

DIAGEO

INDIA

United Spirits Limited

Registered Office:
UB Tower
#24 Vittal Mallya Road
Bengaluru 560 001

Tel: +91 80 2221 0705
Fax: +91 80 3985 6862
www.diageoindia.com

October 24, 2019

BSE Limited,
(Regular Office & Corporate Relations Dept.)
Dalal Street, Mumbai 400 001
Scrip Code: 532432

National Stock Exchange of India Ltd
Exchange Plaza, C-1 Block G,
Bandra Kurio Complex,
Bandra East, Mumbai – 400051
Scrip Code: MCDOWELL-N

Dear Sir/Madam,

Sub: Intimation of un-audited standalone and consolidated financial results for the Quarter and Six months ended September 30, 2019.

The Board of Directors of the Company at the meeting held today, considered and took on record the un-audited standalone and consolidated financial results of the Company for the Quarter and Six months ended September 30, 2019 ("UFR"). The Limited Review Report ("LRR") thereon received from Statutory Auditors of the Company on the standalone and consolidated financial results were placed at the said Meeting.

UFR along with the LRR referred above and a Press Release in respect of this UFR are being uploaded on to your websites along with this letter.

Thanking you,

Yours faithfully,

for **United Spirits Limited**


V Ramachandran
Company Secretary

Enclosed: As Above



UNITED SPIRITS LIMITED

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Unaudited Standalone Statement of Financial Results for the quarter and six months ended September 30, 2019

(INR in Millions except for earnings per share data)

Particulars	3 months ended September 30, 2019	3 months ended June 30, 2019	3 months ended September 30, 2018	6 months ended September 30, 2019	6 months ended September 30, 2018	Previous year ended March 31, 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income						
(a) Revenue from operations	72,819	70,778	71,250	143,597	135,371	285,123
(b) Other income	137	101	167	238	300	952
Total Income	72,956	70,879	71,417	143,835	135,671	286,075
2 Expenses:						
(a) Cost of materials consumed	13,447	10,072	11,280	23,519	19,960	42,250
(b) Purchase of stock-in-trade	756	727	741	1,483	995	2,892
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(1,566)	888	(947)	(678)	117	807
(d) Excise duty	49,857	48,594	49,001	98,451	93,034	195,317
(e) Employee benefits expense	1,461	1,381	1,414	2,842	3,462	6,753
(f) Finance costs	452	520	438	972	1,020	2,200
(g) Depreciation, amortisation and impairment expense	573	500	350	1,073	689	1,445
(h) Others:						
(i) Advertisement and sales promotion	1,734	1,708	2,005	3,442	4,117	8,587
(ii) Loss allowance on trade receivables and other financial assets (net)	-	-	317	-	439	1,077
(iii) Other expenses	2,974	3,457	3,010	6,431	6,791	14,566
Total expenses	69,688	67,847	67,609	137,535	130,624	275,894
3 Profit / (loss) before exceptional items and tax (1-2)	3,268	3,032	3,808	6,300	5,047	10,181
4 Exceptional items [net credit / (charge)]	-	-	-	-	-	(267)
5 Profit / (loss) before tax (3+4)	3,268	3,032	3,808	6,300	5,047	9,914
6 Income tax expense						
(a) Current tax	571	1,171	1,419	1,742	1,933	4,350
(b) Deferred tax charge / (credit)	451	(113)	(198)	338	(286)	(1,022)
Total tax expense	1,022	1,058	1,221	2,080	1,647	3,328
7 Profit / (loss) for the period (5-6)	2,246	1,974	2,587	4,220	3,400	6,586
8 Other Comprehensive Income						
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 obligations	(8)	(359)	20	(367)	40	15
(ii) Income tax credit / (charge) relating to these items	(33)	125	(7)	92	(14)	(5)
Total other comprehensive Income, net of Income tax	(41)	(234)	13	(275)	26	10
9 Total Comprehensive Income (7+8)	2,205	1,740	2,600	3,945	3,426	6,596
10 Paid up Equity Share Capital (Face value of INR 2/- each)	1,453	1,453	1,453	1,453	1,453	1,453
11 Other Equity						29,862
12 Earnings per share of INR 2/- each						
Basic and Diluted (INR)	3.09	2.72	3.56	5.81	4.68	9.06



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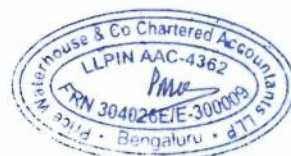
Unaudited Consolidated Statement of Financial Results for the quarter and six months ended September 30, 2019

(INR in Millions except for earnings per share data)

Particulars	3 months ended September 30, 2019	3 months ended June 30, 2019	3 months ended September 30, 2018	6 months ended September 30, 2019	6 months ended September 30, 2018	Previous year ended March 31, 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income						
(a) Revenue from operations	72,999	72,925	71,383	145,924	138,123	288,725
(b) Other income	46	37	111	83	151	692
Total Income	73,045	72,962	71,494	146,007	138,274	289,417
2 Expenses:						
(a) Cost of materials consumed	13,554	10,106	11,303	23,660	20,089	42,545
(b) Purchase of stock-in-trade	756	727	719	1,483	944	2,832
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(1,576)	918	(926)	(658)	39	657
(d) Excise duty	49,857	48,594	49,001	98,451	93,034	195,317
(e) Employee benefits expense	1,494	1,419	1,453	2,913	3,539	6,898
(f) Finance costs	503	581	480	1,084	1,101	2,372
(g) Depreciation, amortisation expense and Impairment	712	630	501	1,342	1,083	2,147
(h) Others:						
(i) Advertisement and sales promotion	1,744	1,715	2,009	3,459	4,107	8,591
(ii) Loss allowance on trade receivables and other financial assets (net)	-	-	317	-	439	1,361
(iii) Other expenses	3,089	4,541	3,214	7,630	8,416	16,588
Total expenses	70,133	69,231	68,071	139,364	132,791	279,308
3 Profit / (loss) before share of net profit / (loss) in associate, exceptional items and tax (1-2)	2,912	3,731	3,423	6,643	5,483	10,109
4 Share of net profit / (loss) in associate	(9)	(6)	(6)	(15)	(8)	(18)
5 Profit / (loss) before exceptional items and tax (3+4)	2,903	3,725	3,417	6,628	5,477	10,091
6 Exceptional items [net credit / (charge)]	-	-	-	-	-	26
7 Profit / (loss) before tax (5 + 6)	2,903	3,725	3,417	6,628	5,477	10,117
8 Income tax expense						
(a) Current tax	387	1,355	1,443	1,742	2,047	4,467
(b) Deferred tax charge / (credit)	940	737	(208)	1,493	(108)	(1,070)
(c) MAT credit (entitlement)	-	(184)	(25)	-	(115)	(116)
Total tax expense	1,327	1,908	1,210	3,235	1,824	3,281
9 Profit / (loss) for the period (7-8)	1,576	1,817	2,207	3,393	3,653	6,836
10 Other Comprehensive Income						
A. Items that will be reclassified to profit or loss operations	19	(32)	63	(13)	46	20
B. Items that will not be reclassified to profit or loss obligations	(8)	(359)	20	(367)	40	13
(i) Income tax credit / (charge) relating to these items	(33)	125	(7)	92	(14)	(5)
Total other comprehensive income, net of income tax	(22)	(266)	76	(288)	72	28
11 Total Comprehensive Income (9+10)	1,554	1,551	2,283	3,105	3,725	6,864
12 Paid up Equity Share Capital (Face value of INR 2/- each)	1,453	1,453	1,453	1,453	1,453	1,453
13 Other Equity						29,419
14(a) Profit attributable to:						
Owners	1,631	2,021	2,258	3,652	3,731	7,002
Non-controlling interest	(55)	(204)	(51)	(259)	(78)	(166)
	1,576	1,817	2,207	3,393	3,653	6,836
14(b) Other comprehensive income attributable to:						
Owners	(22)	(266)	76	(288)	72	29
Non-controlling interest	0	(0)	0	0	0	(1)
	(22)	(266)	76	(288)	72	28
14(c) Total comprehensive income attributable to: (14(a) + 14(b))						
Owners	1,609	1,755	2,334	3,364	3,803	7,031
Non controlling Interest	(55)	(204)	(51)	(259)	(78)	(167)
	1,554	1,551	2,283	3,105	3,725	6,864
15 Earnings per share of INR 2/- each: [Refer Note below]						
Basic and Diluted (INR)	2.30	2.85	3.18	5.15	5.26	9.87

