DIAGEO
INDIA

United Spirits Limited

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

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

July 31, 2019

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

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

Dear Sir/Madam,

Sub: Submission of Notice and Annual Report of United Spirits Limited for the FY 2018-2019

Ref: Regulation 34 (1) (a) of SEBI (LODR) Regulation, 2015

With reference to the captioned subject, we are hereby uploading the soft copy of Annual Report of our Company for the FY 2018-2019, along with the Notice of Annual General Meeting.

We would also like to state that the hard copy of the Annual Report has already been sent by courier to your office on July 25, 2019.

Thanking you,

Yours faithfully,
for **United Spirits Limited**

V. Ramachandran
Company Secretary

Enclosed: As Above

DIAGEO
INDIA

UNITED SPIRITS LIMITED

Registered Office: "UB Tower", No. 24, Vittal Mallya Road, Bengaluru – 560 001
Tel: 080-39856500; Fax: 080-39856862; Corporate Identity Number: L01551KA1999PLC024991
Website: www.diageoindia.com e-mail: Investor.India@diageo.com

NOTICE

NOTICE IS HEREBY GIVEN OF THE TWENTIETH ANNUAL GENERAL MEETING (AGM) of United Spirits Limited (Company) to be held at Vivanta by Taj, No. 3, 41/3, M. G. Road, Bengaluru – 560 001 on Wednesday, August 21, 2019 at 3:30 p.m to transact the following businesses.

ORDINARY BUSINESS

1) To receive, consider and adopt the Audited Financial Statements (including Consolidated Financial Statements) for the financial year ended March 31, 2019 and the Report of the Directors and Auditors thereon.

2) To appoint a Director in place of Mr Vinod Rao (DIN 01788921), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

3) Re- Appointment of Mr Anand Kripalu (DIN: 00118324) as a Managing Director and Chief Executive Officer of the Company for a further period of three years:

As a Special Resolution

RESOLVED that subject to the provisions of Sections 196 and 197, read with Schedule V and other applicable provisions of the Companies Act, 2013, or any statutory modification or re-enactment thereof, Mr. Anand Kripalu, be and is hereby re-appointed as Managing Director and Chief Executive Officer of the Company with effect from August 14, 2019 for a period of three years (upto August 13, 2022), on the following terms and conditions :

1	*Salary*	Basic Salary of Rs.21,42,000/- per month (as against Rs.26,33,890/- per month previously approved), with such increments as may be determined by the Board of Directors of the Company from time to time, in the salary range of Rs. 20,00,000/- to Rs. 35,00,000/- per month and with proportionate increase in all benefits related to the quantum of salary.
2	*Special Allowance*	Special Allowance at the rate of 50% of the proposed basic salary per month. This will be taken into account for calculation of Provident Fund, Gratuity, Superannuation Benefits and Annual Incentive Plan or equivalent.
3	*Personal Allowance*	Rs.9,44,400/- per month in the range of Rs. 9,00,000/- to Rs. 16,00,000/- per month.
4	*Annual Incentive Plan (AIP) or equivalent*	As per the rules framed by the Company in this regard and is variable in nature depending on individual and company performance parameters.
5	*Long Term Incentive Plan (LTIP) or equivalent*	Diageo Executive Long Term Incentive Plan (DELTIP), or equivalent; and United Spirits Stock Appreciation Rights Plan as per the rules framed by the Company in this regard.
6	*Perquisites*	i) Housing – Furnished/ unfurnished residential accommodation or house rent allowance of maximum of 50% of basic salary in lieu thereof. The expenditure incurred by the Company on gas, electricity and water shall be valued as per the Income Tax Rules, 1962. ii) House Maintenance, Repairs and Painting at actuals as per the Company's policy. iii) LTA of Rs. 15,500/- per month as per Rules of the Company, as applicable. iv) National Pension Scheme (NPS) - Contribution or allowance of 10% Basic Salary per month as per the Company's rules. v) Medical Reimbursement – Expenses incurred for Mr Kripalu and his family on actuals, as per the rules of the Company, as applicable.

		vi) Club Fees – Fees of clubs subject to a maximum of two clubs. This will include admission and corporate annual membership fees. vii) Group Mediclaim Policy – Hospitalisation expenses for Mr Kripalu and his family on actuals as per rules of the Company and as applicable to employees of his grade. viii) Group Term Life Insurance – Life insurance for Mr Kripalu as applicable to employees of his grade and as per rules of the Company. ix) Personal Accident Insurance – Accident Insurance for Mr Kripalu as applicable to employees of his grade and as per rules of the Company. x) Provident Fund – The Company's contribution to Provident Fund shall be as per the Scheme of the Company, as applicable. xi) Superannuation/Annuity Fund – The Company's contribution to Superannuation or Annuity Fund shall be in accordance with the Scheme of the Company, as applicable. xii) Gratuity – Payable in accordance with the Rules of the approved Fund of the Company, as applicable. xiii) Encashment of leave not availed – As per the Rules of the Company, as applicable. xiv) Provision of cars, cell phone and telephone (at the residence) – Provision of two Company cars with drivers and actual fuel; two mobile phones' expenditure, two telephones at residence including internet broadband expenditure as per the Company's policy. xv) Tax preparation services – Consulting services cost for filing tax returns payable at actuals. xvi) Such other benefits, amenities, facilities and perquisites as per the rules of the Company, as applicable and as may be permitted by the Board of Directors of the Company.

Resolved Further that the actual remuneration within the above range as recommended by the Nomination and Remuneration Committee and as approved by the Board of Directors, from time to time shall remain unchanged unless modified by the Board of Directors.

RESOLVED FURTHER THAT all other existing terms and condition of appointment and remuneration shall remain unchanged unless otherwise modified by the Board of Directors of the Company.

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

4) Re-Appointment of Mr Sivanandhan Dhanushkodi (DIN: 03607203) as an Independent Director for a further period of five years:

As a Special Resolution

RESOLVED THAT pursuant to provision of Section 149, 150(2), 152 and any other applicable provision of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force read with Schedule IV of the Companies Act, 2013 Mr Sivanandhan Dhanushkodi (DIN: 03607203) who was appointed as an Independent Director of the Company on September 30, 2014 and whose first term of five years expires on September 29, 2019, be and is hereby re-appointed as Independent Director of the Company for a further period of 5 years wef September 30, 2019 to September 29, 2024 and who shall not be subject to retirement by rotation.

RESOLVED FURTHER THAT remuneration payable to Mr Sivanandhan Dhanushkodi be in terms of Resolution no 4 of the Postal Ballot resolutions approved by the members of the Company effective January 18, 2019.

5) Re- Appointment of Mr Mahendra Kumar Sharma (DIN: 00327684) as an Independent Director for a further period of five years:

As a Special Resolution

RESOLVED THAT pursuant to provision of Section 149, 150(2), 152 and any other applicable provision of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force read with Schedule IV of the Companies Act, 2013. Mr Mahendra Kumar Sharma (DIN: 00327684) who was appointed as an Independent Director of the Company on April 01, 2015 and whose first term of five years expires on March 31, 2020, be and is hereby re-appointed as Independent Director of the Company for a period of 5 years wef April 1, 2020 to March 31, 2025 and who shall not be subject to retirement by rotation.

RESOLVED FURTHER THAT remuneration payable to Mr Mahendra Kumar Sharma be in terms of Resolution no 4 of the Postal Ballot resolutions approved by the members of the Company effective January 18, 2019.

6) Re-Appointment of Mr Rajeev Gupta (DIN: 00241501) as an Independent Director for a further period of five years:

As a Special Resolution

RESOLVED THAT pursuant to provision of Section 149, 150(2), 152 and any other applicable provision of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force read with Schedule IV of the Companies Act, 2013. Mr Rajeev Gupta (DIN: 00241501) who was appointed as an Independent Director of the Company on December 23, 2014 and whose first term of five years expires on December 22, 2019, be and is hereby re-appointed as Independent Director of the Company for a period of 5 years wef December 23, 2019 to December 22, 2024 and who shall not be subject to retirement by rotation.

RESOLVED FURTHER THAT remuneration payable to Mr Rajeev Gupta be in terms of Resolution no 4 of the Postal Ballot resolutions approved by the members of the Company effective January 18, 2019.

7) Re-Appointment of Ms Indu Ranjit Shahani (DIN: 00112289) as an Independent Director for a further period of five years:

As a Special Resolution

RESOLVED THAT pursuant to provision of Section 149, 150(2), 152 and any other applicable provision of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force read with Schedule IV of the Companies Act, 2013. Ms Indu Ranjit Shahani (DIN: 00112289) who was appointed as an Independent Director of the Company on September 30, 2014 and whose first term of five years expires on September 29, 2019, be and is hereby re-appointed as Independent Director of the Company for a period of 5 years wef September 30, 2019 to September 29, 2024 and who shall not be subject to retirement by rotation.

RESOLVED FURTHER THAT remuneration payable to Ms Indu Ranjit Shahani be in terms of Resolution no 4 of the Postal Ballot resolutions approved by the members of the Company effective January 18, 2019.

8. Approval for Granting Loans and Guarantees to Pioneer Distilleries Limited.

As a Special Resolution

RESOLVED THAT in supersession of existing approvals and pursuant to the provisions of Section 185 of the Companies Act, 2013 and all other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification or re-enactment thereof for the time being in force) and other laws, and subject to such other approvals, consents, permissions and sanctions of any authorities as may be necessary, consent and approval of the members of the Company be and is hereby accorded to the Company, to give loans to Pioneer Distilleries Limited ("PDL"), a Subsidiary of the Company, up to an aggregate limit of Rs. 485 crores (Rupees Four Hundred and Eighty Fifty Crores only), including the existing loans already approved and/or granted to PDL, in one or more tranches, such loan having a repayment period of a maximum of five years or such other periods and at such interest rates and other terms as may be agreed to between the Company and PDL from time to time.

RESOLVED FURTHER that approval be and are hereby given for providing guarantee in connection with a loan or towards any other obligation upto an aggregate amount of Rs 350 crores (Rupees Three Hundred and Fifty Crores only) including any existing guarantees already provided to PDL, in one or more tranches, at a guarantee commission/ fee, as may be mutually agreed to between the Company and PDL from time to time, which shall be in the range of 0.25% pa to 0.75% pa of the guarantee amount.

RESOLVED FURTHER THAT the Board of Directors of the Company is hereby authorised to do all such acts, matters, deeds and things as may be necessary, expedient or desirable and to execute the documents, deeds or writings required to be made and to do all acts, deeds and things as it may in its absolute discretion deem necessary, proper or desirable, including to settle any question, difficulty or doubt that may arise in respect of such loans.

RESOLVED FURTHER THAT the Board of Directors is hereby authorised to delegate all or any of its powers conferred by the above resolution to any director or directors or to any committee of directors or any other officer or officers of the Company to give effect to the above resolution and all actions taken by the Board of Directors or its delegates in connection with any matter(s) in respect of the existing loans be and are hereby approved, ratified and confirmed in all respects."

By Order of the Board

Place : Mumbai
Date : July 22, 2019

V. Ramachandran
Executive Vice- President
& Company Secretary

Notes :

1. Please refer to the explanatory statement given hereunder.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AGM IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS/HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

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

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

3. The Transfer Books and Register of Members will be closed from August 15, 2019 to August 21, 2019 (both days inclusive).

4. Members are required to immediately inform the Company's Registrars and Transfer Agents, Integrated Registry Management Services Private Limited (IRMSPL) formerly known as Integrated Enterprise (India) Limited, #30, Ramana Residency, 4th Cross, Sampige Road, Bengaluru – 560 003 (Telephone No. 080 23460815-818 Fax No. 08023460819), in case of shares held in physical form and to the respective Depository Participants, in case of shares held in dematerialized/electronic form:-

   a) any change in their registered addresses along with PIN Code;

   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 bank, bank's branch name and address to enable the Company to draw dividend warrant payable accordingly.

5. Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents, at the address as stated in Note 4 above.

6. Members may please address all their documents/ correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents, at the address as stated in Note 4 above.

7. Nomination facility for shares held in their name is available for members. The prescribed form in this regard can be obtained from the Company's Registrars and Transfer Agents at the address as stated in Note 4 above.

8. The Company's equity shares are under compulsory dematerialization. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates are dematerialized. Members with physical share certificates are advised to consider opening a Demat Account with an authorised Depository Participant (DP) and arrange for dematerializing their shareholdings in the Company. Members may please note that effective April 1, 2019 transfer of shares are not permitted through physical mode pursuant to SEBI notification dated June 8, 2018.

9. Unclaimed Dividend:

   a) All Unclaimed/Unpaid Dividend upto the financial year ended March 31, 1994, has been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Members who have not encashed the Dividend Warrants for the said period may claim their dividends from the Registrar of Companies, Karnataka, II Floor, E-Wing, Kendriya Sadan, Koramangala, Bengaluru – 560 034.

   b) All Unclaimed/Unpaid Dividend for the period from April 1, 1994 to March 31, 2011, required to be transferred to the Investor Education and Protection Fund (Fund) in terms of Section 205C of the Companies Act, 1956, have been transferred to the Fund pursuant to the provisions of Companies Act, 1956.

   c) In terms of Section 125 of the Companies Act, 2013 the amount of dividend declared for the financial year ended March 31, 2011 and thereafter remaining unclaimed for a period of seven years from the due date of payment has been transferred to the Investor Education and Protection Fund.

10. Members may note that the Unclaimed/ Unpaid Dividend which are transferred to the Fund, their claim shall lie against the Fund or the Company in respect of the individual amounts which were Unclaimed and Unpaid for a period of seven years from the dates when they first became due for payment, and such payment shall be made in respect of any such claim by submitting an application in form IEPF 5 to Ministry of Corporate Affairs (MCA) available on website www.iepf.gov.in.

    Details of unclaimed dividend has been uploaded on the Company's website www.diageoindia.com.

11. 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 as per the specimen signature lodged with the Company.

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

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

12. The members are requested to post their grievances for speedy redressal to bglsta@integratedindia.in/ investor.india@diageo.com

13. Corporate members are required to send to the Company a certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013, authorizing their representative to attend and vote at the AGM.

14. The details required to be given in pursuance of Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015 in case of directors being appointed/ re-appointed is given in the Explanatory Statement.

15. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administrations) Rules, 2014, the Company is pleased to provide to members with a facility to exercise their right to vote at the 20th AGM by electronic means and the business may be transacted through Electronic Voting (e-voting) services provided by Central Depository Services (India) Limited [CDSL].

16. Facility for voting shall also be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting can exercise their vote at the meeting.

17. Members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

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

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

(i) The e-voting period begins on August 18, 2019 at 9.00 a.m and ends on August 20, 2019 at 5.00 p.m. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form as on the cut-off date (record date) of August 14, 2019, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

(ii) The shareholders should log on to the e-voting below: www.evotingindia.com

(iii) Click on Shareholders/Members.

(iv) Now Enter your User ID

a. For CDSL: 16 digits beneficiary ID,

b. For NSDL: 8 Character DP ID followed by 8 Digits Client, ID,

c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

(v) Next enter the Image Verification as displayed and Click on Login.

(vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any other company, then your existing password is to be used.

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

PAN	For members holding shares in Demat Form and Physical Form • Enter your 10 digit alpha-numericPAN issued by Income Tax Department(Applicable for both demat shareholders as well as physical shareholders) • Members whohave notupdated their PANwith the Company / Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN Field.
Dividend Bank details or Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

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

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

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

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

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

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

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

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

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

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

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

(xix) A. Note for Non-Individual Shareholders and Custodians.

a. Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www. evotingindia.com and register themselves as Corporates.

b. A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@ cdslindia.com.

c. After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.

d. The list of account(s) should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.

e. A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@ cdslindia.com.

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

(i) login details is provided at the bottom of the Attendance Slip for the AGM: EVSN (Electronic Voting Sequence Number);

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

19. The voting rights of members shall be in proportion to their shareholding in the Company as on the beginning of the book closure date i.e., 15th August, 2019.

20. Mr Sudhir V Hulyalkar, Company Secretary in Practice (CP - 6137); Address: 16/8, Ground Floor, 2nd Cross, Gupta Layout, South End Road (Near South End Circle), Basavanagudi, Bengaluru 560 004 has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

21. The Scrutinizer shall, not later than 48 hours after the conclusion of the AGM, unblock the votes in the presence of at least two (2) witnesses, not in the employment of the Company and make a consolidated Scrutinizer's Report of the votes cast in favour or against, if any, to the Chairman or a person authorized by him and the Company will declare the results of the voting forthwith.

22. The results declared along with the Scrutinizer's Report will be placed on the Company's website - www. diageoindia.com and on the website of CDSL immediately after the result is declared by the Chairman or any person authorised by the Company and communicated to the concerned Stock Exchanges.

23. All documents referred to in the accompanying Notice if any 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. Saturdays and Sundays are non-working days for the Company.

24. The Register of Contracts or Arrangements in which Directors are interested maintained under Section 189 of the Companies Act, 2013 and the Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.

25. Arrangement of Webcast : We have also made arrangements to vote thru insta poll online at the AGM venue on August 21, 2019. In addition we have also made arrangements to the shareholders to view the webcast

of the proceedings of the Annual General meeting. to be held on 21 August 2019 from 3.30 p.m. onwards. Shareholders who cannot attend the Meeting may avail this facility by browsing the link "www.evotingindia.com" and clicking on "Shareholders / Members" tab. Please enter your 16 digit demat account (in case of demat holding) or 7 digit folio details (in case of Physical holding) and then enter the Characters displayed on the screen. After this you need to enter the details as asked by the system and then you will reach at the link "live streaming" from where you can ONLY VIEW the proceeding of our Annual General Meeting. In case you face any difficulty in viewing the meeting please contact the service provider - Central Depository Services Limited on phone number 1800225533 for assistance.

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 102 OF THE COMPANIES ACT, 2013 including Additional information on directors recommended for re-appointment required under Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

1. **Item 2 of Notice - Re-Appointment of Mr Vinod Rao**

Vinod Rao has 30 years' professional experience in Asia / Middle East spanning three global companies – Akzo Nobel India Limited (previously known as ICI India), PepsiCo and Diageo - in sectors such as FMCG, consumer durables and chemical and industrial products. Mr. Rao holds a Bachelor of Commerce from Madras University and is a member of the Institute of the Chartered Accountants of India and attended a Senior Executive Programme from London Business School. He joined Diageo in July 2013 as Finance Director of Asia Pacific. Mr. Rao also represents Diageo as director in Shui Jing Fang, a public company in China and other subsidiary companies within Diageo. He is having expertise in the field of Finance, Accounting and Treasury.

Mr Vinod Rao is not related to any other Director and does not hold any shares in the Company. He is a member of the Audit Committee of the Company and does not hold any Directorship in any other Indian Listed Company. No other Director is interested in this resolution. Board of Directors recommend passing of this resolution.

2. **Item 3 of Notice - Re-Appointment of Mr. Anand Kripalu**

Mr Anand Kripalu was appointed as Managing Director and Chief Executive Officer (MD & CEO) for a period of five years effective August 14, 2014. His first term therefore comes to an end on August 13, 2019. Mr Kripalu was re-appointed as MD and CEO for a further period of 3 years from August 14, 2019 upto August 13, 2022.

The Nomination and Remuneration Committee has reviewed this matter and recommended the reappointment to the Board of Directors. The Board of Directors have approved the same at the meeting held on May 29, 2019.

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

A. General Information:

i. Nature of industry: Alcoholic Beverages

ii. Date or expected date of commencement of commercial production: Existing Company

iii. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable, Existing Company

iv. Financial performance based on given indicators: The Key Financial Parameters of the Company as on March 31, 2019 is given below :

Particulars	Rupees in millions **Amount**
Gross Sales	285,123
Profit/Loss from operations	11,626
Exceptional and other non-recurring items	(267)
Less :	
Depreciation	1,445
Taxation (including deferred tax)	3,328
Profit/(Loss) after tax	6,586

v. Foreign investments or collaborations: Company is a subsidiary of Diageo plc (through Relay BV), which owns 54.78% of the paid-up equity capital of the Company.

B. Brief note about Mr Anand Kripalu:

i. Background Details : Mr Anand Kripalu is a B.Tech from IIT Madras and MBA from IIM Kolkata and has done an Advance Management Programme in Wharton Business School. He has an experience of more than three decades in various industries.

ii. **Past Remuneration:** The remuneration drawn by Mr Kripalu in the preceding three financial years 2016-17, 2017-18 and 2018-19 is given below :

SL. NO	Financial Year	Name of the Company	Remuneration (Amt in Rs.)
1	2016-17	United Spirits Limited	127,843,692
2	2017-18	United Spirits Limited	129,848,574
3	2018-19	United Spirits Limited	153,051,005

iii. Recognition or Awards/Achievements: Mr. Kripalu has over 30 years of experience in the Indian consumer goods market. He formerly held the position of President, India and South Asia at Mondelez International, and Managing Director of Cadbury India Ltd. for eight years. In this position, Mr. Kriplau played a key role in leading Mondelez in India after the Cadbury acquisition by Kraft. He has also acquired significant experience on his stint with Unilever for 22 years. He joined Unilever in 1983 through the erstwhile Indian division of Chesebrough Ponds and went on to hold several key positions in Sales and Marketing.

One of his key achievements during his tenure at Unilever was the setting up of the Dental Innovation Centre in Mumbai. He has held several key positions such as Head of Market Research, Head of Marketing for the Laundry category for India and the Central Asia Middle East Region, and General Manager – Sales & Customer Development for the Detergent business. In his last assignment as Managing Director for Unilever's East Africa operations, Mr. Kripalu turned around a loss making business to deliver double-digit growth.

In 2009-10 he chaired the CII National FMCG Committee. He has been on the Managing Committee of the Bombay Chamber of Commerce and Industry and on the National Executive Committee of FICCI. Recently, he was appointed as a member of the Board and Governors of Indian Institute of Management, Jammu.

Job profile and his suitability: In his current position his task is to transform the company, making it one of the most trusted and respected consumer goods company. His focus has been around transformation of corporate citizenship as well as ethical standards in the industry. Mr Kripalu is well qualified and experienced to steer the Company to greater heights as has been demonstrated in the achievements in the last three years as per the financial performances given below;

Financial Year	Gross Sales	Profit After Tax	Market Capitalisation
2018-19	Rs 282,791 Mns	Rs 6,586 Mns	Rs. 39, 244 Crs
2017-18	Rs. 258,715 mns	Rs.5,617 mns	Rs. 45,425 Crs
2016-17	Rs. 252,947 mns	Rs.1699 mns	Rs. 31,586 Crs

In the context of extraordinary changes - the highway ban, alcohol exclusion in GST and its fall-out and the uncertainty caused by route to market changes in many states – the Company has delivered strong financial performance in the last couple of years. In addition the Company has also enhanced its premiumization with prestige and above segments accounting for 66% of net sales in value as on March 31, 2019. Under his leadership, the Company has taken various CSR initiatives, built a talented, diverse and inclusive work place and achieving significant progress with the aim of making the Company one of India's best performing, most trusted and respected consumer goods companies in India.

v. Remuneration Proposed: There is no change in the existing remuneration. The detailed remuneration has been reproduced in Item No. 3 of the Resolution.

vi. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person:

The remuneration paid to the CEO/MD of the following comparable Companies for the FY 2017-18 are given below for the purpose of comparison:

1.	Hindustan Unilever Limited	-	Rs. 19.37 Crores
2.	ITC Limited	-	Rs. 4.46 Crores
3.	Marico Limited	-	Rs 20.62 Crores
4.	Larsen & Toubro Limited	-	Rs 31.80 Crores
5.	Tata Consultancy Services	-	Rs. 12.49 Crores

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

C. Other Information:

i. Reasons for loss or inadequate profits:

The Company has been consistently making profits except for the financial year ended March 31, 2014 and for the financial year ended March 31, 2015 due to certain exceptional and one-off items. If the profits of each of the years is calculated in terms of the provisions existing prior to this amendment, the Company had net profits calculated for this purpose under section 198. Implications in the change in the method of calculation of net profit under section 198 prior to this amendment (i.e., up to financial year 2017-18) and after the amendment (i.e., from the financial year 2018-19) are given below :

SL. NO	Financial Year	Net profit under section 198 (Previous Method)	Net profit under section 198 (Revised method due to the amendment with effect from September 12, 2018) [Cumulative Accumulated Loss]
1	2013-14	(33,012.26)	(33,012.26)
2	2014-15	(455.48)	(33,467.74)
3	2015-16	4163.39	(29,304.35)
4	2016-17	2718.50	(26,585.85)
5	2017-18	8740.90	(17,844.95)
6	2018-19	11,422.00	(6,422.95)

As can be seen from above, the method of calculation as prescribed earlier considered only the current year profits and accumulated loss, if any of financial year 2014-15 only. As per the revised method, net profit needs to be re-calculated by considering past accumulated losses of financial year 2013-14 and earlier. As a result, with the same set of profit figures for each year the corresponding revised calculation results in a negative figure of net profit due to past accumulated losses for the financial year 2013-14 for determining net profit under section 198.

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

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

Pursuant to the approval of the shareholders of the Company at an extraordinary general meeting of the Company on 9 January 2015, the Company entered into a number of agreements with certain Diageo entities for manufacture and sale of certain key brands owned by such Diageo entities. These agreements would enable the Company to be in a position to gain a diverse product portfolio, additional sales revenue and improve the Company's standing in the domestic market by virtue of leveraging the Diageo brand and know-how. Also, these agreements are value accretive for the Company and are consistent with the Company's strategy to build and extend its competitive advantage in the "Premium and above" market segments. This has been demonstrated by the Company achieving profitability over the years through premiumization strategy for prestige and above segment accounting for 66% of the net sales for the financial year ended March 31, 2019.

iii. Expected increase in productivity and profits in measurable terms:

The increase in the financial performance including the profitability over the subsequent three financial years are given below which clearly show that the Company is on the high growth trajectory.

Financial Year	Gross Sales	Profit After Tax	Market Capitalisation
2018-19	Rs 282,791 mns	Rs 6,586 mns	Rs 39,224 crs
2017-18	Rs.258,715 mns	Rs.5,617 mns	Rs.45,425 Crs
2016-17	Rs.252,947 mns	Rs.1,699 mns	Rs.31,586 Crs

iv. Professional capacity – The MD & CEO is functioning in a professional capacity possessing expertise and specialised knowledge beyond the graduate level qualification and is not having any interest in the capital of the company or any of its subsidiary companies. The MD & CEO does not have any direct or indirect interest or related to the directors or promoters of the Company or its holding or subsidiary companies at any time during the last two years before or on or after the date of appointment.

v. Other parameters under Section 200 read with Rule 6 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

(1) The Financial and operating performance of the company during the three preceding financial years – Details provided in para C (iii) above.

(2) Remuneration drawn in any other capacity from the Company – Not Applicable

(3) Remuneration or Commission drawn by him from any other company – The MD and CEO may be entitled to remuneration payable by such other companies on the terms and conditions of such appointment from time to time.

(4) Professional qualification and experience – As indicated above in para B (i) and B (iii)

(5) The relationship between remuneration and performance – As shown in the Resolution No.3, substantial portion of the remuneration is in the form of performance based incentive (Annual Incentive Plan and Long term Incentive Plan).

(6) The principle of proportionality of remuneration within the company, ideally by a rating methodology which compares the remuneration of directors to that of other directors on the board who receives remuneration and employees or executives of the company – The remuneration to the executives as well as to the MD and CEO are based on performance rating methodology which takes care of the benchmarks within and outside the Company. In addition, the nomination and Remuneration Committee benchmarks remuneration of comparable companies to the remuneration payable to the MD and CEO and recommends to the Board remuneration which meets that criteria.

(7) whether remuneration policy for directors differs from remuneration policy for other employees and if so, an explanation for the difference – The two policies are different. The remuneration policy for directors covers a wide range of issues including their role to promote the objects of the Company and all its stakeholders etc whereas, the remuneration policy for other employees are covered by the Company's applicable HR policies.

(8) The securities held by the director, including options and details of the shares pledged as at the end of the preceding financial year – The MD and CEO does not hold any share of the Company and is not covered by stock options within the meaning of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

Reasons and justification for payment of remuneration – Please refer to detailed justifications and reasons in paras B (iv), B (vi), C (ii) and C (iii) above

None of the Directors and/or Key Managerial Personnel of the Company, other than Mr. Kripalu to whom this resolution relates, including their relatives are, in any way, concerned or interested, financially or otherwise, in the proposed resolution except to the extent of their respective shareholding in the Company to the same extent as that of every other member of the Company.

The Board of Directors recommend passing of the resolution set out under Item No. 3 for approval of the members as a special resolution.

3. Item 4 - Re-Appointment of Mr. D. Sivanandhan as an Independent Director

D. Sivanandhan is a highly regarded IPS officer with an illustrious career spanning 36 years. After earning a postgraduate degree in Economics, he joined the IPS in 1976 and retired as the Director General of Police of Maharashtra state police in 2011. He has held several senior positions in the Intelligence Bureau, Central Bureau of Investigation and Mumbai crime branch. He has also served as Commissioner of Police of Nagpur, Thane city and Mumbai. He has been awarded the meritorious service medal (1993), the president's distinguished service medal (2000) and also the Internal Security Medal (1998). He has worked in the National Security Council Secretariat, New Delhi as a member of the special task force and also as the Security Adviser to RBI for three years. He is on the Board of several prestigious companies. The list of Directorships and Committee membership in listed companies as on date is given in the Annexure A attached to this notice.

Mr Sivanandhan is not related to any other Director of the Company and does not hold any shares in the Company. None of the Directors and/or Key Managerial Personnel of the Company, other than Mr. Sivanandhan to whom this resolution relates, including their relatives are, in any way, concerned or interested, financially or otherwise, in the proposed resolution except to the extent of their respective shareholding in the Company to the same extent as that of every other member of the Company.

The Board of Directors recommend passing of the resolution set out under Item No. 4 for approval of the members as a special resolution.

4. **Item 5 - Re-Appointment of Mr. Mahendra Kumar Sharma as an Independent Director**

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

The list of Directorships and Committee membership in listed companies as on date is given in the Annexure A attached to this notice. Mr Sharma is not related to any other Director of the Company and does not hold any shares in the Company. None of the Directors and/or Key Managerial Personnel of the Company, other than Mr. Sharma to whom this resolution relates, including their relatives are, in any way, concerned or interested, financially or otherwise, in the proposed resolution except to the extent of their respective shareholding in the Company to the same extent as that of every other member of the Company.

The Board of Directors recommend passing of the resolution set out under Item No. 5 for approval of the members as a special resolution.

5. **Item 6 - Re-Appointment of Mr. Rajeev Gupta as an Independent Director**

Rajeev Gupta graduated from the Indian Institute of Technology, Varanasi, and has an MBA from the Indian Institute of Management, Ahmedabad. He has over 34 years' experience in manufacturing, investment banking and private equity. A former CEO of Cosmo Ferrites and Joint MD of DSP Merrill Lynch, he is currently CEO of Arpwood Capital Limited, an investment banking company he founded in 2012, and a partner at Arpwood Partners Investment Advisors LLP, which manages private equity investments. He is on the board of EIH Limited, Cosmo Films, TVS Capital Funds, TV Today Network, Vardhman Special Steel and VIP Industries.

The list of Directorships and Committee membership in listed companies as on date is given in the Annexure A attached to this notice. Mr Rajeev Gupta is not related to any other Director of the Company and does not hold any shares in the Company. None of the Directors and/or Key Managerial Personnel of the Company, other than Mr. Rajeev Gupta to whom this resolution relates, including their relatives are, in any way, concerned or interested, financially or otherwise, in the proposed resolution except to the extent of their respective shareholding in the Company to the same extent as that of every other member of the Company.

The Board of Directors recommend passing of the resolution set out under Item No. 6 for approval of the members as a special resolution.

6. **Item 7 - Re-Appointment of Ms. Dr. Indu Shahani as an Independent Director**

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

The list of Directorships and Committee membership in listed companies as on date is given in the Annexure A attached to this notice. Dr. Indu Shahani is not related to any other Director of the Company and does not hold any shares in the Company. None of the Directors and/or Key Managerial Personnel of the Company, other than Dr. Indu Shahani to whom this resolution relates, including their relatives are, in any way, concerned or interested, financially or otherwise, in the proposed resolution except to the extent of their respective shareholding in the Company to the same extent as that of every other member of the Company.

The Board of Directors recommend passing of the resolution set out under Item No. 7 for approval of the members as a special resolution.

Remuneration payable to non-executive directors stated in item no. 4 to 7 shall be approved by the Board of Directors based on the recommendation of the Nomination and Remuneration Committee in terms of the existing approval of the members of the Company obtained through postal ballot effective January 18, 2019 upto the period ending March 31, 2021.

7. Item 8 - Additional Loans and guarantees to Pioneer Distilleries Limited (PDL)

Pioneer Distilleries Limited (PDL), a listed subsidiary in which your Company holds 75% of the paid-up equity share capital, is in the process of seeking loan in order to undertake capital expenditure projects and to meet its working capital needs apart from utilising the same for its principal business activities.

The Board of Directors of the Company, at their meeting held on October 31, 2018, has approved funding of an additional loan up to Rs. 150 crores (Rupees One Hundred and Fifty Crore Only) and on July 22, 2019 of Rs 200 Crores (Rupees Two Hundred Crores), on terms and conditions as may be mutually agreed to by both companies. In addition, pursuant to the requirement under sub section 2 of Section 185 of the Companies Act, 2013, PDL is considered 'a person in whom any of the Director of the Company is interested'. In addition, Section 186 of the Companies Act requires approval of the members of the Company by way of a Special Resolution if any loans together with the existing loans and investments exceed 60% of paid up share capital plus free reserves and securities premium account or 100% of free reserves and securities premium account. As per the last audited financial statements, the position is as follows.

A) Financial Position and Limits

(Rs in Crs)

Position as on March 31, 2019, Audited Financial Statement	
Particulars	**Amount**
Paid-up Capital	145
Securities Premium	4568
General Reserves	1103
Free Reserves	(2840)
Total	2977
60% of Total (A)	**1785.6**

Position as on March 31, 2019, Audited Financial Statement (Rs in Crs)	
Securities Premium	4568
General Reserve	1103
Free Reserve	(2840)
Total (B)	**2831**

Higher of (A) and (B) above (C) – Rs.2831 crores

Loans, investment and guarantees including present and proposed loans and guarantees (D) – Rs. 2301 crores Excess of (C) and (D) – Rs. 530 crores

Due to the limits prescribed under Section 186 which in the above case is Rs. 2831 Crores is more than the figure of the existing loans and investments and guarantees of about Rs. 2301 Crores (including the existing and proposed loans and investments/ guarantees) the proposed additional loan of Rs. 200 Crores and additional guarantee of Rs 250 crores can be granted without approval by the members of the Company.

Existing loan to Pioneer Distilleries Limited given by the Company and outstanding as on March 31, 2019 is Rs. 135.4 Crores

B) Reasons for which the Proposed Transaction requires the approval of the Company's members

In terms of Section 185 of the Companies Act, 2013, members' approval by way of a special resolution is required by the Company since such loans to PDL are considered as a loan to 'a person in whom any of the Director of the Company is interested'.

C) Reasons for providing loans to PDL

The loan to PDL is required to be provided for the following reasons.

1. Synergy between the Company and PDL

There is unique synergy between the Company and PDL which benefits the Company as well as PDL. PDL has the infrastructure and capability to produce finest quality of ENA. The Company has the expertise and has extended its technical support to achieve the same for PDL. The Company has robust growth trend and require additional quantity of ENA every year. the Company and its associate Units (TMUs) are buying entire ENA produced in PDL. In fact, PDL has the capacity to contribute to 20% of the ENA requirement of the Company in the states of Maharashtra and Karnataka. Further, PDL has also got state of the art bottling plant to produce Indian Made Foreign Liquor (IMFL). As a part of the arrangement between PDL and the Company, PDL is producing USL brands in its bottling facility and selling the same to the Company. The Company's proposed loan to PDL will help PDL secure funding and meet capital expenditure and working capital needs to run its plant efficiently apart from utilising the same for its principal business activities.

This in turn will ensure security of supply of ENA and IMFL to the Company. Also, benefits accruing to PDL due to funding support will flow back to the Company as PDL is a 75% subsidiary of the Company. PDL has not defaulted in its loan repayment in the past. The financials of PDL are available on its website at http://pioneerdistilleries.com / financialresults. php and Annual Report on its website at http://pioneerdistilleries.com/downloads.php for the year 2017-18.

2) Maturing spirit at Pioneer Distilleries Limited began recently. This is a three year process requiring bridge working capital. In addition, PDL needs to invest in Diageo's manufacturing standards to match the quality as in other units in the state like in Nasik/Aurangabad and upgrading of pollution and fire equipments are also underway. In addition, Maharashtra is a growth market for us and we foresee business augmentation enabled through our agreements with PDL.

3) Better financial terms: USL having a better credit rating is in a position to borrow on terms which are much more beneficial than PDL. Being a subsidiary of the Company, the proposed loan will help PDL in procuring funds on better terms from USL which it may not be able to obtain from an external source. This contributes to the resultant benefit to both PDL and USL as a group.

4) Disclosure as per Section 185

a. Particulars of the Loan-Additional loan of Rs 200 crores such that the overall loan limit shall be Rs 485 crores.

b. Security- Unsecured loan

c. Purpose of the loan- To undertake capital expenditure projects and to meet its working capital needs apart from utilising the same for its principal business activities.

d. Repayment period- maximum of five years or such other period and at such interest rates and other terms as may be agreed to between the Company and PDL from time to time.

e. Rate of Interest- Rate of Interest shall not be less than the rate of Interest mandated by sub section 7 of Section 186 of the Companies Act, 2013.

f. Rate of Commisson on Guarantee- As may be agreed to between the Company and PDL subject to the commission/ fee being in the range of 0.25% to 0.75%

g. Date of approval by the Board of Directors – July 22, 2019.

The above disclosure also meets similar requirements under Section 186 of the Companies Act as well. None of the directors and key managerial personnel of the Company or their relatives are concerned or interested in the resolution.

The Board of Directors recommend passing of the resolution set out under Item No. 8 for approval of the members as a special resolution.

By Order of the Board

Place : Mumbai
Date : July 22, 2019

V. Ramachandran
Executive Vice- President
& Company Secretary

Annexure A- List of Directorships and Committee memberships in Listed companies in India of Directors proposed to be reappointed.

Name of the Director	Name of Listed Entities in which person holds directorships	Memberships in the Committees
D Sivanandhan	Forbes & Company Limited	Audit Committee, Stakeholders Relationship Committee, Nomination & Remuneration Committee and Corporate Social Responsibility Committee
	Kirloskar Industries Limited	Audit Committee
	RBL Bank Limited	Audit Committee, Nomination & Remuneration Committee and Corporate Social Responsibility Committee
	Inditrade Capital Limited	
Indu Shahani	Bajaj Electricals Limited	Audit Committee, Stakeholders Relationship Committee, Nomination & Remuneration Committee Risk Management Committee and Corporate Social Responsibility Committee
	Clariant Chemicals India Limited	Audit Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee
	Colgate-Palmolive (India) limited	Audit Committee and Corporate Social Responsibility Committee
Mahendra Kumar Sharma	Wipro Limited	Audit Committee, Stakeholders Relationship Committee and Risk Management Committee
	Asian Paints Limited	Audit Committee and Nomination & Remuneration Committee
	Ambuja Cements Limited	Corporate Social Responsibility Committee
	Vedanta Limited	Audit Committee, Nomination & Remuneration Committee and Corporate Social Responsibility Committee
Rajeev Gupta	Cosmo Films Limited	Stakeholders Relationship Committee
	EIH Limited	Audit Committee and Nomination & Remuneration Committee
	Rane Holdings Limited	Audit Committee
	TV Today Network Limited	Audit Committee
	Vardhman Special Steels Limited	Nomination & Remuneration Committee
	V I P Industries Limited	Audit Committee

ROUTE MAP TO THE HOTEL VIVANTA

United Spirits Limited
Annual Report **2018-19**

CELEBRATING PROGRESS

Inside this report

Corporate Overview

Statutory Reports

Financial Statements

AT A GLANCE

#1
SPIRITS COMPANY IN INDIA^

#2
PLAYER IN THE GLOBAL SPIRITS MARKET^

AA+
LONG-TERM CREDIT RATING (CRISIL AND ICRA)

CGR2
CORPORATE GOVERNANCE RATING FROM ICRA

ONE OF THE HIGHEST
CONTRIBUTORS TO THE STATE GOVERNMENT'S REVENUES

^ (IWSR 2019)

Winning performance

Revenue from operations	Profit after tax	EBITDA margin	Volume (cases sold)	Earnings per share
₹28,512 Cr ↑	₹659 Cr ↑	14.3% ↑	81.6 Mn ↑	₹9.1 ↑
₹26,069cr	₹562cr	12.6%	78.5m	₹7.7*

Gender diversity	People reached via sustainability & public awareness programmes	Water usage	Energy consumption
15% ↑	33.69 Mn ↑	3.5 L/L	0.97 kWh/L ↓
11%	3.35 Mn	3.5 L/L	1.09 kWh/L

**(adjusted for the 1:5 stock split which became effective from FY19)*
Basis Standalone Financials.

● FY19 ● FY18

More information online at **www.diageoindia.com**

Celebrating Progress

In the past five years, we have come a long way in transforming our business to win in the world's fastest growing economy and largest whisky market, India. The progress made over the years brings alive our purpose of 'Celebrating Life, Every Day, Everywhere'. At the core of this approach is a commitment to support responsible consumption – as doing so is good for consumers and business. Today, Diageo India is a unique blend of heritage, brands and people that are sensitive to consumer and community needs.

We measure our performance through a larger prism of partnerships, how we engage and empower our stakeholders and society. As India's consumption-led economy drives demand, the evolved consumer today, aspires to drink better. Also, with attitudes towards alcohol changing, any celebration is incomplete without our brands.

Through innovative marketing, we bring our brands into relevant consumer occasions and brand purpose to popular culture. The relation we share with our customers and partners is based on value that helps in making special moments memorable through high quality and unique experiences.

Our employees are our partners in progress. We have mirrored Diageo processes and policies, creating opportunities for progression within and outside India. Today, the organisation is agile and aligned with evolving industry requirements and business aspirations.

We have set new standards of governance and compliance for the industry to follow so that business is done the right way.

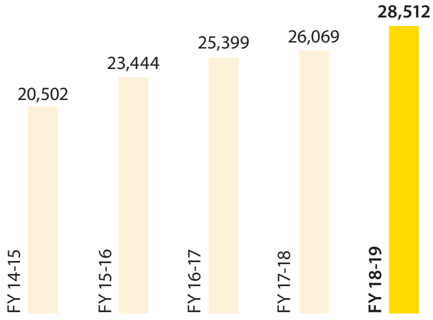
Today, many governments' value the perspective and solutions we offer to create a compelling, win-win proposition for all. This also aids economic growth within the agricultural, tourism and hospitality sectors, allied with our business. Our sustainability efforts focus on issues most material to our stakeholders, and to us, as a business. As an inclusive business, we have created a national movement on road safety, contributed to building thriving communities and minimised environmental impact of our manufacturing units.

Over the years, our focused efforts to reduce interest costs and deleverage debt have resulted in improved credit ratings and value creation for our shareholders. We continue this journey by remaining steadfast in our determination to collaborate and craft pathways of progress for all.

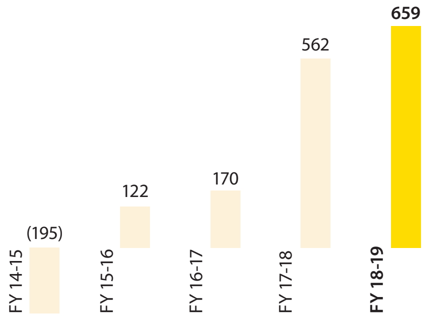
Celebrating Life, Every Day, Everywhere!

Delivering consistent growth and value creation

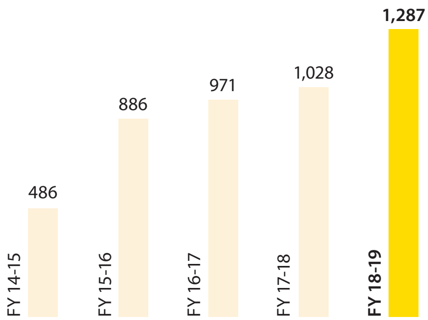
Revenue from operations (₹ in Crore)



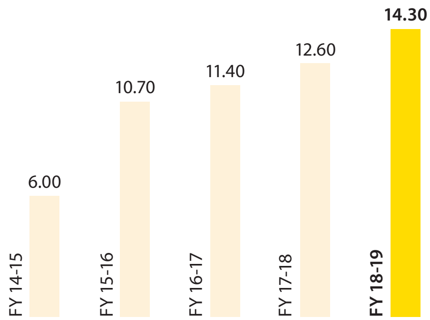
Profit after tax (₹ in Crore)



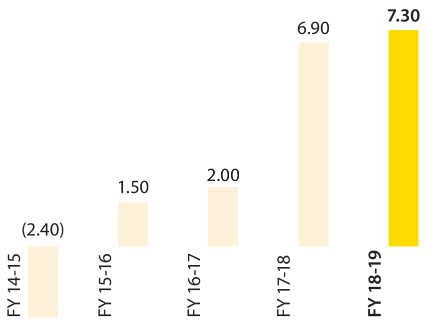
EBITDA (₹ in Crore)



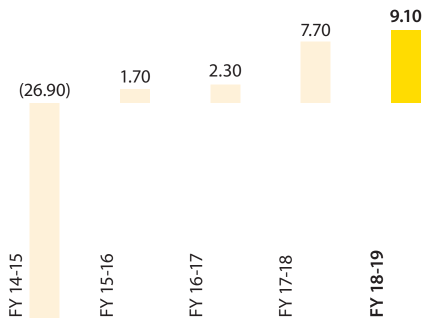
EBITDA margin (%)



Profit after tax margin (in %)

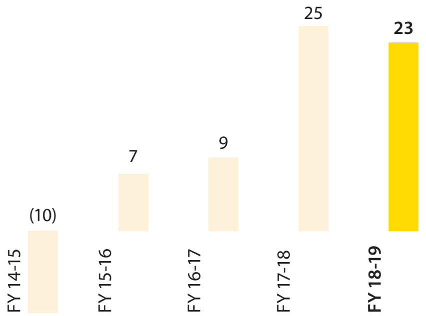


Earnings per share (₹ per share)

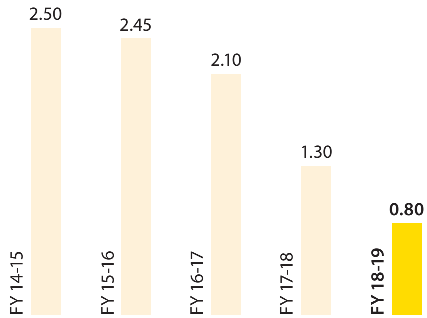


Upto 2015, Accounting Standard was IGAAP. FY 2017 onwards we follow Ind AS.
No CAGR for financials due to change in financial reporting.
Basis Standalone Financials.

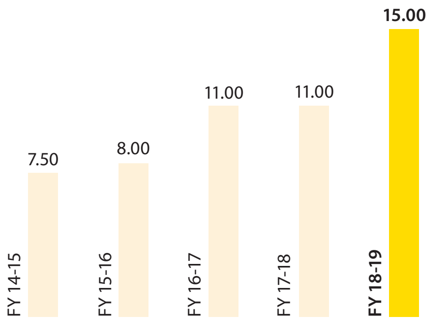
Return on Equity (%)



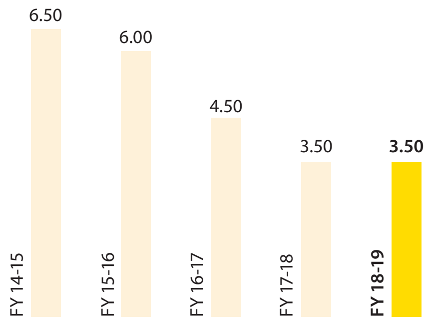
Debt/Equity



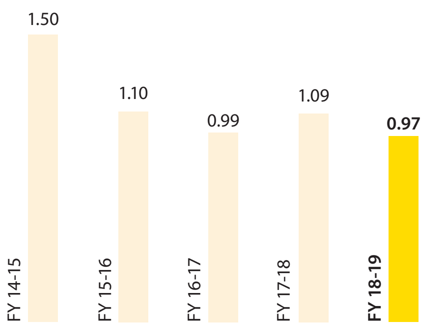
Gender diversity (%)



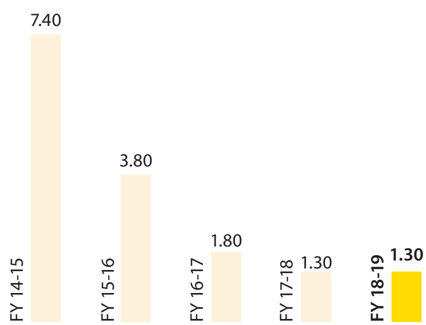
Water consumption (in litre/litre)



Total energy consumption (in kWh/litre)



Total Recordable Accident Rate (Per 1000 FTE)



Our Vision

Business model

OUR PURPOSE

Our ambition is to be the best performing, most trusted and respected consumer product company in India.

