Note (b) below]	53	63
<b>Total bank balances other than cash and cash equivalents</b>	<b>61</b>	<b>74</b>
<b>Notes:</b>		
a) Includes ₹ 1 million (2020: ₹ 3 million) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits which had matured in earlier years wherein duly discharged deposit receipts were not received from deposit holders.		
b) Represents bank deposits under lien in respect of bank guarantees provided to tax authorities.		
<b>13. Assets classified as held for sale</b>		
Land and building (Refer Note 3.6)	-	70
<b>Total assets classified as held for sale</b>	<b>-</b>	<b>70</b>

## 14. Equity share capital

	As at March 31, 2021	As at March 31, 2020
<b>Authorised</b>		
2,740,000,000 equity shares of ₹ 2/- each (2020: 2,740,000,000 equity shares of ₹ 2/- each)	5,480	5,480
171,200,000 preference shares of ₹ 10/- each (2020: 171,200,000 preference shares of ₹ 10/- each)	1,712	1,712
	<b>7,192</b>	<b>7,192</b>
<b>Issued, subscribed and paid-up</b>		
726,638,715 equity Shares of ₹ 2/- each (2020: 726,638,715 equity shares of ₹ 2/- each) fully paid up	1,453	1,453
	<b>1,453</b>	<b>1,453</b>

### (a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2021	No. of Shares	As at March 31, 2020
Balance at the beginning of the year (Face value of ₹ 2/- each)	726,638,715	1,453	726,638,715	1,453
Add: Equity shares issued during the year	-	-	-	-
Balance at the end of the year (Face value of ₹ 2/- each)	<b>726,638,715</b>	<b>1,453</b>	<b>726,638,715</b>	<b>1,453</b>

### (b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of ₹ 2/- 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)

(All amounts in INR Millions unless otherwise stated)

**(c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates**

Out of the equity shares issued by the Company, shares held by the holding company are as below:

	No. of Shares	As at March 31, 2021	No. of Shares	As at March 31, 2020
Relay B V (wholly owned subsidiary of Diageo Plc.) [Refer Note (i) below]	406,447,245	813	406,447,245	813
	<b>406,447,245</b>	<b>813</b>	<b>406,447,245</b>	<b>813</b>

**(d) The Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the reporting date.**

**(e) Details of shareholders holding more than 5% shares in the Company.**

	As at March 31, 2021		As at March 31, 2020	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Relay B V [Refer Note (i) below]	<b>406,447,245</b>	<b>55.94%</b>	406,447,245	55.94%

**(f) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestments.**

**(g) There are no bonus shares issued, bought back during the period of five years immediately preceding the reporting date.**

**(h) Details of shares held by subsidiaries associates and controlled trusts**

	As at March 31, 2021		As at March 31, 2020	
	No. of Shares	% of Holding	No. of Shares	% of Holding
USL Benefit trust [Refer Note (j) below]	<b>17,295,450</b>	<b>2.38%</b>	17,295,450	2.38%

(i) On December 20, 2013, the Honorable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo Plc. setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares on ₹ 10/- each in the Company to Relay B V, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. have approached the Honorable Supreme Court by way of special leave petitions (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs, the Honorable Supreme Court has directed that status quo be maintained in respect of the above mentioned transaction of sale of shares to Relay B V. Such shares are included in arriving at Relay BV's shareholding in the Company.

(j) Investment as a sole beneficiary in USL Benefit Trust (the 'Trust') was made as per the terms of composite scheme of arrangement approved by the Honourable High Court of Karnataka and High Court of Bombay, upon amalgamating various companies with United Spirits Limited. The Trust has been established for the exclusive benefit of the Company and holds 17,295,450 equity shares of ₹ 2/- face value (2020: 17,295,450 equity shares of ₹ 2/- face value) of the Company. As per the terms of the aforesaid scheme of arrangement, Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. Also refer Note 34(b) for assets pledged and Note 40 (f).

## 15. Reserves and surplus

	As at March 31, 2021	As at March 31, 2020
Capital reserve	<b>5,675</b>	5,675
Capital redemption reserve	<b>699</b>	699
Securities premium	<b>45,682</b>	45,682
Treasury shares	<b>(1,197)</b>	(1,197)
Central subsidy	<b>48</b>	48
Share based incentive reserve	<b>69</b>	58
Foreign currency translation reserve	<b>205</b>	184
Contingency reserve	<b>110</b>	110
General reserve	<b>10,408</b>	10,408
Retained earnings	<b>(21,954)</b>	(25,840)
<b>Total reserves and surplus</b>	<b>39,745</b>	35,827

**Nature and purpose of reserves:**

a) **Capital reserve:** Created pursuant to a Scheme of Amalgamation between the Company and SW Finance Co. Limited, sanctioned by the Honourable High Court of Karnataka and Honourable High Court of Bombay under the orders dated June 12, 2015 and August 28, 2015, respectively.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

- b) **Capital redemption reserve:** Capital Redemption Reserve is created for an amount equivalent to the nominal value of shares redeemed in earlier years by the Company (including the erstwhile Companies that were merged with the Company through several schemes of amalgamations / mergers).
- c) **Securities premium:** Securities premium is credited when shares are issued at premium. The reserve is utilised in accordance with the provisions of the Act.
- d) **Treasury shares:** Pursuant to the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, upon amalgamating various companies with United Spirits Limited, USL Benefit Trust (of which Company is the sole beneficiary) held 17,295,450 (post-split) shares in the Company (own shares). As per the term of the aforesaid scheme of arrangement, the Company has carried the aggregate value of such shares as per the books of the concerned transferor companies as investment in its standalone financial statements. For the purpose of consolidated financial statements such investment has been shown as treasury shares.
- e) **Central subsidy:** The balance is taken over on amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended March 31, 2006 as per the terms of the arrangement approved by the Honorable High Courts of Karnataka and Bombay.
- f) **Share-based incentive reserve:** The share-based incentive reserve is used to recognise grant date fair value of Diageo Plc's share options under the group share-based payment arrangements. Recharges towards such arrangements are debited to this reserve.
- g) **Foreign currency translation reserve:** Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in this separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment in a foreign operation is disposed off.
- h) **Contingency reserve:** The balance is taken over on amalgamation of McDowell Spirits Limited with the Company during the year ended March 31, 2001 as per the terms of the arrangement approved by the Honorable High Court of Karnataka.
- i) **General reserve:** The general reserve is created by way of transfer of profits from retained earnings for appropriation purposes. This reserve is utilised in accordance with the provisions of the Act.
- j) **Retained earnings:** Retained earnings are the profits that the Group has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

## 16. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2021	As at March 31, 2020
<b>Non-current Unsecured</b>					
NIL (2020: 7,500) 7.45% Non-convertible Debentures of face value of ₹ 1,000,000 each [Refer Note (a) below]	December 28, 2020	Single repayment of principal at the end of term and interest payable on December 28th of each year	NIL (2020: 7.45%)	-	7,641
Term loans from others [Refer Note (a) below]	Not Stipulated	Terms of repayment not stipulated	NIL (2020: 8%)	-	232
Deferred sales tax [Refer Note (b) below]	2024-25	Repayable over a period of fourteen years in five equal installments starting from the year ended March 31, 2011	Interest free	45	71
<b>Secured</b>				45	7,944
Less: Current maturities on non-current borrowings (Refer Note 17)				-	7,500
Less: Current maturities of Deferred Sales tax liability (Refer Note 17)				23	30
Less: Interest accrued but not due (Refer Note 17)				-	267
<b>Total non-current borrowings</b>				22	147
<b>Current Unsecured</b>					
Working capital loans from banks [Refer Note (a) below]	Payable on demand	Payable on demand	4.05%-7.50% (2020: 6.00%-9.05%)	8,749	16,076
<b>Total</b>				8,749	16,076
Less: Interest accrued but not due (Refer Note 17)				4	16
<b>Total current borrowings</b>				8,745	16,060

### Notes:

- a) Includes interest accrued but not due as at year end.
- b) Sales tax collected under deferral scheme of State Government of Maharashtra for eleven years (from 1999-00 to 2009-10) and is repayable in five equal annual installments with final installment due in 2024-25.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## 16. Borrowings (contd.)

Movement in net debt balances

(i) Summary of net debt:

Particulars	Note	As at March 31, 2021	As at March 31, 2020
Non-current borrowings	16	22	147
Current borrowings	16	8,745	16,060
Other current liabilities			
Current maturities of long term borrowings	17	-	7,500
Deferred sales tax	17	23	30
Interest accrued but not due	17	4	283
Lease liabilities	3.2	1,578	1,965
<b>Total Debt</b>		<b>10,372</b>	<b>25,985</b>
<b>Less: Cash and Cash Equivalents</b>	12	<b>778</b>	<b>661</b>
<b>Net Debt</b>		<b>9,594</b>	<b>25,324</b>

(ii) Movements in net debt:

Particulars	Finance Lease Obliga- tions	Lease liabilities	Non-con- vertible debentures	Com- mercial papers	Term loan	Deferred sales tax	Working capital loans	(Less) Cash and cash equiva- lents	Net Debt
<b>Net debt as at March 31, 2019</b>	<b>239</b>	<b>-</b>	<b>7,641</b>	<b>8,929</b>	<b>214</b>	<b>101</b>	<b>11,965</b>	<b>(2,164)</b>	<b>26,925</b>
Transferred to Lease liabilities on adoption of Ind AS 116	(239)	239	-	-	-	-	-	-	-
Recognised on adoption of Ind AS 116	-	1,568	-	-	-	-	-	-	1,568
<b>Net Debt as at April 1, 2019</b>	<b>-</b>	<b>1,807</b>	<b>7,641</b>	<b>8,929</b>	<b>214</b>	<b>101</b>	<b>11,965</b>	<b>(2,164)</b>	<b>28,493</b>
Acquisition - leases	-	803	-	-	-	-	-	-	803
Net proceeds from / (Repayment of) borrowings	-	-	-	(9,000)	-	(38)	-	-	(9,038)
Net proceeds from working capital loans	-	-	-	-	-	-	4,095	-	4,095
Acquisition of assets	-	-	-	-	-	-	-	-	-
Interest expense (Refer Note 26)	-	162	560	471	-	8	705	-	1,906
Interest paid	-	(162)	(560)	(400)	-	-	(689)	-	(1,811)
Principal lease payments	-	(645)	-	-	-	-	-	-	(645)
Effect of foreign exchange restatement	-	-	-	-	18	-	-	-	18
Cash Flows	-	-	-	-	-	-	-	1,503	1,503
<b>Net Debt as at March 31, 2020</b>	<b>-</b>	<b>1,965</b>	<b>7,641</b>	<b>-</b>	<b>232</b>	<b>71</b>	<b>16,076</b>	<b>(661)</b>	<b>25,324</b>
Acquisition - leases (net)*	-	439	-	-	-	-	-	-	439
Net proceeds from / (Repayment of) borrowings	-	-	(7,500)	-	-	(31)	(7,315)	-	(14,846)
Interest expense (Refer Note 26)	-	156	413	-	-	5	699	-	1,273
Interest paid	-	(156)	(554)	-	-	-	(711)	-	(1,421)
Principal lease payments	-	(826)	-	-	-	-	-	-	(826)
Adjustment on Sale of a Subsidiary	-	-	-	-	(232)	-	-	-	(232)
Cash Flows	-	-	-	-	-	-	-	(117)	(117)
<b>Net Debt as at March 31, 2021</b>	<b>-</b>	<b>1,578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>8,749</b>	<b>(778)</b>	<b>9,594</b>

\* Excludes advance lease payment amounting to ₹ 148 million (2020: Nil)

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
<b>17. Other financial liabilities</b>		
Current maturities of		
Borrowings (Refer Note 16)	-	7,500
Deferred sales tax liability (Refer Note 16)	23	30
Interest accrued but not due (Refer Note 16)	4	283
Unpaid / unclaimed dividends [Refer Note (a) below]	1	3
Unpaid / unclaimed public deposits (Including accrued interest) [Refer Note (a) and Note (b) below]	7	8
Others		
Liability for customer claim	127	127
Due to Tie-up manufacturing units	431	817
Capital creditors	285	255
Employee benefits payables	885	297
Others	235	106
<b>Total other financial liabilities</b>	<b>1,998</b>	<b>9,426</b>

**Notes:**

- (a) As at March 31, 2021, no balances due to be transferred to IEPF. As at March 31, 2021 an amount aggregating to nil (2020: ₹ 1 million) was due to be transferred to IEPF and has been transferred subsequent to the year end.
- (b) Includes unclaimed public deposit which had matured in earlier years of ₹ 1 million (2020: ₹ 3 million) for which the duly discharged fixed deposit receipts were not received from the deposit holders.
- (c) MCA vide its circular dated April 13, 2020 extended the timelines for filing the IEPF Forms including E-form IEPF-1 till September 30, 2020. The Company has filed relevant e-forms and simultaneously remitted the unclaimed amount to IEPF before the extended deadline and thereby complied with the provisions of the Companies Act, 2013 and rules made thereunder.

