



UNITED SPIRITS LIMITED
'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001

Part I: Statement of Standalone Unaudited Results for the quarter and six months ended September 30, 2014

(Rs. In Lakhs)

	3 months ended September 30, 2014	Previous 3 months ended June 30, 2014	3 months ended September 30, 2013	Six months ended September 30, 2014		Previous year ended March 31, 2014
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income from operations	549,655	503,508	476,495	1,053,163	1,001,722	2,073,488
Less: Excise duty	334,001	312,610	277,079	646,611	587,521	1,230,853
(a) Net sales / income from operations	215,654	190,898	199,416	406,552	414,201	842,635
(b) Other operating income	2,204	1,492	1,738	3,696	3,070	9,025
Total income from operations (net)	217,858	192,390	201,154	410,248	417,271	851,660
2 Expenses:						
a) Cost of materials consumed	105,828	100,706	104,147	206,534	208,966	447,750
b) Purchase of stock-in-trade	22,494	17,127	21,077	39,621	38,331	79,265
c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	2,797	(5,225)	(7,408)	(2,428)	(3,689)	(23,097)
d) Employee benefits expense	14,293	13,795	12,179	28,088	23,785	56,444
e) Depreciation and amortisation expense	2,529	2,512	1,680	5,041	3,626	8,550
f) Other expenses:						
i) Advertisement and sales promotion	19,840	21,983	20,257	41,823	40,410	85,432
ii) Provision for doubtful debts / advances / deposits (Includes prior period expenditure of Rs.649.55 Crores during the year ended March 31, 2014. Refer Note 11(A))	-	-	-	-	-	101,275
iii) Others	29,277	29,503	28,637	58,780	58,054	120,286
Total expenses	197,058	180,401	180,569	377,459	369,483	875,905
3 Profit / (loss) from operations before other income, finance costs and exceptional items (1-2)	20,800	11,989	20,585	32,789	47,788	(24,245)
4 a) Other income	3,391	3,111	6,512	6,502	9,246	13,174
b) Exchange difference - gain / (loss)	(200)	(11)	668	(211)	4,406	1,716
5 Profit / (loss) from ordinary activities before finance costs and exceptional items (3+4)	23,991	15,089	27,765	39,080	61,440	(9,355)
6 Finance costs	15,528	15,507	13,642	31,035	29,588	61,300
7 Profit / (loss) from ordinary activities after finance costs but before exceptional items (5-6)	8,463	(418)	14,123	8,045	31,852	(70,655)
8 Exceptional items - (expense) / income (Refer Note 5 and 10)	(7,391)	(4,279)	-	(11,670)	-	(432,163)
9 Profit / (loss) from ordinary activities before tax (7 + 8)	1,072	(4,697)	14,123	(3,625)	31,852	(502,818)
10 Tax expense:						
Current tax	4,066	1,280	5,015	5,346	11,385	13,502
Tax relating to earlier years	(211)	(421)	(319)	(632)	(770)	(3,840)
Deferred tax charge/ (credit)	-	-	-	-	-	(2,198)
11 Net profit / (loss) from ordinary activities after tax (9-10)	(2,783)	(5,556)	9,427	(8,339)	21,238	(510,282)
12 Extraordinary Items (Net of tax expense)	-	-	-	-	-	-
13 Net profit / (loss) for the period (11-12)	(2,783)	(5,556)	9,427	(8,339)	21,238	(510,282)
14 Paid-up equity share capital (Face value Rs. 10)	14,533	14,533	14,533	14,533	14,533	14,533
15 Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year	-	-	-	-	-	366,916
16 Earnings per share of Rs.10 each (not annualised):						
a) Basic	(1.91)	(3.82)	6.49	(5.74)	15.08	(356.60)
b) Diluted	(1.91)	(3.82)	6.49	(5.74)	15.08	(356.60)

Part II: Select Information for the quarter and six months ended September 30, 2014

A. Particulars of shareholding						
1 Public shareholding						
Number of Shares	59,766,064	97,425,269	92,797,831	59,766,064	92,797,831	89,204,725
Percentage of shareholding	41.13%	67.04%	63.85%	41.13%	63.85%	61.38%
2 Promoters and Promoter Group Shareholding:						
a) Pledged / Encumbered						
Number of shares	3,213,820	3,339,829	15,780,543	3,213,820	15,780,543	13,613,197
Percentage of shares	3.76%	6.97%	30.04%	3.76%	30.04%	24.26%
(as a % of the total shareholding of promoter and promoter group)						
Percentage of shares	2.21%	2.30%	10.86%	2.21%	10.86%	9.37%
(as a % of the total share capital of the Company)						
b) Non -encumbered						
Number of shares	82,347,859	44,562,645	36,749,369	82,347,859	36,749,369	42,509,821
Percentage of shares	96.24%	93.03%	69.96%	96.24%	69.96%	75.74%
(as a % of the total shareholding of promoter and promoter group)						
Percentage of shares	56.66%	30.66%	25.29%	56.66%	25.29%	29.25%
(as a % of the total share capital of the Company)						
B. Investor Complaints						
Pending at the beginning of the quarter	Nil					
Received during the quarter	18					
Disposed of during the quarter	18					
Remaining unresolved at the end of the quarter	Nil					