HOW WE OPERATE

Values

Passionate about customers and consumers; be the best; freedom to succeed; proud of what we do; valuing each other.

Broad portfolio

Across categories, brands and price points, our markets draw on a portfolio of global and local brands to best meet consumer and customer needs.

Wide reach

We have a national footprint of 50 manufacturing facilities across 23 states and three Union Territories.

Strength through reach and iconic brands

We build global and local brands that have wide consumer appeal to meet demand, today and tomorrow.

Brilliant execution

Using cutting-edge consumer insights and marketing, we offer scalable innovation, and develop valuable winning relationships with our customers through distribution and sales.

Efficient supply and procurement

Working towards high-quality manufacturing and environmental standards.

Our people

We want all our employees to reach their full potential and play their part in the success of our business. To achieve this, we have created a diverse and inclusive culture, with shared values and a common purpose.

Our role in society

Promote a positive role for alcohol in society by reducing misuse and harmful drinking, minimising our environmental impact, building thriving communities and fostering sustainable livelihoods.

Financial strength

Consistent financial performance.

OUR STRATEGY

We respond proactively to evolving preferences and navigate emerging trends, demonstrating business agility and flexibility. We are collaborating with stakeholders to:

- Strengthen and accelerate core brands
- Evolve route to consumer
- Drive productivity to invest in growth
- Corporate citizenship
- Winning organisation

We make

We are the makers of premium spirits, committed to the highest quality and standards.

We market

We invest in world-class marketing to responsibly build aspirational brands that resonate with our consumers.

We sell

We supplement our sales reach through impactful visibility and experiential activations.

We innovate

Led by consumer insights, we unlock new opportunities to recruit consumers to our brands and grow our categories.

HOW WE CREATE VALUE

We are passionate about the role we play in society and the responsibility we have towards our stakeholders. We make significant contributions to the government exchequer, generate employment along our value chain and spend in the downstream industry (retail, hospitality, tourism) – thereby creating broader value.

DOING BUSINESS, THE RIGHT WAY

For us, standards are everything, from how we produce and market our brands, to how we innovate and sell, and in governance and ethics as set out in our Code of Business Conduct.

A brand for every taste and celebration

We have an outstanding collection of premium spirits. Brands that are authentic and relevant, something for every taste and celebration, big or small. Old and new, global and local, the breadth of our portfolio is second to none with much loved brands in every category, across price points.

Our finest spirits, rich with heritage and crafted with innovation.

GLOBALLY ADMIRED BRANDS

JOHNNIE WALKER	CÎROC
ESTD 1830 TALISKER SINGLE MALT SCOTCH WHISKY	Tanqueray
THE SINGLETON	Ketel One VODKA
LAGAVULIN	SMIRNOFF
BAILEYS	Captain Morgan

LOCAL ICONIC BRANDS

McDowell's No1 Original	Antiquity Blue
VAT 69*	Bagpiper
Royal Challenge	Black
Black Dog Scotch Whisky*	Black & White*
Signature	White Mischief

* Scotch

Chairman's insight

"We are committed to doing business the right way and are actively helping shape perceptions for the sector with a strong compliance focus."

Dear Shareholders,

As the leading beverage alcohol company with an outstanding portfolio of brands, I am pleased with the progress we made in growing our business and our brands this year. After a challenging FY18, our improved performance in FY19 is a validation of the strategy executed by the Company and its management. Furthermore, it is a testimony to the robust growth platforms and good governance practices we have established. I am especially delighted that we have achieved this despite the complex regulatory challenges, a norm for our industry.

The recently concluded general elections, that brought the ruling party back to power with an overwhelming mandate, promises stability and accelerated economic reforms for the world's fastest growing economy.

This augurs well for our long-term business prospects, as we believe strong economic fundamentals along with higher purchasing power will collectively drive consumption growth. However, frequent and non-harmonised policy changes faced by India's beverage alcohol industry along with limitations on pricing freedom, remains challenging.

While we will continue to work with states to enable a stable policy framework, one that is fair to all stakeholders, we look to the new government at the Centre to progress policies aimed at enhancing ease of doing business for our sector. After all, making Indian manufacturing industry more competitive is an important part of the 'Make in India' initiative.

One direct way the Central Government can help the beverage alcohol industry is by reducing basic customs duties on Scotch, that are currently very high. Importing Scotch is a necessity to manufacture and blend premium whiskies.

CELEBRATING LIFE, EVERY DAY, EVERYWHERE

Our purpose – Celebrating Life, Every Day, Everywhere – is the credo that keeps us engaged with our consumers, customers, partners as well as the community and society in which we operate. We are passionate about the role our brands play in celebrating life.

We remain committed to serving the Indian consumer's growing appetite for premium products across all categories and are pleased that scotch is growing in popularity. We strive to bring people together, enriching lives in myriad ways and in doing so, our effort is also to continue to build economic value for state governments across the country, by contributing to revenues.

We are committed to doing business the right way and are actively helping shape perceptions for the sector with a strong compliance focus. The CGR2 rating by ICRA reflects our rigorous adherence to strong corporate governance and financial management practices.

Furthermore, as a responsible Company, we made significant investments in various social development and livelihood programmes, including in our flagship Diageo Road to Safety initiative.

During the past few years, we were able to attract and develop top notch talent, enhance inclusion and diversity, and build a high-performance culture. It is a matter of pride to see Indian talent exported to the Diageo world across functions and geographies.

On behalf of the Board of Directors, I thank the Central Government, the diverse State Governments for their help and support, our trading partners for their valued contribution, the leadership team and every member of the Diageo India family for their hard work and commitment to delivering another good year. Last but not the least, on behalf of the Board, I thank all our valued shareholders for their continued support and confidence in the Company.

We remain committed to creating meaningful experiences for our consumers and building enduring value for our entire stakeholder fraternity.

Yours sincerely,

Mahendra Kumar Sharma,
Chairman

MD & CEO's letter

Dear Shareholders,

As I review the year gone by, my thoughts go back to 2014 when we embarked on a journey to transform this business to become a true Diageo Group Company. Since then, we have made significant progress despite several legacy matters and external headwinds. Today, we are a stronger, leaner, and more agile company, backed by performance delivery against our strategy.

A YEAR OF PROGRESS

In FY19 we delivered a net sales growth of 10%, led by a 15% growth in the Prestige & Above (P&A) segment. Our premiumisation strategy continues to yield results with the P&A segment now accounting for 66% of our business, up from 63% last year. Within that, our Scotch portfolio grew even faster. Our fit-for-purpose model for the Popular segment also performed well.

We have delivered 48.8% gross margin this year, despite significant raw material inflation, by relentlessly focusing on productivity as well as business efficiency. We also reduced our net debt by 21%, partly as a result of better working capital management. After an upgrade last year, both CRISIL and ICRA reaffirmed our long-term credit rating of AA+ and we retained our highest short-term rating of A1+.

The year witnessed a relatively stable regulatory environment, as well as fewer and better managed route-to-market changes, which helped the business stay on course. Additionally, we continued to streamline operations and integrate best practices.

An improved operating performance, sustained focus on reducing interest costs and further monetisation of non-core assets resulted in a 17% increase in PAT for the year. As we grow our business, we are consciously seeking to also generate fuel to reinvest in our brands – so as to create a virtuous cycle of growth.

STRONG BRAND PORTFOLIO

Our journey of premiumisation continues to build on the strength of our portfolio and ability to curate unique experiences for our consumers. Some of our brands play to India's top passions – music, food and cricket. McDowell's No.1 connects through music, Black & White pairs drink with food and Royal Challenge ties us together using cricket through the IPL franchise.

Our focus on innovation and renovation across brands, helped expand existing categories and is delivering results. We have been able to successfully attract consumers through new variants such as McDowell's No.1 Platinum.

Today, our engagement with our consumers is customised for each segment of India - the price conscious, Aspiring India, the brand and value conscious, Middle India, and the globally travelled, Affluent India.

OUR ROLE IN SOCIETY

We firmly believe that when consumed responsibly, alcohol can be a part of a balanced lifestyle and play a positive role in social occasions and celebrations. We continue to invest in programmes to raise awareness on preventing and minimising the impact of alcohol misuse.

This year, we significantly expanded the reach of our flagship Diageo Road to Safety programme to regional markets in

"An improved operating performance, sustained focus on reducing interest costs and further monetisation of non-core assets resulted in a 17% increase in PAT for the year."

partnership with Network18. The campaign reached out to over 33 million viewers across the country. We also launched a first-of-its kind programme, 'Towards Responsible Youth', in partnership with the Ministry of Road Transport and Highways (MoRTH). This programme aims to promote road safety awareness among university students applying for a learner's licence.

Our Company was also invited to chair the first National Road Safety Task Force in India, hosted by the United Nations Global Compact.

In another Industry first, Diageo India, along with the Food Safety & Standards Authority of India (FSSAI), created a co-certification programme called 'Serving Alcohol Responsibly' (SAR) to promote responsible serving practices at on-trade outlets.

Today, our community programmes support skills and employability around our plants, empower women through livelihood interventions and promote programmes supporting access to clean water,

BUILDING A WINNING ORGANISATION

As I meet our employees during my travel, I am energised to see their passion, motivation and commitment to our corporate ambition and purpose. We garnered a high 78% employee engagement score in this year's, Your Voice, employee engagement survey. Additionally, our inclusion and diversity efforts are paying solid dividends. I am pleased to share that today, women constitute 15% of the organisation in comparison to 7.5% in 2014. Furthermore, I firmly believe that we are on the right path to embedding a merit-based work culture – one that empowers our teams and creates a winning organisation.

ROAD AHEAD

I began by recalling what we wanted to achieve in India five years ago. What we have achieved over the years, I hope, will give you confidence on what we can do in the coming years.

We will continue to strive towards delighting consumers, collaborating with our business partners and state governments, comply with regulations and strengthen a winning team, one that loves to take on challenges, while doing business the right way.

Our people are our pride. I want to thank all our employees for their hard work, commitment to excellence and for upholding the highest ethical standards.

I am grateful to our Board, our leadership team, and most importantly our partners for their continued guidance and collaboration in this exciting journey.

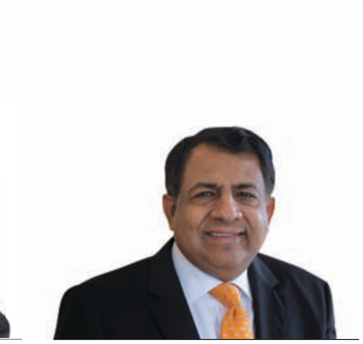
Finally, a special thanks to you, our shareholders for your continued support.

Yours sincerely,

Anand Kripalu
Managing Director & CEO

Board of Directors

Mahendra Kumar Sharma
Chairman & Independent Director



Anand Kripalu
Managing Director & Chief Executive Officer

V. K. Viswanathan
Independent Director

Vinod Rao
Non-executive Director

D. Sivanandhan
Independent Director

Rajeev Gupta
Independent Director

Dr. (Mrs.) Indu Shahani
Independent Director

John Thomas Kennedy
Non-executive Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Randall Ingber
Non-executive Director

COMMITTEE MEMBERSHIP

1. *Audit and Risk*
2. *Nomination & Renumeration*
3. *Stakeholders' Relationship & General*
4. *Corporate Social Responsibility*

Executive Committee

Anand Kripalu
Managing Director &
Chief Executive Officer

Abanti Sankaranarayanan
Chief Strategy &
Corporate Affairs Officer

Aarif Aziz
Chief Human Resources Officer

Julie Bramham
Chief Marketing Officer

Kedar Ulman
Chief Supply Chain Officer

Mamta Sundara
General Counsel

Prathmesh Mishra
Chief Commercial Officer

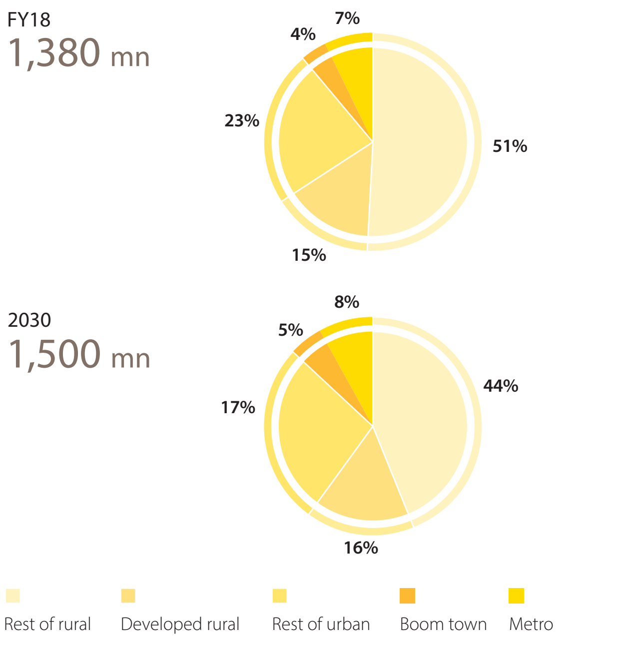
Sanjeev Churiwala
Executive Director &
Chief Financial Officer

Megatrends

The macro environment plays a significant role in shaping the emerging opportunities in the alcohol beverage industry and our broad operating strategies.

RAPID PACE OF URBANISATION

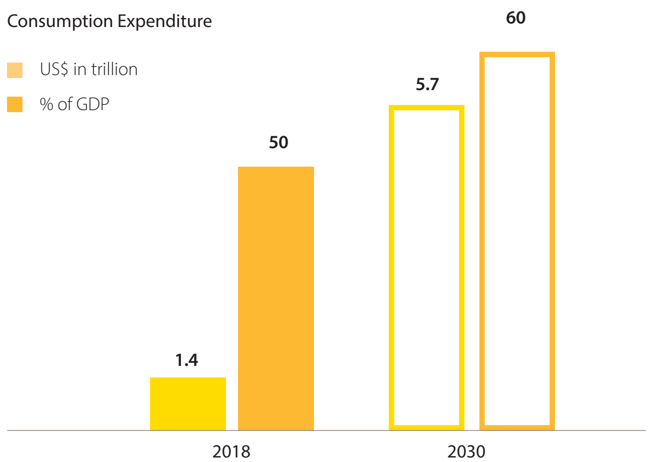
India's population will cross ~1.5 billion in 2030, with 40% urban residents.



Source: World Economic Forum '18

CONSUMPTION-DRIVEN GROWTH

The Indian economy is likely to expand from ~US$2.7 trillion in 2018 to $5 trillion in the next five years and $10 trillion in eight years after that. Domestic consumption, which powers 60% of the Gross Domestic Product (GDP) now, is expected to grow close to $6 trillion.



Source: Government of India, World Economic Forum

FAVOURABLE DEMOGRAPHICS

With a median age of 31 in 2030, India will remain one of the world's youngest nations. The country will add more working-age citizens to the world than any other country, possessing one of the largest working-age populations.

DEMOCRATISED INTERNET ACCESS

India will add ~90 million new households by 2030, representing a generation of consumers who will have grown up with access to internet and digital media.

SUSTAINABILITY CONSCIOUSNESS

Consumers will be more conscious of the social and environmental impact of their consumption decisions. Since this preference is more pronounced among younger consumers, it is likely to accelerate. Moreover, as natural resources become scarce and regulations more stringent, corporates will focus on making their supply chain more sustainable.

SHIFT IN BUYING PREFERENCES

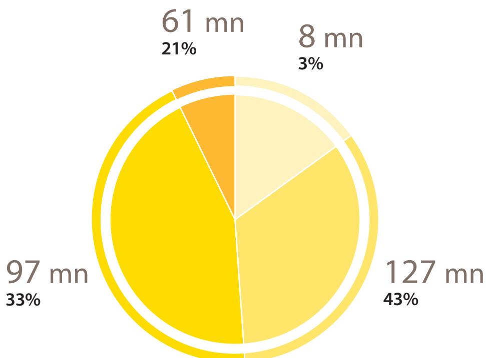
In the next decade, incremental expenditure in 'buying more of the same' will be as important as purchasing premium products, for consumers in the beverage alcohol category. We believe that the premium segments within beverage alcohol will continue to grow much faster than the segments below them in the foreseeable future.

INCOME EXPANSION

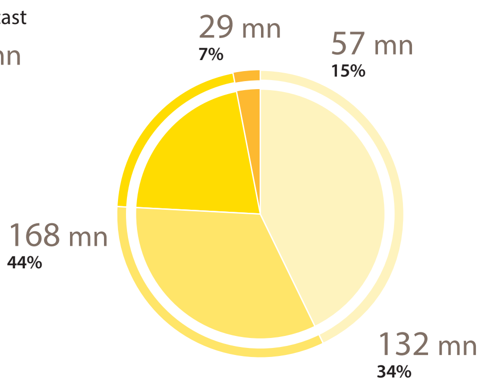
By 2030, India will add ~140 million middle-income and ~21 million high-income households, almost doubling the total share of these segments to 51%. One in every two households in 2030 will belong to the high and upper middle-income segment. This will transform the consumption profile of the average Indian.

Low | Lower middle | Upper middle | High

2018
293 mn



2030 forecast
386 mn



Source: World Economic Forum '18

Getting ahead of emerging trends

We are proactively responding to evolving consumer preferences and navigating emerging trends. We are collaborating with stakeholders to keep pace with market expectations.

At the heart of every shared moment of celebration

Made with pride, our brands are much loved by consumers across segments. Our brand experiences are guided by our marketing and digital code, enabling us to stay true to our core values. To thrive we imbibe a consumer facing culture, one that anticipates consumer behaviour, creates memorable experiences and invents today for tomorrow.

Bringing our brands to life for our consumers

Our 'fit-for-purpose' philosophy is driven by customer insights, allowing us to connect with every consumer group - from aspiring to affluent. This helps us maximise every opportunity to shift our portfolio focus from volume to value.

DRIVING VALUE

2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Volume orientation and relationship driven sales	Integration with Diageo plc and portfolio rationalisation	Empowered clusters for better market decisions and implemented Net Revenue Management	Sales force automation aligned to global capabilities	Enabled greater efficiencies in reporting and net revenue management. New luxury business vertical formed.	Advanced analytics to improve reporting, assortment standards and service levels

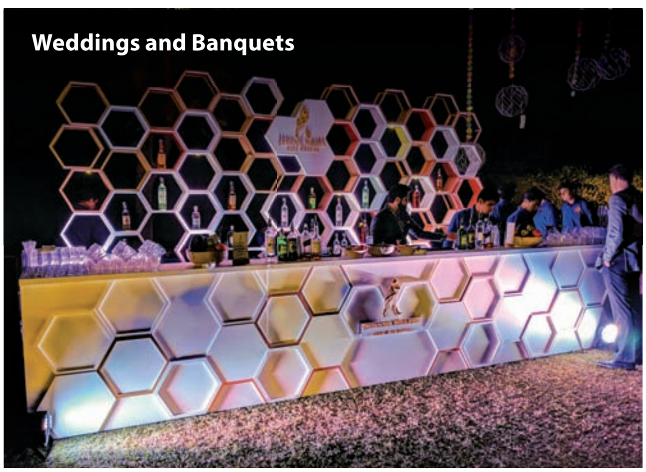
Our year-round activations and creative disruptions help us engage with consumers through our portfolio of iconic brands.

Through immersive liquid stories and experiential serves we bring to life our brands at weddings, cultural festivals and banquets, catering to the growing luxury consumer.


Diageo World Class
(the world's biggest bartending competition)

Singleton Sensorium
(an immersive sensorial experience with a guided tour into a secret tasting room)

Ketel One Kitchen
(a pop up of cocktail masterclass and one of a kind brunch experience)

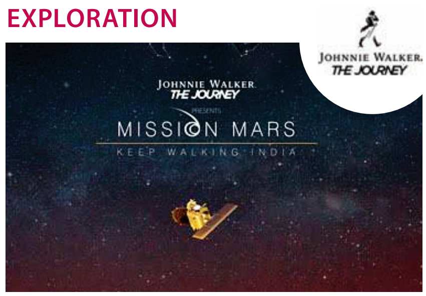

Weddings and Banquets

Our multi-pronged marketing strategy involves rejuvenating our core brands, upgrading our communication channels with digital technologies and building a robust portfolio, through premiumisation and innovation.

MUSIC

CRICKET

EXPLORATION



MOVIES

FOOD

LIVE EXPERIENCES

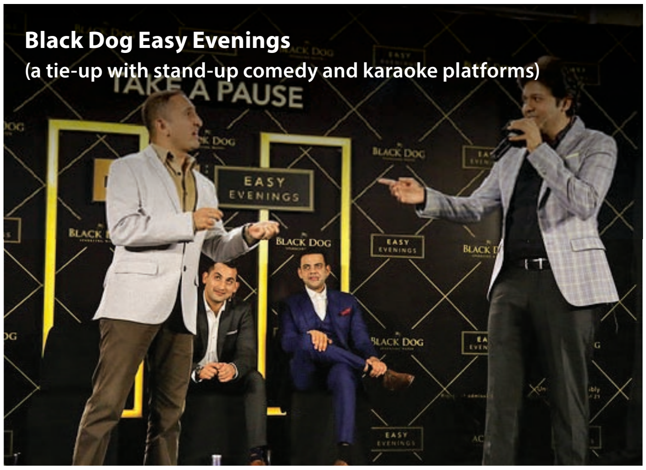
White Walker launch

Johnnie Walker launched the new limited edition Scotch Whisky - 'White Walker', inspired by the most enigmatic and feared characters on the hit show - Game of Thrones. Created by whisky specialist, George Harper, alongside a small team of expert blenders at Johnnie Walker; this innovative whisky is best served directly from the freezer, echoing the chilling presence of the White Walkers.

Utilising temperature-sensitive ink technology, fans will be reminded that "Winter is Here" from an unexpected graphic reveal on the bottle when frozen.

Our marquee campaigns

Launch of RCB Mobile App
(access to exclusive content including live sports feed, player and match statistics, polls and predictions)



Black Dog Easy Evenings
(a tie-up with stand-up comedy and karaoke platforms)

McDowell's Yaari Jam
(celebrates the bonds of friendship together with India's top musicians)

Black & White #MadeForSharing
(global cuisine prepared by India's top chefs paired with cocktails)

Building an inclusive and empowered workplace

Our ambition is to build an energising workplace where every employee can reach their full potential and thrive. The diverse skills, experiences, opinions and ideas that our teams bring, make us who we are today. We are proud of what we do and endeavour to be the best that we can be.

Developing leaders for tomorrow

During the year, we focused on building functional capabilities, decentralising decision-making and engaging with talent across all tiers. To inculcate the right leadership behaviour, we introduced the 'Amazing People Managers' programme for our mid to senior people managers. Some of our best talent, were transferred to Diageo global markets across functions and geographies, a testimony to maximising growth opportunities for our people.

Celebrating inclusion and diversity

Diversity and inclusion are at the heart of Diageo's purpose of "Celebrating Life, Every Day, Everywhere." Today 15% of our workforce are women, a big shift from 7.5% in 2014. This includes 37.5% in the management committee and 29% in senior leadership roles. Currently, women leaders occupy key leadership positions in various departments and in specialised functions such as Legal, Finance, Marketing, R&D and Sales.

Our enhanced maternity policy offers new mothers the flexibility to have their infant and caregiver travel during outstation work. We also introduced a subsidised creche reimbursement for all young parents.

Also, through a week-long celebration of International Women's Day, we expanded conversations to include perspective from diverse backgrounds - returning mothers, transgender and differently abled.

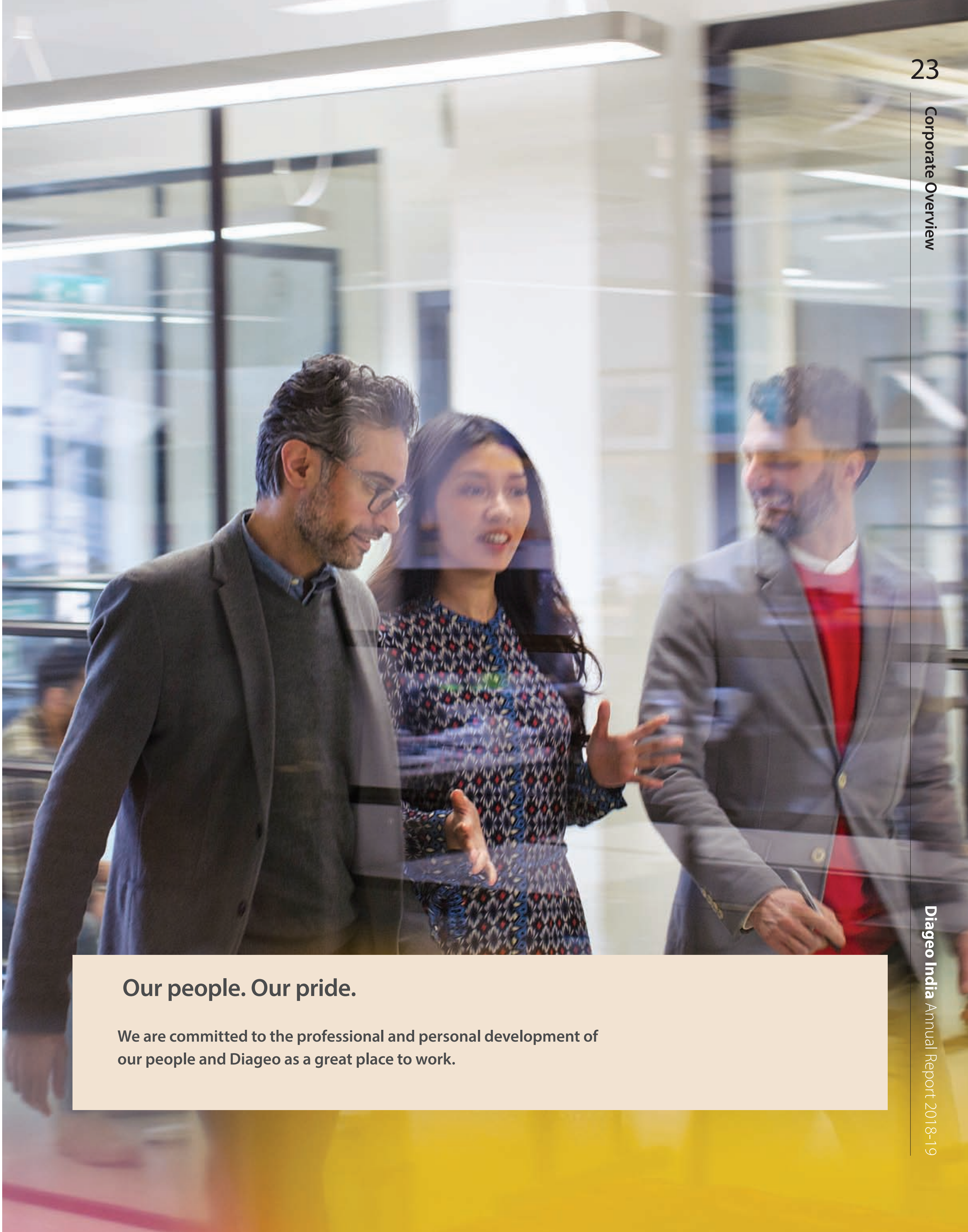
Diageo India won the, 'Gender Equality in the Workplace', award, given by Ask Insights and BW Businessworld

55% of new hires are women

15% overall gender diversity

2,555 dedicated person-days of training

78% employee engagement score in the Annual Employee Survey



Our people. Our pride.

We are committed to the professional and personal development of our people and Diageo as a great place to work.

Partnering with our communities and society

Our business and brands connect us to millions of people, and to the resources we share and depend on. Our sustainability efforts focus on issues most material to our stakeholders, and to us as a business.

We want to create a positive role for alcohol in society and be an inclusive business that plays its part in building thriving communities and reducing environmental effect. It is only through partnerships with governments, NGOs, media, suppliers, and local communities that we can have effective and meaningful outcomes.

Some of our strongest advocacy work involves tackling alcohol misuse and promoting responsible drinking. We are also passionate advocates for women's empowerment, water stewardship and reducing environmental impact.

Creating a positive role for alcohol in society

We are proud to produce and market some of the world's best brands – and we want them to be enjoyed responsibly.

Our goal is for people to drink better, not more - which is why we are committed to promoting moderation and tackling misuse.

Through our collaborations with government and other likeminded partners we are working to reduce drinking and driving as well as harmful drinking, by raising awareness and promoting rigorous industry standards for responsible consumption.

Creating a national movement around road safety

Our signature Diageo Road-To-Safety programme, now in its fifth year, puts a spotlight on the broader cause of road safety in India while addressing the social issue of drinking and driving.

63
cities in
20 states
impacted

6,234
traffic personnel
trained

6,000
commercial
drivers educated

7,50,000
'don't-drink-and-drive'
pledges received

'Diageo Road to Safety' campaign

This campaign provides capacity building training aimed at promoting road safety awareness among enforcement and other officials. During the year, we conducted programmes across 10 cities in nine states, reaching out to over 2,600 people from the traffic police, navy, as well as transport and engineers from the public works department.

'Diageo Road to Safety' campaign with Network18

This year, we significantly expanded the road safety public awareness campaign to include regional markets through the Network18 channels and help create greater awareness. The campaign reached out to over 13.6 million viewers on air and approx. ~20 million viewers through the digital medium via Network18's three national and 14 regional channels. This year, over 750,000 people also pledged to 'Never Drink and Drive'.

'Diageo Road To Safety - Towards Responsible Youth' programme

The programme, launched by Union Minister of State, Ministry of Road Transport and Highways (MoRTH), Shri. Mansukh Mandaviya, aims to reach university students applying for their learner's licence.

State-industry partnership

We embarked on an industry led outdoor consumer campaign aimed at curbing irresponsible consumption and road safety in the state of Uttar Pradesh. Similarly, together with the Government of Puducherry, we are undertaking a road audit and capacity building training for local traffic officials. The audit will help mitigate the high occurrence of road crashes, thereby improving the efficiency of road traffic movement.

Building thriving communities

We want to enhance the value we create and help our local communities thrive. Our community programmes are focused on empowering women through Security, Health & Education, providing access to clean water, sanitation, hygiene and employable skills.

Access to clean drinking water

We support the community by providing water purification plants and water ATMs, operated and maintained by women Self Help Groups (SHG) of each village. Water is provided to households at ₹5 for 20 litres. Till date we have installed 25 water ATMs in Maharashtra that provide access to clean drinking water to over one lakh people.

Improving sanitation

Through our grassroots Project 'S.H.E.' programme, we worked at improving the health, sanitation and livelihood of women in villages around our bottling plants in Alwar (Rajasthan) and Gopalpur (Odisha). We trained and supported women Self-Help Groups (SHG) to set-up micro enterprises that produces low cost sanitary napkins. Today, this intervention has helped create awareness for menstrual hygiene as well as increased the SHG's members' average monthly income by ₹3,000.

Creating economic opportunities in society

Our value chain is built on interdependent relationships. From the farmers who grow our ingredients, to the many upstream and downstream suppliers who procure inputs of goods and service, to the retailers and premises who sell our products.

We sourced over ₹6500 Crore worth of goods and services from Indian suppliers. Our total gross value contribution to the Indian GDP is ₹9,670 Crore. Of which ₹1,430 Crore is directly contributed by the Company itself.

Supported 1,49,000 jobs of which 99,000 people are employed across the Company's Indian supply chain, including 37,000 in the agricultural sector. We enabled the hospitality and retail sector by means of over 3,50,000 job created through selling our brands.

Reducing our environmental impact

We aim to be a business that uses natural resources efficiently, reduces impact on climate change, and improves the environment we operate in. We are committed to minimising our environmental impact across all our operations, including our supply chain.

Partners beyond profit

From partners from whom we source our raw materials, to our employees, contractors and the consumers who buy our brands, we want to make sure we are a positive influence on the environment.

Our sustainability principles are aligned to the UN Global Compact goals, where we are long term partners. Our efforts focus on recycling water, solid waste management, greenbelt development with treated wastewater, biogas power generation and solar power installation at select units.

57%
improvement in water usage efficiency in direct operations (2006-07 baseline); 47% the last five years

60%
reduction in water consumption (2014-15 baseline); 47% in the last five years

84%
of our energy needs is supplied by renewable sources in direct operations (2014-15 baseline); 45% improvement in the last five years

83%
reduction in absolute greenhouse gases emitted in direct operations in the last five years

Committed to the highest standards of governance and ethics

Doing business with integrity is key to our performance ambition. As an industry frontrunner and thought leader, compliance is non-negotiable, and 'Doing the right thing' is the credo we follow.

We embed compliance in our process decisions and control mechanisms raising standards and developing the right behaviour and attitude.

Building an ethical business

The importance of ethical business conduct is strongly emphasised by our senior leadership. Every employee goes through an annual compliance training, to build knowledge and understanding of our Code of Business Conduct and embed responsible business practices. At the unit level as well, a Compliance Champion together with the manufacturing head monitors and ensures adherence to all applicable statutes.

Our Code of Business Conduct (Code) sets out what we stand for as a Company, enabling our employees to demonstrate the highest standards of integrity and ethical behaviour.

We have updated our Code, making it robust and in line with international standards. All new employees are required to complete the mandatory training on our Code within 30 days. A yearly refresher training, along with a compliance certification programme, is also a must for every employee.

Face to face training on policies and procedures covering anti-bribery and corruption, gifting and entertainment, anti-money laundering, prevention of sexual harassment at the workplace, and Employee Alcohol Policy, form part of the Company's commitment to responsible.

Managing third parties

We continue to improve our third-party due diligence programme. As a part of this, we implemented 'Know Your Business Partner' (KYBP), a global tool which supports a more streamlined and automated way to assess third parties against the risk of bribery, corruption and money laundering to mitigate associated risks across the business.

Risk management and controls

Risk and control matrices have been designed for all critical business processes using well-established Controls Assurance and Risk Management (CARM) principles and methodology. Both design and effectiveness are routinely tested and certified by statutory and management auditors.

The control framework is designed to address reputational, operational and financial risks, including complying with applicable statutes, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance with corporate policies. This year, the controls assurance framework also focused on information security and cyber security risks.

We also started using data analytics to help us spot potential areas of risk and support internal monitoring and reporting.

Monitoring, reporting, auditing and investigating

We have stringent reporting mechanisms in place for employees to raise any potential breach of our Code of Conduct or any policies. Any complaint can be escalated either through our confidential whistleblower helpline, SpeakUp, or reported in confidence to a manager, or a member of the Compliance, Human Resources or Legal teams. SpeakUp is also available to our business partners in several Indian languages such as Hindi, English, Bengali, Kannada, Marathi and Telugu.

The Company has a structured Breach Management Standard, for timely and conclusive resolution of issues raised through the whistle blower mechanism.

Recognition

Ivan Menezes, Chief Executive accepted the award on behalf of Diageo at Britain's Most Admired Company Awards 2018

Corporate governance

- Management Today named Diageo plc, our holding Company, as 'Britain's Most Admired Company' 2018, besides being the award winner in the categories of beverage sector, quality of management and corporate governance.
- Dun & Bradstreet, 2019 Award for 'Corporate Excellence' in the beverage alcohol category.
- Long-term credit rating of AA+ from CRISIL and ICRA.
- Corporate governance rating of CGR2 from ICRA.

Responsible citizenship

- 'Gender Equality in the Workplace' award by Business World - Ask Insights, D&I Awards, 2019.
- 'Best in CSR' at the annual Spiritz Awards, 2018.
- 'Golden Peacock Special Commendation' Award, 2018 for Sustainability by the Institute of Directors for the Kumbalgodu manufacturing unit.
- 5-star rating, the highest rating (score >90%) and 3rd place in the Foods category at the Confederation of Indian Industry (CII) Environment Health & Safety (EHS) Awards for the Kumbalgodu manufacturing unit.
- 4-star rating at the CII EHS Awards for the Gulbarga manufacturing unit.

Brands

- Black & White finest blend Scotch whisky aged 12 Years won multiple awards in the year, including Gold at the Monde Selection Quality Awards, 2018; Silver at the International Wine and Spirits Challenge, UK, 2018; Silver at the International Spirits Challenge, 2018; and third place at the International Whisky Competition 2018, USA.
- Johnnie Walker won Bronze at the Primetime Awards, 2018.
- Signature Masterclass won Gold at the WOW Awards, 2018 and Bronze at the EEMAX Global Awards, 2018.
- Captain Morgan won Gold for Mobile Innovation at the Campaign Digital Crest Awards, 2018.
- McDowell's No 1 won Silver and Bronze awards at the 4th Indian Content Marketing Awards, 2018; Gold and Bronze at The Maddies Awards 2018; Gold, Silver and Bronze at the Primetime Awards, 2018; and Bronze at the Advertising Club's EMVIES Awards, 2018.

Corporate information

EXECUTIVE VICE PRESIDENT & COMPANY SECRETARY

V. Ramachandran

AUDITORS

Price Waterhouse & Co. Chartered Accountants LLP
(Registration No.: 304026E/E-300009)
5th Floor, Tower 'D', The Millenia,
1 & 2 Murphy Road, Ulsoor, Bengaluru - 560 008
Tel: 080 4079 5000

REGISTERED & CORPORATE OFFICE

UB Tower, #24, Vittal Mallya Road,
Bengaluru - 560 001

REGISTRARS & TRANSFER AGENTS

Integrated Registry Management Services Private Limited
30, Ramana Residency, 4th Cross,
Sampige Road, Malleswaram,
Bengaluru - 560 003
Tel: 080 2346 0815 to 818
Fax: 080 2346 0819

REPORT OF THE DIRECTORS

Dear Members,

Your Directors are pleased to present the 20th Report of Directors of your Company and the audited financial statements for the year ended March 31, 2019.

INR in Million

Particulars	Standalone		Consolidated	
	2018-19	2017-18	2018-19	2017-18
The working of your Company for the year under review resulted in				
Revenue from operations	2,85,123	2,60,691	288725	2,65,559
Profit / Loss from operations	11,626	9,664	12,256	11,486
Exceptional and other non-recurring	(267)	90	(26)	445
Less:				
Depreciation	1,445	1,351	2,147	1,923
Taxation (including deferred tax)	3,328	2,786	3,281	2,599
Profit / (Loss) after tax	6,586	5,617	6,836*	6519*
Profit B/F from previous year	(34,624)	(40,324)	(38,802)	(45,248)
Impact of Change in Revenue Recognition policy on adoption of IND AS 115	(368)	-	(368)	-
Reinstated Profit B/F from previous year	(34,992)	(40,324)	(39,170)	(45,248)
Minority Interest appropriation	-	-	166	(181)
Foreign Currency Translation Reserve Considered separately	-	-	(20)	71
Total Comprehensive Income	10	83	28	17
Transfer between reserves	-	-	-	-
Profit / (Loss) available for appropriation	(28,396)	(34,624)	(32,159)	(38,802)
Your Directors have made the following appropriations:				
General Reserve	NIL	NIL	NIL	NIL
Dividend paid in respect to previous years	NIL	NIL	NIL	NIL
Proposed dividend	NIL	NIL	NIL	NIL
Balance carried to the Balance sheet	(28,396)	(34,624)	(32,159)	(38,802)
EPS–Basic & Diluted (Rupees)	9.06	7.73**	9.87	8.94**
Balance carried to the Balance sheet	(34,624)	(40,324)	(38,802)	(45,248)
EPS–Basic & Diluted (Rupees)	38.65	11.69	44.68	7.06

* Excluding minority interest.

** EPS has been revised considering the effect of Share Split.

*- As can be seen from the above table, the revenue from operations increased by 9.37% during the year on standalone basis and 8.72% on consolidated basis. Profit after tax has also improved during the year by 17.25% on standalone basis and 4.86% on consolidated basis. The challenges which the company faced during the year and the environment in which the company operates have been detailed in Management Discussion and Analysis Report which is forming part of this Report.

REPORT OF THE DIRECTORS *(CONTINUED)*

1. **Performance of the Company**

   During the year under review, your Company has achieved a sales volume of about 81.6 million cases, and this resulted in a growth of 4.0% compared to prior period. After adjusting for the franchise model changes in Popular segment, underlying volume grew 5.4% compared to prior period. Net sales/income from operations of your Company grew 9.9% in the financial year ended March 31, 2019 and stood at INR 89,806 million net of duties and taxes (previous year INR 81,701 million). Adjusted for the franchise model changes, Net sales/income from operations grew 10.5% for the year. Sales volume of the Company's brands in the 'Prestige and Above' segment grew 11.8% in the financial year ended March 31, 2019 and stood at 41.6 million cases (previous year 37.2 million cases). Net sales of the 'Prestige and Above' segment grew 15.2% and stood at INR 59,095 million net of duties and taxes (previous year INR 51,276 million). The 'Prestige and Above' segment represented 71% of total net sales and 50.9% of total sale volume during the year.

2. **Subsidiary Companies**

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

3. **Board's Responses to Observations, Qualifications and Adverse Remarks in Auditor's Report**

   The Statutory Auditors have given unqualified opinion on the Financial Statements for the year ended March 31, 2019 and hence this is not applicable.

   The Secretarial Auditor has given an unqualified opinion in the Secretarial Audit Report for the year ended March 31, 2019, and the Secretarial Audit Report is annexed as **Annexure - 3**.

4. **Material Changes and Commitments/Events Subsequent to the date of the Financial Statements**

   During the year, the company has sub-divided 548,000,000 equity shares of face value of ₹ 10/- per equity share into 2,740,000,000 equity share of ₹ 2/- per equity share and also 1,200,000 preference shares of face value of ₹ 100/- per preference share into 12,000,000 preference shares of ₹ 10/- per preference share of the company. There are no other material changes and commitments/Events subsequent to the date of the Financial Statements.

5. **Change in nature of Business, if any**

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

6. **Dividend**

   In view of the accumulated losses of the preceding years, your directors could not recommend any dividend. No amount is proposed to be carried to reserves.

7. **Capital**

   The total authorized share capital of your Company remains unchanged however the Face Value of 548,000,000 equity shares of ₹ 10/- per share have been sub-divided into 2,740,000,000 equity shares of ₹ 2/- each and brought uniformity between two classes of preference shares resulting in 171,200,000 Preference Shares of ₹ 10/- each.

8. **Details of Subsidiary Companies, Joint Ventures and Associate Companies and their Financial Position**

   Your Company currently has 17 subsidiary companies and one Associate Company. During the financial year, the entire stake of the company in one of the subsidiary viz., Four Seasons Wines Limited was divested on January 16, 2019. On June 25, 2018, the Company subscribed to 4,567,568 equity shares of Hip Bar Private Limited ("Hip Bar"), constituting 26% of the paid-up equity share capital of Hip Bar . The information required under the first proviso to section 129(3) of the Companies Act, 2013 is given in form AOC- 1 in **Annexure - 1**. The Company's policy for determining material subsidiaries is available at Company's website www.diageoindia.com.

   Performance of Associates, Subsidiaries and Joint Ventures and their contribution to overall performance of the Company is covered as part of the Consolidated Financial statements and in form AOC-1 in **Annexure - 1**, annexed and forming part of this Annual Report.

   In accordance with the third proviso to section 136(1) of the Companies Act, 2013 the annual report and financial statements of each of the subsidiary companies have also been placed on the website of the Company www.diageoindia.com

9. **Prospects/Outlook**

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

10. Depository System

The trading in the equity shares of your Company is under compulsory dematerialisation mode. As on March 31, 2019, equity shares representing 99.23% of the equity share capital are in dematerialised form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail the facility of dematerialisation of the Company's shares. Moreover, transfer of shares of the company by physical means has been barred from April 01, 2019 pursuant to SEBI's Notification dated 3rd December, 2018.

11. Board Meetings, Board of Directors, Key Managerial Personnel & Committees of Directors.

A. Appointment, change in designation and resignation

Details on appointments, changes in designation, resignation of Directors, key managerial personnel, and Committees of Directors as well as on Board and Committee meetings of your Company and the matters required to be specified pursuant to sections 134, 177 and 178 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations) are provided in the Corporate Governance Report that is annexed to and forming part of this Annual Report.

B. Re-appointment

As per the provisions of the Companies Act, 2013, Mr Vinod Rao retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offered himself for re-appointment.

Members may please note that Mr Vinod Rao, who is a nominee of Relay B V, was appointed as a Director at the 17th Annual General Meeting (AGM).

A brief profile of Mr Vinod Rao is provided as an Annexure to the Notice convening 20th AGM.

Mr. Anand Kripalu was appointed as Managing Director and Chief Executive Officer effective August 14, 2014 for a period of five years which is ending on August 13, 2019. Nomination and Remuneration Committee and Board of Directors have approved his re-appointment for a further period of three years effective August 14, 2019 to August 13, 2022 which is subject to the approval of the members at the 20th Annual General Meeting

Re-Appointment of Independent Directors

On the recommendation of the Nomination and Remuneration Committee (NRC) and apporoval by the Board of Directors, following Independent Directors will be re-appointed as Independent Directors. The first term of the following independent directors are ending on the following dates:

- Dr (Mrs) Indu Shahani – September 29, 2019
- Mr. D Sivanandan – September 29, 2019
- Mr. Rajeev Gupta – December 22, 2019
- Mr. Mahendra Kumar Sharma – March 31, 2020.

It is being proposed to re-appoint the aforesaid independent directors for a second term of five years, which are as follows:

a. Dr (Mrs.). Indu Shahani be and is hereby re-appointed as an Independent Director of the Company for a period of 5 years with effect from September 30, 2019 to September 29, 2024 subject to approval of the Members at the ensuing general meeting.

b. Mr. D Sivanandan be and is hereby re-appointed as an Independent Director of the Company for a period of 5 years with effect from September 30, 2019 to September 29, 2024 subject to approval of the Members at the ensuing general meeting.

c. Mr. Rajeev Gupta be and is hereby re-appointed as an Independent Director of the Company for a period of 5 years with effect from December 23, 2019 to December 22, 2024 subject to approval of the Members at the ensuing general meeting.

d. Mr. Mahendra Kumar Sharma be and is hereby re-appointed as an Independent Director of the Company for a period of 5 years with effect from April 01, 2020 to March 31, 2025 subject to approval of the Members at the ensuing general meeting.

C. Independent Directors and Nominee Directors

Your Company did not appoint any new Independent Director or Nominee Director in the Financial Year 2018-2019. Criteria for selection of Independent Directors include skills, expertise of the Director,

REPORT OF THE DIRECTORS *(CONTINUED)*

qualifications, experience and domain knowledge. Independent Directors are also expected to have the following skills, expertise and competencies:

i. Bringing objectivity and independence to board discussions and to provide essential leadership to the Company's strategy, performance, risk management as well as ensuring high standards of financial probity and corporate governance.

ii. Fulfil the role and duties including the ones assigned by the Board from time to time and as stated in Schedule IV of the Companies Act, 2013

Executive Director

Your company did not appoint any new Executive Director for the Company for the year 2018-19.

D. Independent Directors

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

E. Number of Meetings of the Board

The details of the Board Meetings and other Committee Meetings held during the financial Year 2018-19 are stated in the Corporate Governance Report which forms part of this Annual Report.

F. Board Committees

The Company has setup the following committees of the Board :

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

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

G. Recommendations of the Audit and Risk Management Committee and other Committees

All the recommendations of the Audit and Risk Management Committee and of the other Committees from time to time were accepted by the Board.

H. Details of remuneration to Directors

As required under Section 197(12) of the Companies Act, 2013 information relating to remuneration paid to Directors during the financial year 2018-19 is provided in the Corporate Governance Report and in form MGT 9, that is annexed to and forming part of this Annual Report as **Annexure-4.**

As stated in the Corporate Governance Report, 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 in attending such meetings in accordance with the travel policy for Directors. In addition, the Independent Directors are also eligible for commission every year as may be recommended by the Nomination and Remuneration Committee and approved by the Board within the overall limit of higher of ₹ 4 Crores or 1% of the net profits of the Company calculated in accordance with Section 198 of the Companies Act, 2013, whichever is higher, as approved by the shareholders at the AGM held on September 30, 2014 and Postal Ballot Resolution effective January 18, 2019. Criteria for payment of remuneration to Independent Directors are as given below:

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

Pursuant to the provisions of the Companies Act, 2013, the Commission payable by the Company to the Independent Directors for the FY 2018-19 is INR 20 Million.

The criteria for payment of remuneration to executive directors is determined by the Nomination and Remuneration Committee which includes various criteria including performance criteria.

I. Board Evaluation Criteria

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the SEBI (LODR) Regulations, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the Committees of the Board. 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, their core competencies, expertise and contribution to the effectiveness and functioning of the Board and its Committees which was carried out through a peer feedback mechanism.

The Board and the Nomination and Remuneration Committee identified certain aspects and areas to make the Board's functioning even better. The Board also reviewed the achievements during the year against those observations arising from the evaluation in earlier years.