Note:

(a) In calculating the weighted average number of outstanding equity shares during the quarter under consolidated results, the Company has reduced the own shares held by USL Benefit Trust (of which Company is the sole beneficiary).



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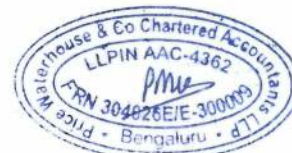
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Unaudited Statement of assets and liabilities as at September 30, 2019

(INR in Millions)

	Standalone		Consolidated	
	As at September 30, 2019	As at March 31, 2019	As at September 30, 2019	As at March 31, 2019
	Unaudited	Audited	Unaudited	Audited
ASSETS				
Non-current assets				
Property, plant and equipment	12,899	11,151	15,657	14,182
Capital work-in-progress	958	1,006	969	1,019
Goodwill	-	-	493	493
Other Intangible assets	208	131	3,740	3,737
Intangible assets under development	222	165	222	165
Investments accounted for using Equity Method	-	-	237	252
Investments in subsidiaries and associates	2,984	2,984	-	-
Financial assets				
Loans	4,410	6,475	180	227
Other financial assets	765	757	1,658	1,635
Deferred tax assets (net)	1,633	1,878	1,633	2,900
Income tax assets (net)	9,748	9,309	10,366	9,787
Other non-current assets	3,701	3,695	4,121	4,054
Total non-current assets	37,528	37,551	39,276	38,451
Current assets				
Inventories	19,874	18,767	20,546	19,343
Financial assets				
Trade receivables	25,816	25,181	25,762	25,425
Cash and cash equivalents	734	509	1,117	2,164
Bank balances other than cash and cash equivalents	80	79	80	665
Loans	179	169	179	169
Other financial assets	3,591	1,529	3,769	2,442
Contract assets	-	-	180	105
Other current assets	3,653	2,838	2,998	2,325
Total current assets	53,927	49,072	54,631	52,638
Assets held for sale	-	-	75	-
Total assets	91,455	86,623	93,982	91,089
EQUITY AND LIABILITIES				
EQUITY				
Share capital	1,453	1,453	1,453	1,453
Other equity				
Reserves and surplus	33,818	29,862	32,825	29,450
Equity attributable to the owners of the United Spirits Limited			34,278	30,903
Non-controlling interests			(290)	(31)
Total equity	35,271	31,315	33,988	30,872
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Borrowings	7,500	7,500	7,646	7,661
Other Financial liabilities	1,102	143	1,102	143
Contract liabilities	-	-	200	-
Provisions	523	518	545	535
Deferred tax liabilities	-	-	133	-
Total non-current liabilities	9,125	8,161	9,626	8,339
Current liabilities				
Financial liabilities				
Borrowings	16,260	18,086	18,658	20,894
Trade payables				
(A) total outstanding dues of micro enterprises and small enterprises; and	464	269	464	278
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	13,132	13,091	13,471	13,805
Other financial liabilities	2,600	2,267	2,779	2,464
Contract liabilities	-	-	120	719
Provisions	3,674	3,259	3,897	3,457
Income tax liabilities (net)	4,205	4,205	4,205	4,205
Other current liabilities	6,724	5,970	6,774	6,056
Total current liabilities	47,059	47,147	50,368	51,878
Total liabilities	56,184	55,308	59,994	60,217
Total Equity and liabilities	91,455	86,623	93,982	91,089



UNITED SPIRITS LIMITED

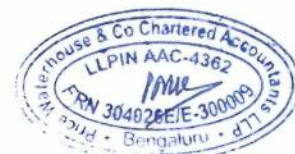
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Unaudited Standalone Statement of Cash flows for the six months ended September 30, 2019

(INR in Millions)

Particulars	Six months ended September 30, 2019	Six months ended September 30, 2018	Previous year ended March 31, 2019
	Unaudited	Unaudited	Audited
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax	6,300	5,047	9,914
Adjustments for			
Depreciation, amortisation and impairment expense	1,073	689	1,445
Employee share-based payment expense	105	97	197
Loss allowance on trade receivables and other financial assets (net)	(155)	439	1,077
Provision for doubtful other assets (net)	(15)	-	181
Exchange gain (net) on translation of assets and liabilities	7	(34)	(15)
Finance costs	972	1,020	2,200
Liabilities, provisions or allowances no longer required written back	(35)	(1)	(96)
Gain on disposal of property, plant and equipment (net)	(2)	(42)	(366)
Interest income	(196)	(201)	(425)
Exceptional items	-	-	267
Operating profit before changes in working capital	8,054	7,014	14,379
(Increase) / decrease in trade receivables	(660)	2,657	982
(Increase) / decrease in loans and other financial assets	(1,864)	(1,455)	(986)
(Increase) / decrease in other assets	(725)	117	2,323
(Increase) / decrease in inventories	(1,107)	(1,146)	(73)
Increase / (decrease) in trade payables	235	(720)	(1,046)
Increase / (decrease) in other financial liabilities	(420)	(1,174)	(465)
Increase / (decrease) in other liabilities	754	3,405	1,681
Increase / (decrease) in provisions	(67)	(35)	38
Cash generated from operations	4,200	8,663	16,813
Income taxes paid	(2,181)	(1,493)	(8,238)
Net cash generated from operating activities (A)	2,019	7,170	8,575
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	(1,219)	(904)	(1,614)
Proceeds from sale of property, plant and equipment and assets held for sale	5	102	958
Investment in subsidiaries and associate	-	(270)	(1,447)
Proceeds from sale of investment in subsidiaries	-	-	319
Long terms loans given to subsidiaries	(1,360)	(1,680)	(1,766)
Repayment of loans by subsidiaries	2,133	2,245	3,071
Interest received	1,444	36	413
Net cash inflow / (outflow) from investing activities (B)	1,003	(471)	(66)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Redemption / (issue) of commercial papers (net)	1,000	(3,900)	(8,087)
Repayment of term loans	-	(3,500)	-
Net proceeds / (repayment) of working capital loans	(2,826)	1,059	1,095
Payment of lease liabilities	(359)	(38)	-
Interest paid on borrowings	(536)	(784)	(2,127)
Interest paid on lease liabilities	(76)	-	-
Net cash inflow / (outflow) from financing activities (C)	(2,797)	(7,163)	(9,119)
Net increase / (decrease) in cash and cash equivalents [D = A+B+C]	225	(464)	(610)
Cash and cash equivalents as at the beginning of the year (E)	509	1,119	1,119
Cash and cash equivalents as at the end of the year [D+E]	734	655	509