	As at March 31, 2021		As at March 31, 2020	
	Current	Non-current	Current	Non-current
<b>18. Provisions</b>				
Employee benefits				
Provident Fund Obligation	367	-	367	-
Compensated absences	487	-	567	-
Gratuity [Refer Note 39(b)C]	-	21	1	12
Pension liability [Refer Note 39(b)C]	1	11	2	13
Share appreciation rights [Refer Note 35]	56	64	64	57
Provision for indirect tax and other legal matters [Refer Note (a) below]	4,382	-	3,538	-
Commitment towards "Raising the Bar" programme [Refer Note (b) below and Note 41(a)]	445	-	-	-
<b>Total provisions</b>	<b>5,738</b>	<b>96</b>	<b>4,539</b>	<b>82</b>

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

**Note:****(a) Movement in provisions**

Description	As at April 1, 2019	Additions	Amounts used/ written back	As at March 31, 2020
Indirect taxes and other legal matters	3,227	684	373	3,538

Description	As at April 1, 2020	Additions	Amounts used/ written back	As at March 31, 2021
Indirect taxes and other legal matters	3,538	847	3	4,382

**(b) Movement in Commitment towards "Raising the Bar" programme**

Description	As at April 1, 2020	Additions	Amount spent	As at March 31, 2021
Commitment towards "Raising the Bar" programme [refer (ii) below]	-	750	305	445

- (i) Provision is made for probable cash outflow arising out of pending disputes / litigations with various regulatory authorities. It is not practicable for the Group to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings. Refer Note 9 for payments made under protest in respect of indirect tax and other legal matters.
- (ii) Refer Note 41(a) for Commitment towards "Raising the Bar" programme.

	As at March 31, 2021	As at March 31, 2020
<b>19. Trade Payable</b>		
Dues to Micro and Small enterprises	662	469
Dues to creditors other than Micro and Small enterprises		
Dues to related parties [Refer Note 37(c)(iii)]	2,407	1,412
Others	11,103	10,113
	13,510	11,525
<b>Total trade payables</b>	<b>14,172</b>	<b>11,994</b>

	As at March 31, 2021		As at March 31, 2020	
	Current	Non-current	Current	Non-current
<b>20. Other current liabilities</b>				
Contract liabilities (Advances from customers)	618	100	1,311	200
Statutory dues	3,238	-	1,184	-
Liability for taxes on closing finished goods inventory (net of prepaid taxes)	4,989	-	1,681	-
Others	1	-	5	-
<b>Total other current liabilities</b>	<b>8,846</b>	<b>100</b>	<b>4,181</b>	<b>200</b>



# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## 21. Revenue from operations

	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from contracts with customers:		
Sale of products (including excise duty)	270,794	284,075
Income from brand franchise arrangements	761	1,671
Income from BCCI-IPL franchise [Refer Note (a) and Note (b) below]	2,296	2,016
	273,851	287,762
Other operating revenue:		
Sales of scrap and by-products	282	382
Miscellaneous	52	93
	334	475
<b>Total revenue from operations</b>	<b>274,185</b>	<b>288,237</b>

### Notes:

- An aggregate amount of ₹ 3,379 million (2020: ₹ 5,068) of transaction price allocated to central rights income that are partially unsatisfied as at the year end.
- Management expects that the transaction price allocated to unsatisfied performance obligation under the central rights contract as of March 31, 2021 will be recognised as revenue over the next 2 seasons. Performance obligations under all other contracts are due to be satisfied within a period of 1 year.
- Reconciliation between contract price and revenue recognised.

	For the year ended March 31, 2021	For the year ended March 31, 2020
Contract price	283,698	297,557
Less: items offset against revenue from customers as required by Ind AS 115	(9,847)	(9,795)
<b>Revenue from contracts with customers</b>	<b>273,851</b>	<b>287,762</b>
(d) Disaggregation of revenue from customers:		
(i) Categories of sale of products / brand franchise income		
Prestige and above	55,040	59,311
Popular	22,720	27,596
Others	923	4,907
Add: Excise duty collected from customers	192,872	193,932
	271,555	285,746
(ii) Category of services - Income from BCCI-IPL franchise		
Central rights income	1,674	1,201
Income from sponsorship	535	500
Income from sale of tickets (net of discount)	-	289
Transfer fees	-	22
Play Off Fee	44	-
Royalty & licensing fee	43	4
	2,296	2,016
<b>Total</b>	<b>273,851</b>	<b>287,762</b>

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## 22. Other income

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest income on financial assets held at amortised cost	111	62
Exchange gain (net)	8	8
Gain on disposal of property, plant and equipment (net)	168	52
Liabilities no longer required written back	86	79
Miscellaneous income	23	19
<b>Total other income</b>	<b>396</b>	<b>220</b>

## 23. Cost of materials consumed

	For the year ended March 31, 2021	For the year ended March 31, 2020
Raw materials	24,635	31,444
Packing materials	15,096	14,954
<b>Total cost of materials consumed</b>	<b>39,731</b>	<b>46,398</b>

## 24. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening inventory:		
Finished goods	7,757	6,708
Work-in-progress	6,191	8,226
Stock-in-trade	1,332	859
<b>Total opening balance (A)</b>	<b>15,280</b>	<b>15,793</b>
Closing inventory:		
Finished goods	7,255	7,757
Work-in-progress	6,289	6,191
Stock-in-trade	1,338	1,332
<b>Total closing balance (B)</b>	<b>14,882</b>	<b>15,280</b>
Increase / (decrease) in excise duty on finished goods (net) (C)	933	471
<b>Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)</b>	<b>1,331</b>	<b>984</b>

## 25. Employee benefits expense

	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries, wages and bonus	4,772	4,487
Contribution to provident and other funds [Refer Note 39(a)]	131	148
Defined benefits plans cost [Refer Note 39(b)D]	229	209
Share-based payment expense (Refer Note 35)	66	124
Staff welfare expenses	366	332
<b>Total Employee benefits expense</b>	<b>5,564</b>	<b>5,300</b>

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## 26. Finance costs

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest expense on borrowings at amortised cost	1,117	1,744
Interest charges on lease liabilities	156	162
Interest – others	603	214
<b>Total finance costs</b>	<b>1,876</b>	<b>2,120</b>

## 27. Depreciation, amortisation and impairment expense

	For the year ended March 31, 2021	For the year ended March 31, 2020
Depreciation / impairment of property, plant and equipment (Refer Note 3.1)	1,824	2,064
Depreciation of right-of-use assets (Refer Note 3.2)	899	724
Amortisation / impairment of intangible assets (Refer Note 3.4)	268	132
Reversal of impairment on asset held for Sale	-	(67)
<b>Total depreciation, amortisation and impairment expense</b>	<b>2,991</b>	<b>2,853</b>

## 28. Other expenses

	For the year ended March 31, 2021	For the year ended March 31, 2020
Consumption of stores and spares	97	141
Operational expenses relating to BCCI-IPL franchise [Refer Note (b) below]	1,261	1,074
Sub-contracting Charges	1,120	1,238
Power and fuel	200	245
Rent (Refer Note 3.2)	2,288	2,608
Repairs and maintenance:		
Buildings	37	39
Plant and machinery	499	325
Others	305	349
Insurance	181	175
Rates and taxes #	1,559	1,317
Travel and conveyance	220	495
Legal and professional	1,131	1,434
Auditor remuneration [Refer Note(a) below]	52	58
Freight outwards	2,249	2,535
Royalty [Refer Note 37(b)(vii)]	59	97
Trade mark license fees	575	575
Remuneration to non-executive directors of the Company:		
Sitting fee	6	5
Commission	24	21
Allowance for doubtful other assets (net)	61	(16)
Expense towards corporate social responsibility	95	152
Information technology and communication expenses	1,043	1,081
Administrative expenses	97	182
Sales distribution charges	1,032	1,020
Miscellaneous expenses	218	170
<b>Total Other expenses</b>	<b>14,409</b>	<b>15,320</b>

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Note :</b>		
<b>(a) Auditors' remuneration*</b>		
i) as auditors		
for Statutory audit	19	22
for Quarterly reviews	10	10
for Certifications	3	7
ii) for other audit related services	20	19
<b>Total payment to auditors</b>	<b>52</b>	<b>58</b>

\* Relates to the parent auditor and does not include remuneration for other component auditors (excluding goods and services tax)

<b>(b) Operational expenses relating to BCCI-IPL franchise includes:</b>	For the year ended March 31, 2021	For the year ended March 31, 2020
Players and support staff fees	954	744
Per diem allowances to players and support staff	37	10
Stadium rent	9	18
Insurance	19	16
Travel expenses	35	11
Hotel expenses	57	14
Event management costs	63	175
Commission on sponsorship income	87	85
Man of the match award (net)	-	1
<b>Total operational expenses relating to BCCI-IPL franchise includes</b>	<b>1,261</b>	<b>1,074</b>

## 29. Exceptional items (net)

	Note	For the year ended March 31, 2021	For the year ended March 31, 2020
(a) Gain on disposal of subsidiaries	40(b)(iv) and 41(b)	333	-
(b) Impairment of Goodwill	45(c)	-	(283)
(c) Commitment towards "Raising the Bar" programme	41(a)	(750)	-
(d) Reversal of accrued interest expense relating to income tax cases of earlier years	8	-	949
(e) Impairment in the value of investment in an associate	4.1	(206)	-
(f) Fair value loss on financial assets mandatorily measured at fair value through profit or loss	4.2	(20)	
<b>Total exceptional items (net)</b>		<b>(643)</b>	<b>666</b>

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## 30. Reconciliation of tax expense and accounting profit multiplied by domestic tax rate in the country concerned

	For the year ended March 31, 2021	For the year ended March 31, 2020
Profits before income tax expense	5,400	11,603
<b>Tax calculated at the domestic rates applicable in the country concerned</b>	<b>2,555</b>	<b>2,359</b>
Tax effects of amounts which are non-deductible/taxable in calculating taxable income:		
- Impact of changes in tax rate	-	544
- Additional Provision/(reversal) for disputed taxes of earlier years	(3)	857
- Commitment towards "Raising the bar" Programme	189	-
- Unrecognised deferred tax assets on tax losses for the current year relating to certain subsidiaries	(997)	839
- Previously recognised deferred tax asset reversed for certain subsidiaries	-	705
- Reversal of provisions/write offs (net) which were not claimed as allowable expenses in earlier years	(76)	(108)
- Others	111	201
<b>Income tax expense as per statement of profit and loss</b>	<b>1,779</b>	<b>5,397</b>
<b>(a) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised (Refer Note below)	9,607	8,829
Potential tax benefit at rates applicable in the country concerned	2,324	2,467

**Note:** The Unused tax losses are in respect of subsidiaries that are not likely to generate taxable income in the foreseeable future.