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

Statement of Assets & Liabilities

Rs. Lakhs

	As at current half year end September 30, 2014	As at previous year end March 31, 2014
A.EQUITY AND LIABILITIES		
1. Shareholders' funds		
a) Share capital	14,533	14,533
b) Reserves and surplus	370,158	366,916
	384,691	381,449
2. Non-current liabilities		
a) Long-term borrowings	124,735	135,894
b) Other long-term liabilities	4,244	6,437
c) Long-term provisions	5,793	5,638
	134,772	147,969
3. Current liabilities		
a) Short-term borrowings	365,328	329,857
b) Trade payables	104,406	118,750
c) Other current liabilities	113,183	94,626
d) Short-term provisions	12,618	10,388
	595,535	553,621
	1,114,998	1,083,039
B. ASSETS		
1. Non-current assets		
a) Fixed assets	123,199	123,788
b) Non-current investments	79,208	80,897
c) Deferred tax assets (net)	6,508	5,456
d) Long-term loans and advances	378,126	369,820
e) Other non-current assets	13	13
	587,054	579,974
2. Current assets		
a) Current investments	12,068	12,066
b) Inventories	150,691	153,540
c) Trade receivables	186,491	171,358
d) Cash and bank balance	49,844	49,729
e) Short-term loans and advances	128,842	116,364
f) Other current assets	8	8
	527,944	503,065
	1,114,998	1,083,039

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Unaudited Financial Results for the three months ended September 30, 2014

Notes:

1. United Spirits Limited (the Company) is engaged in the business of manufacture, purchase and sale of Beverage Alcohol (Spirits and Wines), including through Tie-up Manufacturing / brand franchise, which constitute a single business segment. The Company is primarily organized into two main geographic segments namely India and Outside India. However, the Company's operations outside India did not exceed the quantitative threshold for disclosure in standalone financial results envisaged in AS-17 on "Segment Reporting" notified under the Companies (Accounting Standard) Rules 2006. In view of the above, both primary and secondary reporting disclosures for business/geographical segment as envisaged in AS-17 are not applicable to the Company.
2. On July 2, 2014, Relay B.V. has acquired 37,785,214 equity shares representing 26% of equity share capital of the Company through an open offer. As a result of the acquisition through open offer, Relay B.V. holds 79,612,346 equity shares representing 54.78% of equity share capital of the Company as on date and has become the holding company of the Company.
3. On November 8, 2013, the Board of Directors have approved the scheme of arrangement between United Spirits Limited and Enrica Enterprises Private Limited ('Enrica') and its shareholders and creditors as the case may be ('the Scheme') in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale on a going concern basis under Section 391 read with Section 394 of the Companies Act, 1956 with an Appointed Date of April 1, 2013. The Scheme has been approved by the Equity Shareholders, Secured Creditors and Unsecured Creditors at their Court convened meeting held on June 16, 2014. The relevant Petition have been filed before the respective jurisdictional High Courts by the Company and Enrica. The approval of the Honourable High Court of Madras has been received by Enrica during the three months ended September 30, 2014 and the Company is awaiting for the approval of the Honourable High Court of Karnataka.

The Company has also entered into a Franchise Agreement with Enrica which prescribes a royalty payment to the Company for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the Appointed Date up to the Effective Date, the royalty payable shall be a fixed amount per case or the Franchisee's profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the Effective Date, royalty at net sales realization linked slab rate will accrue to the Company as per the Franchise Agreement.

Pending approval of the scheme, no effect has been given in the accompanying statement of unaudited financial results. Considering the Franchise Agreement with Enrica, the difference between the royalty and the unit's profit in respect of the franchised products will not be significant when the Scheme is effective. In the interim, the Company holds the business and the net assets of the undertaking in trust on behalf of Enrica.

4. The Board of Directors at their meeting held on January 8, 2014, have approved the amalgamation of:

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Unaudited Financial Results for the three months ended September 30, 2014

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- i) Tern Distilleries Private Limited, a wholly owned subsidiary of the Company (TERN) with the Company pursuant to a Draft Rehabilitation Scheme and applicable provisions of Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date April 1, 2013 (TERN Scheme). The entire operations of TERN comprise transactions with the Company. The net impact on the financial results of the Company from such amalgamation is expected to be insignificant when effected. The equity shareholders of the Company have approved the TERN Scheme at their Extraordinary General Meeting held on March 18, 2014 and the approval by the Board For Industrial and Financial Reconstruction (BIFR) is in progress. Pending approval of the TERN Scheme, no effect has been given in the accompanying statement of unaudited financial results.
- ii) SW Finance Company Limited, a wholly owned subsidiary of the Company with the Company (SWFCL) with the appointed date January 1, 2014 (SWFCL Scheme) pursuant to the applicable provisions of the Companies Act, 1956, and subject to the sanction of the Hon'ble jurisdictional High Courts/any such competent authority. The accounting for the above amalgamation shall be done upon receiving the necessary sanctions / approval from various regulatory authorities including the Registrar of Companies. Upon the SWFCL Scheme becoming effective, the SWFCL will stand merged with the Company. Pending approval of the SWFCL Scheme, no effect has been given in the accompanying unaudited financial results. The operations of SWFCL are predominantly with the Company. The net impact on the financial results of the Company from such operations is expected to be immaterial when effected.
5. (i) Further to Diageo plc's undertakings offered to UK's Office of Fair Trade (now called Competition and Markets Authority, UK), in January 2014, the Company's Board of Directors decided to initiate a process based on the outlined time-table provided in connection with the decision of the OFT to explore a potential sale of all or part of Whyte and Mackay. As a culmination of this process, on 9 May 2014 the Company's wholly owned subsidiary, United Spirits (Great Britain) Limited (seller or USGBL) entered into a Share Sale and Purchase agreement (SPA) with Emperor UK Limited and Emperor Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited (WMG) for an Enterprise Value of £430 Million (calculated with a normalized level of working capital) from which deduction has been made for the payment of a warranty and indemnity insurance premium of £0.85 Million agreed between the seller and the purchaser. The Company has also obtained an opinion from a leading merchant banker and considers that the Enterprise Value is fair from a financial point of view of the Company.
- (ii) On October 31, 2014, the sale of the entire issued share capital of WMG by USGB to Emperor UK Limited has been completed. With the above sale, WMG and its 45 subsidiaries will cease to be subsidiaries of the Company. Part of the proceeds from the sale is used to repay Whyte and Mackay acquisition debt amounting to GBP 370 million. Post adjustment of Pension Deficit, repayment of debt and movements in Net Working Capital, the Company will get the balance funds amounting to GBP 41 million. A Retention Deposit of GBP 10 million is retained for any claims for a period of 7 months post completion. The sale has resulted in true up of provision towards the recoverability of the investments and loans given for WMG, including Palmer and Montrose to Rs.4,427.45 crores. Consequently, additional provision of Rs.63.03 Crores and Rs.105.82 Crores has been recorded for the three months and six months ended September 30, 2014 as an exceptional item. The Company has received a letter dated 16 October 2014 from the Authorised Dealer advising the Company to complete the disinvestment of WMG and subsequent liquidation of the intermediary wholly owned subsidiary companies. The provisional write off approval is subject to submission of the required documents within a period of 30 days from the date of liquidation of the aforesaid wholly owned subsidiaries. The Company will comply with the requisite conditions specified by the authorised dealer in accordance with applicable law.