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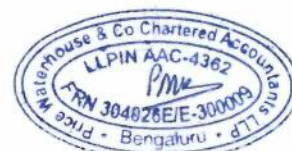
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Unaudited Consolidated Statement of Cash flows for the six months ended September 30, 2019

(INR in Millions)

Particulars	Six months ended September 30, 2019	Six months ended September 30, 2018	Previous year ended March 31, 2019
	Unaudited	Unaudited	Audited
A CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax	6,628	5,477	10,117
Adjustments for			
Depreciation, amortisation and impairment expense	1,342	1,083	2,147
Derecognition of goodwill on account of sale of subsidiary	-	-	(136)
Employee share-based payment expense	105	97	197
Loss allowance on trade receivables and other financial assets (net)	(155)	547	1,361
Provision for doubtful other assets (net)	(15)	-	181
Exchange gain (net) on translation of assets and liabilities	(13)	46	20
Finance costs	1,084	1,101	2,372
Liabilities, provisions or allowances no longer required written back	(35)	(1)	(129)
Gain on disposal of property, plant and equipment (net)	(2)	(42)	(366)
Interest income	(17)	(46)	(64)
Share of net (profit)/loss in associate accounted for using equity method	15	6	18
Exceptional items	-	-	(26)
Operating profit before changes in working capital	8,937	8,268	15,692
(Increase) / decrease in trade receivables	(354)	2,343	838
(Increase) / decrease in loans and other financial assets	(1,157)	(968)	(534)
(Increase) / decrease in other assets	(643)	(252)	1,612
(Increase) / decrease in contract assets	(75)	-	(105)
(Increase) / decrease in inventories	(1,203)	(1,198)	(146)
Increase / (decrease) in trade payables	(147)	(1,305)	(602)
Increase / (decrease) in other financial liabilities	(414)	(792)	(567)
Increase / (decrease) in contract liabilities	(399)	(474)	(131)
Increase / (decrease) in other liabilities	718	3,393	1,562
Increase / (decrease) in provisions	49	300	238
Cash generated from operations	5,312	9,315	17,857
Income taxes paid	(2,321)	(1,626)	(8,374)
Net cash generated from operating activities (A)	2,991	7,689	9,483
B CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	(1,285)	(947)	(1,730)
Redemption of fixed deposits with banks	587	-	-
Proceeds from sale of property, plant and equipment and assets held for sale	5	102	962
Proceeds from sale of subsidiaries	-	-	319
Investment in associate	-	(270)	(270)
Interest received	17	46	64
Net cash inflow / (outflow) from investing activities (B)	(676)	(1,069)	(655)
C CASH FLOW FROM FINANCING ACTIVITIES			
Redemption / (issue of) commercial papers (net)	1,000	(3,900)	39,700
Proceeds from borrowings	1,590	180	-
Repayment of borrowings	(1,080)	(3,500)	(47,787)
Repayment of deferred sales tax liability	(38)	(27)	(27)
Net proceeds / (repayment) of working capital loans	(3,747)	1,022	2,324
Payment of lease liabilities	(359)	(38)	-
Interest paid on borrowings	(652)	(869)	(2,293)
Interest paid on lease liabilities	(76)	-	-
Net cash inflow / (outflow) from financing activities (C)	(3,362)	(7,132)	(8,083)
Net increase / (decrease) in cash and cash equivalents [D = A+B+C]	(1,047)	(512)	745
Cash and cash equivalents as at the beginning of the year (E)	2,164	1,419	1,419
Cash and cash equivalents as at the end of the year [D+E]	1,117	907	2,164



United Spirits Limited

Notes to Unaudited Standalone and Consolidated Statements of Financial Results for the quarter and six months ended September 30, 2019

1. United Spirits Limited ('the Company' or 'the Holding 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. In addition, the Group holds right to the Royal Challengers Bangalore cricket franchise of the Indian Premier League (IPL).
The Chief Operating Decision Maker of the Company 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.
2. The consolidated results include the following subsidiaries and a trust controlled by the Company.

Indian subsidiaries:

- Pioneer Distilleries Limited
- Royal Challengers Sports Private Limited
- Sovereign Distilleries Limited
- Tern Distilleries Private Limited
- Four Seasons Wines Limited (Up to January 16, 2019)

Overseas subsidiaries:

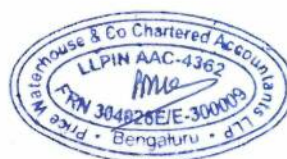
- Asian Opportunities and Investments Limited
- Liquidity Inc.
- McDowell & Co. (Scotland) Limited
- Montrose International S.A
- Palmer Investment Group Limited
- Shaw Wallace Overseas Limited
- UB Sports Management Overseas Limited
- United Spirits (Great Britain) Limited
- United Spirits (Shanghai) Trading Company Limited
- United Spirits Singapore Trading Pte Ltd
- United Spirits (UK) Limited
- USL Holdings Limited
- USL Holdings (UK) Limited

Trust controlled by the Company:

- USL Benefit Trust

The consolidated results also include the Group's share of total comprehensive income (comprising profit for the period and other comprehensive income) of the following associates:

- Hip Bar Private Limited (From June 25, 2018)
- Wine Society of India Private Limited (Up to January 16, 2019)



3. This Statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (as amended) prescribed under Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India.

4. Transition to Ind AS 116 'Leases'

Effective April 1, 2019, the Group adopted Ind AS 116, 'Leases'. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than twelve months, unless the underlying asset is of a low value.

The Group has used the 'modified retrospective approach' for transition from the previous standard- Ind AS 17, and consequently, comparatives for previous periods have not been retrospectively adjusted. On transition on April 1, 2019, the Group recorded the lease liability at the present value of future lease payments discounted using the incremental borrowing rate, and has also chosen the practical expedient provided in the standard to measure the right-of-use assets at the same value as the lease liability on the transition date.

The standalone and consolidated statement of assets and liabilities at September 30, 2019 include Right-of-use assets of INR 1,544 million under Property, plant and equipment and the corresponding Lease liability of INR 1,578 million under Other financial liabilities (INR 994 million classified as non-current and INR 584 million classified as current). The effect of Ind AS 116 on the profit before tax, profit for the period, cash flows and earnings per share is not material.