## 31. Earnings per share

	For the year ended March 31, 2021	For the year ended March 31, 2020
Nominal value of equity shares (₹)	2/-	2/-
(a) Profits attributed to the owners of the Company	3,836	6,589
(b) Weighted average number of equity shares used as denominator	709,343,265	709,343,265
(c) Basic and diluted earnings per share (₹)	5.41	9.29

**Notes:**

(a) There are no dilutive equity shares in the Company.

(b) In calculating the weighted average number of outstanding equity shares during the year, Company has reduced the treasury shares held by USL Benefit Trust (of which Company is the sole beneficiary).[Refer Note 14(h)]

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## Note 32: Financial risk management

The Group's activities exposes it to credit risk, liquidity risk and market risk. This note explains the sources of risk which the entity is exposed to and how the Group manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks, trade receivables, loans and other financial assets measured at amortised cost	Review of receivables	Diversification of bank deposits, and monitoring of credit limits and assessment of recoverability of loans.
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk — interest rate	Short-term borrowings at floating rates	Sensitivity analysis of interest rates	Monitoring of changes in interest rates.

The Group's financial risk management is carried out by treasury department under policies approved by the Board. Corporate treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's other functions. The Board sets written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess funds.

The Group does not have significant exposure to foreign currency fluctuations.

### (A) Credit risk

#### Credit risk management

##### Trade receivables:

Group's Credit Policy provides guidance to keep the risk of credit sales within an acceptable level. Group Management monitors (at customer group level) and reviews credit limits, overdue trade receivables, provisioning and write-off of credit impaired receivables.

Trade receivables are unsecured and are derived from revenue earned from two main classes of customers, receivable from sales to government corporations/government owned entities and receivables from sales and services to private third parties.

Receivables from government corporations/government owned entities amounted to ₹ 14,441 million; 62% (2020: ₹ 15,442 million; 62%) and private customers amounted to ₹ 8,924 million; 38% (2020: ₹ 9,415 million; 38%) respectively of total trade receivables, respectively, on the reporting date.

The Group determines allowances for expected credit losses separately for different categories of customers using age based provision matrix.

Movement in loss allowances for trade receivables is provided below:

Particulars	March 31, 2021	March 31, 2020
Balance at the beginning of the year	2,022	3,118
Loss allowance (Net)	311	(145)
Write offs	(840)	(951)
<b>Balance at the end of the year (Refer Note 11)</b>	<b>1,493</b>	<b>2,022</b>

##### Loans and other financial assets:

'Other financial assets' includes balances with banks, receivable from Tie-up manufacturing units, loans and interest accrued on such loans.

The Group recognises allowances using expected credit loss method on Other financial assets. Such allowances are measured considering either 12-month expected credit loss approach or life time credit loss approach, based on management's assessment of credit risk. Assets are written-off where there is no reasonable expectation of recovery. Where the loans or receivables are written-off the Group continues to engage in enforcement activity to attempt to recover the amounts due. Where recoveries are made, these are recognised in profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Movement in loss allowances for the financial assets other than for trade receivables during the reporting period is provided below:

Particulars	March 31, 2021	March 31, 2020
Balance at the beginning of the year	13,894	14,365
Included in the Statement of Profit and Loss	199	(406)
Write offs	(308)	(65)
<b>Balance at the end of the year (Refer Note 5 and 6)</b>	<b>13,785</b>	<b>13,894</b>

## (B) Liquidity Risk

Changes in regulations, guidelines and operating models influences liquidity risk. The Group generates enough cash flow from the current operation that provides liquidity both in the short-term as well as in the long-term. The Group has prudent liquidity risk management to ensure maintenance of required cash and/or have access to funds through adequate unutilised sanctioned borrowing limits from banks. The Group maintains an optimal debt mix with the different categories of borrowings to meet both short-term and long-term funding requirements. Besides, the Group has planned monetisation of certain non-core assets to infuse liquidity and reduce debts and remains committed to maintaining a healthy liquidity, a low debt to equity ratio, deleverage and strengthen its balance sheet.

### Financing arrangements

The Group has access to the following undrawn borrowing facilities as at end of the reporting period:

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Floating rate</b>		
Cash credit/working capital loans	23,651	24,045

The above facilities may be drawn at any time and such borrowings are repayable on demand.

### Maturities of financial liabilities

The maturity profile of the Group's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Group.

#### March 31, 2021

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	8,796	-	-	22	-	-	8,818
Lease Liabilities	217	155	300	682	313	56	1,723
Trade payables	14,172	-	-	-	-	-	14,172
Other financial liabilities	1,971	-	-	-	-	-	1,971
<b>Total liabilities</b>	<b>25,156</b>	<b>155</b>	<b>300</b>	<b>704</b>	<b>313</b>	<b>56</b>	<b>26,684</b>

#### March 31, 2020

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	16,338	-	8,059	41	-	-	24,438
Lease Liabilities	226	225	411	633	671	89	2,255
Trade payables	11,994	-	-	-	-	-	11,994
Other financial liabilities	1,613	-	-	-	-	-	1,613
<b>Total liabilities</b>	<b>30,171</b>	<b>225</b>	<b>8,470</b>	<b>674</b>	<b>671</b>	<b>89</b>	<b>40,300</b>



# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## (C) Interest rate risk

The Group is exposed to interest rate risk on its loans from Banks and Commercial Papers (CPs) from Banks and others. Majority of the Group's short-term borrowings are benchmarked to Bank's MCLR (Marginal Cost of Lending Rates) and Money Market Rates. Interest rate risk arises due to uncertainties about the future market interest rate on these borrowings. The Group maintains an optimal debt mix and tenure to minimise the impact of interest rate risk.

The exposure of the Group's borrowings to interest rate changes at the end of reporting period are as follows:

	As at March 31, 2021	As at March 31, 2020
Floating rate borrowings	8,745	16,060
Fixed rate borrowings	-	7,677
<b>Total borrowings</b>	<b>8,745</b>	<b>23,737</b>

**Note:** Reasonable possible changes in interest rate is not expected to have a significant impact on the Group's profit/loss.

## (D) Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions and balances, primarily with respect to the USD and GBP. Foreign Exchange risk arises from future commercial transactions and monetary assets and liabilities denominated in a currency that is not the functional currency of the Company or its Subsidiaries. The risk is measured through a forecast of highly probable foreign currency cash flows.

### Foreign currency risk management

The Group's risk management policy is to assess the Group's net exposures which is mainly represented by receivable and payable towards exports and imports respectively in foreign currencies.

The Group can hedge its net exposures with a view on forex outlook. Since the net exposure is currently not material, this has not been hedged.

### Foreign currency risk exposure

The Group's exposure to foreign currency risk at the end of the reporting period expressed in ₹ millions is as follows:

	As at March 31, 2021					
	USD	GBP	EURO	SGD	AUD	Total
<b>Financial assets</b>						
Cash and cash equivalents	0	0	0	-	-	-
Other financial assets	17	11	4	0	-	32
Trade receivables	144	0	-	-	-	144
<b>Exposure to foreign currency risk (assets)</b>	<b>161</b>	<b>11</b>	<b>4</b>	<b>0</b>	<b>-</b>	<b>176</b>
<b>Financial liabilities</b>						
Trade payables	11	159	12	17	1	200
Contract Liabilities (Advances from Customers)	12	-	-	-	-	12
<b>Exposure to foreign currency risk (liabilities)</b>	<b>23</b>	<b>159</b>	<b>12</b>	<b>17</b>	<b>1</b>	<b>212</b>
<b>Net Exposure [asset / (liabilities)]</b>	<b>138</b>	<b>(148)</b>	<b>(8)</b>	<b>(17)</b>	<b>(1)</b>	<b>(36)</b>

	As at March 31, 2020					
	USD	GBP	EURO	SGD		Total
<b>Financial assets</b>						
Trade receivables	117	775	-	-		892
<b>Exposure to foreign currency risk (assets)</b>	<b>117</b>	<b>775</b>	<b>-</b>	<b>-</b>		<b>892</b>
<b>Financial liabilities</b>						
Trade payables	8	217	22	8		255
<b>Exposure to foreign currency risk (liabilities)</b>	<b>8</b>	<b>217</b>	<b>22</b>	<b>8</b>		<b>255</b>
<b>Net exposure [asset / (liabilities)]</b>	<b>109</b>	<b>558</b>	<b>(22)</b>	<b>(8)</b>		<b>637</b>

**Note:** A reasonable possible fluctuation in foreign exchange rates are not expected to have a material effect on the profit/loss.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## Note 33: Capital management

### Risk management

Group's objectives when managing capital is to:

- have a balanced financial profile from short-term (1 year) to mid-term (3 years) for sustainable leverage, providing;
  - Headroom for future growth / expansion
  - Financial flexibility in case of adverse business cycles
- ensure the capital structure is at competitive advantage when compared to peers and other sector players through optimum debt mix:
  - Diversification of funding sources to manage liquidity and rollover risk
  - Financial flexibility in case of adverse business cycles:

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
Total Debt	(a)	10,372	25,985
Cash and cash equivalents	(b)	778	661
Net debt	(c) = (a) - (b)	9,594	25,324
Total equity	(d)	40,589	36,867
Net debt to equity ratio	(c) / (d)	0.24	0.69

## Note 34: Assets pledged as security

- In respect of secured loans from banks ('lenders') obtained and repaid during earlier years, the Group has in most cases obtained no objection letters from lenders for the release of the hypothecation/mortgage and have filed the necessary forms with Ministry of Corporate Affairs ("MCA") to reflect the release of such charge in MCA's records. In the few remaining cases, the Company is in the process of securing no objection letters from the lenders. As there are no secured loans outstanding as at March 31, 2021, no assets have been shown as hypothecated/mortgaged as at March 31, 2021.
- Further the following assets have been pledged with a bank with whom the Company is involved in a litigation:

Non-current	Notes	As at March 31, 2021	As at March 31, 2020
<i>First charge</i>			
Freehold land	3.1	1,177	1,177
Buildings*	3.1	564	614
Leasehold land	3.2	37	37
Plant and equipment*	3.1	267	346
Shares of the company held by USL benefit trust	15	1,197	1,197
<b>Total non-current assets pledged as security</b>		<b>3,242</b>	<b>3,371</b>

\*Includes an amount of ₹ 401 million and ₹ 262 million under buildings and Plant & Machinery respectively, capitalised subsequent to creation of pledge.

- Assets pledged, as disclosed under this note does not include inventory aggregating to ₹ 122 million (2020: ₹ 165 million) and net carrying value of Nil (2020: ₹ 165 million) in custody of third party tie-up manufacturing units (TMU), which have been hypothecated by the said TMU for securing credit facilities.

## Note 35: Share based payments

### Diageo Plc. share based plans

Diageo Plc. (Ultimate parent company) runs various equity settled share based plans such as Diageo Performance Incentive (DPI), Diageo Executive Long Term Incentive Plan (DELTIP), Performance Share Plan (PSP), Senior Executive Share Option Plan (SESOP) and Diageo Exceptional Stock Award Plan (DESAP) for qualifying employees of the Group. Vesting under these plans is subject to conditions such as continuity of employment and achievement of certain other performance factors.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

The net credit for the year in respect of such plans included in employee benefits expense amounted to ₹ 23 million (March 31, 2020: charge of ₹ 84 million). ₹ 23 million includes share based payment expense of ₹ 70 million recognised over the vesting period for certain eligible employees. This has been offset with credit notes amounting to ₹ 93 million received from Diageo Great Britain Limited pertaining to excess amount cross-charged in prior years. Disclosures are provided to the extent of information available with the Group.

## Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employees' reward to the Company's share price performance. Under this plan, the Group grants stock appreciation rights (based on USL share price on the date of grant) to qualifying employees. Cash pay-out equivalent to the appreciation in the value of the Company's share will be made at the end of three years from the date of grant (the vesting period).