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Unaudited Financial Results for the three months ended September 30, 2014

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6. Pursuant to Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014, the Company has sent the Postal Ballot to the Equity Shareholders on October 27, 2014, to consider and obtain the approval of the Shareholders for the agreements viz., license for manufacture and sale, the distribution and the cost sharing agreements proposed to be entered into by the Company with certain subsidiaries of Diageo Plc.
7. An Extraordinary general meeting of the Equity Shareholders ("EGM") has been convened on November 28, 2014 to consider and obtain the approval of the Shareholders for reporting of erosion of more than fifty percent of its peak net worth in the immediately preceding four financial years as required under Section 23(1)(a)(ii) read with Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA") within 60 days from the date of approval of the audited accounts and to send to its Members a report as to such erosion and the causes for such erosion, for their consideration.
8. The Company on or prior to July 3, 2013, entered into certain agreements with entities which can be considered as directly or indirectly owned/controlled/significantly influenced by the promoter group, for the provision of services, use of trademarks/logos and sponsorship rights on normal commercial terms which are at arm's length and in the ordinary course of business. These agreements have been reviewed independently and confirmed to be on arm's length basis and reasonable. Such agreements are expected to yield benefits to the Company through improved brand visibility and also continually support the business of the Company. The Company has incurred expenses of Rs.57.11 Crores and Rs.119.05 Crores during the quarter and six months ended September 30, 2014 respectively (Rs.181.50 Crores for the year ended March 31, 2014).

Since the EGM convened on November 28, 2014 as stated in Note 7 above, will be the first general meeting of the Company to be held subsequent to October 1, 2014; in order to comply with the requirement under circular No. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 and circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014 issued by the Securities and Exchange Board of India ("SEBI") Circular; approval of the shareholders of the Company by way of special resolution is being sought for the agreements as stated in Note 6 above, which the Company had previously entered into with certain entities which could potentially be considered as related parties of the Company prior to April 17, 2014, which are valid and subsisting as on the date and are likely to continue beyond March 31, 2015.

9. Consequent to the enactment of the Companies Act, 2013 (the Act) and its applicability for accounting periods commencing from April 1, 2014, the Company has realigned the remaining useful lives of its tangible fixed assets in accordance with the provisions prescribed under Schedule II to the Act. Consequently, in case of tangible fixed assets which have completed their useful lives, the carrying value (net of residual value) as at April 1, 2014 amounting to Rs.8.18 Crores (net of tax of Rs.4.21 Crores) has been debited to "Surplus in the Statement of Profit and Loss" and in case of other tangible fixed assets, the carrying value (net of residual value) is being depreciated over the revised remaining useful lives. Accordingly, the depreciation and amortization expense for the three months and six months ended September 30, 2014 is higher by Rs.6.60 Crores and Rs.13.44 crores respectively.
10. Based on the requirements of the SEBI regulations, on September 29, 2014, the Company has sold 1,520,067 equity shares of Rs.10 each held in Pioneer Distilleries Limited, a listed subsidiary of the Company (PDL) representing 11.35% in the share capital of PDL, to bring down the Promoter shareholding to 75% in line with the regulations. The above has resulted in a loss of Rs.10.81 crores and presented as an exceptional item. Considering the intrinsic value of assets of PDL, the Company believes that investments in and loans to PDL are recoverable.

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Unaudited Financial Results for the three months ended September 30, 2014
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11. As stated in the financial statements for the year ended March 31, 2014:

A) During the year ended March 31, 2014, certain parties who had earlier given the required undisputed balance confirmations for the year ended March 31, 2013, claimed in their balance confirmations to the Company for the year ended March 31, 2014, that they have advanced certain amounts to certain alleged UB Group entities, and that the dues owed by such parties to the Company will, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units (TMUs); agreements for specific projects; or dues owing to the Company from customers. These dues were duly confirmed by such parties as payable to the Company in such earlier years. However, such parties have subsequently disputed such amounts as mentioned above. Details are as below:

Nature of Parties	Rs. Crores		
	Amount Claimed as due from alleged UB Group Entities	Interest Calimed as due from alleged UB Group entities	Total Amount owing to the Company which was disputed
(a) Debtors	195.00	35.02	230.02
(b) TMUs	188.00	22.68	210.68
(c) Project related parties	150.00	-	150.00
	533.00	57.70	590.70

In response to these claims, under the instruction of the Board, a preliminary internal inquiry was initiated by the Management. The results of this inquiry were as follows:

(i) One party (which falls under (a) above), who owes certain amounts to the Company, has disputed an amount of Rs. 224.07 Crores (including interest claimed by it as due from an alleged UB Group entity), alleging that it had advanced monies to such alleged UB Group entity based on an understanding that, to the extent of the amounts owed to it from such alleged UB Group entity in respect of such advance, it could withhold from the amounts payable by it to the Company, and such party has said that it would not pay its dues to the Company to the extent of the amounts claimed by it from such alleged UB Group entity as mentioned above, unless it received repayment of the amount advanced by it to such alleged UB Group entity along with interest.

