

Pioneer Distilleries Limited

Corporate Identity Number: L24116TG1992PLC055108
Reg. Office: Roxana Towers, Ground Floor, M.No.7-1-24/1RT/G1&G2,
Greenlands, Begumpet, Hyderabad 500 016
Tel: +91 40 2970 3391, +91 80 3964 2207; Fax: +91 80 3985 6862
Web: www.pioneerdistilleries.com Email: info@pioneerdistilleries.com

Notice

Notice is hereby given of the twenty fourth Annual General Meeting (“AGM”) of Pioneer Distilleries Limited (the “Company”) to be held at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016 on Friday, July 28, 2017 at 12.00 Noon for the following purposes:

Ordinary Business:

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the financial year ended March 31, 2017, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon;
2. To appoint a Director in place of **Ms. Mamta Sundara (DIN: 05356182)**, who retires by rotation and being eligible, offers herself for re-appointment;
3. Appointment of Price Waterhouse & Co Chartered Accountants LLP (FRN304026E/ E-300009) as Statutory Auditors of the Company in place of Lodha & Co., Chartered Accountants and to fix their remuneration.

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

RESOLVED that pursuant to the provisions of Section 139, 140, 141, 142 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder, and pursuant to the recommendation of the Audit Committee of the Board of Directors, M/s. Price Waterhouse & Co Chartered Accountants LLP, (FRN 304026E/ E-300009), be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this AGM till the conclusion of the twenty ninth AGM, subject to ratification of the appointment by the members at every AGM held after this AGM and that the Board of Directors be and are hereby authorized to fix such remuneration as may be recommended by the Audit Committee in consultation with the Auditors.

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

A special notice in terms of Section 115 has been received in terms of Section 140(4)(i) of the Companies Act, 2013 from a member proposing the appointment of M/s Price Waterhouse & Co Chartered Accountants LLP, Chartered Accountants, as Auditors of the Company in place of M/s. Lodha & Co., Chartered Accountants, who have informed the Company that they do not wish to continue as statutory auditors of the Company with effect from the conclusion of Annual General Meeting of the Company to be held on July 28, 2017.

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4. As an Ordinary Resolution:

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

Approval of arrangements for payment of guarantee commission to United Spirits Limited:

RESOLVED that pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the applicable provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company and subject to the provisions of the Memorandum and Articles of Association of the Company, approval of the shareholders be and is hereby accorded to the Company for entering into the arrangement with United Spirits Limited, holding company of the Company (USL) for payment of guarantee commission of an amount of up to Rs.50,00,000/- p.a. to USL (calculated at the rate of 0.50% p.a. on an amount of up to Rs.100 Crores).

Further RESOLVED that the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

Further RESOLVED that the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.

By Order of the Board

Bangalore
June 23, 2017

SANTHOSH KUMAR KEERTHI
Company Secretary

NOTES:

Please refer to the explanatory statement given hereunder.

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS/HER BEHALF ONLY ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Pursuant to the provisions of Section 105 of the Companies Act, 2013 and rules made thereunder, a person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. Members

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holding more than ten percent of the total share capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member. Proxies submitted on behalf of limited companies, societies, etc., must be supported by an appropriate resolution / authority, as applicable.

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

2. The Transfer Books and Register of Members will remain closed from July 21, 2017 to July 28, 2017 (both days inclusive).
3. Members are requested to intimate immediately to the Company's Registrars and Transfer Agents, M/s. Venture Capital and Corporate Investments Private Limited, Regd. Office: 12-10-167, Bharat Nagar, Hyderabad 500 018, in case of physical form and to their respective Depository Participants, in case of shares held in dematerialized/electronic form:
 - a. any change in their registered addresses along with PIN Code Number;
 - b. details about their email addresses, if any, so that all notices and other statutory documents which are required to be sent to the Members, as per the provisions of the Companies Act, 2013, can be sent to their email addresses; and
 - c. details about their bank account number, name of the bank, bank's branch name and address to enable the Company to draw dividend warrant payable accordingly.
4. Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents, at the address as stated in Note No.3 above.
5. Members may please address all their documents/correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents, at the address as stated in Note No.3 above.
6. Nomination facility for shares is available for Members. The prescribed format in this regard can be obtained from the Company's Registrars and Transfer Agents, at the address as stated in Note No.3 above.
7. The Company's equity shares are under compulsory dematerialisation. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates are dematerialised. Members having the physical share certificates are advised to consider opening of a Demat Account with an authorised Depository Participant and arrange for dematerialising their shareholdings in the Company.
8. Transfer of Unclaimed / Unpaid amounts to the Investor Education and Protection Fund (IEPF):

In terms of Section 205A and 205C of the Companies Act, 1956, the amount of dividend declared for the financial year 2009-10 and thereafter remaining unclaimed for a period of seven years from the due date of payment shall hereafter be transferred to the Investor Education and Protection Fund on

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the respective due date. Sections 124 and 125 of the Act, read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), both of which were applicable with effect from September 07, 2016, also contain similar provisions for transfer of such amounts to the IEPF. Accordingly, all unclaimed / unpaid dividend remaining unclaimed / unpaid for a period of seven years from the date they became due for payment, have been transferred to the IEPF established by the Central Government. No claim shall be entertained against the Company for the amounts so transferred.

As per Section 124(6) of the Act read with the IEPF Rules as amended, all the shares in respect of which dividend has remained unpaid/unclaimed for seven consecutive years or more are required to be transferred to an IEPF Demat Account.

The Company has sent notice to all the members whose Dividends are lying unpaid / unclaimed against their name for seven consecutive years or more. Members are requested to claim the same before it is transferred to IEPF. In case the dividends are not claimed before the transfer to IEPF, necessary steps will be initiated by the Company to transfer shares held by the members to IEPF without further notice. Please note that no claim shall lie against the Company in respect of the shares so transferred to IEPF.

In the event of transfer of shares and the unclaimed dividends to IEPF, members are entitled to claim the same from IEPF by submitting an online application in the prescribed Form IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same duly signed to the Company along with the requisite documents enumerated in the Form IEPF- 5. Members can file only one consolidated claim in a financial year as per the IEPF Rules. Members who have not yet encashed their dividend warrant(s) pertaining to the final dividend for the financial year 2009-10, are requested to lodge their claims.

9. Members attending the AGM are requested to bring with them the following:
 - a. Members holding shares in dematerialized form, their DP & Client ID Numbers.
 - b. Members holding shares in physical form, their Folio Numbers.
 - c. Copy of the Annual Report and Notice, as no copies thereof would be distributed at the AGM.
 - d. The Attendance Slip duly completed and signed in terms of specimen signature lodged with the Company.

The Company would accept only the Attendance Slip from a member actually attending the AGM; or from the person attending as a proxy under a valid proxy form registered with the Company not less than 48 hours prior to the AGM. Attendance Slips of Members/valid proxies not personally present at the AGM, or relating to Proxies which are invalid, will not be accepted from any other member/person.

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

10. The Company has designated an exclusive email id viz., pdlinvestor@unitedspirits.in to enable the investors to post their grievances and monitor its redressal.

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11. Corporate members are required to send to the Company a certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013, authorizing their representative to attend and vote at the AGM.
12. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide to Members with a facility to exercise their right to vote at the AGM by electronic means and the business may be transacted through electronic voting (“e-voting”) services provided by National Securities Depository Limited (“NSDL”):
13. The instructions for e-voting are as under:
 - (i) In case of shareholders receiving an email from NSDL:
 - (a) Open e-mail and open PDF file titled “PDL E-voting.pdf” with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
 - (b) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>.
 - (c) Click on “Shareholder” – “Login”.
 - (d) Type your user ID and initial password as mentioned in Step (a) above.
 - (e) Click Login.
 - (f) Password change menu appears, change the password with the new password of your choice with minimum of 8 digits / characters or a combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (g) Home page of “e-Voting” opens. Click on “e-Voting”: Active Voting Cycles.
 - (h) Select “EVEN” of Pioneer Distilleries Limited.
 - (i) Now you are ready for “e-Voting” as “Cast Vote” page opens.
 - (j) Cast your vote by selecting the appropriate option and click on “Submit” and also “Confirm” when prompted.
 - (k) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.,) are required to send scanned copy (PDF/JPG format) of the relevant board resolution / authority letter etc. together with an attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the scrutinizer by an e-mail to pdlscrutinizer@gmail.com with a copy marked to evoting@nsdl.co.in.
 - (ii) In the case of shareholders other than those referred to in paragraph 13 (i) above, your initial password is provided at the bottom of the Attendance slip for the AGM. Please follow all steps from paragraph (b) to (k) above to cast your vote;
 - (iii) If you are already registered with NSDL for e-voting, then you can use your existing user ID and password for casting your vote; and
14. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com.

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15. The e-voting period commences on July 25, 2017 (10:00 a.m.) and ends on July 27, 2017 (5:00 p.m.). During this period Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of July 21, 2017, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter.
16. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date (record date) of July 21, 2017.
17. Mr. Depuru Raghavendar Rao, Company Secretary in Practice (CP - 13407; Address: Flat No.113, Block B, Sri Datta Sai Commercial Complex, Opp: Saphthagiri Theatre, RTC 'X' Roads, Hyderabad 500 020) has been appointed as the Scrutinizer to scrutinize the e-voting process.
18. The Scrutinizer shall, not later than 48 hours after the conclusion of the AGM, unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairperson/any other Director(s)/a person authorized by Chairperson of the Company.
19. The Results shall be declared on or after the AGM of the Company. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website - www.pioneerdistilleries.com and on the website of NSDL within forty eight (48) hours of passing of the resolutions at the AGM of the Company and communicated to the Stock Exchanges.
20. Documents referred to in this Notice and the accompanying Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (10.00 a.m. to 5.00 p.m.) on all working days except Saturdays, up to and including the date of the AGM of the Company.

STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No.3: Appointment of Auditors

M/s. Lodha & Co. Chartered Accountants, the existing Statutory Auditors of the Company were appointed as Auditors of the Company by the Members to hold office from the conclusion of the Twenty Third Annual General Meeting till the conclusion of the Twenty Eighth Annual General Meeting. By their letter dated June 23, 2017 M/s. Lodha & Co. Chartered Accountants have informed the Company that they do not wish to continue as Auditors of the Company with effect from the conclusion of this Annual General Meeting to be held on July 28, 2017. Accordingly, the ratification of their appointment at this AGM of the Company cannot be considered by the Members.

At the Meeting held on June 23, 2017, the Board of Directors have recommended the appointment of M/s Price Waterhouse & Co Chartered Accountants LLP, (FRN 304026E/ E-300009) as Statutory Auditors of the Company, in place of M/s. Lodha & Co., Chartered Accountants, to hold office from the conclusion of this Annual General Meeting till the conclusion of the 29th AGM on remuneration to be fixed by the Board of Directors, subject to the approval of the Members.

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None of the Directors or Key Managerial Personnel of the Company or their respective relatives are concerned or interested in this resolution.

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

Item No.4: Approval of related party transactions:

Requirement of approval of material related party transactions

PDL intends to avail additional borrowing of Rs.100 crores from a Bank in order to enhance the capacity and productivity by venturing into capital expenditure projects and to meet its working capital needs, for which Corporate Guarantee favoring bank is being sought from USL. Approval of the shareholders by way of an ordinary resolution is being sought for the arrangement that the company is proposing to enter into for payment of guarantee commission of an amount of up to Rs.50,00,000/- p.a. to USL (calculated at the rate of 0.50% p.a. on an amount of Rs.100 Crores).

In terms of Regulation 23(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI LODR Regulations**”), any material related party transaction requires the approval of the shareholders of the Company by way of an ordinary resolution.

An entity will be a “related party” of a company in terms of the SEBI LODR Regulations, if it falls within the definition of “related party” under Section 2(76) of the Companies Act, 2013. Since, USL is the holding company of the Company, it is a “related party” of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013.

Further, a transaction with a related party shall be considered “material” if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of a company as per the last audited financial statements of the company. The aggregate value of the agreements and/or arrangements in Item No.4 in the financial year ending March 31, 2018 together with existing transactions with USL may exceed 10% of the annual consolidated turnover of the Company in the previous financial year. Therefore, approval of the shareholders by way of an ordinary resolution in respect of such agreements/arrangements is being sought. For the sake of clarity, all the agreements/arrangements in Item No.4 are in the ordinary course of the Company’s business and at arm’s length basis.

The monetary value of the previously approved related party transactions for the financial year 2017-18 is Rs.776 Crores. The monetary value of the proposed transactions, together with the monetary value of previously approved related party transactions for the financial year 2017-18 would be Rs.776.50 Crores. This sum is greater than ten per cent of the company’s annual consolidated turnover as per the last audited financial statement of the company. Accordingly, these transactions are material related party transactions, and shareholders’ approval is sought.

In accordance with Regulations 23(4) of the SEBI LODR Regulations, all entities falling under the definition of related parties are required to abstain from voting irrespective of whether the entity is a party to the particular transaction or not. Accordingly, all shareholders of the Company who are related parties of the

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Company, including USL, are required to abstain from voting on the resolution in Item No.4 of this Notice.

The Audit Committee unanimously approved the payment of guarantee commission on June 23, 2017, subject to the approval of the Board and the Company's shareholders. The Audit Committee has independently assessed the above arrangements (taking into account the potential financial and commercial benefits that are likely to accrue to the Company and its shareholders as estimated by the management of the Company), and has thereafter accorded its approval.

Thereafter, the Board has independently assessed the above arrangements (taking into account the potential financial and commercial benefits that are likely to accrue to the Company and its shareholders as estimated by the management of the Company), and has, subject to the approval of the shareholders, approved the payment of guarantee commission on June 23, 2017.

The arrangements are to be entered into at arm's length basis and all other factors relevant to the Arrangements have been independently considered by the Board.

As required by Section 188 of the Companies Act, 2013 read with Rule 15(3) of the Companies (Meetings of the Board and its Powers) Rules, 2014, the following details for the Arrangements are being set out as below:

- (a) **Name of the related party:** United Spirits Limited
- (b) **Name of the director of key managerial personnel who is related, if any:** None
- (c) **Nature of relationship:** Since USL is the holding company of the Company, it is a "related party" of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013.
- (d) **Nature, material terms, monetary value and particulars of the contract or arrangement:**

Nature of the arrangement	Payment of guarantee commission of an amount of up to Rs.50,00,000/- p.a. to USL (calculated at the rate of 0.50% p.a. on an amount of up to Rs.100 Crores)
Material terms	The Company is required to pay 0.50 % p.a. on an amount of up to Rs.100 Crores as Guarantee Commission
Monetary value (Rs)	An amount up to Rs.50,00,000/- p.a.
Particulars of the arrangement	The Company is seeking Loan from a Bank for an amount of Rs.100 Cr. PDL needs to provide a Corporate Guarantee from USL for this borrowing.

Note: above payments will be subject to applicable tax, as the case may be.

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- (e) **Any other information relevant or important for the members to take a decision on the proposed resolution: As above.**

No Director, key managerial personnel or their respective relatives is concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

By order of the Board

Place: Bangalore
Date: June 23, 2017

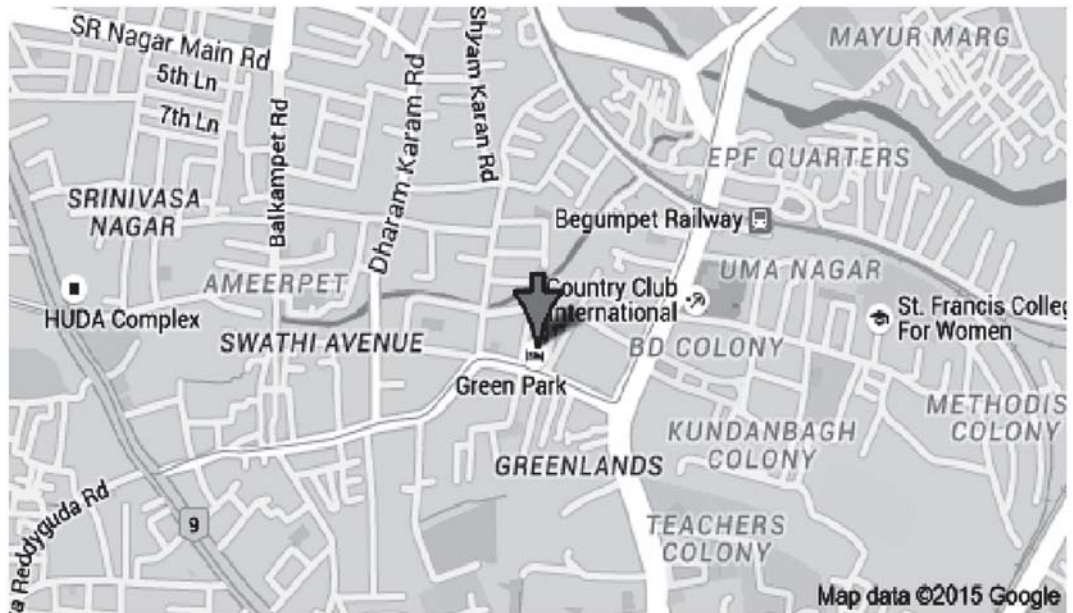
Santhosh Kumar Keerthi
Company Secretary

Disclosure relating to Directors pursuant to Regulation 36 (3) of the SEBI Listing Regulations and Secretarial Standards on General Meetings:

Name of Director	Ms. Mamta Sundara
Date of Birth	19/04/1977
Age	40 years
Date of Appointment	13/04/2015
Expertise in specific functional Areas	Lawyer
Qualifications	B.A., LLB (Hons)
No. of Board meetings attended	6
List of other Indian Directorships held	Nil
* Chairperson/ Member of the Committee of the Board of Directors of the Company	Stakeholders Relationship Committee (Chairperson)
* Chairperson/ Member of the Committee of the Board of Directors of other companies in which she is a Director	NA
a. Audit Committee	NA
b. Stakeholders Relationship Committee	NA
No. of Shares held in the Company	Nil
Relationship with other Directors/ Manager/ Key Managerial Personnel	Nil

**Note: Pursuant to the SEBI Listing Regulations, 2015 only two Committees viz. Audit Committee and Stakeholders' Relationship Committee are considered.*

Route Map to Hotel Green Park



Venue:
Hotel Green Park,
Greenlands, Begumpet,
Hyderabad 500 016

Managing Director's Message

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Annual Report of Pioneer Distilleries Limited for the financial year ended 31 March 2017.



It has been 18 months since I joined the board of Pioneer Distilleries Limited (PDL) and I am privileged to be part of PDL as Managing Director. The company has so much potential to bring value to the shareholders which I have shown in the previous year. This year the company has made a loss due to huge impact on COGS, fuel and revamping the utilities. The robust business plan and the new projects that will be commissioned in next year I am confident that the company can deliver the value to the shareholders.

The company has made improvement in the following points that I have mentioned last year: (i) the Company's commitment to the highest standards of corporate governance, and intense focus on compliance and ethical conduct in everything we do, (ii) a strong move to strengthen commercial and operational controls and institute robust systems and processes and (iii) making the right investments in our manufacturing facilities. In all of the above, the Company has been fully supported by its principal shareholder and its holding company namely United Spirits Limited (USL).

Improving efficiencies

We are making strategies to bring efficiency into our supply chain to reduce the impact of COGS, also we have achieved efficiencies in terms of processes and we are focusing on the sustaining the efficiencies there by bringing down the operational expenses, better working capital management and improving the cash flow.

India presents one of the most exciting opportunities in the world. The country is forging ahead as the fastest growing economy. What makes India particularly attractive is not just the economic growth, but what constitutes and drives such growth. An upwardly mobile aspirational middle class and a vast number of consumers moving towards affluence is ensuring that the core consumption fundamentals remain robust.

We have made good strides in our transformational journey, and while there is more work to be done to reduce complexity in the way we work and simplify the organization structure to deliver efficiency and growth, I am confident that every single building block we put in place last year has set us firmly on the runway to success.

Performance Overview

The year 2016-17 was indeed challenging, with less rainfall in Maharashtra in last year leading to shortage of availability of raw material viz., molasses and grain. Amidst this backdrop, the Company was able to deliver the end product to the market and huge growth in IMFL bottling volumes in 2016-17 as compared to 2015-16. For the financial year ended 31 March 2017, the Company recorded loss of Rs.302,004,640.

The Company has installed and commissioned additional IMFL bottling line during the year 2016-17. We have accrued Rs.16.5 Cr Government subsidy during the year 2016-17. As a proactive step to mitigate the process water non availability, the Company has developed rain water harvesting mechanism to store 60 Crore liter of rain water which can be utilized for 5 months without depending on other resources. We have re-commenced Molasses ENA plant operations since 30 January 2017. The same was disclosed to shareholders through our notifications dated 30 January 2017. The Company has commenced Malt spirit plant, DDGS plant, and 6.45 MW steam Turbine operations in March 2016, December 2016 and January 2017 respectively, this will help to utilize the company's investments made in this facility. We have supplied fresh malt spirits to USL. We will be setting up malt maturation facility during 2017-18 and will be ready to sell matured malt spirit during the 2nd quarter of FY 2018-19.

The Company has developed business strategy upto 2020 and the same was approved by board to invest around Rs.200 Cr to enhance IMFL production from 7.2 lakh cases to 48 lakh cases per annum, setting up Malt production facility of 36 lakh liters per annum, malt maturation facility, upgradation of ENA plant facilities and expansion of capacity of utilities to improve efficiency and effectiveness of operations. We will be availing Mega subsidy from Maharashtra Government against these investments. We expect to complete the investments by December 2017. The Company's performance is expected to improve significantly thereafter. Ultimately, we are committed towards maintaining our business strategy of prudent cost management, coupled with proactive investments for the future.