The fair value of the SARs is determined using the Black-Scholes model using the following inputs as at each reporting date:

	As at March 31, 2021	As at March 31, 2020
Share price as at balance sheet date (remeasurement date (₹ per share))	556.35	484.6
Expected volatility (%)	33.72% - 36.16%	33.70% - 36.87%
Dividend yield (%)	-	-
Risk-free interest rate (%)	5.18%	5.55% - 7.78%

As at March 31, 2021 such outstanding SARs are 496,460 (March 31, 2020: 517,199). Refer below for summary of movement in provision for SAR:

Particulars	Note	Amount
Provision as at April 1, 2019		162
Charge for the year	25	40
Payout during the year		(81)
Provision as at March 31, 2020	18	121
Charge for the year	25	89
Payout during the year		(90)
Provision as at March 31, 2021	18	120

## Provision as at the year-end classified as:

Particulars	As at March 31, 2021	As at March 31, 2020
Current	56	64
Non-current	64	57
Total	120	121

## Note 36: Segment reporting

### Segment Information

The Group is engaged in the business of manufacture, purchase and sale of beverage alcohol and other allied spirits, including through tie-up manufacturing units and through strategic franchising of some of its brands. In addition, the Group holds perpetual right to the Bangalore Franchise of Board of Control for Cricket in India – Indian Premier League (BCCI-IPL). The Chief Operating Decision Maker assesses performance and allocates resources for the business of the Group as a whole and hence the management considers Group's business activities as a single operating segment.

The Group has one external customers (2020: two external customers) individually contributing to more than ten percent or more of the Group's revenues amounting to ₹ 106,874 million (2020: ₹ 129,329 million).

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

The following information discloses external revenues and non-current assets based on the physical location of the customers and assets respectively.

Geographic segment	March 31, 2021			March 31, 2020		
	India	Outside India	Total	India	Outside India	Total
Revenue from contracts with customers	272,607	1,244	273,851	284,154	3,608	287,762
Non-current assets	37,340	-	37,340	39,810	-	39,810

## Note 37: Related party disclosures

### (a) Names of related parties and description of relationship

#### (i) Parent entities

- Diageo Plc. (Ultimate Holding company)
- Tanqueray Gordon & Company Ltd. (Holding Company of Relay B V)
- Relay B V (Holding company)

#### (ii) Fellow subsidiaries (with whom transactions have taken place during the year or in the previous year)

- Diageo Scotland Limited
- Diageo Brands BV
- Diageo Great Britain Limited
- Diageo Australia Limited
- Diageo North America Inc.
- Diageo Singapore Supply Pte Limited
- Guinness Nigeria Plc
- Diageo Ireland Ltd.
- Diageo Business Services India Private Limited
- UDV Kenya Ltd.
- Diref - Industria De Bebidas Lda.
- Guinness Ghana Breweries Ltd.
- Diageo Singapore Pte
- Diageo India Private Limited
- Diageo Indonesia (PT Langgeng Kreasi Jayaprima)
- Diageo Mexico

#### (iii) Associates

- Hip Bar Private Limited

#### (iv) Employees' benefit plans:

- McDowell & Company Limited Staff Gratuity Fund
- McDowell & Company Limited Officers' Gratuity Fund
- McDowell & Company Limited Employees Provident Fund
- Phipson & Company Limited Management Staff Gratuity Fund
- Phipson & Company Limited Gratuity Fund
- Carew & Company Ltd. Gratuity Fund
- United Spirits Superannuation Fund
- UB Group Employee Benefit Trust
- Pioneer Distilleries Employees' Gratuity Trust

#### (v) Key management personnel

- Anand Kripalu (Managing Director & Chief Executive Officer)
- Sanjeev Churiwala (Executive Director & Chief Financial Officer) up to 30<sup>th</sup> September 2020

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

**(vi) Non-executive/ Independent directors**

- Mahendra Kumar Sharma – Chairman
- V K Viswanathan
- Dr. Indu Shahani
- D Sivanandhan
- Rajeev Gupta
- John Thomas Kennedy
- Randall Ingber
- Vinod Rao

**(b) Summary of the transactions with related parties**

Name of the related party	Relationship	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>(i) Investment in compulsory convertible preference shares</b>			
Hip Bar Private Limited (Refer Note 4.2)	Associate	20	-
<b>Total-Investment in compulsory convertible preference shares</b>		<b>20</b>	<b>-</b>
<b>(ii) Sale of products (including excise duty) to</b>			
Guinness Nigeria Plc.	Fellow subsidiary	12	11
Guinness Ghana Breweries Ltd.	Fellow subsidiary	-	1
Drief- Industria De Bebidas Lda.	Fellow subsidiary	-	3
UDV Kenya Ltd.	Fellow subsidiary	-	8
Diageo Scotland Limited	Fellow subsidiary	-	2,483
Diageo Brands BV	Fellow subsidiary	47	-
<b>Total-Sale of products</b>		<b>59</b>	<b>2,506</b>
<b>(iii) Royalty and brand franchise income</b>			
Guinness Nigeria Plc.	Fellow subsidiary	3	12
<b>Total-Royalty and brand franchise income</b>		<b>3</b>	<b>12</b>
<b>(iv) Reimbursement of expenses from</b>			
Diageo Plc.	Parent	19	117
Diageo India Private Limited	Fellow subsidiary	2	1
Diageo Great Britain Limited	Fellow subsidiary	160	77
Diageo Brands BV	Fellow subsidiary	9	0
Diageo Ireland Limited	Fellow subsidiary	-	2
Diageo North America Inc.	Fellow subsidiary	8	41
Diageo Singapore Pte	Fellow subsidiary	3	5
Diageo Scotland Limited	Fellow subsidiary	152	169
Diageo Mexico	Fellow subsidiary	1	-
Diageo Indonesia (PT Langgeng Kreasi Jayaprima)	Fellow subsidiary	7	-
<b>Total-Reimbursement of expenses received</b>		<b>361</b>	<b>412</b>
<b>(v) Purchase of stock-in-trade from</b>			
Diageo Brands BV	Fellow subsidiary	2,409	1,962
Diageo Scotland Limited	Fellow subsidiary	-	3
Diageo Singapore Supply Pte Limited	Fellow subsidiary	5	3
<b>Total-Purchase of stock-in-trade</b>		<b>2,414</b>	<b>1,968</b>

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the related party	Relationship	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>(vi) Purchase of raw materials from</b>			
Diageo Brands BV	Fellow Subsidiary	1,780	1,013
<b>Total-Purchase of materials</b>		<b>1,780</b>	<b>1,013</b>
<b>(vii) Royalty expense</b>			
Diageo North America Inc.	Fellow subsidiary	59	97
<b>Total-Royalty expense (Refer Note 28)</b>		<b>59</b>	<b>97</b>
<b>(viii) Professional charges</b>			
Diageo Business Service India Private Limited	Fellow Subsidiary	172	196
<b>Total-Professional charges</b>		<b>172</b>	<b>196</b>
<b>(ix) Cross Charge – towards share based payments</b>			
Diageo Great Britain Limited	Fellow subsidiary	59	75
<b>Total-Cross charge</b>		<b>59</b>	<b>75</b>
<b>(x) Other services received</b>			
<b>Information technology expenses</b>			
Diageo Great Britain Limited	Fellow subsidiary	159	148
Diageo North America Inc	Fellow subsidiary	4	15
Diageo Business Service India Private Limited	Fellow subsidiary	24	26
<b>Total-Other services received</b>		<b>187</b>	<b>189</b>
<b>(xi) Reimbursement of expenses paid to</b>			
Diageo Great Britain Limited	Fellow subsidiary	43	56
Diageo Scotland Limited	Fellow subsidiary	82	4
Diageo Brands BV	Fellow subsidiary	4	5
Diageo Ireland Ltd.	Fellow subsidiary	1	-
Diageo Business Services India Private Limited	Fellow subsidiary	9	-
Diageo Australia Limited	Fellow subsidiary	1	-
Diageo Plc.	Parent	1	-
<b>Total-reimbursement of expenses paid</b>		<b>141</b>	<b>65</b>
<b>(xii) Contribution to employee benefit plans</b>			
McDowell & Company Limited Employees Provident Fund	Employee benefits plan	136	145
United Spirits Superannuation Fund	Employee benefits plan	39	49
<b>Total-Contribution to employee benefit plans</b>		<b>175</b>	<b>194</b>

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## Note 37(c): Summary of closing balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Name of the related party	Relationship	As at March 31, 2021	As at March 31, 2020
<b>(i) Other receivables from</b>			
Diageo Scotland Limited	Fellow subsidiary	-	12
Diageo India Private Limited	Fellow subsidiary	-	1
Diageo Brands BV	Fellow subsidiary	9	-
Diageo Great Britain Limited	Fellow subsidiary	7	-
Diageo Indonesia (PT Langgeng Kresai Jayaprima)	Fellow subsidiary	7	-
<b>Total-Other receivables (Refer Note 6)</b>		<b>23</b>	<b>13</b>
<b>(ii) Trade receivables from</b>			
Diageo Scotland Limited	Fellow subsidiary	-	775
Diref - Industria De Bebidas Lda	Fellow subsidiary	-	1
UDV Kenya Ltd.	Fellow subsidiary	-	8
Guinness Nigeria Plc.	Fellow subsidiary	49	60
Diageo Brands BV	Fellow subsidiary	47	-
<b>Total-Trade receivables (Refer Note 11)</b>		<b>96</b>	<b>844</b>
<b>(iii) Trade payables to</b>			
Diageo Plc.	Parent	1	-
Diageo Brands BV	Fellow subsidiary	2,176	1,103
Diageo Great Britain Limited	Fellow subsidiary	74	190
Diageo North America Inc.	Fellow subsidiary	34	50
Diageo Ireland Ltd.	Fellow subsidiary	1	-
Diageo Australia	Fellow subsidiary	1	-
Diageo Scotland Limited	Fellow subsidiary	62	-
Diageo Singapore Supply Pte Limited	Fellow subsidiary	5	4
Diageo Business Service India Private Limited	Fellow subsidiary	53	65
<b>Total trade payables to related parties (Refer Note 19)</b>		<b>2,407</b>	<b>1,412</b>
<b>(v) Minimum offtake commitment for purchase of bulk scotch</b>			
Diageo Scotland Limited	Fellow subsidiary	536	1,308

## Note 37(d): Key management personnel compensation

Executive directors	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Anand Kripalu (***)	Sanjeev Churiwala	Anand Kripalu	Sanjeev Churiwala
Remuneration (*)	102	26	139	43
Employee share-based payments (**)	35	2	95	30
<b>Total compensation</b>	<b>137</b>	<b>28</b>	<b>234</b>	<b>73</b>

(\*) As the employee benefits obligations such as gratuity, compensated absences and bonuses are provided for the Company as a whole, the amounts pertaining to individual Key Management Personnel are not included above on an accrual basis. Such amounts are included on payment basis

(\*\*) Based on options exercised.

(\*\*\*) Excludes an amount of ₹ 0 which pertains to reimbursement of penalty paid by Director.



# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Non-executive/Independent Directors	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Sitting Fee	Commission	Sitting Fee	Commission
Mahendra Kumar Sharma	1.0	4.7	0.9	4.7
Dr. Indu Shahani	1.3	4.0	1.0	4.0
Rajeev Gupta	1.0	3.5	0.7	3.5
D Sivanandhan	1.3	3.9	0.9	3.9
V K Viswanathan	1.2	3.9	0.9	3.9
<b>Total</b>	<b>5.8</b>	<b>20.0</b>	<b>4.4</b>	<b>20.0</b>

\*Excludes an amount of ₹ 0 which pertains to reimbursement of penalty paid by Director.

**Note:** The above amounts are reported in millions, and the decimals are rounded off to the nearest lakhs.

## Note 37(e): General terms and conditions for transactions with related parties

Transactions with related parties are carried out in the normal course of business and are generally on normal commercial terms.