(ii) Certain parties (which fall under [(a) and (b)] above), who owe certain amounts to the Company, have disputed an aggregate amount of Rs. 98.45 Crores (including interest claimed by them as due from certain alleged UB Group entities), alleging that they had advanced monies to such alleged UB Group entities and that, to the extent of such dues from such alleged UB Group entities, they would not repay the amounts owed by them to the Company unless they received repayment of the amounts advanced by them to such alleged UB Group entities.

(iii) Certain other parties (which fall under [(b) and (c)] above) changed their original stand and acknowledged that their dues from the alleged UB Group entities were based on transactions that were independent of their dealings with the Company. These parties have subsequently provided appropriate confirmations of the relevant balances due from them to the Company. The related balances are Rs. 268.18 Crores.

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(iv) In addition to the above, there was an additional party, being a TMU, whose allegations were on a similar basis to those of the parties mentioned at (iii) above and who had subsequently provided an appropriate confirmation of the balance due from it to the Company. However, this party's undertaking had closed down during the year ended March 31, 2014 and the related balance of Rs. 64.85 Crores (including interest) was provided in the year ended March 31, 2014.

(v) The claims made in relation to the advances to the parties (including the additional party) mentioned above may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the alleged UB Group entities. The aforesaid, however can only be confirmed by a detailed inquiry which has been authorized by the Board as mentioned below.

(vi) The Company is presently inquiring into the allegations or claims by the parties in detail and does not acknowledge the correctness of the same. In any event, the Management does not believe that the parties referred to above are entitled to withhold payment / repayment to the Company as claimed by them. The Management further believes that the Company is entitled to recover all the above amounts, including those disputed by certain parties as mentioned in notes (i) and (ii) above, as and when due from these parties. However, during the year ended March 31, 2014, the Management had also examined the financial capability of some of these parties, based on which the Management had concluded that the ability of these parties to pay, and consequently the recoverability of, the relevant amounts was doubtful. After considering the above and other considerations and though the above claims were received only when the Company sought balance confirmations from the relevant parties for the year ended 31 March 2014, as a matter of prudence, a provision was made in the accounts in respect of the dues from these parties (including interest claimed up to the various dates of the balance confirmations from these parties) as detailed below, and as these transactions related to the period prior to 1 April 2013 they were reflected as prior period items in the financial statements for the three months and year ended March 31, 2014:

Rs. Crores	
Nature of Parties	Amount
(a) Debtors	230.02
(b) TMUs	269.53
(c) Project related parties	150.00
	649.55

Based on the current knowledge of the Management, the Management believes that the aforesaid provision is adequate and no additional material adjustments are likely to be required in relation to this matter.

As mentioned in Note 11(D) below, the Board: (i) directed a detailed and expeditious inquiry into this matter and (ii) authorized the initiation of suitable action and proceedings as considered appropriate by the Managing Director and Chief Executive Officer (MD) for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry.

Pending completion of the inquiry mentioned in these notes, the Company is unable to determine whether, on completion of the inquiry, there could be any impact on these financial statements; and these financial results should be read and construed accordingly.

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B) (i) Certain pre-existing loans / deposits / advances due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited (UBHL) which were in existence as on March 31, 2013, had been taken into consideration in the consolidated annual accounts of the Company drawn up as of that date. Pursuant to a previous resolution passed by the Board of Directors of the Company on October 11, 2012, such dues (together with interest) aggregating to Rs. 1,337.40 Crores were consolidated into, and recorded as, an unsecured loan during the year ended March 31, 2014, by way of an agreement entered into between the Company and UBHL on July 3, 2013. Further, the amounts owed by UBHL to wholly-owned subsidiaries have been assigned by such subsidiaries to the Company and were recorded as loan from such subsidiaries in the books of the Company. The merger of one of such subsidiaries with the Company is currently under process. The interest rate under the above mentioned loan agreement dated July 3, 2013 is at 9.5% p.a. to be paid at six months intervals starting at the end of 18 months from the effective date of the loan agreement. The loan has been granted for a period of 8 years and is payable in three annual installments commencing from the end of 6th anniversary of the effective date of the loan agreement.

(ii) Certain lenders have filed petitions for winding up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited (KFA), a UB Group entity. Most of these guarantees have been invoked and are being challenged in Courts. The Company has also filed its affidavit opposing the aforesaid winding up petitions and the matter is sub-judice.

(iii) As at March 31, 2014, the Management performed an assessment of the recoverability of the loan and had reviewed valuation reports in relation to UBHL prepared by reputed independent valuers that were commissioned by UBHL, and shared by UBHL with the Company. As a result of the abovementioned assessment and review by the Management, in accordance with the recommendation of the Management, the Company, as a matter of prudence, did not recognize interest income of Rs. 96.31 Crores and also provided for Rs. 330.32 Crores towards the principal outstanding as at 31 March 2014. Further, during the three months and six months ended September 30, 2014, the Company has not recognized interest income of Rs.28.74 Crores and Rs.57.17 Crores respectively. The Management believes that it should be able to recover, and no further provision is required for the balance amount of Rs. 995.68 Crores, though the Company will attempt to recover the entire amount outstanding. However, the Management will continue to assess the recoverability of the said loan on an ongoing basis.