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

Corporate Governance

As a responsible corporate citizen, we believe that transparency is an important value across our organization, including activities related to corporate social responsibility, which is our way of doing business.

A changing culture

As an organization that is fighting fit to deliver for today, our human capital is dynamically evolving to take on future opportunities. During the year, we continued to evolve our organizational design and structure, upgrading talent and building capabilities, while providing people with job rotation and growth opportunities. We also unveiled policy changes aimed at bringing about a shift in the cultural mindset, more openness and transparency in the organization, with more clarity and accountability for performance that is enabling the evolution of an organization that aims to become a better place to work.

Creating shared value /Corporate Social Responsibility

We believe that in order for us to create long-term value for our shareholders, it is imperative that we create value for the communities in which we operate. The Company focuses on two pillars which have the greatest potential for joint value creation with society: Water & Environment and Rural Development. As fundamental areas which are core to our business strategy and operations, these pillars are also part of our sustainability commitments which we aim to uphold and protect for generations to come.

As part of our dedication to environmental sustainability, the Company has commissioned 6.45Megawatt steam Turbine and power distribution system to support 100% captive power requirement.

The Company has built road from Jackwell to Allur village. The Company is also supported Government schools to implement digital class rooms to improve the quality of education. The company has also provided water facility stall in village during summer.

Appreciation

The Board would like to extend its deepest appreciation to the management team for their dedication and commitment in driving the Company forward. Our sincere thanks also goes to all employees for playing an important role in ensuring that the Company continues to be leading Distillery in Maharashtra. We would also like to express our gratitude to partners and customers for their support to our Company.

I thank you for your continued faith and support.

B V Krishna Reddy
Managing Director

Board of Directors

Mr. B.V. Krishna Reddy, Managing Director



Mr. B.V. Krishna Reddy has done B.Tech from SVU College of Engineering, Tirupati, M. Tech from IIT, Kharagpur and Executive General Management Program from IIM, Bangalore and has completed PGDHRM from Indira Gandhi Open University. Mr. Reddy has over 25 years of professional experience. Mr. Krishna Reddy formerly worked with Honeywell Technology Solutions, BPL Engineering, Union Carbide/Eveready Industries Limited and WIPRO Lighting.

Ms. Mamta Sundara, Director



Ms. Mamta Sundara has 16 years of experience as a legal professional working in India, Singapore and London across a diverse range of businesses including telecom and consumer durables. Ms. Mamta Sundara has joined United Spirits Limited as the General Counsel in February 2015. Prior to that, she has spent 6 years in various roles in Diageo across London, Mumbai and Bangalore, with her last role providing support to the strategy and standards work done within United Spirits Limited. Prior to Diageo, Ms. Mamta Sundara has spent 4 years based in Singapore and providing support all legal aspects for the South East Asia business of the Global Services division of British Telecom.

Mr. R. Krishnamurthy, Independent Director



Mr. R. Krishnamurthy has completed his Graduation in Commerce, Science and Law. He is also a member of the Institute of Company Secretaries of India. He has a rich experience in Compliance of various Laws and Administration. Mr. R. Krishnamurthy possess relevant experience and knowledge in the field of Law and Administration. Presently, Mr. R. Krishnamurthy practices as an Advocate in the High Court of Karnataka.



Ms. Junia Sebastian, Independent Director

Ms. Junia Sebastian is part of ALMT's corporate-commercial team. She was admitted to the Bar in 2001 after receiving BA and BL degree from Dr. Ambedkar Government Law College in Chennai. She had completed her Masters' in International Law and Constitutional Law from University of Madras in 2003. Prior to joining ALMT Legal in August 2004, she was working with another reputed law firm, Dr. Kainth & Associates in Chennai and Bangalore. Ms. Junia has advised and assisted a number of clients in establishing their presence in India and overseas jurisdictions through incorporations of companies and/or setting up of branch/liaison offices. She has also been involved in filing of applications for approvals and reporting with the Foreign Investment Promotion Board and Reserve Bank of India. Ms. Junia has also advised a number of Indian & foreign companies in matters relating to issue of securities including Initial Public Offerings, Rights Issues, Qualified Institutional Placements. Her Capital Markets experience includes acting for the listing company or investment banks in Initial Public Offerings of Indian companies on Indian stock exchanges and their foreign holding entities on the Alternative Investment Market. Ms. Junia has extensively worked on various employment law matters including those arising as a consequence of business transfers, integration of acquired businesses and internal compliance audits. In this regard, she has drafted and advised on employment related documentation including ESOPs (Employee Stock Ownership Plan), Employee Policies and Code of Conduct, Employee Contracts for senior managers and service agreements.

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BOARD OF DIRECTORS :

B.V. Krishna Reddy

Managing Director

Mamta Sundara

R. Krishnamurthy

Junia Sebastian

CHIEF FINANCIAL OFFICER :

Gopal Kothari

COMPANY SECRETARY :

Santhosh Kumar Keerthi

AUDITORS :

Lodha & Co.,

Chartered Accountants,
6, Karim Chambers, 40,
A. Doshi Marg, (Hamam Street),
Mumbai 400 001

REGISTERED OFFICE :

Roxana Towers, Ground Floor,
M.No.7-1-24/1RT/G1&G2,
Greenlands, Begumpet,
Hyderabad 500 016

CORPORATE OFFICE :

Level 6, UB Tower, #24,
Vittal Mallya Road, Bangalore 560 001

**REGISTRARS &
TRANSFER AGENTS :**

**Venture Capital and Corporate Investments
Private Limited**

H.No.12-10-167, Bharat Nagar,
Hyderabad 500 018
Tel: 040 2381 8475/76,
Fax: 040 2386 8024

Report of the Directors

Your Directors have pleasure in presenting the 24th Annual Report of your Company and the audited financial statements for the year ended March 31, 2017.

FINANCIAL RESULTS

The Summary of Financial Performance of the Company for the year 2016-17 is as under:

(Rs. in Lakhs)

Particulars	2016-17	2015-16
Gross sales	9,403.31	10,797.83
Add: Other operating revenue (excludes Government grant)	256.29	95.28
Add: Other income	3.50	1.35
Total Income	9,663.11	10,894.46
Less: Cost of goods sold	7,384.16	7,758.57
Less: Excise duty	14.42	37.54
Less: Other costs	3,619.37	3,017.77
Earnings before government grant, depreciation, interest and taxes	-1,354.85	80.59
Add: Government grant	1,655.11	8,127.27
Earnings before depreciation, interest and taxes	300.27	8,207.86
Less: Interest costs	1,931.60	2,400.60
Less: Depreciation	2,732.81	2,552.76
Earnings before taxes	-4,364.14	3,254.50
Income taxes	-1,344.09	1,007.49
Total comprehensive income available for appropriation	-3,020.05	2,247.01
Retained earnings of previous year	-4323.08	-6570.09
Balance carried to Balance Sheet	-7343.12	-4323.08

DIVIDEND

In view of the Loss, your Directors do not recommend any Dividend on the equity shares of the Company.

BOARD MEETINGS

During the year under review, eight Board Meetings were held. The details of the same are covered in the Corporate Governance Report.

Report of the Directors (Contd.)

STATE OF COMPANY'S AFFAIRS

There have been no significant or material orders passed by the regulators or Courts or Tribunals impacting the going concern status and the company's operations in future.

Performance of the Company

The Company has achieved a Turnover of Rs.9,403.31 Lakhs for the financial year ended March 31, 2017 against the Turnover of Rs.10,797.83 Lakhs as on March 31, 2016. The Company has incurred a loss of Rs.4,364.14 Lakhs before tax.

Impact of Goods and Services Tax (GST)

GST will not have any direct effect on the liquor industry, as liquor is outside GST. However inputs and services used for manufacture and sale would attract GST. While our initial assessment shows that GST would be levied on purchase of molasses whereas the output i.e. Molasses based ENA is out of GST levy, actual tax structure would only be known once the final rates and rules are notified. In any case, molasses based ENA is only a portion of your Company's portfolio which also includes Grain based ENA, Malt spirit and IMFL bottling. Other facilities of your Company would carry-out its activities as usual. We will put together all the mitigation plan that is possible, so that the overall impact of GST on the Company is minimal.

DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialization mode. As on March 31, 2017, equity shares representing 92.39% of the equity share capital are in dematerialization form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail of the facility of dematerialization of the Company's shares.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

As per the provisions of the Companies Act, 2013 (the Act), Ms. Mamta Sundara retires by rotation and, being eligible, offers herself for re-appointment. A brief profile of Ms. Mamta Sundara is provided in the Notice of this AGM.

As per declarations received, no Director of the Company is disqualified to be appointed as a Director of any Public Limited Company in terms of Section 164(2) of the Companies Act, 2013.

DECLARATION FROM INDEPENDENT DIRECTORS

In terms of Section 149(7) of the Companies Act, 2013, Independent Director(s) of the Company have submitted a declaration that they meet the criteria of Independence.

Report of the Directors (Contd.)

FAMILIARISATION PROGRAMME UNDERTAKEN FOR INDEPENDENT DIRECTORS

The details of familiarisation programme of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are put up on the website of the Company at the link: <http://www.pioneerdistilleries.com/policies.php>.

REMUNERATION POLICY

The ratio of the remuneration of each director to the median employee's remuneration, the names of the top ten employees in terms of remuneration drawn and other details during the financial year 2016-17, in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) & (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the annexure, that is attached herewith and marked as **Annexure A** and also in the Corporate Governance Report and form MGT 9, which forms part of this report. As stated in the Corporate Governance Report, sitting fees were paid to Independent Directors for attending Board/Committee meetings. They are also entitled for reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred in attending such meetings.

PERFORMANCE EVALUATION

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

MATERIAL CHANGES AND COMMITMENTS

There are no material changes and commitments affecting the financial position of your Company between the end of the financial year of the Company to which the financial statements relate and on the date of this report.

COMMITTEES

The Companies Act, 2013 provides for the formation and duties of various committees of the Board. The Company has in place the required Committees with specific defined roles, duties and responsibilities.

Details of various Committees, meetings held and attendance at the various Committee meetings are given in the Corporate Governance Report.

Report of the Directors (Contd.)

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

There are no loans given, investments made, guarantees given and securities provided by the Company which are covered under the provisions of the Section 186 of the Companies Act, 2013.

INTERNAL FINANCIAL CONTROLS

Your Company has established and maintained a framework of internal financial controls and compliance systems. Based on Board's review of the effectiveness of the policies and procedures adopted by the Company for ensuring orderly and efficient conduct of its business, including adherence to Company's policy, safeguarding its assets, prevention and detection of frauds and errors and completeness of accounting records and timely preparation of financial statements and the confirmation received from the external parties, the Board has satisfied itself that the Company has laid down internal financial controls, commensurate with size of the Company and that such internal financial controls are broadly adequate and are operating effectively. The certification by the auditors on internal financial control forms part of the audit report.

AUDITORS

M/s. Lodha & Co, Chartered Accountants, Statutory Auditors of your Company, have tendered their resignation with effect from the conclusion of the ensuing 24th Annual General Meeting (AGM). The Audit Committee at their meeting held on June 23, 2017, recommended the appointment of M/s. Price Waterhouse & Co Chartered Accountants LLP, (FRN 304026E/E-300009) who have given their consent and willingness to be appointed as Auditors of your Company. The Board of Directors at their meeting held on the same day, approved the recommendation of the Audit Committee and proposed to appoint M/s. Price Waterhouse & Co Chartered Accountants LLP, as Auditors of your Company for a period of 5 years from the conclusion of the ensuing 24th AGM till the conclusion of the 29th AGM of the Company subject to the approval of the members of the Company at the ensuing AGM.

SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Mr. Sudhir Hulyalkar, a Company Secretary in Practice to undertake the Secretarial Audit of the Company for the Financial Year 2016-17. The Secretarial Audit Report is given as **Annexure B**, forming part of this Report.

RISK MANAGEMENT

The Company has a Risk Management framework. Risk evaluation by the management is an ongoing process within the organisation and is periodically reviewed by the Board of Directors. Risk Management has been made part of Audit Committee by re-constituting the Audit Committee as Audit and Risk Management Committee.

Report of the Directors (Contd.)

WHISTLE BLOWER MECHANISM

The Company promotes ethical behaviour in all its business activities and has put in place a mechanism for reporting illegal or unethical behaviour. The Company has a Whistle blower mechanism under which the employees and Directors are free to report violations of applicable laws and regulations and the Code of Conduct. During the year under review, no employee was denied access to the Audit Committee. The Whistle Blower Mechanism of the Company can be accessed on the website at the following link: www.reportlineweb.com/ispeak.

RELATED PARTY TRANSACTIONS

The Company has formulated a Policy on dealing with Related Party Transactions (RPTs). The Policy is disclosed on the website of the Company at the web link: <http://www.pioneerdistilleries.com/policies.php>. All transactions entered into with Related Parties as defined under the Companies Act, 2013 and Regulation 23 of the SEBI Listing Regulations during the year were in the ordinary course of business and at an arm's length basis. There are no materially significant RPTs made by the Company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

The details of the RPTs in Form AOC-2 is enclosed and marked as **Annexure C**. In accordance with Ind AS 24, the RPTs are disclosed under Note 36 to the financial statements.

CORPORATE GOVERNANCE REPORT

A report on the Corporate Governance is annexed separately as part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

FIXED DEPOSITS

The Company has not accepted any deposits from public during the year.

LISTING OF EQUITY SHARES OF THE COMPANY

The Equity Shares of your Company continue to be listed with BSE Limited and National Stock Exchange of India Limited. The Annual Listing fees for the year 2017-18 have been paid to these Stock Exchanges.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

In terms of Sections 124 and 125 of the Act (erstwhile Section 205A(5) and 205 C of the Companies Act, 1956), read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), both of which were applicable with effect from September 07, 2016, the unclaimed/unpaid dividend remaining unclaimed / unpaid for a period of seven years, have been transferred to the IEPF.

Report of the Directors (Contd.)

Necessary compliance under Rule 3 of the Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012 have been followed.

Financial Year	Date of declaration	Amount Unclaimed/Unpaid as on 31.03.2017 (Rs.)	Due date for transfer
2009-10	25/09/2010	295,809	24/10/2017

HUMAN RESOURCES

None of the employee draws remuneration in excess of the limit prescribed under rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under the Act is given in **Annexure D** to this Report.

EXTRACT OF THE ANNUAL RETURN

Pursuant to the provisions of Section 134(3)(a) of the Companies Act, 2013 an extract of the Annual Return in Form MGT-9 is given in **Annexure E** to this Report.

CORPORATE SOCIAL RESPONSIBILITY

Your company believes that the company will grow as the communities around the facility also grows, by serving these communities, thereby creating value to the Company. Your Company is presently not required to spend any amount under Corporate Social Responsibility (“CSR”) due to the average net profit of the last three years being negative. However, the Company has still met its social objectives by spending on the following CSR activities, in the vicinity of the Company’s factory:

1. Built a road from Allur Village to Jackwell as the road was not accessible to the villages to go for their work for irrigation.
2. Revamped the electrical infrastructure and other welding works in Zillaparishad School at Balapur village.
3. Purchased digital classroom setup for Zillaparishad School at Balapur village to help school children learn the basic computer knowledge and access to internet.
4. Arranged “PAN-POI” – water stall in the Balapur village to provide drinking water facility during summer.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has implemented a policy on Prevention of Sexual Harassment at the Workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee has been setup to redress complaints received regarding sexual harassment. No complaint was received by the Company during the year ended March 31, 2017.

Report of the Directors (Contd.)

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies, Act, 2013, the Board of Directors state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) appropriate accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year ended March 31, 2017;
- (iii) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis;
- (v) proper internal financial controls which are commensurate with the nature, size and complexity of its business have been followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (vi) the Company has a system of getting reports of compliances periodically from the unit and has implemented proper systems in place to ensure compliance with the provisions of all applicable laws so that such systems are adequate and operate effectively.

ACKNOWLEDGEMENT

Your Directors place on record their sincere appreciation for the continued support from employees, shareholders, customers, suppliers, Banks, Auditors, Government of Maharashtra & Telangana and other business associates.

By Authority of the Board

Bangalore
June 23, 2017

B.V. Krishna Reddy
Managing Director

Mamta Sundara
Director

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company recognizes that good Corporate Governance is a continuous process and accordingly adheres to the basic tenets of integrity, fairness and transparency in all its operations and believes that its operations and action must result in sustained growth and long term benefits to all its stakeholders.

Your Company is in compliance with the requirements of Corporate Governance stipulated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations).

2. BOARD OF DIRECTORS

The Board of Directors of the Company at present comprises of a Managing Director, one Non-Executive Director and two Independent Directors.

During the financial year under review, eight Board Meetings were held i.e. on April 20, 2016, May 16, 2016, June 24, 2016, August 05, 2016, August 25, 2016, September 26, 2016, November 11, 2016 and February 06, 2017.

Attendance of each Director at the Board Meetings during the financial year 2016-17 and the last Annual General Meeting (AGM) and the details of number of outside Directorships and Committee position held by each of the Directors as on date are given below:

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 26.09.2016	Number of other Companies in which Director*	No of Committees (other than the Company) as Chairperson/ Member*
Mr. B. V. Krishna Reddy	Managing Director	8	Yes	Nil	NA
Ms. Mamta Sundara	Non-Executive Director	6	Yes	Nil	NA
Mr. R. Krishnamurthy	Non-Executive Independent Director	8	Yes	2	4
Ms. Junia Sebastian+	Non-Executive Independent Director	7	Yes	3	2

* Membership, chairmanship in Audit and Stakeholders Relationship Committee only.

+Appointed as an Independent Director w.e.f April 20, 2016

NOTE:

The above details are in respect of their Directorships only in Indian Companies.

- Out of 3 other Companies in which Mr. R. Krishnamurthy is a Director, 1 is Private Limited Company, which is subsidiary of a Public Company.
- Out of 3 other Companies in which Ms. Junia Sebastian is a Director, 1 is Private Limited Company, which is subsidiary of a Public Company.
- None of the Directors of the Company are related to any other Director.

Corporate Governance Report (Contd.)

Directors' Profile

Details of the Directors seeking re-appointment at this AGM, pursuant to Regulation 36(3) of the SEBI Listing Regulations and as per the provisions mentioned in Clause 1 (1.2.5) of the Secretarial Standard – 2 on General Meetings issued by the council of Institute of Company Secretaries of India have been given along with the annexure to the Notice of the Annual General Meeting.

3. AUDIT AND RISK MANAGEMENT COMMITTEE:

The Audit and Risk Management Committee comprises at present the following Directors:

Mr. R. Krishnamurthy (Chairman)	Independent Director
Mr. B.V. Krishna Reddy	Managing Director
Ms. Junia Sebastian	Independent Director

The Committee, inter alia, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2017 and has recommended its adoption. In addition, the Committee has also reviewed unaudited quarterly results for June 30, 2016, September 30, 2016 and December 31, 2016, which were subjected to a Limited Review by the Statutory Auditors of the Company.

The terms of reference of the Audit and Risk Management Committee covers all the matters specified under the SEBI Listing Regulations as well as the provisions of Section 177 of the Companies Act, 2013 and inter alia, includes the following:

- a) Reviewing the financial statements of the Company to ensure that the statements are correct, sufficient and credible.
- b) Reviewing with the management the annual financial statements before submission to the Board focusing primarily on:
 - Changes, if any, in accounting policies and practices
 - Qualifications, if any, in the audit report
 - Compliance with the accounting standards
 - Compliance with Stock Exchange and legal requirements concerning the financial statements
- c) Reviewing with the management, external and internal auditors and the adequacy of internal control systems, internal audit system including discussion with the internal auditors any significant findings and follow up thereon.
- d) Suggestions for improvement of procedures being followed by the Company.

Mr. Santhosh Kumar Keerthi, Company Secretary & Compliance Officer, acts as Secretary of the Committee.

During the financial year under review, four meetings of the Audit and Risk Management Committee were held i.e. on May 16, 2016, August 05, 2016, November 11, 2016 and February 06, 2017. The details of attendance by members of the Committee are as follows:

Corporate Governance Report (Contd.)

Name	No. of Meetings	Meetings attended
Mr. R. Krishnamurthy (Chairman)	4	4
Mr. B.V. Krishna Reddy	4	4
Ms. Junia Sebastian	4	4

4. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee constituted by the Company comprises at present the following Directors:

Ms. Junia Sebastian (Chairperson)	Independent Director
Ms. Mamta Sundara	Non-Executive Director
Mr. R. Krishnamurthy	Independent Director

The terms of reference of the Committee covers all matters specified under the provisions of Section 178 of the Companies Act, 2013 and the provisions of the SEBI Listing Regulations and inter alia, includes the following:

- Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board of Directors their appointment and removal and shall carry out evaluation of every director's performance.
- Approve and recommend matters relating to compensation by way of salary, perquisites, benefits etc., to the Managing/Whole Time/Executive Directors of the Company.
- Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy, relating to the remuneration for the directors including independent directors, key managerial personnel and other employees.
- Shall review and recommend to the Board of Directors for approval any mandatory disclosures of the Management compensation.
- Shall provide guidance to the Human Resources Department to set up policy and procedure for succession planning of Key Managerial Personnel and other senior management of the Company.
- Shall approve any share incentive plans for the employees of the Company.