## Note 38: Offsetting financial assets and financial liabilities

As at year end, the Group has Receivables from Tie-up manufacturing units, which are presented after offsetting liabilities payable by the Group towards bottling charges. Group is not obligated to pay the bottling charges and only the net amounts due are settled by the Tie-up manufacturing units. The relevant amounts have therefore been presented net in the balance sheet. Details of such offset is given in the below table.

Particulars	As at March 31, 2021	As at March 31, 2020
Receivable from Tie-up manufacturing units (gross)	2,945	3,542
Less: Bottling charges payable	(127)	-
Receivable from Tie-up manufacturing units as reported (Refer Note 6)	2,818	3,542

## Note 39(a): Defined contribution plans

### Provident Fund:

Provident Fund covers substantially all permanent workmen. Both the eligible employees and the Group make monthly contributions to the Provident Fund as per regulations to a fund administered by government authority, equal to a specified percentage of the employees' salary. The obligation of the Group is limited to the extent of contributions made on a monthly basis.

### Employee Pension Scheme:

Employee Pension Scheme covers all eligible employees (i.e., permanent workmen and executive staff) of the Group. A portion of the Group's contribution in respect of government administered Provident Fund and Group administered Provident Fund Plan is made to the government administered Employee Pension Scheme, as per regulations. The obligation of the Group is limited to the extent of contributions made on a monthly basis.

### Employees' State Insurance:

Employees' State Insurance is a state plan which is applicable to those employees of the Group whose salaries do not exceed a specified amount. The contributions are made based on a percentage of salary to a fund administered by government authority. The obligation of the Group is limited to the extent of contributions made on a monthly basis.

### Superannuation fund:

Certain executive staff of the Group participate in United Spirits Superannuation fund (the 'Fund'), which is a voluntary contribution plan. The Group has no further obligations to the plan beyond its monthly contributions to the Fund, the corpus of which is administered by a trust and is invested in insurance products.

### National Pension Scheme:

Certain executive staff of the Group participate in National Pension Scheme, which is a voluntary contribution plan. The Group has no further obligations to the plan beyond its monthly contributions to a fund administered by a pension fund manager appointed by Pension Fund Regulatory and Development Authority.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

During the year, the Group has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds under the employee benefits expense in Note 25.

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Provident Fund*	33	37
Employee's Pension Scheme	48	47
Superannuation Fund	39	49
Employees' State Insurance	3	6
National Pension Scheme	8	9
<b>Total (Refer Note 25)</b>	<b>131</b>	<b>148</b>

\* Excludes contributions to Provident Fund Trust which are in the nature of defined benefit plans managed by the Group.

## Note 39 (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 or upon resignation from service, of an amount based on the respective employee's last drawn salary and years of employment with the Group. Vesting occurs only upon completion of five years of service, except in case of death or permanent disability. The funds are managed by a trust administered by the Group.

### Pension plan:

The Group operates an unfunded defined benefit pension plan for certain retired employees of an erstwhile entity which has merged into the Group in earlier years. This plan provides benefits to members in the form of a guaranteed level of pension payable for life post retirement or termination of employment. The level of benefits provided depends on their salary in the final year leading up to retirement, or termination.

### Provident fund:

Executive staff and certain permanent workmen receive benefits from the provident fund plan, which is a defined benefit plan. Both the employees and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the employee's salary. A portion of Company's contribution is transferred to Employee Pension Scheme, which is a defined contribution plan and the remaining amount is transferred to provident fund plan. The Provident Fund contributions are made to McDowell & Company Limited Employees Provident Fund Trust set up and managed by the Company. The Trust invests in specific designated instruments as permitted by Indian laws. The Company has an obligation to make good the shortfall if any, being the difference between the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Company also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation. The actuarial risk and investment risk fall, in substance, on the Company.

## Gratuity and Provident Fund

### A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO) :

	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Gratuity	Provident fund	Gratuity	Pension	Gratuity	Provident fund	Gratuity	Pension
	(Funded)	(Funded)	(Unfunded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)	(Unfunded)
Obligation at the beginning of the year	1,310	3,305	1	15	1,205	3,009	2	16
Current service cost	122	136	0	-	108	139	0	0
Interest Cost	81	276	0	1	82	259	0	1
Benefit payments from plan assets	(158)	(446)	-	-	(152)	(438)	-	-
Transfer in/(out)	-	14	-	-	-	73	-	-
Employee contributions	-	191	-	-	-	195	-	-

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Gratuity	Provident fund	Gratuity	Pension	Gratuity	Provident fund	Gratuity	Pension
	(Funded)	(Funded)	(Unfunded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)	(Unfunded)
Benefit payments by the Group	(4)	-	(0)	(1)	-	0	(1)	(3)
Actuarial (gain) / loss from changes in demographic assumptions	3	-	0	-	24	0	(0)	0
Actuarial (gain) / loss from changes in financial assumptions	6	-	(0)	0	60	(19)	1	1
Actuarial (gain) / loss – experience adjustments	(72)	(30)	1	(3)	(17)	87	(1)	0
<b>Obligation at the end of the year</b>	<b>1,288</b>	<b>3,446</b>	<b>2</b>	<b>12</b>	<b>1,310</b>	<b>3,305</b>	<b>1</b>	<b>15</b>

## B. Reconciliation of opening and closing balances of the fair value of plan assets:

	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Gratuity	Provident fund	Gratuity	Provident fund
	(Funded)	(Funded)	(Funded)	(Funded)
Plan assets at the beginning of the year	1,682	2,938	1,638	3,032
Employee contributions	-	191	-	195
Transfer in / (out)	-	14	-	67
Contribution by the group	-	136	-	145
Return on plan assets	111	276	121	259
Actuarial gains / (losses)*	2	(30)	75	(322)
Benefits paid	(157)	(446)	(152)	(438)
<b>Plan assets at the end of the year</b>	<b>1,638</b>	<b>3,079</b>	<b>1,682</b>	<b>2,938</b>

\*During the year ended March 31, 2020, the Group recognized a charge of ₹ 275 million, (net of tax of ₹ 92 million) in Other Comprehensive Income, arising from impairment in the fair value of certain investments held by the Company administered Provident Fund trust.

## 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 at the end of the year

	As at March 31, 2021				As at March 31, 2020			
	Gratuity	Provident fund	Gratuity	Pension	Gratuity	Provident fund	Gratuity	Pension
	(Funded)	(Funded)	(Unfunded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)	(Unfunded)
Present value of obligation	1,288	3,446	2	12	1,310	3,305	1	15
Fair value of plan assets	1,638	3,079	-	-	1,682	2,938	-	-
Asset ceiling	-	-	-	-	-	-	-	-
<b>Liability / (asset) recognised in Balance Sheet (Refer Notes 9 and 18)</b>	<b>(350)*</b>	<b>367</b>	<b>2</b>	<b>12</b>	<b>(372)*</b>	<b>367</b>	<b>1</b>	<b>15</b>
Current	-	367	-	1	1	367	1	2
Non-Current	(350)	-	2	11	(373)	-	-	13

\* Comprises net Liability of ₹ 21 million (2020: ₹ 13 million) pertaining to subsidiaries and net asset of ₹ 369 million (2020: ₹ 385 million) pertaining to USL.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

**Liability/ (net assets) disclosed in the consolidated financial statements is as follows:**

Description	Note	As at March 31, 2021			As at March 31, 2020		
		Gratuity	Pension	Provident fund	Gratuity	Pension	Provident fund
Non-current provision	18	21	11	-	12	13	-
Current provision	18	0	1	367	1	2	367
Non-current assets	9	(369)	-	-	(385)	-	-
<b>Liability / (net asset) recognised in Balance Sheet</b>		<b>(348)</b>	<b>12</b>	<b>367</b>	<b>(372)</b>	<b>15</b>	<b>367</b>

**D. Expenses recognised in the Statement of profit and loss:**

	For the year ended March 31, 2021					For the year ended March 31, 2020				
	Gratuity	Provident fund	Gratuity	Pension	Total	Gratuity	Provident fund	Gratuity	Pension	Total
	(Funded)	(Funded)	(Unfunded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	(Unfunded)	
Current service cost	122	136	0	-	258	108	139	0	0	247
Net interest cost					-					-
a) Interest expense on DBO	81	276	0	1	358	82	259	0	1	342
b) Interest (income) on plan assets	(111)	(276)	-	-	(387)	(121)	(259)	-	-	(380)
Total net interest cost (a-b)	(30)	-	-	1	(29)	(38)	-	-	1	(37)
<b>Defined benefit cost (Refer Note 25)</b>	<b>92</b>	<b>136</b>	<b>0</b>	<b>1</b>	<b>229</b>	<b>69</b>	<b>139</b>	<b>0</b>	<b>1</b>	<b>209</b>

**E. Re-measurement effects recognized in Other comprehensive income (OCI):**

Description	For the year ended March 31, 2021					For the year ended March 31, 2020				
	Gratuity	Provident fund	Gratuity	Pension	Total	Gratuity	Provident fund	Gratuity	Pension	Total
	(Funded)	(Funded)	(Unfunded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	(Unfunded)	
a. Actuarial (gain) / loss due to demographic assumptions changes in DBO	3	-	0	-	3	24	-	(0)	0	24
b. Actuarial (gain) / loss due to financial assumption changes in DBO	6	-	0	0	6	60	(19)	1	1	43
c. Actuarial (gain) / loss due to experience on DBO	(72)	(30)	1	(3)	(104)	(17)	87	(1)	0	69
d. Return on plan assets (greater) / less than discount rate	(2)	30	-	-	28	(75)	322	-	-	247
e. Movement in asset ceiling	-	-	-	-	-	-	(23)	-	-	(23)
<b>Total actuarial (gain)/ loss included in OCI</b>	<b>(65)</b>	<b>-</b>	<b>1</b>	<b>(3)</b>	<b>(67)</b>	<b>(8)</b>	<b>367</b>	<b>0</b>	<b>1</b>	<b>360</b>

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

**F. Total cost recognised in comprehensive income:**

Particulars	For the year ended March 31, 2021					For the year ended March 31, 2020				Total
	Gratuity	Provident fund	Gratuity	Pension	Total	Gratuity	Provident fund	Gratuity	Pension	
	(Funded)	(Funded)	(Unfunded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	(Unfunded)	
Expense recognised in Statement of profit and loss (Refer Note 25)	92	136	0	1	229	69	139	0	1	209
Remeasurements effects recognised in OCI	(65)	-	1	(3)	(67)	(8)	367	0	1	360
Total cost recognised in comprehensive income	27	136	1	(2)	162	61	506	0	2	569

**G. Investment details of plan assets:**

Description	As at March 31, 2021		As at March 31, 2020	
	Gratuity	Provident fund	Gratuity	Provident fund
Government securities	-	68%	-	61%
Private sector bonds	-	9%	-	10%
Public sector / financial institutional bonds	-	6%	-	12%
Special deposit scheme	-	4%	-	4%
Insurance products	100%	-	100%	2%
Others (including bank balances)	0%	13%	0%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**H. Assumptions:**

	As at March 31, 2021				As at March 31, 2020			
	Gratuity	Gratuity	Provident fund	Pension	Gratuity	Gratuity	Provident fund	Pension
	(Funded)	(Unfunded)	(Funded)	(Unfunded)	(Funded)	(Unfunded)	(Funded)	(Unfunded)
Discount rate (per annum)	6.44%-6.54%	6.81%-6.92%	6.58%	6.54%	6.39%-6.58%	5.89%-6.78%	6.55%	6.58%
Rate of increase in compensation levels	10%	10%	10%	NA	10%	10%	10%	NA
Attrition rate	5%-11%	5%-11%	5%-11%	NA	5%-11%	5%-11%	5%-11%	NA
Mortality rates	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table

\*IALM: Indian Assured Lives Mortality

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## Note 39(c): Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is provided below:

### Gratuity:

	Changes in assumptions		(Decrease)/ Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Discount rate	1%	1%	(105)	(105)	121	121
Rate of increase in compensation levels	1%	1%	118	116	(104)	(104)

### Provident Fund:

	Changes in assumptions		(Decrease)/ Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Discount rate	1%	1%	(104)	(118)	180	192
Rate of increase in compensation levels	1%	1%	167	178	(102)	(116)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

## Note 39(d): Risk exposure:

Through its defined benefit plans, Group is exposed to number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to yields of government securities; if plan assets underperform this yield, this will create a deficit. Plan asset investments for provident fund are made in government securities, private sector bonds and public sector/financial institution bonds. Plan asset investments for gratuity are made in pre-defined insurance plans. These are subject to risk of default and interest rate risk. The fund manages credit risk/interest rate risk through continuous monitoring to minimise risk to an acceptable level.
Change in bond yields	A decrease in yields of government securities will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation Risk	In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life Expectancy	The pension and other plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets consists of government and public sector bonds, although the Group also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective local regulations.