C) The Company received a letter dated May 5, 2014 from the lawyers of an entity (Alleged Claimant) alleging that it had given loans amounting to Rs.200 Crores to KFA at an interest rate of 15% p.a. purportedly on the basis of agreements executed in December 2011 and January 2012. This matter came to the knowledge of the Board for the first time only after the Management informed the Board of the letter dated May 5, 2014. The letter alleges that amongst several obligations under these purported agreements, certain investments held by the Company were subject to a lien, and requires the Company, pending the repayment of the said loan, to pledge such investments in favour of the Alleged Claimant to secure the aforesaid loans. The Company has responded to this letter received from the lawyers of the Alleged Claimant vide its letter dated June 3, 2014, wherein the Company has disputed the claim and denied having created the alleged security or having executed any document in favour of the Alleged Claimant. The Company reiterated its stand vide a follow-up letter dated July 28, 2014 and asked for copies of purported documents referred to in the letter dated May 5, 2014. Subsequent to the above, the Company received a letter dated July 31, 2014 from the Alleged Claimant stating that in light of certain addendums to the aforesaid purported agreements (which had inadvertently not been informed to their lawyers) the Alleged Claimant has no claim or demand of any nature whatsoever against *inter alia* the Company, including any claim or demand arising out of or connected with the documents / agreements referred to their lawyer's letter dated May 5, 2014. The Company replied to the Alleged Claimant vide a letter dated August 6, 2014, noting the above mentioned confirmation of there being no claim or demand against the Company, and asking the Alleged Claimant to immediately provide to the Company all the alleged documents referred to in the letter dated May 5, 2014 and the addendum referred to in the letter dated July 31, 2014, and to also confirm the identity and capacity of the signatory to the letter dated July 31, 2014.

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In September 2014, the Company obtained scanned copies of the purported agreements (including the purported power of attorney) and various communications between KFA and the Alleged Claimant. These documents indicate that while the purported agreements may have sought to create a lien on certain investments of the Company, subsequently, the Alleged Claimant and KFA sought to negotiate the release of the purported obligation to create such lien, which was formalised vide a second addendum in September 2012.

The Management verified from a perusal of the minutes of meetings of the Board of Directors of the Company that the Board of Directors of the Company at the relevant time had not approved or ratified any such purported agreement. The Management represented to the Board that till the receipt of scanned copies of the purported agreements in September 2014, the Company had no knowledge of these purported agreements. The Management, based on legal advice received, does not expect any liability or obligation to arise on the Company out of these purported agreements and disclosed the same as contingent liability not acknowledged as debt.

D. The Board of Directors directed a detailed and expeditious inquiry in relation to the matters stated in Notes 11(A) to (C) above, the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in relation to such transactions. As per the instructions of the Board, the Managing Director ("MD") has engaged independent advisers and specialists for the inquiry. The said inquiry is currently in progress. The Board also authorized the MD to take suitable action and proceedings as considered appropriate by him for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry. On the basis of the knowledge and information of the Management, the Management believes that no additional material adjustments to the financial results are likely to be required in relation to the matters referred in this note. However, pending completion of the detailed inquiry mentioned above, the Company is unable to determine the impact on the financial results (if any), on completion of such detailed inquiry, and these financial results should be read and construed accordingly.

The above matters stated in paragraphs 11A to 11D were qualified by the Statutory Auditors in their audit report on the financial statements for the year ended March 31, 2014, in their review report on the financial results for the three months ended June 30, 2014 and have been qualified in their review report on the financial results for the three and six months ended September 30, 2014.

12. The credit facilities sanctioned by one of the Company's bankers include a special covenant that needed to be complied by September 30, 2014. The fund-based and non fund-based working capital limits available from this bank are Rs. 325 Crores and Rs. 50 Crores respectively. The Company received a letter from the banker on October 13, 2014 stating that, the aforesaid credit facilities will be withdrawn by the banker on October 31, 2014, since the Company did not comply with the said earlier covenant. The Company has repaid in full the outstanding fund based credit facilities from the aforesaid banker on the said date.

United Spirits Limited
Unaudited Financial Results for the three months ended September 30, 2014
Notes Contd.:

13. During the year ended 31 March 2014, the Company decided to prepay credit facilities availed in the earlier years from a bank amounting to Rs. 621.66 Crores, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs. 628.00 Crores including prepayment penalty of Rs. 4.0 Crores with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the installments and interest as per the loan agreement. The Company has disputed the same and a petition is pending before the Honourable High Court of Karnataka. Pending resolution of such dispute with the bank, the loan amount and balance available in cash credit account is presented on net basis in the financial results as at March 31, 2014 and September 30, 2014.
14. During the three months ended September 30, 2014, certain banks declared one of the directors of the Company as a willful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Willful Defaulters along with certain covenants in the loan agreements sanctioned by the Company's bankers raise an uncertainty on the impact of this development on the availability of credit facilities to the Company. The said director has assured the Board that he will take appropriate steps to ensure that the operations of the Company are not impacted. Having received such assurance from the said director and appropriate comfort from the controlling shareholder of the Company, the financial results have been prepared on a going concern basis. Subsequently, various High Courts have stayed the decision of these banks to declare the said director as a willful defaulter.
15. The Statutory auditors of the Company have carried out a limited review of the above standalone unaudited financial results for the three months ended September 30, 2014. The statutory auditors have issued a qualified report in respect of the matter stated in Notes 11(A) to (D) above. The review report of the statutory auditors is being filed with the Bangalore Stock Exchange Limited (BgSE), National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).
16. Previous period's figures have been regrouped / reclassified as per the current period's presentation for the purpose of comparability. For the quarter and six months ended September 30, 2013, the regrouping resulted in decrease in net sales/income from operations by Rs.44.50 crores and Rs.88.99 Crores respectively; decrease in cost of material consumed by Rs. 38.36 crores and Rs.77.77 Crores respectively; decrease in advertisement and sales promotion by Rs.8.91 crores and Rs.18.40 Crores respectively; decrease in employee benefits expense by Rs.12.22 Crores and Rs.25.03 crores respectively; and increase in other expenses by Rs.14.99 Crores and Rs.32.21 Crores respectively.
17. The above unaudited results were taken on record at the meeting of the Board of Directors held on November 13, 2014.