5. Historical Matters

(a) Additional Inquiry

As disclosed in the financial statements for the years ended March 31, 2017, March 31, 2018 and March 31, 2019, 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 into past improper transactions ('Additional Inquiry') which was completed in July 2016 and which 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) Subsidiaries Rationalisation

- (i) As disclosed in the financial statements for the year ended March 31, 2019, the Company had sought approval of regulatory authorities for divesting its stake in Liquidity Inc., for liquidating its wholly owned subsidiary, 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, as well as for liquidating two of its other wholly owned overseas subsidiaries- United Spirits Trading (Shanghai) Company Limited and Montrose International S.A. The Board has also approved liquidation of McDowell & Co. (Scotland) Limited, Shaw Wallace Overseas Limited and United Spirits Singapore Trading Pte Ltd, for which the Company is in the process of seeking approval for liquidating the said subsidiaries. The Board has also approved merger of UB Sports Management Overseas Limited with Palmer Investment Group Limited and subsequently, merger of Palmer Investment Group Limited with the Company.

The completion of the above sale as well as liquidations and mergers by the Company 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) Consequent to the above, the financial results 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) United Spirits Singapore Pte. Limited, (viii) United Spirits (Shanghai) Trading Company Limited and (ix) Montrose International SA. Accordingly, assets and liabilities of such subsidiaries have been recognised as current at their fair values that approximate to their carrying values as at September 30, 2019. Such re-measurement did not have any material impact on the consolidated financial results.

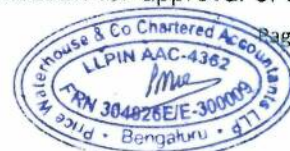
(c) Loan to United Breweries (Holdings) Limited ('UBHL')

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, 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 INR 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 INR 13,374 million, and for the accrued interest of INR 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 INR 6,924 million upto September 30, 2019. The Company has offset payable to UBHL under the trademark agreement amounting to INR 81 million and INR 163 million for the quarter and six months period ended September 30, 2019, respectively and consequently, the corresponding provision for loan has been reversed to other expenses. The cumulative offset up to September 30, 2019 amounted to INR 1,521 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 are disputed by the Company, and the Company has 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.

(d) Excess managerial remuneration

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, the managerial remuneration for the financial year ended March 31, 2015 aggregating INR 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 Companies Act, 2013 by INR 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.

(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 financial statements for the years ended March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, 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 the financial statements for the years ended March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, 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 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. The Company is awaiting a response from the Registrar to the aforesaid 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 Company's results;
- (iii) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, 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 the financial statements for the year ended March 31, 2017, March 31, 2018 and March 31, 2019, 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; (B) past acquisition of the Whyte and Mackay group; (C) clarifications on Annual Performance Reports ('APR') submitted for prior years; and (D) compliances relating to the Company's overseas Branch office, all of which the Company had duly responded to except for the letter dated January 31, 2019 from the Company's authorised dealer bank relating to clarifications on historical Annual Performance Reports, to which the Company is in the process of responding.

(f) Dispute with IDBI Bank Limited

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, 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 INR 6.280 million, including prepayment penalty of INR 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 INR 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 INR 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. 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 INR 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 appeal 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.

(g) Difference in yield of certain non-potable intermediaries and associated process losses

As disclosed by the Company in its financial results for the quarter ended December 31, 2018 and in the financial statements for the 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 for the year ended March 31, 2019.



The Company had re-evaluated the existing controls and processes in this area and strengthened the same before the year ended March 31, 2019. 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.

Management will continue to monitor developments, if any, in this matter.

6. Derecognition of Deferred tax assets in subsidiary

During the month of June 2019, management of Pioneer Distilleries Limited (PDL), a subsidiary of the Company undertook a detailed technical review of plant operations and processes. Based on the recommendations of this review, PDL proposed to augment its manufacturing infrastructure and processes which involves capital and overhauling spends resulting in temporary reduction in production volumes. Accordingly, the future business plans and projected profits were re-evaluated. Further, in light of reduction in production volumes and increase in cost of materials, overheads and interest, PDL's ability to earn sufficient taxable profits is likely to be impeded resulting in a significant uncertainty regarding utilisation of deferred tax assets (including MAT credit) against unused tax losses and therefore, as a matter of prudence, deferred tax assets amounting to INR 602 million (including MAT credit of INR 117 million) were written-off in PDL's unaudited standalone financial results and in the Company's unaudited consolidated financial results for the quarter ended June 30, 2019.

7. Impact on tax charge pursuant to Taxation Laws (Amendment) Ordinance 2019

Pursuant to a notification of the Taxation Laws (Amendment) Ordinance 2019, the Company and one of its Indian subsidiaries have opted to pay tax as per Section 115BAA at the income tax rate of 22% (plus applicable surcharge and cess). Consequently, during the quarter ended September 30, 2019, the Group has recognised the impact of remeasurement of the net deferred tax assets and the current tax charge. Accordingly, the excess current tax provision relating to quarter ended June 30, 2019 amounting to INR 335 million has been reversed in the Unaudited Standalone and Consolidated Statements of Financial Results in the quarter ended September 30, 2019. Similarly, the excess net deferred tax assets (including minimum alternate tax) of INR 530 million and INR 642 million have been reversed in the Unaudited Standalone and Consolidated Statements of Financial Results in the quarter ended September 30, 2019 respectively.

8. Sale of bulk scotch

Revenue from operations for the quarter and six months ended September 30, 2019 includes INR 739 million and INR 1,710 million, respectively, and Profit before tax for the quarter and six months ended September 30, 2019 includes INR 259 million and INR 821 million respectively, arising from sale of bulk scotch held by the Company's branch outside India, to Diageo Scotland Limited, a fellow subsidiary of the Company.

Further, during the quarter ended September 30, 2019, the Company has sold certain bulk scotch, over which an overseas vendor had exercised lien in earlier periods. Revenue from operations and Profit before tax for the quarter and six months ended September 30, 2019 include INR 229 million and INR 93 million respectively, from sale of such bulk scotch held by the Company's branch outside India, to the said overseas vendor.

9. Re-measurement of defined benefit obligations

During the six months ended September 30, 2019, the Company has recognized an impairment charge of INR 275 million (net of tax of INR 92 million) in Other Comprehensive Income, arising from impairment in the fair value of certain investments held by the Company administered Provident Fund trust.



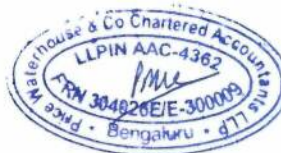
10. The comparative figures for the previous periods presented have been regrouped/ reclassified where necessary, to conform with the current period's presentation for the purpose of comparability.
11. The comparative figures for the quarter and six months ended September 30, 2018, included in these Unaudited Consolidated Statement of Financial Results for the quarter and six months ended September 30, 2019 and the comparative figures for cash flows for the six months ended September 30, 2018 included in the Unaudited Standalone and Consolidated Statements of Cash flows have been reviewed by the Audit and Risk Management Committee of the Holding Company and approved by the Holding Company's Board of Directors at their respective meetings held on October 24, 2019, but have not been subjected to review by the statutory auditors as the mandatory requirement for limited review of cash flows and consolidated results has been made applicable for periods beginning April 1, 2019, pursuant to Regulation 33(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
12. The Unaudited Standalone and Consolidated Statements of Financial Results for the quarter and six months ended September 30, 2019, the Unaudited Standalone and Consolidated Statements of Assets and Liabilities as at September 30, 2019 and the Unaudited Standalone and Consolidated Statements of Cash Flows for the six months period ended September 30, 2019 have been reviewed by the Audit and Risk Management Committee of the Holding Company and approved by the Board of Directors of the Holding Company at their respective meetings held on October 24, 2019.