J. Vigil Mechanism

Your Company has a well-established vigil mechanism named as 'SpeakUp' in place, which is overseen by the compliance & ethics team. 'SpeakUp' is a confidential service available to employees and others to make a report of any breach of the code, policies or applicable laws. 'SpeakUp' is managed by an external agency with staff who are trained to deal with the calls and translators who are immediately available to assist if required. The details of establishment of Speak Up is disclosed in the website of the Company www.diageo.com. Access to the Chairman of the Audit Committee is provided in appropriate/exceptional cases, as required under the Companies Act, 2013 and the SEBI (LODR) Regulations. All complaints are investigated by the compliance and ethics team and appropriate action taken in accordance with your Company's policies.

K. Related Party Transactions

The Company's policy on dealing with related party transactions was adopted by the Board on June 15, 2015 and further amended from time to time last one being on January 23, 2019 effective April 01, 2019.

This policy has been amended from time to time and is available on the Company's website www.diageoindia. com.

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

The details of related party transactions required under section 134(3)(h) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 are given in form AOC-2 and the same is enclosed as **Annexure - 2.**

L. Meeting amongst Independent Directors

The Independent Directors met amongst themselves without the presence of any other persons on May 24, 2018 and July 23, 2018 respectively.

12. Auditors

Financial Audit

M/s. Price Waterhouse & Co. Chartered Accountants LLP (FRN 304026E/E-300009) Statutory Auditors of your Company, were appointed as Auditors of your Company from the conclusion of the 17th AGM for a period of 5 years. Since the appointment is not subject to ratification of the appointment by the members at every AGM, no resolution is proposed at this AGM pursuant to the provisions of Companies (Amendment) Act, 2017. Fees paid to the statutory auditors and their network of firms/entities in India during the year by the Company and its subsidiaries are as follows;

By United Spirits Limited – ₹ 49 Million
By the subsidiaries of United Spirits Limited – ₹ 5 Million

Further details on fees to statutory auditors are disclosed in the Standalone and Consolidated Financial Statements.

Secretarial Audit

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

REPORT OF THE DIRECTORS *(CONTINUED)*

In addition, the company has also obtained Secretarial Compliance Report for the year ended March 31, 2019 in terms of the SEBI Circular issued on February 08, 2019. The said report has been submitted to the stock exchanges and is also available on the Company's website viz., www.diageoindia.com.

Cost Audit

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

13. Listing of Shares of the Company

The equity shares of your Company continue to be listed with the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). No Listing fees are due as on date.

14. Corporate Governance

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

15. Management Discussion and Analysis Report

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

16. Fixed Deposits

As reported in the previous year's annual report, your Company discontinued accepting fixed deposits from the public and shareholders effective January 1, 2014. In addition, pursuant to section 74(1)(b) of the Companies Act, 2013 the Board of Directors at their meeting held on August 1, 2014 decided to repay all fixed deposits maturing on or after March 31, 2015 by March 31, 2015 by paying additional interest of 1% per annum on those fixed deposits before the maturity date pursuant to the contract entered into with the Fixed Deposit holders. Fixed Deposits from the public and shareholders which remained unclaimed and for which no discharge certificates were received from the depositors as on March 31, 2019 stood at ₹ 67,59,000. This amount was transferred into a separate non-interest bearing escrow account opened specifically for the purpose of re-payment, has been re-paid consistent with the provisions of the Companies Act, 2013 and the rules made thereunder. Of this amount, a sum of ₹ 6,13,000 (as of May 29, 2019) has since been paid as per instructions received after the year end. The balance unclaimed fixed deposits continue to remain in the escrow account as on May 29, 2019.

17. Extract of Annual Return

The extract of the Annual Return in Form MGT-9 is annexed as **Annexure - 4.**

18. Transfer to Investor Education and Protection Fund (IEPF)

The details of unclaimed/unpaid Dividends and Fixed Deposits which have not been transferred to the IEPF account as the period of seven years have not been completed is given below pursuant to the provisions of the Companies Act, 2013 and the applicable Rules there under.

Dividend:

Financial Year For which the divided is declared	No. of Members who have not claimed their dividend	Unclaimed dividend as on March 31, 2019 (Amount in INR)	Unclaimed dividend as % to total dividend	Date of declaration	Last date for claiming the dividend prior to its transfer to IEPF
2011-12	16,215	3,056,067.50	0.93	25-Sep-2012	14-Nov-2019
2012-13	10,866	2,214,265.00	0.61	24-Sep-2013	15-Sep-2020

The Company has not declared any dividend from financial year 2013-14 onwards. Hence, the aforesaid details do not include unpaid dividends from financial year 2013-14 onwards.

The number of Unclaimed equity shares transferred during the year ended March 31, 2019 to Investor Education and Protection Fund pursuant to section 124(6) of the Companies Act, 2013 is 580975.

Fixed Deposits:

1.	Accepted during the year	NIL
2.	Remained unpaid or unclaimed as at the end of the year	₹ 67,59,000
3.	Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved	NIL
4.	The Details of deposits which are not in compliance with the requirements of Chapter V of the Companies Act, 2013	Not Applicable

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

19. Human Resources

Employee relations remained cordial at all the locations of the Company. Particulars of employees drawing an aggregate remuneration of ₹ 1,02,00,000/- or above per annum or ₹ 8,50,000/- or above per month, as well as additional information on employee remuneration as required under the provisions of rule 5(1), 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014 is annexed as part of this report in **Annexure - 5** hereto.

20. Employees Stock Option Scheme

Your Company has not offered any stock options to its employees during the year 2018-19.

21. Particulars of Loans, Guarantees and Investments

Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 are detailed in Notes to the financial statements, which are as follows:

Note 4 is relating to investments, Note 5 is relating to loans given as per the standalone financial statements for the year ended March 31, 2019 include these disclosures. The Company has not given any guarantee to any company as on March 31, 2019.

22. Risk Management

Details on Risk Management are annexed as part of this report in **Annexure - 6** hereto. The Company has not done any commodity hedging.

23. Internal Financial Controls

Please refer to note no 48 of Standalone financial Statements and Note no 50 of Consolidated Financial Statements for the year ended March 31, 2019. During the year Controls, Compliance & Ethics (CC&E) team have commenced implementation of a detailed plan agreed with the Executive Committee of the Company, to reinforce the code of business conduct and to further embed compliance across the business. The CC&E team also undertook comprehensive review of existing controls (Sox & non-Sox controls) & added additional attributes in the existing controls. The same has been shared with the statutory auditors who have confirmed that they are aligned with the same. The controls with additional attributes have been tested both by Management tester (Deloitte) and by the Statutory auditors in March 19 for its effectiveness. The Board after considering the materials placed before it, reviewed the confirmation received from external parties and reviewing the effectiveness of the policies and procedures adopted by the Company for ensuring orderly and efficient conduct of its business, including adherence to Company's policy, safeguarding its assets, prevention and detection of frauds and errors and completeness of accounting records and timely preparation of financial statements, the Board has satisfied itself that the Company has laid down internal financial controls which are 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. A statement to this effect is also appearing in the Directors' Responsibility Statement.

24. Corporate Social Responsibility

Information on the composition of the Corporate Social Responsibility (CSR) Committee is provided in the Corporate Governance Report that forms part of this Annual Report. Furthermore, as required by section 135 of the Companies Act, 2013 and the rules made thereunder, additional information on the policy and implementation of CSR activities by your Company during the year are provided in **Annexure - 7** to this report. Business Responsibility Report under Regulation 34(2) of the SEBI (LODR) Regulations has been enclosed as **Annexure - 9** and also uploaded on to the Company's website www.diageoindia.com.

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

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

26. Details of Significant and Material Orders Passed by the Regulators or Courts Impacting the Going Concern Status and Company's Operations in Future pursuant to Rule 8(5)(vii) of Companies (Accounts) Rules, 2014

The Company has not received any significant or material order passed by regulators or courts or tribunals impacting the Company's going concern status or the Company's operations in future. The Management Discussion and Analysis Report read with the report on Risk Management contains impact on the business due to regulatory changes. The details of notices received from regulatory authorities and related matters have been disclosed as part of Note No. 45 to the Audited Standalone Financial statements for the year ended March 31, 2019 and as Note

REPORT OF THE DIRECTORS *(CONTINUED)*

No. 47 of the Consolidated Financial Statements for the year ended March 31, 2019.

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

The Company has implemented a prevention of sexual harassment policy and constituted an internal complaints committee in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (SHWWA). An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment and on-going training is provided to employees in compliance with the requirements of SHWWA. During the financial year 2018-19 one complaint was received and resolved.

28. Highlights of performance of subsidiaries, associates and joint venture companies of the Company

The highlights of performance of subsidiaries, associates and joint venture companies of the Company and their contribution to the overall performance of the Company is covered as part of the Consolidated Financial Statement and form AOC-1 annexed as part of this report. Out of 17 subsidiary companies and 1 associate company, 15 subsidiary companies are non-operative companies.

29. Directors' Responsibility Statement

Pursuant to section 134 (5) of the Companies Act, 2013 in relation to financial statements (together with the notes to such financial statements) for the year 2018-19, the Board of Directors report that:

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/ loss of the Company for that period;

(iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the Directors have prepared the financial statements on a going concern basis;

(v) the Directors have laid down internal financial controls to be followed by the Company commensurate with the size and nature of its business and the complexity of its operations and that such internal financial controls are adequate and are operating effectively.

(vi) the Company has a system of securing reports of statutory compliances periodically from the units and has implemented an automated process having comprehensive systems to ensure compliance with the provisions of all applicable laws which is adequate and is operating effectively.

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

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

By Order of the Board

Anand Kripalu
MD & CEO

Mahendra Kumar Sharma
Chairman

Bengaluru
May 29, 2019

CORPORATE GOVERNANCE REPORT

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

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

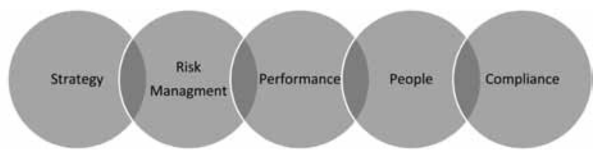
2. **Board of Directors**

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

- A Non-Executive Independent Director as Chairman;
- Two Executive Directors;
- Three Non-Executive Non-Independent Directors; and
- Five Independent Directors including the Chairman as stated above including a woman independent director.

2.2 None of the Directors are related to any other Director.

2.3 Your Company has a balanced mix of executive, non-executive and Independent Directors from diverse backgrounds, which enables the Board to discharge its duties and responsibilities in an effective manner. The Board has set the following yardsticks in the context of its business and for its effective functioning:



Strategy: Directors help develop proposals on strategy;

Performance: Directors review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

Risk Management: Integrity of financial information and that financial controls and systems of risk management are robust and defensible;

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

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

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

2.4 During the financial year under review, 5 Board Meetings were held, i.e., on April 13, 2018, May 24, 2018, July 23, 2018, October 31, 2018 and January 23, 2019 and the gap between any two Board Meetings did not exceed 120 days.

2.5 Attendance of each Director at the Board Meetings and at the previous AGM and details of the number of outside directorship and committee positions held by each of the Directors are given below.

Name of Director and Category	No. of Board Meetings attended during the year	Attendance at last AGM held on 07/09/2018	No. of other Companies in which Director as on 31st March, 2019	No. of committees (other than the Company) as Chairman / Chairperson/ Member	Directorship in other listed Company and Category of Directorship
Mr Mahendra Kumar Sharma *(Independent, Non-Executive Chairman)*	5	Yes	9	3 (Chairman in 2 out of 3)	1. **Asian Paints Limited** *(Independent Director)* 2. **Wipro Limited** *(Independent Director)* 3. **Ambuja Cements Limited** *(Independent Director)*

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Name of Director and Category	No. of Board Meetings attended during the year	Attendance at last AGM held on 07/09/2018	No. of other Companies in which Director as on 31st March, 2019	No. of committees (other than the Company) as Chairman / Chairperson/ Member	Directorship in other listed Company and Category of Directorship
Mr Anand Kripalu *(Managing Director and Chief Executive Officer)*	5	Yes	Nil	Nil	Nil
Mr Sanjeev Churiwala *(Executive Director and Chief Financial Officer)*	5	Yes	2	Nil	Nil
Mr V K Viswanathan *(Independent, Non-Executive Director)*	5	Yes	8	6 (Chairman in 2 out of 6)	1. **Bosch Limited** *(Non-Executive Director and Chairman)* 2. **Bharti Airtel Limited** *(Independent Director)* 3. **Magma Fincorp Limited** *(Independent Director)* 4. **HDFC Life Insurance Company Limited** *(Independent Director)* 5. **KSB Limited** *(Independent Director)*
Dr (Mrs) Indu Shahani *(Independent, Non-Executive Director)*	5	Yes	7	5 (Chairman in 1 out of 5)	1. **Bajaj Electricals Limited** *(Independent Director)* 2. **Colgate Palmolive (India) Limited** *(Independent Director)* 3. **Clariant Chemicals (India) Limited** *(Independent Director)*
Mr D. Sivanandhan *(Independent, Non-Executive Director)*	5	Yes	11	4	1. **Forbes & Company Limited** *(Independent Director)* 2. **Kirloskar Industries Limited** *(Independent Director)* 3. **RBL Bank Limited** *(Independent Director)*
Mr Rajeev Gupta *(Independent, Non-Executive Director)*	4	No	8	4	1. **Cosmo Films Limited** *(Independent Director)* 2. **EIH Limited** *(Independent Director)* 3. **Rane Holdings Limited** *(Independent Director)* 4. **TV Today Network Limited** *(Independent Director)* 5. **Vardhman Special Steels Limited** *(Independent Director)* 6. **VIP Industries Limited** *(Independent Director)*
Mr Vinod Rao *(Non-Executive, Nominee Director)*	4	No	Nil	Nil	Nil

Name of Director and Category	No. of Board Meetings attended during the year	Attendance at last AGM held on 07/09/2018	No. of other Companies in which Director as on 31st March, 2019	No. of committees (other than the Company) as Chairman / Chairperson/ Member	Directorship in other listed Company and Category of Directorship
Mr John Thomas Kennedy *(Non-Executive, Nominee Director)*	5	No	Nil	Nil	Nil
Mr Randall Ingber *(Non-Executive, Nominee Director)*	4	No	Nil	Nil	Nil

NOTE: The above details are in respect of their Directorships only in Indian Companies and Committee membership in only Audit Committee and Stakeholders Relationship Committee except for the last column which consists of listed companies only.

2.6. Awards and Recognition

a. Dun and Bradstreet recognising your Company as a winner in alcoholic beverages category for their corporate award of 2019.

b. Your Company's Annual Report of 2017-18 was awarded the Silver Award for excellence by the League of American Communications Professionals.

c. Your Company has also been rated CGR-2 for its corporate governance practices by ICRA. CGR-2 denotes the second highest rating in the category presently given to any company in India.

d. Your Company was awarded SPIRITZ AWARD 2018 for the best CSR efforts of the year in Alcobev Space.

2.7. Other Corporate Governance Requirements

In compliance with Regulation 23, the Company has framed policy on Related Party Transactions which can be viewed through the web link https://www.diageoindia.com/investors/shareholder-centre/policies/

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

Regulation 25 with respect to Independent Directors are complied with. The details of the familiarisation programmes imparted to the independent directors are disclosed on the Company's website https://www.diageoindia.com/investors/.

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

Regulation 27 with respect to Quarterly Compliance report has been complied with.

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

Other requirements of Corporate Governance as per the SEBI (LODR) Regulations are disclosed on the Company's website https://www.diageoindia.com/investors/

Recent changes in SEBI LODR Regulations, as applicable, have been disclosed elsewhere in this Report and Annexures.

2.8 Disclosures regarding appointment and re-appointment of directors

a. Directors retiring by rotation and offer themselves for re-appointment:

Mr Vinod Rao

Mr Vinod Rao was appointed as Director at the 17th AGM. He is liable to retire by rotation and has offered himself for re-appointment. His brief profile is given in the Annexure to the Notice of the 20th AGM.

b. Re-Appointment of Managing Director and Chief Executive Officer –

Mr. Anand Kripalu was appointed as Managing Director and Chief Executive Officer effective August 14, 2014 for a period of five years which is ending on August 13, 2019. Nomination and Remuneration Committee and Board of Directors have approved his

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

re-appointment for a further period of three years effective August 14, 2019 to August 13, 2022 which is subject to the approval of the members at the 20th Annual General Meeting.

c. Re-appointment of Independent Directors –

a. Dr (Mrs.). Indu Shahani be and is hereby re-appointed as an Independent Director of the Company for a period of 5 years with effect from September 30, 2019 to September 29, 2024 subject to approval of the Members at the ensuing general meeting.

b. Mr. D Sivanandan be and is hereby re-appointed as an Independent Director of the Company for a period of 5 years with effect from September 30, 2019 to September 29, 2024 subject to approval of the Members at the ensuing general meeting.

c. Mr. Rajeev Gupta be and is hereby re-appointed as an independent Director of the Company for a period of 5 years with effect from December 23, 2019 to December 22, 2024 subject to approval of the Members at the ensuing general meeting.

d. Mr. Mahendra Kumar Sharma be and is hereby re-appointed as an Independent Director of the Company for a period of 5 years with effect from April 01, 2020 to March 31, 2025 subject to approval of the Members at the ensuing general meeting.

3. Audit and Risk Management Committee

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

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

3.2 Pursuant to Regulation 18(3) and Part C of Schedule II, SEBI (LODR) Regulations, the brief description of the terms of reference of the Audit and Risk Management Committee are given below:

a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

c. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:

i. Major accounting entries based on exercise of judgment by management;

ii. Qualifications in draft audit report;

iii. Significant adjustments arising out of audit; and

iv. Disclosure of any related party transactions.

d. Reviewing with the management, performance of statutory and internal auditors, the adequacy of internal control systems, risk management systems.

e. Reviewing the adequacy of internal audit function including the structure of the internal audit department, reporting structure coverage and frequency of internal audit.

f. Discussion with internal auditors on any significant findings and follow up thereon.

g. Reviewing the findings of any internal investigations by the internal auditors and external consultants into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

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

3.3 The Audit and Risk Management Committee, inter alia, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2019 and has recommended its adoption. In addition, the Audit and Risk Management Committee has also reviewed the unaudited quarterly results for quarter ended June 30, 2018, quarterly and six months ended September 30, 2018 and quarterly and nine months ended December 31, 2018 (which were subjected to a limited review by the Statutory Auditors of the Company) and the audited financial results for the quarter and year ended March 31, 2019.

3.4 During the financial year under review, 6 meetings of the Audit and Risk Management Committee were held, April 13, 2018, May 23, 2018, July 23, 2018, October 30, 2018, January 23, 2019 and February 08, 2019 and the gap between any two Audit and Risk Management Committee Meetings did not exceed 120 days. The details of attendance by members of the Audit and Risk Management Committee at such meetings are as stated below.

Name of the director	No. of meetings entitled	Meetings attended
Mr V K Viswanathan (Chairperson)	6	6
Dr (Mrs) Indu Shahani	6	6
Mr Vinod Rao	6	5
Mr D. Sivanandhan	6	6
Mr Rajeev Gupta	6	4
Mr Mahendra Kumar Sharma	6	6
Mr John Thomas Kennedy	6	6

4. Nomination and Remuneration Committee

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

Dr (Mrs) Indu Shahani (chairperson)	Non-Executive Independent Director
Mr D. Sivanandhan	Non-Executive Independent Director
Mr John Thomas Kennedy	Non-Executive Nominee Director
Mr V K Viswanathan	Non-Executive Independent Director

4.2 Pursuant to Regulation 19(4) and Part D of Schedule II of SEBI(LODR), Regulations, brief description of the terms of reference of the NRC are given below:

i. Assist the Board of Directors of the Company to:

1. Determine, review and propose compensation principles and policy of the Company
2. Assess and review compensation plans recommended by the management;
3. Recommend the compensation packages of the Company's Executive Directors.

ii. 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.

iii. Approve and recommend matters relating to compensation by way of salary, perquisites, benefits, etc., to the Managing/Whole Time / Executive Directors of the Company.

iv. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy, relating to the remuneration of the directors including Independent directors, key managerial personnel and senior management employees.

v. Carry out any other acts and deeds as may be delegated by the Board of Directors and deal with such other matters as may be prescribed under the Companies Act, the SEBI (LODR) Regulations and other statutory enactments.

vi. To set up policy and procedure for succession planning of Key Managerial Personnel and other senior management of the Company.

vii. Approve any share incentive or other plans for the employees of the Company.

4.3 During the financial year under review two meetings were held i.e., on July 20, 2018 and October 30, 2018. The details of attendance by members of the Committee at such meetings are as stated below.

Name of the director	No. of Meetings	Meetings attended
Dr (Mrs) Indu Shahani	2	2
Mr John Thomas Kennedy	2	2
Mr D. Sivanandhan	2	1
Mr V K Viswanathan	2	2

4.4 Remuneration of directors

The policy on Directors/senior appointments sets out the guidelines for the executive committee members/ Managing Director/Key Managerial Personnel based on the terms of reference of the committee. The said policy is available on the Company's website www.diageoindia.com.

The details of remuneration paid / payable to the directors during the financial year April 1, 2018 to March 31, 2019 are given below.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

A. Managing Director: Mr Anand Kripalu

Mr Anand Kripalu was appointed as Chief Executive Officer with effect from May 1, 2014 and as Managing Director and Chief Executive Officer of the Company for a period of five years with effect from August 14, 2014. The terms and conditions of appointment and remuneration of Anand Kripalu were as set out in the resolution approved by the shareholders at the AGM held on September 30, 2014 and as per the applicable rules of the Company. The remuneration was revised at the AGM held on November 24, 2015 with effect from July 1, 2015. Further members approval was taken for the payment of excess remuneration to Mr. Anand Kripalu for the year ended March 2015 as well as the remuneration payable for the financial year ended March 31, 2019 were approved by the members of the Company at the postal ballot effective January 18, 2019 in terms of the amended provisions of the Companies Act, 2013. There is no severance fee and the notice period is six months. The performance criteria is as determined by the Nomination and Remuneration Committee.

The remuneration paid to Mr Anand Kripalu as Managing Director and Chief Executive Officer during the year ended March 31, 2019 is given in **Annexure - 4** to the Directors Report. Please also refer Note 36(d) of the Financial Statements.

Mr. Anand Kripalu was appointed as Managing Director and Chief Executive Officer effective August 14, 2014 for a period of five years which is ending on August 13, 2019. Nomination and Remuneration Committee and Board of Directors have approved his re-appointment for a further period of three years effective August 14, 2019 to August 13, 2022 which is subject to the approval of the members in the 20th Annual General Meeting.

B. Non-Executive Directors

i. Sitting Fees have been paid to Non-Executive Directors for attending Board / Committee Meetings as specified in the table below. They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred for attending such meetings in accordance with the Board approved policies for such reimbursements. Other than the sitting fees, reimbursement of expenses and as commission as explained below, no other remuneration was paid. No securities / convertible instruments were issued or allotted to any of the non-executive directors during the financial year 2018-19.

Name of the Non-Executive Director	Sitting fees (INR)
Mr Mahendra Kumar Sharma	800,000
Mr V K Viswanathan	850,000
Mr D. Sivanandhan	875,000
Mr Rajeev Gupta	600,000
Dr (Mrs) Indu Shahani	900,000
TOTAL	**40,25,000**

ii. Non-Executive Directors are also eligible for commission as approved by the Board of Directors every year within the limit of one per cent of the net profits of the Company or ₹ 4 Crores, whichever is higher, as approved by the members of the Company through Postal Ballot effective January 18, 2019. Such commission are determined based on the recommendation of the Nomination and Remuneration Committee and as approved by the Board of Directors.

iii. Details of commission to the Non-Executive Directors for the Financial Year 2018-19 is given below:

Sl. No.	Name of the Directors	Amount (in INR)
1	Mr Mahendra Kumar Sharma	47,00,000
2	Mr D Sivanandhan	39,00,000
3	Mr Rajeev Gupta	35,00,000
4	Dr Indu Shahani	40,00,000
5	Mr V K Viswanathan	39,00,000
	TOTAL	**2,00,00,000**

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

As on the date of this Report none of the Directors are holding any Equity Shares in the Company.

D. Performance Evaluation of Independent Directors

Pursuant to the provisions of the Companies Act , 2013 and Regulation 34(3) read with Schedule V(C) (4)(d) of the SEBI (LODR) Regulations, the Committee has prescribed performance evaluation criteria for independent directors as well as for the non-independent directors, the committee and the Board as a whole. Such evaluation was carried out during the year for all the Directors. Observations made by the Board regarding periodical update to be sent to Board members regarding industrial trends, material developments, key management changes from time to time were carried out during the year. Other observations are being carried out in the following year. The evaluation of independent directors is undertaken by the entire board of directors including (a) performance of the directors; and (b) fulfillment of the independence criteria as specified in SEBI (LODR) Regulations and their independence from the management. In the above evaluation, the directors who are subject to evaluation do not participate.

5. Stakeholders' Relationship and General Committee

5.1 The composition of the aforesaid Committee is as under:

Mr D. Sivanandhan (Chairperson)	Non-Executive Independent Director
Dr (Mrs) Indu Shahani	Non-Executive Independent Director
Mr John Thomas Kennedy	Non-Executive Nominee Director
Mr Anand Kripalu	Executive Director

5.2 The terms of reference of aforesaid Committee is given below:

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

b. Review the adherence to service standards relating to the various services rendered by the Company and Company's Registrars & Transfer Agents.

c. Review the status of the litigations, complaints /suits filed by or against the Company relating to the shares/ fixed deposits, debentures or any other securities of the Company before any Courts/other appropriate authorities, and in particular where directors are implicated or could be made liable.

d. Review the impact of enactments, amendments made by the Ministry of Corporate Affairs/Securities and Exchange Board of India and other regulatory authorities on matters concerning the Stakeholders in general.

e. Review matters relating to transfer of unclaimed and unpaid dividend, matured deposits, interest accrued on the matured deposits, debentures etc., to the Investor Education and Protection Fund as specified under the Companies Act.

f. Review the status of claims received for unclaimed shares and dividend on unclaimed shares.

g. Review the initiatives taken to reduce quantum of unclaimed dividends/unclaimed deposits.

h. Act on such further terms of reference as may be considered necessary and specified by the Board in writing from time to time.

i. Review service standards and investor service initiatives undertaken by the Company.

5.3 Mr V. Ramachandran, Company Secretary, is the compliance officer of the Company.

5.4 During the financial year under review one meeting was held on May 24, 2018.

5.5 The details of attendance by members of the Committee are as below.

Name of the Director	No. of Meetings	Meetings attended
Mr D Sivanandhan (Chairman)	1	1
Mr John Thomas Kennedy	1	1
Dr (Mrs) Indu Shahani	1	1
Mr Anand Kripalu	1	1

5.6 The Company/Company's Registrars received 23 complaints during the financial year, all of which were resolved to the satisfaction of shareholders/investors.

Sl. No.	Complaints relating to	No. of Complaints received	No. of Complaints resolved
1	Non-receipt of refund order/allot-ment letter	Nil	Nil
2	Non-receipt of Dividend/Interest on Shares/Debentures/Fixed Deposits/ maturity amount on debentures	02	02
3	Non-receipt of share certificates	09	09
4	Non-receipt of Annual Report/ Rights forms/ Bonus shares/interest on delayed refund/Dividend and Interest	Nil	Nil
5	Others	12	12
	Total	**23**	**23**

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

5.7 **Dividend Distribution Policy**

Pursuant to Regulation 43A of SEBI (LODR) Regulations, 2015 the Company has framed a Dividend Distribution Policy which lays out the parameters to be considered while declaring dividend. The said policy is available on the website of the Company https://www.diageoindia.com. The parameters for dividend payment as per policy includes dividend payout ratio as well.

6. Corporate Social Responsibility Committee

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

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

6.2 During the financial year under review, one meeting was held on May 24, 2018. The details of attendance by members of the CSR Committee are as below.

Name of the director	No. of meetings	Meetings attended
Mr D. Sivanandhan	1	1
Dr (Mrs) Indu Shahani	1	1
Mr Anand Kripalu	1	1
Mr Randall Ingber	1	1

6.3 The CSR Report of the Company for the year ended March 31, 2019 has been approved by the board and is provided in **Annexure - 7** as part of the Board Report. The copy of your Company's CSR policy is available on the Company's website at www.diageoindia.com.

7. General Meetings

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

Financial year ended	Date	Time	Venue
March 31, 2018	September 07, 2018	3.30 p.m.	Vivanta By Taj; No. 3, 41/3 M.G Road, Bengaluru – 560 001
March 31, 2017	August 30, 2017	4.00 p.m.	The Capitol Hotel, No. 3, Raj Bhavan Road, Bengaluru – 560 001
March 31, 2016	July 14, 2016	4.00 p.m.	The Capitol Hotel, No. 3, Raj Bhavan Road, Bengaluru – 560 001

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

AGM held on	Subject matter of the Special Resolution
September 07, 2018	No Special Resolution was passed.
August 30, 2017	(i) Appointment of and remuneration of Mr Sanjeev Churiwala as Executive Director and Chief Financial Officer (ii) Issue of unsecured unlisted Redeemable Non-Convertible Debentures on Private Placement basis
July 14, 2016	No Special Resolution was passed.

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

8. Postal Ballot & Extraordinary General Meeting

8.1 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. No Special Resolution is proposed to be conducted through Postal Ballot as on date. At this meeting also, there is no ordinary or special resolution proposed requiring passing of resolution through Postal Ballot.

8.2 The following resolutions were passed through postal ballot during the year 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	Voting Pattern (% in favour of resolution)
April 13, 2018	June 5, 2018	May 5, 2018 to June 3, 2018	(i) Alteration of Capital clause in the Memorandum of Association. (ii) Alteration Capital Clause in the Articles of Association. (iii) To sub-divide Equity Shares of the Company having a face value of 10/- per Equity Share to 2 per equity Share and to sub-divide Preference Shares of the Company having a face value of 100/- per Preference Share to 10/- per share.	(i) Special Resolution passed with requisite majority. (ii) Special Resolution passed with requisite majority. (iii) Special Resolution passed with requisite majority.	99.99% 99.99% 99.99%
October 31, 2018	January 19, 2019	December 20, 2018 to January 18, 2019	(i) Approval of members for payment of excess remuneration to Mr. Anand Kripalu (DIN: 00118324), Managing Director and Chief Executive Officer for the financial year ended March 31, 2015 (ii) Approval of members for payment of remuneration to Mr. Anand Kripalu, Managing Director and Chief Executive Officer till August 13, 2019 (iii) Approval of members for payment of remuneration to Mr. Sanjeev Churiwala, Executive Director and Chief Financial Officer till March 31, 2021 (iv) Approval for payment of Remuneration to Non-Executive Directors (v) Approval for granting loans to Pioneer Distilleries Limited.	(i) Special Resolution passed with requisite majority. (ii) Special Resolution passed with requisite majority. (iii) Special Resolution passed with requisite majority. (iv) Special Resolution passed with requisite majority. (v) Special Resolution passed with requisite majority.	89.05% 89.06% 89.06% 89.06% 99.99%

Mr. Sudhir Hulyalkar was the scrutinizer for all the aforesaid postal ballot exercises. The procedure for postal ballot exercise were explained in detail to the members for their ease in voting through postal ballot.

9. Disclosures

9.1 The related party transaction entered in to by the Company during the financial year ended March 31, 2019, have been disclosed in the Notes to Accounts and also in Form AOC-2, which forms part of Directors' Report.

9.2 During the financial year ended March 31, 2019, the Company has complied with the statutory requirements comprised in the SEBI (LODR) Regulations / Guidelines / Rules of the Stock Exchanges / SEBI / other statutory authorities and there have been no other instances of material non-compliance by the Company during such financial year, nor have any penalties, strictures been imposed by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets. Please refer to Secretarial Audit Report in **Annexure - 3.**

9.3 Code of Conduct

a. Your Company believes that good governance practiced with in the Company fosters the confidence and trust of all stakeholders. Your Company has a Compliance & Ethics team, which guides the employees on matters of compliance. Your Company is committed to conducting its business in an ethical

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

manner. This code is reviewed by the Board from time to time.

b. As stated in the Board's report, your Company has a well-established vigil mechanism in place, which is managed by the Compliance & Ethics team. 'SpeakUp' is a confidential service available to employees to make a report when they believe there to be a breach of the Code, policies or applicable law. 'SpeakUp' is managed by an external agency, independent from the Company, with staff who are trained to deal with the call, and translators who are immediately available to assist if required. Access to the Chairman of the Audit Committee is made available in appropriate and exceptional cases, as required under the Companies Act and the SEBI (LODR) Regulations. All complaints are investigated by the Compliance and Ethics team and appropriate action taken in accordance with your Company's policies.

c. In compliance with SEBI (LODR) Regulations, the Company has adopted a Code of Business Conduct and Ethics (Code) for its Board members and Senior Management Personnel, a copy of which is available on the Company's website, www.diageoindia.com. All Board members and senior management personnel have affirmed compliance with the code for the year ended March 31, 2019 and a declaration to this effect signed by the MD & CEO forms part of this report. Pursuant to the requirements of the SEBI (LODR) Regulations, it is affirmed that no person who has sought access to the Audit Committee has been denied such access.

d. Pursuant to the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has adopted a Code of Conduct for Prevention of Insider Trading, applicable to all Directors and designated persons of the Company.

e. The Company has complied with all mandatory requirements of SEBI (LODR) Regulations and has also adopted the non-mandatory requirements of the above-mentioned regulations, to the extent shown in the subsequent sections of this Corporate Governance Report.

9.4. Disclosure on Utilization of proceeds of preferential issue and Qualified Institutional Placement (QIP)

There were no issue of securities during the year. However, the proceeds of preferential issue made during the year 2017-18 have been utilised for the purpose stated in the issue document and the notice sent to the members for their approval viz., Repayment of existing loans, capital expenditure and other funding requirements of the Company from time to time.

9.5 Certificate on Corporate Governance

All the Directors have submitted a declaration that they are not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013. Mr. Sudhir V Hulyalkar, a Practicing Company Secretary, has submitted a certificate to the effect that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority, pursuant to requirement under Clause (i) Para 10 Clause (C) of Schedule V of SEBI (LODR) Regulations, 2015. Copy of the Certificate is provided in **Annexure – 3A**.

10. Means of Communication

10.1 The quarterly results are sent to all the Stock Exchanges where the shares of the Company are listed. The results are normally published in "Business Standard" (English Daily) and "Kannada Prabha" (Kannada Daily). The results are displayed on the Company's website www.diageoindia.com. Press Releases are also issued which are also displayed on the Company's website. In addition, presentations made to analysts or investors are also made available on the Company's website.

10.2 The required disclosures to the extent applicable including results were also sent to the Stock Exchanges.

10.3 The Company has designated an exclusive email address, i.e., Investor.India@diageo.com to enable investors to post their grievances and monitor redressal.

11. Management Discussion and Analysis Report

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

12. General Shareholder Information

<table>
<tr><td>A)</td><td>Corporate Identification Number</td><td colspan="3">L01551KA1999PLC024991</td></tr>
<tr><td>B)</td><td>AGM Date, Time and Venue</td><td colspan="3">Wednesday, August 21, 2019 at 3:30 p.m. at Vivanta by Taj, No. 3, 41/3, MG Road, Bengaluru, Karnataka 560001</td></tr>
<tr><td rowspan="6">C)</td><td>Financial year</td><td colspan="3">April 1 to March 31</td></tr>
<tr><td>Tentative Board Meeting calendar:</td><td colspan="3"></td></tr>
<tr><td>First Quarterly Results (FY 2019-20)</td><td colspan="3">July 22, 2019</td></tr>
<tr><td>Second Quarterly Results</td><td colspan="3">October 24, 2019</td></tr>
<tr><td>Third Quarterly Results</td><td colspan="3">January 27, 2020</td></tr>
<tr><td>Audited yearly Financial Results</td><td colspan="3">May 27, 2020</td></tr>
<tr><td></td><td>In addition, Board may also meet on other dates for transacting other urgent business or due to any specific requirements</td><td colspan="3"></td></tr>
<tr><td>D)</td><td>Date of Book Closure</td><td colspan="3">Book Closure Date – August 15, 2019 to August 21, 2019
(both days inclusive)</td></tr>
<tr><td>E)</td><td>Dividend payment date</td><td colspan="3">NA</td></tr>
<tr><td>F)</td><td>Listing on Stock Exchanges</td><td colspan="3">The shares of the Company are listed on the following Stock Exchanges:
BSE Limited
Regular Office & Corporate Relations Dept
Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051.</td></tr>
<tr><td>G)</td><td>**Stock Code**</td><td colspan="3"></td></tr>
<tr><td></td><td>BSE</td><td colspan="3">Demat 532432 Physical 32432</td></tr>
<tr><td></td><td>NSE</td><td colspan="3">SYMBOL -MCDOWELL-N</td></tr>
<tr><td>H)</td><td>ISIN NO.</td><td colspan="3">Before Sub- Division of shares : INE854D01016
After Sub-Division of shares : INE854D01024</td></tr>
<tr><td>I)</td><td>Market price data</td><td colspan="3">(As per Annexure A)</td></tr>
<tr><td>J)</td><td>Stock performance in comparison to BSE Sensex and NSE Nifty</td><td colspan="3">(As per Annexure B)</td></tr>
<tr><td>K)</td><td>Registrar and Transfer Agents</td><td colspan="3">Integrated Registry Management Services Private Limited (Formerly known as Integrated Enterprises (India) Limited), 30, Ramana Residency, 4th cross, Sampige Road, Malleswaram, Bengaluru - 560003
Tel. Nos.(080) 23460815-818 Fax No.(080)23460819</td></tr>
<tr><td>L)</td><td>Share Transfer System</td><td colspan="3">The power to transposition/consolidation/subdivision, etc., to a Committee of Directors. The requirements under the SEBI LODR Regulations, 2015, and other statutory regulations in this regard are being followed.</td></tr>
<tr><td>M)</td><td>Distribution of Shareholding</td><td colspan="3">As per **Annexure C**</td></tr>
<tr><td rowspan="4">N)</td><td rowspan="4">Dematerialisation of shares (as on march 31, 2019)</td><td>Depositories</td><td>Shares
(insert post split shares)</td><td>%</td></tr>
<tr><td>NSDL</td><td>68,27,75,522</td><td>93.96</td></tr>
<tr><td>CDSL</td><td>3,82,46,868</td><td>05.26</td></tr>
<tr><td>Total</td><td>72,10,22,390</td><td>99.23</td></tr>
</table>

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

O)	Outstanding GDRs/ADRs/Warrants or any other Convertible Instruments	NIL
P)	Plant locations – owned manufacturing units (operational)	1. Alwar (Rajasthan) 2. Asansol (West Bengal) 3. Aurangabad (Maharashtra) 4. Baddi (Himachal Pradesh) 5. Baramati (Maharashtra) 6. Bhadrakali (West Bengal) 7. Bhopal-I (Madhya Pradesh) 8. Gopalpur-On-Sea (Orissa) 9. Gulbarga (Karnataka) 10. Hyderabad I (Nacharam, Telangana) 11. Hyderabad II (Malkajgiri, Telangana) 12. Kumbalgodu (Karnataka) 13. Meerut (Uttar Pradesh) 14. Nasik-I (Maharashtra) 15. Nasik-II (Maharashtra) 16. Pathankot (Punjab) 17. Ponda (Goa) 18. Rosa (Uttar Pradesh) 19. Udaipur (Rajasthan)
Q)	Address for correspondence	Shareholder correspondence should be addressed to the Company's Registrars and Transfer agents: Integrated Registry Management Services Private Ltd (Formerly known as Integrated Enterprises (India) Limited) 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru 560 003. Tel. Nos. (080) 2346 0815-818, Fax No. (080) 2346 0819, Email: bglsta@integratedindia.in Investors may also write or contact Mr V. Ramachandran, Company Secretary or Mr B.L. Akshara, General Manager–Secretarial at the Registered Office of the Company at UB Tower, #24, Vittal Mallya Road, Bengaluru 560 001 Tel. Nos. (080) 3985 6500 / 2221 0705, Direct No. (080) 3985 6905, Fax No. (080) 3985 6862
R)	Email for investor grievances	In compliance with the provisions of regulation 46(2)(j) of the SEBI (LODR) Regulations, an exclusive email address, Investor.India@diageo.com has been designated for registering Investor complaints, which is available on the Company's website www.diageoindia.com

13.1 Pursuant to Part F of Schedule V of the SEBI (LODR) Regulations, an Unclaimed Suspense Account was opened with Stock Holding Corporation of India Limited on February 14, 2013 and the following unclaimed shares, were transferred to the Demat account titled United Spirits Limited Unclaimed Suspense Account after the Company's Registrars & Transfer Agents sent three reminders to all the shareholders whose share certificates were returned undelivered and remained unclaimed. During the year, your Company has released shares from the said suspense account upon receipt of requests from the shareholders and after checking veracity of such shareholder's claims. Physical shares on which dividend has not been claimed for a continuous period of seven years have been transferred to Investor Education Protection Fund (IEPF) as per applicable rules. The details of such release of shares are given below.

Particulars	No. of shareholders	No. of equity shares held
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on April 01, 2018	2050	1021465*
Number of shareholders who approached issues for transfer of shares from Unclaimed Suspense Account during the year	54	25200*
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	54	25200*
Number of Shareholders and shares transferred to IEPF during the year	395	80045
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on March 31, 2019	1601	916220

Break-up of 25200 shares shown above (post -split) adjusted number is as follows:

Note:

1. 879 shares (pre-split) were credited for 21 shareholders from unclaimed Suspense Account (Pre-Split period from 01.04.2018 to 21.06.2018)
2. 20,805 shares (post-split) were credited for 33 shareholders from unclaimed Suspense Account (Post Split period from 22.06.2018 to 31.03.2019)

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

14. Discretionary Requirements

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

Shareholder Rights

The Company's quarterly results are published in English and Kannada Newspapers. The results are uploaded on the Company's website www.diageoindia.com. Hence, the same were not sent to the shareholders.

Board

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

Audit qualifications

There are no qualifications in the Audit Report of the Statutory Auditors and the Secretarial Auditor for the year ended March 31, 2019.

Separate posts of Chairman and CEO

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

Reporting of Internal Auditor

The internal auditor reports directly to the Audit Committee.

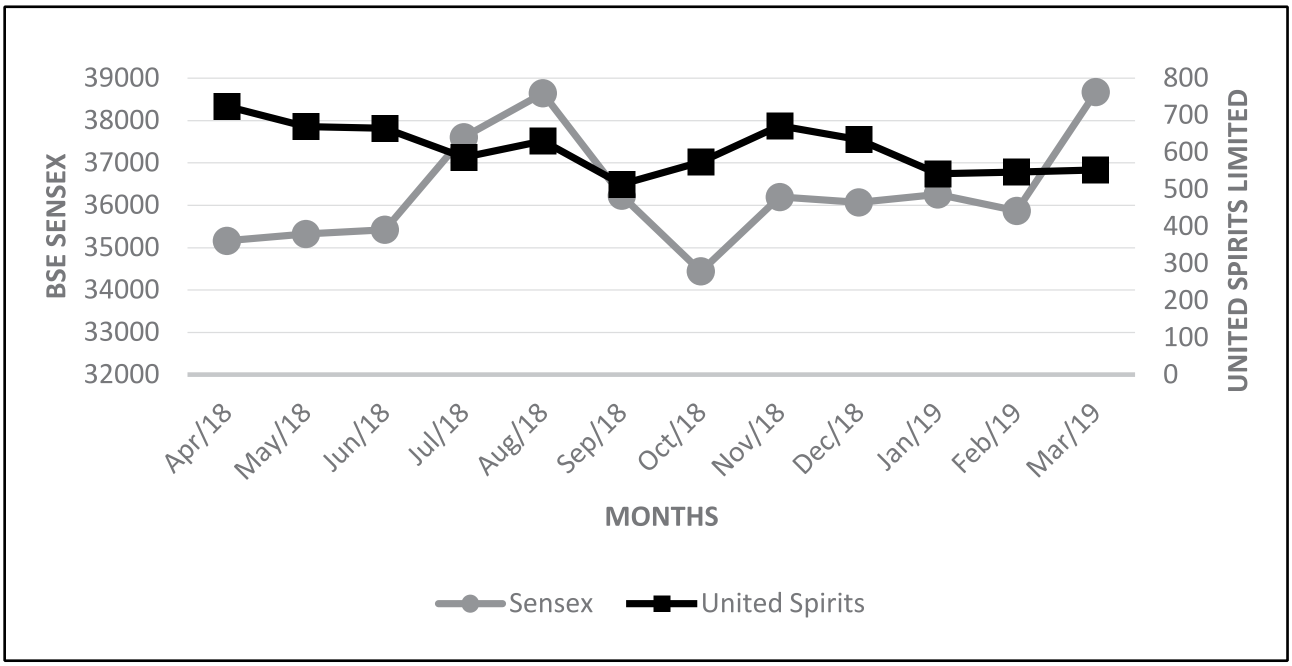
CORPORATE GOVERNANCE REPORT *(CONTINUED)*

ANNEXURE A: MARKET PRICE DATA

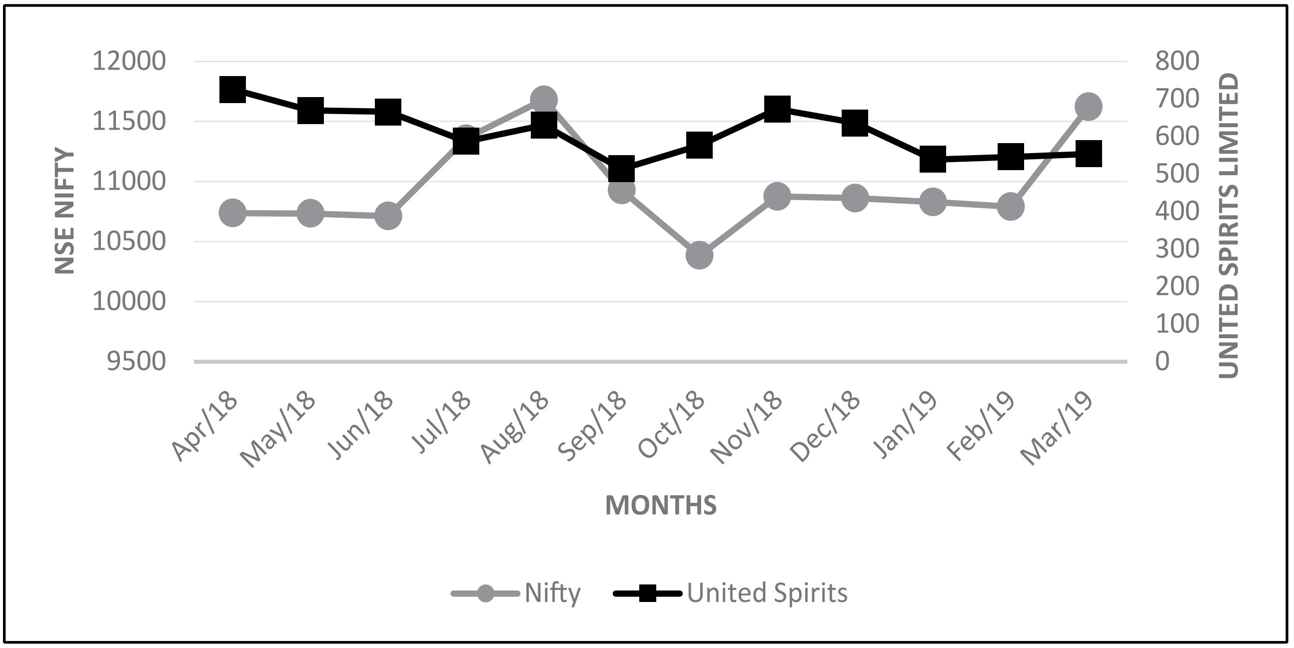
United spirits limited - Market Data BSE						United spirits limited - Market Data NSE					
Month	Open	High	Low	Close	Volume	Month	Open	High	Low	Close	Volume
Apr-18	626.00*	727.60*	626.00*	724.37*	19,47,150*	Apr-18	627.00*	726.98*	627.00*	724.44*	3,41,31,225*
May-18	725.28*	730.80*	608.41*	669.39*	28,05,555*	May-18	728.00*	731.44*	608.43*	668.72*	5,20,44,845*
Jun-18	678.96*	695.67*	647.00	664.80	58,83,520*	Jun-18	669.58*	695.88*	647.25	664.95	2,19,40,968*
Jul-18	658.10	669.95	547.65	586.20	28,52,322	Jul-18	666.00	669.90	548.00	587.05	3,74,04,981
Aug-18	590.00	661.85	580.00	630.65	17,25,286	Aug-18	589.00	661.80	581.00	630.25	2,55,89,895
Sep-18	635.60	638.15	505.80	513.80	12,38,637	Sep-18	636.45	637.60	505.00	514.30	2,38,86,803
Oct-18	515.00	579.00	439.00	574.55	17,38,320	Oct-18	513.95	581.00	438.20	576.80	3,60,04,672
Nov-18	600.00	674.80	590.00	671.35	15,05,272	Nov-18	601.00	675.00	595.00	672.40	3,92,23,634
Dec-18	680.00	680.00	588.30	634.80	18,93,433	Dec-18	675.00	676.60	588.60	635.80	2,93,11,867
Jan-19	638.70	638.70	499.05	541.85	20,14,444	Jan-19	634.00	634.00	537.40	539.80	3,31,31,140
Feb-19	547.60	577.30	497.00	546.70	12,95,916	Feb-19	541.00	578.00	496.80	546.25	3,27,64,666
Mar-19	550.00	595.00	530.00	553.00	17,38,748	Mar-19	550.20	595.90	530.30	553.90	3,39,26,597

*** - Pre-split share price adjusted for post-split.**

ANNEXURE B: UNITED SPIRITS LIMITED, SHARE PRICES COMPARED TO BSE SENSEX USL CLOSE VS BSE SENSEX CLOSE AS ON MARCH 31, 2019



USL CLOSE VS NSE NIFTY CLOSE AS ON MARCH 31, 2019



ANNEXURE C: DISTRIBUTION OF HOLDINGS (AS ON MARCH 31, 2019)

Value Wise

Value Wise						
Shareholding of nominal value			Shareholders		Share amount	
₹			Number	% to Total	₹	% to total
Upto	-	5,000	102643	88.48	144,629,720	1.99
5,001	-	10,000	6448	5.56	51,303,610	0.71
10,001	-	20,000	3282	2.83	48,017,630	0.66
20,001	-	30,000	1140	0.98	28,614,150	0.39
30,001	-	40,000	478	0.41	16,949,470	0.23
40,001	-	50,000	411	0.35	19,317,770	0.27
50,001	-	1,00,000	580	0.50	41,815,010	0.58
100,001 and above			1019	0.88	6,915,739,790	95.17
Total			**80278**	**100.00**	**1,453,277,430**	**100.00**

Category Wise		
Category	No. of Shares	% of Equity Capital
Promoter	412,410,600	56.76
Resident Body corporates (including Clearing Members)	16,462,861	2.27
Banks/Fis/Fii/Mf/Uti Trust / Central /State Government & Insurance Companies	232,029,649	31.93
NRI/OCB/FCB/FOREIGN NATIONALS	4,845,308	0.67
Venture Capital	664,984	0.09
Resident Individuals	60,225,313	8.29
Total	**726,638,715**	**100.00**

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

SHARE CAPITAL HISTORY (SINCE 1999)

Date	Event	Details
Mar 31, 1999	• Company Incorporated • Shares on Incorporation - 60 Nos.	
Jul 09, 2001	• Merger with Mc Dowell & Co. • Ratio 1:1	• Issued 5,17,19,968 Shares • Pre Issue - 60 Nos ; Post Issue - 5,17,20,028 Nos
Mar 29, 2006	• GDR Issue • Issued 87,51,381 Shares	• Pre Issue - 5,17,20,028 Nos; Post Issue - 6,04,71,409 Nos
Nov 06, 2006	• Baramati Distilleries merged with McDowell and Company Limited • Ratio 20:31	• Issued 3,37,780 Shares • Pre Issue - 6,04,71,409 Nos; Post Issue - 6,08,09,189 Nos
Nov 06, 2006	• Shaw Wallace Distilleries merged with McDowell and Company Limited • Ratio 20:7	• Issued 2,81,12,971 Shares • Pre Issue -6,08,09,189 Nos; Post Issue - 8,89,22,160 Nos
Nov 06, 2006	• Herberson Limited merged with McDowell and Company Limited • Ratio 3:2	• Issued 31,17,209 Shares • Pre Issue -8,89,22,160 Nos; Post Issue - 9,20,39,369 Nos
Nov 06, 2006	• TDV merged with McDowell and Company Limited • Ratio 4:83	• Issued 20,75,000 Shares • Pre Issue - 9,20,39,369 Nos; Post Issue - 9,41,14,369 Nos
Nov 06, 2006	• UDIL merged with McDowell and Company Limited • Ratio 100:3	• Issued 3,60,000 Shares • Pre Issue - 9,41,14,369 Nos; Post Issue - 9,44,74,369 Nos
Nov 06, 2006	• Fractional Shares upon merger • Issued 7,561 Shares	• Pre Issue - 9,44,74,369 Nos; Post Issue - 9,44,81,930 Nos
Jun 07 to Mar 08	• FCCB Conversion and Allotment • Issued 56,81,326 Shares	• Pre Issue - 9,44,81,930 Nos; Post Issue - 10,01,63,256 Nos
Jul 24, 2009	• Shaw Wallace merged with United Spirits Limited • Ratio 17:4	• Issued 77,49,121 Shares • Pre Issue - 10,01,63,256 Nos; Post Issue - 10,79,12,377 Nos
Oct 23, 2009	• QIP Placement • Issued 1,76,81,952 Shares	• Pre Issue - 10,79,12,377 Nos; Post Issue - 12,55,94,329 Nos
Jan 14, 2011	• Balaji Distilleries merged with United Spirits Limited • Ratio 55:2	• Issued 55,00,639 Shares • Pre Issue - 12,55,94,329 Nos; Post Issue - 13,07,94,968 Nos
May 27, 2013	• Preferential issue to Relay B.V (wholly owned subsidiary of Diageo PLC) • Issued 1,45,32,775 Shares	• Pre Issue - 13,07,94,968 Nos; Post Issue - 14,53,27,743 Nos
Jul 03, 2018	• Shares Split • Ratio 1:5	• Pre Issue - 14,53,27,743 Nos; Post Issue - 72,66,38,715 Nos

CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members,
United Spirits Limited
Bengaluru

I have examined the compliance of conditions of corporate governance, as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by United Spirits Limited (the Company) for the year ended on March 31, 2019.