By authority of the Board

Sd/-
Anand Kripalu
Managing Director & CEO

Bangalore
November 13, 2014

B S R & Co. LLP

Chartered Accountants

Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala
Bangalore 560 071 India

Telephone: + 91 80 3980 6000
Fax: + 91 80 3980 6999

Review report to the Board of Directors of United Spirits Limited

1. We have reviewed the accompanying statement of unaudited financial results ('the Statement') of United Spirits Limited ('the Company') for the quarter and six months ended 30 September 2014 except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the Management and have not been reviewed by us. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Internal Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. As stated in Note 11A to the Statement; and as qualified in our auditor's report dated 4 September 2014 with respect to the audited financial statement for the year ended 31 March 2014 and in our review report dated 20 October 2014 with respect to the unaudited financial results for the three months ended 30 June 2014; certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, alleged during the year ended 31 March 2014, that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. These dues of such parties are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units; agreements for specific projects; or dues owing to the Company from customers. These claims received in the year ended 31 March 2014 may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the UB Group entities. However, this can only be confirmed after a detailed inquiry. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board of Directors; and Management's assessment of recoverability, an aggregate amount of Rs. 6,495.5 million had been provided in the Statement and had been disclosed as prior period items in the quarter and year ended 31 March 2014. Based on its current knowledge, the Management believes that the aforesaid provision is adequate and no additional material adjustments to the Statement are likely to be required in relation to this matter. As stated in paragraph 6 below, the Board of Directors instructed the Management to undertake a detailed inquiry into this matter. Pending the completion of the inquiry, we are unable to comment on the nature of these transactions; the provision established; or any further impact on the Statement.



4. As stated in Note 11C to the Statement; and as qualified in our auditor's report dated 4 September 2014 with respect to the audited financial statement for the year ended 31 March 2014 and in our review report dated 20 October 2014 with respect to the unaudited financial results for the three months ended 30 June 2014; the Company received a letter dated 5 May 2014 from the lawyers of an entity (Alleged Claimant) alleging that the Alleged Claimant had advanced loans amounting to Rs 2,000 million to Kingfisher Airlines Limited (herein after referred to as "KFA"), a UB Group entity, in an earlier year on the basis of agreements, executed in December 2011 and January 2012, through which the Company was alleged to have created a lien on certain investments in favour of the Alleged Claimant as security for the aforesaid loans. The letter alleged that KFA had defaulted in repayment of the aforesaid loans as well as interest of Rs. 790 million due thereon and demanded that the Company should pay the aforesaid amounts and pending such repayments, create a valid pledge on the specified investments. The Company responded to the aforesaid letter vide its letters dated 3 June 2014 and 28 July 2014, wherein the Company denied knowledge of the purported loan transactions and the purported agreements for the creation of security on such investments held by the Company. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. In September 2014, scanned copies of the purported agreements and certain related documents were obtained by the Company. These documents indicate that while the agreements may have sought to create a lien on certain investments of the Company; subsequently, the Alleged Claimant and KFA sought to negotiate the release of the lien, which was formalised vide a second addendum in September 2012.

The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company had not approved any such purported agreements; and it is not liable under any such purported agreements. We are unable to conclude on the validity of these agreements; any required compliance with the provisions of the Companies Act, 1956; and any consequential impact of the same.