By authority of the Board



Anand Kripalu
Managing Director and Chief Executive Officer

Place: Mumbai
Date: October 24, 2019

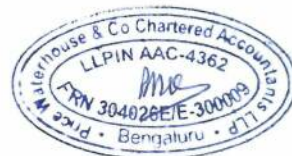


Price Waterhouse & Co Chartered Accountants LLP

Review Report

To the Board of Directors
United Spirits Limited
UB Tower
#24 Vittal Mallya Road,
Bengaluru 560 001

1. We have reviewed the unaudited standalone financial results of United Spirits Limited (the "Company") for the quarter ended September 30, 2019 and the year to date results for the period April 1, 2019 to September 30, 2019 which are included in the accompanying 'Unaudited Standalone Statement of Financial Results for the quarter and six months ended September 30, 2019', the 'Unaudited Standalone Statement of Assets and Liabilities as at September 30, 2019' and the 'Unaudited Standalone Statement of Cash Flows for the six months ended September 30, 2019' together with the notes thereon (the "Standalone Statement"). The Standalone Statement has been prepared by the Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations, 2015"), which has been initialled by us for identification purposes.
2. This Standalone Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Standalone Statement based on our review.
3. We conducted our review of the Standalone Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim 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 Standalone Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Standalone Statement has not been prepared in all material respects in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, and has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.



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Price Waterhouse & Co Chartered Accountants LLP

5. We draw your attention to the following matters:

- a) As explained in Note 5(a) to the Standalone Statement, 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 5(b)(i) to the Standalone Statement, 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 5(d) to the Standalone Statement, 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 Companies Act, 2013 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 5(e) to the Standalone Statement, 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') and Company's authorised dealer banks ('AD') to which the Company has either responded, or is in the process of responding.
- e) As explained in Note 5(f) to the Standalone Statement, the Company is in litigation with a bank ("the Bank") that continues to retain the pledge of certain assets of the Company including 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"). In June 2019, a single judge bench of the Court has issued an order dismissing the writ petition filed by the Company. The Company disputed the order and filed an appeal against this order before a division bench of the Court. During the quarter ended September 30, 2019, the division bench of the Court reinstated the interim order in the writ petition, thereby granting a stay on the disposal of the pledged assets of the Company by the Bank. Based on management assessment supported by external legal opinions, the Company has disclosed the aforesaid amount of INR 459 million under Other Non-current financial assets as recoverable from the Bank. In a separate proceeding before the Debt Recovery Appellate Tribunal, the Bank's appeal against the judgement awarded by the 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 5(g) to the Standalone Statement, the Company in the previous year 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 conclusion is not modified in respect of the matters described under paragraph 5 above.



Price Waterhouse & Co Chartered Accountants LLP

6. We were neither engaged to review, nor have we reviewed the comparative figures of cash flows for the six months ended September 30, 2018 included in the Unaudited Standalone Statement of Cash Flows and accordingly we do not express any conclusion on these comparative figures of cash flows in the Standalone Statement. As set out in note 11 to the Standalone Statement, these figures have been reviewed by the Audit and Risk Management Committee and approved by the Board of Directors at their respective meetings held on October 24, 2019. Our conclusion on the Standalone Statement is not modified in respect of this matter.

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



Pradip Kanakia
Partner

Membership Number: 039985
UDIN: 19039985AAAABS5912

Place: Bengaluru
Date: October 24, 2019

Price Waterhouse & Co Chartered Accountants LLP

Review Report

To The Board of Directors
United Spirits Limited
UB Tower
#24 Vittal Mallya Road
Bengaluru 560 001

1. We have reviewed the unaudited consolidated financial results of United Spirits Limited (herein referred to as the "Holding Company"), its subsidiaries and the trust controlled by it (together referred to as "the Group"), and its associate company (Refer Note 2 to the Unaudited Consolidated Financial Results) for the quarter ended September 30, 2019 and the year to date results for the period April 1, 2019 to September 30, 2019 which are included in the accompanying 'Unaudited Consolidated Statement of Financial Results for the quarter and six months ended September 30, 2019', the 'Unaudited Consolidated Statement of Assets and Liabilities as at September 30, 2019' and the 'Unaudited Consolidated Statement of Cash Flows for the six months ended September 30, 2019' together with the notes thereon (the "Consolidated Statement"). The Consolidated Statement is being submitted by the Holding Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations, 2015"), which has been initialled by us for identification purposes.
2. This Consolidated Statement, which is the responsibility of the Holding Company's Management and approved by the Holding Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Consolidated Statement based on our review.
3. We conducted our review of the Consolidated Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim 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 Consolidated Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the Listing Regulations, 2015 to the extent applicable.



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Price Waterhouse & Co Chartered Accountants LLP

4. Based on our review conducted and procedures performed as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Consolidated Statement has not been prepared in all material respects in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India and has not disclosed the information required to be disclosed in terms of Listing Regulations, 2015, including the manner in which it is to be disclosed, or that it contains any material misstatement.
5. We draw your attention to the following matters:
 - a) As explained in Note 5(a) to the Consolidated Statement, 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 Group, if any, arising from potential non-compliances with applicable laws in respect of the above.
 - b) As explained in Note 5(b)(i) to the Consolidated Statement, the Group 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 Group, if any, arising out of potential historical non-compliances with applicable laws, if established.
 - c) As explained in Note 5(d) to the Consolidated Statement, 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 Companies Act, 2013 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.
 - d) Note 5(e) to the Consolidated Statement, which describes the various regulatory notices and communications received by the Holding Company from Securities Exchange Board of India ('SEBI'), Ministry of Corporate Affairs ('MCA')/ Registrar of Companies, Karnataka (the 'Registrar'), Directorate of Enforcement ('ED') and Company's authorised dealer banks ('AD') to which the Holding Company has either responded, or is in the process of responding.
 - e) As explained in Note 5(f) to the Consolidated Statement, the Holding Company is in litigation with a bank ("the Bank") that continues to retain the pledge of certain assets of the Holding Company including 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"). In June 2019, a single judge bench of the Court has issued an order dismissing the writ petition filed by the Holding Company. The Holding Company disputed the order and filed an appeal against this order before a division bench of the Court. During the quarter ended September 30, 2019, the division bench of the Court reinstated the interim order in the writ petition, thereby granting a stay on the disposal of the pledged assets of the Holding Company by the Bank. 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. In a separate proceeding before the Debt Recovery



Price Waterhouse & Co Chartered Accountants LLP

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.