During the financial year under review, one meeting of the Nomination and Remuneration Committee was held i.e. on November 11, 2016, which was attended by Ms. Junia Sebastian, Ms. Mamta Sundara and Mr. R. Krishnamurthy.

Corporate Governance Report (Contd.)

Remuneration of Directors:

a) Executive Director

Managing Director: Mr. B.V. Krishna Reddy

Mr. B.V. Krishna Reddy was appointed as Managing Director of the Company with effect from October 01, 2015 for a period of two (2) years. The terms and conditions of appointment and remuneration of Mr. B.V. Krishna Reddy were set out in the resolution approved by the shareholders through postal ballot on May 16, 2016 and as per the applicable rules of the Company. There is no severance fee and the notice period is three months.

The remuneration paid to Mr. B.V. Krishna Reddy, Managing Director during the year ended March 31, 2017 is given in **Annexure E**, which forms part of the Report of the Directors.

b) Non-Executive Directors

At Present, the Non-Executive Directors do not draw any remuneration from the Company. Sitting Fees are paid to Independent Directors for attending Board / Committee Meetings. They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses, incurred for attending such meetings. The details of sitting fees paid to the Directors during the year under review are as under:

Name of the Director	Sitting fees (Rs.)
Mr. B.V. Krishna Reddy	Nil
Ms. Mamta Sundara	Nil
Mr. R. Krishnamurthy	2,80,000
Ms. Junia Sebastian+	2,75,000

+Appointed as an Independent Director w.e.f April 20, 2016

c) Particulars of Equity Shares of the Company currently held by the Directors are furnished below:

The Directors are not holding any Equity Shares in the Company.

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee comprises at present the following Directors:

Ms. Mamta Sundara - Non-Executive Director, Chairperson
Mr. B.V. Krishna Reddy - Managing Director

Mr. Santhosh Kumar Keerthi, Company Secretary is the Compliance Officer.

Corporate Governance Report (Contd.)

The terms of reference for the Committee include inter alia specifically to look into the redressing of Shareholders Grievances like non-receipt of Balance Sheet, non-receipt of declared Dividends, non-receipt of Share Certificates and shall inter alia operate and cover areas as may be prescribed under the Companies Act, 2013 and other applicable regulations from time to time.

The Company/Company's Registrars received 1 complaint during the financial year 2016-17, which was resolved to the satisfaction of shareholders/investors.

There are no complaints or Transfer of Shares pending as on March 31, 2017.

Corporate Social Responsibility Committee

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

Ms. Junia Sebastian (Chairperson)	Independent Director
Mr. B.V. Krishna Reddy	Managing Director
Ms. Mamta Sundara	Non-Executive Director

Share Transfer Committee

The Company has constituted a Committee of Directors namely Share Transfer Committee with authority delegated by the Board of Directors, inter alia, to approve transfer and transmission of shares, issue of new share certificates on account of certificates lost, defaced, etc.,

The Committee comprises at present the following Directors:

Mr. B.V. Krishna Reddy	Managing Director
Ms. Mamta Sundara	Non-Executive Director
Ms. Junia Sebastian	Independent Director

6. GENERAL MEETINGS

The details of the last three AGMs of the Company are furnished below:

Financial Year ended	Date	Time	Venue
March 31, 2016	September 26, 2016	12.00 Noon	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
March 31, 2015	September 30, 2015	12.00 Noon	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
March 31, 2014	September 26, 2014	12.15 p.m.	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016

Corporate Governance Report (Contd.)

The following Special Resolutions were passed by the Shareholders at the past three AGMs:

AGM held on	Subject matter of the Special Resolution
September 26, 2016	No special resolution was passed at this meeting.
September 30, 2015	No special resolution was passed at this meeting.
September 26, 2014	Approval of the Borrowing Limit

All the resolutions set out in the Notices including special resolution as above were passed by the Shareholders.

POSTAL BALLOT

The Company has not passed any resolution at the above AGMs held which was required to be passed through Postal Ballot as per the provisions of the Companies Act, 2013, and the rules framed there under. At this meeting also, there is no ordinary or special resolution proposed requiring passing by way of Postal Ballot.

The following resolutions were passed through postal ballot during the financial year 2016-17 and the details/results of the postal ballot exercise so conducted are as under:

Date of Notice of Postal Ballot	Date of Results	Period of voting	Description	Results
04.04.2016	16.05.2016	15.04.2016 to 14.05.2016	(i) Appointment of Mr. B.V. Krishna Reddy as a Director	Ordinary Resolution passed with requisite majority
			(ii) Appointment of and remuneration payable to Mr. B.V. Krishna Reddy (DIN: 07293482) as Managing Director of the Company	Special Resolution passed with requisite majority
			(iii) Approval of arrangements for recharge of salary, reimbursement of travel and other expenses, payment of guarantee commission by the Company to United Spirits Limited and transfer of accumulated leave salary	Ordinary Resolution passed with requisite majority

Mr. Sudhir V Hulyalkar, Company Secretary in Practice was appointed as scrutinizer for conducting the above said postal ballot.

No special resolution is proposed to be passed through Postal Ballot at present.

Corporate Governance Report (Contd.)

7. DISCLOSURES

(a) Disclosure on materially significant Related Party Transactions having potential conflict with the Company's interests at large:

During the period under review, the Company did not enter into any material transaction with any of its related parties having conflict with the Company's interest. All related party transactions are negotiated at an arm's length basis, and are in the best interest of the Company.

The related party transactions entered into by the Company during the financial year ended March 31, 2017, have been disclosed in the Noted to Accounts. The Company also has a policy on transaction with related parties, a copy of which can be seen at the website at the following link <http://www.pioneerdistilleries.com/policies.php>.

(b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority on any matter related to capital markets, during the last three years:

The Company has complied with the requirements of the Stock Exchanges, SEBI and other Statutory Authorities on all matters related to the capital market during, 2014-15, 2015-16 and 2016-17, except appointment of woman director on the Board of the Company on or before March 31, 2015, which has since been complied with effect from April 13, 2015 and a fine of Rs.1,00,000/- towards non-compliance with appointment of woman director requirement before April 01, 2015, has been paid to the stock exchanges.

There are no other penalties or strictures being imposed on the Company by the Stock Exchange, SEBI or any other Statutory Authorities on any matter related to capital markets, during the last three financial years.

(c) Whistle Blower/Vigil Mechanism:

The Company promotes ethical behaviour in all its business activities and has put in place a mechanism for reporting illegal or unethical behaviour. The Company has a Whistle blower mechanism under which the employees and Directors are free to report violations of applicable laws and regulations and the Code of Conduct. During the year under review, no employee was denied access to the Audit Committee. The Whistle Blower Mechanism of the Company can be accessed at the website of the Company at the following link: <http://pioneerdistilleries.com/ispeak.php>.

(d) Code of Conduct:

The Board of Directors on March 05, 2015 has adopted a revised Code of Conduct which lays down the procedures to be adhered by the Senior Management and Non-executive Directors including Independent Directors. The Code is applicable to Non-executive Directors including Independent Directors to such extent as may be applicable to them depending on their roles and responsibilities. The Code gives guidance and support needed for ethical conduct of business and compliance of law. The code is available at the website of the Company at the following link <http://www.pioneerdistilleries.com/codeofconduct.php>.

Corporate Governance Report (Contd.)

(e) Disclosure of Accounting Treatment:

Your Company has followed all relevant accounting standards while preparing the financial statements.

8. MEANS OF COMMUNICATION

The unaudited quarterly results and audited annual results are disclose to all the Stock Exchanges, where the equity shares of the Company are listed. The results are normally published in “Financial Express” (English Daily) and “Andhra Prabha” (Telugu Daily). The results are also displayed on the Company’s website www.pioneerdistilleries.com. The news clause has been set up on the Company’s website as given above for disclosing news updates, if any.

The Company has designated an exclusive Email Id viz. pdlinvestor@unitedspirits.in to enable the investors to post their grievances and monitor its redressal.

9. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required by Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Management Discussion and Analysis Report is appended and forms part of the Annual Report.

10. GENERAL SHAREHOLDER INFORMATION

a)	AGM Date, Time and Venue	Friday, July 28, 2017 at 12.00 Noon on Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
b)	Financial Year	April 01 to March 31
	First Quarterly Results	By August 14
	Second Quarterly Results	By November 11
	Third Quarterly Results	By February 06
	Audited Financial Results	By May 10
c)	Dividend payment date	NA
d)	Listing on Stock Exchanges	The shares of the Company are listed on the following Stock Exchanges: 1. BSE Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 2. NSE Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400 051

Corporate Governance Report (Contd.)

The Annual Listing fees for the financial year and 2017-18 has been paid by the Company to the respective Stock Exchanges.

e)	Stock Code			
	BSE	531879		
	NSE	PIONDIST		
	ISIN No.	INE889E01010 (NSDL & CDSL) - for Equity Shares		
f)	Market price data	As per Annexure A		
g)	Stock performance in comparison to BSE Sensex	As per Annexure B		
h)	Suspension from trading	NA		
i)	Registrar and Transfer Agents	Venture Capital and Corporate Investments Private Limited Regd. Off: 12-10-167, Bharat Nagar Hyderabad 500 018 Tel: (040) 2381 8475 / 2381 8476 / 2386 8023 Fax: (040) 2386 8024 Email: info@vccilindia.com Website: www.vccilindia.com		
j)	Share Transfer System	The power to consider and approve share transfers / transmission / transposition / consolidation / subdivision etc. has been delegated to a Committee of Directors named Share Transfer Committee. The requirements under the SEBI Listing Regulations/ Statutory regulations in this regard are being followed.		
k)	Distribution of Shareholding	As per Annexure C		
l)	Dematerialisation of shares (as on March 31, 2016)	Depositories	Shares	%
		NSDL	11354800	84.81
		CDSL	1014107	7.58
		Total	12368907	92.39
m)	Outstanding GDRs/ADRs/Warrants or any other instruments	NA		
n)	Commodity price risk or foreign exchange risk and hedging activities	NA		

Corporate Governance Report (Contd.)

o)	Plant Location	Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra 421 809
p)	Address for Correspondence	<p>Shareholder correspondence should be addressed to the Company's Registrars and Transfer Agents: Venture Capital and Corporate Investments Private Limited Regd. Off: 12-10-167, Bharat Nagar Hyderabad 500 018 Tel: (040) 2381 8475 / 2381 8476 / 2386 8023 Fax: (040) 2386 8024 Email: info@vccilindia.com Website: www.vccilindia.com</p> <p>Investors may also write or contact the Company Secretary, Mr. Santhosh Kumar Keerthi, at the Registered Office of the Company at Roxana Towers, Ground Floor, M.No.7-1-24/RT/G1&G2, Greenlands, Begumpet, Hyderabad 500 016 Tel: +91 40 2970 3391, +91 80 3964 2207; Fax: +91 80 3985 6862</p> <p>In compliance with the provisions of Regulation 46 (2) (j) of the SEBI Listing Regulations, an exclusive email id, viz. pdlinvestor@unitedspirits.in has been designated for registering complaint by the Investor and its redressal, which has been displayed on the website of the Company www.pioneerdistilleries.com</p>

NON MANDATORY REQUIREMENTS

1	Chairman of the Board	The Directors elect one of them as the Chairperson from time to time.
2	Shareholders Rights	The Company's quarterly results are being published in Financial Express and Andhra Prabha Newspapers.
3	Audit Qualifications	The Report of the Auditors on the Financial Statements for the year ended March 31, 2017 does not contain any qualification or adverse remark.
4	Separate post of Chairman & CEO	Mr. B.V. Krishna Reddy is Managing Director and is not designated as Chairman.
5	Reporting of Internal Auditor	The Internal Auditor reports directly to the Audit Committee.

Corporate Governance Report (Contd.)

ANNEXURE A: MARKET PRICE DATA

Pioneer Distilleries Limited – Monthly BSE

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
April 2016	173.10	121.50	130.90	267164
May 2016	143.00	115.20	127.30	179124
June 2016	164.70	121.00	154.60	366785
July 2016	158.90	145.00	147.80	78332
August 2016	150.90	103.50	125.00	216807
September 2016	247.00	124.00	241.00	5499767
October 2016	248.70	211.20	214.70	177653
November 2016	227.35	143.10	199.80	244356
December 2016	213.20	175.25	185.00	113603
January 2017	196.80	181.00	184.90	71899
February 2017	187.00	171.80	180.00	27066
March 2017	190.00	162.00	164.10	43822

[Source: This information is compiled from the data available from the website of BSE]

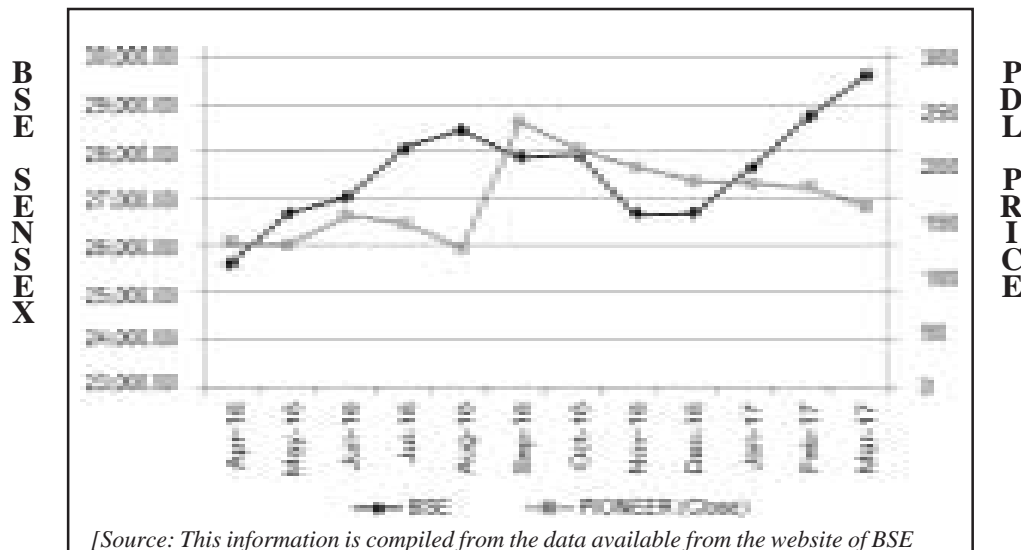
Pioneer Distilleries Limited – Monthly NSE

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
April 2016	172.75	121.05	130.35	493802
May 2016	143.85	114.25	127.90	430751
June 2016	165.00	116.00	155.10	795761
July 2016	160.30	145.20	146.45	282191
August 2016	151.25	102.10	124.50	674259
September 2016	247.70	124.00	239.10	2090782
October 2016	248.90	211.50	213.85	664575
November 2016	227.00	131.95	200.05	892397
December 2016	213.00	172.05	184.30	395116
January 2017	198.00	176.15	184.05	207434
February 2017	187.00	171.00	178.95	119502
March 2017	185.00	161.35	163.30	137235

[Source: This information is compiled from the data available from the website of NSE]

Corporate Governance Report (Contd.)

ANNEXURE B: PIONEER DISTILLERIES LIMITED, SHARE PRICES COMPARED TO BSE SENSEX



ANNEXURE C: DISTRIBUTION OF SHAREHOLDING (as on March 31, 2017)

VALUEWISE

Shareholding of nominal value (Rs.)	Shareholders		Share Amount		
	Number	% to Total	in Rs.	% to Total	
(1)	(2)	(3)	(4)	(5)	(6)
Up to - 5000	3384	82.98	3683050	2.75	
5001 - 10000	339	8.31	2913940	2.18	
10001 - 20000	163	4.00	2503050	1.87	
20001 - 30000	59	1.45	1497820	1.12	
30001 - 40000	29	0.71	1051960	0.79	
40001 - 50000	26	0.64	1245980	0.93	
50001 - 100000	40	0.98	2913400	2.18	
100001 and above	38	0.93	118072800	88.19	
Total	4078	100	133882000	100	

Corporate Governance Report (Contd.)

CATEGORYWISE

Category	No. of shares	% of Equity Capital
Promoter	10041150	75.00
Banks/FI/FII/MF/UTI/Trust/Central/State Government & Insurance Companies	104710	0.78
Resident Body Corporate (including clearing members)	212614	1.59
Resident Individual	1838756	13.73
NRI/OCB/FCB and Foreign Nationals	1190970	8.90
Total	13388200	100.00

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members,
Pioneer Distilleries Limited
Hyderabad 500 016

I have examined the compliance of conditions of corporate governance, as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by Pioneer Distilleries Limited (the Company) for the year ended on March 31, 2017.

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

In my opinion and to the best of my information and according to the explanations given to me, I certify that the company has complied with all the applicable conditions of Corporate Governance as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Place : Bangalore
Date : June 23, 2017

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

Corporate Governance Report (Contd.)

CEO/CFO CERTIFICATE

- A. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2017 and that to the best of our knowledge and belief:
1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the auditors and the Audit committee:
1. Significant changes in internal control over financial reporting during the year; and
 2. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;

Bangalore
June 23, 2017

B.V. Krishna Reddy
Managing Director

Gopal Kothari
Chief Financial Officer

DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

In terms of the requirements of Regulation 26(3) read with Schedule V Para D of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Code of Conduct of the Company has been displayed at the Company's website www.pioneerdistilleries.com. All the members of the Board and the Senior Management personnel had affirmed compliance with the Code for the year ended March 31, 2017.

Bangalore
June 23, 2017

B.V. Krishna Reddy
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC SCENARIO

Global economy : After a lackluster outturn in 2016, economic activity is projected to pick up pace in 2017 and 2018, especially in emerging market and developing economies. As per the International Monetary fund global growth for 2016 is now estimated at 3.1% and projected the global growth for 2017-18 to be 3.4% and 3.6% respectively.

Indian economy: With the recent government initiatives like demonetization of high denomination bank notes in order to eliminate black money and the growing menace of fake Indian currency notes, developments with the improvement in the economic scenario leading to various investments and numerous steps taken under digital India will accelerate the India economy from current estimate of 7% growth for 2016-17 to 7.6% and 7.8% growth in 2017-18 and 2018-19 respectively.

INDUSTRY OVERVIEW

Indian Made foreign liquor (IMFL) segment is estimated to be valued at more than INR 3,000 Bn by 2026, expanding at a CAGR of 5.2% over the forecast period 2016-2026. IMFL segment in Indian alcohol market is expected to create absolute INR opportunity of close to INR 80 Bn in 2017 over 2016. Rapid increase in urban population is one of the key factors that is boosting the Indian alcohol market. Traditionally, brown spirits have been targeted at the urban consumer. Increasing urban population coupled with factors such as increasing disposable income and growing preference for whiskies is expected to create avenues for growth of the alcohol market in India. A change in outlook towards social consumption of alcohol, increasing alcohol consumption among women, growing prominence of “pub and cocktail culture” in urban cities and emergence of novel Food & Beverage formats has resulted in increasing demand for alcoholic beverages in the country. As of 2014, over half the country’s population (53%) was above the age of 25 years. Moreover, estimated median age of the country’s population for the same year was pegged at 27 years. Despite the slowdown, the country’s alcohol industry will still be the world’s fastest growing industry.

PRODUCT-WISE PERFORMANCE

The product wise performance of the Company is given hereunder:

- (i) **Extra Neutral Alcohol (ENA):** Production of Molasses based ENA (MENA) during the financial year April 01, 2016 to March 31, 2017 has been of the order of 10.11 LBL and production of Grain based ENA (GENA) 149.32 LBL.
- (ii) **Absolute Alcohol (Ethanol):** Production of Absolute Alcohol during the financial year April 01, 2016 to March 31, 2017 has been of the order of Nil.
- (iii) **Malt Spirit:** Production of Absolute Alcohol during the financial year April 01, 2016 to March 31, 2017 has been of the order of 19.80 LBL.

Management Discussion and Analysis Report (Contd.)

- (iv) **IMFL Bottling:** 11.20 Lacs Cases.
- (v) **CO₂:** Carbon-di-Oxide Dry Ice: Production of Carbon-di-Oxide Dry Ice during the financial year April 01, 2016 to March 31, 2017 has been of the order of 305.52 MT.
- (vi) **Special Denatured Spirit (SDS):** Production of SDS during the financial year April 01, 2016 to March 31, 2017 has been of the order of 1.56LBL.
- (vii) **Power Generation:** Production of power during the financial year April 01, 2016 to March 31, 2017 has been of the order of Nil.
- (viii) **Distillers Wet Grain Soluble (DWGS) and Distillers Dry Grain Soluble (DDGS):** Production of DWGS during the financial year April 01, 2016 to March 31, 2017 has been of the order of 12336.96 MT. Production of DDGS during the financial year April 01, 2016 to March 31, 2017 has been of the order of 399.43 MT.

BUSINESS ANALYSIS

Company overview

Pioneer Distilleries Limited is a subsidiary of United Spirits Limited(USL) – A DIAGEO group company the largest spirits manufacturing company in India and the second largest (by volume) globally, with a strong portfolio of 140 popular and trusted brands across categories. In 2011-12, USL acquired PDL and is presently holding 75% shareholding in the Company.

Industry Structure and developments

The Company's business activity falls within a single primary business segment i.e., Potable Alcohol and related products. The Company is running a 160 Kilo Litres Per Day (KLPD) Extra Neutral Alcohol (ENA) manufacturing facility comprising of 100 KLPD of Molasses based ENA and 60 KLPD of Grain based ENA, 12 KLPD Fresh Malt Spirit and 4 Lac cases per month bottling facility at Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra. The other products of the Company are Rectified Spirit / Special Denatured Spirit, commercial grade Carbon-di-Oxide and Distillery Dry Grain Soluble (DDGS) as a by-product of the process. The Company has 14.275 Megawatt (MW) electricity generation facility, 9.55 MW generation from the steam turbine for captive consumption and 4.725 MW generation of unconventional electricity from Biogas Engines for sale to the Grid. All these facilities are supported by a state of the art pollution control equipment including a multiple effect evaporator followed by a Dryer suitable for a standalone Distillery to ensure zero pollution.