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.

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

Place : Bengaluru
Date: May 29, 2019

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

CEO/CFO CERTIFICATE

To,

The Members,
United Spirits Limited
Bengaluru

A. We have reviewed the Standalone and Consolidated financial statements for the year ended March 31, 2019 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, read with Note no 48 of Standalone financial Statements and Note no 50 of Consolidated Financial Statements referred to above, together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

We have indicated to the auditors and the Audit committee:

1. significant changes in internal control over financial reporting during the year;
2. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
3. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Bengaluru	Sanjeev Churiwala	Anand Kripalu
May 29, 2019	Executive Director and	Managing Director and
	Chief Financial Officer	Chief Executive Officer

DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

In terms of the requirement of Regulation 26(3) read with Schedule V Para D of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, code of conduct of the Company has been displayed at the Company's website www.diageoindia.com. All the members of the Board and the senior management personnel had affirmed compliance with the code for the year ended March 31, 2019.

Bengaluru	Anand Kripalu
May 29, 2019	Managing Director and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

A. ECONOMIC SCENARIO

Global economy: Global expansion has weakened in FY 18 (3.7%) Vs FY17 (3.8%) driven by the negative effects of tariff increases enacted in the United States and China earlier this year. The softer momentum worldwide in the second half of 2018 - including Germany with the introduction of new automobile fuel emission standards and Italy where concerns about sovereign and financial risks have weighed on domestic demand. In addition, weakening financial market sentiment as well as a contraction in Turkey are now projected to be deeper than anticipated. Growth in India continue to increase slightly to 7.5% in FY 19 (Vs FY18 of 7.3%). Advanced economies were led by a strong pick-up in spending. Emerging Market and Developing Economies grew on a stronger footing primarily supported by an acceleration in private consumption.

Global growth is expected to scale up to 3.5% & 3.6% in 2019 and 2020 respectively, strengthened by strong momentum, favourable market sentiment, accommodative financial conditions, and expanding fiscal policy in United States (US) which is expected to boost both domestic and international markets.

(Source: IMF Global Economic Outlook, Jan.'19)

Indian economy: India's economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease.. As per the second advanced estimates issued by the Central Statistics Organisation (CSO), India's GDP at constant prices is expected to grow by 7.2% in the financial year 2018-19 as compared to 7.1% in the financial year 2017-18 The government's impetus on Make in India, investment in infrastructure and Smart Cities, rising disposable incomes, implementation of the Seventh Pay Commission, recovery in exports and lower inflation cumulatively contributed to growth. As per Harvard University report, India topped the list of the fastest growing economies in the world for the coming decade with growth expectations of 7.9% annually till 2026, ahead of China and US. The positive effects of Government's economic actions is also reflected in the fact that India was ranked 77th in 'Ease of Doing Business' ranking amongst 190 countries as per World Bank, jumping 27 positions from the previous year. The economic growth is expected to gradually rise with continued implementation of structural reforms that raise productivity and incentivise private investment. According to IMF, the Indian economy is expected to be the fastest growing major economy in the World with 7.3% growth in the financial year 2019-20 and 7.5% in the financial year 2020-21.

(Source: https://www.thehindubusinessline.com/economy/imf-cuts-india-growth-forecast-to-73-for-2019-20/article26782899.ece/)

B. INDUSTRY OVERVIEW

India is one of the fastest growing alcohol markets in the world. Rapid increase in urban population, sizable middle class population with rising spending power, and a sound economy are certain significant reasons behind increase in consumption of alcohol in India. Technology boom and increasing number of multinational company's expanding presence in India has led to increased disposable income and prevalence of Western culture of social drinking, which is boosting alcohol consumption. India is expected to be the third largest consumer economy as its consumption is expected to triple to US$ 4 trillion by 2025, led by shift in consumer behaviour and expenditure pattern. With nearly 62% of population younger than 35 years, India is a young country with median age 27.9 in 2018. This provides tremendous opportunity to drive growth of alcobev industry on the back of its rising working-age population. The nation is expected to add almost 10-12 million people to its workforce every year over the next two decades, with the working-age population crossing 1 billion mark by 2030. The per capita consumption of alcohol in 2018 is estimated at 11.8 litres which is considerably lower than the regional average of 20.9 litres per capita amongst Asian countries. It is expected that per capita consumption will increase with changes in life style and aspiration of the population.

(Source: https://www.businesswire.com/news/home/20181112005505/en/Indian-Alcohol-Consumption-Report-2018---Changing)

C. SEGMENT WISE OR PRODUCT WISE PERFORMANCE INDIAN SPIRITS MARKET OVERVIEW

<u>Industry performance:</u> The alcobev industry in India has been growing at more than 12% CAGR for the decade starting 2001 making it one of the fastest growing markets in the World. In 2018, the industry bounced back to about 3-4% growth after experiencing sharp decline of about 2.7% in 2017 (some of the causes like Supreme Court-order banning sale of alcohol near highways and

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

distribution changes in some states like in West Bengal, Chhattisgarh and Jharkhand contributed to this decline)

Market segmentation: The Indian alcobev industry is segmented into IMFL (Indian Made Foreign Liquor), IMIL (Indian Made Indian Liquor), Wine, Beer and imported alcohol. The heavy import duty and taxes levied raised the prices of imported alcohol to a large extent. IMFL category accounts for almost 72% of the market. IMFL sales in value grew 6% in the financial year under review. With consumer demand picking up, the industry is expecting to grow in mid-single-digit in the coming financial year as well.

Source: https://economictimes.indiatimes.com/industry/cons-products/liquor/liquor-ban-2017-sales-in-low-spirits-valuations-soar/articleshow/62667737.cms

Consumption pattern: The states of Andhra Pradesh, Telangana, Kerala, Karnataka, Sikkim Haryana and Himachal Pradesh are amongst the largest consuming states for alcobev in India. The most popular channel of alcobev sale in India is liquor stores as its consumption is primarily an outdoor activity and supermarkets and malls are present only in the tier I and tier II cities of India. As per the World Health Organization, close to 30% Indians consume alcobev products out of which 4%-13% are daily consumers. The minimum drinking age varies from 18 to 25 years across states in India, taking the total count of legal drinking age population to approximately 650 million in 2018.

Constantly changing regulatory environment: Recently, Government in the state of Maharashtra has increased the excise duties abnormally which had a cascading impact on the sale of liquor in the state. Further, declaration of General Election in April has also resulted in multiple challenges in terms of effective supply chain since timing of election coincide with annual excise licence renewal cycle in majority of states etc.

Growth drivers: Indian alcobev industry holds huge growth potential given the low per capita consumption and the demographics and aspirations of the growing younger population. Rapid urbanisation is expected to enhance disposable income, which is favourable for the growth of the industry. The revival in GDP will give a further fillip to alcobev sales as IMFL volumes are seen to grow 1.5x GDP when GDP growth picks up. Favourable demographics with a median age of 27.9 years and growing social acceptability of alcobev consumption are likely to bode well for the industry. The organised players stand to benefit from steady growth in the conversion from country liquor to IMFL given increasing health concerns associated with consumption of country liquor. States like Tamil Nadu and Karnataka have banned the sale of country liquor primarily on account of rising death toll due to consumption of country liquor.

Growing prevalence of premium alcobev: Rapid urbanisation is also leading to spur in aspirational values of people, leading to higher consumption of premium alcobev brands. With more Indians travelling abroad, rising aspirations, favourable environment for imported liquor and higher disposable income, consumers are upgrading towards Premium segments in the country. The rise in premiumisation is clearly reflective in the increased focus of the big players on semi-premium and Premium categories with an increase in launches and increased marketing of these categories. Another trend which is gaining traction in the alcobev space is the growing popularity of grain-based liquor as against traditionally popular molasses based liquor. As per industry estimates, the Premium and above segment is expected to grow at a faster pace at 14% CAGR over 2016-2021 than the overall industry growth.

D. REGULATORY SCENARIO IN INDIAN MARKET

Regulatory oversight of both central and state governments encompass a slew of restrictions on production, movement and sale of alcobev products. Alcobev also falls under the purview of Food Safety and Standards Authority of India (FSSAI). In addition, direct advertising of alcobev products are not permitted in India.

Prohibitively high inter-state duties compel national alcobev players to set-up owned or contract manufacturing setups in every state. Licenses are required to produce, bottle, store, distribute or retail all alcobev products. Distribution is also highly controlled, both at the wholesale and retail levels. In states with government control on pricing, price increase is based on government notifications. In states where retailing is controlled by the state government, there is a specified quota that each player can sell, capping potential to increase market share for our products. These regulations make operations restrictive for the industry players.

- ***Inflation in terms of Glass & ENA:***

  After experiencing benign commodity cycle during last year, In FY18 your company has experienced significant hit on account of Glass and ENA largely driven by EBP (Ethanol Blending Policy) announced by Government in December 18'. Your company has worked with the external business partners and service providers to put in place a robust mitigation program by accelerating our existing productivity pipeline to mitigate some impact of abnormal increase in Glass & ENA in FY18. Overall productivity programs generated savings of about ₹ 1420 mn.

- ***Pricing Challenges:***

  Pricing continues to remain a challenge for the category since with continuous increase in excise duties, end consumer prices continue to experience upsurge with no benefit to your company. During the year, in the state of Maharashtra, your company has decided to absorb significant portion of increase in excise duty to stay competitive in market which had a direct impact on Gross Margin.

E. BUSINESS ANALYSIS

Company overview

United Spirits Limited (USL/your Company) is the largest alco beverage company in India and among the largest consumer goods companies. Your Company is involved in the manufacture, sale and distribution of beverage alcohol. It has a comprehensive brand portfolio with over about 80 brands of Scotch whisky, IMFL whisky, brandy, rum, vodka, gin and wine. Your Company sells over 1 million cases annually covering 11 brands. Your Company has brands spanning across price points operating in all segments of Popular, Prestige, Premium and Luxury.

Your Company produces and sells around 82 million cases. McDowell's No.1, Royal Challenge, Signature, Antiquity, Black Dog, Director's Special Black, McDowell's Rum, McDowell's Brandy, Bagpiper, Old Tavern, Haywards are some of the marquee brands owned by your Company. In addition, your Company also imports, manufactures, distributes and sells various iconic Diageo brands such as Haig Gold Label, Captain Morgan, Johnnie Walker, J&B, Baileys, Lagavulin, Talisker, VAT 69, Black & White, Smirnoff and Ciroc in India under different licensing agreements.

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

Diageo plc holds a 54.78% shareholding in your Company. Post takeover by Diageo, your Company set out the vision to become the Best Performing, Most Trusted and Respected Consumer Goods Company in India. For this, it has been working on a five-point agenda viz.,

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

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

Strengths

- Your Company has 11 brands in its portfolio which sell more than a million cases every year, of which 2 brands sell more than 10 million cases each annually. The Company's exports business is also growing.
- Your Company boasts of pan-India manufacturing presence with +50 facilities and robust distribution network of more than 65,000 outlets, which provide access to vendors, suppliers and distributors.
- With high brand equity and significant market share, your Company is able to have a significant influence on industry issues through representations made on behalf of the industry.
- Your Company has a wide range of portfolio spanning across categories of Scotch whisky, IMFL whisky, brandy, rum, vodka, gin and wine; and in various price points from Luxury, Premium, Prestige to Popular.
- Your Company's rich heritage ensures long-lasting relationships with most of the raw material suppliers, which enables it to ensure uninterrupted procurement at competitive rates. This, in turn, helps the Company to ensure continuous production and supply of its products through the length and breadth of the country.
- The in-house Technical Centre and its tie-up with the global giant Diageo, enables your Company toundertake research on new products, analytics and sensory sciences, process R&D, special spirits and

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

flavour management. Your Company's professional team of expert scientists work constantly with perseverance to renovate the portfolio. The strong marketing team creates impactful communication to convey the renewed brand salience.

Your Company's workforce of over about 3,600 regular employees and about 3200 contract employees are the key strength in achieving the goals laid down by the Company. Our team has enabled us to emerge as the leading player in the industry, despite facing various industry tailwinds. Gender diversity of about 15% has been achieved and the industrial relations during the year were cordial. There have been no material developments in Human Resource during the year.

F. Business performance

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

1. Strengthen and accelerate core brands

Your Company has embarked on a long-term plan to not just grow revenues year-on-year by increasing market share but to also grow the categories that we play in significantly through expanding areas of consumption as well as providing new flavors/ accessible spirits. This includes a heightened drive at key accounts or premium on-premise venues as well as the channel of wedding & banquets. Signature and McDowells Platinum were the key brands around which communication was focused to increase brand image and recall. Your Company continued to invest in its power brands and increased its marketing investment by 10% in the financial year ended March 31, 2019 to win across each of the 3 India's - Affluent, Middle and Aspiring population. Power brands like McDowell's No. 1. Whiskey, Royal Challenge and Signature witnessed purpose led campaigns and bespoke consumer winning activations. These campaigns included McDowell's Yaari jam, a musical campaign, which was rolled out in five regional languages across 7 cities. Renovated launch of McDowell's No1 Platinum (launched to tap into a distinct consumer taste preference) grew by about 82%. This has strengthened the portfolio with a strong step-up proposition. The new McDowell's No1 Platinum is the first to offer a blend of superior Indian grain spirits with scotches including 5year old scotch in the category. The initial response towards the new variant has been overwhelming from trade & consumers. Post the success of its first edition, Signature Start-up Masterclass platform was further scaled up. The platform which features passion-to-paycheck stories of successful individuals brought the brand purpose to life. Royal Challenge game nights were launched during the IPL season to drive consumer engagement in the on-premise channel. Your Company's strong endeavour to strengthen and accelerate its core brands has led to successful premiumisation of its portfolio. This is reflected in an increase in contribution of the Prestige and above segment from 53% of net sales in the financial year ended March 31, 2016 to 66% of net sales in the financial year ended March 31, 2019.

2. Evolve route to consumer

Given the prohibition on liquor advertising, your Company is focusing on leveraging retail outlets to strengthen its brand equity in the Luxury, Premium and Prestige categories. Your Company endeavours to capture consumer attention using preferential placements in outlets and better visual appeal and customer recall. Your Company collaborated with start-ups, invested in party and night-life content ecosystem and increased spends on digital media to increase its consumer reach. Your Company continued to build extensive brand imagery using on-premise / off-premise channels like #jw paint the world black. Various other consumer winning activations were undertaken to connect better with the consumer.

3. Drive out costs to invest in growth

During the financial year ended March 31, 2019, your Company was able to drive productivity across all line items in the profit and loss account. There are initiatives to create more efficient trade spends under NRM program (Net Revenue Management), marketing efficiency and effectiveness for above-the-line spends as well as better overhead management in terms of creating a fit-for-purpose organization across each function as well as by reducing operating overheads. On the cost front, a strong pipeline has been created on each line item in materials, manufacturing and logistics to counter inflation with benefits accruing not just in financial year 2018 but also in the coming years. There has been an additional effort in financial year 2019 to counter the impact of GST on most of the cost line items (excluding ENA) including overheads, which will need to be sustained in the long run. Similarly, loan repayment and reduction in cost of debt led to interest cost savings. Your Company successfully invested these savings in future growth.

4. **Corporate citizenship**

   Your Company continued to be the leader in shaping the regulatory landscape and conform to the highest compliance and governance standards. We are on course to become a responsible marketeer of alcobev products. Your Company undertook a host of innovative initiatives to influence public policy. We continued to promote the cause of road safety, responsible drinking and women's empowerment. Your Company contributed to community building by opening 10 water ATMs in 10 villages of Nagpur providing 12,500 litres per hour. To further the cause of women empowerment your Company also conducted entrepreneurial skills training in Hyderabad in the fields of finance, management and costing.

5. **Creating a winning organisation**

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

G. Business Review - Revenue and revenue mix

Your Company has delivered strong growth despite a challenging environment in the last couple of years. Our portfolio is uniquely positioned to access the high growth opportunities that the Indian market provides. Your Company has been relentlessly striving to achieve double-digit top-line growth and improve organic operating margin to mid-high teens. To achieve this, your Company is taking all possible efforts to strengthen and accelerate its core brands, upgrade its route to consumer strategy and leverage economies of scale. At the same time, your Company has remained committed to the highest ideals of corporate citizenship. Its integration with Diageo brand portfolio has enabled your Company to establish leadership in terms of both volume and value.

Your Company has strengthened its entire portfolio through a mix of rationalisation and renovation. Prestige and above brands which represent about 66% of net sales are the core focus of your Company, wherein it has laid emphasis on renovation to keep pace with evolving consumer tastes. Your company's robust performance in the Prestige and Above segment is reflective of its commitment and success of the premiumisation strategy. At the same time, your Company has ensured that it has maximised value gains in the Popular segment as well.

During the year under review, your Company achieved a sales volume of 81.58 million cases as against 78.5 million cases in the previous year registering a volume growth of about 4%. Your Company's net sales revenue stood at about ₹ 89,810 million in the financial year ended March 31,2019, as against about ₹81,700 million in the previous year. This translate to growth of about 10%.

With continuous focused on premiumization, overall Prestige & Above segment represented 51% of total volumes (Vs 47% last year) and 66% of total net sales (Vs 63% last year) during the financial year ended March 31, 2019. The Prestige and Above segment's net sales were up 15% with positive price/mix. Excellent growth in Luxury Segment provided great uplift to price mix. Sales growth in the segment was supported by the continued success of brand renovations including McDowell's No. 1 whiskey Platinum, Royal Challenge and Signature. The segment reported 12% (Vs 3% last year) volume growth. Power brands like McDowell's No. 1. Whiskey, Royal Challenge and Signature delivered robust net sales growth largely driven by purpose led campaigns and bespoke consumer winning activations.

The Popular segment represented 49% (Vs 53% last year) of total volumes and 34% (Vs 37% last year) of total net sales during the financial year ended March 31,2019. The Popular segment's net sales remained flat during the financial year ended March 2019 Vs shrinkage by 16% last year.

H. Net Debt

Your Company's net debt stood at ₹ 25,890 million as on March 31, 2019. Your Company used profit from

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

operations, proceeds from sale of non-core assets and reduction in working capital to repay its loans amounting to ₹ 6,760 million. This reduction in debt together with renegotiation of borrowing rates and a favourable mix of debt reduced the total interest cost by ₹ 480 million during the financial year.

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

I. OUTLOOK

Your Company remains the leader in India's alcobev industry by virtue of strong portfolio and benefits from the guidance of Diageo PLC, the Company's holding Company. Diageo has initiated steps to turnaround the Company with changes at management & distribution levels, revamp of brand promotions strategy, enhanced supply chain efficiency, focusing on lean portfolio, engaging with the government and improving work culture and driving gender diversity. Also, the success of Diageo's premiumisation strategy is reflected in market share gains by McDowell's. The Signature brand also recorded a strong performance; despite the highway ban post its re-launch. Your Company has similar expectations from Antiquity re-launch. Your Company looks on track to deliver on its medium-term goal of delivering double-digit topline growth and achieve mid-high teens EBITDA margins led by better pricing and cost optimization. Your Company's move on focus towards the franchisee model in the Popular segment with successful implementation in 13 states has been well received. This move will ensure stability of margins in the segment, reduce working capital requirements and enable management to focus on higher margin products. Regulatory overhangs will continue to pose challenges for the alcobev industry. As seen in the past, your Company is well equipped to overcome any such challenges.

J. RISKS & CONCERNS, OPPORTUNITIES & THREATS

Risks & Concerns

- The industry is exposed to multiple regulatory risks emanating from state taxes, adverse ruling from courts and changes in regulations with respect to pricing, licensing, working of operating facilities, manufacturing processes, marketing, advertising and distribution.
- Increased tendency towards prohibition in an election year.
- Another concern emerges from the dependence on state governments to get price increases. Margins may get severely impacted in case of inflation in raw material costs or any increase in cost due to change in regulations.
- Significant changes in route to market strategies by various state governments pose a concern on establishing distribution network with new intermediaries. This also poses credit risk in case the existing distributors default due to the closure of their respective businesses
- Prohibition in certain states poses a threat to legitimate sales and gives rise to inter-state smuggling impacting industry growth. This may also lead to a proliferation of country liquor sales in absence of / curtailed availability of branded products.
- The Company continues to work to promote responsible drinking and to mitigate risks due to drinking and driving through its 'Responsible Drinking' initiatives as highlighted in the CSR Report appearing in Annexure 7 of the Directors' Report, showcasing the corporate social responsibility initiatives of the Company.

K. Opportunities

- Your Company's strong focus on premiumisation coupled with rising disposable income and evolving consumer lifestyles presents significant opportunity to grow sales and expand margins
- Franchise model with fixed fee arrangement in specific states will aid margin expansion with low working capital needs. Your Company can expand the implementation of this model in other states especially for its Popular segment brands.

- Renovation and revamping of key brands to upgrade them in the Prestige and Above segment presents opportunities to expand margins
- Strong focus on accomplishment of medium-term vision and adherence to Diageo policies is likely to aid your Company's sales and margins
- Low per capita consumption, rapid urbanisation, favourable macroeconomic indicators, higher disposable incomes and evolving lifestyles bode well for the industry as a whole.
- Increasing conversion from country liquor to branded IMFL given health issues associated with country liquor consumption present growth opportunity especially for your Company's Popular segment brands

L. Threats

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

M. INTERNAL CONTROL SYSTEMS

Your Company has clearly laid down policies, guidelines and procedures keeping in mind the nature, size and complexity of business operations. Your Company maintains a proper and adequate system of internal controls with well-defined policies, systems, process guidelines, and operating procedures. Your Company ensures strict adherence to various procedures, laws, rules and statutes. Internal Audit is periodically conducted on these areas. The Board closely oversees the business operations on a regular basis. MIS systems are effectively used to keep all expenses within budgetary allocations and corrective measures are promptly undertaken in case of any variance.

N. Key financial and other ratios

Key financial ratios arising from the financials as given below for the financial year ended March 31, 2019 and March 31, 2018 (Fig in ₹ Crores)

(i)	**Key Financial Numbers (Standalone financial statements)**		
	Particulars	**31-Mar-19**	**31-Mar-18**
	Share Capital	145	145
	Reserves & Surplus	2,986	2,359
	Total Equity (Net worth)	**3,131.50**	**2,504**
	Gross Debt	**2,597**	**3,252**
	PAT	659	562
	Share Price	553	625
	Other Income	95.20	206.00
	Total Revenue	28,512	26,069
	Total Expenses	27,589	25,444
	Less: Depreciation	-144.5	-135
	Less: Finance Cost	-220	-268
	Expenses	27,225	25,041
	EBIDTA	**1,287**	**1,028**
	EBIT	1,238	1,099
(ii)	**Current Ratio**		
	Current Assets	5,419	5,460
	Current Liabilities	5,078	5,364
	Current Ratio	1.1	1.0
	Inventory	1,877	1,869
	Receivables	2,518	2,700
	Payables	1,336	1,394
	Net Working Capital	**3,059**	**3,167**
	Revenue from Operations	28,512	26,069
	Less: Excise Duty	19,532	17,899
	Net Sales Value	**8,980**	**8,170**
(iii)	**Debtors Turnover Ratio**		
	Average Receivables	2,609	2,815
	NSV	8,980	8,170
	Receivable Turnover	**3.3**	**3.0**
	Receivable Turnover (in days)	110	122
(iv)	**Payable Turnover Ratio**		
	Average Payables	1,365	1,286.25
	Purchases (Cogs)	4,595	4,198
	Payable Turnover	**3.5**	**3.5**
	Payable Turnover (in days)	105	103
(v)	**Inventory Turnover Ratio**		
	Inventory	1,877	1,869
	Purchases (Cogs)	4,595	4,198
	Inventory Turnover	**2.5**	**2.3**
	Inventory Turnover (in days)	149	162

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

(vi)	**Interest Coverage Ratio #**		
	Bank Int	220	268
	EBIDTA	1,287	1,028
	Interest Cover	**6**	**4**
	Interest	220	268
	EBIT	1,238	1,099
	Interest Cover	**6**	**4**
(vii)	**Return of Capital Employed Ratio**		
	EBIT	1,238	1,099
	Capital Employed	5,728	5,756
	Return on Capital Employed	22%	19%
(viii)	**Net Profit Margin Ratio**		
	PAT	659	562
	NSV	8,980	8,170
	Net profit Margin (PAT/NSV)	**7%**	**7%**
(ix)	**Operating Margin Ratio**		
	EBIT	1,238	1,099
	NSV	8,980	8,170
	Operating Margin (EBIT/NSV)	**14%**	**13%**

SUMMARY OF KEY RATIOS

LEVERAGE RATIOS

Particulars	F19	F18
Debt-Equity Ratio	0.8	1.3
Current Ratio	1.1	1.0
Interest Cover	6	4

VALUATION RATIOS		
EPS	9	8
P/E Ratio	61x	81x
PROFITABILITY RATIOS		
Return on Networth	23%	25%
Return on Capital Employed	22%	19%
LIQUIDITY RATIOS		
Inventory Turnover Ratio	149	158
Receivable Turnover Ratio	110	122
Payable Turnover Ratio	105	101

 # - Interest coverage ratio has shown improvement during the financial year 2018-19 due to repayment of loans, reduction in borrowing rates at a favourable mix of debt reducing the cost of debt by ₹ 480 Millions.

- Turnover ratios viz., Debtors Turnover Ratio, Payable Turnover Ratio and Inventory Turnover Ratio have increased during the year owing to better working capital management.

ANNEXURE 1

Details of Subsidiaries, Associates and Joint Ventures

Form AOC 1

(Pursuant to the provisions of Section 129(3) of the Act, read with Rule 5 of Companies (Accounts) Rules, 2014 Statement containing as on March 31, 2019 salient features of the financial statement of subsidiaries/associate companies/joint ventures)

Part A: Subsidiaries

Sl No.	Name of the Subsidiary	Currency	Closing exch rate	Average exch rate	Share capital	Reserves & surplus	Total assets	Total liabili-ties	Invest-ments	Turnover	Profit/ (loss) before taxation	Provi-sion for taxa-tion	Profit/ (loss) after taxation	Total compre-hensive income	Pro-posed divi-dend	% of share holding	Country
1	Asian Opportunities & Investments Limited (AOIL)	USD	69.38	70.70	347	(1,102)	25	780	0	-	44	-	44	44	-	100	Mauritius
2	Palmer Investment Group Limited (PIG)	USD	69.38	70.70	1,041	(1,039)	2	1	-	-	85	-	85	85	-	100	British Virgin Islands
3	Tern Distilleries Private Limited (Tern)	INR	-	-	1,027	(834)	240	48	-	-	(54)	-	(54)	(54)	-	100	India
4	Shaw Wallace Overseas Limited (SWOL)	GBP	90.2	91.90	32	(13)	19	1	-	-	0	-	0	0	-	100	U.K.
5	UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited (JIHL)	USD	69.38	70.70	0	1	3	1	-	-	(2)	-	(2)	(2)	-	100	Jersey Islands
6	Montrose International S.A (MI)	USD	69.38	70.70	35	51	87	1	-	-	86	-	86	86	-	100	Panama
7	USL Holdings Limited (UHL)	USD	69.38	70.70	35	(59,126)	544	59,635	0	-	287	-	287	287	-	100	British Virgin Islands
8	USL Holdings (UK) Limited (UHUKL)	GBP	90.2	91.90	0	(59,104)	256	59,360	0	-	(4,305)	-	(4,305)	(4,305)	-	100	U.K.
9	United Spirits (UK) Limited (USUKL)	GBP	90.2	91.90	0	(23,724)	203	23,927	0	-	1	-	1	1	-	100	U.K.
10	United Spirits (Great Britain) Limited (USGBL)	GBP	90.2	91.90	0	(23,701)	200	23,901	-	-	0	-	0	0	-	100	U.K.
11	McDowell & Co. (Scotland) Limited (MSL)	GBP	90.2	91.90	142	(84)	394	(336)	-	-	(11)	-	(11)	(11)	-	100	Scotland
12	Royal Challengers Sports Private Limited	INR	-	-	0	910	6,071	5,161	-	3,951	1,101	253	848	848	-	100	India
13	Liquidity Inc.	USD	69.38	70.70	0	(218)	76	294	-	-	0	0	(0)	(0)	-	51	USA
14	United Spirits (Shanghai) Trading Company Limited	RMB	10.34	10.40	52	(69)	1	18	-	-	(0)	-	(0)	(0)	-	100	China
15	Sovereign Distilleries Limited	INR	-	-	4,851	(4,652)	413	214	-	17	(61)	-	(61)	(61)	-	100	India
16	Pioneer Distilleries Limited	INR	-	-	134	(551)	5,765	6,181	-	1,428	(971)	(300)	(671)	(672)	-	75	India
17	United Spirits Singapore Trading Pte Ltd (Formerly known as Whyte and Mackay Singapore Pte Ltd)	USD	69.38	70.70	0	(2)	10	12	-	-	(3)	-	(3)	(3)	-	100	Singapore

Notes:

1. Closing exchange rate is applied for share capital, reserves and surplus, total assets, total liabilities and investments. Average exchange rate is applied for turnover, profit / (loss) before taxation, profit / (loss) after taxation, and proposed dividend. All amounts are in INR million.
2. All the subsidiaries have 31 March 2019 as their financial year end.
3. Names of subsidiaries which are yet to commence operations: Nil.
4. Four Seasons Wines Limited ceased to be the subsidiary of USL during the year as a result of divestment of its shareholding effective January 16, 2019.

ANNEXURE 1 *(CONTINUED)*

Part B: Associates and Joint Ventures

Sl. No.	Name of Associates/Joint Ventures	Hip Bar Private Limited
1	Latest audited Balance Sheet Date	31 March 2019
2	Shares of Associates/Joint Ventures held by the Company on the year end	4,567,568
	Amount of Investment in Associates/Joint Venture	INR 270 million
	Extent of holding %	26%
3	Description of how there is significant influence	The shareholding in Hip Bar Private Limited # is more than 20% coupled with the right to appoint one director on the board of Hip Bar Private Limited due to which there is a significant Influence
4	Reason why the associate/joint venture is not consolidated	The investment in associate is accounted as per Ind AS
5	Net worth attributable to Shareholding as per latest audited Balance sheet	NIL. The loss in the associates exceeds the carrying value of the investment.
6	Balance sheet	
	i. Considered in Consolidation	Nil
	ii. Not considered in Consolidation	INR 13,053,870

1. Names of associates or joint ventures which are yet to commence operations: Nil
2. Names of associates or joint ventures which have been liquidated or sold during the year. Wine Society of India Private Limited ceased to be an Associate Company as a result of divestment of Company's shareholding in Four Seasons Wines Limited.
3. Hip Bar Private Limited became USL's associate with effect from June 25, 2018.

By Order of the Board

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director and Chief Executive Officer

Sanjeev Churiwala
Executive Director and
Chief Financial Officer

V. Ramachandran
Executive Vice President &
Company Secretary

Bangalore
May 29, 2019

ANNEXURE 2

Related PartyTransactions

FORM AOC 2

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

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

a) Details of Contracts or transactions not at arm's length basis: The details of contracts or arrangements or transactions not at arm's length basis for the year ended March 31, 2019 are as follows:

Sl. No.	Name of the related Party	Nature of Contract/ Arrangement/ Transaction	Nature of Relationship	Date on which resolution was passed*	Duration of Contract/ Arrangement/ Transaction	Salient Terms (Transaction value)	Justification	Amount Paid as Advance if any
1	Diageo Great Britain Limited (DGBL)	Funding support for product marketing related innovation projects	Fellow subsidiary	23-Jul-2017	One time	DGBL partly funded the innovation activities relating to product packaging/ design and other product marketing related research (not exceeding GBP 1 million)	Beneficial to USL's interest	Nil

*represents resolution passed by Audit Committee/Board

b) (i) Details of Material Contracts or transactions at arm's length basis: The details of material contracts or arrangements or transactions at arm's length basis and in the ordinary course of business for the year ended March 31, 2019 are as follows:

(Amount in INR)

Sl. No.	Name of the related Party	Nature of Contract/ Arrangement/ Transaction	Nature of Relationship	Date on which resolution was passed*	Duration of Contract/ Arrangement/ Transaction	Salient Terms (Transaction value)	Justification	Amount Paid as Advance if any
1	Diageo Brands BV	Purchase of stock-in-trade and materials	Fellow subsidiary	9-Jan-2015	Perpetual	Arm's length transaction (2018-19: INR 2,803 million)	License to manufacture and/or sale Diageo brands	Nil

*represents resolution passed by Audit Committee/Board

ANNEXURE 2 *(CONTINUED)*

Notes:

1. Special resolution under first proviso to Section 188 of the Act is not required as the related party transactions are within the specified limits.

2. Material Contracts or Transactions are defined as 'Material Companies Act Related Party Transaction' in Company's RPT Policy.

(ii) Details of loans, advances and investments by the Company in its subsidiary and Associate Companies (as required under Regulation 34(3) and 53(f) of SEBI (LODR) Regulations, 2015 read with Schedule V Para A2 have been disclosed in Notes to the Audited Financial Statements for the year ended March 31, 2019.

(iii) Disclosure of transactions with persons/entity belonging to the promoter/promoter group which holds 10% or more shareholding in the Company are included in the above table.

By Order of the Board

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director and
Chief Executive Officer

Bangalore
May 29, 2019

Sanjeev Churiwala
Executive Director and
Chief Financial Officer

V. Ramachandran
Executive Vice President &
Company Secretary

ANNEXURE 3

FORM NO. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2019

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

To
The Members,
United Spirits Limited
Bangalore

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

Based on my verification of the Company's books, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2019, complied with the statutory provisions listed hereunder and also that the company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by United Spirits Limited ("the Company") for the financial year ended on March 31, 2019 according to the provisions of:

i. The Companies Act, 2013, (the Act) and the rules made thereunder;
ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
iii. The Depositories Act, 1996 and the Regulations and Bye-Laws framed thereunder;
iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act');
   (a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
   (b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
   (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
   (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (No instances for compliance requirements during the year);
   (e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (No instances for compliance requirements during the year);
   (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No instances for compliance requirements during the year);
   (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
   (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No instances for compliance requirements during the year);
   (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (No instances for compliance requirements during the year); and
   (j) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018
vi. Various State Excise Laws relating to alcohol and related industry;
vii. Legal Metrology Act, 2009 and Rules thereunder;
viii. Food Safety and Standards Act, 2006 and Rules and Regulations made thereunder;

ANNEXURE 3 *(CONTINUED)*

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;
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 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, though there were few short delays in deposit to investor education and protection fund.

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. There was no change in the composition of the Board of Directors that took place during the period under review.

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.

All decisions are carried through majority and recorded in the minutes and, unless stated otherwise, have been unanimous. Decision has been taken by majority in all Board meetings during the year.

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

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

1. Pursuant to approval of the board of directors at its meeting held on April 13, 2018 under Section, 179 and 186 of the Companies Act, 2013, the Company has subscribed to 4,567,568 equity shares of Hip Bar Private Limited, constituting 26% of the paid-up equity share capital of Hip Bar Private Limited.
2. The following items were approved by the shareholders by passing special resolution through postal ballot effective June 3, 2018:
   (a) Alteration of Clause V of the Memorandum of Association of the Company by replacing the existing Clause V with the following:
      V. The capital of the Company is ₹ 7,192,000,000/-, divided into 2,740,000,000 Equity Shares of ₹ 2/- each and 171,200,000 Preference Shares of ₹10/- each.
   (b) Alteration of Article 4 of the Articles of Association of the Company by replacing the existing Article 4 with the following:
      4. The authorised share capital of the Company shall be such amount and be divided into such shares as may, from time to time, be provided in Clause V of the Memorandum of Association, with the Board of Directors having the power to reclassify, subdivide, consolidate and increase and issue any shares of the original capital or any new capital with and subject to any preferential, qualified or special rights, privileges, or conditions as may be, thought fit and upon the sub-division of shares to apportion the right to participate in profits, in any manner as between the shares resulting from sub-division.
   (c) Sub-division of Equity Shares of the Company having a face value of ₹ 10/- per Equity Share to ₹ 2/- per Equity Share and sub-division of Preference Shares of the Company having a face value of ₹100/- per Preference Share to ₹ 10/- per Preference Share:

3. Pursuant to the above, the existing 145,327,743 equity shares having a face value of INR 10/- each have been sub divided into 726,638,715 equity shares having a face value of INR 2/- each.

4. The following items were approved by the shareholders by passing special resolution through postal ballot effective January 18, 2019:
   (a) Payment of excess remuneration to Mr. Anand Kripalu (DIN: 00118324), Managing Director and Chief Executive Officer for the financial year ended March 31, 2015.
   (b) Payment of remuneration to Mr. Anand Kripalu (DIN: 00118324), Managing Director and Chief Executive Officer till August 13, 2019.
   (c) payment of remuneration to Mr. Sanjeev Churiwala (DIN: 00489556), Executive Director and Chief Financial Officer till March 31, 2021.
   (d) Approval for payment of Remuneration to Non-Executive Directors.
   (e) Approval for granting loans to Pioneer Distilleries Limited.

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040
C. P. No. : 6137

Place: Bengaluru
Date: May 29, 2019

ANNEXURE – 3A

CERTIFICATE ON DIRECTORS APPOINTMENT AND CONTINUATION ON THE BOARD OF DIRECTORS OF UNITED SPIRITS LIMITED (the Company)

(In terms of Regulation 34(3) read with Para C, Sub Para 10 (i) of the Schedule V to the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015)

I have examined the relevant records of the Company and disclosures made by the directors of the Company, relevant information on disqualification and proclaimed offenders as declared by Courts and disseminated on the website of Ministry of Corporate affairs, the Orders and other information available on the website of Securities and Exchange Board of India and the stock exchanges, Reserve Bank of India and information on wilful defaulters as declared by the banks and made available on the web sites of credit information companies registered with the Reserve Bank of India and based on such examination, I hereby certify that none of the directors on the board of UNITED SPIRITS LIMITED as on March 31, 2019 have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, Reserve Bank of India and other statutory authorities.