- f) As explained in Note 5(g) to the Consolidated Statement, the Holding Company in the previous year 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.
 - g) As explained in Note 5(b)(ii) to the Consolidated Statement, consequent to rationalisation process initiated by the Group in respect of certain overseas subsidiaries including step down subsidiaries, the financial results of such subsidiaries included in the accompanying Consolidated Statement have been prepared on a liquidated 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 September 30, 2019.
6. The consolidated statement includes the financial results of 13 overseas subsidiaries and a trust controlled by the Group which have not been reviewed by their auditors and whose financial results reflect total assets of INR 435 million and net assets of INR 207 million as at September 30, 2019, total revenue of Nil, total net profit/ (loss) after tax of INR (26) million and INR 59 million and total comprehensive income of INR (26) million and INR 59 million for the quarter and six months ended September 30, 2019 respectively, and cash outflows (net) of INR 10 million for the six months ended September 30, 2019. The consolidated statement also includes the Group's share of net loss after tax of INR 9 million and INR 15 million and total comprehensive income of INR (9) million and INR (15) million for the quarter and six months ended September 30, 2019, respectively, in respect of an associate company, based on its financial results which have not been reviewed by its auditors. According to the information and explanations given to us by the Management, these figures of the aforesaid subsidiaries, trust and associate are not material to the Group.
7. We were neither engaged to review, nor have we reviewed the comparative figures for the quarter and six months ended September 30, 2018 included in the Unaudited Consolidated Statement of Financial Results and comparative figures of cash flows for the six months ended September 30, 2018 included in the Unaudited Consolidated Statement of Cash Flows. Accordingly, we do not express any conclusion on these comparative results and cash flows in the Consolidated Statement. As set out in note 11 to the Consolidated Statement, these figures have been reviewed by the Audit and Risk Management Committee and approved by the Holding Company's Board of Directors at their respective meetings held on October 24, 2019.

Our conclusion on the Consolidated Statement is not modified in respect of the matters described under paragraphs 5, 6 and 7 above.

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



Pradip Kanakia
Partner
Membership Number: 039985
UDIN: 19039985AAAABT9196

Place: Bengaluru
Date: October 24, 2019

UNITED SPIRITS LIMITED

PRESS RELEASE

Unaudited financial results for the quarter and six months ended 30 September 2019
(Standalone only)



EBITDA margin expanded by 271bps during the first half of the year

Second quarter performance highlights:

- Reported net sales increased 3% benefiting from the second tranche of sale of bulk Scotch inventory. Net sales growth, excluding this one-off benefit was almost flat, primarily impacted by slowdown in consumer demand, liquidity challenges in certain markets as well as temporary supply chain disruption in our Scotch portfolio, notwithstanding a high base.
- Prestige & Above segment net sales growth was almost flat, lapping a high comparative last year.
- Popular segment net sales declined 1% overall versus last year, while stayed flat in priority states.
- Gross margin was 45.0%, down 526bps versus last year, largely due to the adverse impact of COGS inflation. After adjusting for bulk Scotch sale, underlying gross margin was 45.3%, down 494bps.
- Reported EBITDA was Rs. 416 Crores, down 6%. Despite significant gross margin compression, reported EBITDA margin was 18.1%, down 181bps, primarily delivered through savings in operating costs and phasing effect of marketing investment. After adjusting for bulk Scotch sale, underlying EBITDA decreased 12% and underlying EBITDA margin was 17.5%; 238bps lower than last year.
- Interest costs were Rs. 45 Crores, 3% higher than last year, despite a reduction in debt and cost of borrowing, mainly because of a one-time reversal in the base quarter.
- Profit after tax was Rs. 225 Crores, down 13% as the benefit from corporate tax cut was offset by one-time write down of deferred tax assets.

First half performance highlights:

- Reported net sales grew 7%; underlying net sales excluding the one-off benefit from bulk Scotch sale grew 3%, impacted by general elections in the first quarter and by consumption slowdown coupled with liquidity challenges in certain markets and temporary supply chain disruption in our Scotch portfolio in the second quarter.
- Prestige & Above segment net sales grew 4%, lapping a high comparative last year.
- Popular segment reported net sales were almost flat versus last year. Underlying net sales excluding the impact of operating model changes grew 1%, on a high base. Net sales of Popular segment in priority states grew by 2%.
- Gross margin was 46.1%, down 411bps versus last year, primarily due to significant COGS inflation and marginally due to part-absorption of excise duty hike in Maharashtra. After adjusting for the bulk Scotch sale, underlying gross margin was 46%, down 428bps.
- Reported EBITDA was Rs. 811 Crores, up 26%; reported EBITDA margin was 18.0%, up 271bps despite significantly lower gross margin; delivered through savings in operating costs and phasing effect of marketing investment. After adjusting for the one-off impact of bulk Scotch sale and restructuring costs, underlying EBITDA increased by 7% and underlying EBITDA margin was 16.8%, higher by 65bps.
- Interest costs were Rs.97 Crores, 5% lower than last year.
- Profit after tax was Rs.422 Crores, up 24%.

Anand Kripalu, CEO, commenting on the quarter and six months ended 30 September 2019 said:

"Our revenue growth in this quarter was impacted by broad based consumption slowdown as well as liquidity challenges in the trade channel in certain markets. We also faced some one-off operational issues. Consequently, net sales for the second quarter grew 3%, including the sale of bulk Scotch inventory; net of that, underlying net sales growth for the quarter was flat.

Within the Prestige & Above segment, our Scotch portfolio growth was particularly impacted by a temporary supply chain disruption which has now been resolved; as well as by liquidity challenges in certain key markets for Scotch.

For the first half of this year, we have experienced significant inflation in our key raw material costs. While this led to significant compression in gross margin, we have still delivered an underlying* EBITDA margin of 16.8% during the first half of the year. This is particularly encouraging as judicious management of our operating costs contributed more to this improvement than the phasing effect of marketing investment.

Our reinvestment rate** for the first half of the year was 7.9%, reflecting our conscious decision to defer a part of our marketing spend to the upcoming festive season.

Overall, we delivered a PAT of Rs. 422 crores during the first six months of the year, up 24%, even as the benefit from corporate tax cut didn't come through yet due to one-time adjustments.

Looking ahead, we are seeing some signs of revival in consumption with the onset of the festive season and we are investing behind all growth levers. And while it is too early to say that the consumption slowdown is behind us, we remain committed to capturing the opportunity in the spirits market in India and to grow top line by double digits and to improve EBITDA margin to mid-high teens over the medium-term."