OUTLOOK

As the world's fastest growing economy, with over 65 per cent population below 35 years, India's growth opportunity in the near and mid-term is exciting and invigorating. India is currently one of the most attractive destinations for the alcobev industry in the world, with a growth forecast of 13% CAGR in value over the next 5 years. With such an attractive opportunity landscape to steer growth, the industry looks

Management Discussion and Analysis Report (Contd.)

forward to support from the government in the form of relaxation in regulations and transformation of physical control systems at the State Excise Departments to digital, online processes. With the expected growth in IMFL industry the company's production capacity including IMFL bottling plant is expected to be fully utilized. We have invested around Rs.200 Cr to enhance production, productivity and efficiency. These investments will help to achieve the cost reduction, enhance quality, improve safety and reduces carbon foot print. The infrastructure of plant is being improved to meet global manufacturing standards. The investments will bring arbitrage between the produced cost & market rate.

Strengths

- **Product portfolio and diversity:** The Company's product portfolio extends across GENA, MENA, Malt Spirit, IMFL Bottling and Power Generation.
- **People Power:** The Company's success is led by an empowered and committed team of 169 employees, who are partnering it in the realization of its vision.

Risks & Concerns

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

The mandatory ethanol blending programme (EBP) implementation has triggered increased demand for ethanol from the oil marketing companies (OMCs), this ethanol is produced from molasses, the byproduct of sugar which is also used for producing alcohol. Government's plans to scale up EBP to 10% with no commensurate increase in supply, will result in a shortage of molasses for producing ENA a main component of potable alcohol. Fortunately, the government is looking to source ethanol from low-cost alternative sources like bio-waste and feedstock such as wheat, straw, rice straw and corn straw, among others. If successful, this is likely to improve molasses availability in the country and stabilize prices.

Opportunities

Entry barriers for new players: The alcohol industry in India, being highly regulated, has high entry barriers for new players, thereby creating a favorable environment for the existing players.

Demand for spirits: Indians have higher preference for spirits containing up to 42.8% alcohol content. Increase in the demand for IMFL year on year has created opportunities for distilleries to produce more and more to meet the demand.

Management Discussion and Analysis Report (Contd.)

Threats

Non availability of grains due to less production of crop will push the grain prices up, which in turn will affect the margins for GENA and Malt spirit. Similarly, non-availability of Molasses due to government encouraging production ethanol for blending into fuels will push molasses price which in turn will affect the margins for MENA. These events put pressure on the profitability of the Company.

Any drastic change in the policies of the Government and pollution laws can be considered as possible threats to the industry.

The Company believes that in order to be competitive and sustainable it has to focus on efficiency of the plant by upgrading to modern technology. Accordingly, your Company is gearing up itself to exploit the opportunities by constantly modernizing the machinery and developing innovative product applications. Constant efforts are being made to meet the stringent quality requirements. With the dedication of the management towards exploring new opportunities coupled with the Company's competitiveness and product quality, your Company will continue to explore and pursue new opportunities.

FINANCIAL AND OPERATIONAL PERFORMANCE

The financial statements of the Company are prepared in compliance with the provisions of the Companies Act, 2013 and the Generally Accepted Accounting Principles in India. In terms of the SEBI Listing Regulations, the management accepts the responsibility for the integrity and objectivity of the financial statements and the basis for various estimates used in preparing such financial statements.

The Company has achieved a Turnover of Rs.9,403.31 Lakhs for the financial year ended March 31, 2017 against the Turnover of Rs.10,797.83 Lakhs over the previous year. The Loss before tax of your Company during the financial year amounted to loss of Rs.4.364.14 Lakhs.

During the year, the Company has made all the payments to term loan Lending Institutions in accordance with the schedules of repayment. The working capital requirement of the Company is financed by the Deutsche Bank, Bangalore.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

Your Company has in place well-defined and adequately documented systems, policies, procedures and guidelines that have been reviewed by the Board. The company adheres to the laws, rules and statutes of the land. It ensures stringent compliance at all levels, and across all departments, for safeguarding its assets, prevention and detection of fraud and errors, completeness of accounting records and timely preparation of financial statements. The internal control system is supplemented by effective quarterly Internal Audit done by In-House Internal Audit team of United Spirits Limited, holding company of the Company. The company has implemented internal financial controls in a phased manner and it has been audited by E&Y. The top management and the Audit Committee of the Board of Directors regularly review the findings, recommendations and functions of Internal Audit team and Internal Financial Control Auditor. Statutory Auditors have also confirmed the same in their audit report on the Financial Statements for the year.

Management Discussion and Analysis Report (Contd.)

HUMAN RESOURCES

The company has a family of 169 (including permanent employees at plant). The Company believes that people are the important assets and hence it is committed to create an open environment and upskilling which encourages the ideas and enriches the organization's collective knowledge pool. The company aspires to evolve into a future-ready organization centered on promoting a collaborative and cohesive culture.

Your Company is now trying to focus on multiskilling to improve the productivity of the employees by giving trainings and changing roles. Company is also training the employees on Lean Six Sigma and 5s. Performance appraisals take place every six months, giving every employee sufficient time to meet his/her role requirements in the next six months. There has been no loss of production at the Company's manufacturing unit this due to the relationship that the company has maintained with the employees.

FORWARD LOOKING STATEMENTS

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

By Authority of the Board

Bangalore
June 23, 2017

B.V. Krishna Reddy
Managing Director

Mamta Sundara
Director

Report of the Directors (Contd.)

Annexure A

Disclosure in Board's report as per provisions of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

S. No.	Requirement	Disclosure			
		Name of the Director/KMP	Designation	Ratio of Median	% Increase
1	Ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year	B.V. Krishna Reddy	Managing Director	33:1	12
		Gopal Kothari	CFO	6:1#	NA#
		Santhosh Kumar Keerthi	Company Secretary	2.5:1#	NA#
2	Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	# Salary is computed by considering salaries recharged for their part-time work to the Company			
3	Percentage increase in the median remuneration of employees in the financial year	10%			
4	Number of permanent employees on the rolls of company	There were 169 employees as on March 31, 2017			
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	10% average increase for non-managerial personnel. The salary increase for managerial personnel is 12%. The annual average salary increase is based on the Company's market competitiveness as against its peer companies.			
6	Key parameters for any variable component of remuneration availed by the Directors	The key parameters for the variable pay are the Company's performance and the managerial personnel's performance.			
7	Affirmation that the remuneration is as per the remuneration policy of the company	Yes			

Report of the Directors (Contd.)

Information as required under rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

S No	Emp Name	Designation	Age	Amount (Rs)	Qualification	Experience (Years)	Date of Joining (MM - DD-YY)	Particulars of Previous Employment
1	Pappu Kumar Sharma	Sr. Manager-Projects	46	1552500	Dip. Civil Engg.	16	31-Dec-11	Asst. Manager - Civil
2	A. Murali Krishna Srinivas	Asst. General Manager	45	1485000	B. Tech.	20	1-Apr-12	Asst. Manager - Maintenance
3	Prasanna Kumar Mishra	Sr. Manager - Finance & Accounts	43	1540008	B.Com, MBA	18	26-Oct-12	Asst. Manager- Accounts
4	Basmatkar Niteenkumar Vasantrao	Manager - HR	58	1793256	B.Com, MBA	35	24-Dec-12	AVP-IR & ER
5	Praveen Kumar	DGM -Mfg	42	3223848	M.Sc.	19	17-Mar-15	Asst. General Manager
6	Ashok J. Tahade	DGM- Operation	49	4538652	B.Sc.	16	16-Mar-11	General Manager
7	Shivaji Nalkar	Sr. Manager-Process	48	2253432	M.Sc. Chemistry	23	1-May-09	General Manager
8	Varre Ramarao Chakrapani	Procurement Head	49	2050008	B.E. (Mech)	26	18-Jul-16	Sr. Manager - Purchase
9	Nerusu Bala Krishna	Electrical Head	32	1800024	B. Tech.	14	4-Aug-16	Manager Project
10	Kalpana Sharma	Sr. Manager - Finance	34	3000000	M.Com, C.A.	13	6-Mar-17	Manager Contract Management

Report of the Directors (Contd.)

Annexure B

Form No. MR-3

SECRETARIALAUDITREPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2017

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

To,
The Members,
Pioneer Distilleries Limited
Hyderabad

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

Based on my verification of the Company's books, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2017, complied with the statutory provisions listed hereunder and also that the company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Pioneer Distilleries Limited ("the Company") for the financial year ended on March 31, 2017 according to the provisions of:

- i. The Companies Act, 2013, (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-Laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (No instances for compliance requirements during the year);
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI');
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (No instances for compliance requirements during the year);
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (No instances for compliance requirements during the year);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No instances for compliance requirements during the year);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

Report of the Directors (Contd.)

- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No instances for compliance requirements during the year);
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, (No instances for compliance requirements during the year); and
 - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
-
- vi. Bombay Prohibition Act, 1949 and rules made thereunder and other applicable state excise laws;
 - vii. Legal Metrology Act, 2009 and Rules thereunder;
 - viii. Food Safety and Standards Act, 2006 and Rules and Regulations made thereunder;
 - ix. The Environment (Protection) Act, 1986 and Rules thereunder;
 - x. The Water (Prevention & Control of Pollution) Act, 1974;
 - xi. The Air (Prevention & Control of Pollution) Act, 1981;
 - xii. The Factories Act, 1948 and Rules thereunder; and
 - xiii. All other Labour, Employee and Industrial Laws to the extent applicable to the Company.

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

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc as mentioned above wherever applicable except for few procedural gaps for which the corrective measures are being taken by the Company.

I further report that

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

Adequate notices were given to all Directors to schedule the Board meetings, agenda and detailed note on agenda were sent at least seven days in advance and wherever sent at shorter period the requisite consent from the directors was obtained and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

The decisions carried through are recorded in the minutes. I did not find any dissenting views recorded in the minutes. It was informed to me that, in absence of any such dissenting views it was not required to record any such views in the minutes.

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

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

Report of the Directors (Contd.)

1. The Company has temporarily stopped the manufacturing activities of the 100 Kilo Liters Per Day Molasses Based Extra Neutral Alcohol (MENA) plant at the factory of the Company located at Balapur, Dharmabad, Nanded District, Maharashtra due to shortage of water availability and during this closure, the Company has started overhauling of the boilers (part of the said MENA plant) and the dryer. The Company has recommenced the operations of the said MENA plant with effect from January 30, 2017.
2. At the Annual General Meeting held on September 26, 2016, the shareholders of the Company have approved the following related party transactions with its holding Company – United Spirits Limited:
 - (a) Agreements for tie-up manufacture of Indian Made Foreign Liquor products and licensing of trademarks therefor.
 - (b) Arrangements for the sale of Extra Neutral Alcohol from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019.
 - (c) Arrangements for the sale of Malt Spirit from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019.
 - (d) Approval of arrangements for recharge of salary for the financial year 2016-17, 2017-18 and 2018-19.

Place: Bangalore
Date: June 23, 2017

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

Report of the Directors (Contd.)

Annexure C

FORM NO. AOC.2

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

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

Details of contracts or arrangements or transactions not at arm's length basis:

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2017, which were not at arm's length basis.

Details of material contracts or arrangement or transactions at arm's length basis:

The details of material contracts or arrangement or transactions at arm's length basis existing as on March 31, 2017 and continuing are as follows:

Name of the related party: United Spirits Limited

Nature of relationship: Holding Company

Duration of the contract: 2016-17

Nature of Contract/arrangements/transaction	Justification for entering into the Contract or arrangement or transactions	Date of approval by the Board	Amount paid or received as advance (Rs)
Sale of Extra Neutral Alcohol, Indian Made Foreign Liquor, Malt Spirit and Others	Arm's length and in the ordinary course of business	02/08/2016	6,408,982,060
Salary Recharge	Salary recharge at actuals and no markup cost added	02/08/2016	Nil
Reimbursement of Travel and other expenses	Reimbursement of expenses at actuals and no markup cost added	10/02/2016	Nil
Guarantee Commission	Arm's length and in the ordinary course of business	05/11/2015	Nil
Accumulated Leave Salary	Accumulated leave salary cost at actuals and no markup added	04/04/2016	Nil

By Authority of the Board

Bangalore
June 23, 2017

B.V. Krishna Reddy
Managing Director

Mamta Sundara
Director

Report of the Directors (Contd.)

ANNEXURE D

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

CONSERVATION OF ENERGY

With reference to energy conservation, cost reduction, utilizing alternate sources of energy and capital investment on energy conservation equipment, steps taken by the Company at its manufacturing unit were as under:

- Power saving in WTP by reducing power from 75 and 60 HP pump by replacing 12.5 and 20 HP pump.
- Automatic Power Factor Correction panels installed to increase power factor to 0.99 and hence reduction in Electrical Energy and getting incentive from MSEB.

The plans for future to save energy are as follows, many of which are currently in progress:

- Company is going to be self-sufficient on the energy front through the use of captive power.
- New Anaerobic Digesters are under commissioning and generating Methane Gas for electricity generation from Gas Engines.
- Modernization of MENA plant from Wash to RS to Wash to ENA with consumption of minimum steam has been erected.
- Installation of Raw spent wash evaporation plant to concentrate the MENA effluent up to 55-60% solid has been erected and the same will be utilized in incineration boiler as a fuel.
- Condensate polishing unit for recycling 90% water to process has been installed.
- Installation of 52 TPH Incineration boiler to consume MENA effluent as a FUEL and to achieve ZLD. 6.45 MW turbine to produce Maximum power from the Steam has been commissioned.
- DDGS Dryer was installed for enhancing the value of byproduct recovery in Grain Plant which will reduce cost of production.
- 2 new IMFL bottling lines have been installed and running successfully to reach production up to 1.5 lacs cases/month.
- Co2 plant installation completed for MENA for ecological sustainability and to increase the revenue from the by-product.

TECHNOLOGY ABSORPTION

a) Research and Development (R & D)

1. Specific areas in which R & D carried out : Nil
2. Benefits derived as a result of the above R & D : Nil
3. Future plan of action : To further develop more value added products and improve the quality of the products
4. Expenditure on R & D : Nil

b) Technology absorption, adaptation and innovation

The Company is going to install new technology in MENA with minimum steam consumption of 4 Kg/Lit of alcohol including evaporation, which will be lowest in India for molasses distillation.

Foreign Exchange Earnings and outgo:

	2016-17	2015-16
a. Earnings in Foreign Currency	Nil	Nil
b. Imports / Expenditure in Foreign Currency	Nil	Nil

By Authority of the Board

Bangalore
June 23, 2017

B.V. Krishna Reddy
Managing Director

Mamta Sundara
Director

Report of the Directors (Contd.)

Annexure E

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
As on financial year ended on 31.03.2017

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

I REGISTRATION & OTHER DETAILS:

1.	CIN	L24116TG1992PLC055108
2.	Registration Date	25/11/1992
3.	Name of the Company	Pioneer Distilleries Limited
4.	Category/Sub-category of the Company	Company having share capital
5.	Address of the Registered office & contact details	Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/G1&G2, Greenlands, Begumpet, Hyderabad 500016 Tel: +91 40 2970 3391, +91 80 3964 2207, Fax: +91 80 3985 6862
6.	Whether listed company	Yes
7.	Name, Address & contact details of the Registrar & Transfer Agent	Venture Capital and Corporate Investments Private Limited 12-10-167, Bharat Nagar Hyderabad 500 018 Tel: (040) 2381 8475 / 2381 8476 / 2386 8023 Fax: (040) 2386 8024 Email: info@vccilindia.com Website: www.vccilindia.com

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Extra Neutral Alcohol	1551	61
2	Malt Spirits	1551	32

Report of the Directors (Contd.)

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

S. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	United Spirits Limited UB Tower, #24, Vittal Mallya Road, Bangalore 560 001	L01551KA1999PLC024991	Holding Company	75	2(46)

VI. SHARE HOLDING PATTERN (Equity Share Capital Break up as % to Total Equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF									
b) Central Govt/ State Govt.									
c) Bodies Corporates	10041150	-	10041150	75	10041150	-	10041150	75	-
d) Bank/FI									
e) Any other									
SUB TOTAL: (A) (1)	10041150	-	10041150	75	10041150	-	10041150	75	-
(2) Foreign									
a) NRI- Individuals									
b) Other-Individuals									
c) Bodies Corp.									
d) Banks/FI									
e) Any other...									
SUB TOTAL (A) (2)									
Total Shareholding of Promoter (A) =(A)(1)+(A)(2)	10041150	-	10041150	75	10041150	-	10041150	75	-

Report of the Directors (Contd.)

B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds									
b) Banks/FI	0	0	0	0	4710	-	4710	0.03	0.03
c) Central govt									
d) State Govt.									
e) Venture Capital Fund									
f) Insurance Companies									
g) FIIs	899	-	899	0.01	0	-	0	0	-0.01
h) Foreign Venture Capital Funds									
i) Others (specify)									
SUB TOTAL (B)(1):	899	-	899	0.01	4710	-	4710	0.03	0.02
(2) Non Institutions									
a) Bodies corporate									
i) Indian	305587	-	305587	2.28	172045	-	172045	1.29	-0.99
ii) Overseas	-	100000	100000	0.75	-	100000	100000	0.75	Nil
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.2 lakhs	1357151	32811	1389962	10.38	1342162	45951	1388113	10.37	-0.01
ii) Individuals shareholders holding nominal share capital in excess of Rs.2 lakhs	257113	-	257113	1.92	450643	-	450643	3.37	1.45
c) Others (specify)									
Clearing Member	69490	-	69490	0.52	40569	-	40569	0.3	-0.22
Foreign Nationals									
Non Resident									
Indians	343907	879342	1223249	9.14	317628	873342	1190970	8.89	-0.25
Trusts	750	-	750	0.01	-	-	-	-	-0.01
SUB TOTAL: (B)(2)	2333998	1012153	3346151	24.99	2323047	1019293	3342340	24.97	-0.02
Total Public Shareholding (B)=(B)(1)+(B)(2)	2334897	1012153	3347050	25	2327757	1019293	3347050	25	0
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	12376047	1012153	13388200	100.00	12368907	1019293	13388200	100.00	Nil

Report of the Directors (Contd.)

ii) Shareholding of Promoter-

SNo	Promoter's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1.	United Spirits Ltd	10041150	75	-	10041150	75	-	Nil

iii) Change in Promoters' Shareholding - Nil

Report of the Directors (Contd.)

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

S No	For each of the top 10 shareholders	Shareholding at the beginning of the period		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	BALKRISHNA RAMJI DEVANI				
	At the beginning of the year	720100	5.38	720100	5.38
	Purchase/Sale	-	-	-	-
	At the end of the year	720100	5.38	720100	5.38
2	G.V.V KIRAN				
	At the beginning of the year	0	0	0	0
	Purchase on 22/4/2016	1000	0.01	1000	0.01
	Purchase on 13/5/2016	2457	0.02	3457	0.01
	Purchase on 20/05/16	930	0.01	4387	0.03
	Purchase on 27/05/16	2000	0.01	6387	0.03
	Purchase on 03/06/16	17396	0.13	23783	0.05
	Purchase on 17/06/2016	20000	0.15	43783	0.18
	Purchase on 24/06/16	12344	0.09	56127	0.33
	Purchase on 01/07/16	4800	0.04	60927	0.42
	Purchase on 08/07/16	10000	0.07	70927	0.46
	Purchase on 15/07/16	10000	0.07	80927	0.53
	Purchase on 22/07/16	12031	0.09	92958	0.60
	Purchase on 29/07/16	24349	0.18	117307	0.69
	Purchase on 05/08/16	8029	-0.06	125336	0.88
	Sale on 06/01/17	-1212	-0.01	124124	0.94
	Sale on 15/01/17	-46	0	124078	0.93
	Sale on 20/01/17	-532	0	123546	0.93
	Sale on 17/02/17	-270	0	123276	0.92
	Sale on 24/02/17	-1212	-0.01	122064	0.92
	Sale on 03/03/17	-1670	-0.01	120394	0.91
Sale on 10/03/17	-157	0	120237	0.90	
Purchase on 24/03/17	2	0	120239	0.90	
At the end of the year	120239	0.90	120239	0.90	
3	PHILIP THOMBRA ANTONY				
	At the beginning of the year	94217	0	94217	0.70
	Purchase on 06/05/2016	5000	0.04	99217	0.74
	Sale on 13/05/2016	-1500	-0.01	97717	0.73
	Purchase on 20/05/2016	3300	0.02	101017	0.75
	Purchase on 03/06/2016	3511	0.03	104528	0.78
	Sale on 10/06/2017	-3053	-0.02	101475	0.76
	Purchase on 17/06/2016	3104	0.02	104579	0.78
	Sale on 24/06/2016	-1051	-0.01	103528	0.77
	Sale on 30/06/2016	-29	0	103499	0.77
	Purchase on 01/07/2016	1529	0.01	105028	0.78
	Purchase on 08/07/2016	850	0.01	105878	0.79
	Sale on 22/07/2016	-1465	-0.01	104413	0.78

Report of the Directors (Contd.)