## Note 39(e): Effect of the defined benefit plan on the entity's future cash flows

The Group does not expect to contribute any amounts into the gratuity plan assets during the year ending March 31, 2022, considering the net surplus portion as at March 31, 2021. The Group is expected to contribute ₹ 149 million (2020: ₹ 153 million) to Provident fund during the year ending March 31, 2022.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

The weighted average duration of the defined benefit obligation is 8.30 years (2020: 8.36 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

March 31, 2021	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	151	126	369	1,515	<b>2,161</b>
Provident fund	364	397	1,426	3,400	<b>5,587</b>
<b>Total</b>	<b>515</b>	<b>523</b>	<b>1,795</b>	<b>4,915</b>	<b>7,748</b>

March 31, 2020	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	150	127	414	1,526	<b>2,217</b>
Provident fund	345	377	1,355	3,242	<b>5,319</b>
<b>Total</b>	<b>495</b>	<b>504</b>	<b>1,769</b>	<b>4,768</b>	<b>7,536</b>

**Note:** The estimates of future increase in compensation levels, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

## Note 40: Historical matters

### a) Additional Inquiry

As disclosed in the consolidated financial statements commencing from year ended March 31, 2017, upon completion of an inquiry into past improper transactions which was completed in April 2015 ('Initial Inquiry') and which identified references to certain additional parties and certain additional matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an additional inquiry into past improper transactions ('Additional Inquiry') which was completed in July 2016. The Additional Inquiry prima facie identified transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's former non-executive chairman, Dr. Vijay Mallya, and other potentially improper transactions. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of the Company or its subsidiaries in prior periods. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliance with applicable laws in relation to such fund diversions.

### b) Rationalisation of subsidiaries

As disclosed in each of the consolidated financial statements, commencing from year ended March 31, 2019, in relation to its subsidiaries and pursuant to its strategic objective of divesting non-core assets, the Group has reviewed its subsidiaries' operations, obligations and compliances, and as approved by the Board has made plans for their rationalisation through sale, liquidation or merger ("Rationalisation Process").

- The Company had sought approval of regulatory authorities for liquidating its wholly owned subsidiaries, USL Holdings Limited (including its three wholly owned step-down overseas subsidiaries USL Holdings (UK) Limited, United Spirits (UK) Limited and United Spirits (Great Britain) Limited). The Board has approved liquidation of Asian Opportunities and Investments Limited, McDowell & Co. (Scotland) Limited, Shaw Wallace Overseas Limited and United Spirits Singapore Pte Ltd., for which the Company is in the process of seeking regulatory approvals for liquidating the said subsidiaries. The Board has also approved the merger of Palmer Investment Group Limited with the Company.

On December 01, 2020, the Company received a no-objection letter from the Reserve Bank of India (RBI), for the liquidation of United Spirits (Shanghai) Trading Company Limited and initiated the liquidation proceedings of this subsidiary, in Shanghai.

The completion of the above liquidations and merger are subject to regulatory and other approvals (in India and overseas). During this Rationalisation Process, if any historical non-compliances are established, the Company will consult with its legal advisors, and address any such issues including, if necessary, considering filing appropriate compounding applications with the relevant authorities. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliances with applicable laws, if established.



# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

- ii. The Company received an order on July 22, 2020 from the Jersey Financial Service Commission, Company Registry, with respect to the merger of UB Sports Management Overseas Limited with Palmer Investments Group Limited. Consequently, UB Sports Management Overseas Limited stands merged with Palmer Investment Group Limited with effect from July 15, 2020. The Company has filed the relevant filing with the RBI on December 21, 2020 for the above merger.

Consequent to the above, the financial statements of the following subsidiaries have been prepared and consolidated on a liquidation basis (i.e. "break up" basis) (i) USL Holdings Limited, (ii) USL Holdings (UK) Limited, (iii) United Spirits (UK) Limited, (iv) United Spirits (Great Britain) Limited, (v) McDowell & Co. (Scotland) Limited, (vi) Shaw Wallace Overseas Limited, (vii) Montrose International S.A., (viii) United Spirits (Shanghai) Trading Company Limited, (ix) Asian Opportunities and Investments Limited and (x) United Spirits Singapore Pte Ltd. Accordingly, assets and liabilities of such subsidiaries have been recognised as current at their fair values that approximate to their carrying values as at March 31, 2021. Such re-measurement did not have any material impact on the consolidated financial statements.

- iii. On December 01, 2020, the Company received a no-objection letter from the Reserve Bank of India (RBI), for stake sale in Liquidity, Inc. On December 18, 2020, the Company completed the sale of its entire shareholding in Liquidity Inc to its joint venture partner, Plonkl, LLC, a Delaware limited liability company. The business was sold for a sale consideration of USD 1. Following the completion of the sale, Liquidity Inc ceased to be a subsidiary of the Company. This transaction resulted in a profit of ₹ 202 million and has been accounted as an exceptional item in the Statement of Profit & Loss for the year ended March 31, 2021. Also refer note 29(a).
- iv. On December 01, 2020, the Company received a no-objection letter from the Reserve Bank of India (RBI), for the liquidation of Montrose International S.A. and initiated the liquidation proceedings of Montrose International S.A. Subsequent to the year end, Montrose International S.A. has been liquidated with effect from April 16, 2021.

## c) Loan to United Breweries (Holdings) Limited ('UBHL')

As disclosed in each of the consolidated financial statements commencing from year ended March 31, 2015, the Company had pre-existing loans/deposits/advances/accrued interest that were due to the Company and its subsidiaries from UBHL and its subsidiaries aggregating to ₹ 13,374 million and that were consolidated into, and recorded as, an unsecured loan through an agreement entered into between the Company and UBHL on July 3, 2013 ('Loan Agreement'). The Company has already made provision in prior financial years for the entire principal amount due, of ₹ 13,374 million, and for the accrued interest of ₹ 846 million up to March 31, 2014. The Company has not recognised interest income on said loan after March 31, 2014 which cumulatively amounts to ₹ 8,719 million up to March 31, 2021. The Company has offset payable to UBHL under the trademark agreement amounting to ₹ 303 million for the year ended March 31, 2021, and consequently, the corresponding provision for loan has been reversed to 'Loss allowance on trade receivables and other financial assets (net)'. The cumulative offset up to March 31, 2021 amounted to ₹ 1,987 million.

Since UBHL had defaulted on its obligations under the Loan Agreement, the Company sought redressal of disputes and claims through arbitration under the terms of the Loan Agreement. On April 8, 2018, the arbitral tribunal passed a final award against the Company. The reasons for this adverse award were disputed by the Company, and the Company had obtained leave from the High Court of Karnataka to file a challenge against this arbitral award. The Company has on July 6, 2018 filed the petition challenging the said award before the Jurisdictional Court in Bangalore (the "Court"). The Court has issued notice pursuant thereto on the Official Liquidator and the hearing has commenced. Notwithstanding the arbitration award, based on management assessment supported by an external legal opinion, the Company continues to offset payable to UBHL under the trademark agreement against the balance of loan receivable from UBHL. During the year ended March 31, 2021, The Official Liquidator and the Company exchanged correspondences.

## d) Excess managerial remuneration pertaining to earlier year

As disclosed in each of the consolidated financial statements commencing from year ended March 31, 2015, the managerial remuneration for the financial year ended March 31, 2015 aggregating ₹ 153 million to the former Executive Director and Chief Financial Officer ('ED & CFO'), was approved by the shareholders at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Act, by ₹ 134 million. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration which was not approved, and the Company had sought Central Government to reconsider approving the waiver of excess remuneration paid. In light of the findings from the Additional Inquiry, by its letter dated July 12, 2016, the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO and has filed a civil suit before the jurisdictional court to recover the sums from the former ED & CFO during the quarter ended March 31, 2017. There have been no developments in respect of this matter during the year ended March 31, 2021.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## e) Regulatory notices and communications

The Company has previously received letters and notices from various regulatory and other government authorities as follows:

- i) as disclosed in the consolidated financial statements commencing from year ended March 31, 2016, from the Securities Exchange Board of India ('SEBI'), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya to which the Company has responded. No further communications have been received thereafter;
- ii) as disclosed in each of the consolidated financial statements commencing from year ended March 31, 2016, from the Ministry of Corporate Affairs ('MCA') in relation to its inspection conducted under Section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. The Company had also received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. During the year ended March 31, 2018, the Company had filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices, and requested the Registrar to drop one show cause notice based on expert legal advice received. During the quarter ended September 30, 2020, the Company had received an order on the adjudication applications for aforesaid two show cause notices and complied with the said order. During the quarter ended March 31, 2021, the Company had received an order on compounding application for one of the aforesaid show cause notices and has complied with the said order. The penalty and compounding fees arising out of adjudication applications and compounding application are not material. The Company is awaiting a response from the Registrar on the remaining applications. The management is of the view that the financial; impact arising out of compounding/adjudication of these matters will not be material to the Consolidated financial statements;
- iii) as disclosed in the consolidated financial statements commencing from year ended March 31, 2016, from the Directorate of Enforcement ('ED') in connection with Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002, to which the Company had responded. No further communications have been received thereafter; and
- iv) as disclosed in each of the consolidated financial statements commencing from year ended March 31, 2017, from the Company's authorised dealer banks in relation to certain queries from the Reserve Bank of India ('RBI') with regard to: (A) remittances made in prior years by the Company to its overseas subsidiaries to which the Company has responded to; (B) past acquisition of the Whyte and Mackay group to which the Company has responded to; (C) clarifications / queries received from the Authorised Dealer from time to time on Annual Performance Reports ('APR') for prior years; to which the Company is in the process of responding and (D) compliances relating to the Company's overseas Branch office, which the Company has duly responded to.

## f) Dispute with IDBI bank

As disclosed in each of the consolidated financial statements commencing from year ended March 31, 2015, during the year ended March 31, 2014, the Company decided to prepay a term loan taken from IDBI Bank Limited (the "bank") in earlier years which was secured by certain property, plant and equipment and brands of the Company as well as by a pledge of certain shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The Company deposited a sum of ₹ 6,280 million, including prepayment penalty of ₹ 40 million, with the bank and instructed the bank to debit the amount from its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment, following which the Company filed a writ petition ("WP") in November 2013 before the Hon'ble High Court of Karnataka challenging the actions of the bank.