5. As stated in Note 11B to the Statement; and as qualified in our auditor's report dated 4 September 2014 with respect to the audited financial statement for the year ended 31 March 2014 and in our review report dated 20 October 2014 with respect to the unaudited financial results for the three months ended 30 June 2014; the Company and its subsidiaries had various pre-existing loans / advances / deposits due from United Breweries (Holdings) Limited (hereinafter referred to as "UBHL"). During the year ended 31 March 2014, pursuant to a previous resolution passed by the Board of Directors on 11 October 2012, these dues (together with interest) were consolidated into an unsecured loan aggregating Rs 13,374 million vide an agreement dated 3 July 2013. The loan was granted for a period of 8 years with a moratorium period of 6 years. Certain lenders have filed petitions for winding-up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited, which have been invoked and are currently being challenged in courts. The Company has also filed its affidavit opposing the aforesaid winding-up petition and the matter is sub-judice. Based on its assessment of the recoverability of the loan, during the quarter and year ended 31 March 2014, the Company made a provision of Rs 3,303 million against the loan outstanding and did not recognise the interest income of Rs 963 million on the loan. Further, the Company has not recognised interest income on the aforesaid loan amounting to Rs 287 million and Rs 572 million during the quarter and six months ended 30 September 2014 respectively. Given the various uncertainties involved with respect to the litigations involving UBHL as aforesaid and the extended period for repayment of the loan, we are unable to comment on the level of provision established.
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6. *As stated in Note 11D to the Statement; and as qualified in our auditor's report dated 4 September 2014 with respect to the audited financial statement for the year ended 31 March 2014 and in our review report dated 20 October 2014 with respect to the unaudited financial results for the three months ended 30 June 2014; the Board of Directors instructed the Management to undertake a detailed inquiry in relation to the matters stated in the paragraphs 3, 4, and 5 above; the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company. As per the instructions of the Board, the Management has engaged independent advisers and specialists, for the inquiry. The said inquiry is currently in progress. Pending the completion of the inquiry, we are unable to comment on any further adjustment that could be identified as a result of the inquiry; its resultant impact on the Statement (including impact on opening balances); and any potential non-compliances with the provisions of the Companies Act, 1956 and other regulations.*
7. Without qualifying our opinion, we draw attention to following matters stated previously in our auditor's report dated 4 September 2014 with respect to the audited financial statements for the year ended 31 March 2014 and in our review report dated 20 October 2014 with respect to the unaudited financial results for the three months ended 30 June 2014 as emphasis of matters with respect to:
- (a) Note 14 to the Statements, which states that during the quarter ended 30 September 2014, certain banks declared one of the directors of the Company as a wilful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Wilful Defaulters along with certain covenants in the loan agreements sanctioned by the Company's bankers raise an uncertainty on the impact of this development on the availability of credit facilities to the Company. The said director has assured the Board that he will take appropriate steps to ensure that the operations of the Company are not impacted. Having received such assurance from the said director and appropriate comfort from the controlling shareholder of the Company, the financial statements have been prepared on a going concern basis. We understand from the Management that subsequently, various High Courts have stayed the decision of these banks to declare the said director as a wilful defaulter;
- (b) Note 3 to the Statement, wherein it is stated that on 8 November 2013, the Board of Directors approved the scheme of arrangement between United Spirits Limited and Enrica Enterprises Private Limited ('Enrica') and its shareholders and creditors as the case may be ('the Scheme') in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale on a going concern basis under Section 391 read with Section 394 of the Companies Act, 1956, with appointed date 1 April 2013. The Scheme has been approved by the equity shareholders, secured creditors and unsecured creditors at the court convened meeting held on 16 June 2014. Enrica has received an approval for the scheme from the Honourable High Court of Madras. The Company has filed the relevant petitions before the Honourable High Court of Karnataka and is awaiting the approval. The Company has also entered into a franchise agreement with Enrica which prescribes a royalty payment to the Company for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the appointed date upto the effective date, the royalty payable shall be a fixed amount per case or the Franchisee's Profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the effective date, royalty at net sales realization linked slab rate will accrue to the Company as per the franchise agreement. Pending approval of the scheme, no effect has been given in the Statement;



- (c) Note 4(i) to the Statement, wherein it is stated that Tern Distilleries Private Limited, a whollyowned subsidiary of the Company ('TERN') will be amalgamated with the Company pursuant to a Draft Rehabilitation Scheme and applicable provisions of Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date 1 April 2013 ('TERN Scheme'). The entire operations of TERN comprise transactions with the Company. The net impact on the stand-alone financial performance of the Company from such amalgamation is expected to be insignificant when effected. The equity shareholders of the Company have approved the TERN Scheme at their Extraordinary General Meeting held on 18 March 2014 and the approval by the Board for Industrial and Financial Reconstruction is awaited. Pending approval of the TERN Scheme, no effect has been given in the Statement;
- (d) Note 4(ii) to the Statement, wherein it is stated that SW Finance Company Limited, a whollyowned subsidiary of the Company will be amalgamated with the Company with the appointed date 1 January 2014 ('SWFCL Scheme') pursuant to the applicable provisions of the Companies Act, 1956 and subject to the sanction of the Honourable jurisdictional High Courts/any such competent authority. The accounting for the above amalgamation shall be done upon receiving the necessary sanctions / approval from various regulatory authorities including the Registrar of Companies. Upon the SWFCL Scheme becoming effective, SWFCL will stand merged with the Company. Pending approval of the SWFCL Scheme, no effect has been given in the Statement;
- (e) Note 5 to the Statement, wherein it is stated that Further to Diageo plc's undertakings offered to UK's Office of Fair Trade (now called Competition and Markets Authority, UK), in January 2014, the Company's Board of Directors decided to initiate a process based on the outlined time-table provided in connection with the decision of the OFT to explore a potential sale of all or part of Whyte and Mackay. As a culmination of this process, on 9 May 2014 the Company's wholly owned subsidiary, United Spirits (Great Britain) Limited (seller or USGBL) entered into a Share Sale and Purchase agreement (SPA) with Emperor UK Limited and Emperor Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited (WMG) for an Enterprise Value of £430 Million. On October 31, 2014, the sale of the entire issued share capital of WMG by USGB to Emperor UK Limited has been completed. With the above sale, WMG and its 45 subsidiaries will cease to be subsidiaries of the Company. The sale has resulted in a true up of the provision towards the recoverability of the investments and loans given for WMG, including Palmer and Montrose to Rs 44,274 million. Consequently, additional provision of Rs 630 million and Rs 1,058 million has been recorded for the quarter and six months ended 30 September 2014 and presented as an exceptional item. The Company has received a letter dated 16 October 2014 from the Authorised Dealer advising the Company to complete the disinvestment of WMG and subsequent liquidation of the intermediary wholly owned subsidiary companies. The provisional write off approval is subject to submission of the required documents within a period of 30 days from the date of liquidation of the aforesaid wholly owned subsidiaries. The Management has represented to us that the Company will comply with the requisite conditions specified by the authorised dealer in accordance with applicable law; and



- (f) Note 13 to the Statement, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to Rs. 6,216.6 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs. 6,280 million including prepayment penalty of Rs. 40 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the instalments and interest as per the loan agreement. The Company has disputed the same and a case is pending before the Honourable High Court of Karnataka. Pending settlement with the bank, the loan amount and balance available in cash credit account is presented on a net basis in the statement of assets and liabilities as at 31 March 2014 and as at 30 September 2014 respectively.