	Purchase on 05/08/2016	48	0	104461	0.78
	Purchase on 19/09/2016	6330	0.05	110791	0.83
	Purchase on 30/09/2016	7489	0.06	118280	0.88
	Sale on 07/10/2016	-3329	-0.02	114951	0.86
	Purchase on 14/10/2016	3935	0.03	118886	0.89
	Sale on 02/12/2016	-2055	-0.02	116831	0.87
	Sale on 30/12/2016	-2839	-0.02	113992	0.85
	Sale on 31/12/2016	-723	-0.01	113269	0.85
	Sale on 20/01/2017	-2497	-0.02	110772	0.83
	Purchase on 17/03/2017	740	0.01	111512	0.83
	Purchase on 24/03/2017	1051	0.01	112563	0.84
	Purchase on 31/03/2017	559	0	113122	0.84
	At the end of the year	113122	0.84	113122	0.84
4	MEDICI HOLDINGS LTD				
	At the beginning of the year	100000	0.75	100000	0.75
	Purchase/sale	-	-	-	-
	At the end of the year	100000	0.75	100000	0.75
5	AMIT NARENDRA VIRA				
	At the beginning of the year	63275	0.47	63275	0.47
	Purchase on 17/06/2016	1800	0.01	65075	0.49
	Purchase on 24/06/2016	4766	0.04	69841	0.52
	Purchase on 01/07/2016	5310	0.04	75151	0.56
	Purchase on 22/07/2016	8963	0.07	84114	0.63
	Sale on 29/07/2016	-2448	-0.02	86562	0.65
	Sale on 12/08/2016	-7134	-0.05	93696	0.70
	Purchase on 02/09/2016	3586	0.03	97282	0.73
	Sale on 07/10/2016	-16000	-0.12	81282	0.61
	Sale on 14/10/2016	-1000	-0.01	82282	0.61
	At the end of the year	82282	0.61	82282	0.61
6	SELLAPPAN SIVANESAN				
	At the beginning of the year	51466	0.38	51466	0.38
	Purchase on 06/05/2016	1201	0.01	52667	0.39
	Purchase on 13/05/2016	50	0	52717	0.39
	Purchase on 17/06/2016	2000	0.01	54717	0.41
	Purchase on 24/06/2016	131	0	54848	0.41
	Purchase on 30/06/2016	50	0	54898	0.41
	Purchase on 22/07/2016	4102	0.03	59000	0.44
	Purchase on 21/10/2016	3000	0.02	62000	0.46
	Purchase on 28/10/2016	5000	0.04	67000	0.50
	Purchase on 04/11/2015	3008	0.02	70008	0.52
	Sale on 20/01/2017	-500	0	69508	0.52
	Purchase on 10/02/2017	20	0	69528	0.52
	Purchase on 03/03/2017	400	0	69928	0.52
	Purchase on 10/03/2017	100	0	70028	0.52
	At the end of the year	70028	0.52	70028	0.52
7	PHILIP THOMBRA ANTONY				
	At the beginning of the year	93575	0.70	93575	0.70
	Purchase on 06/05/2016	500	0	94075	0.70
	Sale on 20/05/2016	-1500	-0.01	92575	0.69
	Sale on 17/06/2016	-3553	-0.03	89022	0.66
	Sale on 24/06/2016	-449	0	88573	0.66

Report of the Directors (Contd.)

	Sale on 30/06/2016	-1529	-0.01	87044	0.65
	Sale on 01/07/2016	-8470	-0.06	78574	0.59
	Sale on 15/07/2016	-237	0	78337	0.59
	Sale on 22/07/2016	-7967	-0.06	70370	0.53
	Sale on 29/07/2016	-7750	-0.06	62620	0.47
	Sale on 05/08/2016	-2000	-0.01	60620	0.45
	Sale on 12/08/2016	-1417	-0.01	59203	0.44
	Purchase on 19/08/2016	3250	0.02	62453	0.47
	Purchase on 26/08/2016	2210	0.02	64663	0.48
	Purchase on 19/09/2016	2680	0.02	67343	0.50
	Purchase on 30/09/2016	5358	0.01	72701	0.54
	Sale on 07/10/2016	-887	-0.01	71814	0.54
	Sale on 14/10/2016	-6298	-0.05	65516	0.49
	Sale on 21/10/2016	-125	0	65391	0.49
	Purchase on 28/10/2016	994	0.01	66385	0.50
	Purchase on 04/11/2016	5518	0.04	71903	0.54
	Purchase on 18/11/2016	300	0	72203	0.54
	Sale on 09/12/2016	-2183	-0.02	70020	0.52
	Sale on 16/12/2016	-2172	-0.02	67848	0.51
	Sale on 23/12/2016	-1595	-0.01	66253	0.49
	Sale on 30/12/2016	-250	0	66003	0.49
	Sale on 06/01/2017	-48	0	65955	0.49
	Sale on 13/01/2017	-2506	-0.02	63449	0.47
	Sale on 20/01/2017	-1500	-0.01	61949	0.46
	Purchase on 10/02/2017	125	0	62074	0.46
	Purchase on 17/02/2017	12	0	62086	0.46
	Purchase on 24/02/2017	1574	0.01	63660	0.48
	Purchase on 03/03/2017	2742	0.02	66402	0.50
	Sale on 24/03/2017	-635	0	65767	0.49
	Purchase on 31/03/2017	190	0	65957	0.49
	At the end of the year	65957	0.49	65957	0.49
8	PRAVEEN GOEL				
	At the beginning of the year	27672	0.21	27672	0.21
	Purchase on 17/06/2016	4250	0.03	31922	0.24
	Purchase on 30/09/2016	7700	0.06	39622	0.30
	Purchase on 10/07/2016	9050	0.07	48672	0.36
	Purchase on 13/01/2017	3000	0.02	51672	0.39
	At the end of the year	51672	0.39	51672	0.39
9	BIPIKABEN B PATEL AND BHARATBHAI RAMANBHAI PATEL				
	At the beginning of the year	6000	0.04	6000	0.04
	Sale on 08/04/2016	-2000	-0.06	4000	0.03
	Sale on 29/4/2016	-500	0	3500	0.03
	Sale on 6/5/2016	-50	0	3450	0.03
	Purchase on 17/6/2016	1450	0.01	4900	0.04
	Purchase on 24/6/2016	3500	0.03	8400	0.06
	Sale on 8/7/2016	-2900	-0.02	5500	0.04
	Sale on 15/7/2016	-500	0	5000	0.04
	Purchase on 19/8/2016	1050	0.01	6050	0.05
	Purchase on 9/9/2016	7887	0.06	13937	0.10
	Purchase on 16/9/2016	1113	0.01	15050	0.11
	Purchase on 19/9/2016	950	0.01	16000	0.12

Report of the Directors (Contd.)

	Purchase on 23/9/2016	2755	0.02	18755	0.14
	Purchase on 30/9/2016	4345	0.03	23100	0.17
	Purchase on 7/10/2016	400	0	23500	0.18
	Sale on 11/11/2016	-6189	-0.05	17311	0.13
	Purchase on 25/11/2016	2605	0.02	19916	0.15
	Purchase on 02/12/2016	84	0	20000	0.15
	Purchase on 23/12/2016	871	0.01	20871	0.16
	Purchase on 30/12/2016	379	0	21250	0.16
	Purchase on 06/01/2017	25	0	21275	0.16
	Purchase on 20/01/2017	1725	0.01	23000	0.17
	Purchase on 27/01/2017	1000	0.01	24000	0.18
	Purchase on 10/02/2017	1000	0.01	25000	0.19
	Purchase on 17/02/2017	1250	0.01	26250	0.20
	Purchase on 24/02/2017	1387	0.01	27637	0.21
	Purchase on 10/03/2017	2459	0.02	30096	0.22
	Purchase on 17/03/2017	900	0.01	30996	0.23
	Purchase on 24/03/2017	650	0	31646	0.24
	Purchase on 31/03/2017	2150	0.02	33796	0.25
	At the end of the year	33796	0.25	33796	0.25
10	GEORGE K K				
	At the beginning of the year	28115	0.21	28115	0.21
	Purchase on 27/05/2016	1500	0.01	29615	0.22
	Purchase on 10/06/2016	24	0	29639	0.22
	Sale on 30/06/2016	-621	0	29018	0.22
	Sale on 08/07/2016	-879	-0.01	28139	0.21
	At the end of the year	28139	0.21	28139	0.21

Report of the Directors (Contd.)

(v). **Shareholding of Directors and Key Managerial Personnel - Nil**

V. **Indebtedness**

Indebtedness of the Company including interest outstanding/accrued but not due for payment (in Rs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	136,496,774	1,568,519,573	9,950,000	1,714,966,347
(ii) Interest due but not paid	0	0	0	0
(iii) Interest accrued but not due	0	523,467,566	0	523,467,566
Total (i+ii+iii)	136,496,774	2,091,987,139	9,950,000	2,238,433,913
Change in Indebtedness during the financial year				
Addition	0	918,575,363	6,300,000	924,875,363
Reduction	(136,496,774)	(27,795,309)	0	(164,292,083)
Net Change	(136,496,774)	890,780,054	6,300,000	760,583,280
Indebtedness at the end of the financial year				
(i) Principal Amount	0	2,337,587,596	16,250,000	2,353,837,596
(ii) Interest due but not paid	0	0	0	0
(iii) Interest accrued but not due	0	645,179,597	0	645,179,597
Total (i+ii+iii)	0	2,982,767,192	16,250,000	2,999,017,192

Report of the Directors (Contd.)

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

S No	Particulars of Remuneration	B.V. Krishna Reddy (Managing Director)	Total (in Rs)
1	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	74,24,420	74,24,420
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	5,76,000	5,76,000
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission -as % of Profit Others	-	-
5	Others	-	-
	Total (A)	80,00,420	80,00,420
	Ceiling as per the Act @5% for 1 Executive Director or limit as per schedule V, whichever is higher		2,40,00,000

B. Remuneration to other directors

	Names of Directors		Total (in Rs)
Independent Directors	Mr. R. Krishnamurthy	Ms. Junia Sebastian	
Fee for attending board and committee meetings	2,80,000	2,75,000	5,55,000
Commission	-		-
Others, (Please specify)	-		-
Total Managerial Remuneration	2,80,000	2,75,000	5,55,000
Ceiling as per the Act @1% for all the Non-Executive Directors excluding Sitting Fees, which is not subject to limits	Not Applicable		

Report of the Directors (Contd.)**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/
WTD (in Rs)**

S. No.	Particulars of Remuneration	Santhosh Kumar Keerthi (Company Secretary)	Gopal Kothari (CFO)	Total
1	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	552,516	1,307,058	1,859,574
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission -as % of Profit Others – Specify	-	-	-
5	Others	-	-	-
	Total (A)	552,516	1,307,058	1,859,574

Report of the Directors (Contd.)

VII Penalties / Punishment/ Compounding of Offences:

There has been no penalty or punishment under the Companies Act 2013 for the year ended March 31, 2017. However, during the year the Company has applied for Compounding of certain offences under the Act, the detail of which are mentioned below:

Type	Section of the Companies Act	Brief Description	Details of Compounding fees imposed	Authority	Appeal made, if any
COMPANY					
Pioneer Distilleries Limited	149&172 and 177 & 178	Non-appointment of minimum number of Independent directors on the Board within one year of the Companies Act, 2013 coming into effect and consequent non-constitution of Audit Committee and Nomination and Remuneration Committee.	350000	NCLT	NA
DIRECTORS					
Mr. B.V. Krishna Reddy – Managing Director	149&172 and 177 & 178	-do-	125000	NCLT	NA
OTHER OFFICERS IN DEFAULT					
Mr. Santhosh Kumar Keerthi – Company Secretary	149&172 and 177 & 178	-do-	125000	NCLT	NA
Mr. Gopal Kothari - Chief Financial Officer	149&172 and 177 & 178	-do-	125000	NCLT	NA
Mr. Debasis Chaudhuri - Former Chief Financial Officer	149&172 and 177 & 178	-do-	125000	NCLT	NA

By Authority of the Board

Bangalore
June 23, 2017

B.V. Krishna Reddy
Managing Director

Mamta Sundara
Director

Independent Auditor's Report

TO THE MEMBERS OF PIONEER DISTILLERIES LIMITED

Report on the Standalone Indian Accounting Standards (IND AS) Financial Statements

We have audited the accompanying standalone IND AS financial statements of Pioneer Distilleries Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone IND AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the IND AS specified under Section 133 of the Act, read with relevant rules thereunder. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone IND AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone IND AS financial statements.

Independent Auditor's Report (Contd.)

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone IND AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31st March, 2017 and its loss (including other comprehensive income), cash flows and changes in equity for the year ended on that date.

Emphasis of Matter

Without qualifying, we draw an attention to Note 37 regarding the financial statements of the Company having been prepared on a going concern basis, which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business. The Company has been incurring losses for the past few years and its net worth has been fully eroded. Considering the projects on bottling capacity expansion and completion of malt spirit plant, the management is reasonably expecting to reverse the losses in the coming years with the committed Financial, Technical and Administrative support from the holding company. Accordingly, these financial statements have been prepared on a going concern basis.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

As required by Section 143 (3) of the Act, we report that :

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of changes in Equity dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone IND AS financial statements comply with the IND AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31st March, 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

Independent Auditor's Report (Contd.)

- (g) With respect to other matter to be included in the Auditor's Report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules , 2014 , in our opinion and to the best of our information and according to the explanations given to us :
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone IND AS financial statements- Refer Note 27 to the standalone IND AS financial statements.
 - ii. The Company does not have any long term contracts including derivative contracts for which there were any material foreseeable losses
 - iii. There is no amount required to be transferred to the Investor Education and Protection Fund by the Company.
 - iv. The Company has disclosed in the standalone Ind AS financial statements as to holding as well as dealings in Specified Bank Notes (SBN) during the period from 8th November 2016 to 30th December 2016 and these are in accordance with books of account maintained by the Company.-Refer Note 25 to the standalone Ind AS financial statements.

For **Lodha & Co**
Chartered Accountants
Firm Registration Number: 301051E

Place : Bangalore
Dated : May 10, 2017

RP Baradiya
Partner
Membership No. 44101

Annexure A to Independent Auditor's Report

ANNEXURE REFERRED TO IN PARAGRAPH "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF "THE COMPANY" FOR THE YEAR ENDED 31ST MARCH, 2017

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we state that:

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The fixed assets have been verified in accordance with a phased program designed to cover all assets once in three years. The frequency of verification is considered reasonable, having regard to the size of the Company and nature of its fixed assets. Pursuant to the program, physical verification of fixed assets has been carried out during the year and no material discrepancies were noticed on such verification.
 - c) Based on the information and explanations given to us, the title deeds of immovable properties are held in the name of the Company.
2. The inventory has been physically verified by the management at reasonable intervals during the year. The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. As per the information and explanations given to us, discrepancies noticed on physical verification between the physical stocks and book records were not material.
3. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clause 3(iii) of the Order are not applicable to the Company.
4. The Company has not granted any loans, made investments, provided guarantees and security to parties covered in Section 185 & Section 186 of the Act.
5. No deposits within the meaning of directives issued by RBI (Reserve Bank of India) and Sections 73 to 76 or any other relevant provisions of the Act and rules framed there under have been accepted by the Company.
6. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 148 of the Act in respect of Company's products/services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable to the Company.
7. a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income- tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues applicable to the

Annexure A to Independent Auditor's Report (Contd.)

Company with appropriate authorities. No undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax which have not been deposited on account of any dispute except those mentioned in the table below:

Nature of dues	Assessment Year/ Financial Year	Forum where dispute is pending	Amount in Rs.
Income Tax	2010-11	CIT (A)	4,627,107
Income Tax	2007-08	CIT (A)	2,000,000
Non agriculture tax	2011-12	Additional Divisional Commissioner, Aurangabad	6,213,000

8. The Company has not defaulted in repayment of loan or borrowing to a bank during the year. The Company has not taken any loan or borrowing from financial institution, government or debenture holders.
9. The Company has not raised any money by way of public issue or further public offer during the year or in the recent past. Based on the information and explanations given to us by the management, term loan were applied for the purpose for which the loans were obtained.
10. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud by or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the management.
11. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided managerial remuneration during the year in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act.
12. In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company.

Annexure A to Independent Auditor's Report (Contd.)

13. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, all transactions with the related party are in compliance with Section 177 and 188 of the Act and the details have been disclosed as required by the applicable Accounting Standard in Note 35 to the Standalone Financial Statements.
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Therefore, the provisions of clause 3(xiv) of the Order are not applicable to the Company.
15. Based on the information and explanations given to us, the Company has not entered into any non-cash transactions prescribed under Section 192 of the Act with directors or persons connected with them during the year. Therefore, the provisions of clause 3(xv) of the Order are not applicable to the Company.
16. In our opinion, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Therefore, the provisions of clause 3(xvi) of the Order are not applicable to the Company.

For **Lodha & Co**
Chartered Accountants
Firm Registration Number: 301051E

Place : Bangalore
Dated : May 10, 2017

RP Baradiya
Partner
Membership No. 44101

Annexure B to Independent Auditor's Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls over financial reporting of Pioneer Distilleries Limited (“the Company”) as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Annexure B to Independent Auditor’s Report (Contd.)

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India”.

For **Lodha & Co**
Chartered Accountants
Firm Registration Number: 301051E

R P Baradiya
Partner
Membership No. 44101

Place : Bangalore
Dated : May 10, 2017

Balance Sheet

Amount in Rs

	Notes	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Assets				
Non-current assets				
Property, plant and equipment	2	1,667,183,812	1,641,747,905	1,754,541,707
Capital work-in-progress	3	1,080,822,833	318,024,762	395,894,180
Financial assets				
Deposits	4	14,058,643	6,516,644	3,978,761
Deferred tax assets (net)	32	504,724,949	370,315,476	471,064,325
Government grant	26	186,096,002	136,969,437	51,159,899
Other non-current assets	5	257,271,088	247,721,481	300,586,216
Current assets				
Inventories	6	544,287,542	126,917,320	334,293,965
Financial assets				
Trade receivables	7	14,192,497	7,428,276	3,234,704
Cash and cash equivalents	8	3,252,540	7,395,772	20,977,122
Others - interest accrued on bank deposits		251,027	121,775	362,127
Advance income tax (net)		5,798,624	5,798,624	1,958,864
Government grant	26	154,420,997	732,132,429	368,537,931
Other current assets	9	200,886,239	104,195,192	91,715,671
Total assets		4,633,246,794	3,705,285,094	3,798,305,472
Equity and liabilities				
Equity				
Equity share capital	10	134,194,000	134,194,000	134,194,000
Other equity		(582,729,249)	(280,724,609)	(505,425,917)
Liabilities				
Non-current liabilities				
Financial liabilities				
Borrowings	11	127,938,824	158,718,294	265,856,414
Other financial liabilities	12	1,999,086,126	1,877,374,095	1,731,152,189
Long-term provisions	16	16,443,239	20,215,670	-
Current liabilities				
Financial liabilities				
Borrowings	13	796,863,332	27,649,387	136,367,762
Trade payables	14	228,663,877	126,615,314	225,559,846
Other current financial liabilities	12	258,594,613	145,285,023	241,249,512
Other current liabilities	15	1,653,828,435	1,495,460,907	1,547,412,416
Short-term provisions	16	363,598	497,013	21,939,249
Total equity and liabilities		4,633,246,794	3,705,285,094	3,798,305,472

Significant accounting policies

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board of Directors

For **Lodha & Co.**
Firm Registraton Number - 301051E
Chartered Accountants

B.V. Krishna Reddy
Managing Director
DIN: 0007293482

R. Krishnamurthy
Director
DIN: 0006940830

R P Baradiya
Partner
M. No. 44101

Gopal Kothari
Chief Financial Officer

Santhosh Kumar Keerthi
Company Secretary

Place: Bangalore
Date: May 10, 2017

Statement of Profit and Loss

Amount in Rs

	Notes	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue from operations	17	1,131,471,840	1,902,038,166
Other income	18	350,164	135,305
Total Income		1,131,822,004	1,902,173,471
Expenses			
Cost of materials consumed	19	719,109,285	713,305,895
Changes in inventories of work-in progress and finished goods	20	19,306,340	62,550,821
Excise duty		1,442,499	3,754,189
Employee benefits expense	21	128,051,635	112,861,442
Finance costs	22	193,159,945	240,059,543
Depreciation and amortisation expense	23	273,280,759	255,276,314
Other expenses	24	232,196,412	196,911,648
Total expenses		1,566,546,875	1,584,719,851
Profit / (loss) before taxation		(434,724,872)	317,453,619
Income tax expense			
Current tax		-	-
Deferred tax charge/(credit)	26	(133,887,497)	98,277,918
Taxation relating to earlier years		-	-
Profit/ (loss) for the year		(300,837,374)	219,175,701
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post-employment benefit obligations		(1,167,266)	5,525,607
Other comprehensive income for the year, net of tax		(1,167,266)	5,525,607
Total comprehensive income for the year		(302,004,640)	224,701,308
Weighted average number of equity shares used in computing earnings per share	29	13,388,200	13,388,200
Basic and diluted earnings per share (Face value of Rs. 10 each)		(22.47)	16.37