* Underlying EBITDA margin excludes the one-off benefit from bulk Scotch sale in H1F20 and removes restructuring costs from the base in Q1F19

** Reinvestment rate has been calculated after removing the bulk Scotch sale as no A&P investment was made towards it.

KEY FINANCIAL INFORMATION
For the six months ended 30 September 2019

Summary financial information

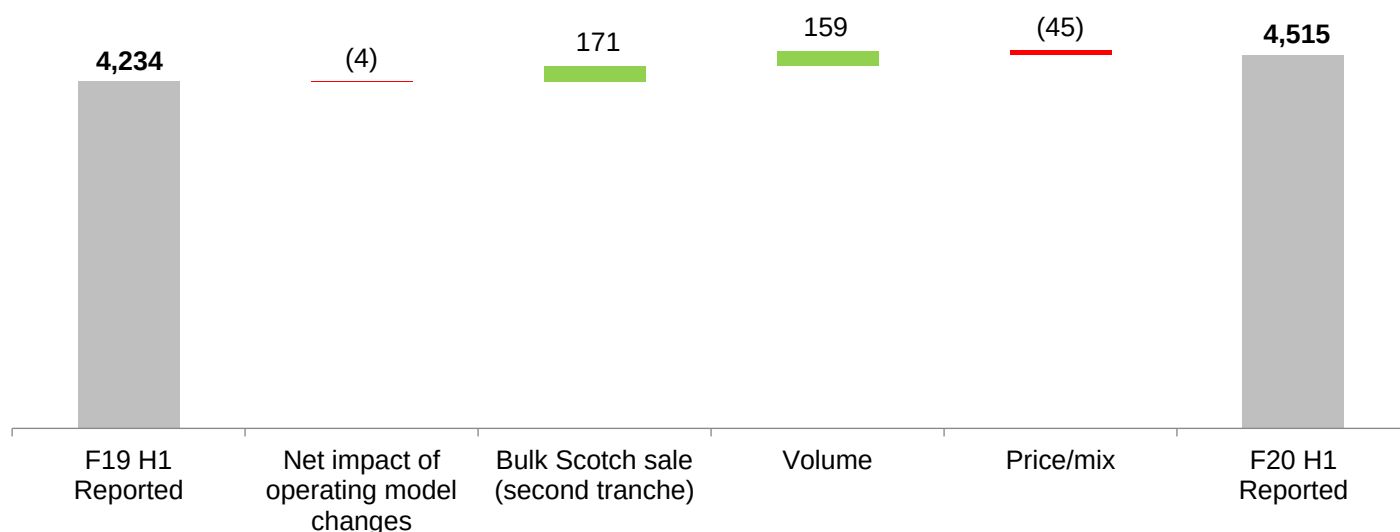
		F20 H1	F19 H1	Movement %
Volume	<i>EUm</i>	40.0	38.6	4
Net sales	<i>Rs. Crores</i>	4,515	4,234	7
COGS	<i>Rs. Crores</i>	(2,432)	(2,107)	15
Gross profit	<i>Rs. Crores</i>	2,082	2,127	(2)
Staff cost	<i>Rs. Crores</i>	(284)	(346)	(18)
Marketing spend	<i>Rs. Crores</i>	(344)	(412)	(16)
Other Overheads	<i>Rs. Crores</i>	(643)	(723)	(11)
EBITDA	<i>Rs. Crores</i>	811	646	26
Other Income	<i>Rs. Crores</i>	24	30	(21)
Depreciation	<i>Rs. Crores</i>	(107)	(69)	56
EBIT	<i>Rs. Crores</i>	727	607	20
Interest	<i>Rs. Crores</i>	(97)	(102)	(5)
PBT before exceptional items	<i>Rs. Crores</i>	630	505	25
Exceptional items	<i>Rs. Crores</i>	-	-	-
PBT	<i>Rs. Crores</i>	630	505	25
Tax	<i>Rs. Crores</i>	(208)	(165)	26
PAT	<i>Rs. Crores</i>	422	340	24

Key performance indicators as a % of net sales (reported):

		F20 H1	F19 H1	Movement bps
Gross profit	%	46.1	50.2	(411)
Staff cost	%	6.3	8.2	188
Marketing spend	%	7.6	9.7	210
Other Overheads	%	14.2	17.1	283
EBITDA	%	18.0	15.2	271
PAT	%	9.3	8.0	132
Basic earnings per share*	<i>rupees</i>	5.8	4.7	1.1 rupees
Earnings per share before exceptional items*	<i>rupees</i>	5.8	4.7	1.1 rupees

The company in compliance with Schedule III of the Companies Act, 2013 has reported revenue from operations inclusive of excise duty.

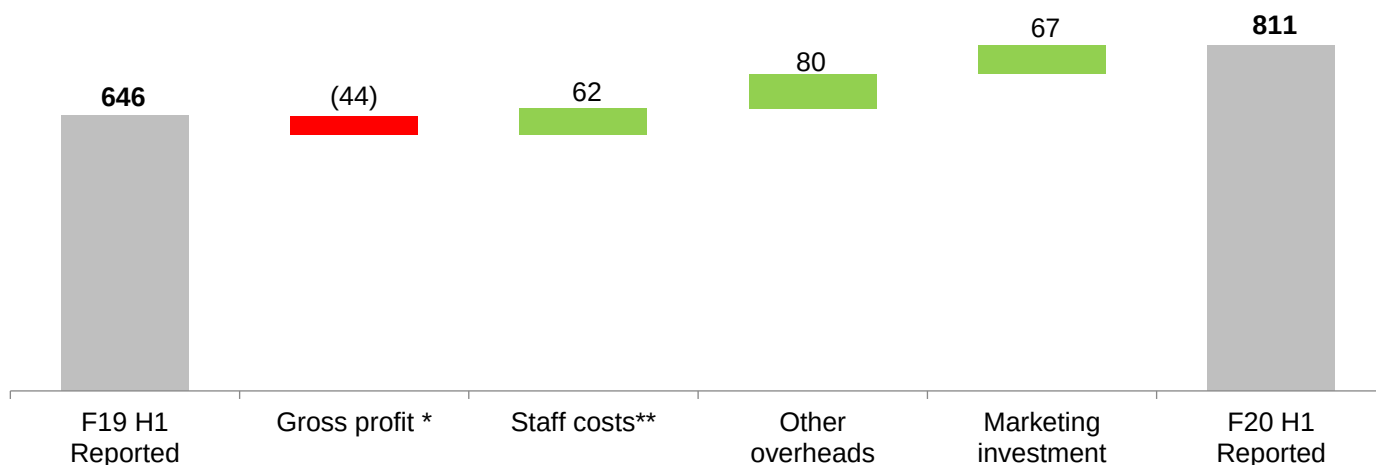
Net sales (Rs. Crores)



Reported net sales in the first six months of the financial year grew 7%, impacted by general elections in the first quarter and by consumption slowdown coupled with liquidity challenges in certain markets and temporary supply chain disruption in our Scotch portfolio in the second quarter. Excluding the one-off benefit from sale of Bulk Scotch inventory, underlying net sales grew 3%. Net Sales of Prestige & Above segment grew 4% while net sales of Popular segment grew 1% after adjusting for the operating model changes.

Overall volume grew 4% with the Prestige & Above volume growth of 6% outpacing Popular segment volume growth of 2%. Underlying price/mix for the first half was (1)%, mainly due to part-absorption of Excise Duty hike in Maharashtra and adverse mix caused by temporary supply chain issues and channel-liquidity challenges that affected Scotch growth.

EBITDA (Rs. Crores)



Reported EBITDA was Rs. 811 Crores for the first half of the year, up 26%. Excluding the one-time benefit of bulk Scotch sale and adjusted for one-off restructuring costs, underlying EBITDA increased 7%. This was despite a Gross profit decline of Rs. 44 Crores, which was primarily driven by COGS inflation, and partially offset by one-time benefit from the sale of bulk Scotch.

Enhanced operating efficiencies led to savings in staff costs and other overheads that contributed to EBITDA growth. Additionally, marketing investment was trimmed first in light of general elections and then the broader consumption slowdown; reinvestment rate for the first half of the year was 7.6% (underlying reinvestment rate of 7.9%, net of bulk Scotch sale).