In February 2016, following the original maturity date of the loan, the Company received a notice from the bank seeking to recall the loan and demanding a sum of ₹ 459 million on account of outstanding principal, accrued interest and other amounts as also further interest till the date of settlement. This notice was challenged by the Company by way of a separate application filed in the pending writ proceedings. The Hon'ble High Court of Karnataka, by an order passed in the said application, directed that, subject to the Company depositing ₹ 459 million with the bank in a suspense account, the bank should not deal with any of the secured assets including the shares until disposal of the writ petition. The Company deposited the full amount, and the bank was restrained from dealing with any of the secured assets.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

In June 2019, a single judge bench of the Hon'ble High Court of Karnataka issued an order dismissing the writ petition filed by the Company, amongst other reasons, on the basis that the matter involved an issue of breach of contract by the Company and was therefore not maintainable in exercise of the court's writ jurisdiction. The Company disputed the Order and filed an appeal against this order before a division bench of the Hon'ble High Court of Karnataka. During the quarter ended September 30, 2019, the division bench of the Hon'ble High Court of Karnataka reinstated the interim order in the writ petition, thereby granting a stay on the disposal of the secured assets of the Company by the bank. On January 13, 2020, the division bench of the Hon'ble High Court of Karnataka admitted the writ appeal and extended the interim stay. There have been no further developments in this respect till the year ended March 31, 2021. There have been no further developments in this respect during the year ended March 31, 2021. Based on management assessment supported by external legal opinions, the Company continues to believe that it has a strong case on merits and therefore continues to believe that the aforesaid amount of ₹ 459 million remains recoverable from the bank.

In a separate proceeding before the Debt Recovery Tribunal (DRT), Bengaluru, initiated by a consortium of banks (including the bank) for recovery of the loans advanced by the bank to Kingfisher Airlines Limited (KAL), the bank filed an application for attachment of the pledged shares belonging to USL Benefit Trust. DRT dismissed the said application of the bank. During the quarter ended September 30, 2017, the bank filed an ex-parte appeal before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai against the order of the DRT. During the quarter ended December 31, 2017, following an application by the Company, DRAT has issued an Order impleading the Company in the proceedings. The bank's appeal is pending for final hearing by DRAT. There have been no developments with respect to this matter during the year ended March 31, 2021.

## g) Difference in yields of certain non-potable intermediates and associated process losses

As disclosed in each of the consolidated financial statements commencing from year ended March 31, 2019, the Company came across information suggesting continuing past practices that may have resulted in yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process being higher than what has been reported to the relevant regulatory authorities (the 'Authorities') as per the records being maintained in certain plants (the 'Affected Plants').

With prior information to and engagement with the Authorities, the Company also engaged independent third-party experts to undertake a physical verification of the inventory of intermediates on a sample basis in the Affected Plants and shared these reports with the Authorities. Based on the understanding/ discussion with such Authorities and advice received from external legal counsels, the Company has discharged/ provided the amounts of financial obligation (which were determined to be not material) in the financial statements. There have been no developments with respect to this matter during the year ended March 31, 2021.

Under the direction of the board of directors, the management had engaged an independent law firm to conduct a review of past practices in this area and during the quarter ended June 30, 2019, has taken appropriate action, where a violation of the company's code of business conduct had occurred

There have been no developments with respect to this matter during the year ended March 31, 2021.

Management will continue to monitor developments, if any, in this matter.

## h) Developments in Relation to Past Claims from a Customer

In April 2021, a customer notified the Company that it was stopping further payment to the Company until pending issues of recovery were resolved. It appears that the customer is referring to, and seeking to review, the historical and settled issue regarding differential trade terms which was disclosed in the annual financial statements for the years ended March 31, 2017 and March 31, 2018. The matter related to a voluntary disclosure made by the Company regarding prices historically charged to the customer being inconsistent with the agreed trading terms. Post internal deliberations, the customer raised claims for recoveries against the Company, which the customer acknowledged as having been fully recovered in the year ended March 31, 2018. The customer and the Company also agreed revised trading terms for future supplies and normal business operations resumed until this letter was received. Based on legal advice the Company believes that it has no further liability towards the customer and that the trade receivable from the customer is good and fully recoverable and the Company has responded to the customer accordingly. The Company is in consultation with the customer and discussions are ongoing as at the date of approval of these financial statements.

## Note 41: Exceptional Items

- a) The Group, as part of Diageo group's COVID-19 ("Raising the Bar") programme, has committed to spend ₹ 750 million over a period of two years from July 1, 2020, in order to support the post COVID-19 revival and recovery of pubs, bars and restaurants serving alcohol.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Raising the Bar aims to provide non-cash support to qualifying pubs, bars and restaurants serving alcohol in Mumbai, Delhi, Bengaluru and other select cities through the Diageo Bar Academy. The programme includes providing hygiene kits, a range of personal protection equipment (such as masks, gloves, hand sanitizers), digital support and training to help these outlets effectively maintain social distancing and enhanced hygiene standards while deploying confidence building measures for consumers to safely visit and socialize. The amount of ₹ 750 million has been accounted as exceptional item in the Statement of Profit & Loss for the year ended March 31, 2021. Also refer note 29 (c).

- b) On January 27, 2021, the Company completed the sale of its equity shares held by the Company in its wholly owned subsidiary, Tern Distilleries Ltd to NCL Industries Limited. The shares were sold for a total consideration of ₹ 300 million. Following the completion of the sale, the Company does not hold any shares in Tern Distilleries Private Limited and Tern Distilleries Private Limited has ceased to be a subsidiary of the Company. This transaction resulted in a profit of ₹ 131 million and has been accounted as an exceptional item in the Statement of Profit & Loss for the year ended March 31, 2021. Also refer note 29(a)

## Note 42: Capital and other commitments

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Capital commitments for property, plant and equipment	799	1,006
(b) Other commitments		
i. relating to advertisement, sales promotion and trademark fee	977	789
ii. towards minimum offtake commitment for purchase of bulk scotch from a related party	536	1,308
iii. relating to BCCI-IPL franchise	67	65

## Note 43: Contingent liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Income tax matters	7,362	7,170
(b) Indirect tax matters		
(i) State Excise	650	2,033
(ii) Central Excise	2	2
(iii) Service Tax	448	448
(iv) Sales tax and entry tax	3,561	3,423
(c) Other civil litigations and claims	1,741	1,864

### Notes:

- (a) **Income taxes** – Income tax matters primarily relate to exposures under transfer pricing and disallowance of certain expenses that the Group had claimed as deductions in its Income Tax returns.
- (b) **Indirect taxes** – The Group has extensive operations across various states in India. The Group has identified possible exposures relating to local sales tax, state excise duty and central excise duty.
- (c) **Other civil litigations and claims** – Other civil litigations relate to various claims from third parties under dispute which are lying with various courts/appellate authorities.
- (d) **Provident fund** – The Group has evaluated the impact of the Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to non-inclusion of certain allowances in the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. In the assessment of the management, the aforesaid matter is not likely to have a significant impact on the Group and accordingly, no provision has been made in the consolidated financial statements.
- (e) The below matters are considered as contingent liabilities in Pioneer Distillers Limited (PDL), a subsidiary, however the amounts in respect thereof are not determinable:
- PDL has filed a petition before the High Court of Judicature at Bombay Bench at Aurangabad challenging multiple demands raised by Water Resource Department, State of Maharashtra levying increased water charges and an interim relief against any coercive steps has been received. It is not practical to estimate the potential effect of this claim, but based on legal advice obtained, PDL's management believes that it is not probable that a significant liability will arise.
  - PDL has filed a petition before the High Court of Judicature at Bombay Bench at Aurangabad challenging the notification increasing the transport pass fees on its raw material and an interim relief has been received. It is not practical to estimate the potential effect of this claim, but based on legal advice obtained, PDL's management believes that it is not probable that a liability will arise.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(f) **Use of Judgement**

Management categorizes the matters based on the probability of cash outflow, which require judgement. Management obtains the views of external consultants where necessary. Based on the assessment, management recognises liability/ provision, or discloses the matter as a contingent liability, except for matters where the probability of outflow of cash is considered remote. Due to uncertainties involved in the process, actual outflows may be different from those originally estimated.

The Group may be involved in legal proceedings in respect of which it is not possible to make a reliable estimate of any expected settlement. In such cases, appropriate disclosure is provided but no provision is made and no contingent liability is quantified.

- (g) Management is optimistic of a favourable outcome in the above matters based on legal opinions/ management assessment. It is not practicable for the Group to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

## Note 44: Research expenses

	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries and wages	65	68
Contribution to provident fund and other funds	4	4
Staff welfare expenses	2	2
Rent	8	7
Miscellaneous expenses	20	26
<b>Total research expenses</b>	<b>99</b>	<b>107</b>

## Note 45: Interest in Other Entities

### (a) Subsidiaries/ Controlled Trusts

The subsidiaries consolidated in these financial statements are set out below. Unless otherwise stated, they have share capital consisting of equity shares that are held by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation is also their place of business.

Name of the Entity	% of ownership interest		Country of Incorporation	Principal business activity
	March 31, 2021	March 31, 2020		
<b>Subsidiaries :</b>				
Pioneer Distilleries Limited	75	75	India	Manufacture and sale of Spirits
Royal Challengers Sports Private Limited	100	100	India	BCCI – IPL franchise
Tern Distilleries Private Limited (upto 26 <sup>th</sup> Jan 2021) – Refer Note 41 (b)	-	100	India	Dormant
Sovereign Distilleries Limited	100	100	India	Dormant
United Spirits Singapore Pte Ltd	100	100	Singapore	Dormant
McDowell & Co. (Scotland) Limited	100	100	Scotland, U.K.	Dormant
Asian Opportunities and Investments Limited	100	100	Mauritius	Dormant
Palmer Investment Group Limited	100	100	British Virgin Islands	Dormant
Shaw Wallace Overseas Limited	100	100	U.K.	Dormant
UB Sports Management Overseas Limited (upto 21 <sup>st</sup> Sep 2020)	-	100	Jersey Islands	Dormant
Montrose International S.A	100	100	Panama	Dormant
USL Holdings Limited	100	100	British Virgin Islands	Dormant
USL Holdings (UK) Limited	100	100	U.K.	Dormant
United Spirits (Shanghai) Trading Company Limited	100	100	China	Dormant
United Spirits (UK) Limited	100	100	U.K.	Dormant
United Spirits (Great Britain) Limited	100	100	U.K.	Dormant
Liquidity Inc. (upto 17 <sup>th</sup> Dec 2020) – Refer Note 40 (b)(iii)	-	51	USA	Dormant
<b>Controlled trust :</b>				
USL Benefit Trust	100	100	India	Investment in shares of the Company

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## (b) Interest in an Associate

Set out below is the details of the Group's interest in an associate. The associate is not considered material to the Group. The Country of incorporation or registration is also the principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held. The Group accounts for its interest in the associate using the equity method of accounting. Further, this entity is unlisted and hence no quoted prices are available.

Name of entity	% of ownership interest 2021	% of ownership interest 2020	Country of incorporation	Principal business activity
HIP Bar Private Limited [Refer Note 4.1]	26	26	India	Operates a web based alcohol distribution mobile application under the brand name HIPBAR

## (c) Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. Pursuant to the impairment test performed during the previous year, the Group recognised an impairment loss on Goodwill as provided below.

The Group's cash-generating units (CGU) have been determined as individual subsidiaries. The Group has determined recoverable value or value in use whichever is higher of the CGU, as fair value, less cost of disposal. The Company has used the 'cost approach' valuation technique for determining fair value of its investment in subsidiaries using Level 3 inputs.

The entity wise detail of goodwill and impairment charge, if any recognised is set out below:

Description	McDowell (Scotland) Limited	Sovereign Distilleries Limited	Total
Carrying amount of Goodwill as at April 1, 2020	13	197	210
Net assets of the subsidiary	126	151	282
<b>Total</b>	<b>139</b>	<b>348</b>	<b>492</b>
Recoverable amount (Refer note below)	139	348	492
Shortfall/ (Surplus) over carrying value	-	-	-
<b>Impairment allowance for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>
Carrying amount of goodwill as at March 31, 2021	13	197	210

Note: Recoverable amount disclosed above is restricted to the aggregate of the carrying amount of net assets and goodwill

Description	McDowell (Scotland) Limited	Sovereign Distilleries Limited	Total
Carrying amount of Goodwill as at April 1, 2019	13	480	493
Net assets of the subsidiary	186	203	389
<b>Total</b>	<b>199</b>	<b>683</b>	<b>882</b>
Recoverable amount	199	400	599
Shortfall/ (Surplus) over carrying value	-	283	283
<b>Impairment allowance for the year [Refer Note 29(b)]</b>	<b>-</b>	<b>(283)</b>	<b>(283)</b>
Carrying amount of goodwill as at March 31, 2020	13	197	210

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## (d) Details on Non-controlling Interest (NCI)

Set out below is summarised financial information for all the subsidiaries in which there is a non-controlling interest. The amounts disclosed for each subsidiary are before inter-company eliminations.