The accompanying notes are an integral part of these financial statements

As per our report of even date

For and on behalf of the Board of Directors

For Lodha & Co.
Firm Registraton Number - 301051E
Chartered Accountants

B.V. Krishna Reddy
Managing Director
DIN: 0007293482

R. Krishnamurthy
Director
DIN: 0006940830

R P Baradiya
Partner
M. No. 44101

Gopal Kothari
Chief Financial Officer

Santhosh Kumar Keerthi
Company Secretary

Place: Bangalore
Date: May 10, 2017

Cash Flow Statement

Amount in Rs

	For the year ended March 31, 2017	For the year ended March 31, 2016
A. <u>Cash flow from operating activities</u>		
Profit/ (loss) before taxation	(434,724,872)	317,453,619
Adjustment for :		
Depreciation and amortisation charge	273,280,759	255,276,314
Provision for bad and doubtful debts, and advances	-	13,106,420
Interest received	(350,164)	(135,305)
Finance charges	193,159,945	240,059,543
Change in operating assets and liabilities		
(Increase)/ decrease in inventory	(417,370,221)	207,376,644
(Increase)/ decrease in trade receivables	(6,764,221)	(4,193,572)
(Increase)/ decrease in other non-current/ current assets	431,965,528	(458,247,297)
(Increase)/ decrease in other financial assets	(7,541,999)	(2,537,883)
Increase/ (decrease) in trade payables	102,048,563	(98,944,533)
Increase/ (decrease) in other financial liabilities	61,005,834	4,448,337
Increase/ (decrease) in other non-current/ current liabilities	18,521,940	(35,687,227)
Increase/ (decrease) in non-current/ current provisions	(5,595,087)	6,769,971
Movement in net-working capital under tie up manufacturing arrangement	215,950,452	64,965,722
Cash generated from operations	423,586,457	509,710,753
Tax paid, net	-	(3,839,760)
Net cash generated from operating activities (A)	423,586,457	505,870,993
B. <u>Cash flow from investing activities</u>		
Purchase of Property, Plant & Equipment	(928,615,320)	(60,400,505)
Interest received	220,912	375,657
Net cash used in investing activities (B)	(928,394,408)	(60,024,848)
C. <u>Cash flow from financing activities</u>		
Proceeds/ (repayment) of borrowings, net	648,217,498	(284,359,854)
Trade advance from holding company, net	(76,104,864)	(81,230,004)
Finance charges paid	(71,447,914)	(93,837,637)
Net cash generated from/ (used in) financing activities (C)	500,664,720	(459,427,495)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(4,143,232)	(13,581,350)
Add: Cash and cash equivalents at the beginning of the year	7,395,772	20,977,122
Cash and cash equivalents at the end of the year	3,252,540	7,395,772

As per our report of even date

For and on behalf of the Board of Directors

For **Lodha & Co.**
Firm Registraton Number - 301051E
Chartered Accountants

B.V. Krishna Reddy
Managing Director
DIN: 0007293482

R. Krishnamurthy
Director
DIN: 0006940830

RP Baradiya
Partner
M. No. 44101

Gopal Kothari
Chief Financial Officer

Santhosh Kumar Keerthi
Company Secretary

Place: Bangalore
Date: May 10, 2017

Statement of changes in equity for the year ended March 31, 2017

(A) Equity Share Capital	(In Rupees)				
	Amount				
Balance as at April 01, 2015	134,194,000				
Changes in share capital during the year	-				
Balance as at March 31, 2016	134,194,000				
Changes in share capital during the year	-				
Balance as at March 31, 2017	134,194,000				

(B) Other Equity	(In Rupees)				
	Reserves and surplus				
	Capital reserve	Securities premium reserve	Capital redemption reserve	Retained earnings	Total
Balance as at April 01, 2015	65,956,527	62,126,600	23,500,000	(657,009,044)	(505,425,917)
Profit for the year	-	-	-	219,175,701	219,175,701
Other comprehensive income for the year	-	-	-	5,525,607	5,525,607
Total comprehensive income for the year	-	-	-	224,701,308	224,701,308
Balance as at March 31, 2016	65,956,527	62,126,600	23,500,000	(432,307,736)	(280,724,609)
Profit for the year	-	-	-	(300,837,374)	(300,837,374)
Other comprehensive income for the year	-	-	-	(1,167,266)	(1,167,266)
Total comprehensive income for the year	-	-	-	(302,004,640)	(302,004,640)
Balance as at March 31, 2017	65,956,527	62,126,600	23,500,000	(734,312,376)	(582,729,249)

As per our report of even date

For and on behalf of the Board of Directors

For **Lodha & Co.**
Firm Registraton Number - 301051E
Chartered Accountants

B.V. Krishna Reddy
Managing Director
DIN: 0007293482

R. Krishnamurthy
Director
DIN: 0006940830

R P Baradiya
Partner
M. No. 44101

Gopal Kothari
Chief Financial Officer

Santhosh Kumar Keerthi
Company Secretary

Place: Bangalore
Date: May 10, 2017

Notes to the Financial Statements

1.1 Corporate Overview:

Pioneer Distilleries Limited (“the Company”) is a public company domiciled and headquartered in India. It is incorporated under the Companies Act, 1956 and its shares are listed on the BSE Limited and National Stock Exchange of India Limited (NSE). The Company is engaged in the business of manufacturing and selling of Portable/Beverage alcohol, spirits and related products. The Company is a subsidiary of United Spirits Limited (USL).

Significant Accounting Policies

1.2 Basis of Preparation of Financial Statements

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 ('the Act') read with rule 4 of the Companies (Indian Accounting standards) Rules, 2015 and other related provisions of the Act. The figures for the previous year ended March 31, 2016 and opening balance sheet as on April 01, 2015 have also been reinstated by the management as per the requirements of Ind AS.

These financial statements are the first financial statements of the Company under Ind AS. Refer note 40 for an explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

The financial statements of the Company are prepared on the accrual basis of accounting and Historical cost convention except for the following material items that have been measured at fair value as required by the relevant Ind AS:

- a) Certain financial assets and liabilities are measured at Fair value (refer note no. 33 financial instruments);
- b) Defined benefit employee plan (refer note no. – 31)

1.3 Use of Estimates and Judgements

The preparation of the financial statements requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The recognition, measurement, classification or disclosure of an item or information in the financial statements is made relying on these estimates.

The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Company and are based on historical experience and various other assumptions and factors (including expectations of future events) that the Company believes to be reasonable under the existing circumstances. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

Notes to the Financial Statements

Critical estimated and judgements

The critical accounting policies, which the Management consider are of greater complexities and/or particularly subject to the exercise of judgements, are set out in the details in the relevant notes:

- (i) Taxation [Refer note no. 32]
- (ii) Post employee Benefits [Refer note no. 31]

1.4 Foreign Currency transactions:

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

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented.

1.5 Property, Plant & Equipment and Intangible Assets

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses, if any. Costs include freight, import duties, non-refundable purchase taxes and other expenses directly attributable to the acquisition of the asset.

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

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

Intangible Assets

Acquired intangible assets are held on the balance sheet at cost less accumulated amortisation and impairment losses.

Depreciation and Amortisation:

Depreciation is provided on the Straight Line Method applying the useful lives as prescribed in Part C of Schedule II to the Act. In respect of certain Plant and Machinery for which separate rates are

Notes to the Financial Statements

prescribed in the Schedule II of the Act based on the number of shifts, depreciation is provided for the full year on triple shift basis. Freehold land is not depreciated.

Intangible assets with finite life are amortised over the useful life using the straight line method.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/ (losses).

Impairment

The Company assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the individual asset/cash generating unit is made.

An impairment loss is calculated as the difference between an asset's carrying amount and recoverable amount. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Impairment of intangible assets is based on their useful economic lives and reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Intangible assets that are regarded as having indefinite useful economic lives are not amortised and are reviewed for impairment at least annually or when there is an indication that the assets may be impaired. Impairment reviews compare the net carrying value with the recoverable amount (value in use or fair value less cost to sell). Amortisation and any impairment write downs are charged to other operating expenses in the income statement.

1.6 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duties and net of returns, trade allowances, rebates, value added taxes and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity.

a. Sale of manufactured goods:

Timing of recognition: Revenue is recognised on dispatch of goods from distilleries / warehouses of the Company in accordance with the terms of sale except where such terms provide otherwise, where sales are recognised based on such terms.

Notes to the Financial Statements

Measurement of revenue: Revenue is measured net of trade discounts, rebates and certain other promotional expenses. Accumulated experience is used to estimate and provide for the discounts and returns.

b. Revenue from tie-up manufacturing arrangements:

The Company has entered into tie-up arrangement for manufacture of beverage alcohol and based on assessment, to determine principal-agent relationship in accordance with the Ind AS -18 'Revenue', of tie-up arrangement, the Company is acting as bottling service provider and accordingly revenue is accounted for such activities on net basis i.e. recognising bottling charges as income from operations.

1.7 Inventories

Inventories includes raw material, work-in-progress, finished goods, stores & spares and are valued at lower of cost and net realizable value. Cost of inventories comprises all costs of purchase, cost of conversion, borrowing cost and other costs incurred in bringing the inventories to their present location and condition.

In determining the cost, weighted average cost method is used. In case of manufactured inventories and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Adequate allowance is made for obsolete and slow moving items.

1.8 Employee Benefits:

The Company has provides following post-employment plans:

- (a) Defined benefit plans such gratuity, pension; and
- (b) Defined contribution plans such as Provident fund

a) Defined-benefit plan:

The liability or asset recognised in the balance sheet in respect of defined benefit pension and gratuity plan is the present value of defined benefit obligations at the end of the reporting period less fair value of plan assets. The defined benefit obligations is calculated annually by actuaries through actuarial valuation using the projected unit credit method.

The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- (a) Service costs comprising current service costs, past-service costs, gains and losses on curtailment and non-routine settlements; and

Notes to the Financial Statements

(b) Net interest expense or income

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and fair value of plan assets. This cost is included in employee benefit expenses in the statement of the profit & loss.

Re-measurement comprising of actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions, the effect of asset, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) ceiling are recognised in the period in which they occur directly in Other comprehensive income. Re-measurement are not reclassified to profit or loss in subsequent periods.

Ind AS 19 requires the exercise of judgment in relation to various assumptions including future pay rises, inflation and discount rates and employee and pensioner demographics. The Company determines the assumptions in conjunction with its actuaries, and believes these assumptions to be in line with best practice, but the application of different assumptions could have a significant effect on the amounts reflected in the income statement, other comprehensive income and balance sheet. There may be also interdependency between some of the assumptions

b) **Defined-contribution plan:**

Under defined contribution plans, provident fund, the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund with the government, superannuation fund and certain state plans like Employees' State Insurance and Employees' Pension Scheme. The Company's payments to the defined contribution plans are recognised as expenses during the period in which the employees perform the services that the payment covers.

c) **Other employee benefits:**

- (a) Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the obligation as at the Balance sheet date based on an actuarial valuation.
- (b) Undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences for e.g. paid annual leave, performance incentives, etc.

d) **Bonus plans**

The Company recognises a liability and an expense for bonuses. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the Financial Statements

1.9 Leases

A lease is classified at the inception date as a finance lease or an operating lease. Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss.

Other leases are treated as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

1.10 Financial Instruments

Financial assets - Initial recognition

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial assets other than trade receivables are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit and loss.

Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both

- (a) the entity's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

(a) Measured at amortised cost:

A financial asset is measured at amortised cost, if it is held under the hold to collect business model i.e. held with an objective of holding the assets to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest on the principal outstanding. Amortised cost is calculated using the effective interest rate ("EIR") method by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. On derecognition, gain or loss, if any, is recognised in statement of profit and loss.

(b) Measured at fair value through other comprehensive income (FVTOCI):

A financial asset is measured at FVTOCI, if it is held under the hold to collect and sell business model i.e. held with an objective to collect contractual cash flows and selling such financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding. Such financial assets are measured at fair value with fair value movements recognised in the other comprehensive income (OCI), except for interest income which recognised using EIR method and is recorded in statement of profit & loss. The losses arising from impairment are recognised in the statement of profit and loss. On derecognition, cumulative gain or loss previously recognised in the OCI is reclassified from the equity to statement of profit and loss.

Notes to the Financial Statements

(c) Measured at fair value through profit or loss (FVTPL):

Investment in financial asset other than equity instrument, not measured at either amortised cost or FVOCI is measured at FVTPL. Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised in the Statement of Profit and Loss.

Refer note 33 for classification of financial assets held by the Company as at Balance Sheet date.

Impairment

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost and at FVOCI. The credit loss is difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. This is assessed on an individual or collective basis after considering all reasonable and supportable including that which is forward-looking.

The Company's trade receivables do not contain significant financing component and loss allowance on trade receivables is measured at an amount equal to life time expected losses i.e. expected cash shortfall.

For financial assets other than trade receivables, the Company recognises 12-month expected credit losses for all originated or acquired financial assets if at the reporting date the credit risk of the financial asset has not increased significantly since its initial recognition. The expected credit losses are measured as lifetime expected credit losses if the credit risk on financial asset increases significantly since its initial recognition. The impairment losses and reversals are recognised in Statement of Profit and Loss.

De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers rights to receive cash flows from an asset, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial Liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss.

Financial liabilities measured at amortised cost are subsequently measured at using EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

Notes to the Financial Statements

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Refer note 33 for classification of financial liabilities held by the Company as at Balance Sheet date.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.11 Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the grant relates to property, plant & equipment's, it is recognised as deferred income and are recognised as income in statement of profit and loss over the expected useful life of the related asset. When loan or similar assistance are provided by government or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is recognized at government rate. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received.

1.12 Taxes on Income

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in India. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither

Notes to the Financial Statements

accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the statement of profit and loss. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income-tax during the specified period.

1.13 Earnings per share

Basic EPS is arrived at based on net profit or (loss) after taxation available to equity shareholders to the weighted average number of equity shares outstanding during the year.

The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive.

1.14 Provisions and Contingencies

Provisions for legal claims, volume discounts and returns are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Notes to the Financial Statements

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources or an obligation for which the future outcome cannot be ascertained with reasonable certainty. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.15 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

1.16 Segmental Information

The Company's Board of Directors consisting of Managing Director, senior level executive nominees from United Spirits Limited, the holding company together with the Chief Financial Officer has been identified as the Chief Operating Decision Maker (CODM) as defined under Ind AS 108 "Operating Segments". The CODM evaluates the Company's performance and allocated the resources based on an analysis of various performance indicators. The Company is primarily engaged in the business of manufacture and sale of Extra Neutral Alcohol, Malt Spirit, Indian Made Foreign Liquor ('IMFL') and allied products. Since all these segments meet the aggregation criteria as per the requirements of Ind AS 108 on 'Operating segments', the management considers these as a single reportable segment.

1.17 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less, including money market deposits, commercial paper and investments. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

1.18 Trade and other receivables

Trade and other receivables are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method less any allowance for discounts and doubtful debts.

Notes to the Financial Statements

1.19 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Profit or Loss over the period of the borrowings using the effective interest method.

1.21 Exceptional items

When an item of income or expense within profit or loss from ordinary activity is of such size, nature or incidence that their disclosure is relevant to explain the performance of the Company for the year, the nature and amount of such items is disclosed as exceptional items.

(In Rupees)

Notes to the financial statements

2	Property, plant and equipment	Freehold land	Building	Plant and equipment	Furniture and fixtures	Office equipment	Computers	Total
	Year ended March 31, 2016							
	<i>Gross carrying amount</i>							
	Deemed cost as at April 01, 2015 (refer (3) below)	39,387,345	380,278,673	1,329,617,234	3,881,953	1,232,901	143,601	1,754,541,707
	Additions	-	59,542,309	81,689,253	1,141,700	64,300	44,950	142,482,512
	Disposals	-	-	-	-	-	-	-
	Closing gross carrying amount	39,387,345	439,820,982	1,411,306,487	5,023,653	1,297,201	188,551	1,897,024,219
	<i>Accumulated depreciation</i>							
	Depreciation charge for the year	-	20,055,072	234,299,928	479,921	295,357	146,036	255,276,314
	Disposals	-	-	-	-	-	-	-
	Closing accumulated depreciation	-	20,055,072	234,299,928	479,921	295,357	146,036	255,276,314
	Net carrying amount as at March 31, 2016	39,387,345	419,765,910	1,177,006,559	4,543,732	1,001,844	42,515	1,641,747,905
	Year ended March 31, 2017							
	<i>Gross carrying amount</i>							
	Opening gross carrying amount	39,387,345	439,820,982	1,411,306,487	5,023,653	1,297,201	188,551	1,897,024,219
	Additions	-	56,759,735	241,956,931	-	-	-	298,716,666
	Disposals	-	-	-	-	-	-	-
	Closing gross carrying amount	39,387,345	496,580,717	1,653,263,418	5,023,653	1,297,201	188,551	2,195,740,885
	<i>Accumulated depreciation</i>							
	Opening accumulated depreciation	-	20,055,072	234,299,928	479,921	295,357	146,036	255,276,314
	Depreciation charge for the year	-	23,251,358	249,432,705	382,317	186,855	27,524	273,280,759
	Disposals	-	-	-	-	-	-	-
	Closing accumulated depreciation	-	43,306,430	483,732,633	862,238	482,212	173,560	528,557,073
	Net carrying amount as at March 31, 2017	39,387,345	453,274,287	1,169,530,785	4,161,415	814,989	14,991	1,667,183,812
1.	Refer note no. 11 for disclosure on property, plant and equipment pledged as security.							
2.	Refer note no. 28 for disclosure on contractual commitments for the acquisition of property, plant and equipment.							
3.	The Company has elected to continue with the net carrying value of all property, plant and equipment as at April 01, 2015 (Gross block: Rs. 2,700,232,326; Accumulated depreciation:Rs. 945,690,619) as per previous GAAP and use that as the deemed cost.							
3	Capital work-in-progress							
	Building under construction	24,988,680	29,472,966	63,068,417				
	Property, plant and equipment under installation	1,055,834,153	288,551,796	332,825,763				
		1,080,822,833	318,024,762	395,894,180				

Notes to the Financial Statements

		Amount in Rs		
		As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
9	Other current assets			
	<i>Unsecured, considered good unless otherwise stated</i>			
	Sales tax receivable			
	- Considered good	88,552,532	68,938,772	68,892,227
	- Considered doubtful	3,874,814	3,874,814	3,874,814
	Advance to suppliers	31,319,512	8,449,026	4,930,863
	Prepaid expenses	13,173,806	9,339,250	4,047,059
	Balances with statutory/ government authorities	36,242,518	10,240,518	10,360,518
	Other advances			
	- Considered good	31,597,871	7,227,627	3,485,003
	- Considered doubtful	10,823,280	10,823,280	10,823,280
	Less: Provision for doubtful advances	(14,698,094)	(14,698,094)	(14,698,094)
	Total	200,886,239	104,195,192	91,715,671
10	Equity share capital			
	Authorised			
	17,500,000 equity shares of Rs. 10 each	175,000,000	175,000,000	175,000,000
	2,500,000 preference shares of Rs. 10 each	25,000,000	25,000,000	25,000,000
		200,000,000	200,000,000	200,000,000
	Issued, subscribed and fully paid up			
	13,388,200 equity shares of Rs. 10 each	133,882,000	133,882,000	133,882,000
	Forfeited shares, partly paid up			
	62,400 equity shares, Rs. 5 paid up	312,000	312,000	312,000
		134,194,000	134,194,000	134,194,000

a) Reconciliation of number of shares

	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
	Nmuber of sheres	Amount	Nmuber of sheres	Amount	Nmuber of sheres	Amount
Equity shares:						
Balance as at the beginning of the year	13,388,200	133,882,000	13,388,200	133,882,000	13,388,200	133,882,000
Add: Shares issued during the year	-	-	-	-	-	-
Balance as at the end of the year	13,388,200	133,882,000	13,388,200	133,882,000	13,388,200	133,882,000

b) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

Notes to the Financial Statements

c) Shares held by holding/ ultimate holding company and/or their subsidiaries/ associates

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Equity shares of Rs. 10 held by:			
<i>Holding company</i>			
10,041,150 shares held by United Spirits Limited	100,411,500	100,411,500	100,411,500

d) Details of equity shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
	Nos.	% of Holding	Nos.	% of Holding	Nos.	% of Holding
United Spirits Limited	10,041,150	75.00%	10,041,150	75.00%	10,041,150	75.00%
Rajasthan Global Securities Limited	-	-	-	-	1,046,271	7.81%

f) Aggregate number of shares bought back during 5 years immediately preceding the reporting date

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
No. of equity shares bought back by the Company	-	-	-
Fully paid-up pursuant to contract(s) without payment being received in cash	-	-	-
Fully paid-up by way of bonus shares	-	-	-

11 Non-current borrowings

Term loans

Secured

From banks (refer note A below)

- 108,847,387 276,805,334

Unsecured

Sales tax deferment (refer note B below)

145,886,464 158,035,523 165,719,055

145,886,464 266,882,910 442,524,389

Less: Current maturities (refer note 12)

(17,947,640) (108,164,617) (176,667,976)

127,938,824 158,718,294 265,856,414

Note A: Nature of security and terms of repayment of non-current borrowings:

Nature of Security	Terms of Repayment
i. Term loan from a bank amounting to Rs. Nil (March 31, 2016: Rs. Nil; April 01, 2015: Rs. 67,946,828) was secured by first charge on property, plant and equipment of the Company including land and building.	The entire loan has been repaid
ii. Term loan from a bank amounting to Rs. Nil (March 31, 2016: Rs. 108,847,387; April 01, 2015 : Rs 208,858,506) was secured by first charge on the property, plant and equipment of the Company including hypothecation charge over entire plant & machinery, building of then proposed expansion project.	The entire loan has been repaid
iii. Above loans were further secured by second charge over the entire current assets and a corporate guarantee issued by the holding company, United Spirits Limited	

Note B: Sales tax collected under deferral scheme of State Government of Maharashtra and is repayable over a period of fourteen years starting from the end of tenth year i.e. 2010-11.