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040
C. P. No. : 6137

Place: Bengaluru
Date: May 29, 2019

ANNEXURE 4

FORM MGT-9
EXTRACT OF ANNUAL RETURN
As on March 31, 2019

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

A. Registration and Other Details:

Particulars	Details
CIN	L01551KA1999PLC024991
Registration date	31/03/1999
Name of the Company	United Spirits Limited
Category/Sub-Category of the Company	Company Limited by Shares Indian Non Government Company
Address of the Registered office and contact details	'UB TOWER' # 24, Vittal Mallya Road, Bengaluru Karnataka - 560001 Phone: +91 80 39856500 E-mail : investor.india@diageo.com Website: www.diageoindia.com
Whether listed company	Yes
Name, Address and Contact details of Registrar and Transfer Agent, if any	Integrated Registry Management Services Private Limited (Formerly known as Integrated Enterprises (India) Limited) No. 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengalore - 560003 Tel: (080)23460815-818 Fax: (080)23460819

B. Principal Business Activities of the Company:

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

Sl. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Distilling, rectifying and blending of spirits; ethyl alcohol production from fermented material	1101	99.98
	Total		**99.98**

C. Particulars of Holding, Subsidiary and Associate Companies:

Sl. No.	Name of the Company	Address of the Company	CIN/GLN/ Identification No.	Holding/ Subsidiary / Associate	% of Shares held	Applicable Section
1	Relay BV	Molenwerf – 10-12, 1014, BG, Amsterdam, Netherlands	NA	Holding Company	54.78	2(46)
2	Asian Opportunities & Investments Limited (AOIL)	IFS Court, Twenty Eight, Cybercity, Ebene, Mauritius	22752/5112	Subsidiary Company	100	2(87)
3	Palmer Investment Group Limited (PIG)	Sea Meadow House, Blackburne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands	447034	Subsidiary Company	100	2(87)
4	Tern Distilleries Private Limited (Tern)	Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/G1&G2 Greenlands, Begumpet Hyderabad Hyderabad TG 500016 IN	U15532TG1999PTC031318	Subsidiary Company	100	2(87)

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Company	Address of the Company	CIN/GLN/ Identification No.	Holding/ Subsidiary / Associate	% of Shares held	Applicable Section
5	Shaw Wallace Overseas Limited, (SWOL)	Lakeside Drive, Park Royal, London, England, NW10, 7HQ	283393	Subsidiary Company	100	2(87)
6	UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited (JIHL)	Ordnance House, 31 Pier Road St Helier , JE4 8PW	61000	Subsidiary Company	100	2(87)
7	Montrose International S.A (MI)	EdificioVallarino Penthouse, Calle 52 Y ElviraMendez, Ciudad De Panama, R.P	3147	Subsidiary Company	100	2(87)
8	USL Holdings Limited (UHL)	Sea Meadow House, PO Box 116, Road Town, Tortola, VG1110, British VirginIslands	1385373 (BVI)	Subsidiary Company	100	2(87)
9	USL Holdings (UK) Limited (UHUKL)	Lakeside Drive, Park Royal, London, England, NW10, 7HQ	6127302	Subsidiary Company	100	2(87)
10	United Spirits (UK) Limited (USUKL)	Lakeside Drive, Park Royal, London, England, NW10, 7HQ	6127303	Subsidiary Company	100	2(87)
11	United Spirits (Great Britain) Limited, (USGBL)	Lakeside Drive, ParkRoyal, London,England, NW107HQ	6127260	Subsidiary Company	100	2(87)
12	Pioneer Distilleries Limited (PDL)	Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/ G1 & G2 Greenlands, Begumpet Hyderabad- TG 500016 IN	L24116TG1992PLC055108	Subsidiary Company	75	2(87)
13	McDowell & Co (Scotland) Limited (MCSL)	Edinburgh Park,5 Lochside Way, Edinburgh, Scotland, EH12 9DT	SC 145242	Subsidiary Company	100	2(87)
14	Sovereign Distilleries Limited (SDL)	Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/G1&G2 Greenlands, Begumpet Hyderabad, TG 500016 IN	U15511TG2001PLC036282	Subsidiary Company	100	2(87)
15	Liquidity Inc. (LI)	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	-	Subsidiary Company	51	2(87)
16	United Spirits (Shanghai) Trading Company Limited (USSTCL)	Unit 215, Xinxing Building, No. 8, Jia Feng Road, Wai Gao Qiao Free Trade Zone, Shanghai, China	(S.W.Z.H.D.Z.Z. [2007] No. 1153)	Subsidiary Company	100	2(87)
17	Royal Challengers Sports Private Limited (RCSPL)	'UB Tower', # 24, Vittal Mallya Road, Bengaluru, Karnataka-560001	U92400KA2008PTC045565	Subsidiary Company	100	2(87)
18	United Spirits Singapore Trading Pte Ltd (Formerly known as Whyte and Mackay Singapore Pte Ltd) (USSTPL)	9 Battery Road, #15-01 Straits Trading Building, Singapore 049910	201216632N	Subsidiary Company	100	2(87)
19	Hip Bar Private Limited	No.34, 1st floor, B.Ramachandra Adithanar Road (4th main road), Gandhi Nagar, Adyar, Chennai - 600020	U55101T-N2015PTC099325	Associate Company	26	2(6)

ANNEXURE 4 *(CONTINUED)*

D. Shareholding Pattern (Equity Share capital Break up as % to total Equity as on 31st March, 2019))

(i) **Category wise Shareholding (update for post-split numbers)**

	Category of Shareholders	No. of Shares held at the beginning of the year (As on 01.04.2018)				No. of Shares held at the end of the year (As on 31.03.2019)				% Change during the year
		Demat	Physical	Total number of Shares	% of Total Shares	Demat	Physical	Total number of Shares	% of Total Shares	
A	**Promoters**									
	1. Indian									
	(i) Individual/HUF	12,510	0	12,510	0.01	62,550	0	62,550	0.00	0.01
	(ii) Central Govt.	0	0	0.00	0.00	0	0	0	0	0
	(iii) State Govt.(s)	0	0	0.00	0.00	0	0	0	0	0.00
	(iv) Bodies Corp.	53,59,573	0	53,59,573	3.69	1,42,86,320	0	1,42,86,320	1.97	1.72
	(v) Banks/FIs	0	0	0.00	0.00	0	0	0	0.00	0.00
	(vi) Any Other	0	0	0.00	0.00	0	0	0	0.00	0.00
	Sub-Total (A)(1)	**53,72,083**	**0**	**53,72,083**	**3.70**	**1,43,48,870**	**0**	**1,43,48,870**	**1.97**	**1.73**
	2. Foreign									
	(a) NRIs-Individuals	0	0	0.00	0.00	0	0	0	-	0.00
	(b) Other-Individuals	0	0	0.00	0.00	0	0	0	-	0.00
	(c) Bodies Corp.	7,96,12,346	0	7,96,12,346	54.78	39,80,61,730	0	39,80,61,730	54.78	0.00
	(d) Banks/FI	0	0	0.00	0.00	0	0	0	-	0.00
	(e) Any Other	0	0	0.00	0.00	0	0	0	-	0.00
	Sub-Total (A)(2)	**7,96,12,346**	**-**	**7,96,12,346**	**54.78**	**39,80,61,730**	**0**	**39,80,61,730**	**54.78**	**0.00**
	Total Shareholding of Promoters (A)=(A)(1)+(A)(2)	**8,49,84,429**	**0**	**8,49,84,429**	**58.48**	**41,24,10,600**	**0**	**41,24,10,600**	**56.75**	**1.73**
B	**Public Shareholding**									
	1. Institutions									
	(a) Mutual Funds	59,56,513	550	59,57,063	4.10	3,67,15,510	2750	36718260	5.05	-0.95
	(b) Banks/FI	41,094	11,161	52,255	0.04	3,94,760	48,535	443295	0.06	-0.03
	(c) Central Govt.	-	-		-	12511545	0	12511545	1.72	-1.72
	(d) State Govt.(s)	0	7,521	7,521	0.01	0	37605	37605	0.01	0.00
	(e) Venture Capital Funds	0	0	-	-	0	0	0	-	0.00
	(f)Alternate Investment Funds					664984	0	664984	0.09	-0.09
	(g) Insurance Companies	0	0	-	-	151	0	151	0.00	0.00
	(h) FIIs	3,38,44,009	1,893	3,38,45,902	23.29	163857473	7435	163864908	22.55	0.74
	(i) Foreign Venture Capital Funds	0	0	-	-	0	0	0	-	0.00
	(j) Others (specify) QFI	-	0	-	-	0	0	0	-	0.00
	Sub-Total (B)(1)	**3,98,41,616**	**21,125**	**3,98,62,741**	**27.43**	**21,41,44,423**	**96,325**	**21,42,40,748**	**29.48**	**-2.05**
	2. Non-Institutions									
	(a) Bodies Corp.									
	i) Indians	32,38,314	35,142	32,73,456	2.25	1,27,40,711	1,00,485	1,28,41,196	1.77	0.49
	ii) Overseas				-	0	0	0	0.00	0.00
	(b) Individuals					0	0	0	0.00	0.00
	i) Individual shareholders holding nominal share capital up to ₹ 2 Lakh	63,50,601	13,70,162	77,20,763	5.31	3,59,04,001	54,19,515	4,13,23,516	5.69	-0.37

ANNEXURE 4 *(CONTINUED)*

	Category of Shareholders	No. of Shares held at the beginning of the year (As on 01.04.2018)				No. of Shares held at the end of the year (As on 31.03.2019)				% Change during the year
		Demat	Physical	Total number of Shares	% of Total Shares	Demat	Physical	Total number of Shares	% of Total Shares	
	ii) Individual shareholders holding nominal share capital in excess of ₹ 2 lakh	36,87,380	-	36,87,380	2.54	1,94,21,010	0	1,94,21,010	2.67	-0.14
	iii) Others	2,28,978	-	2,28,978	0.16	6,177	0	6,177	0.00	0.16
	Trust	46,47,317	-	46,47,317	3.20	1,84,53,885	0	1,84,53,885	2.54	0.66
	NRI				-				0.00	0.00
	Clearing Member	1,53,180	-	1,53,180	0.11	36,17,503	0	36,17,503	0.50	-0.39
	Overseas Corporate Bodies		-	-	-		0	0	0.00	0.00
	Unclaimed Suspense Account	2,04,293	-	2,04,293	0.14	9,16,220	0	9,16,220	0.13	0.01
	IEPF	5,65,206	-	5,65,206	0.39	34,07,860	0	34,07,860	0.47	-0.08
	Sub-Total (B)(2)	**1,90,75,269**	**14,05,304**	**2,04,80,573**	**14.09**	**9,44,67,367**	**55,20,000**	**9,99,87,367**	**13.76**	**0.33**
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**5,89,16,885**	**14,26,429**	**6,03,43,314**	**41.52**	**30,86,11,790**	**56,16,325**	**31,42,28,115**	**43.24**	**-1.72**
C	Shares held by Custodian for GDRs & ADRs					0.00	0.00	0.00	-	**0.00**
	Sub Total (C)	-	-	-	-				-	
	Grand Total (A+B+C)	**14,39,01,314**	**14,26,429**	**14,53,27,743**	**100.00**	**72,10,22,390**	**56,16,325**	**72,66,38,715**	**99.99**	**0.01**

Note:

The number of equity shares given above as of March 31, 2018 is of equity shares of ₹ 10 each and the number of equity shares as of March 31, 2019 is of equity shares of ₹ 2 each consequent to the split in the face value of one equity share of ₹ 10 each into 5 equity shares of ₹ 2 each.

(ii) **Shareholding of Promoters**

Sl No.	Shareholder's Name	Shareholding at the beginning of the year (As on 01.04.2018)			Shareholding at the end of the year (As on 31.03.2019)			% of Change in shareholding 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	Devi Investments Private Limited	2700	0.00	-	0	-	-	0.00
2	Kingfisher Finvest India Limited	1173180	0.81	0.70	5075000	0.70	0.70	0.11
3	Relay B V	79612346	54.78		398061730	54.78		0.00
4	Mallya Private Limited	1005	0.00		0	-		0.00
5	Rossi And Associates Private Limited	35112	0.02		175560	0.02		0.00
6	United Breweries Holdings Limited	4116306	2.83	1.13	8879410	1.22	1.13	1.61
7	Vijay Mallya	12510	0.01	-	62550	0.01		0.00
8	Vittal Investments Private Limited	31270	0.02	-	156350	0.02		0.00
	Total	**8,49,84,429**	**58.48**	**1.83**	**41,24,10,600**	**56.76**	**1.83**	1.72

ANNEXURE 4 *(CONTINUED)*

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

Sl. No.	Name	Shareholding at the beginning of the year		Date of change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year	
		No.of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	UNITED BREWERIES HOLDINGS LIMITED	4116306	2.83	01-04-2018	0	NA	41,16,306	2.83
				04-05-2018	-2340424	TRANSFER*	17,75,882	1.22
				22-06-2018	0	STOCK SPLIT	88,79,410	1.22
				31-03-2019	0		88,79,410	1.22
2	VIJAY MALLYA	12510	0.01	01-04-2018	0	NA	12,510	0.01
				22-06-2018	0	STOCK SPLIT	62,550	0.01
				31-03-2019	0		62,550	0.01
3	ROSSI AND ASSOCIATES PRIVATE LIMITED	35,112	0.02	01-04-2018	0	NA	35,112	0.02
				22-06-2018	0	STOCK SPLIT	1,75,560	0.02
				31-03-2019	0		1,75,560	0.02
4	VITTAL INVESTMENTS PRIVATE LIMITED	31270	0.02	01.04.2018	0	NA	31,270	0.02
				22-06-2018	0	STOCK SPLIT	1,56,350	0.02
				31-03-2019	0		1,56,350	0.02
5	DEVI INVESTMENTS PRIVATE LIMITED	2700	0.00	01-04-2018	0	NA	2,700	0.00
				04.05.2018	2,700	TRANSFER*	-	0.00
				31-03-2019	0		-	0.00
6	KINGFISHER FINVEST INDIA LIMITED	1173180	0.81	01-04-2018	0	NA	11,73,180	0.81
				04-05-2018	-158180	TRANSFER*	10,15,000	0.70
				22-06-2018	0	STOCK SPLIT	50,75,000	0.70
				31-03-2019	0		50,75,000	0.70
7	MALLYA PRIVATE LIMITED	1005	0.00	01-04-2018	0	NA	1,005	0.00
				04.05.2018	1,005	TRANSFER*	-	0.00
				31-03-2019	0		-	0.00
8	RELAY B V	79612346	54.78	01-04-2018	0	NA	7,96,12,346	54.78
				22-06-2018	0	STOCK SPLIT	39,80,61,730	54.78
				31-03-2019	0		39,80,61,730	54.78

* - Shares transferred through regulatory action to the Deputy Director, Directorate of Enforcement, Mumbai. Prior to splitting the face value of every one equity share of ₹ 10 each to 5 equity share of ₹ 2 each.

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

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2018		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2018-19	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	CARMIGNAC PATRIMOINE	34,83,670	0.24	01-04-2018	3483670	Opening	34,83,670	2.40
				22-06-2018	0	STOCK SPLIT	1,74,18,350	2.40
				02-11-2018	-315064	SOLD	1,71,03,286	2.35
				09-11-2018	-520632	SOLD	1,65,82,654	2.28
				16-11-2018	-1460823	SOLD	1,51,21,831	2.08
				23-11-2018	-1824007	SOLD	1,32,97,824	1.83
				30-11-2018	-145398	SOLD	1,31,52,426	1.81
				07-12-2018	-651584	SOLD	1,25,00,842	1.72
				14-12-2018	-135052	SOLD	1,23,65,790	1.70

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2018		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2018-19	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
				21-12-2018	-838254	SOLD	1,15,27,536	1.59
				31-12-2018	-189018	SOLD	1,13,38,518	1.56
				04-01-2019	-88100	SOLD	1,12,50,418	1.55
				08-03-2019	-346840	SOLD	1,09,03,578	1.50
				15-03-2019	-918307	SOLD	99,85,271	1.37
				31-03-2019	0		99,85,271	1.37
2	CLSA GLOBAL MARKETS PTE. LTD.	2195133	0.15	01-04-2018	0	NA	21,95,133	1.51
				04-05-2018	-6647	SOLD	21,88,486	1.51
				22-06-2018	0	STOCK SPLIT	1,09,42,430	1.51
				31-08-2018	-142298	SOLD	1,08,00,132	1.49
				07-09-2018	-311847	SOLD	1,04,88,285	1.44
				16-11-2018	-53311	SOLD	1,04,34,974	1.44
				23-11-2018	-42000	SOLD	1,03,92,974	1.43
				11-01-2019	-44766	SOLD	1,03,48,208	1.42
				15-03-2019	-202626	SOLD	1,01,45,582	1.40
				22-03-2019	-976724	SOLD	91,68,858	1.26
				30-03-2019	-401858	SOLD	87,67,000	1.21
				31-03-2019	0		87,67,000	1.21
3	MOTILAL OSWAL MOST FOCUSED DYNAMIC EQUITY FUND	1973563	0.14	01-04-2018	0	NA	19,73,563	1.36
				06-04-2018	-10790	SOLD	19,62,773	1.35
				13-04-2018	-33265	SOLD	19,29,508	1.33
				27-04-2018	-36100	SOLD	18,93,408	1.30
				22-06-2018	0	STOCK SPLIT	94,67,040	1.30
				30-06-2018	261833	BOUGHT	97,28,873	1.34
				06-07-2018	118667	BOUGHT	98,47,540	1.36
				13-07-2018	277699	BOUGHT	1,01,25,239	1.39
				27-07-2018	101511	BOUGHT	1,02,26,750	1.41
				03-08-2018	51236	BOUGHT	1,02,77,986	1.41
				10-08-2018	248918	BOUGHT	1,05,26,904	1.45
				31-08-2018	-47240	SOLD	1,04,79,664	1.44
				07-09-2018	-63478	SOLD	1,04,16,186	1.43
				14-09-2018	-402000	SOLD	1,00,14,186	1.38
				21-09-2018	-52000	SOLD	99,62,186	1.37
				29-09-2018	-296676	SOLD	96,65,510	1.33
				12-10-2018	-206030	SOLD	94,59,480	1.30
				02-11-2018	338644	BOUGHT	97,98,124	1.35
				09-11-2018	198432	BOUGHT	99,96,556	1.38
				16-11-2018	76894	BOUGHT	1,00,73,450	1.39
				23-11-2018	60734	BOUGHT	1,01,34,184	1.39
				30-11-2018	-213750	SOLD	99,20,434	1.37
				14-12-2018	-27220	SOLD	98,93,214	1.36
				21-12-2018	310000	BOUGHT	1,02,03,214	1.40
				31-12-2018	420469	BOUGHT	1,06,23,683	1.46
				08-02-2019	454643	BOUGHT	1,10,78,326	1.52
				15-02-2019	26884	BOUGHT	1,11,05,210	1.53
				01-03-2019	344601	BOUGHT	1,14,49,811	1.58

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2018		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2018-19	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
				30-03-2019	-65021	SOLD	1,13,84,790	1.57
				31-03-2019	0		1,13,84,790	1.57
4	INDUS INDIA FUND (MAURITIUS) LIMITED	1400814	0.10	01-04-2018	0	NA	14,00,814	0.96
				06-04-2018	10376	BOUGHT	14,11,190	0.97
				13-04-2018	-67663	SOLD	13,43,527	0.92
				04-05-2018	36455	BOUGHT	13,79,982	0.95
				11-05-2018	-30171	SOLD	13,49,811	0.93
				25-05-2018	-39500	SOLD	13,10,311	0.90
				01-06-2018	-127227	SOLD	11,83,084	0.81
				08-06-2018	5132	BOUGHT	11,88,216	0.82
				15-06-2018	58293	BOUGHT	12,46,509	0.86
				22-06-2018	0	STOCK SPLIT	62,32,545	0.86
				06-07-2018	-749649	SOLD	54,82,896	0.75
				13-07-2018	29679	BOUGHT	55,12,575	0.76
				20-07-2018	-293495	SOLD	52,19,080	0.72
				27-07-2018	100000	BOUGHT	53,19,080	0.73
				03-08-2018	18061	BOUGHT	53,37,141	0.73
				24-08-2018	-301960	SOLD	50,35,181	0.69
				07-09-2018	30590	BOUGHT	50,65,771	0.70
				14-09-2018	-30590	SOLD	50,35,181	0.69
				19-10-2018	-485471	SOLD	45,49,710	0.63
				16-11-2018	-115519	SOLD	44,34,191	0.61
				23-11-2018	-36125	SOLD	43,98,066	0.61
				15-02-2019	177218	BOUGHT	45,75,284	0.63
				30-03-2019	-50000	SOLD	45,25,284	0.62
				31-03-2019	0		45,25,284	0.62
5	CARMIGNAC INVESTISSEMENT	1373739	0.09	01-04-2018	0	NA	13,73,739	0.95
				22-06-2018	0	STOCK SPLIT	68,68,695	0.95
				23-11-2018	-420700	SOLD	64,47,995	0.89
				30-11-2018	-67835	SOLD	63,80,160	0.88
				07-12-2018	-302666	SOLD	60,77,494	0.84
				14-12-2018	-62733	SOLD	60,14,761	0.83
				21-12-2018	-396938	SOLD	56,17,823	0.77
				31-12-2018	-131890	SOLD	54,85,933	0.75
				04-01-2019	-97842	SOLD	53,88,091	0.74
				08-03-2019	-320981	SOLD	50,67,110	0.70
				15-03-2019	-223044	SOLD	48,44,066	0.67
				31-03-2019	0		48,44,066	0.67
6	MATTHEWS PACIFIC TIGER FUND	1355606	0.09	01-04-2018	0	NA	13,55,606	0.93
				22-06-2018	0	STOCK SPLIT	67,78,030	0.93
				31-03-2019	0		67,78,030	0.93
7	FRANKLIN TEMPLETON INVESTMENT FUNDS	1146837	0.08	01-04-2018	0	NA	11,27,514	0.78
				18-05-2018	250810	BOUGHT	13,78,324	0.95
				22-06-2018	0	STOCK SPLIT	68,91,620	0.95
				23-11-2018	-482233	SOLD	64,09,387	0.88
				31-03-2019	0		64,09,387	0.88

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2018		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2018-19	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
8	VANGUARD EMERGING MARKETS STOCK INDEX FUND, ASERIE	1007653	0.07	01-04-2018	0	NA	10,16,706	0.70
				04-05-2018	-2000	SOLD	10,14,706	0.70
				11-05-2018	-1900	SOLD	10,12,806	0.70
				01-06-2018	-1500	SOLD	10,11,306	0.70
				15-06-2018	-1500	SOLD	10,09,806	0.69
				22-06-2018	0	STOCK SPLIT	50,49,030	0.69
				30-06-2018	-134706	SOLD	49,14,324	0.68
				06-07-2018	-18765	SOLD	48,95,559	0.67
				13-07-2018	-29885	SOLD	48,65,674	0.67
				16-11-2018	7545	BOUGHT	48,73,219	0.67
				23-11-2018	19617	BOUGHT	48,92,836	0.67
				07-12-2018	9557	BOUGHT	49,02,393	0.67
				21-12-2018	27162	BOUGHT	49,29,555	0.68
				31-12-2018	-153017	SOLD	47,76,538	0.66
				01-02-2019	27840	BOUGHT	48,04,378	0.66
				08-02-2019	88800	BOUGHT	48,93,178	0.67
				30-03-2019	11040	BOUGHT	49,04,218	0.67
				31-03-2019	0		49,04,218	0.67
9	APEX TRUST	908064	0.06	01-04-2018	0	NA	9,08,064	0.62
				22-06-2018	0	STOCK SPLIT	45,40,320	0.62
				21-12-2018	-119188	SOLD	44,21,132	0.61
				31-12-2018	-93750	SOLD	43,27,382	0.60
				25-01-2019	-274669	SOLD	40,52,713	0.56
				01-02-2019	-1597500	SOLD	24,55,213	0.34
				08-02-2019	-200000	SOLD	22,55,213	0.31
				15-03-2019	-200000	SOLD	20,55,213	0.28
				22-03-2019	-71400	SOLD	19,83,813	0.27
				30-03-2019	-1912413	SOLD	71,400	0.01
				31-03-2019	0		71,400	0.01
10	GOVERNMENT OF SINGAPORE	938061	0.06	01-04-2018	0	NA	8,73,010	0.60
				06-04-2018	687	BOUGHT	8,73,697	0.60
				20-04-2018	-49051	SOLD	8,24,646	0.57
				27-04-2018	-15255	SOLD	8,09,391	0.56
				04-05-2018	-599	SOLD	8,08,792	0.56
				18-05-2018	-35919	SOLD	7,72,873	0.53
				25-05-2018	-22884	SOLD	7,49,989	0.52
				01-06-2018	17099	BOUGHT	7,67,088	0.53
				08-06-2018	1318	BOUGHT	7,68,406	0.53
				15-06-2018	23192	BOUGHT	7,91,598	0.54
				22-06-2018	0	STOCK SPLIT	39,57,990	0.54
				13-07-2018	-120667	SOLD	38,37,323	0.53
				20-07-2018	31993	BOUGHT	38,69,316	0.53
				27-07-2018	-8429	SOLD	38,60,887	0.53
				03-08-2018	-2939	SOLD	38,57,948	0.53
				10-08-2018	-25288	SOLD	38,32,660	0.53
				24-08-2018	74524	BOUGHT	39,07,184	0.54
				31-08-2018	171249	BOUGHT	40,78,433	0.56
				07-09-2018	-124750	SOLD	39,53,683	0.54
				14-09-2018	-124120	SOLD	38,29,563	0.53
				21-09-2018	60827	BOUGHT	38,90,390	0.54

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2018		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2018-19	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
				05-10-2018	-19311	SOLD	38,71,079	0.53
				12-10-2018	-4791	SOLD	38,66,288	0.53
				19-10-2018	15373	BOUGHT	38,81,661	0.53
				02-11-2018	-215076	SOLD	36,66,585	0.50
				23-11-2018	34402	BOUGHT	37,00,987	0.51
				30-11-2018	169230	BOUGHT	38,70,217	0.53
				07-12-2018	-15314	SOLD	38,54,903	0.53
				21-12-2018	47600	BOUGHT	39,02,503	0.54
				31-12-2018	-2482	SOLD	39,00,021	0.54
				04-01-2019	29353	BOUGHT	39,29,374	0.54
				08-02-2019	90151	BOUGHT	40,19,525	0.55
				01-03-2019	-105711	SOLD	39,13,814	0.54
				08-03-2019	-98522	SOLD	38,15,292	0.53
				22-03-2019	28286	BOUGHT	38,43,578	0.53
				31-03-2019	0		38,43,578	0.53

E. Shareholding of Directors and Key Managerial Personnel

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	At the beginning of the year Mr V. Ramachandran, Company Secretary	50*	-		
	Date wise Increase / Decrease in Shareholding year specifying the reasons for increase / decrease (e.g. allotment equity etc.): (Please IV(iii) above for date wise change in promoter shareholding)	-	-		
	At the end of the year	50*	-		

*- Adjusted for split in the face value of equity shares from ₹ 10 per equity share to ₹ 2 per equity share during the year.

F. Indebtedness

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	70	32,562	-	32,632
(ii) Interest due but not paid	-	-	-	0
(iii) Interest accrued but not due	-	-	-	0
Total (i+ii+iii)	**70**	**32,562**	**0**	**32,632**
Change in Indebtedness during the financial year				
Reclass*		70		70
Addition	256	40,795	-	41,051
Reduction	-87	-47,700	-	-47,787
Net Change	169	-6,835	0	-6,666
Indebtedness at the end of the financial year				
(i) Principal Amount	239	25,586	-	25,825
(ii) Interest due but not paid				
(iii) Interest accrued but not due		141		141
Total (i+ii+iii)	**239**	**25,727**	0	**25,966**

ANNEXURE 4 *(CONTINUED)*

G. Remuneration of Directors and Key Managerial Personnel

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

Sl. No.	Particulars of Remuneration	Anand Kripalu, Managing Director and Chief Executive Officer	Sanjeev Churiwala Executive Director and Chief Financial Officer
1	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,191	142,697,646	51,264,731
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	10,353,359	1,686,492
	(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	**153,051,005**	**52,951,223**

Note:

(i) The figure of net profit calculated as per Section 198 of the Companies Act, 2013, as amended is negative and hence the limit of remuneration is not shown above. Pursuant to the amended section 198 of the Companies Act, 2013, the above remuneration is in terms of approval of the members of the Company through postal ballot resolution effective January 18, 2019.

(ii) The gross remuneration shown above does not include employer's contribution to various retirement funds and the value of stock options granted by the parent company Diageo PLC, if any.

b. Remuneration to other directors **(Amount in INR)**

Sl. No.		Names of Directors				
1	Independent Directors	**Mr M K Sharma**	**Mr V K Viswanathan**	**Dr (Mrs) Indu Shahani**	**Mr D Sivanandhan**	**Mr Rajeev Gupta**
	Fee for attending Board Committee Meetings	8,00,000	8,50,000	9,00,000	8,75,000	6,00,000
	Commission	47,00,000	39,00,000	40,00,000	39,00,000	35,00,000
	Others, (Please specify)					
	Sub total	**55,00,000**	**47,50,000**	**49,00,000**	**47,75,000**	**41,00,000**
2	Other Non-Executive Directors	**Mr John Thomas Kennedy**	**Mr Vinod Rao**	**Mr Randall Ingber**		
	Fee for attending board committee meetings	-	-	-	-	
	Commission	-	-	-	-	
	Others, please specify	-	-	-	-	
	Sub total	-	-	-	-	
	Grand total	**55,00,000**	**47,50,000**	**49,00,000**	**47,75,000**	**41,00,000**
	Total Managerial Remuneration					

Note: The figure of net profit calculated as per Section 198 of the Companies Act, 2013, as amended is negative and hence the limit of remuneration is not shown above. Pursuant to the amended section 198 of the Companies Act, 2013, the above remuneration is in terms of approval of the members of the Company through postal ballot resolution effective January 18, 2019.

ANNEXURE 4 *(CONTINUED)*

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

(Amount in INR)

Sl. No.	Particulars of Remuneration	V. Ramachandran EVP and Company Secretary
1	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,191	1,64,06,707
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	4,94,682
	(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	**1,69,01,389**

H. Penalties / Punishment/ Compounding of Offences

There has been no penalty or punishment under the Companies Act for the year ended March 31, 2019.

ANNEXURE 5

Employee Details

Details of Ratio of Remuneration of Director

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

<table>
<tr><td rowspan="10">(i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year;

(ii) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;</td><th>Name of the Director</th><th>Designation</th><th>Ratio to the Median</th><th>Percentage Increase</th></tr>
<tr><td>Anand Kripalu</td><td>Managing Director & Chief Executive Officer</td><td>315:1</td><td>18%</td></tr>
<tr><td>Sanjeev Churiwala</td><td>Executive Director and Chief Financial Officer</td><td>109:1</td><td>22%</td></tr>
<tr><td>V Ramachandran</td><td>Executive Vice President and Company Secretary</td><td>35:1</td><td>13%</td></tr>
<tr><td>Mahendra Kumar Sharma</td><td>Independent Non-Executive Chairman</td><td>11:1</td><td>5%</td></tr>
<tr><td>V K Viswanathan</td><td>Independent Non-Executive Director</td><td>9:1</td><td>5%</td></tr>
<tr><td>D Sivanandhan</td><td>Independent Non-Executive Director</td><td>9:1</td><td>2%</td></tr>
<tr><td>Indu Shahani</td><td>Independent Non-Executive Director</td><td>10:1</td><td>1%</td></tr>
<tr><td>Rajeev Gupta</td><td>Independent Non-Executive Director</td><td>8:1</td><td>4%</td></tr>
<tr><td colspan="4">* For Non-executive Directors change in percentage denotes change in remuneration (including commission and sitting fees) and for the period of their Directorship during the year.</td></tr>
<tr><td>The percentage increase in the median remuneration of employees in the financial year;</td><td colspan="4">The average increase in remuneration in the Financial Year 2018-19 compared to the median remuneration of employees in the previous year is 22.65%.</td></tr>
<tr><td>(iv) The number of permanent employees on the rolls of company;</td><td colspan="4">The Company had a permanent headcount of 3,546 on the rolls as of 31 March 2019.</td></tr>
<tr><td>(v) Average percentile increase already made in the salaries of employees other than the key managerial personnel in the last financial year and its comparison with the percentile increase in the key managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;</td><td colspan="4">The increase in the average remuneration of the employees other than the key managerial personnel in the current financial year compared to the last financial year was 27% while the increase in the key managerial average remuneration was 18%. The increase in the salaries includes exercised long term incentives & performance based pay (which varies from year to year based on individual and/or business performance) for all executive employees and any over time/variable remuneration paid to the workmen employees. The annual average remuneration increase is based on company's market competitiveness as against the peer basket companies.</td></tr>
<tr><td>(vi) Affirmation that the remuneration is as per the remuneration policy of the Company.</td><td colspan="4">The remuneration paid is as per the remuneration and reward policy of the Company</td></tr>
</table>

By Order of the Board

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director and Chief Executive Officer

Bangalore
May 29, 2019

ANNEXURE 5 *(CONTINUED)*

Particulars of Employees

Information as required under Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Director's Report for the Financial Year ended March 31, 2019.

A. Employees Employed for full year

Sl. No.	Employee Name	Age as of March 2019	Shares held	Remuneration paid	Designation and Nature of employment/ duties	Qualification	Experi-ence	Date of commencement of employment	Particulars of previous employment
1	Abanti Sankaranarayanan	49	-	4,13,15,199	Chief Strategy & Corporate Affairs Officer	PGDBA	27	01-05-2015	Managing Director - India, Diageo India Pvt Ltd
2	Abhishek Shahabadi	41	-	1,27,32,594	Vice President and Portfolio Head, Marketing	B.Com., PGDM-C	19	23-02-2006	Group Head, Madison Communications
3	Ajay Goel	43	-	1,92,49,214	EVP and Financial Controller	B.Com, FCA, ACS	20	18-04-2016	CFO, Supply Chain - GE India
4	Amarpreet Singh Anand	42	-	2,27,83,427	Executive Vice President and Portfolio Head	PGDM	18	02-02-2015	Mondelez International Ltd
5	Amrit Thomas	53	-	7,95,35,980	Chief Marketing Officer	B.TECH, PGDM	27	12-06-2007	Category Head - Beverages, Hll
6*	Anand Kripalu	60	-	15,30,51,005	Managing Director and Chief Executive Officer	B.Tech, PGDM	34	01-05-2014	Managing Director, Cadbury India Ltd
7	Arun Goyal	49	-	1,19,19,212	Assistant Vice President - Manufacturing	BE, M Tech	22	21-02-2011	Head-Project Engineer, Sika India Pvt Ltd
8	Atul Chandra Jha	50	-	1,17,47,041	Senior General Manager - HR Business Partner	PGD (PM&IR), XISS	23	25-04-2016	Reckitt Benckiser
9	Avinash Deoskar	43	500	1,38,72,561	Vice President and Sales Head (East)	PGDM, SIMS	20	18-08-2016	Pernod Ricard
10	Baskaran Thiagarajan	48	-	1,45,06,290	Vice President - Manufacturing (TMU)	BE in Mech Engineering	27	12-01-2017	Heading India operations - Manufacturing, Avery Dennison India (P) Ltd.
11	Deepak Kumar Katty	54	-	1,64,95,429	Global Commercial Performance Director	MBA	30	28-10-2014	Pernod Ricard
12	G Pulla Reddy	46	-	1,40,77,975	Vice President - Operations Excellence	B.Tech.;M.Tech.	24	15-09-1997	Bhor Industries Limited
13	Hariharan Krishnan	48	-	1,17,53,766	Vice President- Supply Chain & Logistics	PGDM, BE	24	21-12-2015	Log Market
14	I P Suresh Menon	62	-	1,85,07,504	Adviser-Tax & Regulatory Affairs	BA-English, MBA-Business Management, JBIMS	41	01-04-1985	United Breweries Limited
15	Kashinath Jha	49	-	1,67,16,775	Vice President - Manufacturing	BE	28	06-09-2016	Reckitt Benckiser
16	Kedar Vivekanand Ulman	45	-	3,01,40,673	Chief Supply Chain Officer	BE, IIM - B	23	24-04-2009	Sr. Manager, Accenture Services Pvt Ltd
17	Keshava Babu C S	46	-	1,15,89,829	Assistant Vice President - Quality	BE	25	03-11-2011	Motorola India Private Ltd - Head Quality Assurance
18	Lal Rangwani	53	1,750	1,54,31,249	Vice President and Sales Head (West)	B.Com, M.Com, PGDBM	32	07-08-1987	Herbertsons TSE
19	Mamta Sundara	41	-	2,84,12,849	EVP and General Counsel	LLB	16	15-02-2015	Senior Counsel - India Projects, Diageo India Pvt Ltd
20	Mathew Xavier	54	-	3,61,65,003	EVP and Chief Operating Officer (South)	PGDM / B.COM	30	10-11-2003	Vp Marketing Erstwhile Swdl
21	Meghna Agarwal	37	20	1,09,15,304	Vice President - Supply Finance	ACA	13	01-07-2015	Diageo plc
22	Nitesh Chhapru	39	-	1,29,77,106	Vice President and Chief Innovation Officer	MBA	14	01-01-2014	Founder Director, The Brahma Innovation Company
23	Pothen Jacob	47	-	1,16,88,872	Senior General Manager - Organization Effectiveness	BE Mech Engineering, MBA Griffith University, Australia	25	21-03-2016	Director, Compensation and Benefits – India and APAC, Sapient (Publicis Groupe)

ANNEXURE 5 *(CONTINUED)*

Sl. No.	Employee Name	Age as of March 2019	Shares held	Remuneration paid	Designation and Nature of employment/ duties	Qualification	Experi- ence	Date of commencement of employment	Particulars of previous employment
24	Prathmesh Mishra	49	-	4,26,57,730	Chief Commercial Officer	PGDM, BA	21	18-06-2014	Pernod Ricard
25	R Chandrashekar	57	-	1,16,21,251	Assistant Vice President - Employee Relations	MA; PG Diploma	34	05-09-1994	Mysore Cements Ltd
26	Rohini Seth	48	-	2,39,19,790	Vice President - HR Operations	BA, MA in HR	25	29-06-2015	Reckitt Benkiser as HR Head
27	Sandeep Kumar Singal	55	-	2,77,25,993	EVP and Chief Operating Officer (East)	B.tech, M.B.A	20	14-10-2015	Head- Branded Retail & Alternate Channels, tata tele services ltd
28*	Sanjeev Churiwala	49	-	5,29,51,223	Executive Director & Chief Financial Officer	ACA, ACS, ACWA & Executive MBA from London Business School.	25	16-11-2015	AMBUJA Cements
29	Sanjeev Ganesh	42	100	1,61,79,251	EVP- Procurement	B.Tech, MBA	14	01-04-2010	Managing Consultant, Aqua Management Consulting Group
30	Shankar Ramanathan	51	-	1,29,45,392	Vice President- Engineering & Projects	B.E., MS	24	16-02-2015	Director, Capex and Engineering - Pepsi Co.
31	Shelley Sengupta	43	-	1,23,34,705	Vice President- Consumer Planning & Insights	B.Com., PG Diploma	17	30-11-2007	Head of Qualitative Research Division, South, Synovate India
32	Shovan Ganguli	57	-	1,80,97,856	Senior Vice President- R&D	Ph.d - Organic Chemistry	28	25-02-2013	Hindustan Unilever Limited Platform director- bioscience,nutrition, health
33	Subroto Geed	44	-	2,40,25,146	Executive Vice President and Chief Operating Officer	PGDISM	20	21-09-2015	Nicholas Piramal India Ltd
34	Sumi Vivek	44	-	1,77,14,883	Vice President - IT	B.Tech, PGDBM	20	22-03-2017	IBM Global Services
35	V Ramachandran	57	50	1,69,01,389	EVP and Company Secretary	B.com: ACA,ACS	32	24-04-2015	Company Secretary – Wipro Limited
36	Vikram Jain	43	-	1,12,62,755	Assistant Vice President - Sales	B.Com, MBA	14	19-01-2009	Senior Manager, Pernod Ricard
37	Jatin Fredericks	47	-	1,05,06,795	Assistant Vice President - Sales	NA	-	24-03-2003	-
38	Monish Bhasin	43	-	1,02,60,653	Assistant Vice President - Sales	MBA, BE	23	25-09-2006	Mahindra & Mahindra, Sr. Brand Mgr
39	Pradeep Jain	51	-	2,49,21,197	Executive Vice President - FP&R and Commercial Finance	B.Com,CA	27	04-04-2017	CFO, Pidilite Industries
40	Savita Pai	37	-	1,06,46,644	Vice President - Strategy	PGDM, BE	17	29-05-2017	CISCO, Operation & Strategy
41	Anshu Vazirani	35	-	1,04,23,720	Senior General Manager - Procurement Demand & Indirects	MBA,M Tech, Btech	14	12-06-2017	GEP Worldwide
42	Sanjeev Kumar Gupta	51	35	2,39,78,059	Executive Vice President - Manufacturing Operations	BE, PGD NIIE,	30	03-07-2017	Mondelez
43	Jagbir Singh Sidhu	49	-	2,24,71,462	EVP & Chief Operating Officer - North	MBA	25	05-07-2017	Pernod Ricard
44	Parul R Pandey	46	-	1,12,09,501	Vice President - Talent and Engagement	Ph.D HRD, MA	24	27-09-2017	Director L&D Microsoft
45	Rabi Shankar Mishra	41	-	1,30,61,725	Vice President - Sales	PGDM, SIMB	18	03-10-2017	Mondelez
46	Anand Binani	41	300	1,36,66,141	Vice President - Sales	BSc, PGDM – IIMB	18	16-11-2017	Zomato

ANNEXURE 5 *(CONTINUED)*

B. Employed for the part of the year

Sl No.	Employee Name	Age	Shares held	Remuneration paid	Designation and Nature of duties	Qualification	Experi-ence	Date of employment	Particulars of previous employment
1	Aarif Aziz	43	-	2,61,35,829	Chief Human Resources Officer	PGDM, BE	20	01-01-2019	GE gas power, Global HR Head
2	Amit Girish Dogra	46	-	69,93,000	Stratgeic Business Relations Head	-	-	01-06-2018	-
3	Prashanth M S	45	-	1,35,46,380	Vice President and Customer Marketing Head	BSC, MMS	18	18-08-2014	Sales Director, Reckitt Benckiser
4	Nischal Hindia	42	-	21,77,463	Vice President and Senior Counsel	LLB	18	01-05-2015	Legal Director - India, Diageo India Pvt Ltd
5	Steve Correa	54	169	3,79,65,957	Chief Human Resources Officer	B.Com, MBA, LLB	29	05-09-2014	Chief Human Resource Officer, Reliance Jio Infocomm Limited
6	Vineet Kapila	58	-	2,98,28,456	Global Head Main Stream Spirits	B.Com, PDGM	34	05-12-2012	President & CEO- Spencers Retail
7	Julie Bramham	43	-	2,29,17,700	Chief Marketing Officer	BBM	20	01-07-2018	Diageo PLC
8	Balasubramanian R	54	-	1,56,73,900	Deputy General Manager - Financial Planning & Analysis	NA	31	05-11-1993	Baramati Grape Ind. Ltd, Commercial Assistant
9	Niranjan Purnachandra Bramhe	51	200	1,19,95,661	Senior General Manager - Procurement	PGDBA	28	15-11-2007	Mason & Summers Alcobev Pvt Ltd,Head Of Purchase & Logistics
10	Kavita Pai	45	-	77,30,276	Vice President - Compliance & Ethics	BSc, CISA	25	28-11-2016	GE Healthcare, Senior Compliance Mgr
11	Dinesh Garg	45	-	1,48,92,082	General Manager - Marketing & Innovations BP	CA, Bcom	22	18-02-2005	Radico Khaitan Ltd, Sr Manager Accounts
12	Rohit Saraogi	44	-	1,05,22,913	Senior General Manager - Commercial Finance	CA, Bcom	17	27-07-2016	Marico Limited, Head Finance - International
13	Sridhar B	44	200	1,29,17,481	Vice President and Chief Digital Officer	B.COM, PGDBA	15	20-02-2009	Director Marketing, Sulekha Com

Note:

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

* - Contractual in nature. All others are under employment with the Company

ANNEXURE 6

Risk Management

USL's ambition is to create the best performing, most trusted and respected consumer Products Company in India. USL continues to focus on a system-based approach to business risk management. The management of risk is embedded in the corporate strategies of developing a portfolio of world-class businesses that best match organisational capability with market opportunities and succession planning processes, nurturing specialism and enhancing organisational capabilities through timely developmental inputs. Accordingly, management of risk has always been an integral part of the Company's 'Strategy of Organisation' and straddles its planning, execution and reporting processes and systems. Our risk management process is built to enable proactive identification of risks and mitigate/minimise the impact of risk by optimising resources. To be best performing, we need to take well managed risks. To be most trusted and respected, we need to avoid harm to our reputation and build a resilient, sustainable business in an increasingly volatile external environment.

Our risk management objectives are to:

- Protect and enhance value – Maximise the benefit from new opportunities, challenges and balancing risk and return
- Avoid damage to our reputation
- Prioritise effectively between different risks
- Demonstrate good corporate governance by managing our risks effectively

In its journey towards risk intelligence, a robust governance structure has been developed across the organisation. The Board of Directors has constituted a Committee of the Board called the Risk Management Committee.

Our approach:

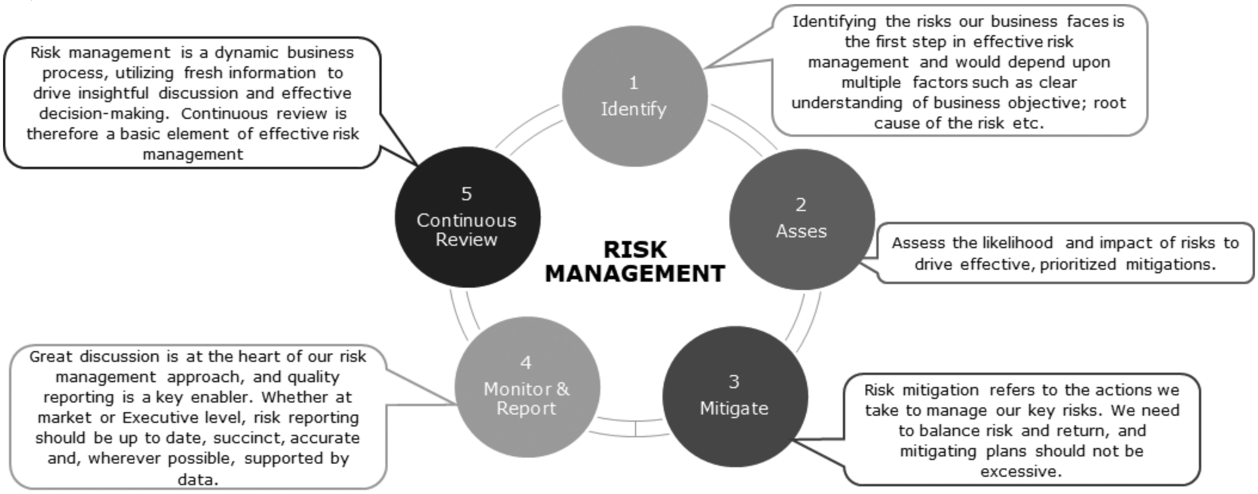
- We take a holistic and end-to-end approach in managing risk.
- All aspects of risk such as commercial, operational, financial, strategic, reputational, and compliance risks, whether internal or external in nature are covered as part of Risk Management Committee meeting.
- Committee is concerned not only with the risk itself, but root causes and the range of consequences.
- Risk at Diageo are defined as "an uncertainty that could help or hinder achieving our business objectives". Risk management refers to all the things we do to identify, assess, manage and report on risks
- We have an existing framework for Entity Level and Process Level controls. Documented policies, KPIs and Delegations of Authority are in place. It provides the mechanism for assessing and managing the sum of the opportunities and risks both external and internal that may impact the business.

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

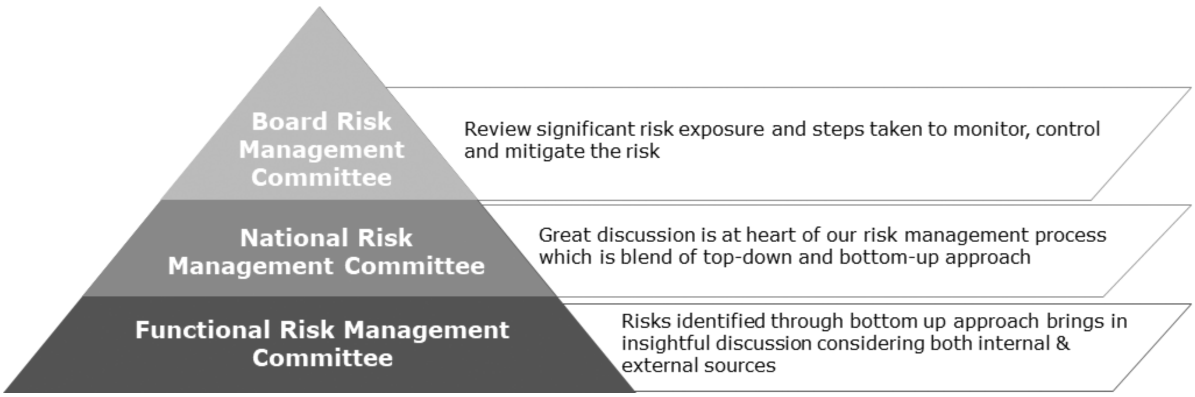
It is driven, demonstrated in action and endorsed by senior management team. The board exercises independent review through Audit Risk committee.

ANNEXURE 6 *(CONTINUED)*

Key components of risk management framework:



Risk governance structure:



Risk Categories:

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

Strategy	Operational	Legal & Compliance	Financial
Risks which impacts the Company's planned strategies and the risks to the successful execution of strategies. These are called out from the choices we make on markets, product mix and resources that will impact our competitive advantage in the medium and long term. Potential risks to the long term scalability and sustainability of the organisation are also analysed and mitigated.	Risks arising out of unexpected developments resulting from internal processes, systems or from external events that are linked to actual running of business are covered in this category – for example virus attacks or breach of cyber security	Risks arising out of non-compliance to various legal and compliance policies or non-conformance with laws, regulations which poses threat to financial, organizational or reputational standing of are classified under legal and compliance risk.	Risk which impacts the Company's financial strength & control environment are classified under financial risk – for example Internal control weakness

ANNEXURE 6 *(CONTINUED)*

Risk management highlights for the year

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

RISK	IMPACT	MITIGATION ACTIVITY
➔ Price increase	➢ Performance	• Data based engagement with external stakeholders
		• Industry level initiatives in addressing structural barriers to pricing
➔ Counterfeiting	➢ Performance ➢ Reputation	• Rolled out Detect & Report training for Commercial team.
		• Proactive government engagement
➔ Cyber Risk	➢ Operation ➢ Financial ➢ Reputation	• Standardized and enforced patch management process
		• Two factor authentications implemented for VPN client
		• Encryption of mobile devices via MDM solution
		• Improved IM&S awareness program in line with global processes
↓ Anti-Trust	➢ Reputation ➢ Compliance	• Regular trainings and communications in vernacular language
		• Review process set for category management and other higher risk commercial agreements.
↓ Data Privacy	➢ Compliance ➢ Reputation	• Conducted awareness drive on data privacy policy.
		• Data protection clauses added in the agreements entered with third party.
		• Audit procedures enhanced to review the data collection process, its usage and storage.

↓ Decreasing ➔ No Change

ANNEXURE 7

Corporate Social Responsibility (CSR)

THE ANNUAL REPORT ON CSR ACTIVITIES

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

Outline of the Company's CSR policy.

CCSR Strategy of the Company supports our ambition to become the best performing, most trusted and respected consumer Products Company in India. Your Company recognizes that its business activities directly affects the lives of people around our plants and in the markets that we operate in. We believe that the communities in which we operate should benefit from our presence. We are aware of the importance of being responsible about our brands, and the way we develop, produce and sell them.

As one of the world's leading alcoholic beverage business, we want to be at the forefront of industry efforts to promote responsible drinking and reduce the harmful use of alcohol. Our Sustainability & Responsibility Strategy integrates social responsibility into our core business to create value for society and our shareholders.