Based on our review conducted as above, except for matters stated in paragraphs 3, 4, 5 and 6 above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results for the quarter and six months ended 30 September 2014 prepared in accordance with applicable accounting standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

for B S R & Co. LLP

Chartered Accountants

Firm Registration Number: 101248W/W-100022



Sunil Gaggar
Partner

Membership Number: 104315

Place: Mumbai

Date: 13 November 2014



UNITED SPIRITS LIMITED

Bangalore
November 13, 2014

PRESS RELEASE

RESULTS Q-II F15

Results Summary:

Q-II of F15

- Volume growth of 5.8% with a 8.1% effective net sales revenue growth
- 19% volume growth in the strategic Prestige & Above brands

H1 of F15

- 11% volume growth in the strategic Prestige & Above brands
- Effective net sales revenue down by 1.9% on a lower volume of 4.2%

The Board of Directors of United Spirits Limited at their meeting in Bangalore today considered and approved the unaudited results for Q2 of fiscal 2015.

The results of the Company are as follows:

F14	July – September	F15	
28.1	Volumes – USL INDIA (Million Cases)	29.7	1.6 mio ↑ 5.8%
1,994.2	REVENUE (`Crore)	2,156.5	+ `162 Cr ↑ 8.1%
222.6	EBIDTA (`Crore)	233.3	+ `11 Cr ↑ 5%

F14	April - September	F15	
59.3	Volumes – USL INDIA (Million Cases)	56.8	(0.5 mio) ↓ (4%)
4,142.0	REVENUE (`Crore)	4,065.5	(`77 Cr) ↓ (1.9%)
514.2	EBIDTA (`Crore)	378.3	(`136 Cr) ↓ (26)%



UNITED SPIRITS

Traditionally the second quarter of the fiscal year is a lean quarter – this year was no different. Sales of the Prestige and Above category of brands grew 19% in volume terms to clock 9.2 million cases (PY 7.7 million cases). A continuing emphasis on driving value rather than volume has led the Company to realign the Route to Market structure in some states. As a consequence, the overall volumes grew by 5.8% to 29.7 million (PY 28.1 million) while value grew 8.3% to ₹ 2,178.6 crore (PY ₹ 2,011.5 crore). The upper end of the portfolio comprising the Prestige and Above brands at 9.2 million out of an overall volume of 29.7 million represents a 31% salience of the category to the total. It has been, and will continue to be, the Company's endeavor to keep pushing up this share of the P&A range in its overall brand and portfolio.

For the half-year ended 30th September, volumes in the Prestige and Above category were 17.6 million cases (up 11% from PY 15.9 million cases) and formed 31% of the overall portfolio. This increased volume salience over the past six months has accelerated the contribution salience of Prestige and above category by over 500 basis points compared to last year. Overall volumes for the 6-month period were down 4.2% to 56.8 million cases (PY 59.3) as a consequence of the strategy regarding the lower-priced Popular range of brands.

Costs of the primary ingredient, viz. Extra Neutral Alcohol (ENA) were up nearly ₹ 13/- over the same quarter of the previous year – an adverse impact of over ₹ 37 crore. Disruption in the industry on account of ENA availability due to delays in the start of the crushing season is likely to delay the downward movement of prices of this essential commodity. Ethanol blending, now mandated at 10% will also drive up costs – even though the sugar mills have very little interest in supplying to the Oil Marketing Companies.

Industry watchers would be aware that in a situation where three out of every four cases sold is to the para-statal buying arms of State Governments price increases are not easy to come by. Additionally, local factors like ensuing elections are often used as a ruse to deny the industry even genuine inflation-linked increases. Notwithstanding this, USL has, through a combination of price increases, trade spend cuts and efficiency improvements at the back end, nudged realization of its brands upwards.

EBIDTA, as a consequence of the above factors at ₹ 233 crore is at 10.8% of sales, up 320 basis points from the immediate past quarter and about 30 basis points down from the comparable 3-month period of the previous year. The one-time costs that formed a part of the P&L in Q1 of F15 have pulled down the EBIDTA margin for the 6-month period to 9.3% (PY 12.4%).

Interest costs in Q2 of the previous year were depressed at Rs.136.4 crore due to the repayments of borrowings out of the proceeds of the preferential issue of equity capital. During the quarter under review, interest costs at Rs. 155.3 crore are in line with the immediate past quarter.

Subsequent to the end of the quarter, the Company concluded the sale of its overseas subsidiary M/s.Whyte & Mackay Limited to M/s.Emperador Limited, a Philippine based brandy giant. Out of the sales proceeds of GBP 430 million, a sum of GBP 370 million was utilized to repay the borrowings in foreign currency taken to finance the acquisition a few years ago. On a consolidated basis, therefore, the benefit of this repayment of borrowings will augur well for the interest costs.

The Company had, in the previous fiscal, set in motion the process of divestment of its distillery in Tamil Nadu after a process of extensive due diligence. Certain clearances are awaited from the Honorable Karnataka High Court which also has jurisdiction in the matter and therefore the transaction has not yet been completed.

Strategic brands of the Company like McDowell's No.1 Whisky and Royal Challenge have registered exceptional growths of 23% and 49% respectively in volume terms. While the focus on the P&A brands is driving good growths, brand-related investments on the popular brands are being directed towards the profitable markets. This view on profitability has caused the Company to make changes in its Route to Market in certain states where profitability was under pressure. It is expected that the new structure will see enhancements in margin despite lower sales value.