Notes to the Financial Statements

Amount in Rs

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
12 Other financial liabilities			
Non-current			
Inter-corporate deposit			
- from holding company	1,353,906,529	1,353,906,529	1,353,906,529
- Interest accrued but not due on above	645,179,597	523,467,566	377,245,660
	1,999,086,126	1,877,374,095	1,731,152,189

The aforementioned inter-corporate deposit is unsecured and repayable after a period of three years along with the interest accrued.

Current

Current maturities of term loans for banks	-	96,000,000	169,000,000
Current maturities of sales tax deferment	17,947,640	12,164,617	7,667,976
Deposits from dealers, agents etc.	16,250,000	9,950,000	9,450,000
Creditors for capital goods	159,676,275	17,155,543	49,065,010
Employee payables	16,870,953	5,429,943	2,729,866
Other payables	47,849,744	4,584,920	3,336,660
	258,594,613	145,285,023	241,249,512

There are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Companies Act, 2013 as at the year end.

13 Current borrowings

Secured

Working capital loan from a bank	-	27,649,387	136,367,762
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Unsecured

Working capital loan from a bank	596,863,332	-	-
Short-term loan from a bank	200,000,000	-	-
	796,863,332	27,649,387	136,367,762

Note:

(a) Working capital and short term loan outstanding as at March 31, 2017 carries interest at 9.25% p.a. and 8.25% p.a. respectively.

(b) United Spirits Limited, the holding company has given Corporate Guarantee to the bank for the loans outstanding as at March 31, 2017.

(c) Loan outstanding as at March 31, 2016 and April 01, 2015 were secured by first charge over the entire current assets, i.e. raw materials, work-in-progress, finished goods, consumables and receivables, and second charge over the property, plant and equipment of the Company and issue of Corporate Guarantee by the holding Company, United Spirits Limited.

14 Trade payables [Refer note given below]

Trade creditors	228,663,877	126,615,314	225,559,846
	228,663,877	126,615,314	225,559,846

Disclosure of payable to vendors as defined under the "Micro, Small and Medium Enterprise Development Act, 2006" is based on the information available with the Company regarding the status of registration of such vendors under the said Act, as per the intimation received from them on requests made by the Company. There are no overdue principal amounts / interest payable amounts for delayed payments to such vendors at the reporting date. There are no delays in payment made to such suppliers during the year or for any earlier years and accordingly there is no interest paid or outstanding interest in this regard in respect of payments made during the year or brought forward from previous years.

Notes to the Financial Statements

Amount in Rs

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
15 Other current liabilities			
Advance from customers	28,275,839	3,511,809	26,691,678
VAT payable	-	6,888,973	730,015
Advance from holding company			
- Trade advance	1,323,437,155	1,399,542,019	1,480,772,023
- Net working capital under tie-up manufacturing arrangement (refer note 38)	299,674,097	83,723,645	18,757,923
Statutory dues	2,441,344	1,794,461	20,460,776
	1,653,828,435	1,495,460,907	1,547,412,416
16 Provisions			
<i>Long-term</i>			
Provision for employee benefits			
Provision for gratuity	9,567,481	15,405,463	-
Provision for compensated absences	6,875,758	4,810,207	-
	16,443,239	20,215,670	-
<i>Short-term</i>			
Provision for employee benefits			
Provision for gratuity	-	289,780	20,106,539
Provision for compensated absences	363,598	207,233	1,832,710
	363,598	497,013	21,939,249
	For the year ended March 31, 2017	For the year ended March 31, 2016	
17 Revenue from operations			
Sale of products (including excise duty)	895,812,773	1,055,580,310.05	
Sale of services			
(i) Income under tie-up manufacturing agreement (refer note 38)	44,518,616	24,202,694	
Other operating revenue			
(i) Income from government grant (refer note 26)	165,511,134	812,727,036	
(ii) Scrap sale	25,629,317	9,528,126	
	1,131,471,840	1,902,038,166	
18 Other income			
Interest income on deposit with banks	350,164	135,305	
	350,164	135,305	
19 Cost of materials consumed			
Raw materials at the beginning of the year	46,904,711	194,569,175	
Add: Purchases	1,152,877,662	565,641,432	
Less: Raw materials at the end of the year	480,673,089	46,904,711	
	719,109,285	713,305,895	

Notes to the Financial Statements

Amount in Rs

	For the year ended March 31, 2017	For the year ended March 31, 2016
20 Changes in inventories of work-in progress and finished goods		
Opening balance		
Work-in-progress	3,859,693	3,156,317
Finished goods	44,472,062	107,726,259
	48,331,755	110,882,576
Closing balance		
Work-in-progress	4,229,336	3,859,693
Finished goods	24,796,079	44,472,062
	29,025,415	48,331,755
	19,306,340	62,550,821
21 Employee benefits expense		
Salaries and wages	111,377,430	98,599,621
Contribution to provident funds	7,032,603	12,810,841
Gratuity	2,499,044	(5,126,012)
Compensated absences	2,192,938	3,748,891
Staff welfare expenses	4,949,620	2,828,101
	128,051,635	112,861,442
22 Finance costs		
Interest expense	174,015,554	222,866,882
Other borrowing costs	-	258,617
Guarantee commission	3,513,699	-
Interest charges on unwinding of discount	15,630,692	16,934,044
	193,159,945	240,059,543
23 Depreciation and amortisation expense		
Depreciation on property, plant and equipment	273,280,759	255,276,314
	273,280,759	255,276,314
24 Other expenses		
Power and fuel	63,913,859	28,847,748
Rent	4,818,821	8,835,133
Repairs and maintenance		
Buildings	632,984	4,700,371
Plant and machinery	80,933,661	68,462,145
Others	8,037,605	6,553,625
Rates and taxes	30,656,608	24,115,517
Insurance	3,562,724	1,559,244
Travelling and conveyance	5,952,797	4,445,414
Legal and professional	5,079,756	9,225,079
Freight outwards	635,753	253,514
Provision for bad and doubtful debts, and advances	-	13,106,420
Directors' sitting fees	613,500	233,800
Payments to auditors:		
Audit fees including limited review fees	2,139,519	1,206,725
Tax audit fees	442,750	575,000
Re-imbursment of expenses	106,066	116,018
Printing and stationery	3,972,849	2,098,659
Security services	10,490,809	8,062,791
Selling and distribution expenses	14,525	10,729
Miscellaneous expenses	10,191,826	14,503,717
	232,196,412	196,911,648

Notes to the Financial Statements

- 25 Disclosures as per Notification No. GSR 308(E) [F.NO.17/62/2015-CL-V-(VOL.I)], dated March 30, 2017**
Details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016:

	Specified Bank Notes (old Rs. 500 and Rs. 1,000 notes, which were withdrawn)	Other denomination notes (other than withdrawn notes)	Total
Closing cash in hand as at November 8, 2016		-	-
(+) Permitted receipts in specified notes	-	-	-
(-) Permitted payments in specified notes	-	-	-
(-) Amount deposited in banks	-	-	-
(-) Payments through other denomination notes	-	-	-
(+) Receipt of other denomination notes	-	-	-
Closing cash in hand as at December 30, 2016	-	-	-

26 Government grant

The Company is entitled to government grant from the State of Maharashtra for setting up projects in notified rural area. These grants are towards capital expenditure incurred, and are receivable mostly in the form of VAT refund.

Mega Subsidy Phase I Project:

The Company is entitled to government grant of up to Rs. 1,448,914,000 under the Mega Phase I project. Upon receipt of Eligibility Certificate, the Company has recognised Rs. 165,511,134 for the year ended March 31, 2017 under 'Other operating revenue' in the Statement of profit and loss. Of the total Income from government grant, Rs. 1,108,397,000 has been received as of March 31, 2017, and the balance outstanding of Rs. 340,517,000 will be received in due course and has been disclosed as Government grant.

Mega Subsidy Phase II Project:

The Company is entitled to government grant of up to Rs. 1,820,000,000 under the Mega Phase II project. As of March 31, 2017, the Company has made a capital expenditure of Rs. 1,715,110,596 under the Mega Subsidy Phase II Project and has made an application for government grant of Rs. 1,431,944,671. Pending receipt of Eligibility Certificate, the Company has deferred the recognition of Rs. 570,881,307 relating to current year out of the aforesaid grant.

		Amount in Rs		
27	Contingent liabilities	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
	<i>Claims against the Company not acknowledged as debts</i>			
	(i) Income tax liabilities that may arise in respect of disputed matters	27,079,722	10,453,337	25,262,300
	(ii) Service tax liability that may arise in respect of disputed matters*	2,251,083	2,251,083	-
	(iii) Commercial tax, cess and Non-agriculture tax that may arise in respect of disputed matters	10,072,000	264,766,712	10,072,000
		39,402,805	277,471,132	35,334,300

* The Company expects reimbursement in respect of service tax liability from customer.

Notes to the Financial Statements

The Company's pending litigations comprise of claims against the Company and proceedings pending with tax and other authorities. The Company has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not reasonably expect the outcome of these proceedings to have a material impact on its financial statements.

		Amount in Rs		
28	Commitments	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
	Estimated amounts of contracts remaining to be executed on capital account and not provided for:			
	Property, plant and equipment (net of advances)	373,771,904	181,091,021	257,670,478

		Amount in Rs	
29	Earning Per share	For the year ended March 31, 2017	For the year ended March 31, 2016
	Profit after tax available for equity shareholders	(300,837,374)	219,175,701
	Weighted average number of equity shares	13,388,200	13,388,200
	Nominal value of equity shares	10.00	10.00
	Basic and diluted Earning Per Share	(22.47)	16.37

30 Segment Reporting

The Company's Board of Directors consisting of Managing Director, senior level executive nominees from United Spirits Limited, the holding company together with the Chief Financial Officer has been identified as the Chief Operating Decision Maker (CODM) as defined under Ind AS 108 "Operating Segments". The CODM evaluates the Company's performance and allocated the resources based on an analysis of various performance indicators. The Company is primarily engaged in the business of manufacture and sale of Extra Neutral Alcohol, Malt Spirit, Indian Made Foreign Liquor ('IMFL') and allied products. Since all these segments meet the aggregation criteria as per the requirements of Ind AS 108 on 'Operating segments', the management considers these as a single reportable segment. Accordingly, disclosure of segment information has not been furnished.

Notes to the Financial Statements

31 Post retirement benefit plans

The Company provides for gratuity for employees who are in continuous services for a period of 5 years are eligible for gratuity. The amount of gratuity payable on termination/retirement is employees last drawn salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity is a funded plan and the Company make contributions to recognised funds in India.

	Present Value of Obligation	Fair Value of plan assets	Net amount
As of April 1, 2015	20,464,776	-	20,464,776
Current service cost	2,304,352	-	2,304,352
Interest expense/(income)	1,570,968	-	1,570,968
Total amount recognised in profit or loss	3,875,320	-	3,875,320
Remeasurements			
Return on plan assets, excluding amounts included in internet expense/(income)	-	-	-
Net actuarial (gain)/loss	-	-	-
Change in experience	(7,996,537)	-	(7,996,537)
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	-	-
Total amount recognised in other comprehensive income	(7,996,537)	-	(7,996,537)
Employer Contribution	-	-	-
Benefits payment	(648,316)	-	(648,316)
As of March 31, 2016	15,695,243	-	15,695,243
As of April 1, 2016	15,695,243	-	15,695,243
Current service cost	1,859,767	-	1,859,767
Interest expense/(income)	1,244,028	-	1,244,028
	3,103,795	-	3,103,795
Capitalised during the year	(604,751)	-	(604,751)
Total amount recognised in statement of profit and loss	2,499,044	-	2,499,044
Remeasurements			
Return on plan assets, excluding amounts included in internet expense/(income)	-	-	-
Net actuarial (gain)/loss	-	-	-
Change in experience	20,919	-	20,919
Change in demographic assumptions	-	-	-
Change in financial assumptions	1,668,322	-	1,668,322
Total amount recognised to comprehensive income	1,689,241	-	1,689,241
Employer contribution	-	9,993,322	(9,993,322)
Benefits payment	(927,476)	-	(927,476)
As of March 31, 2017	19,560,803	9,993,322	9,567,481

Notes to the Financial Statements

The net liability disclosed above relates to funded and unfunded plans are as follows:

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Present value of funded obligations	19,560,803	15,695,243	20,464,776
Fair value of plan assets	9,993,322	-	-
Deficit of funded plan	9,567,481	15,695,243	20,464,776

Significant estimates: actuarial assumptions and sensitivity

Financial assumption:

Discount rate	7.30%	7.30%	7.80%
Salary escalation rate	10.00%	10.00%	13.00%

Demographic assumption:

Mortality rate	IALM (2006-08) Ultimate	IALM (2006-08) Ultimate	IALM (2006-08) Ultimate
Attrition rate	2%	2%	2%
Retirement age	58 Years	58 Years	58 Years

Sensitivity analysis

The sensitivity of the overall plan liabilities to changes in the weighted key assumptions are:

	For the year ended March 31, 2017	For the year ended March 31, 2016
Discount rate		
a) Discount rate - 100 basis points	2,762,687	1,883,029
b) Discount rate + 100 basis points	(2,324,837)	(2,145,453)
Salary escalation rate		
a) Rate - 100 basis points	(2,236,810)	(2,090,289)
a) Rate + 100 basis points	2,366,002	1,636,277

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the balance sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous period.

The major categories of plan asset are as follows:

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Equities	0%	0%	0%
Bonds	100%	0%	0%
Gilts	0%	0%	0%
Pooled assets with an insurance company	0%	0%	0%
Other	0%	0%	0%
	100%	0%	0%

Notes to the Financial Statements

The defined benefit obligations shall mature after year end March 31, 2017 as follows:

	March 31, 2017	March 31, 2016
Year 1	662,332	289,780
Year 2	447,640	372,673
Year 3	562,299	607,921
Year 4	499,173	532,214
Year 5	742,716	622,513
Year 6-10	6,122,474	4,881,227

The weighted average duration of the defined benefit obligation is 8.56 years (2016: 9.70 years, 2015: 9.10 years).

Risk exposure:

Through its defined benefit plans, Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in government securities and pre-defined insurance plans. These are subject to interest rate risk and the fund manages interest rate risk through continuous monitoring to minimise risk to an acceptable level. A minimal portion of the funds are invested in equity securities. The equity securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit. The Company has a risk management strategy where the aggregate amount of risk exposure on a portfolio level is maintained at a fixed range. Any deviations from the range are corrected by rebalancing the portfolio. The Company intends to maintain the above investment mix in the continuing years.

Change in bond yields

A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risks

In the post-employment plans, the payments are not linked to inflation, so this is a less material risk.

Notes to the Financial Statements

32 Income taxes

(a) Tax expense recognised in the Statement of profit and loss

	Year ended March 31, 2017	Year ended March 31, 2016
Current tax		
Current year	-	-
Adjustments for prior periods	-	-
Total current tax	-	-
Deferred tax		
Relating to origination and reversal of temporary difference	(133,887,497)	98,277,918
Relating to change in tax rate	-	-
Total deferred income tax expense/(credit)	(133,887,497)	98,277,918
Total income tax expense/(credit)	(133,887,497)	98,277,918

A reconciliation between the statutory income tax rate applicable to the Company and the effective income tax rate of the Company is as follows :

	Year ended March 31, 2017	Year ended March 31, 2016
(b) Reconciliation of effective tax rate		
Profit/(loss) before taxation	(434,724,872)	317,453,619
Enacted income tax rate in India	30.90%	30.90%
Tax at the enacted income tax rate	(134,329,985)	98,093,168
Tax effects of amounts which are not deductible in calculating taxable income:		
Donations	30,900	-
Expenses not claimed for taxes	411,588	85,128
Charges on delay in remittance of statutory dues	-	99,622
Tax expense/ (credit)	(133,887,497)	98,277,918

Notes to the Financial Statements

(c) The movement in deferred tax assets and liabilities during the year ended March 31, 2016 and March 31, 2017:

	As at April 01, 2015	Credit/ (charge) in Statement of profit and loss	Credit/(charge) in Other comprehensive income	As at March 31, 2016
Deferred tax assets/(liabilities)				
Provision for doubtful debts and advances	4,761,620	4,049,884	-	8,811,504
Expenses allowable on payment basis	4,362,849	3,292,677	(2,470,930)	5,184,596
Property, plant and equipment	(242,714,397)	30,091,281	-	(212,623,116)
Carry forward losses (including unabsorbed depreciation)	727,364,519	(140,944,380)	-	586,420,139
Financial liabilities at amortised cost	(22,710,267)	5,232,620	-	(17,477,647)
	471,064,325	(98,277,918)	(2,470,930)	370,315,476
	As at April 01, 2015	Credit/ (charge) in Statement of profit and loss	Credit/(charge) in Other comprehensive income	As at March 31, 2016
Deferred tax assets/(liabilities)				
Provision for doubtful debts and advances	8,811,504	-	-	8,811,504
Expenses allowable on payment basis	5,184,596	1,242,928	521,975	6,949,500
Property, plant and equipment	(212,623,116)	25,372,758	-	(187,250,358)
Carry forward losses (including unabsorbed depreciation)	586,420,139	102,441,928	-	688,862,067
Financial liabilities at amortised cost	(17,477,647)	4,829,884	-	(12,647,763)
	370,315,476	133,887,497	521,975	504,724,949

(d) Unabsorbed business losses

The Company has tax losses (including unabsorbed depreciation) of Rs. 2,353,930,481 (March 31, 2016: Rs. 1,897,799,801; March 31, 2015: Rs. 2,229,327,076) that are available for offsetting against future taxable profits. Business losses of Rs. 1,191,565,408 are available for offsetting for eight years and those will lapse after March 2022. Deferred tax asset has been recognised to the extent Company has reasonable certainty over future taxable profits as against virtual certainty under the previous GAAP.

33 Financial instruments

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

1. Fair value of cash and short-term deposits, trade and other short term receivables, trade payables, other current liabilities, short term loans from banks and other financial institutions approximate their carrying amounts largely due to short term maturities of these instruments.
2. Financial instruments with fixed and variable interest rates are evaluated by the Company based on parameters such as interest rates and individual credit worthiness of the counterparty. Based on this evaluation, allowances are taken to account for expected losses of these receivables. Accordingly, fair value of such instruments is not materially different from their carrying amounts.

Notes to the Financial Statements

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The carrying amounts and fair values of financial instruments by category are as follows:

	FVOCI	FVTPL	Amortised cost	Total fair value	Carrying amount
April 01, 2015					
Deposits	-	-	3,978,761	3,978,761	3,978,761
Trade receivables	-	-	3,234,704	3,234,704	3,234,704
Cash and cash equivalents	-	-	20,977,122	20,977,122	20,977,122
Others	-	-	362,127	362,127	362,127
Total financial assets	-	-	28,552,714	28,552,714	28,552,714
Financial liabilities					
Borrowings	-	-	578,892,152	578,892,152	652,388,160
Trade payables	-	-	225,559,846	225,559,846	225,559,846
Others	-	-	1,795,733,726	1,795,733,726	1,795,733,726
Total financial liabilities	-	-	2,600,185,724	2,600,185,723	2,673,681,732
March 31, 2016					
Financial assets					
Deposits	-	-	6,516,644	6,516,644	6,516,644
Trade receivables	-	-	7,428,276	7,428,276	7,428,276
Cash and cash equivalents	-	-	7,395,772	7,395,772	7,395,772
Others	-	-	121,775	121,775	121,775
Total	-	-	21,462,467	21,462,467	21,462,467
Financial liabilities					
Borrowings	-	-	294,532,297	294,532,297	351,094,262
Trade payables	-	-	126,615,314	126,615,314	126,615,314
Others	-	-	1,914,494,501	1,914,494,501	1,914,494,501
Total financial liabilities	-	-	2,335,642,113	2,335,642,113	2,392,204,077
March 31, 2016					
Financial assets					
Deposits	-	-	14,058,643	14,058,643	14,058,643
Trade receivables	-	-	14,192,497	14,192,497	14,192,497
Cash and cash equivalents	-	-	3,252,540	3,252,540	3,252,540
Others	-	-	251,027	251,027	251,027
Total	-	-	31,754,708	31,754,708	31,754,708
Financial liabilities					
Borrowings	-	-	942,749,795	942,749,795	983,681,067
Trade payables	-	-	228,663,877	228,663,877	228,663,877
Others	-	-	2,257,680,739	2,257,680,739	2,257,680,739
Total financial liabilities	-	-	3,429,094,411	3,429,094,411	3,470,025,682

Notes to the Financial Statements

Fair value estimation

For financial instruments measured at fair value in the Balance Sheet, a three level fair value hierarchy is used that reflects the significance of inputs used in the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The categories used are as follows:

- Level 1: quoted prices for identical instruments
- Level 2: directly or indirectly observable market inputs, other than Level 1 inputs; and
- Level 3: inputs which are not based on observable market data.

For assets and liabilities which are carried at fair value, the classification of fair value calculations by category is summarised below:

	Level 1	Level 2	Level 3
April 01, 2015			
Assets at fair value	-	-	-
Liabilities at fair value	-	-	-
March 31, 2016			
Assets at fair value	-	-	-
Liabilities at fair value	-	-	-
March 31, 2017			
Assets at fair value	-	-	-
Liabilities at fair value	-	-	-

There were no significant changes in classification and no significant movements between the fair value hierarchy classifications of financial assets and financial liabilities during the period.