### Summarised Balance Sheet:

Particulars	Liquidity Inc.		Pioneer Distilleries Limited	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Non-current assets	-	-	3,050	3,286
Current assets	-	8	956	1,142
<b>Total assets</b>	-	<b>8</b>	<b>4,006</b>	<b>4,428</b>
Non-current liabilities	-	(181)	(2,467)	(2,380)
Current liabilities	-	(139)	(4,317)	(3,953)
<b>Total liabilities</b>	-	<b>(320)</b>	<b>(6,784)</b>	<b>(6,333)</b>
<b>Net assets</b>	-	<b>(312)</b>	<b>(2,778)</b>	<b>(1,905)</b>
Accumulated non-controlling interest (NCI)	-	<b>(22)</b>	<b>(609)</b>	<b>(391)</b>

### Summarised Statement of Profit and Loss:

Particulars	Liquidity Inc.		Pioneer Distilleries Limited	
	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue	-	-	1,704	1,746
Profit/(loss) for the year	3	(1)	(2,570)	(1,492)
Other comprehensive income	-	-	(8)	3
Total comprehensive income	3	(1)	(874)	(1,489)
Total comprehensive income allocated to NCI	1	(1)	(218)	(381)

### Summarised Statement of Cash Flows:

Particulars	Liquidity Inc.		Pioneer Distilleries Limited	
	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
Cash flows from operating activities	0	0	53	293
Cash flows from investing activities	0	0	(173)	(50)
Cash flows from financing activities	0	0	113	(239)
Net increase/(decrease) in cash and cash equivalents	0	0	(7)	4

There were no transactions with non-controlling interests in the year ended March 31, 2021 and March 31, 2020



# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

**(e) Share of profit and assets of subsidiaries / associate**

Name of the entity	Net assets, i.e., total assets minus total liabilities		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	% of consolidated net assets	Amount	% of consolidated profit/(loss)	Amount	% of consolidated other comprehensive income	Amount	% of consolidated total comprehensive income	Amount
<b>Parent Company</b>								
United Spirits Limited	89.7%	36,406	146.9%	5,320	114.3%	72	146.4%	5,392
<b>Overseas Subsidiaries</b>								
Liquidity Inc.	-	-	0.1%	2	-	-	0.1%	2
United Spirits (Shanghai) Trading Company Limited	0.0%	0	(0.0)%	(1)	-	-	(0.0)%	(1)
United Spirits Singapore Pte Ltd.	0.0%	10	(0.1)%	(2)	-	-	(0.1)%	(2)
Montrose International S.A	0.2%	88	(0.1)%	(2)	-	-	(0.1)%	(2)
Asian Opportunities and Investments Limited	0.0%	6	(0.1)%	(3)	-	-	(0.1)%	(3)
McDowell & Co. (Scotland) Limited	0.3%	126	(0.2)%	(6)	-	-	(0.2)%	(6)
Shaw Wallace Overseas Limited	0.0%	19	(0.0)%	(1)	-	-	(0.0)%	(1)
United Spirits (Great Britain) Limited	0.0%	6	(0.0)%	(1)	-	-	(0.0)%	(1)
United Spirits (UK) Limited	0.0%	1	(0.0)%	(1)	-	-	(0.0)%	(1)
USL Holdings Limited	0.1%	38	(0.0)%	(0)	-	-	(0.0)%	(0)
USL Holdings (UK) Limited	0.0%	2	(0.0)%	(1)	-	-	(0.0)%	(1)
Palmer Investment Group Limited	0.0%	0	(0.1)%	(2)	-	-	(0.1)%	(2)
UB Sports Management Overseas Limited	-	-	(0.0)%	(0)	-	-	(0.0)%	(0)
<b>Sub-total</b>		<b>36,702</b>		<b>5,302</b>		<b>72</b>		<b>5,374</b>

Name of the entity	Net assets, i.e., total assets minus total liabilities		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	% of consolidated net assets	Amount	% of consolidated profit/(loss)	Amount	% of consolidated other comprehensive income	Amount	% of consolidated total comprehensive income	Amount
<b>Indian Subsidiaries/ controlled trust</b>								
Pioneer Distilleries Limited	2.2%	875	(57.6)%	(2,088)	(9.5)%	(6)	(56.8)%	(2,094)
Royal Challengers Sports Private Limited	8.5%	3,429	20.6%	743	-	-	20.2%	743
Tern Distilleries Private Limited	-	-	(1.0)%	(35)	-	-	(1.0)%	(35)
Sovereign Distilleries Limited	0.4%	151	(2.0)%	(73)	(1.6)%	(1)	(2.0)%	(74)
USL Benefit Trust	0.1%	41	(0.0)%	(0)	-	-	(0.0)%	(0)
<b>Sub-total</b>		<b>4,496</b>		<b>(1,453)</b>		<b>(7)</b>		<b>(1,460)</b>

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the entity	Net assets, i.e., total assets minus total liabilities		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	% of consolidated net assets	Amount	% of consolidated profit/(loss)	Amount	% of consolidated other comprehensive income	Amount	% of consolidated total comprehensive income	Amount
<b>Minority Interest in subsidiaries</b>								
Liquidity Inc.	-	-	0.0%	1	-	-	0.0%	1
Pioneer Distilleries Limited	(1.5%)	(609)	(6.0)%	(216)	(3.2)%	(2)	(5.9)%	(218)
<b>Sub Total</b>		<b>(609)</b>		<b>(215)</b>		<b>(2)</b>		<b>(217)</b>
<b>Associates</b>								
Hip Bar Private Limited	-	-	(0.4)%	(13)	-	-	(0.4)%	(13)
<b>Total</b>	<b>100%</b>	<b>40,589</b>	<b>100%</b>	<b>3,621</b>	<b>100%</b>	<b>63</b>	<b>100%</b>	<b>3,684</b>

**Note:** Net assets given above exclude inter-company balances and treasury shares. Share in profit or loss, other comprehensive income and total comprehensive income exclude inter-company transactions.

## Note 46(a): Letter of financial support to subsidiaries

PDL has incurred loss of ₹ 874 million during the current year and has an accumulated deficit in networth amounting to ₹ 2,779 million (2020: ₹ 1,905 million). Accordingly, the net worth of PDL has been eroded. Further, the current liabilities exceed the current assets as at the year-end. Management and the Board of Directors of PDL have reviewed the cash flow forecast for the next twelve months and based on the letter of financial support obtained from United Spirits Limited, the holding company, have concluded that there is no material uncertainty on the ability of PDL to continue as a going concern.

## Note 46(b): Letter of comfort to a bank

The Company has given a letter of comfort to a bank, towards a loan facility from that bank amounting to ₹ 3,500 million (2020: ₹ 3,500 million) availed by Pioneer Distilleries Limited (PDL), a subsidiary. As per the letter, the Company has expressed its intention to ensure that PDL repays the outstanding amount under the facility on due date and in the event of default by PDL, to take appropriate steps to cause PDL to repay the outstanding out of PDL's resources. The said letter does not constitute a guarantee by USL, as in the event of default by PDL, the bank shall have no recourse to USL.

## Note 46(c): Proposed merger of Pioneer Distilleries Limited with United Spirits Limited

The Board of Directors ("Board") of PDL and of the Company at their meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") in relation to the proposed merger of PDL with the Company under Sections 230 – 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. Upon completion of the merger, the non-promoter shareholders of PDL will receive 10 equity shares of the Company (face value of ₹ 2 each) for every 47 equity shares of PDL (face value of ₹ 10 each), held by them as on the record date. Post the merger, the Company's issued capital is expected to expand by 712,138 shares and the revised shareholding of Relay BV (the holding company, a subsidiary of Diageo plc) in the Company will change from 55.94% to 55.88%. The Scheme is subject to the receipt of requisite approvals from the relevant statutory authorities and the respective shareholders and creditors of PDL and of the Company. The BSE Limited and the National Stock Exchange of India Limited have issued their no-objection to the draft scheme and related documents filed, vide observation letters dated October 21, 2020 and October 22, 2020, respectively. The Company jointly with PDL have filed application under Sections 230 to 232 of the Companies Act, 2013 on November 27, 2020 with the National Company Law Tribunal, Bangalore ("NCLT"), and again an Interlocutory Application was filed before NCLT on April 7, 2021.

## Note 47: Strategic review of selected brands

The Group has initiated a strategic review of selected brands in the Company's "Popular" segment of brands, continuing the strategy towards long-term profitable growth through premiumising the company's portfolio. The Group's Popular portfolio comprises around 30 brands and the strategic review focuses on approximately half of this portfolio by volume. This review does not include the McDowell's or Director's Special trademarks. The strategic review is expected to be completed by the end of the December 31, 2021. The Group believes that there is no impact on account of the strategic review on the financial statements for the year ended March 31, 2021.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

## Note 48: Impact of COVID-19

Once the lockdown due to COVID-19 pandemic was lifted in May 2020, Management had taken appropriate actions to scale up the Group's manufacturing to the levels prior to COVID-19 across all locations. Both off-trade and on-trade sales also gradually resumed across the country. Temporary disruptions have occurred from time to time during the pendency of a curfew or lockdown, including as a result of the recent surge in the spread of COVID-19 in India subsequent to the year end.

With respect to the Company's subsidiary, Royal Challengers Sports Private Limited, IPL 2021, which commenced on April 09, 2021 was suspended on May 04, 2021 until further notice.

The Group has a prudent liquidity risk management policy for maintenance of required cash and / or has access to funds through adequate unutilised sanctioned borrowing limits from banks and is confident of servicing its debt obligations as they fall due. Based on the management's assessment, no material impact on the carrying amounts of current and non-current assets (including financial assets) is expected. The Group had assessed its existing controls and internal financial reporting processes and made appropriate changes, as required, in view of the situation arising due to COVID-19 pandemic. Group continues to review its contracts/ arrangements and does not expect any material impact on account of non-fulfilment of the obligations by any party.

Management has considered various internal and external information available up to the date of approval of financial statements in assessing the impact of COVID-19 pandemic in consolidated financial statements for the year and year ended March 31, 2021. The Group continues to maintain a positive outlook for the next financial year and will continue to monitor changes in future economic conditions.

## Note 49: Long-term contracts, including derivative contracts

The Group does not have any derivative contracts as at March 31, 2021. The Group has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. No provision for material foreseeable losses is necessary based on the review of such contracts as at year end.

## Note 50:

Previous year figures have been regrouped / reclassified to conform to the current year's classification.

For Price Waterhouse & Co Chartered Accountants LLP  
Firm registration number: 304026E/E-300009  
Chartered Accountants

**Dibyendu Majumder**  
Partner  
Membership Number: 057687

Place : Bengaluru  
Date: May 21, 2021

For and on behalf of the Board of Directors

**Mahendra Kumar Sharma**  
Chairman  
DIN: 05178019  
Place: Mumbai

**V K Viswanathan**  
Director  
DIN: 01782934  
Place: Bengaluru

Date: May 21, 2021

**Anand Kripalu**  
Managing Director & Chief Executive Officer  
DIN: 00118324  
Place: Mumbai

**Pradeep Jain**  
Chief Financial Officer  
Place: Bengaluru

**Mital Sanghvi**  
Company Secretary

Place: Mumbai



## **Corporate Information**

### **Chief Financial Officer**

Pradeep Jain

### **Vice President & Company Secretary**

Mital Sanghvi

### **Auditors**

Price Waterhouse & Co. Chartered Accountants LLP  
(Registration No.: 304026E/E-300009)

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