The Company's CSR Policy is available at www.diageoindia.com

1. The composition of the CSR Committee: The composition of the CSR Committee is as stated in the Corporate Governance Report.
2. Average net profit of the Company for the last three Financial Years: INR in Million

Particulars	FY17-18	FY16-17	FY15-16
Profits/(loss) for CSR Computation	8740.90	2718.5	4094.62

3. Prescribed CSR Expenditure (two per cent of the Average of the previous three years profits): **INR 103.69 Million (INR 1,036.9 Lakhs)**
4. Details of CSR spent during the financial year.
   a. The company was required to spend INR 1036.9 Lakhs and the company has actually spent INR 1210.1 Lakhs.
   b. Amount unspent, if any: - Not applicable.
   c. Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	**CSR projector activity identified**	**Sector in which the project is Covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount out- lay (budget) project or program Wise (INR)**	**Amount spent on the projects or Programs Subheads: (1) Direct expen-diture on projects or Programs. (2) Overheads:(INR)**	**Cumulative expenditure up to the reporting period (INR)**	**Amount spent: Director through implementing agency***
1	**Health and Water:** • **Water ATM along with Chiller plant installation in Nagpur, Maharashtra.** • **Pond Renovation work** • **Water replenishment project** • **Establishment of Health and Wellness centre** • **SHE Project**	Schedule VII(i)- Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive healthcare1 and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Maharashtra Chhattisgarh Rajasthan, Madhya Pradesh, Chhattisgarh Andra Pradesh Madya Pradesh, Rajasthan, Punjab,	**300 Lakhs**	**292.59 Lakhs**	**292.59 Lakhs**	NGO Partner- Gramodoy Samajik Sansthan, Swami Vivekanand Shiksha Samiti, Niramaya Bahuodeshya

ANNEXURE 7 *(CONTINUED)*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	**CSR projector activity identified**	**Sector in which the project is Covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount out- lay (budget) project or program Wise (INR)**	**Amount spent on the projects or Programs Subheads: (1) Direct expen-diture on projects or Programs. (2) Overheads:(INR)**	**Cumulative expenditure up to the reporting period (INR)**	**Amount spent: Director through implementing agency***
2	**Education:** • Network 18 Partnership on awareness raising on road safety. • Capacity building training of Police Officials. • Curbing underage drinking by life skill program – Cool Teens • Road Safety Week celebration and other Awareness program. • Learning for Life project- Skill development training for the female youths. • Engaging youths in alternate livelihood activities.	Schedule VII (ii)- Promotion of education, including special education and employment enhancing vocation skills especially among children, woman, elderly and the differently abled and livelihood enhancement projects	Maharashtra, Chhattisgarh Rajasthan, Madhya Pradesh, Andra Pradesh, Assam, Odisha, Punjab, UP, West Bengal, Jharkhand, Uttarakhand, Pondicherry Maharashtra, Karnataka, West Bengal	**880 Lakhs**	**872.29 lakhs**	**872.29 lakhs**	Through Mindshare Through Institute of Road and Traffic Education Directly implemented Through partnership with IL&FS Education Implemented through our NGO partners
3	**Sports** Support provided to Sports person to participate in various sports tournament.	Schedule VII: (vii): training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports	**Karnataka**	**1 Lakhs**	**1 lakhs**	**1 lakhs**	Directly implemented
4	**Rural Development** Community Infrastructure development work.	Schedule VII: (x): Rural Development Projects	Rajasthan, Punjab	**4 Lakh**	**3.02 lakhs**	**3.02 lakhs**	Implemented directly through NGO partner Gramudoy Samajik Sansthan
5	**Environment:** Plantation drive	Schedule VII: (iv) Ensuring Environmental sustainability	Rajasthan, Punjab	**1 Lakhs**	**0.72 Lakhs**	**0.72 Lakhs**	Implemented directly through NGO partner Gramudoy Samajik Sansthan,
6	**Women Empowerment:** - Women Self Help Group manufacturing and selling low cost sanitary napkins in Rajasthan - Women's Day Celebration	Schedule VII: Promoting gender equality and empowering women. 'promoting healthcare, including preventive healthcare' and sanitation, including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation	Rajasthan, Karnataka, Goa, Maharashtra	**4 Lakhs**	**3.72 lakhs**	**3.72 lakhs**	Direct and through partnership with our NGO partners.
7	**Disaster Relief:** Providing relief materials	Schedule VII: (viii) support for disaster relief	Kerala, Tamilnadu	**5 Lakhs**	**4.56 lakhs**	**4.56 lakhs**	

ANNEXURE 7 *(CONTINUED)*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	**CSR projector activity identified**	**Sector in which the project is Covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount out- lay (budget) project or program Wise (INR)**	**Amount spent on the projects or Programs Subheads: (1) Direct expen- diture on projects or Programs. (2) Overheads:(INR)**	**Cumulative expenditure up to the reporting period (INR)**	**Amount spent: Director through implementing agency***
8	**Employee Volunteering** 1163 Hours of volunteering done engaging 443 employees on Road Safety and Women Empowerment	Schedule VII: (iii) support for women empowerment and (i) Education on Road Safety	Maharashtra, Karnataka, West Bengal	**15 Lakhs**	**14.16 lakhs**	**14.16 lakhs**	
9	CSR Projects administration cost			**20 Lakhs**	**18.77 lakhs**	**18.77 lakhs**	
	Total			**1230 Lakhs**	**1210.83 lakhs**	**1210.83 lakhs**	

Note- The above spend does not include Rs 1 crore contributed to Kerala Chief Minister's Relief fund during the year

5. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report: Not applicable.

6. Responsibility statement of the CSR committee.

   We hereby declare that implementation and monitoring of CSR activities is in compliance with CSR objectives and Policy of the Company. The Company has spent more than the statutorily required spend on CSR activities.

Dr Indu Shahani
Chairperson of CSR Committee

Mr Anand Kripalu
Managing Director and Chief Executive Officer

Bengaluru
May 29, 2019

ANNEXURE 8

Energy Conservation Technology Absorption & Foreign Exchange

Details of Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outflow

(Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014)

A) (i) Conservation ofEnergy

With reference to energy conservation, steps taken by the Company at its various manufacturing units were as under:

- We are working on multiple actions to move closer to 100% bio mass based boiler bio fuel, from current status of around 95%
- We have started energy audits in key sites & mapped potential energy consumption reduction across utilities and improving energy efficiency.

(ii) Renewable Energy (Own Units):

o As DIAGEO India, we are improving energy efficiency consistently and making steady progress
  - Currently we are at 84% renewable energy (out of total energy) and through ongoing projects, shortly we will be surpassing 90%
  - Bio fuel based boilers at large distilleries for Process steam requirements
  - Self-generation of power through steam turbines
  - Equipping Partial Solar systems

B) Technology Absorption

- Solar Power generation system at Nasik Distillery

The other disclosures for item A & B above to the extent applicable have been covered as a part of the Business Responsibility Report forming part of this Report.

C) **Foreign Exchange earnings and Outgo-**

(INR in Millions)

Foreign exchange earned in terms of actual inflows during the year	1095.24
Foreign exchange outgo in terms of actual outflows during the year	2958.76

ANNEXURE 9

Business Responsibility Report

Environment, Society and Governance lie at the heart of our business, ethics and philosophy. Pursuant to Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, we provide below our Business Responsibility Report describing the initiatives taken by the Company ("USL") from an environmental, social and governance perspective during the financial year ended March 31, 2019.

On each of the nine Principles governing this Business Responsibility Report, United Spirits Limited has been at the forefront to follow the same in letter and spirit. Our initiatives in this regard for each of the principles are highlighted below in the prescribed format.

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. *Corporate Identity Number (CIN) of the Company - L01551KA1999PLC024991*
2. *Name of the Company – UNITED SPIRITS LIMITED*
3. *Registered address – 'UB TOWER', #24, Vittal Mallya Road, Bengaluru – 560 001*
4. *Website – www.diageoindia.com*
5. *E-mail id – investor.india@diageo.com*
6. *Financial Year reported – April 01, 2018 to March 31, 2019*
7. *Sector(s) that the Company is engaged in (industrial activity code-wise) – Manufacturing (Main Activity Group Code –C)*
8. *List three key products/services that the Company manufactures/provides (as in balance sheet)–Alcoholic Beverages, Extra Neutral Alcohol, Indian Made Foreign Liquor*
9. *Total number of locations where business activity is undertaken by the Company-19*
   (a) *Number of International Locations (Provide details of major 5) - Nil*
   (b) *Number of National Locations – 19*
10. *Markets served by the Company – Local/State/National/International – All the three.*

SECTION B: FINANCIAL DETAILS OF THE COMPANY (as per standalone financials for the year ended March 31, 2019)

1. *Paid up Capital (INR) – 1,45,32,77,430*
2. *Total Turnover (INR) -285,123 million (Gross)*
3. *Total profit after taxes (INR) – 6586 Million*
4. *Total Spending on Corporate Social Responsibility (CSR) – The Company is required to spend an amount of 103.69 million (2% of average of last three years profit), and the company has spent 121.01 million in the financial year 2018-19 , which as percentage of profit after tax for the year ended March 31, 2019 is 2.34 %.*
5. *List of activities in which expenditure in 4 above has been incurred:-*
   As given in Annexure 7 of CSR Report, which is forming part of Report of Directors

SECTION C: OTHER DETAILS

1. *Does the Company have any Subsidiary Company/ Companies?*
   Yes.
2. *Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary company(s)?*
   Pioneer Distilleries Limited.
3. *Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%] –*
   Not Applicable.

ANNEXURE 9 *(CONTINUED)*

SECTION D: BR INFORMATION

1. *Details of Director / Directors responsible for BR – The list of Directors along with details are given below:*

   (a) *Details of the Director / Director responsible for implementation of the BR policy / policies as on March 31, 2019.*

Sl. No.	Name of the Director	DIN	Designation
1.	Mr Mahendra Kumar Sharma	00327684	Non-Executive Independent Director – Chairman
2.	Mr V K Viswanathan	01782934	Non-Executive Independent Director
3.	Mr Randall Ingber	07529943	Non-Executive Director
4.	Mr Anand Kripalu	00118324	Managing Director and Chief Executive Officer
5.	Mr Vinod Rao	01788921	Non-Executive Director
6.	Mr D Sivanandhan	03607203	Non-Executive Independent Director
7	Mr John Thomas Kennedy	07529946	Non-Executive Director
8.	Dr (Mrs) Indu Shahani	00112289	Non-Executive Independent Director
9.	Mr Rajeev Gupta	00241501	Non-Executive Independent Director
10.	Mr. Sanjeev Churiwala	00489556	Executive Director and Chief Financial Officer

   (b) *Details of the BR head* :
   Overall review of BR is with the Board of Directors and the implementation with the Management.

2. *Principle-wise (as per NVGs) BR Policy/Policies**

   (a) Details of compliance (Reply in Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/policies for Code of Business Conduct and Ethics	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national/international standards? If yes, specify? (50 words)	The Code of Business Conduct & Ethics (CoBCE), is the key policy governing the compliance and ethics framework of the Company. In addition to CoBCE, it is mandatory for all employees to undergo training in CoBCE and a compliance certification program anchored by policies and procedures, prescribed as per the global standards, covering areas such as anti-bribery & corruption, including guidelines on gifting & entertainment, anti-money laundering and prevention of sexual harassment at workplace, in addition to the Employee Alcohol Policy, as a part of its commitment to responsible drinking.								
4	Has the policy being approved by the Board? Is yes, has it been signed MD / owner /CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the Company have a specified committee of Board/ Director / Official oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	http://diageoindia.com/Policy/55210936Code%20of%20Conduct-Q2.pdf								

* Refer to P1 to P9 below.

ANNEXURE 9 *(CONTINUED)*

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the Company have in house structure to implement the policy / policies.	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)–NOT APPLICABLE

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the Principles									
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3	The Company does not have financial or manpower resources available for the task									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year									
6	Any other reason (please specify)									

3. *Governance related to BR*

(a) *Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.*

Annual.

(b) *Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?*

Published annually as part of the Annual Report. Hyperlink is www.diageoindia.com

ANNEXURE 9 *(CONTINUED)*

Principle 1 : Company's efforts in the area of Ethics, Transparency and Accountability

1. *Does the policy relating to ethics, bribery and corruption cover only the Company? Yes / No. Does it extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?*

   The Code of Business Conduct & Ethics (CoBCE) is the key policy governing the compliance and ethics framework of the Company and its subsidiaries, namely, Pioneer Distilleries Limited, Sovereign Distilleries Limited, Tern Distilleries Private Limited and Royal Challenge Sports Private Limited, Suppliers / Contractors. All the employees are required to undergo mandatory training within 30 days of joining the employment and a yearly refresher training, along with a compliance certification program, for evaluation of the knowledge and understanding of CoBCE on an annual basis. In addition, face to face and functional trainings are also provided by the members of the compliance and ethics function on a regular basis.

   In addition to CoBCE, the compliance program is also anchored by policies and procedures, prescribed as per the global standards, covering areas such as anti-bribery & corruption, including guidelines on gifting & entertainment, anti-money laundering and prevention of sexual harassment at workplace in addition to the Employee Alcohol Policy, as a part of its commitment to responsible drinking.

   The Company has a whistle blower / vigil mechanism known as Speak Up, operated by a third party agency. Employees or representative acting on behalf of the Company, are encouraged to raise their compliance concerns through this mechanism, apart from other internal reporting channels viz. Line Manager or representatives of HR, Legal, Compliance & Ethics function, etc. The Company has a structured Breach Management Standard in place, for timely and conclusive resolution of issues raised through the whistle blower mechanism. Access is also provided to the Chairman of the Audit Committee in appropriate and exceptional cases.

2. *How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.*

   During the year, 77 cases were logged in SpeakUp, which included 12 cases in the nature of HR grievances. Out of the above 86% cases are closed with one-sixth of cases being substantiated; and balance 14% cases are under progress. Decisions on the reported breaches are determined and monitored by a compliance committee, comprising key members of the leadership team, by ensuring that there is a collective and a fair decision making process and consistent action in resolving the breaches. Quality of investigation and remedial actions are monitored by the Global Risk & Compliance team.

   As a part of the governance framework, details of significant breaches are tabled before the audit committee for its review on a quarterly basis. Regular updates are also provided to the senior leadership team on various aspects of the compliance program, not only to set tone at the top but also as a part of management's commitment to continuous improvement in integrating compliance with the business.

   Principle 2 : Company's efforts to provide goods and services that are safe and contribute to sustainability throughout their life cycle.

1. *List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.*

   We have been conscious of social and environmental concerns and our processes and practices reflect our concern for the environment as can be seen from the details provided in the paragraphs below.

   1. *For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):*

      (a) *Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain?*

      Your Company continues to focus on reducing packaging weight and working on multiple projects to achieve the same. In addition, your Company continues to increase usage of recycled bottles across most popular & prestige brands

      (b) *Reduction during usage by consumers (energy, water) has been achieved since the*

      previous year? Indirect benefits have accrued to customers from the steps taken above.

      The above steps ensure reduction of Environment impacts related to Water, Energy & Green House Gas Emissions in the supply chain

ANNEXURE 9 *(CONTINUED)*

2. *Does the Company have procedures in place for sustainable sourcing (including transportation)?*

   (a) *If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.*

   Your Company has initiated processes addressing the need for sustainable sourcing. In line with Diageo's global statement of intent on sustainable procurement, your Company has issued its own guideline on Partnering with Suppliers, covering engaging with vendors on ethical business practices, protection of human rights, health and safety standards as well as reduction of environmental impact.

   Additionally, your Company has implemented the roll out of Sedex across its vendor base in a phased manner, a global collaborative platform for sharing of responsible sourcing data and has co-sponsored events like Aim-Progress Conclave towards responsible sourcing & sustainability.

3. *Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?*

   Your Company has identified certain categories of spend amenable to sourcing from MSME vendors, like corrugated boxes or recycled bottles, and almost exclusively sources such categories from sources proximal to our manufacturing locations. In addition, agri-commodities like grapes, broken rice & maize etc. are sourced from local communities & cooperatives.

   (a) *If yes, what steps have been taken to improve their capacity and capability of local and small vendors?*

   In order to ensure such parties meet our specification requirements, your Company teams routinely conduct audits, identify process gaps and educate vendors on performance improvement and best practices.

   In line with the tenets of Principle 2 that businesses should raise the consumer's awareness of their rights through education, product labelling, appropriate and helpful marketing communication etc. and to provide full details of contents and composition and to promote re-usage and disposal of their products and services, your Company ensures that its product labels comply to all statutory requirements per legal metrology, food & safety standard set. Apart from this, customers are also made aware of mandatory requirements of individual states or markets, including but not limited to a detailed ingredient list, clearly published manufacturing & licensing details, customer care contact details as well as mandatory warnings as applicable for alcobev industry.

   With regard to regular review to improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations, USL ensures minimization of our resource usage footprint, by working collaboratively with our suppliers along the following dimensions:

   - Product specification optimization: including but not limited to light-weighting of containers, gauge reduction of metal components, weight optimization of print material etc., deploying available / new-age technologies & manufacturing capabilities with our suppliers.
   - Feature optimization: In select cases, we have removed surplus packaging components to reduce overall material use.
   - Rationalization: Your Company is working towards rationalization of our material components for both economies of scale as well as maximizing utilization across our requirements, especially for recycled products like returnable bottles.

     In addition to above mentioned optimization drives, your Company has led in recycling through utilization of returnable glass bottles across a significant part of our popular brand. In addition, your Company collaborates with supply partners like Tetrapak to facilitate recycling & utilization of laminates, as well as glass suppliers for re-use of broken cullets.

     Your Company is additionally working towards compliance on anticipated future requirements like proposed plastic waste management rules and extended supplier responsibilities thereupon.

4. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of product and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

   More than 90% of waste water generated in factories, after-treatment, recycled back for use. Also more than 90% of the solid waste generated in the manufacturing locations are recycled through authorized recyclers. We source significant proportion of sustainable packing for the product packaging, with at least overall >40% recycled content and plan to increase further in future.

ANNEXURE 9 *(CONTINUED)*

Principle 3 : Company's efforts to promote the wellbeing of all employees

1. *Please indicate the total number of employees*
   We have 3546 employees including Executive, permanent workmen and staff.
2. *Please indicate the total number of employees hired on temporary/contractual/casual basis.*
   We have hired 3167 contract or temporary employees and retainers/consultants.
3. *Please indicate the number of permanent women employees.*
   We have 384 permanent women employees.
4. *Please indicate the Number of permanent employees with disabilities.*
   6
5. *Do you have an employee association that is recognized by management?*
   Yes.
6. *What percentage of your permanent employees/is members of this recognized employee association?*
   53% of our permanent employees are members of this recognized employee association.
7. *Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.*

   During the financial year 2018-19, 1 (one) sexual harassment complaint was reported and resolved.
8. *What percentage of your under mentioned employees were given safety and skill upgradation training in the last year?*
   a. Permanent Employees : 95%
   b. Permanent Women Employees : 95%
   c. Casual/Temporary/Contractual Employees : 95%
   d. Employees with Disabilities : NA

Principle 4: Company's efforts to respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. *Has the Company mapped its internal and external stakeholders? Yes/No*
   Yes.
2. *Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?*
   Yes.
3. *Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.*

   Your Company, has launched Project S.H.E. (Security-Heath-Education) which is a grassroot program on Security-Health-Education empowers communities around our plant locations in the semi-urban and rural areas of the country. The programme benefits around 40000 women. The programme aims to support on water security, health and education through various trainings to the women for livelihood generation.

   As a part of our Sustainable development initiaitives we have worked on water positive projects that will help restore around 300,000 m3 of water through various approaches like pond desiltation, laying of water pipeline, farm ponds, etc around our plant locations.

   Your Company, as part of the CSR initiatives for the last several years had been working in the area of road safety. We partner with the Central and state governments, universities, law enforcement agencies, media, knowledge partners and other likeminded partners to create awareness and tackle this issue at a holistic level.

   Our education efforts are directed in two areas. One is a high visibility public awareness campaign 'Diageo Road to Safety' together with the media and a 'Diageo Road Safety - Towards Responsible Youth' programme in partnership with the Ministry of Road Transport and Highways. The latter is the country's first ever integrated formal training to university students seeking a learner's licence. The goal is to reach over 500 universities across the country in the next three to five years; with the first year's target being 100 programmes across 50 universities. In addition, together with our partner the Institute of Road Traffic Education in India (IRTE), we continue to provide capacity building training and awareness to traffic officials and commercial vehicle drivers through our signature Diageo Road to Safety initiative. Till date we have trained for over 6,000 commercial

ANNEXURE 9 *(CONTINUED)*

vehicle drivers, 6,100 police officials, 6000 commercial drivers, PWD Engineers on road safety. We have also donated high-quality breath analysers to police departments of several states

Principle 5: Company's efforts to promote human rights

1. *Does the policy of the company on human rights cover only the Company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?*

   The Code of Business Conduct & Ethics (CoBCE) is the key policy governing the compliance and ethics framework of the Company and extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs.

   The Code of Business Conduct & Ethics (CoBCE) is the key policy governing the compliance and ethics framework of the Company and extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs. USL subsidiaries also, namely, Pioneer Distilleries Limited, Sovereign Distilleries Limited, Tern Distilleries Private Limited and Royal Challenge Sports Private Limited, Suppliers/Contractors are covered by CoBCE.

2. *How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?*

   During the year, there were no cases reported concerning human rights.

Principle 6: Company's efforts towards environment protection

1. *Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/ others.*

   The Policy is applicable to Group companies of your Company.

2. *Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.*

   Yes, your Company's sustainability strategies targets 2020, baseline reporting year as 2007 as explained below for each of the parameters & also have achieved the goals ahead of 2020.

   Water:
   - Reduce water use through a 50% improvement in water use efficiency.
   - Return 100% of waste water from our operations to the environment safely.
   - Replenish the amount of water used in our final product in water stressed areas.

   Carbon:
   - Reduce absolute greenhouse gas emissions from direct operations by 50% Waste:

     Achieve zero waste to landfill. www.diageoindia.com.

3. *Does the Company identify and assess potential environmental risks? Y/N*

   If yes, does the Company have any project related to Clean Development Mechanism(CDM)? If so, provide details there of, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

   Your Company is committed to Carbon footprint reduction. USL has reduced carbon emission greater than 70% with respect to 2007 baseline through implementation of multiple projects to meet demand of operation through renewable fuel and in-house power generation. Your Company developed a strategy to increase Steam Turbine & Solar Power generation in factories.

4. *Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.? Y/N. If yes, please give hyperlink for web page etc.*

   Yes, Your Company has invested in multiple projects over last the few years and has ensured significant reduction in emissions through clean technology. The following link provides detailed information: http://www.diageo.com/en-row/csr/casestudies/ Pages/moving-fast-to-displace-fossil-fuels.aspx.

5. *Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?*

   Yes.

ANNEXURE 9 *(CONTINUED)*

6. *Number of show cause / legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.*

   There are no Pending notices which are not responded properly and not resolved to satisfaction as at the end of the financial year.

Principle 7 : Company's efforts to responsibly engage while influencing public and regulatory policy

1. *Is your company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with:*
   (a) International Spirits and Wines Association of India (ISWAI)
   (b) Confederation of Indian Alcoholic Beverage Companies (CIABC)
   (c) Retailers Association of India (RAI)
   (d) United Nations Global Compact (UNGC)

   In addition to UNGC and RAI platforms, we strongly advocate and support Sustainable Development Goals (SDGs) through our projects and campaigns.

2. *Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)*

   Yes. USL Diageo is a founding signatory of the Beer, Wine and Spirits Producers' Global Commitments, an ambitious set of targets aimed at making measurable progress in the following five areas, which we have advocated through the associations:

   - Reducing underage drinking
   - Strengthening and expanding marketing codes of practice
   - Providing consumer information and responsible product innovation
   - Preventing drinking and driving
   - Enlisting the support of retailers to reduce harmful drinking

Principle 8 : Company's efforts to support inclusive growth and equitable development

1. *Does the Company have specified programmes / initiatives / projects in pursuit of the policy related to Principle 8? If yes details thereof.*

   Your Company's priorities in India aim to enrich lives, communities and the environment through good business encompassing 3 key areas:

   1. Tackling alcohol misuse and promoting Responsible Drinking, focusing on drunk driving; underage drinking and industry collaboration
   2. Empowering women, focusing on education and skills
   3. Benefiting the communities around our plants, focusing on sanitation and health including Water.

   Key campaigns / wins / achievements / leadership in Tackling alcohol misuse and promoting Responsible Drinking are given below-

   (a) **Diageo 'Road to Safety'**

   For the last several years we have been working in the area of road safety. We partnered with the Central and state governments, universities, law enforcement agencies, media, NGO and knowledge partners and other likeminded partners to tackle this issue at a holistic level. Our programme is based on four pillars—Education on road safety, Enforcement of rules and regulations, Emergency Services and Engineering for Road Safety.

   Diageo India runs a national programme on capacity building of traffic police officials to enhance enforcement capabilities to deal with Road Safety. This program is currently in its 4th Year of implementation and is run in partnership with the Institute of Road Traffic Education (IRTE) and supported by the Union Ministry of Road Transport & Highways. Till date we have covered 19 states – ~6000 traffic officials + 5884 commercial vehicle drivers + 6000 university students on the perils of drink driving.

ANNEXURE 9 *(CONTINUED)*

In order to spread regional awareness on the topic of Road Safety, Diageo India partnered with Network 18 to launch a national wide Road Safety Awareness campaign that is more embedded & relevant. The programme covered through Network18's 3 national and 14 regional channels reached over 13.6 Mn viewers on air and approx. 20 Mn viewers through the digital medium, received over 450,000 pledges to 'Never Drink & Drive'. The programme featured regional panel discussions on Road to Safety by engaging key stakeholders from the respective states, pledge drives, education on safe driving involving good Samaritans and celebrities.

We have spearheaded an industry initiative on 'Curbing irresponsible consumption' together with the UP Government to bring down road accidents in the state. Continuing the pace of this initiative Diageo India has also partnered with the Pondicherry Government for a high visibility Road to Safety programme in the state. The project will be to mitigate the high occurrence of road crashes leading to serious injuries and deaths, as well as to improve the efficiency of road traffic movement along with capacity building of the Government agencies.

Diageo India has also partnered with the Ministry of Road Transport & Highways for the country's first of its kind 'Road to Safety – Towards Responsible Youth' programme. The programme, together with the Institute of Road Traffic & Education, will provide an integrated formal training for university students seeking learner's license. The programme aims to reach over 500 universities across the country in the next 3 – 5 years.

(b) **Key community programmes**

(i) <u>**Women Empowerment**</u>**:**

Our grassroots program on **Security-Health-Education (SHE)** empowers communities around our plant locations in the semi-urban and rural areas of the country. The initiative benefits around 40000 women. We have helped set up the first Water, Sanitation and Health (WASH) committee which is mostly represented by women of the villages to increase people participation in identifying and solving challenges related to water, sanitation and livelihood. These WASH committees are technically supported by our NGO partners to mainstream these committee in the formal village development committees under the village Panchayat. The SHE program not only focuses on awareness generation but also provide livelihood generation opportunities by providing various skill development trainings.

In Alwar a self-help group (SHG) of 20 women was trained and supported to set up a micro enterprise to produce low cost sanitary napkins. They are producing and marketing it to more than 20 villages. This initiative has not only helped improved their earning but also the sanitation of over 5000 women. They are also helping in raising awareness on hygiene and safer menstruation practices in the surrounding villages. Till date they have produced and sold over 2 Lakh sanitary napkins.

We have helped install 25 Water ATMs across Nagpur City benefitting around 44,505 people. On successful completion of the installation of these water ATMs, they were handed over to 25 women SHGs to create livelihood opportunity. Around 272 women earn a livelihood by selling approx. 3500 bottles of water every day.

Similarly, in Bhopal a solar powered Water ATM has been installed and handed over to a women group creating livelihood opportunity to 15 women. The program intended in building a sense of entrepreneurship among the women. Today these women market and sell approx. 200 bottles every day. There are plans to upgrade the unit by increasing the production quantity.

Diageo India also initiated and implemented a project in 2 villages of Maharashtra aimed at improving livelihood, nutrition and de-addiction for women's groups challenged due to alcohol misuse. Following are the deliverables of the project.

Livelihood: Average income of engaged women increased to Rs 3000 through our livelihood skill development programs (tailoring, beauty parlor, etc.).

Nutrition: 12 children suffering from malnutrition were identified. Due to this intervention their average weight has increased by 600 grams.

Alcohol De-addiction: Regular counselling sessions were undertaken over 650 individuals to join rehabilitation.

ANNEXURE 9 *(CONTINUED)*

(ii) **Water Projects :**

At Diageo India we are working with our partners to tackle the issue of sustainability, creating awareness on water conservation and fund mechanics program to restore broken water projects to ensure supply of safe drinking water to the community. In the states like Maharashtra, Madhya Pradesh, Chhattisgarh and Rajasthan in association with local governance we have successfully done mass water replenishment projects which include installation of water ATM's, restoring/construction of ponds, making of check dams, door to door tap connection, installation of borewells, etc. In order to ensure sustainability of the project and create livelihood the assets have been handed over to Gram Panchayat and village WASH committees to ensure the responsible usage. Around 1,024,875 cu.mtr. of water has been replenished under this initiative benefiting around 1.2 Lakh of population.

In Alwar-Rajasthan around 170000 m3 water was generated through rainwater harvesting structures, pond desilting and better water management practices. Earlier women had to walk a long distance to fetch water, now these villages have 100% piped water facility at home. With piped water availability, the villages are committed to become 100% 'open defecation free', which they achieved and got rewarded by the government.

Pond Renovation work was carried out in 30 villages of Rajnandgaon district in Chhattisgarh benefitting around 23000 population.

We helped construct a Check dam in Amla village in Bhopal ensuring the availability of water and increasing the irrigation cycle of the area by 2-3 times. It has also enhanced the productivity of the land from 19 quintal to 25 quintal per acre per irrigation cycle. Now the area around the check dam holds around 50 acres of agriculture land whose yearly production has increased from 950 Quintal to approx. 2500 Quintal. This not only has enhanced livelihood but also the nutrition index of the society.

(iii) **Learning for Life:**

Diageo India partnered with Pratham to impart skills training to 200 underprivileged female youth in and around Yavatmal district in the field of Hospitality at Pratham's centre at Ralegaon and consequently assist them in gainful employment. Upon completion of the course, students are placed with Pratham's placement partners which include major 3 to 5 star hotel chains, including Marriott, Fortune, Lemon Tree, etc. with an average salary of about INR 8,000 plus food and accommodation (varies across regions).

Diageo India partnered with Orion Edutech to impart skill training to 100 youths from Barrackpore previously engaged in production of illicit alcohol. They are being trained in automobile repairing and CCTV installation. After 4 months of training these individuals will be placed in various agencies according to their skills.

2. *Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?*

   The programs are undertaken through reputed NGO partners and relevant organizations. We look at government partnerships in all our programs.

3. *Have you done any impact assessment of your initiative?*

   Yes, all our programs have strong measurement metrics built into them.

4. *What is your Company's direct contribution to community development projects-*

   Amount in INR and the details of the projects undertaken.

   - Education: INR 87.22 Million
   - Health: INR 29.25 Million
   - Women: INR 0.37 Million
   - Rural Development: INR 0.30 Million
   - Sports: INR 0.1 Million
   - Environment & Disaster Relief- INR 0.52 Million

ANNEXURE 9 *(CONTINUED)*

- Employee Volunteering- INR 1.42 Million
- Admin Cost for CSR activities- INR 1.87 Million

5. *Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.*

   Extensive community outreach has been built in our programs. We have created strong Self Help Groups (SHG) and WASH (Water, Sanitation and Hygiene) committees to ensure engagement, involvement and adoption by the community.

   A common thread across locations has been the many effective meetings of the WASH (Water, Sanitation and Hygiene) committees to understand the counteracting forces by assessing cultural backgrounds of the users of the water and sanitation facilities planned under S.H.E to:

- Raise ownership
- Increase potential of success
- Mitigate risks
- Diminish failure (e.g. to ensure that systems are not used to sabotage/vandalise)

Principle 9: Company's efforts to engage with and provide value to their customers and consumers in a responsible manner

1. *What percentage of customer complaints/consumer cases are pending as on the end of financial year.*

   In this financial year, we received 163 customer complaints and out of which 5 are pending to be resolved. There were no consumer complaints registered against the Company with the respective Forums.

2. *Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. / Remarks(additional information)*

   Yes. Generally we have front and back label for few brands and few have a single label.

   For **Back Label** – We print following mandatory details

   1. Branding
   2. MRP
   3. Manufacturing unit address
   4. Reg. office address
   5. FSSAI License number
   6. Customer care phone number and Mail ID.
   7. Ingredients
   8. Quantity and strength declarations
   9. Batch number and date of manufacturing
   10. Bar code
   11. Excise mandates as per state excise regulation.
   12. Country of Origin.

   Front Label – We include:

   1. Branding
   2. Brand Claim / Brand Story
   3. Brand Assets

ANNEXURE 9 *(CONTINUED)*

3. *Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.*

   Nil

4. *Did your Company carry out any consumer survey/ consumer satisfaction trends?*

   Yes. Your Company conducts various researches to make sure the best in class offer goes in the market; and also there is a regular survey in place to track consumer feedback on brand metrics. We use Neurotool to evaluate blends, packs, communication for our core brands; we have Brand track to monitor brand equity, Quality, awareness, penetration at regular intervals.

   We are also undertaking extensive Shopper studies across different consumer segments this year, to understand consumers' purchase journey and decision-making to identify how our brands are influencing the shopper/consumer during the purchase journey to win at the point of purchase.

   There is another study currently running, which is about 'Quality at shelf display'– this is a qualitative survey to understand consumer acceptability of our brands from both retailer and consumers perspective.

INDEPENDENT AUDITORS' REPORT

To the Members of United Spirits Limited

Report on the audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of United Spirits Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended on that date.

Basis for opinion

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

Emphasis of Matter

4. We draw attention to the following matters:

   a) As explained in Note 41 to the standalone financial statements, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's erstwhile non-executive Chairman and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Company and/or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Company, if any, arising from potential non-compliances with applicable laws in respect of the above.

   b) As explained in Note 42(b) to the standalone financial statements, pursuant to its strategic objective of divesting non-core assets and rationalization of its subsidiaries, the Company has commenced the rationalization process and has sought approval of regulatory authorities for divesting its stake in an overseas subsidiary and liquidating three of its wholly owned overseas subsidiaries and three of its wholly owned step-down overseas subsidiaries. The completion of the above divestment as well as liquidations by the Company are subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential historical non-compliances, if established, with applicable laws, with respect to its overseas subsidiaries.

   c) As explained in Note 44(a) to the standalone financial statements, the Managerial remuneration for the year ended March 31, 2015 included an amount paid in excess of the limit prescribed under the provisions of Schedule V to the Act by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO). The Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration from the former ED & CFO.

   d) Note 45 to the standalone financial statements:

      i) regarding clarifications sought by Securities and Exchange Board of India on matters covered by the Company's Initial Inquiry and Additional Inquiry and certain aspects of the agreement entered into by the Company with its erstwhile non-executive Chairman to which the Company has responded;

ii) regarding various issues raised and show cause notices issued pursuant to an inspection under Section 206(5) of the Companies Act, 2013 by Ministry of Corporate Affairs/ Registrar of Companies, Karnataka, alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. Following the aforesaid show cause notices, the Company received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the "Registrar") inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013. The Company thereafter filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and requested the Registrar to drop one show cause notice based on expert legal advice received, for which response is awaited.

iii) regarding the ongoing investigation by the Directorate of Enforcement in connection with the agreement entered into by the Company with its erstwhile non-executive Chairman and investigations under the provisions of Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Company had responded; and

iv) regarding clarifications sought by Authorised Dealer banks in relation to certain queries from the Reserve Bank of India with regard to remittances made in prior years by the Company to its overseas subsidiaries, past acquisition of the Whyte and Mackay group, clarifications on Annual Performance Reports submitted for prior years and clarifications on compliances relating to the Company's overseas Branch office, to which the Company has responded/ is in process of responding.

e) As explained in Note 46 to the standalone financial statements, the Company is in litigation with a bank ("the Bank") that continues to retain the pledge of certain assets of the Company and of the Company's shares held by USL Benefit Trust (of which the Company is the sole beneficiary) despite the Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the Bank and as directed by the Hon'ble High Court of Karnataka (the "Court"). The Court has directed the Bank not to deal with the pledged assets of the Company (including the shares held by USL Benefit Trust) as mentioned above till the disposal of the original writ petition filed by the Company in the Court.

f) As explained in Note 48 to the standalone financial statements, the Company came across information suggesting continuing past practices resulting in differences in reporting to the relevant Regulatory Authorities of yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process, and the related actions taken by the Company in this respect. The Company will continue to monitor developments, if any, on this matter.

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
a) **Assessment of the appropriateness of provisions recognised and contingent liabilities disclosed in respect of certain tax matters** (Refer notes 8, 18 and 50 to the standalone financial statements and Appendix 1 to Annexure A of the Audit Report) As at March 31, 2019, the Company has significant tax exposures and is subject to periodic assessments/ challenges by tax authorities on transfer pricing, income tax and a range of indirect tax matters.	Our audit procedures included the following: • Understood, assessed and tested the design and operating effectiveness of the Company's controls in respect of identifying potential tax exposures and/or the accounting and disclosures thereof. • Evaluated the related accounting policy for provisioning for tax exposures/ disclosure of contingent liabilities.

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Consequent to such tax assessments and demands relating to past several years, the Company has paid certain amounts under protest at various dates. The Company has also filed appeals with various appellate authorities against such demands.
Management judgement is involved in assessing the likelihood of ultimate outcome of the tax disputes to decide on the accounting/ disclosure requirements. In certain complex matters the probable amount of the outflows determined by management is supported by opinions obtained from external tax counsels/ experts (management tax experts).
We considered this a key audit matter as:

The amounts involved are significant to the standalone financial statements
Change in the management's judgements and estimates may significantly affect the provisions recognised or contingent liabilities disclosed
Matters of disputes are complex in some cases due to the industry in which the Company operates and may lack clarity under tax laws.

</td><td>

Obtained management's assessment in respect of tax demands on whether tax outflow is either probable, possible or remote.
Along with the auditors' experts, where necessary, evaluated the management's assessment as follows:

For the samples selected, read the correspondences received during the year from the tax authorities.
Read views provided by the management, management tax experts as applicable.
Assessed management's positions on significant tax exposures for reasonableness.
Ensured completeness of litigations by inquiring with the management, review of board minutes, and review of significant legal expenses.
Evaluated the objectivity, competence and capabilities of the management tax experts
Evaluated the adequacy of disclosures made in the standalone financial statements.

Based on the above procedures, we considered the management's assessment in recognising provisions and disclosing contingent liabilities in respect of the stated tax matters, as reasonable.
</td></tr>
<tr><td>
b) Assessment of Expected Credit Loss (ECL) provision in respect of Loans to subsidiaries
(Refer Note 31 to the standalone financial statements)
The Company has outstanding loans due from some of its subsidiaries aggregating to INR 60,616 million as at year end.
These loans to subsidiaries fall within the scope of Ind AS 109- Financial Instruments and are measured at amortised cost using effective interest method. A credit loss provision is recorded to adjust the balance to the present value of estimated cash flows. The Company carries an accumulated credit loss provision of INR 54,363 million against such loans as at year end.
We considered provisioning for credit loss on loans to subsidiaries as a key audit matter as estimation of credit loss provision requires management to make significant assumptions on forward looking information for subsidiaries such as financial projections and the ability of the subsidiaries to repay those loans.
</td><td>
Our audit procedures included the following:

Understanding, evaluation of the design and testing the operating effectiveness of controls to assess the adequacy of credit loss on loans to subsidiaries.
Tested the methodology applied in the credit loss provision estimation by comparing it to the requirements of the relevant accounting standard.
Tested the mathematical accuracy of management's model used to calculate credit loss provision.
Examined the repayment terms by reference to the loan agreements with subsidiaries and evaluated key underlying assumptions such as expected growth in revenue, cost savings, timing and ability to repay loans by evaluation of forecasts of future cash flows.
Evaluated the adequacy of disclosures made in the standalone financial statements.

Based on above audit procedures performed, we did not note any significant exception to ECL provision in respect of loans to subsidiaries.
</td></tr>
</table>

Other Information

6. The Company's Board of Directors is responsible for preparation of other information. The other information comprises the information included in the Report of the Directors, Business Responsibility Report, Corporate Governance Report and Management Discussion and Analysis, but does not include the standalone financial statements and our auditor's report thereon.

7. Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

8. In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

   We have nothing to report in this regard.

Responsibilities of management for the Standalone Financial Statements

9. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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 implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

11. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

12. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

13. We also:

    a) Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to the standalone financial statements in place and the operating effectiveness of such controls.

    c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

14. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

15. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

17. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of Section 143(11) of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the "Annexure A" statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.

    d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

    e) The matters stated in paragraphs (a), (b), (d), (e) and (f) of paragraph 4 above titled 'Emphasis of matter' in our opinion, may have an adverse effect on the functioning of the Company.

    f) On the basis of the written representations received from the directors as on March 31, 2019 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act.

    g) With respect to the adequacy of the internal financial controls with reference to the standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

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

        i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2019 on its financial position in its standalone financial statements – Refer Notes 8, 18, 43, 44, 46, 47 and 50 to the standalone financial statements;

ii. The Company did not have any long term contracts including derivative contracts as at March 31, 2019 for which there were any material foreseeable losses – Refer Note 56 to the standalone financial statements;

iii. The Company has transferred amounts required to be transferred to the Investor Education and Protection Fund by due dates during the year ended March 31, 2019 except for five instances aggregating to INR 1 million with delays ranging from 5 to 22 days; and

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2019.

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

Pradip Kanakia
Partner
Membership Number: 039985

Bengaluru
May 29, 2019

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 17 of the Independent Auditors' Report of even date to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2019

i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

(c) The title deeds of immovable properties, as disclosed in Note 3.1 to the standalone financial statements (Property, plant and equipment), are held in the name of the Company, except as disclosed below:

Particulars	Freehold land	Leasehold land	Buildings
Number of cases	3	1	3
Gross carrying amount as at March 31, 2019 (INR millions)	16	10	398
Net carrying amount as at March 31, 2019 (INR millions)	16	5	351

ii. The physical verification of inventory including stocks with certain third parties and excluding stock in transit have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with the remaining third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. There are no companies covered in the register maintained under Section 189 of the Act for the purpose of loans granted by the Company.

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

v. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 73, 74, 75 and 76 or any other relevant provisions of the Act and the Rules framed thereunder to the extent notified, with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

vi. The Central Government of India has not specified the maintenance of cost records under Section 148 (1) of the Act for any of the products of the Company.

vii. (a) According to the information and explanations given to us including management's assessment in respect of the provident fund matter as referred to in Note 50 (d) to the standalone financial statements and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues in respect of provident fund, employees' state insurance, tax deducted at source, tax collected at source, value added tax, goods and services tax, though there has been a delay in a few cases and is regular in depositing other undisputed statutory dues including sales tax, duty of excise, income tax, duty of customs and other material statutory dues, as applicable, with appropriate authorities.

The extent of the arrears of undisputed statutory dues outstanding as at March 31, 2019, for a period of more than six months from the date they became payable are as follows:

Name of the statute	Nature of dues	Amount (INR million)	Period to which the amount relates	Due date	Date of Payment
Stamp duty acts of various states	Stamp duty and interest thereon	138 #	Various	Various	Not yet paid

Estimated amount of liability including interest for delay in payment.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, value added tax, service tax, duty of customs, duty of excise and entry tax as at March 31, 2019 which have not been deposited on account of a dispute are disclosed in Appendix 1 to this report. There have been no dues of goods and services tax which have not been deposited on account of a dispute.

viii. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for the matter relating to differences in reporting to relevant Regulatory Authorities of yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process described in Note 48 to the standalone financial statements for the year ended March 31, 2019, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.

xi. Read with paragraph 4(c) of our report of even date on the standalone financial statements, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules 2014.

xiv. The Company has not made any preferential allotment of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non cash transactions with its directors or persons connected with them. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

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

Pradip Kanakia
Partner
Membership Number: 039985

Bengaluru
May 29, 2019

APPENDIX 1 – PARTICULARS OF TAX DUES NOT DEPOSITED ON ACCOUNT OF A DISPUTE*

Referred to in paragraph vii(b) of Annexure A to the Independent Auditors' Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2019

Name of the statute	Nature of dues	Disputed amount (INR millions)	Amount paid (INR millions)	Unpaid Amount (INR millions)	Financial Year to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	563	563	-	2006-07 to 2008-09	Assessing Officer of Income Tax
Income Tax Act, 1961	Income Tax	2,553	1,615	938	1996-97, 2003-04, 2005-06, 2007-08, 2009-10, 2010-11, 2012-13 and 2013-14	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	7,023	302	6,721	2014-15	Dispute Resolution Panel
Income Tax Act, 1961	Income Tax	16,767	7,080	9,687	1988-89 to 1989-90, 1991-92 to 1993-94, 1995-96, 1997-98 to 2000-01, 2002-03 to 2003-04, 2004-05, 2005-06 to 2008-09, 2011-12 to 2013-14	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	1,679	-	1,679	1993-94 to 2004-05	High Courts of various states
Customs Act, 1962	Custom Duty	0	-	0	1997-98	Commissioner of Customs
Customs Act, 1962	Custom Duty	2	-	2	1993-94 to 1995-96	Madras High Court
Service Tax - Finance Act 1994	Service Tax	1,344	-	1,344	2006-07 to 2015-16	Commissioner of Service Tax
Service Tax - Finance Act 1994	Service Tax	678	31	647	2004-05 to 2006-07, 2008-09 to 2010-11	Customs Excise and Service Tax Appellate Tribunal
Service Tax - Finance Act 1994	Service Tax	1	-	1	2012-13	High Court of Kerala
Central Excise Act, 1944	Central Excise Duty	1,473	70	1,403	1994-95, 1999-2000 and 2017-2018	Commissioner of Central Excise
Central Excise Act, 1944	Central Excise Duty	2	-	2	1999-2000	Deputy Commissioner of Central Excise
Karnataka Sales Tax Act, 1957	Sales Tax/ Value Added Tax	43	-	43	1996-97 and 2006-07	Civil Court, Karnataka
West Bengal Sales Tax Act, 1994	Sales Tax/ Value Added Tax	760	-	760	2015-16	Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	32	6	26	1993-94 to 1997-98, 2010-11 to 2014-15	Commercial Tax Officer

* As represented by the management
# '0' indicates that the amounts involved are below INR five lakhs and the sign '-' indicates that amounts are Nil

APPENDIX 1 – PARTICULARS OF TAX DUES NOT DEPOSITED ON ACCOUNT OF A DISPUTE* *(CONTINUED)*

Referred to in paragraph vii(b) of Annexure A to the Independent Auditors' Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2019

Name of the statute	Nature of dues	Disputed amount (INR millions)	Amount paid (INR millions)	Unpaid Amount (INR millions)	Financial Year to which the amount relates	Forum where the dispute is pending
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	137	41	96	1994-95 to 1996-97, 2005-06, 2006-07, 2009-10 to 2013-14, 2015-16	Assistant Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	21	0	21	2003-04, 2004-05, 2006-07 to 2013-14, 2016-17 and 2017-18	Additional Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	213	53	160	1985-86, 1989-90, 2004-05 to 2013-14 and 2015-16 and 2017-18	Deputy Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	1,619	471	1,148	2000-01 to 2014-15	Joint Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	237	47	190	1987-88,1990-91, 1992-93 to 2000-01, 2004-05, 2005-06, 2007-08, 2009-10 to 2013-14	Commercial Taxes Appellate Tribunal
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	15	-	15	1993-94, 2003-04, 2005-06	Commercial Taxes Appellate Tribunal and Revisionary Board
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	198	157	41	1978-79 to 1984-85, 1988-89, 1989-90, 1992-93, 1993-94, 1996-97 to 2001-02, 2007-08 and 2009-10 to 2011-12	High Courts of various states
Various Entry Tax Acts	Entry Tax	0	0	0	1989-90	Assessing Officer
Various Entry Tax Acts	Entry Tax	37	-	37	2010-11 to 2012-13	Deputy Commissioner of Commercial Taxes
Various Entry Tax Acts	Entry Tax	7	1	6	2007-08 to 2010-11	Joint Commissioner of Commercial Taxes
Various Entry Tax Acts	Entry Tax	24	16	8	2000-01, 2004-05 and 2007-08	Commercial Taxes Appellate Tribunal
Various Entry Tax Acts	Entry Tax	250	-	250	2005-06, 2009-10	High Court of various states
Various Entry Tax Acts	Entry Tax	39	30	9	2003-04 to 2013-14	Supreme Court
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	13	-	13	1993-94	Civil Court, West Bengal
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	0	-	0	1994-95 and 2014-15	Collector of State Excise, West Bengal
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	9	-	9	1993-94 and 2016-17	Additional District Magistrate, West Bengal

APPENDIX 1 – PARTICULARS OF TAX DUES NOT DEPOSITED ON ACCOUNT OF A DISPUTE* *(CONTINUED)*

Name of the statute	Nature of dues	Disputed amount (INR millions)	Amount paid (INR millions)	Unpaid Amount (INR millions)	Financial Year to which the amount relates	Forum where the dispute is pending
Various State Excise Acts	State Excise	26	-	26	2010-11 to 2017-18	Superintendent of State Excise
Various State Excise Acts	State Excise	103	6	97	1974-75 to 1988-89, 1993-94 to 1998-99, 2002-03 to 2009-10, 2011-12, 2013-14 to 2016-17	Commissioners of State Excise
Various State Excise Acts	State Excise	69	3	66	1987-88, 2001-02 to 2003-04 and 2005-06	Additional Commissioners of Excise
Various State Excise Acts	State Excise	24	-	24	2001-02 and 2003-04 to 2007-08	State Taxation Tribunals
Various State Excise Acts	State Excise	474	140	334	1972-73, 1973-74, 1980-81, 1982-83, 1997-98, 1998-99, 2001-02,2002-03, 2010-11, 2012-13 to 2015-16	High Courts of various states
Various State Excise Acts	State Excise	1,234	75	1,159	1971-72, 1992-93, 1996-97, 2002-03	Supreme Court

* As represented by the management
# '0' indicates that the amounts involved are below INR five lakhs and the sign '-' indicates that amounts are Nil

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

Report on the Internal Financial Controls under Section 143(3)(i) of the Act

1. We have audited the internal financial controls with reference to the financial statements of United Spirits Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls with reference to Financial Statements

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

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

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

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as of March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI.