34 Financial risk factors

The Company's principal financial liabilities comprise loans and borrowings, advances and trade and other payables. The purpose of these financial liabilities is to finance the Company's operations and to provide to support its operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company's activities exposes it to Liquidity Risk, Market Risk and Credit risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised as below

(a) Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management implies maintenance sufficient cash including availability of funding through an adequate amount of committed credit facilities to meet the obligations as and when due.

The Company manages its liquidity risk by ensuring as far as possible that it will have sufficient liquidity to meet its short term and long term liabilities as and when due. Anticipated future cash flows, undrawn committed credit facilities are expected to be sufficient to meet the liquidity requirements of the Company.

Notes to the Financial Statements

(i) Financing arrangements

The Company has access to the following undrawn borrowing facilities as at the end of the reporting period:

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Unsecured working capital credit facility from Bank	153,136,668	-	-
Secured working capital credit facility from Bank	-	122,350,613	13,632,238
Inter-corporate deposit from holding company	1,499,993,471	1,499,993,471	1,499,993,471

(ii) The following is the contractual maturities of the financial liabilities:

	Carrying amount	Payable on demand	Less than 1 month	1-12 months more	than 12 months
As at April 01, 2015					
Non-derivative liabilities					
Borrowings	578,892,152	136,367,762	-	176,667,976	265,856,414
Trade payables	225,559,846	-	225,559,846	-	-
Others	1,795,733,726	-	64,581,537	-	1,731,152,189
As at March 31, 2016					
Non-derivative liabilities					
Borrowings	294,532,297	27,649,387	-	108,164,617	158,718,294
Trade payables	126,615,314	-	-	-	-
Other financial liabilities	1,914,494,501	-	37,120,407	-	1,877,374,095
As at March 31, 2017					
Non-derivative liabilities					
Borrowings	942,749,795	596,863,332	-	217,947,640	127,938,824
Trade payables	228,663,877	-	228,663,877	-	-
Other financial liabilities	2,239,733,099	-	240,646,973	-	1,999,086,126

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk includes investment, deposits, foreign currency receivables and payables. The Company's treasury team manages the Market risk, which evaluates and exercises independent control over the entire process of market risk management.

(i) Foreign currency risk

Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's functional and presentation currency is INR. The Company does not have any foreign currency transactions and hence is not exposed to the Foreign Currency Risks.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company's long term borrowings have fixed rate of interest and are carried at amortised costs. Hence, the Company is not subject to the interest rate risk since neither the carrying amount nor the future cash flows will change due to change in the market interest rates.

Notes to the Financial Statements

Working capital facility and loan from holding company are, as per contractual terms, primarily of long term in nature, which does not exposes company to significant interest rate risk.

(c) **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations. The Company is exposed to credit risks from its operating activities, primarily trade receivables, cash and cash equivalents, deposits with banks and other financial instruments. Credit risk is managed by the Company through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to which the Company grants credit terms in the normal course of business. Company's major sales are to its holding company, United Spirits Limited (USL). USL has extended trade advance to support the operations of the Company. Hence, the credit exposure is assessed to be negligible.

Exposure to the Credit risks

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Financial assets for which loss allowance is measured using 12 months Expected Credit Losses (ECL)			
- Deposits	14,058,643	6,516,644	3,978,761
	14,058,643	6,516,644	3,978,761

Exposure to the Credit risks

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Financial assets for which loss allowance is measured using Life time Expected Credit Losses (ECL)			
- Trade Receivables	14,192,497	7,428,276	3,234,704

Trade and other receivables

The Company considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risks on an ongoing basis throughout each reporting period.

To assess whether there is a significant change increase in credit risk the Company compares the risks of default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. It considers the reasonable and supportive forward looking information such as:

- (i) Actual or expected significant adverse changes in business.
- (ii) Actual or expected significant changes in the operating results of the counterparty.
- (iii) Financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- (iv) Significant increase in credit risk on other financial instruments of same counterparty

Notes to the Financial Statements

Ageing of the accounts receivables

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Not due	-	4,539,000	662,372
0-30 days	4,135,331	1,414,024	912,715
30-60 days	1,189,090	-	-
60-90 days	3,128,992	11,277	-
90-180 days	4,186,521	42,523	20,012
> 180 days	2,264,244	2,133,134	2,351,286
	14,904,178	8,139,957	3,946,385

Movement in provisions of doubtful debts and advances

	As at March 31, 2017	As at March 31, 2016
Opening provision	28,516,195	15,409,775
Add: Additional provision made	-	13,106,420
Less: Provision write off/ reversed	-	-
Less: Provision utilised against bad debts	-	-
Closing provisions	28,516,195	28,516,195

35 (a) Financial risk factors Capital risk management

The Company's objectives when managing capital are to :

- * safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- * maintain an optimal capital structure to reduce the cost of capital

In order to maintain or adjust the capital structure, the Company may issue new shares, adjust the amount of dividends paid to shareholders etc.

The Company monitors capital using a gearing ratio being a ratio of net debt as a percentage of total capital.

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Total equity attributable to equity shareholders of the Company	(448,535,249)	(146,530,609)	(371,231,917)
Net debt (Total borrowings less cash and cash equivalents)	939,497,255	287,136,526	557,915,030
Total capital (Borrowings and Equity)	490,962,006	140,605,917	186,683,113
Gearing ratio	191%	204%	299%

Notes to the Financial Statements

(b) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
First charge			
Property, plant and equipment*	-	1,641,747,905	1,754,541,707
Capital work-in-progress	-	318,024,762	395,894,180
Second charge			
Trade receivables	-	217,288,485	3,234,704
Inventories	-	134,345,597	478,836,640

*Represents net book value.

36 Related Party Disclosure

A Names of related parties and description of relationship

(a) Related Parties where control exists :

United Spirits Limited, holding company
Diageo PLC., ultimate holding company

(b) Key management personnel :

(i) Mr. B V Krishna Reddy, Managing Director (w.e.f October 01, 2015)
(ii) Mr. Debasis Choudhury, Chief Financial Officer (up to September 30, 2015)
(iii) Mr. Gopal Kothari, Chief Financial Officer (w.e.f. October 01, 2015)
(iv) Mr. Santosh Kumar Keerthi, Company Secretary

B Summary of transactions with related parties during the year is as follows:

	As at March 31, 2017	As at March 31, 2016
Holding company		
- Sale of goods*	519,203,083	470,702,500
- Finance costs (including guarantee commission)	139,063,672	162,468,783
- Income under tie-up manufacturing arrangement	44,518,616	24,202,694
- Purchases	21,087,742	5,856,000
- Salary recharge (reimbursement)	3,184,129	15,474,859
Key management personnel		
- Salary	8,000,420	3,097,338
- Salary recharge from holding company	1,859,574	3,560,189

* Excludes sale of IMFL amounting to Rs. 4,034,356,902 (March 31, 2016: Rs. 2,011,510,192) under tie-up manufacturing arrangement. Refer note 38.

Notes to the Financial Statements

C Outstanding balances as at the year-end are as follows:

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Holding company			
- Inter-corporate deposit	1,353,906,529	1,353,906,529	1,353,906,529
- Interest accrued but not due on above	645,179,597	523,467,566	377,245,660
- Trade advance	1,323,437,155	1,399,542,019	1,480,772,023
- Net working capital under tie-up manufacturing arrangement (refer note 38)	299,674,097	83,723,645	18,757,923

D The holding company has given a Corporate Guarantee of Rs. 1,000,000,000 to the Company's Bank for extending loan to the Company. Loan from Bank outstanding as on March 31, 2017 is Rs. 796,863,332 (March 31, 2016: Rs. Nil).

37 Going Concern:

Considering the projects on bottling capacity expansion and completion of malt spirit plant, the Management is hopeful of reversing the losses in the coming years with the committed financial, technical and administrative support from the holding company. Accordingly, these financial statements have been prepared on a going concern basis.

38 Tie up manufacturing arrangements:

The Company has entered into tie up manufacturing arrangement with United Spirits Limited, holding company to manufacture brands owned by USL. The arrangements stipulates the obligations of each party and the entire manufacturing activity is carried out under the close supervision of the holding company. The risk and rewards of the activity lies with the holding company including responsibility to market these products. The Company has received adequate trade advance from the holding company to manage this activity. The Company is entitled to varying bottling fees per case based on the monthly activity achieved. During the year, the Company has recorded bottling fees of Rs. 44,518,616 (March 31, 2016: Rs. 24,202,694) which has been disclosed as 'Income under tie-up manufacturing agreement' under 'Revenue from operations'.

Under Ind AS 18 on 'Revenue', there is an explicit guidance on assessment of principal-agent relationships. The Company has assessed its relationship with the holding company and has identified its position to be that of agent as per explicit guidance available in Ind AS 18 on 'Revenue'. Accordingly gross sales, excise duty and cost of goods sold (representing entire IMFL operations of the Company) hitherto are recorded on a net basis and the net working capital on same has been adjusted with the outstanding payable to the holding company.

Details of gross sales, excise duty and cost of goods sold presented on a net basis are given below:

	As at March 31, 2017	As at March 31, 2016
Gross sales (including other operating revenue)	4,034,356,902	2,011,510,192
Excise duty	(3,367,311,224)	(1,658,797,986)
Cost of goods sold	(667,045,678)	(352,712,206)
Net Impact	-	-

Notes to the Financial Statements

Details of the net working capital adjusted with outstanding of holding company is given below:

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Inventories	74,202,580	217,288,485	144,542,675
Other current assets	(18,699,955)	66,858,222	14,919,121
Financial liabilities			
Trade payables	(134,827,162)	(85,011,812)	(29,836,417)
Other current financial liabilities	(30,939,632)	(1,184,217)	(615,296)
Other current liabilities	(188,224,293)	(281,674,324)	(147,768,007)
	(298,488,461)	(83,723,645)	(18,757,923)

39 Reference to Board for Industrial and Financial Reconstruction (BIFR) :

The Company in 2012 had earlier made reference to the Board for Industrial and Financial Reconstruction (BIFR) in compliance with Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The matter was pending before BIFR for further orders. However during the year, consequent to the notification dated November 25, 2016 issued by the Ministry of Finance - Department of Financial Services, the BIFR stood dissolved. Consequently, the reference made by the Company to BIFR stood abated without further action.

40 First time adoption of Ind AS

The accounting policies set out in Note 1, have been applied in preparing the financial statements from the year ended March 31, 2017, the comparative information presented in these financial statements for the year ended March 31, 2016 and in the preparation of an opening Ind AS balance sheet at April 01, 2015 (the Company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

Exemptions and exceptions availed

A. Ind AS optional exemptions

(i) Deemed Cost

The Company on first time adoption of Ind AS, has elected to continue with the carrying value for all of its property, plant & equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed costs as at the date of transition.

(ii) Government loan below market rate of interest

Ind AS 101 requires a first-time adopter to apply the requirements of Ind AS 109, Financial instruments and Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans at below market rate of interest obtained after the date of transition to Ind AS. However, Ind AS 101 allows a first time adopter to apply the requirements of Ind AS retrospectively to any government loan originated before the date of transition to Ind AS provided that the information needed to do so had been obtained at the time of initially accounting for that loan. Consequently, if the company did not under its previous GAAP recognise and measure the government loan at below market rate of interest on a basis consistent with Ind AS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to Ind AS as the carrying amount of the loan in the opening Ind AS balance sheet. Accordingly the company has applied the above requirement prospectively.

Notes to the Financial Statements

B. Ind AS mandatory exemptions

(i) Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies).

Ind AS estimates as at April 01, 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Group made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Impairment of financial assets based on expected credit loss model.

(ii) Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

(iii) De-recognition of financial assets and financial liabilities

The Company has elected to apply derecognition requirements for financial assets and financial liabilities in Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS.

C. Transition to Ind AS - Reconciliations

The following reconciliations provide a quantification of the effect of significant differences arising from the transition from previous GAAP to Ind AS in accordance with Ind AS 101:

- (i) Reconciliation of Balance sheet as at April 1, 2015 (Transition date)
- (ii) A. Reconciliation of Balance sheet as at March 31, 2016
B. Reconciliation of total comprehensive income for the year ended March 31, 2016
- (iii) Reconciliation of Equity as at April 1, 2015 and March 31, 2016

The presentation requirements under previous GAAP differs from Ind AS and hence Previous GAAP information has been regrouped for ease of reconciliation with Ind AS. The regrouped previous GAAP information is derived from the Financial Statements of the Company prepared in accordance with previous GAAP.

(i) Reconciliation of Balance sheet as at April 1, 2015

<u>Assets</u>	Notes	Previous GAAP	Reclass Enablers for Ind AS*	Ind AS adjustments	Ind AS
Non-current Assets					
Property, plant and equipment		1,754,541,707	-	-	1,754,541,707
Capital work-in-progress		395,894,180	-	-	395,894,180
Financial assets					
Deposits		-	3,978,761	-	3,978,761
Deferred tax assets (net)	(v)	-	-	471,064,325	471,064,325
Government grant		-	51,159,899	-	51,159,899
Other non-current assets		358,273,968	(57,687,752)	-	300,586,216

Notes to the Financial Statements

	Notes	Previous GAAP	Reclass Enablers for Ind AS*	Ind AS adjustments	Ind AS
Current assets					
Inventories	(i)	478,836,640	-	(144,542,675)	334,293,965
Financial assets					
Trade receivables		3,234,704	-	-	3,234,704
Cash and cash equivalents		20,977,122	-	-	20,977,122
Others		-	362,127	-	362,127
Advance income tax (net)		-	1,958,864	-	1,958,864
Government grant		-	368,537,931	-	368,537,931
Other current assets	(i)	475,174,331	(368,539,540)	(14,919,121)	91,715,671
		3,486,932,653	(229,710)	311,602,528	3,798,305,472
Equity and liabilities					
Equity					
Equity share capital		134,194,000	-	-	134,194,000
Other equity	(ii),(iv),(v)	(1,049,986,250)	-	544,560,333	(505,425,917)
Non-current liabilities					
Financial liabilities					
Borrowings	(ii)	322,418,378	-	(56,561,964)	265,856,414
Other financial liabilities		-	-	-	-
Long-term provisions		1,731,152,189	-	-	1,731,152,189
Current liabilities					
Financial liabilities					
Borrowings		136,367,762	-	-	136,367,762
Trade payables	(i)	282,087,941	(26,691,678)	(29,836,417)	225,559,846
Others	(i),(ii)	259,361,942	(563,090)	(17,549,340)	241,249,512
Other current liabilities	(i)	1,649,167,731	27,254,768	(129,010,083)	1,547,412,416
Short-term provisions		22,168,960	(229,710)	-	21,939,249
		3,486,932,653	(229,710)	311,602,528	3,798,305,472

* Reclassifications from previous GAAP to conform to Ind AS presentation requirements for the purposes of this note.

Notes to the Financial Statements

(ii) A. Reconciliation of Balance sheet as at March 31, 2016

	Notes	Previous GAAP	Reclass Enablers for Ind AS*	Ind AS adjustments	Ind AS
Assets					
Non-current Assets					
Property, plant and equipment		1,641,747,905	-	-	1,641,747,905
Capital work-in-progress		318,024,762	-	-	318,024,762
Financial assets					
Deposits		-	6,516,644	-	6,516,644
Deferred tax assets (net)	(v)	-	-	370,315,476	370,315,476
Government grant		-	136,969,437	-	136,969,437
Other non-current assets		410,596,834	(162,875,353)	-	247,721,481
Current assets					
Inventories	(i)	344,205,805	-	(217,288,485)	126,917,320
Financial assets					
Trade receivables		7,428,276	-	-	7,428,276
Cash and cash equivalents		7,395,772	-	-	7,395,772
Others		-	121,775	-	121,775
Advance income tax (net)		-	5,798,624	-	5,798,624
Government grant		-	732,132,429	-	732,132,429
Other current assets	(i)	889,946,681	(718,893,266)	(66,858,222)	104,195,192
		3,619,346,035	(229,710)	86,168,769	3,705,285,094
Equity and liabilities					
Equity					
Equity share capital		134,194,000	-	-	134,194,000
Other equity	(ii),(iv),(v)	(707,602,049)	-	426,877,441	(280,724,609)
Non-current liabilities					
Financial liabilities					
Borrowings	(ii)	199,648,965	-	(40,930,671)	158,718,294
Other financial liabilities		1,877,374,095	-	-	1,877,374,095
Long-term provisions		-	-	-	-
Current liabilities		-	20,215,670	-	20,215,670
Financial liabilities					
Borrowings		27,649,387	-	-	27,649,387
Trade payables	(i)	215,138,934	(3,511,809)	(85,011,812)	126,615,314
Others	(i),(ii)	162,795,448	(694,916)	(16,815,509)	145,285,023
Other current liabilities	(i)	1,689,204,861	4,206,725	(197,950,679)	1,495,460,907
Short-term provisions		20,942,393	(20,445,380)	-	497,013
TOTAL LIABILITIES		3,619,346,035	(229,710)	86,168,770	3,705,285,094

* Reclassifications from previous GAAP to conform to Ind AS presentation requirements for the purposes of this note.

Notes to the Financial Statements

iii. B. Reconciliation of Statement of total comprehensive income for the year ended March 31, 2016

	Notes	Previous GAAP	Reclass Enablers for Ind AS*	Ind AS adjustments	Ind AS
Revenue from operations	(i),(iv)	2,251,057,563	1,662,552,174	(2,011,571,572)	1,902,038,166
Other income		13,257,854	(13,122,549)	-	135,305
Total income		2,264,315,417	1,649,429,625	(2,011,571,572)	1,902,173,471
Expenses					
Cost of materials consumed	(i)	1,123,095,784	-	(409,789,889)	713,305,895
Changes in inventories of work-in progress and finished goods	(i)	5,473,137	-	57,077,683	62,550,821
Excise duty	(i)	-	1,662,552,174	(1,658,797,986)	3,754,189
Employee benefits expense		117,987,454	(13,122,549)	7,996,537	112,861,442
Finance costs	(iii)	223,125,499	-	16,934,044	240,059,543
Depreciation and amortisation expense		255,276,314	-	-	255,276,314
Other expenses	(iv)	196,973,028	-	(61,380)	196,911,648
Total expenses		1,921,931,216	1,649,429,625	(1,986,640,990)	1,584,719,851
Profit before tax		342,384,201	-	(24,930,581)	317,453,619
Tax expense					
Current tax		-	-	-	-
Deferred tax (net)	(v)	-	-	98,277,918	98,277,918
Profit for the year (A)		342,384,201	-	(123,208,499)	219,175,701
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of post-employment benefit obligations, net of tax	(iii)	-	-	5,525,607	5,525,607
Other comprehensive income for the year		-	-	5,525,607	5,525,607
Total comprehensive income for the year		342,384,201	-	(117,682,892)	224,701,308

iv. Reconciliation of Equity as at April 1, 2015 and March 31, 2016

	As at March 31, 2017	As at March 31, 2016
Total Equity (Shareholder's funds) under previous GAAP	(573,408,049)	(915,792,250)
Fair valuation of financial liability carried at amortised cost	56,561,964	73,496,008
Deferred tax	370,315,476	471,064,325
Total equity under Ind AS	(146,530,609)	(371,231,917)

Notes to the Financial Statements

Notes to First-time adoption:

(i) Refer note 38.

(ii) Sales tax deferment:

Sales tax deferment represents sales tax liability of the Company for sales effected during the sales tax deferral scheme period and is repayable without any interest. Under Ind AS, the benefit of Government loans below the market rate of interest are accounted as Government grants. The government grant is measured as the difference between the fair value of the loan and the actual proceeds received. The fair value of the long-term loan is measured at the present value of the future cash payments discounted using the prevailing market rate(s) of interest. Under the previous GAAP, this government loan is not treated as a grant and carried at book value as unsecured borrowing. All the conditions attached to the Government grant have been complied with, before the date of transition. As a result of this change, the amount of sales tax deferment has been reduced by Rs. 73,496,008 as at the transition date with a corresponding adjustment to Equity. The impact on the profit for the year March 31, 2016 is Rs. 16,934,044 due to the notional interest expenditure recognised on the interest free sales tax deferment.

(iii) Remeasurement of post employment benefit obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year.

(iv) Adjustments to revenue:

Under previous GAAP, the Company accounted revenue net of trade discounts, sales taxes and excise duties. Under Ind AS, revenue is being recognised at fair value of consideration received or receivable, gross of excise duty. Excise duty is being charged under Other expenses. Any sales incentive, discounts or rebates in any form including cash discounts given to customer are being considered as reductions to selling price and revenue is presented on net basis.

(v) Deferred taxes:

Under previous GAAP, deferred taxes were recognised based on profit and loss approach i.e. tax impact on difference between the accounting income and taxable income. Under Ind AS, deferred tax is being recognised by following balance sheet approach i.e. tax impact on temporary difference between the carrying value of asset and liabilities in the books and their respective tax base. Also, deferred tax have been recognised on the adjustments made on transition to Ind AS. Deferred tax asset has been recognised to the extent Company has reasonable certainty over future taxable profits as against virtual certainty under the previous GAAP.

41 Previous period's figures have been regrouped/ reclassified to conform to the current period's presentation for the purpose of comparability.

For and on behalf of the Board of Directors

B V Krishna Reddy
Managing Director
DIN: 0007293482

R. Krishnamurthy
Director
DIN: 0006940830

Gopal Kothari
Chief Financial Officer

Santosh Kumar Keerthi
Company Secretary

Place: Bangalore
Date: May 10, 2017