* For H1F20 Gross profit includes Rs. 84 crores resulting from bulk Scotch sale. Excluding that, gross profit would have decreased by Rs. 129 crores during the first half of the year primarily due to COGS inflation.

** Staff costs include a restructuring cost of Rs. 36 crores in F19Q1 and Rs. 2 crores in F20Q1. Adjusted for these, underlying saving in staff cost was Rs. 28 crores.

* Highly Confidential *

EBITDA margin (% , bps)

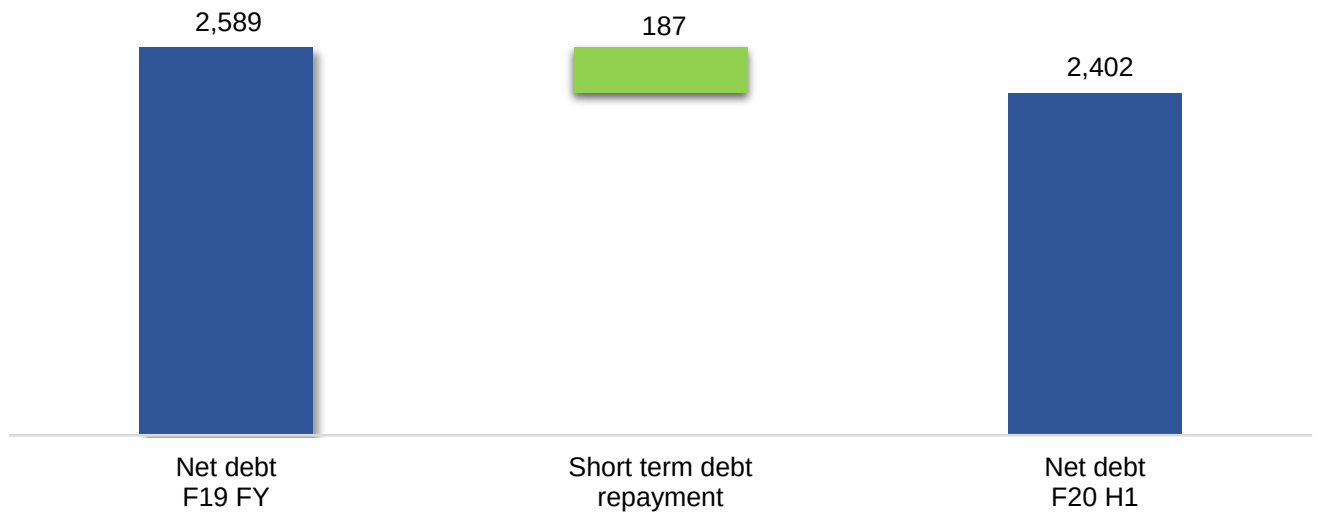

Reported EBITDA margin of 18.0% improved by 271bps. Underlying EBITDA margin, excluding the one-off benefit from bulk Scotch sale and adjusted for one-off restructuring costs was 16.8%, up 65bps, despite significant compression in gross margin.

Reported gross margin contracted by 411bps, primarily impacted by significant COGS inflation. Productivity led savings in staff costs contributed 188bps to EBITDA margin improvement while further efficiencies in other overheads contributed an additional 283bps. Finally, lower A&P reinvestment rate contributed another 210bps, which was more of a phasing effect and should normalise over the course of the year.

Movement in cash (Rs. Crores)


Cash closed at Rs. 73 Crores for the first half of the year. The largest contributor to cashflows was profit from operations. Repayment from subsidiaries amounted to Rs 222 Crores comprising interest income as well as loan repayment. There was an increase in working capital largely driven by short-term liquidity issues with some corporation markets. Capex was focused on projects for productivity and health and safety. Cash generated from the underlying business was used towards debt repayment of Rs 187 Crores.

Movement in debt (Rs. Crores)



Closing net debt was Rs. 2,402 Crores. The company repaid its short term borrowings amounting to Rs. 187 Crores during the first half of the year. This reduction in debt together with a favourable mix helped reduce total interest costs by 5% in the first half of the year despite the adverse impact of Ind AS 116.

SEGMENT AND BRAND REVIEW

For the quarter and six months ended 30 September 2019

Key segments:

For the six months ended 30 September 2019

	Volume				Net Sales			
	F20 H1 Reported EUM	F19 H1 Reported EUM	Reported movement %	Underlying* movement %	F20 H1 Reported Rs. Cr.	F19 H1 Reported Rs. Cr.	Reported movement %	Underlying* movement %
P&A	21.1	20.0	6	6	2,925	2,815	4	4
Popular	18.8	18.6	1	2	1,345	1,340	0	1

For the quarter ended 30 September 2019

	Volume				Net Sales			
	F20 Q2 Reported EUM	F19 Q2 Reported EUM	Reported movement %	Underlying* movement %	F20 Q2 Reported Rs. Cr.	F19 Q2 Reported Rs. Cr.	Reported movement %	Underlying* movement %
P&A	10.8	10.5	3	3	1,502	1,506	(0)	(0)
Popular	9.8	9.9	(1)	(1)	701	711	(1)	(1)

- The **Prestige & Above segment** accounted for 65% of net sales during the first half of the year, down 2ppts compared to same period last year, primarily due to one-time sale of bulk Scotch affecting the relative salience of the segments; net of that, the segment accounted for 67% of net sales, up 1ppts versus last year.

Prestige & Above segment net sales growth was 4% during the first half of the year, led by a weak second quarter, which was impacted by overall consumption slowdown and liquidity challenges in certain key markets for Scotch as well as a temporary supply chain disruption in our Bottled In Origin (BIO) Scotch portfolio. This impacted the ongoing premiumisation trend within the segment that we had been seeing until last quarter.

Since some of these factors were temporary and have since been addressed, and as we enter the festive season, we are hopeful that we would see growth return in the category, especially as the macro economic environment starts to improve.

- The **Popular segment** accounted for 30% of net sales during the first half of the year, down 2ppts compared to same period last year, in part due to one-time sale of bulk Scotch affecting the relative salience of the segments; net of that, the segment accounted for 31% of net sales, down 1 ppts versus last year.

The Popular segment net sales grew 1% after adjusting for the impact of operating model changes. Net sales of Popular segment in Priority states grew 2% during the half year.

Cautionary statement concerning forward-looking statements

This document contains 'forward-looking' statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to United Spirits Limited ("USL"), anticipated cost savings or synergies, expected investments, the completion of USL's strategic transactions and restructuring programmes, anticipated tax rates, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside USL's control. USL neither intends, nor assumes any obligation, to update or revise these forward-looking statements in the light of any developments which may differ from those anticipated.

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Q&A CONFERENCE CALL

Anand Kripalu, Managing Director and Chief Executive Officer and Sanjeev Churiwala, Executive Director and Chief Financial Officer will be hosting a Q&A conference call on **Friday, 25 October 2019 at 12:00 pm (IST time)**. If you would like to listen to the call or ask a question, please use the dial in details below.

A transcript of the conference call will be available for download on 4th November 2019 at www.diageoindia.com.

Conference Access Information

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USA	18667462133
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Hong Kong	85230186877
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USA	13233868721