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

Pradip Kanakia
Partner
Membership Number: 039985

Bengaluru
May 29, 2019

BALANCE SHEET

(All amounts in INR Millions unless otherwise stated)

	Notes	As at March 31, 2019	As at March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	11,151	9,901
Capital work-in-progress		1,006	980
Intangible assets	3.2	131	120
Intangible assets under development		165	-
Investments in subsidiaries and associate	4	2,984	2,775
Financial assets			
Loans	5	6,475	7,030
Other financial assets	6	757	743
Deferred tax assets (net)	7	1,878	856
Income tax assets (net)	8	9,309	5,600
Other non-current assets	9	3,695	4,360
Total non-current assets		**37,551**	**32,365**
Current assets			
Inventories	10	18,767	18,694
Financial assets			
Trade receivables	11	25,181	26,998
Cash and cash equivalents	12.1	509	1,119
Bank balances other than cash and cash equivalents	12.2	79	79
Loans	5	169	263
Other financial assets	6	1,529	781
Other current assets	9	2,838	4,694
Total current assets		**49,072**	**52,628**
Assets held for sale	13	-	1,417
Total assets		**86,623**	**86,410**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	1,453	1,453
Other equity			
Reserves and surplus	15	29,862	23,585
Total equity		**31,315**	**25,038**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	16	7,643	7,527
Provisions	18	518	512
Total non-current liabilities		**8,161**	**8,039**

BALANCE SHEET *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

	Notes	As at March 31, 2019	As at March 31, 2018
Current liabilities			
Financial liabilities			
Borrowings	16	18,086	21,435
Trade payables	19		
(A) total outstanding dues of micro enterprises and small enterprises; and		269	89
(B) total outstanding dues of creditors other than micro enterprises and small enterprises		13,091	13,846
Other financial liabilities	17	2,267	6,185
Provisions	18	3,259	2,930
Income tax liabilities (net)	8	4,205	4,577
Other current liabilities	20	5,970	4,271
Total current liabilities		**47,147**	**53,333**
Total liabilities		**55,308**	**61,372**
Total equity and liabilities		**86,623**	**86,410**

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

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place : Bengaluru
Date : May 29, 2019

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

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V. K. Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Executive Vice President & Company Secretary

Place : Bengaluru
Date : May 29, 2019

STATEMENT OF PROFIT AND LOSS

(All amounts in INR Millions unless otherwise stated)

	Notes	For the year ended March 31, 2019	For the year ended March 31, 2018
INCOME			
Revenue from operations	21	285,123	260,691
Other income	22	952	2,060
Total income		**286,075**	**262,751**
EXPENSES			
Cost of materials consumed	23	42,250	39,778
Purchase of stock-in-trade		2,892	2,375
Change in inventories of finished goods, work-in-progress and stock-in-trade	24	807	(177)
Excise duty		195,317	178,990
Employee benefits expense	25	6,753	6,601
Finance costs	26	2,200	2,675
Depreciation, amortisation and impairment expense	3.1,3.2	1,445	1,351
Others:			
Advertisement and sales promotion		8,587	7,882
Loss allowance on trade receivables and other financial assets (net)	31	1,077	1,513
Other expenses	27	14,566	13,450
Total expenses		**275,894**	**254,438**
Profit before exceptional items and tax		**10,181**	**8,313**
Add/ (Less): Exceptional items (net)	28	(267)	90
Profit before tax		**9,914**	**8,403**
Tax expense:			
Current tax	8	4,350	2,401
Deferred tax (credit) / charge	7	(1,022)	385
Total tax expense	29	**3,328**	**2,786**
Profit for the year		**6,586**	**5,617**
Other comprehensive Income			
A. Items that will be reclassified to profit or loss		-	-
B. Items that will not be reclassified to profit or loss			
(i) Remeasurements of post-employment benefit obligations	38(b)E	15	126
(ii) Income tax credit/(charge) relating to these items		(5)	(43)
Other comprehensive income for the year, net of tax		**10**	**83**
Total comprehensive income for the year		**6,596**	**5,700**
Basic and diluted earnings per share (INR)	30	9.06	7.73

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

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place : Bengaluru
Date : May 29, 2019

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

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Executive Director & Chief Financial Officer

V. Ramachandran
Executive Vice President & Company Secretary

Place : Bengaluru
Date : May 29, 2019

CASH FLOW STATEMENT

(All amounts in INR Millions unless otherwise stated)

		Notes	For the year ended March 31, 2019		For the year ended March 31, 2018	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Profit before tax			**9,914**		**8,403**
	Adjustments for					
	Depreciation, amortisation and impairment expense	3.1, 3.2	1,445		1,351	
	Employee share-based payment expense	25	197		84	
	Loss allowance on trade receivables and other financial assets (net)		1,077		1,513	
	Loss allowance on other assets (net)	27	181		-	
	Exchange gain (net) on translation of assets and liability		(15)		(15)	
	Finance costs	26	2,200		2,675	
	Liabilities, provisions or allowances no longer required written back	22	(96)		(477)	
	Gain on disposal of property, plant and equipment (net)	22	(366)		(1,117)	
	Dividend income	22	-		(38)	
	Interest income	22	(425)		(406)	
	Exceptional items	28	267	**4,465**	(90)	**3,480**
	Operating profit before changes in working capital			**14,379**		**11,883**
	(Increase) / decrease in trade receivables		982		1,255	
	(Increase) / decrease in loans and other financials assets		(986)		3	
	(Increase) / decrease in other assets		2,323		653	
	(Increase) / decrease in inventories		(73)		(156)	
	Increase / (decrease) in trade payables		(1,046)		2,612	
	Increase / (decrease) in other financial liabilities		(485)		(3,062)	
	Increase / (decrease) in other liabilities		1,681		(170)	
	Increase / (decrease) in provisions		38	**2,434**	343	**1,478**
	Cash generated from operations			**16,813**		**13,361**
	Income taxes paid	8		(8,238)		(3,898)
	Net cash generated from operating activities			**8,575**		**9,463**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of property, plant and equipment and intangible assets		(1,614)		(1,332)	
	Proceeds from sale of property, plant and equipment and assets held for sale		958		1,373	
	Investment in subsidiaries and associate	42(d), 57	(1,447)		-	
	Proceeds from sale of investment in subsidiaries	42(d)	319		213	
	Loans given to subsidiaries	36(b)(xvi)	(1,766)		(1,166)	
	Repayment of loans by subsidiaries	36(b)(xvii)	3,071		2,345	
	Interest received		413		79	
	Dividend received	22	-		38	
	Net cash inflow / (outflow) from investing activities			**(66)**		**1,550**

CASH FLOW STATEMENT *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

	Notes	For the year ended March 31, 2019		For the year ended March 31, 2018	
C. CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings	16	39,700		44,486	
Repayment of borrowings	16	(47,787)		(57,339)	
Net proceeds from working capital loans	16	1,095		4,963	
Interest paid on borrowings	16	(2,127)		(2,443)	
Net cash inflow / (outflow) from financing activities			**(9,119)**		**(10,333)**
Net increase / (decrease) in cash and cash equivalents			**(610)**		**680**
Cash and cash equivalents as at the beginning of the year			1,119		439
Net increase / (decrease) in cash and cash equivalents (as above)			(610)		680
Cash and cash equivalents as at the end of the year	12.1		**509**		**1,119**

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

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place : Bengaluru
Date : May 29, 2019

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

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V. K. Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Executive Vice President & Company Secretary

Place : Bengaluru
Date : May 29, 2019

STATEMENT OF CHANGES IN EQUITY

(All amounts in INR Millions unless otherwise stated)

A. Equity

Particulars	Note	Amount
Equity share capital as at April 1, 2017	**14**	**1,453**
Changes in equity share capital		-
Equity share capital as at March 31, 2018	**14**	**1,453**
Changes in equity share capital		-
Equity share capital as at March 31, 2019	**14**	**1,453**

B. Other equity

Particulars	Note	Reserves and surplus								Total
		Capital reserve	Capital redemption reserve	Securities premium	Central subsidy	Share based incentive reserve	Contingency reserve	General reserve	Retained earnings	
Balance as at April 1, 2017		**683**	**699**	**45,682**	**2**	**40**	**110**	**11,033**	**(40,324)**	**17,925**
Profit for the year		-	-	-	-	-	-	-	5,617	5,617
Other Comprehensive Income (OCI), net of tax		-	-	-	-	-	-	-	83	83
Total comprehensive income		-	-	-	-	-	-	-	**5,700**	**5,700**
Share based incentives	34	-	-	-	-	20	-	-	-	20
Cross charge by Diageo group during the year towards share based incentives		-	-	-	-	(60)	-	-	-	(60)
Balance as at March 31, 2018 (as originally presented)	**15**	**683**	**699**	**45,682**	**2**	**-**	**110**	**11,033**	**(34,624)**	**23,585**
Impact of change in revenue recognition policy on adoption of Ind AS 115	39	-	-	-	-	-	-	-	(368)	(368)
Restated balance at April 1, 2018		**683**	**699**	**45,682**	**2**	**-**	**110**	**11,033**	**(34,992)**	**23,217**
Profit for the year		-	-	-	-	-	-	-	6,586	6,586
Other Comprehensive Income (OCI), net of tax		-	-	-	-	-	-	-	10	10
Total comprehensive income		-	-	-	-	-	-	-	**6,596**	**6,596**
Share based incentives	34	-	-	-	-	116	-	-	-	116
Cross charge by Diageo group during the year towards share based incentives		-	-	-	-	(67)	-	-	-	(67)
Balance as at March 31, 2019	**15**	**683**	**699**	**45,682**	**2**	**49**	**110**	**11,033**	**(28,396)**	**29,862**

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

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place : Bengaluru
Date : May 29, 2019

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

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V. K. Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Executive Vice President & Company Secretary

Place : Bengaluru
Date : May 29, 2019

NOTES TO THE FINANCIAL STATEMENTS

Company overview

United Spirits Limited ("the Company" or "USL") is a public company domiciled and headquartered in Bengaluru, Karnataka, India. It is incorporated under the Companies Act, 1956 and its shares are listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Company is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing units and through strategic franchising of some of its brands.

These financial statements are approved for issue by the Company's Board of Directors on May 29, 2019.

Note 1 - Significant accounting policies

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

1.1 Basis of preparation of financial statements

(i) *Compliance with Ind AS*

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

(ii) *Historical cost convention*

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

Ind AS 115, Revenue from Contracts with Customers

- defined benefits plans – plan assets is measured at fair value
- share-based payment obligations measured at fair value; and
- assets held for sale measured at lower of cost and fair value less costs to sell

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

(iii) *New and amended standards adopted by the Company*

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing April 1, 2018:

- Ind AS 115, Revenue from Contracts with Customers
- Appendix B, Foreign Currency Transactions and Advance Consideration to Ind AS 21, The Effects of Changes in Foreign Exchange Rates
- Amendment to Ind AS 12, Income Taxes

The Company changed its accounting policy in respect of revenue recognition during the year, following the mandatory adoption of Ind AS 115. The impact on account of this has been disclosed in note 39. The other amendments listed above did not have any impact on the amounts recognised in prior period and current period, and are not expected to significantly affect the future periods.

1.2 Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

Non-monetary items that are measured at fair value in a foreign currency, are translated using the exchange rates at the date when fair value was determined. Exchange differences arising out of these translations are recognised in the Statement of profit and loss.

1.3 Property, plant and equipment and Intangible assets

Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation, and impairment loss, if any except that on adoption of Ind AS, the Company had measured Property, plant and equipment at deemed cost, using the net carrying value as per previous GAAP as at March 31, 2015. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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

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

Depreciation methods, estimated useful lives and residual value

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

Asset category	Useful life (in years)	Basis of determination of useful lives
Buildings		
- Roads	5	Assessed to be in line with Schedule II of the Act
- Buildings	30 - 60	Assessed to be in line with Schedule II of the Act
Plant and equipment*		
- Wooden casks	15	Management estimate
- Others	7.5 - 15	Assessed to be in line with Schedule II of the Act and management estimate
Furniture and Fittings	10	Assessed to be in line with Schedule II of the Act
Office Equipment		
- Computers	3	Assessed to be in line with Schedule II of the Act
- Servers*	3	Management estimate
- Others	5	Assessed to be in line with Schedule II of the Act
Vehicles*	5	Management estimate

(*) Assets taken on finance lease under these asset categories are depreciated over their estimated useful lives as stated above or the primary lease term, whichever is shorter, if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Useful lives of asset classes determined by management estimate, which are generally lower than those prescribed under Schedule II of the Act are supported by internal technical assessment of the useful lives.

In respect of certain items of plant and equipment for which rates are prescribed under Schedule II of the Act, based on the number of shifts, depreciation is provided for the full year on triple shift basis, to reflect usage.

Disposals

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

Intangible assets

On adoption of Ind AS, the Company has measured Intangible assets at deemed cost, using the net carrying value as per previous GAAP as at March 31, 2015.

Brands and Licenses

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

Computer software

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

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

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

Research and development costs

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

Amortisation method and useful lives

The Company amortises intangible assets with finite useful life using the straight-line method over their estimated useful lives as follows:

- Licenses – over the license period
- Computer software – 5 years

Impairment of property, plant and equipment and Intangible assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment atleast annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Asset held for sale

Non-current assets are classified as held for sale under current assets if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable and is expected to be completed within one year from the balance sheet date. Such assets are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of such asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of such non-current assets is recognised at the date of de-recognition.

1.4 Leases

As a lessee

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Statement of profit and 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.

1.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates are carried at cost/ deemed cost, less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

On disposal of investments in subsidiaries and associates, the difference between net disposal proceeds and the carrying amounts are recognised in the Statement of profit and loss.

1.6 Financial Instruments

A) *Financial Assets:*

a) Recognition and measurement

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is recognised at fair value.

Financial assets are subsequently classified and measured at amortised cost. Financial assets are not reclassified subsequent to their recognition, except if and in the period the Company changes its business model for managing financial assets.

i) Trade Receivables:

Trade receivables are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the Effective Interest Rate (EIR) method net of any Expected Credit Losses (ECL). The EIR is the rate that discounts estimated future cash income through the expected life of financial instrument.

ii) Loans

On initial recognition, Loans are measured at fair value. Since the objective is to hold these financial assets to collect contractual cash flows that are solely payments of principal and interest, these assets are subsequently measured at amortised cost using the EIR method less impairment, if any.

iii) Other financial assets:

On initial recognition, Other financial assets are measured at fair value, and subsequently, measured at the amortised cost, less impairment if any. Loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

b) *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

c) *Impairment of financial assets*

The Company applies ECL model for measurement and recognition of loss allowance on Trade receivables and other financial assets measured at amortized cost.

In case of trade receivables, the Company follows the provision matrix approach (as permitted by Ind AS 109) wherein an amount equal to lifetime ECL is measured and recognised as loss allowance.

The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

In case of other financial assets, the Company determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognised as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognised as loss allowance.

Subsequently, if the credit quality of the financial asset improve such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive (i.e., cash shortfalls), discounted at the original effective interest rate.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

ECL are measured in a manner that they reflect probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Statement of Profit and Loss under the head 'Other expenses'.

d) *Income recognition*

Dividend income on investments is recognised and accounted for when the right to receive the payment is established, if probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

Interest income is accounted for on a time-proportion basis using amortised cost taking into account the amounts invested and the rate of interest.

B) *Financial Liabilities:*

a) *Recognition and measurement*

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value and subsequently measured at amortised cost.

Trade and other payables

In case of trade and other payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the effective interest rate method.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

b) *Derecognition*

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

The Company did not have any financial instruments recognised at fair value through Profit and Loss/ fair value through Other Comprehensive Income anytime during the year or during the comparative year.

C) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

1.7 Inventories

Inventories which comprise raw materials, work-in-progress (intermediates), finished goods, stock-in-trade, packing materials and stores and spares are carried at the lower of cost or net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost of inventories, weighted average cost method is used. In case of manufactured finished goods and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis. Adequate allowance is made for obsolete and slow moving items.

1.8 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances with banks that are readily convertible to known amounts of cash and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.9 Revenue recognition

Revenue comprises revenue from contracts with customers for sale of goods and income from brand franchisee royalties receivable. Revenue from sale of goods is inclusive of excise duties and is net of returns, trade allowances, rebates, value added taxes, Goods and Services Tax (GST) and such amounts collected on behalf of third parties.

Revenue is recognised as and when performance obligations are satisfied by transferring goods or services to the customer, as below:

a. Revenue from sale of products:

Revenue is recognised on transfer of control, being on dispatch of goods or upon delivery to customer, in accordance with the terms of sale.

b. Revenue from manufacture and sale of products from tie-up manufacturing arrangements:

The Company has entered into arrangements with Tie-up Manufacturing Units (TMUs), where-in TMUs manufacture and sell beverage alcohol on behalf of the Company. Under such arrangements, the Company has exposure to significant risks and rewards associated with the sale of products i.e. it has the primary responsibility for providing goods to the customer, has pricing latitude and is also exposed to inventory and credit risks. Accordingly, the transactions of the TMUs under such arrangements have been recorded as gross revenue, excise duty and expenses as if they were transactions of the Company. The Company also presents inventory under such arrangements as its own inventory. The net receivables from/ payable to TMUs are recognised under other financial assets/ other financial liabilities respectively.

c. Income from brand franchise arrangements

Revenue in respect of fixed income brand franchise arrangements is recognised proportionately in each period. Income from variable franchise arrangements is recognised based on the terms of the respective contracts upon sale of products by the franchisees.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.10 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and performance incentives that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services rendered up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented under 'Other financial liabilities' in the balance sheet.

(b) Post-employment obligations

The Company's defined benefit plans comprise gratuity, pension and provident fund (administered by trusts set up by the Company, where the Company's obligation is to provide the agreed benefit to the qualifying employees and the actuarial risk and investment risk if any, fall in substance, on the Company).

Pension and gratuity obligations

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

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Provident fund

The Company operates a defined benefit provident fund plan for certain category of eligible employees. The minimum statutory rate at which the annual rate of interest is payable to the beneficiaries of such plan is administered by the Central Government. The Company has an obligation to make good the shortfall if any, in the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Company also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation.

Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to funds administered by government authority/ Company and does not have any legal or constructive obligation to pay additional sums. These comprise contributions in respect of Employees' Provident Fund, Employees' Pension Scheme, Employees' State Insurance, Superannuation fund and National Pension Scheme. The Company's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

(c) Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields of government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Statement of profit and loss.

(d) Share-based payments

Share based compensation benefits are provided to certain grades of employees in the form of United Spirits Limited-Stock Appreciation Rights Plan, a cash settled scheme, and various equity settled schemes managed by Diageo group.

Stock appreciation rights

Liabilities for the Company's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as current/ non-current provisions in the balance sheet.

Diageo group share based payment arrangements

The fair value of equity settled share options based on shares of Diageo plc. (the ultimate holding company) is initially measured at grant date and is charged to the Statement of profit and loss over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, and the credit is included in equity. At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market and service conditions. It recognises the impact of revision to original estimate, if any, in profit or loss, with a corresponding adjustment to equity. Once the costs towards share option plans are cross charged by Diageo group, the same is accounted for as a reduction from equity. To the extent the amount or recharge exceeds the fair value of equity shares on the date of exercise, the same is recognised in the Statement of Profit and Loss.

1.11 Income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

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

Deferred tax on Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is reasonable certainty that the Company will pay normal income-tax during the specified period. The Company reviews the same at each balance sheet date and writes down the carrying amount of deferred tax relating to MAT credit entitlement to the extent there is no longer reasonable certainty that the Company will pay normal income-tax during the specified period.

1.12 Earnings Per Share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented in case of share splits.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.13 Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is made in respect of onerous contracts, i.e., contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contracts. Provisions are not recognised for other future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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

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

1.14 Borrowings

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

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of profit and loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

1.15 Borrowing costs

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

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

1.16 Exceptional items

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

1.17 Segmental information

The Company is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing units and through strategic franchising of some of its brands. The Executive Committee of the Company (being the Chief Operating Decision Maker) assesses performance and allocates resources for the business of the Company as a whole and hence the management considers company's business activities as a single operating segment (viz. Beverage alcohol). Since segment disclosures have been provided in the consolidated financial statements as at and for the year ended March 31, 2019, no segment disclosures have been made in these standalone financial statements.

1.18 Equity

Own shares *represent shares of the Company and those held in treasury by USL Benefit trust. Pursuant to order of High Court of Karnataka and Bombay, shares held in aforesaid trust have been treated as an investment.*

Dividends - Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

1.19 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III (Division II) to the Act, unless otherwise stated. The sign '0' in these financial statements indicates that the amounts involved are below INR five lacs and the sign '-' indicates that amounts are nil.

1.20 Recent accounting pronouncements – Standards issued but not yet effective

a) Ind AS 116 Leases: On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the Statement of Profit and Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The standard permits two possible methods of transition:

- Full retrospective – Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognised at the date of initial application

The Company will adopt this standard from the financial year beginning April 1, 2019, using the modified retrospective approach.

The Company is evaluating the impact of Ind AS 116 on the financial statements.

(b) Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments: On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition -

i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and

ii) Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Company will adopt the standard on April 1, 2019 and has decided to adjust the cumulative effect in equity on the date of initial application i.e. April 1, 2019 without adjusting comparatives.

The above amendment is not expected to have a significant impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(c) Amendment to Ind AS 12 – Income taxes : On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The amendment is not likely to have any impact on the financial statements of the Company.

There are no other amendments which have been notified, that are likely to have any material impact on the financial statements of the Company

2. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual result. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates and judgements are:

- Estimation of defined benefit obligation – Note 38(b)
- Estimation of provisions and contingent liabilities – Notes 8, 18, 48 & 50
- Impairment of investments and loans to subsidiaries – Notes 4, 5 and 35

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

(All amounts in INR Millions unless otherwise stated)

3.1 Property, Plant and Equipment

	Owned						Leased [Refer Note 40(a)]			Total
	Free-hold Land	Buildings [Refer Note (a) and (b) below]	Plant and Equip-ment	Furniture and Fittings	Office Equip-ment	Vehicles	Land	Office Equip-ment	Vehicles	
Year ended March 31, 2018										
Gross carrying amount										
Opening	2,525	3,456	6,972	369	227	16	131	242	14	**13,952**
Additions	-	118	852	19	33	-	-	3	-	**1,025**
Assets classified as held for sale	(637)	(681)	(1)	(131)	(10)	-	-	-	-	**(1,460)**
Disposals	-	(94)	(24)	(1)	-	-	-	-	-	**(119)**
Closing gross carrying amount	**1,888**	**2,799**	**7,799**	**256**	**250**	**16**	**131**	**245**	**14**	**13,398**
Accumulated depreciation and impairment										
Opening	-	243	1,562	113	109	10	44	114	6	**2,201**
Depreciation charge for the year	-	172	966	59	61	2	1	61	4	**1,326**
Impairment charge [Refer Note (d) below]	-	22	104	-	-	-	-	-	-	**126**
On assets held for sale	-	(42)	-	(73)	(6)	-	-	-	-	**(121)**
Disposals	-	(12)	(23)	-	-	-	-	-	-	**(35)**
Closing accumulated depreciation and impairment	**-**	**383**	**2,609**	**99**	**164**	**12**	**45**	**175**	**10**	**3,497**
Net carrying amount as at March 31, 2018	**1,888**	**2,416**	**5,190**	**157**	**86**	**4**	**86**	**70**	**4**	**9,901**
Year ended March 31, 2019										
Gross carrying amount										
Opening	1,888	2,799	7,799	256	250	16	131	245	14	**13,398**
Additions	49	344	1,013	9	153	1	-	256	-	**1,825**
Assets classified as held for sale	-	-	(6)	-	-	(1)	-	-	-	**(7)**
Re-classified from assets held for sale [Refer Note (c) below]	605	365	2	197	54	1	-	-	-	**1,224**
Disposals	-	(40)	(175)	(0)	(14)	(0)	-	-	(4)	**(233)**
Closing gross carrying amount	**2,542**	**3,468**	**8,633**	**462**	**443**	**17**	**131**	**501**	**10**	**16,207**
Accumulated depreciation and impairment										
Opening	-	383	2,609	99	164	12	45	175	10	**3,497**
Depreciation charge for the year	-	172	998	61	102	2	3	81	1	**1,420**
Assets held for sale	-	-	(5)	-	-	(1)	-	-	-	**(6)**
Re-classified from assets held for sale [Refer Note (c) below]	-	80	1	138	50	2	-	-	-	**271**
Disposals	-	(7)	(104)	(0)	(14)	(0)	-	-	(1)	**(126)**
Closing accumulated depreciation and impairment	**-**	**628**	**3,499**	**298**	**302**	**15**	**48**	**256**	**10**	**5,056**
Net carrying amount as at March 31, 2019	**2,542**	**2,840**	**5,134**	**164**	**141**	**2**	**83**	**245**	**-**	**11,151**

Notes:

(a) Buildings include gross carrying amounts of INR 339 million (2018: INR 339 million) in respect of which the title deed is yet to be registered in the name of the Company.

(b) Opening and closing cost of buildings includes payments below rounding off norms adopted by the Company towards fully paid shares held in a co-operative housing society for the purpose of aquiring the right of occupation.

(c) Represents assets reclassified from asset held for sale to property, plant and equipment, as the criteria for classifying assets under asset held for sale as per Ind-AS 105 are no longer met as at year end.

(d) (d) Represents impairment loss on buildings and on plant and equipment in respect of certain manufacturing units disclosed as exceptional item in the previous year. [Refer Note 28(b)]

Property, plant and equipment pledged as security

Refer to note 33 for information on property, plant and equipment pledged as security by the Company.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

3.2 Intangible assets

	Brands	Licenses	Computer Software	Total
Year ended March 31, 2018				
Gross carrying amount				
Opening	9	38	92	139
Additions - Acquired	-	-	24	24
Disposals	-	-	-	-
Closing gross carrying amount	**9**	**38**	**116**	**163**
Accumulated amortisation and impairment				
Opening	9	6	3	18
Amortisation charge for the year	-	6	19	25
Impairment charge for the year	-	-	-	-
Disposals	-	-	-	-
Closing accumulated amortisation and impairment	**9**	**12**	**22**	**43**
Net carrying amount as at March 31, 2018	**-**	**26**	**94**	**120**
Year ended March 31, 2019				
Gross carrying amount				
Opening	9	38	116	163
Additions - Acquired	-	-	36	36
Disposals	-	-	-	**-**
Closing gross carrying amount	**9**	**38**	**152**	**199**
Accumulated amortisation and impairment				
Opening	9	12	22	43
Amortisation charge for the year	-	3	22	25
Disposals	-	-	-	-
Closing accumulated amortisation and impairment	**9**	**15**	**44**	**68**
Net carrying amount as at March 31, 2019	**-**	**23**	**108**	**131**

Note: Management has performed an impairment assessment on the intangible assets under development and determined that no impairment loss is necessary for the year.

(All amounts in INR Millions unless otherwise stated)

4 Investments in subsidiaries and associate

	Face value	Number of shares	As at March 31, 2019	Number of shares	As at March 31, 2018
a) **Investments in subsidiaries**					
Investment in equity instruments carried at cost (fully paid-up) [Refer Note (b) below]					
Quoted					
Pioneer Distilleries Limited	INR 10/-	10,041,150	-	10,041,150	-
Unquoted					
McDowell & Co (Scotland) Limited	GBP 1/-	1,575,000	126	1,575,000	126
Shaw Wallace Overseas Limited	GBP 1/-	357,745	-	357,745	-
Sovereign Distilleries Limited	INR 10/-	485,139,152	4,267	485,139,152	4,267
Less: Impairment in the value of investment (Refer Note 35)			3,484		3,484
			783		783
Tern Distilleries Private Limited	INR 10/-	102,676,347	987	102,676,347	987
Less: Impairment in the value of investment (Refer Note 35)			800		739
			187		248
Asian Opportunities & Investments Limited	USD 1/-	4,998,706	-	4,998,706	-
Palmer Investment Group Limited	USD 1/-	15,000,000	-	15,000,000	-
Montrose International S.A	USD 1000/-	500	-	500	-
Liquidity Inc.	USD 0.0001/-	4,000,000	-	4,000,000	-
Four Seasons Wines Limited [Refer Note 42(d)]	INR 10/-	-	-	27,668,899	-
USL Holdings Limited	USD 1/-	500,000	-	500,000	-
United Spirits (Shanghai) Trading Company Limited	RMB 10	500,000	-	500,000	-
Royal Challengers Sports Private Limited	INR 10/-	14,690	421	14,690	421
Total investments in equity instruments			**1,517**		**1,578**
Investments in preference shares carried at cost (fully paid-up)					
Unquoted					
12% Non-cumulative redeemable optionally convertible preference shares of Four Seasons Wines Limited [Refer Note 42(d)]	INR 10/-	-	-	30,612,245	145
Less: Impairment in the value of investment			-		145
			-		-
12% cumulative redeemable preference shares of Four Seasons Wines Limited [Refer Note 42(d)]	INR 10/-	-	-	8,000,000	80
Less: Impairment in the value of investment			-		80
			-		-
Total investments in preference shares			**-**		**-**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

4 Investments in subsidiaries and associate *(Continued)*

	Face value	Number of shares	As at March 31, 2019	Number of shares	As at March 31, 2018
b) **Investment in associate**					
Investment in equity instruments carried at cost (fully paid-up)					
Hip Bar Private Limited (Refer Note 57)	INR 10/-	4,567,568	**270**		-
c) **Investment in trust controlled by the Company**					
Investment carried at cost					
Investment as sole beneficiary in USL Benefit Trust [Refer Note (a) below]			**1,197**		**1,197**
			2,984		**2,775**
Aggregate amount of quoted investments			-		-
Aggregate market value of quoted investments			1,427		1,733
Aggregate amount of unquoted investments			7,268		7,223
Aggregate amount of impairment in the value of investments (Refer Note 35)			(4,284)		(4,448)

Notes:

(a) Investment as a sole beneficiary in USL benefit trust was made as per the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, upon amalgamating various companies with United Spirits Limited. The trust has been established for the exclusive benefit of the Company and holds 17,295,450 equity shares of INR 2/- face value (2018: 3,459,090 equity shares of INR 10/- face value) of the Company [Refer Note 14(h)]. As per the terms of the aforesaid scheme of arrangement, Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. Also refer Note 33(b) for assets pledged and Note 46.

(b) The Company has measured its investments in subsidiaries at cost in accordance with Ind AS 27. On adoption of Ind AS, Company has measured these investments at deemed cost using the net carrying value as per previous GAAP as at March 31, 2015.

(All amounts in INR Millions unless otherwise stated)

5. Loans

	As at March 31, 2019		As at March 31, 2018	
	Current	**Non-current**	**Current**	**Non-current**
Loan to UBHL (Refer Note 43)	-	13,082	-	13,374
Loans to subsidiaries [Refer Note 36(c)(v)]	-	60,616	-	59,008
Loans to employees	18	-	48	-
Security deposits	249	222	277	156
	267	73,920	325	72,538
Less: Loss allowance				
Loan to UBHL (Refer Note 43)	-	(13,082)	-	(13,374)
Loans to subsidiaries [Refer Note 36(c)(vi)]	-	(54,363)	-	(52,134)
Security deposits	(98)	-	(62)	-
	(98)	(67,445)	(62)	(65,508)
Total loans	**169**	**6,475**	**263**	**7,030**

	As at March 31, 2019	As at March 31, 2018
Details of securities/ categorisation of credit risk on loans		
Loans considered good- secured	-	-
Loans considered good- unsecured	7,123	8,189
Loans which have significant increase in credit risk	-	-
Loans- credit impaired	67,064	64,674
Total	**74,187**	**72,863**
Less: Loss allowance	(67,543)	(65,570)
Total Loans	**6,644**	**7,293**

Refer Note 31 for information about financial risk management.

6. Other financial assets

	As at March 31, 2019		As at March 31, 2018	
	Current	**Non-current**	**Current**	**Non-current**
Balances with banks [Refer Note below]	-	757	-	743
Receivable from related parties [Refer Note 36(c)(i)]	2	-	7	-
Receivable from Tie-up manufacturing units	1,503	756	745	228
Receivable towards sale of Property, plant and equipment	-	-	693	-
Other receivables	181	-	190	-
	1,686	1,513	1,635	971
Less: Loss allowance				
Receivable from Tie-up manufacturing units	-	(756)	-	(228)
Receivable towards sale of Property, plant and equipment	-	-	(693)	-
Other receivables	(157)	-	(161)	-
	(157)	(756)	(854)	(228)
Total other financial assets	**1,529**	**757**	**781**	**743**

Balance with banks comprise:

(a) deposit of INR 459 million (2018: INR 459 million) with a bank in suspense account (Refer Note 46).

(b) fixed deposits of INR 296 million (2018: INR 282 million) with a bank kept under escrow pending resolution of various taxation matters.

(c) Margin money against bank guarantees INR 2 million (2018: INR 2 million).

Refer Note 31 for information about financial risk management.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

7. Deferred tax assets (net)

	As at March 31, 2019	As at March 31, 2018
Deferred tax assets		
Allowance for doubtful receivable balances	1,370	866
Provisions allowed on payment basis	1,197	1,019
Indexation benefit on land	94	-
Others	32	35
	2,693	**1,920**
Deferred tax liabilities		
Depreciation and amortisation	815	1,064
	815	**1,064**
Total Deferred tax assets (net)	**1,878**	**856**

Movement in deferred tax assets	Allowance for doubtful receivable balances	Provisions allowed on payment basis	Depreciation and amortisation	Indexation benefit on land	Others	Total
At April 1, 2017	**1,015**	**948**	**(761)**	**-**	**39**	**1,241**
(Charged) / Credited:						
- to profit and loss	(149)	71	(303)	-	(4)	(385)
At March 31, 2018	**866**	**1,019**	**(1,064)**	**-**	**35**	**856**
(Charged) / Credited:						
- to profit and loss	504	178	249	94	(3)	1,022
At March 31, 2019	**1,370**	**1,197**	**(815)**	**94**	**32**	**1,878**

8. Income tax balances

	As at March 31, 2019	As at March 31, 2018
Income tax liabilities (net)		
Opening balance	4,577	3,317
Add: Current tax payable for the year		
Recognised in the Statement of Profit and Loss	4,350	2,401
Adjustment on account of adoption of Ind AS 115 in retain earnings (Refer Note 39)	(198)	-
Recognised in Other comprehensive Income	5	43
Reclassification to advance tax (net)	-	101
Less : Taxes paid	(4,529)	(1,285)
Closing balance	**4,205**	**4,577**
Income tax assets (net)		
Opening balance	5,600	2,886
Add : Taxes paid	3,709	2,613
Reclassification from income tax liabilities	-	101
Closing balance	**9,309**	**5,600**

Note:

The above amounts include amounts paid under protest of INR 9,560 million (2018: INR 4,693 million) pertaining to various assessment years.

(All amounts in INR Millions unless otherwise stated)

9. Other assets

	As at March 31, 2019		As at March 31, 2018	
	Current	**Non-current**	**Current**	**Non-current**
Capital advances	-	76	-	135
Balances with government authorities (Refer Note below)				
Considered good	201	1,708	734	2,055
Considered doubtful	57	152	-	-
Advances to related parties [Refer Note 36(c)(ii)]	743	-	1,484	-
Advances to suppliers				
Considered good	715	-	1,358	-
Considered doubtful	795	-	768	-
Net surplus in gratuity plan [Refer Note 38(b)C]	-	449	-	497
Pre-paid expenses	1,179	1,462	1,118	1,673
	3,690	3,847	5,462	4,360
Less: Allowance for doubtful balances	(852)	(152)	(768)	-
Total other assets	**2,838**	**3,695**	**4,694**	**4,360**

Note:

Balance with government authorities include amounts paid under protest amounting to INR 1,387 million (2018: INR 1,195 million).

10. Inventories

	As at March 31, 2019	As at March 31, 2018
(Valued at lower of cost and net realisable value)		
Raw materials	1,236	1,003
[including materials in transit INR 350 million (2018: INR 113 million)]		
Work-in-progress [Refer Note (a) below]	7,964	8,777
Finished goods	6,624	6,461
[including goods in transit INR 844 million (2018: INR 981 million)]		
Stock-in-trade	859	505
[including goods in transit INR 25 million (2018: INR 106 million)]		
Packing materials	2,011	1,870
[including materials in transit INR 112 million (2018: INR 65 million)]		
Stores and spares	73	78
Total inventories	**18,767**	**18,694**

Notes:

(a) Work-in-progress (intermediates) includes stocks of maturing spirits held by a branch outside India (in custody of an overseas vendor) amounting to INR 2,784 million (2018: INR 3,506 million).

(b) As per terms of an agreement entered in earlier year with an overseas vendor, the Company had a contractual obligation to purchase certain minimum specified quantities of fresh fills. However, the Company was unable to meet the purchase commitment and consequently, the Company was required to compensate the overseas vendor for shortfall relating to the purchase commitment up to June 30, 2017 amounting to INR 244 million. During the year, consequent to receipt of regulatory approval, the Company has compensated the overseas vendor by transfer of earmarked Company's inventory which was lying at the overseas vendor's warehouse. The excess of the liability over the carrying value of inventory transferred has been presented as a gain of INR 73 million under 'Other operating revenue'. (Refer Note 21).

Additionally, the Company is carrying an aggregate amount of liability towards storage, disgorgement, blending, handling and loading charges of INR 237 million (2018: INR 164 million), which is presented under Trade Payables. The overseas vendor has written various letters to the Company, intimating that it has exercised its lien over the Company's inventory with a carrying value amounting to INR 125 million (2018: INR 84 million) held at their warehouse corresponding to the amounts owed by the Company. The Company had sought and obtained regulatory approval to discharge such liability which was received during the year. Pursuant to the receipt of such approval, the Company is in the process of settling the obligation with the overseas vendor.

(c) *Amounts recognised in the Statement of profit and loss*

Allowance for obsolete inventories (net) for the year amounted to INR 248 million (2018: INR 73 milllion). The net amount is recognised as an expense during the year and is included in Cost of materials consumed in Statement of profit and loss. Further a write down in the value of inventory of INR Nil (2018: INR 36 million) has been recognised as an expense as exceptional item.

(d) Inventories include inventory held by tie up manufacturing units amounting to INR 1,983 million (2018: INR 1,749 million). For details of Inventories pledged as security Refer Note 33.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

11. Trade receivables

	As at March 31, 2019	As at March 31, 2018
Receivables from related parties [Refer Note 36(c)(iii)]	120	85
Other receivables	27,310	28,427
	27,430	28,512
Less: Loss allowance	(2,249)	(1,514)
Total trade receivables	**25,181**	**26,998**
Details of securities/ categorisation of credit risk of trade receivables		
Trade Receivables considered good- secured	-	-
Trade Receivables considered good- unsecured	27,430	28,512
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables- credit impaired	-	-
Total	**27,430**	**28,512**
Less: Loss allowance	(2,249)	(1,514)
Total trade receivables	**25,181**	**26,998**

Refer Note 31 for information about financial risk management

12.1 Cash and cash equivalents

Balances with banks		
In current accounts	370	1,017
Cheques on hand	139	102
Total cash and cash equivalents	**509**	**1,119**

12.2 Bank balances other than cash and cash equivalents

In unpaid dividend accounts	7	9
In unpaid public deposit accounts [Refer Note (a) below]	11	16
Bank deposits due to mature within 12 months from the reporting date [Refer Note (b) below]	61	54
Total bank balances other than cash and cash equivalents	**79**	**79**

Notes:

a) Includes INR 7 million (2018: INR 9 million) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits which had matured in earlier years wherein duly discharged deposit receipts were not received from deposit holders.

b) Represents Bank deposits under lien.

13. Assets classified as held for sale

Property, plant and equipment (Refer Note 3.1)	-	1,417
Total assets classified as held for sale	**-**	**1,417**

(All amounts in INR Millions unless otherwise stated)

14. Equity share capital

	As at March 31, 2019	As at March 31, 2018
Authorised		
2,740,000,000 equity Shares of INR 2/- each (2018: 548,000,000 equity shares of INR 10/- each)	5,480	5,480
171,200,000 (2018: 159,200,000) Preference shares of INR 10/- each	1,712	1,592
Nil (2018: 1,200,000) 7% Non Cumulative Redeemable Preference Shares on INR 100/- each	-	120
	7,192	**7,192**
Issued, subscribed and paid-up		
726,638,715 Equity Shares of INR 2/- each (2018: 145,327,743 Equity Shares of INR 10/- each) fully paid up	1,453	1,453
	1,453	**1,453**

(a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2019	No. of Shares	As at March 31, 2018
Balance at the beginning of the year (Face value of INR 10/- each)	145,327,743	1,453	145,327,743	1,453
Add: Equity shares issued during the year	-	-	-	-
Impact of share split from INR 10/- to INR 2/- per share	581,310,972	-	-	-
Balance at the end of the year (Face value of INR 2/- each)	**726,638,715**	**1,453**	**145,327,743**	**1,453**

(b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of INR 2/- per share (2018: INR 10/- per share). Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any in proportion to their holdings.

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

Out of the equity shares issued by the Company, shares held by the holding company are as below:

	No. of Shares	As at March 31, 2019	No. of Shares (Pre split)	As at March 31, 2018
Relay B V (wholly owned subsidiary of Diageo Plc) [Refer note (j) below]	398,061,730	796	79,612,346	796
	398,061,730	**796**	**79,612,346**	**796**

(d) The Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the reporting date.

(e) Details of shareholders holding more than 5% shares in the Company.

	As at March 31, 2019		As at March 31, 2018	
	No. of Shares	% of Holding	No. of Shares (Pre split)	% of Holding
Relay B V [Refer note (j) below]	**398,061,730**	**54.78%**	**79,612,346**	**54.78%**

(f) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestments.

(g) There are no bonus shares issued or bought back during the period of five years immediately preceding the reporting date.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

14 Equity Share capital *(Continued)*

(h) Details of shares in the Company held by Company, subsidiaries or associates

	As at March 31, 2019		As at March 31, 2018	
	No. of Shares	% of Holding	No. of Shares (Pre split)	% of Holding
USL Benefit trust [Refer Note 4(c)]	**17,295,450**	**2.38%**	**3,459,090**	**2.38%**

(i) During the year, the shareholders of the Company approved the following:

(A) Alteration of the authorized share capital of the Company by deleting and substituting it with a total capital of INR 7,192 million divided into 2,740,000,000 equity shares of INR 2/- each and 171,200,000 preference shares of INR 10/- each,

(B) Sub-division of equity shares of the Company having a face value of INR 10/- per equity share to INR 2/- per equity share and

(C) Sub-division of preference shares of the Company having a face value of INR 100/- per share to INR 10/- per preference share.

(j) On December 20, 2013, the Honorable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo Plc. setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares of INR 10/- each in the Company to Relay B V, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. have approached the Honorable Supreme Court by way of Special Leave Petitions (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs, the Honorable Supreme Court has directed that status quo be maintained in respect of the above mentioned transaction of sale of shares to Relay B V. Such shares are included in arriving at Relay BV's shareholding in the Company.

15. Reserves and surplus

	As at March 31, 2019	As at March 31, 2018
Capital reserve	683	683
Capital redemption reserve	699	699
Securities premium	45,682	45,682
Central subsidy	2	2
Share based incentive reserve	49	-
Contingency reserve	110	110
General reserve	11,033	11,033
Retained earnings	(28,396)	(34,624)
Total reserves and surplus	**29,862**	**23,585**

Nature and purpose of reserves:

a) **Capital reserve:** Created pursuant to a Scheme of Amalgamation between the Company and SW Finance Co. Limited, sanctioned by the Honourable High Court of Karnataka and Honourable High Court of Bombay under the orders dated June 12, 2015 and August 28, 2015, respectively.

b) **Capital redemption reserve:** Capital Redemption Reserve is created for an amount equivalent to the nominal value of shares redeemed in earlier years by the Company (including the erstwhile Companies that were merged with the Company through several schemes of amalgamations / mergers).

c) **Securities premium :** Securities premium is credited when shares are issued at premium. The balance is utilised in accordance with the provisions of the Act.

d) **Central subsidy:** The balance is taken over on amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended March 31, 2006 as per the terms of the arrangement approved by the Honorable High Courts of Karnataka and Bombay.

e) **Share based incentive reserve:** The share-based incentive reserve is used to recognise grant date fair value of Diageo Plc's share options under the group share-based payment arrangements. Recharges towards such arrangements are debited to this reserve.

f) **Contingency reserve:** The balance is taken over on amalgamation of McDowell Spirits Limited with the Company during the year ended March 31, 2001 as per the terms of the arrangement approved by the Honorable High Court of Karnataka.

g) **General reserve:** The General reserve is created by way of transfer of profits from retained earnings for appropriation purposes. This reserve is utilised in accordance with the provisions of the Act.

h) **Retained earnings:** Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

(All amounts in INR Millions unless otherwise stated)

16. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2019	As at March 31, 2018
Non-current					
Unsecured					
7,500 (2018: 7,500) 7.45% Non-convertible Debentures of face value of INR 1,000,000 each [Refer Note (b) below]	December 28, 2020	Single repayment of principal at the end of term and interest payable on December 28th of each year	7.45%	7,641	7,641
Term loan from banks	Repaid on April 18, 2018	Single repayment at the end of the term of each loan	T Bill + 118 bps (effectlive rate 7.35%)	-	3,522
Secured					
Finance lease obligations [Refer Note 40(a) and Note (a) below]	2019 - 2022	Monthly instalments	8%	239	70
				7,880	**11,233**
Less: Current maturities of non-current borrowings (Refer Note 17)					
Finance lease obligation				96	43
Term loan from banks				-	3,500
Less: Interest accrued but not due (Refer Note 17)				141	163
Total non-current borrowings				**7,643**	**7,527**
Current					
Unsecured					
Working capital loans from banks [Refer note (b) below]	Payable on demand	Payable on demand	7.25% - 9.25%	9,157	8,082
Commercial papers issued to banks and others	April 2018 - June 2019	Single repayment at the end of the term of each commercial paper	6.57% - 7.79%	8,929	13,373
Total				**18,086**	**21,455**
Less: Interest accrued but not due (Refer Note 17)				-	20
Total current borrowings				**18,086**	**21,435**

Notes:

a) Finance lease obligations are secured by hypothecation of office equipment and vehicles taken on lease [Refer Note 40(a)]

b) Includes interest accrued but not due as at year end.

Movement in debt balances

(i) Summary of total debt:

Particulars	As at March 31, 2019	As at March 31, 2018
Non-current borrowings	7,643	7,527
Current borrowings	18,086	21,435
Other current liabilities		
Current maturities of long-term borrowings	96	3,543
Interest accrued but not due	141	183
Total	**25,966**	**32,688**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

16 Borrowings *(Continued)*

(ii) This section sets out an analysis of debt and the movements in debt:

Particulars	Finance lease obligations	Non-convertible debentures	Commercial papers	Term loans	Working capital loans	Total
Net debt as at April 1, 2017	**135**	**-**	**12,173**	**25,000**	**3,099**	**40,407**
Proceeds from borrowings	-	7,500	36,986	-	-	**44,486**
Repayment of borrowings	(68)	-	(35,771)	(21,500)	-	**(57,339)**
Net proceeds from working capital loans	-	-	-	-	4,963	**4,963**
Acquisition of assets	3	-	-	-	-	**3**
Interest expense (Refer Note 26)	7	141	914	880	592	**2,534**
Interest paid	(7)	-	(929)	(858)	(572)	**(2,366)**
Net debt as at March 31, 2018	**70**	**7,641**	**13,373**	**3,522**	**8,082**	**32,688**
Proceeds from borrowings	-	-	39,700	-	-	**39,700**
Repayment of borrowings	(87)	-	(44,200)	(3,500)	-	**(47,787)**
Net proceeds from working capital loans	-	-	-	-	1,095	**1,095**
Acquisition of assets	256	-	-	-	-	**256**
Effect of amortised cost	-	-	56	-	-	**56**
Interest expense (Refer Note 26)	5	559	698	98	725	**2,085**
Interest paid	(5)	(559)	(698)	(120)	(745)	**(2,127)**
Net debt as at March 31, 2019	**239**	**7,641**	**8,929**	**-**	**9,157**	**25,966**

17. Other financial liabilities

	As at March 31, 2019	As at March 31, 2018
Current		
Current maturities of		
Borrowings (Refer Note 16)	-	3,500
Finance lease obligation (Refer Note 16)	96	43
Interest accrued but not due (Refer Note 16)	141	183
Unpaid / unclaimed dividends [Refer Note (a) below]	7	9
Unpaid / unclaimed public deposits (Including accrued interest) [Refer Notes (a) and (b) below]	11	16
Others		
Security deposits	101	131
Liability for customer claim	127	127
Due to Tie-up manufacturing units	631	935
Capital creditors	281	158
Employee benefits payable	872	1,083
Total other current financial liabilities	**2,267**	**6,185**

Notes:

(a) Investor Education and Protection Fund (IEPF) credited when due. As at March 31, 2019 no balances were due to be transferred to IEPF.

(b) Includes unclaimed public deposit which had matured in earlier years of INR 7 million (2018: INR 9 million) in case of which the duly discharged fixed deposit receipts were not received from the deposit holders.

(All amounts in INR Millions unless otherwise stated)

18. Provisions

	As at March 31, 2019		As at March 31, 2018	
	Current	Non-current	Current	Non-current
Non-current				
Employee benefits				
Compensated absences [Refer Note (b) below]	142	420	109	415
Pension liability [Refer Note 38(b)C]	2	14	2	16
Share appreciation rights (Refer Note 34)	78	84	-	81
Provision for indirect tax matters [Refer Note (a) below]	3,037	-	2,819	-
Total provisions	**3,259**	**518**	**2,930**	**512**

Notes:

(a) Movement in provisions

Description	As at April 1, 2017	Additions	Amounts used/ written back	As at March 31, 2018
Indirect taxes matters	2,431	416	28	2,819
Onerous contracts	75	-	75	-

Description	As at April 1, 2018	Additions	Amounts used/ written back	As at March 31, 2019
Indirect taxes matters	2,819	450	232	3,037

Provision is made for probable cash outflow arising out of pending or potential indirect tax disputes / litigations. It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

(b) Based on past experience, the Company does not expect all employees to avail the full amount of accrued leave or require payment for such leave within the next 12 months. However upon separation of an employee, the Company would be required to settle full amount of accrued leave due to be paid to an employee.

19. Trade payables

	As at March 31, 2019	As at March 31, 2018
Dues to Micro Enterprises and Small Enterprises (Refer Note 52)	269	89
Dues to creditors other than Micro Enterprises and Small Enterprises		
Dues to related parties [Refer Note 36(c)(iv)]	1,694	848
Others	11,397	12,998
	13,091	**13,846**
Total trade payables	**13,360**	**13,935**

20. Other current liabilities

Advances from customers (Refer Note below)	1,061	802
Statutory dues	2,293	2,259
Liability for excise duty on closing finished goods inventory (net of prepaid excise duty)	2,616	1,210
Total other current liabilities	**5,970**	**4,271**

Note:

Management has settled the advance from customers at beginning of the year, by selling products against such advances. It expects to similarly settle the closing advances, during the year ending March 31, 2020.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

21. Revenue from operations

	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from contracts with customers:		
Sale of products (includes excise duty)	282,791	258,715
Income from brand franchise arrangements	1,848	1,544
	284,639	**260,259**
Other operating revenue:		
Scrap sales	287	319
Gain on settlement of liability with an overseas vendor [Refer Note 10(b)]	73	-
Miscellaneous	124	113
	484	432
Total revenue from operations	**285,123**	**260,691**
Reconciliation between contract price and revenue recognised		
Contract price	294,012	
Less: items offset against revenue from customers as required by Ind AS 115	(9,373)	
Revenue from sale of products	**284,639**	
Dissaggregation of revenue from contracts with customers		
Category of products		
Prestige and above	59,095	
Popular	28,815	
Others	1,412	
Add: Excise duty collected from customers	195,317	
Total sale of products	**284,639**	

22. Other income

Interest income on fixed deposits (held at amortised cost)	18	22
Interest income from loans to subsidiaries held at amortised cost [Refer Note 36(b)(v)(a)]	407	384
Dividend income from subsidiary company (carried at cost) [Refer Note 36(b)(iv)]	-	38
Exchange gain (net)	54	16
Gain on disposal of property, plant and equipment (net)	366	1,117
Liabilities, provisions or allowances no longer required written back	96	477
Miscellaneous income	11	6
Total other Income	**952**	**2,060**

23. Cost of materials consumed

Raw materials	26,287	24,084
Packing materials	15,963	15,694
Total cost of materials consumed	**42,250**	**39,778**

(All amounts in INR Millions unless otherwise stated)

24. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended March 31, 2019	For the year ended March 31, 2018
Opening inventory:		
Finished goods	6,461	5,453
Work-in-progress	8,777	9,200
Stock-in-trade	505	510
Total opening balance (A)	**15,743**	**15,163**
Closing inventory:		
Finished goods	6,624	6,461
Work-in-progress	7,964	8,777
Stock-in-trade	859	505
Total closing balance (B)	**15,447**	**15,743**
Increase / (decrease) in excise duty on finished goods (net) (C)	511	403
Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)	**807**	**(177)**

25. Employee benefits expense

Salaries, wages and bonus	5,825	5,702
Contribution to provident and other funds [Refer Note 38(a)]	162	178
Defined benefits plans cost [Refer Note 38(b)D]	210	272
Share based payment expense (Refer Note 34)	197	84
Staff welfare expenses	359	365
Total Employee benefits expense	**6,753**	**6,601**

26. Finance costs

Interest and finance charges on financial liabilities at amortised cost (borrowings) (Refer Note 16)	2,085	2,534
Interest- others	115	141
Total finance costs	**2,200**	**2,675**

27. Other expenses

Consumption of stores and spares	184	220
Sub-contracting charges	744	720
Power and fuel	227	239
Rent [Refer Note 40(b)]	2,935	2,702
Repairs and maintenance:		
Buildings	96	69
Plant and machinery	289	168
Others	310	282
Insurance	149	176
Rates and taxes	1,577	1,466
Travel and conveyance	532	456
Legal and professional	1,271	1,689
Auditor remuneration (Refer Note below)	49	55
Freight outwards	2,498	2,280
Royalty [Refer Note 36(b)(xi)]	91	105

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

27. Other expenses *(Continued)*

	For the year ended March 31, 2019	For the year ended March 31, 2018
Trade mark license fees	575	578
Remuneration to non-executive directors:		
Sitting fee	4	3
Commission	20	20
Allowance for doubtful other assets (net)	181	-
Expense towards corporate social responsibility (Refer Note 53)	121	105
Information technology and communication expenses	979	466
Administrative expenses	198	177
Distribution costs	1,394	1,358
Miscellaneous expenses	142	116
Total Other expenses	**14,566**	**13,450**

Note:

Auditors' remuneration*		
a) as auditors		
for Statutory audit	16	18
for Quarterly reviews	9	11
for Certifications	6	6
b) for other audit related services	18	20
Total payment to auditors	**49**	**55**

* Excluding goods and services tax

28.	**Exceptional items (net)**	**Note**		
(a)	Provision towards matters arising consequent to prohibition in the state of Bihar	47	-	(180)
(b)	Impairment loss recognised on Buildings and Plant and Equipment in relation to certain manufacturing units	3.1(d)	-	(126)
(c)	Impairment in the value of Investment in subsidiaries	35	(61)	(463)
(d)	Allowance for doubtful loans/ interest due from subsidiaries	36(b)(xx)	(4)	(450)
(e)	Reversal of allowance for doubtful loans/ interest due from subsidiaries	36(b)(xviii)	449	636
(f)	Interest income on loans to subsidiaries relating to earlier years	36(b)(v)(b), 42(d)	205	497
(g)	Gain / (loss) on disposal of Investment in subsidiaries	42(d), (c)	(876)	148
(h)	Customer claim		-	28
(i)	Gain on sale of Brands	42(d)	20	-
	Total exceptional items (net)		**(267)**	**90**

(All amounts in INR Millions unless otherwise stated)

29. Reconciliation of tax expense and accounting profit multiplied by India's tax rate

	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit before income tax expense	9,914	8,403
Tax at Indian tax rate @ 34.944% (2018: 34.608%)	3,464	2,908
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Loss on sale of subsidiary	142	-
Impairment of investment in subsidiaries and allowance for doubtful loans to subsidiaries (net of reversals)	23	(58)
Reversal of provisions/ write offs relating to certain receivables not subject to tax	(356)	(127)
Expenses not allowable under tax	67	42
Others	82	21
Indexation benefit on freehold land	(94)	-
Total	**(136)**	**(122)**
Income tax expense as per Statement of Profit and Loss	**3,328**	**2,786**

Note:

Deferred income tax assets have not been recognized on long term and short term capital losses of INR 1,532 million as at March 31, 2019 as it is not probable that long term and short term capital gains would be available in the foreseable future to offset such losses.

30. Earnings per share

	March 31, 2019	March 31, 2018
Nominal value of equity shares (INR)	2/-	10/-
(a) Profits attributed to equity holders of the Company	6,586	5,617
(b) Weighted average number of equity shares used as denominator [Refer Note (c) below]	726,638,715	726,638,715
(c) Basic and diluted earnings per share (INR)	9.06	7.73

Note:

(a) There are no dilutive equity shares in the Company.

(b) In calculating the weighted average number of outstanding equity shares during the year, Company has not reduced the own shares held by USL Benefit Trust (of which Company is the sole beneficiary), as the investment in the said trust has been accounted under a scheme approved by courts [Refer Note 4(c)].

(c) Weighted average number of equity shares for the previous year has been revised considering the effect of share split [Refer Note 14(i)(B)].

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

31. Financial risk management

The Company's activities exposes it to credit risk, liquidity risk and market risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks, trade receivables, loans and other financial assets measured at amortised cost	Review of receivables	Diversification of bank deposits, monitoring of credit limits and assessment of recoverability of loan from subsidiaries
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk - interest rate	Short-term borrowings at floating rates	Sensitivity analysis of interest rates	Diversified portfolio of fixed and variable interest rate loans
Market risk - foreign exchange	Future commercial transactions, Financial assets and liabilities not denominated in INR	Sensitivity analysis	Cash flow forecasting

The Company's risk management is carried out by treasury department under policies approved by the Board. Central treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's other functions. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess funds.

(A) Credit risk

Credit risk management

Trade receivables:

Company's Credit policy provides guidance to keep the risk of selling on credit within an acceptable level. The Company's management monitors and reviews credit limits, overdue trade receivables, provisioning and write-off of credit impaired receivables.

Trade receivables are typically unsecured and are derived from revenue earned from two main classes of trade receivables, receivable from sales to government corporations/ government owned entities and receivables from sales to private third parties.

Receivables from government corporation customers amounted to INR 18,448 million; 67% (2018: INR 18,746 million; 66%) and private customers amounted to INR 8,982 million; 33% (2018: INR 9,766 million; 34%) respectively, of total trade receivables, on the reporting date.

The Company uses provision matrices for each category of customers which are applied to receivables and accordingly makes allowances.

Movement in loss allowances for trade receivables is provided below:

Particulars	March 31, 2019	March 31, 2018
Balance at the beginning of the year	1,514	455
Loss allowance (net)	836	1,200
Write-offs	(101)	(141)
Balance at the end of the year (Refer Note 11)	**2,249**	**1,514**

Loans and other financial assets:

Other financial assets includes balances with banks, receivable from Tie-up manufacturing units, loans including loans to subsidiaries and interest accrued on such loans.

(All amounts in INR Millions unless otherwise stated)

31. Financial risk management *(continued)*

Significant estimates and judgements in impairment of loans to subsidiaries

Loans to subsidiaries are measured at amortized cost using the effective interest method. In assessing the expected credit loss, management considers the expected manner of recovery, the contractual terms of the loan, operational status of the subsidiary, historical experience and forecast cash flows. An impairment provision is made to reflect the possibility of a credit loss. Changes in expected manner of recovery consequent to change in forecast cash flows, could lead to the losses being higher/ lower than estimated as at the year end.

Movement in loss allowances for financial assets other than for trade receivables during the reporting period is provided below:

Particulars	March 31, 2019	March 31, 2018
Balance at the beginning of the year	66,652	66,512
Loss allowance recognised:		
Included in the Statement of Profit and Loss	241	313
Disclosed as exceptional item (Refer Note 28)	(445)	(186)
Loss allowance on restatement of credit impaired loans to overseas subsidiaries (*)	2,682	397
(Write-offs)	(674)	(384)
Balance at the year end (Refer Note 5 and 6)	**68,456**	**66,652**

(*) Loans denominated in foreign currency to subsidiaries are mostly credit impaired. Exchange differences arising on reinstatement of such loans are set-off against the equivalent loss allowances and hence there is no impact on the statement of profit and loss on this account.

(B) Liquidity Risk

Changes in regulations, guidelines and operating models influences liquidity risk. The Company generates enough cashflow from the current operation that provides liquidity both in the short-term as well as in the long-term. The Company has prudent liquidity risk management to ensure maintenance of required cash and / or have access to funds through adequate unutilised sanctioned banking limits from banks. The company maintains an optimal debt mix with the products to meet both short term and long-term funding requirements. Besides, the Company has planned monetisation of certain non-core assets to infuse liquidity and reduce debts and remains committed to maintaining a healthy liquidity, a low gearing ratio, de-lever and strengthen its balance sheet.

Financing arrangements

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

Particulars	As at March 31, 2019	As at March 31, 2018
Floating rate Expiring within one year (cash credit/ working capital demand loans)	26,421	31,791

The above facilities may be drawn at any time and repayable on demand. The Company has fully utilized fixed rate borrowing facilities as at the end of each of the reporting periods.

Maturities of financial liabilities

The maturity profile of the Company's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Company.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

31. Financial risk management *(continued)*

March 31, 2019

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings (Refer Note below)	18,118	0	559	8,059	0	26,736
Obligation under finance lease	26	25	48	84	71	254
Trade payables	13,360	-	-	-	-	13,360
Other financial liabilities	2,030	-	-	-	-	2,030
Total liabilities	**33,534**	**25**	**607**	**8,143**	**71**	**42,380**

March 31, 2018

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings (Refer Note below)	25,212	0	559	559	8,059	34,389
Obligation under finance lease	15	13	19	18	12	77
Trade payables	13,935	-	-	-	-	13,935
Other financial liabilities	2,459	-	-	-	-	2,459
Total liabilities	**41,621**	**13**	**578**	**577**	**8,071**	**50,860**

Note: Maturities of current borrowings have been considered here based on their contractual maturity. However, the Company expects to renew/replace these borrowings on an ongoing basis.

(C) Interest rate risk

The Company is exposed to interest rate risk on its loans from Banks and Commercial Papers (CPs) from Banks/Mutual Funds. Majority of the Company's short-term borrowings are benchmarked to Bank's MCLR (Marginal Cost of Lending Rates) and Money Market Rates. Interest rate risk arises due to uncertainties about the future market interest rate on these borrowings. The Company maintains an optimal debt mix and tenure to minimise the impact of interest rate risk.

The exposure of the Company's borrowings to interest rate changes at the end of reporting period are as follows:

Particulars	As at March 31, 2019	As at March 31, 2018
Floating rate borrowings	9,157	11,562
Fixed rate borrowings	16,429	20,943
Total borrowings	**25,586**	**32,505**

Note: Reasonable changes in interest rate is not expected to have a significant impact on the Company's profit/ loss.

(D) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and GBP. Foreign Exchange risk arises from future commercial transactions and assets and liabilities denominated in a currency that is not the Company's functional currency (INR). The risk is measured through a forecast of highly probable foreign currency cash flows.

Foreign currency risk management

The Company's risk management policy is to assess the Company's net exposures which is mainly represented by receivable and payable towards exports and imports respectively, and partly represented by the loans extended in foreign currencies.

The Company can hedge its net exposures with a view on forex outlook. Since the net exposure is currently not material, this has not been hedged.

(All amounts in INR Millions unless otherwise stated)

31. Financial risk management *(continued)*

Foreign currency risk exposure

The Company's exposure to foreign currency risk at the end of the reporting period expressed in INR millions is as follows:

Financial assets	As at March 31, 2019			As at March 31, 2018		
	USD	GBP	Total	USD	GBP	Total
Trade receivables	281	-	281	196	0	196
Non-current loans	274	640	914	259	641	900
Exposure to foreign currency risk (assets)	**555**	**640**	**1,195**	**455**	**641**	**1,096**
Financial liabilities						
Trade payables	128	421	549	132	411	543
Other current liabilities	-	-	-	3	-	3
Exposure to foreign currency risk (liabilities)	**128**	**421**	**549**	**135**	**411**	**546**
Net exposure	**427**	**219**	**646**	**320**	**230**	**550**

Notes:

a) Reasonable fluctuations in foreign exchange rates are not expected to have a material effect on the profit/ loss.
b) Loans given to subsidiaries, denominated in foreign currency are largely provided for and hence they do not carry any material foreign currency risk.

32. Capital management

Risk management

The Company's objectives when managing capital is to:

a) have a balanced financial profile from short term (1 year) to mid-term (3 years) for sustainable leverage, providing;

- Headroom for future growth / expansion
- Financial flexibility in case of adverse business cycles

b) ensure the capital structure is at competitive advantage when compared to peers and other sector players through optimum debt mix through:

- Diversification of funding sources to manage liquidity and rollover risk
- Financial flexibility in case of adverse business cycles

Net debt to equity ratio:

Particulars	As at March 31, 2019	As at March 31, 2018
Net debt *	25,457	31,569
Total equity	31,315	25,038
Net debt to equity ratio	**0.81**	**1.26**

* Net debt represents total borrowings, less cash and cash equivalents.

33. Assets pledged as security

(a) In respect of secured loans from bank and others ('lenders') obtained and repaid during earlier years, the Company has in most cases obtained no objection letters from lenders for the release of the hypothecation/ mortgage and have filed the necessary forms with Ministry of Corporate Affairs ("MCA") to reflect the release of such charge in MCA's records. In the few remaining cases, the Company is in the process of securing no objection letters from the lenders. As there are no secured loans outstanding as at March 31, 2019, no assets have been shown as hypothecated/ mortgaged as at March 31, 2019

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

33. Assets pledged as security *(continued)*

(b) Further the following assets have been pledged with a bank with whom the Company is involved in a litigation (Refer Note 46)

Non-current	Notes	As at March 31, 2019	As at March 31, 2018
First charge			
Freehold land	3.1	1,198	1,198
Buildings	3.1	668	722
Lease hold land	3.1	38	39
Plant and equipment	3.1	439	525
Investments as a sole beneficiary in USL benefit trust		1,197	1,197
Total non-current assets pledged as security		**3,540**	**3,681**

(c) Assets pledged, as disclosed under this note does not include inventory aggregating to INR 55 million (2018: INR Nil) in custody of third party tie-up manufacturing units (TMU), which have been used for hypothecation by the said TMU.

34. Share based payments

Diageo Plc share based plans

Diageo Plc. (Ultimate parent company) runs various equity settled share based plans such as Diageo Performance Incentive (DPI), Diageo Executive Long Term Incentive Plan (DELTIP), Performance Share Plan (PSP) and Senior Executive Share Option Plan (SESOP) for select employees of the Company. Vesting under these plans is subject to conditions such as continuity of employment and achievement of certain other performance factors like growth in profit, growth in organic net sales, free cash flow, business productivity and individual's net promoter score. The charge for the year in respect of such plans is included in employee benefits expense amounting to INR 116 million (March 31, 2018: INR 20 million) (Refer Note 25), with a corresponding credit to share based incentive reserve in Other equity. Disclosures are provided to the extent of information available with the Company.

Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employee reward to Company's share price performance. Under this plan, Company grants stock appreciation rights (based on USL share price on the date of grant) to select employees. The grant is made in September every year. Cash pay-out equivalent to the appreciation in the value of shares will be made at the end of three years from the date of grant (the vesting period).

The fair value of the SARs was determined using the Black-Scholes model using the following inputs at the grant dates and as at each reporting date:

	As at March 31, 2019	As at March 31, 2018
Share price at measurement date (INR per share)	553.9	625.93
Expected volatility (%)	34.06% - 34.84%	33.73% - 34.80%
Dividend yield (%)	-	-
Risk-free interest rate (%)	7.16% - 7.78%	6.15% - 6.27%

As at March 31, 2019 such outstanding SARs are 508,896 (March 31, 2018: 84,908). Refer below for summary:

Particulars	Note	Amount
Provision as at April 1, 2017		17
Charge for the year	25	64
Provision as at March 31, 2018	**18**	**81**
Charge for the year	25	81
Provision as at March 31, 2019	**18**	**162**

(All amounts in INR Millions unless otherwise stated)

34. Share based payments *(continued)*

Provision as at the year-end classified as:

Particulars	As at March 31, 2019	As at March 31, 2018
Current	78	-
Non-current	84	81
Total	**162**	**81**

35. Impairment of investments in subsidiaries

The Company performs an assessment for impairment of its investments in subsidiaries at least annually and recognises/ reverses impairment, as considered necessary on its investments.

The Company has determined recoverable values of its investments as 'market approach' or fair value of net assets, less cost of disposal. Company has used the 'cost approach' valuation technique for determining fair value of its investment in subsidiaries using Level 3 inputs. An analysis of investments in subsidiaries where impairment charge/ reversal has been recognised, is provided below:

As at and for the year ended March 31, 2019	Sovereign Distilleries Limited	Tern Distilleries Private Limited	Total
Carrying amount of investments (Gross)			
Investments in equity	4,267	987	
Recoverable amount	783	187	
Shortfall in recoverable amount over carrying value	**3,484**	**800**	
Impairment allowance recognised in earlier years	3,484	739	
Impairment allowance recognised during the year [Refer Note 28(c)]	-	61	**61**
Closing impairment allowance (Refer Note 4)	**3,484**	**800**	

As at and for the year ended March 31, 2018	Sovereign Distilleries Limited	Tern Distilleries Private Limited	Total
Carrying amount of investments (Gross)			
Investments in equity	4,267	987	
Recoverable amount	783	248	
Shortfall in recoverable amount over carrying value	**3,484**	**739**	
Impairment allowance recognised in earlier years	3,158	602	
Impairment allowance recognised during the year [Refer Note 28(c)]	326	137	**463**
Closing impairment allowance (Refer Note 4)	**3,484**	**739**	

Note: Any changes in fair value of the underlying assets held by the subsidiaries would have an equivalent effect on the impairment charge.

36. Related party disclosures

(a) Names of related parties and description of relationship

(i) Parent entities

- Diageo Plc. (Ultimate Holding company)
- Tanqueray Gordon & Company Ltd. (Holding Company of Relay B V)
- Relay B V (Holding Company)

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

36. Related party disclosures *(continued)*

(ii) Subsidiaries

Name of the subsidiary	% of ownership interest	Country of Incorporation
Indian Subsidiaries		
Pioneer Distilleries Limited	75	India
Royal Challengers Sports Private Limited	100	India
Sovereign Distilleries Limited	100	India
Tern Distilleries Private Limited	100	India
Four Seasons Wines Limited [up to January 16, 2019 – Refer note 42(d)]	100	India
Overseas Subsidiaries		
Asian Opportunities and Investments Limited	100	Mauritius
Liquidity Inc.	51	USA
McDowell & Co. (Scotland) Limited	100	Scotland, U.K.
Montrose International S.A	100	Panama
Palmer Investment Group Limited	100	British Virgin Islands
Shaw Wallace Overseas Limited	100	U.K.
UB Sports Management Overseas Limited	100	Jersey Islands
United Spirits (Great Britain) Limited	100	U.K.
United Spirits (Shanghai) Trading Company Limited	100	China
United Spirits (UK) Limited	100	U.K.
United Spirits Singapore Trading Pte Ltd	100	Singapore
USL Holdings (UK) Limited	100	U.K.
USL Holdings Limited	100	British Virgin Islands
United Spirits Nepal Private Limited [up to February 28, 2018 - Refer Note 42(c)]	82.46	Nepal

(iii) Associates

Name of the associate	% of ownership interest	Country of Incorporation
Hip Bar Private Limited (w.e.f. June 25, 2018) (Refer Note 57)	26	India
Wine Society of India Private Limited [up to January 16, 2019, Refer Note 42(d)]	33	India

(iv) Fellow subsidiaries (with whom transactions have taken place during the year or in the previous year)

- Diageo Scotland Limited
- Diageo Brands BV
- Diageo Great Britain Limited
- Diageo Australia Limited
- Diageo North America Inc.
- Diageo Singapore Supply Pte Limited
- Guinness Nigeria Plc.
- Diageo Business Services India Private Limited
- Diageo Ireland Limited

(All amounts in INR Millions unless otherwise stated)

36. Related party disclosures *(continued)*

(v) Other entity where there is control

- USL Benefit Trust, India

(vi) Employees' Benefit Plans:

- McDowell & Company Limited Staff Gratuity Fund
- McDowell & Company Limited Officers' Gratuity Fund
- McDowell & Company Limited Employees Provident Fund
- Phipson & Company Limited Management Staff Gratuity Fund
- Phipson & Company Limited Gratuity Fund
- Carew & Company Ltd. Gratuity Fund
- United Spirits Superannuation Fund
- UB Group Employee Benefit Trust

(vii) Key management personnel

- Anand Kripalu (Managing Director & Chief Executive Officer)
- Sanjeev Churiwala (Executive Director and Chief Financial Officer)

(viii) Non-executive/Independent directors

- Mahendra Kumar Sharma – Chairman
- V K Viswanathan
- Dr. Indu Shahani
- D Sivanandhan
- Rajeev Gupta
- John Thomas Kennedy
- Randall Ingber
- Vinod Rao

(b) Summary of the transactions with related parties

	Name of the related party	Relationship	For the year ended March 31, 2019	For the year ended March 31, 2018
(i)	**Investments in equity made during the year**			
	Hip Bar Private Limited (Refer Note 57)	Associate	270	-
	Four Seasons Wines Limited [Refer Note 42(d)]	Subsidiary	1,177	-
	Total- investments in equity during the year		**1,447**	**-**
(ii)	**Sale of products (including excise duty) to**			
	United Spirits Nepal Private Limited	Subsidiary	-	107
	Pioneer Distilleries Limited	Subsidiary	18	33
	Guinness Nigeria Plc.	Fellow subsidiary	0	59
	Total- Sale of products		**18**	**199**
(iii)	**Royalty and brand franchise income**			
	United Spirits Nepal Private Limited	Subsidiary	-	48
	Four Seasons Wines Limited	Subsidiary	1	2
	Guinness Nigeria Plc.	Fellow subsidiary	31	-
	Total- Royalty and brand franchise income		**32**	**50**
(iv)	**Dividend received from**			
	United Spirits Nepal Private Limited	Subsidiary	-	38
	Total- Dividend received (Refer Note 22)		**-**	**38**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

36. (b) Summary of the transactions with related parties *(continued)*

	Name of the related party	Relationship	For the year ended March 31, 2019	For the year ended March 31, 2018
(v)	**(a) Interest income on loans to**			
	Royal Challengers Sports Private Limited	Subsidiary	247	364
	Pioneer Distilleries Limited	Subsidiary	122	12
	Four Seasons Wines Limited	Subsidiary	38	7
	Sovereign Distilleries Limited	Subsidiary	0	0
	Tern Distilleries Private Limited	Subsidiary	0	0
	McDowell & Co. (Scotland) Limited	Subsidiary	-	1
	Sub- total (Refer Note 22)		**407**	**384**
(v)	**(b) Interest income on loans relating to earlier years**			
	Four Seasons Wines Limited	Subsidiary	205	-
	Royal Challengers Sports Private Limited	Subsidiary	-	497
	Sub- total [Refer Note 28(f)]		**205**	**497**
	Total-Interest income from subsidiaries		**612**	**881**
(vi)	**Guarantee commission income from**			
	Pioneer Distilleries Limited	Subsidiary	-	5
	Total- Guarantee commission income		**-**	**5**
(vii)	**Reimbursement of expenses from**			
	Diageo Plc.	Ultimate holding company	-	1
	Pioneer Distilleries Limited	Subsidiary	0	-
	Four Seasons Wines Limited	Subsidiary	0	2
	Diageo Great Britain Limited	Fellow subsidiary	89	9
	Diageo Brands BV	Fellow subsidiary	9	-
	Diageo Scotland Limited	Fellow subsidiary	8	30
	Diageo Ireland Limited	Fellow subsidiary	11	-
	Total- Reimbursement of expenses received		**117**	**42**
(viii)	**Purchase of stock-in-trade from**			
	Four Seasons Wines Limited	Subsidiary	79	86
	Diageo Brands BV	Fellow subsidiary	1,871	1,038
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	-	30
	Total- Purchase of stock-in-trade		**1,950**	**1,154**
(ix)	**Purchase of materials from**			
	Pioneer Distilleries Limited	Subsidiary	908	721
	Diageo Brands BV	Fellow subsidiary	931	559
	Total- Purchase of materials		**1,839**	**1,280**
(x)	**Bottling charges paid towards tie-up manufacturing operations**			
	Pioneer Distilleries Limited	Subsidiary	**62**	**53**
	Total- Bottling charges		**62**	**53**
(xi)	**Royalty expense**			
	Diageo Scotland Limited	Fellow subsidiary	-	19
	Diageo North America Inc.	Fellow subsidiary	91	86
	Total- Royalty expense (Refer Note 27)		**91**	**105**

(All amounts in INR Millions unless otherwise stated)

36. (b) Summary of the transactions with related parties *(continued)*

	Name of the related party	Relationship	For the year ended March 31, 2019	For the year ended March 31, 2018
(xii)	**Professional charges**			
	Diageo Business Service India Private Limited	Fellow subsidiary	232	140
	Total- Professional charges		**232**	**140**
(xiii)	**Cross Charge – towards share based payments/ employee benefits expense**			
	Diageo Plc.	Ultimate holding company	2	129
	Diageo Great Britain Limited	Fellow subsidiary	65	-
	Total- Cross charge		**67**	**129**
(xiv)	**Other services received**			
	Advertisement, selling and promotion expenses			
	Royal Challengers Sports Private Limited	Subsidiary	25	-
	Information Technology expenses			
	Diageo Great Britain Limited	Fellow subsidiary	58	-
	Total- Other services received		**83**	**-**
(xv)	**Reimbursement of expenses paid to**			
	Sovereign Distilleries Limited	Subsidiary	2	2
	Royal Challengers Sports Private Limited	Subsidiary	4	-
	Diageo Scotland Limited	Fellow subsidiary	6	2
	Diageo Australia Limited	Fellow subsidiary	-	6
	Diageo Brands BV	Fellow subsidiary	1	3
	Diageo North America Inc.	Fellow subsidiary	-	8
	Diageo Great Britain Limited	Fellow subsidiary	42	5
	Total-reimbursement of expenses paid		**55**	**26**
(xvi)	**Loans given to**			
	Sovereign Distilleries Limited	Subsidiary	10	30
	Four Seasons Wines Limited	Subsidiary	-	16
	Royal Challengers Sports Private Limited	Subsidiary	1,740	1,107
	Tern Distilleries Private Limited	Subsidiary	16	13
	Total-Loans given		**1,766**	**1,166**
(xvii)	**Loan repaid by**			
	Royal Challengers Sports Private Limited	Subsidiary	2,290	2,255
	USL Holdings Limited	Subsidiary	-	5
	Four Seasons Wines Limited	Subsidiary	781	0
	McDowell's & Co. (Scotland) Limited	Subsidiary	-	85
	Total-Loans repaid		**3,071**	**2,345**
(xviii)	**Allowances reversed on loans/interest**			
	Pioneer Distilleries Limited	Subsidiary	-	194
	Four Seasons Wines Limited	Subsidiary	449	-
	USL Holdings Limited	Subsidiary	-	442
	Total allowances reversed [Refer Note 28(e)]		**449**	**636**
(xix)	**Contribution to employee benefit plans**			
	McDowell & Company Limited Employees Provident Fund	Employee benefits plan	141	152
	United Spirits superannuation Fund	Employee benefits plan	55	64
	Total- Contribution to employee benefit plans		**196**	**216**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

36. (b) Summary of the transactions with related parties *(continued)*

	Name of the related party	Relationship	For the year ended March 31, 2019	For the year ended March 31, 2018
(xx)	**Allowances during the year for loans/ interest receivable**			
	Sovereign Distilleries Limited	Subsidiary	4	-
	Four Seasons Wines Limited	Subsidiary	-	73
	Pioneer Distilleries Limited	Subsidiary	-	377
	Total- allowances created [Refer Note 28(d)]		**4**	**450**
(xxi)	**Advances repaid by**			
	Four Seasons Wines Limited	Subsidiary	7	-
	Pioneer Distilleries Limited	Subsidiary	800	-
	Total- Advances repaid		**807**	-

36. (c) Summary of closing balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Name of the related party	Relationship	As at March 31, 2019	As at March 31, 2018
(i)	**Other receivables from**			
	Diageo Ireland Limited	Fellow subsidiary	2	-
	Diageo Great Britain Limited	Fellow subsidiary	0	7
	Total- Other receivables (Refer Note 6)		**2**	**7**
(ii)	**Trade advances to**			
	Pioneer Distilleries Limited	Subsidiary	743	1,477
	Four Seasons Wines Limited	Subsidiary	-	7
	Total- advances outstanding (Refer Note 9)		**743**	**1,484**
(iii)	**Trade receivables from**			
	United Spirits Singapore Pte. Limited	Subsidiary	83	79
	Guinness Nigeria Plc.	Fellow subsidiary	37	6
	Total- Trade receivables (Refer Note 11)		**120**	**85**
(iv)	**Trade payables to**			
	United Spirits Singapore Trading Pte. Ltd	Subsidiary	93	88
	Royal Challengers Sports Private Limited	Subsidiary	9	-
	Sovereign Distilleries Limited	Subsidiary	4	-
	Diageo Plc.	Ultimate holding company	-	58
	Diageo Brands BV	Fellow subsidiary	1,341	535
	Diageo Great Britain Limited	Fellow subsidiary	113	-
	Diageo Australia Limited	Fellow subsidiary	-	4
	Diageo North America Inc.	Fellow subsidiary	44	17
	Diageo Scotland Limited	Fellow subsidiary	1	17
	Diageo Singapore Supply Pte. Limited	Fellow subsidiary	1	1
	Diageo Business Service India Private Limited	Fellow subsidiary	88	128
	Total trade payables to related parties (Refer Note 19)		**1,694**	**848**
(v)	**Loans (including interest) outstanding from**			
	(a) Principal			
	Royal Challengers Sports Private Limited	Subsidiary	2,433	2,983
	Pioneer Distilleries Limited	Subsidiary	1,354	1,354
	Four Seasons Wines Limited	Subsidiary	-	781

(All amounts in INR Millions unless otherwise stated)

36. (c) Summary of closing balances with related parties *(continued)*

		Name of the related party	Relationship	As at March 31, 2019	As at March 31, 2018
		Sovereign Distilleries Limited	Subsidiary	45	35
		Tern Distilleries Private Limited	Subsidiary	38	22
		Asian Opportunities & Investments Limited	Subsidiary	514	532
		Liquidity Inc.	Subsidiary	69	66
		United Spirits (Shanghai) Trading Company Limited	Subsidiary	20	19
		McDowell & Co. (Scotland) Limited	Subsidiary	333	319
		USL Holdings Limited	Subsidiary	53,685	50,987
		USL Holdings (UK) Limited	Subsidiary	174	177
	(b)	Interest			
		Royal Challengers Sports Private Limited	Subsidiary	1,359	1,141
		Pioneer Distilleries Limited	Subsidiary	487	377
		Four Seasons Wines Limited	Subsidiary	-	110
		Sovereign Distilleries Limited	Subsidiary	4	4
		USL Holdings Limited	Subsidiary	101	101
		Total - Loans outstanding (Refer Note 5)		**60,616**	**59,008**
(vi)	**Allowance at the year end**				
	(a)	Principal			
		Four Seasons Wines Limited	Subsidiary	-	432
		Liquidity Inc.	Subsidiary	69	66
		United Spirits (Shanghai) Trading Company Limited	Subsidiary	20	19
		Asian Opportunities & Investments Limited	Subsidiary	514	532
		USL Holdings (UK) Limited	Subsidiary	174	177
		USL Holdings Limited	Subsidiary	53,104	50,405
	(b)	Interest			
		USL Holdings Limited	Subsidiary	101	101
		Pioneer Distilleries Limited	Subsidiary	377	377
		Sovereign Distilleries Limited	Subsidiary	4	-
		Four Seasons Wines Limited	Subsidiary	-	25
		Total Allowance on loans (Refer Note 5)		**54,363**	**52,134**
(vii)	**Minimum offtake commitment for purchase of bulk scotch**				
	Diageo Scotland Limited		Fellow subsidiary	1,900	1,560

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

36. (d) Key management personnel compensation

Executive Directors	For the year ended March 31, 2019		For the year ended March 31, 2018	
	Anand Kripalu	Sanjeev Churiwala	Anand Kripalu	Sanjeev Churiwala
Remuneration (*)	158	58	135	45
Employee share-based payments (**)	38	-	9	-
Total compensation	**196**	**58**	**144**	**45**

(*) As the liabilities for gratuity and compensated absences are provided on actuarial basis for the Company as a whole, the amounts pertaining to individual Key Management Personnel are not separately available.

(**) Based on options exercised.

Non-Executive Directors	For the year ended March 31, 2019		For the year ended March 31, 2018	
	Sitting Fee	Commission	Sitting Fee	Commission
Mahendra Kumar Sharma	0.8	4.7	0.5	4.7
V K Viswanathan	0.8	3.9	0.6	3.8
Dr. Indu Shahani	0.9	4.0	0.8	4.1
D Sivanandhan	0.9	3.9	0.6	4.1
Rajeev Gupta	0.6	3.5	0.5	3.5
Total	**4.0**	**20.0**	**3.0**	**20.2**

Note: The above amounts are reported in millions, and the decimals are rounded off to the nearest lakhs.

36. (e) General terms and conditions for transactions with related parties

Transactions with related parties are carried out in the normal course of business and are generally on normal commercial terms.

All loans to subsidiaries are unsecured. For tenure of the loans and interest rate, Refer Note 54(b).

37. Offsetting of financial assets and financial liabilities

The Company gives volume based rebates to certain customers. Amounts payable by Company are offset against receivables from such customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet. Details of such offset is given in the below table.

Particulars	As at March 31, 2019	As at March 31, 2018
Trade receivables (gross)	27,850	29,061
Less: Incentives payable	(420)	(549)
Trade receivables as reported (Refer Note 11)	27,430	28,512

38. (a) Defined contribution plans

Provident Fund:

Provident Fund covers substantially all permanent workmen. Contributions towards Provident Fund are made as a percentage of salary, as per regulations to a fund administered by government authority. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

Employee Pension Scheme:

Employee Pension Scheme covers substantially all permanent employees of the Company. Contributions towards Employee Pension Scheme are made as a percentage of salary, as per regulations to a fund administered by government authority. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

(All amounts in INR Millions unless otherwise stated)

38. (a) Defined contribution plans *(continued)*

Employees' State Insurance:

Employees' State Insurance is a state plan which is applicable to certain employees of the Company whose salaries do not exceed a specified amount. The contributions are made based on a percentage of salary to a fund administered by government authority. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

Superannuation fund:

Certain executive staff of the Company participate in Superannuation fund, which is a voluntary contribution plan. The Company has no further obligations to the plan beyond its monthly contributions to United Spirits Superannuation Fund, the corpus of which is administered by an investment manager and is invested in insurance products.

National Pension Scheme:

Certain executive staff of the Company participate in National Pension Scheme, which is a voluntary contribution plan. The Company has no further obligations to the plan beyond its monthly contributions to a fund administered by an Investment Manager.

During the year, the Company has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds in the employee benefits expense.

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Provident fund*	32	57
Employees' pension scheme	55	36
Employees' state insurance	11	10
Superannuation fund	55	64
National pension scheme	9	11
Total (Refer Note 25)	**162**	**178**

* Excludes contributions to PF made to trusts which are in the nature of defined benefit plans managed by the Company.

38. (b) Defined benefit plans

Gratuity:

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan"), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment or upon resignation from service, of an amount based on the respective employee's last drawn salary and years of employment with the Company. Vesting occurs only upon completion of five years of service, except in case of death or permanent disability. The funds are managed by a trust administered by the Company.

Pension plan:

The Company operates a defined benefit pension plan for employees of an erstwhile merged Company. This plan provides benefits to members in the form of a guaranteed level of pension payable for life post retirement or termination of employment. The level of benefits provided depends on their salary in the final year leading up to retirement, or termination.

Provident fund:

Certain categories of employees receive benefits from the provident fund, which is a defined benefit plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The contributions are made to McDowell & Company Limited Employees Provident Fund trust set up and managed by the Company. The trust invests in specific designated instruments as permitted by Indian law. The Company's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the Company.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

38. (b) Defined benefit plans *(continued)*

Gratuity, Provident Fund and Pension

A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):

	As at/ for the year ended March 31, 2019			As at/ for the year ended March 31, 2018		
	Gratuity	Provident fund	Pension	Gratuity	Provident fund	Pension
	(Funded)	(Funded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)
Obligation at the beginning of the year	1,250	2,930	18	1,464	2,694	18
Current service cost	111	141	-	160	152	-
Interest cost	86	219	1	93	121	1
Benefit payments from plan assets	(252)	(470)	-	(286)	(488)	-
Transfer in/ (out)	(6)	61	-	-	146	-
Employee contributions	-	192	-	-	188	-
Benefit payments from the Company	-	-	(2)	(16)	-	(2)
Actuarial (gain)/ loss from changes in demographic assumptions	30	-	-	-	-	-
Actuarial (gain)/ loss from changes in financial assumptions	7	35	0	(33)	-	1
Actuarial (gain)/ loss from experience adjustments	(50)	(99)	(1)	(132)	117	-
Obligation at the end of the year	**1,176**	**3,009**	**16**	**1,250**	**2,930**	**18**

B. Reconciliation of opening and closing balances of the fair value of plan assets:

	As at / for the year ended March 31, 2019		As at / for the year ended March 31, 2018	
	Gratuity	Provident fund	Gratuity	Provident fund
	(Funded)	(Funded)	(Funded)	(Funded)
Plan assets at the beginning of the year	1,747	2,974	1,937	2,746
Employee contributions	-	192	-	188
Transfer in/ (out)	-	61	-	146
Contribution by the Company	-	141	-	152
Return on plan assets	129	219	134	121
Actuarial gains/ (losses)	1	(85)	(38)	109
Benefits paid	(252)	(470)	(286)	(488)
Plan assets at the end of the year	**1,625**	**3,032**	**1,747**	**2,974**

C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance sheet at the end of the year:

	As at March 31, 2019			As at March 31, 2018		
	Gratuity	Provident fund	Pension	Gratuity	Provident fund	Pension
	(Funded)	(Funded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)
Present value of obligation	1,176	3,009	16	1,250	2,930	18
Fair value of plan assets	1,625	3,032	-	1,747	2,974	-
Asset ceiling	-	23	-	-	44	-
Liability/ (asset) recognised in Balance sheet (Refer Notes 9 and 18)	**(449)**	**-**	**16**	**(497)**	**-**	**18**
Current	-	-	2	-	-	2
Non-current	(449)	-	14	(497)	-	16

(All amounts in INR Millions unless otherwise stated)

38. (b) Defined benefit plans *(continued)*

D. Expenses recognised in the Statement of profit and loss:

	For the year ended March 31, 2019				For the year ended March 31, 2018			
	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Total
Current service cost	111	141	-	**252**	160	152	-	**312**
Net interest cost								
a. Interest expense on DBO	86	219	1	**306**	93	121	1	**215**
b. Interest (income) on plan assets	(129)	(219)	-	**(348)**	(134)	(121)	-	**(255)**
Total net interest cost (a-b)	(43)	-	1	**(42)**	(41)	-	1	**(40)**
Defined benefit cost (Refer Note 25)	**68**	**141**	**1**	**210**	**119**	**152**	**1**	**272**

E. Re-measurement effects recognised in Other Comprehensive Income (OCI):

	For the year ended March 31, 2019				For the year ended March 31, 2018			
	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Total
a. Actuarial (gain)/loss due to demographic assumptions changes in DBO	30	-	-	**30**	-	-	-	**-**
b. Actuarial (gain)/loss due to financial assumptions changes in DBO	7	35	0	**42**	(33)	-	-	**(33)**
c. Actuarial (gain)/loss due to experience on DBO	(50)	(99)	(1)	**(150)**	(132)	117	1	**(14)**
d. Return on plan assets (greater)/ less than discount rate	(1)	85	-	**84**	38	(109)	-	**(71)**
e. Movement in asset ceiling	-	(21)	-	**(21)**	-	(8)	-	**(8)**
Total actuarial (gain)/loss included in OCI	**(14)**	-	**(1)**	**(15)**	**(127)**	**-**	**1**	**(126)**

F. Total cost recognised in Comprehensive Income:

	For the year ended March 31, 2019				For the year ended March 31, 2018			
	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Total
Expense recognised in P&L (Refer Note 25)	68	141	1	**210**	119	152	1	**272**
Remeasurements effects recognised in OCI	(14)	-	(1)	**(15)**	(127)	-	1	**(126)**
Total cost recognised in Comprehensive Income	**54**	**141**	**0**	**195**	**(8)**	**152**	**2**	**146**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

38. (b) Defined benefit plans *(continued)*

G. Investment details of plan assets:

	As at March 31, 2019		As at March 31, 2018	
	Gratuity	Provident fund	Gratuity	Provident fund
Government securities	-	48%	-	47%
Private sector bonds	-	17%	-	16%
Public sector / financial institutional bonds	-	22%	-	26%
Special deposit scheme	-	5%	-	4%
Insurance products	99%	-	99%	-
Others (including bank balances)	1%	8%	1%	7%
	100%	**100%**	**100%**	**100%**

H. Assumptions:

	As at March 31, 2019			As at March 31, 2018		
	Gratuity	Provident fund	Pension	Gratuity	Provident fund	Pension
	(Funded)	(Funded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)
Discount rate (per annum)	7.30%	7.24%	7.30%	7.40%	7.56%	7.40%
Rate of increase in compensation levels	10%	10%	NA	10%	NA	NA
Attrition rate	5% - 13%	5% - 13%	NA	13.20%	13.20%	NA
Mortality rates	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table	LIC (1996-1998 Annuitance rate)	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table	LIC (1996-1998 Annuitance rate)

* IALM: Indian Assured Lives Mortality

38. (c) Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is provided below:

Gratuity:

	Impact on defined benefit obligation					
	Changes in assumptions		Increase in assumption		Decrease in assumption	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Discount rate	1%	1%	Decrease by 5.81%	Decrease by 4.83%	Increase by 6.51%	Increase by 5.34%
Rate of increase in compensation levels	1%	1%	Increase by 6.28%	Increase by 5.16%	Decrease by 5.73%	Decrease by 4.77%

Provident Fund:

	Impact on defined benefit obligation					
	Changes in assumptions		Increase in assumption		Decrease in assumption	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Discount rate	1%	1%	Decrease by 2.45%	Decrease by 3.63%	Increase by 4.46%	Increase by 5.82%
Rate of increase in compensation levels	1%	1%	Increase by 4.19%	Increase by 5.39%	Decrease by 2.42%	Decrease by 3.57%

(All amounts in INR Millions unless otherwise stated)

38. (c) Sensitivity analysis *(continued)*

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

38. (d) Risk exposure:

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

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to yields of government securities; if plan assets underperform this yield, this will create a deficit. 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.
Change in bond yields	A decrease in yields of government securities will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets consists of government and public sector bonds, although the Company also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective local regulations.

38. (e) Effect of the defined benefit plan on the entity's future cash flows

The Company does not expect to contribute any amounts into the plan assets during the year ending March 31, 2020 for gratuity, considering the net surplus portion as at March 31, 2019. The Company is expected to contribute INR 148 million (2018: INR 167 million) to Provident Fund during the year ended March 31, 2020.

The weighted average duration of the defined benefit obligation is 7.95 years (2018: 6.12 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

March 31, 2019	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Gratuity	148	141	401	529	**1,219**
Provident fund	379	412	1,458	1,716	**3,965**
Total	**527**	**553**	**1,859**	**2,245**	**5,184**

March 31, 2018	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Gratuity	201	174	466	563	**1,404**
Provident fund	351	371	1,034	1,301	**3,057**
Total	**552**	**545**	**1,500**	**1,864**	**4,461**

Note: The estimates of future increase in compensation levels, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

39. Adoption of Ind AS 115

Effective April 1, 2018, the Company has adopted Indian Accounting Standard 115 (Revenue from contracts with customers) by using the modified retrospective approach. The new standard is based on the principle that revenue is recognised when control of goods or services is transferred to the customer and provides a single, principles based five-step model to be applied to all sales contracts. It replaces the separate models for goods, services and construction contracts under previous standards (Indian Accounting Standard 11 and Indian Accounting Standard 18) which was based on the concept of transfer of risks and rewards. It also provides further guidance on the measurement of sales on contracts which have discounts, rebates or incentives by applying variable consideration principles.

Based on the evaluation of commercial arrangements with customers, the Company has identified certain discounts/ rebates/ incentives to customers which need to be accounted upfront. It has also identified certain expenses, which are now required to be reduced from revenue. The Company has applied the Standard from April 1, 2018 and has adjusted the cumulative effect of adoption of Indian Accounting Standard 115 aggregating to INR 368 million (net of tax amounting to INR 198 million) in the Retained earnings as at April 1, 2018.

The impact of the application of Ind AS 115 on each financial statement line item is given below:

Particulars	March 31, 2019 (without adoption of Ind AS 115)	Increase/ (decrease)	March 31, 2019 as reported
Revenue from operations	285,293	(170)	285,123
Other expenses	14,706	(140)	14,566
Trade payables	12,764	596	13,360
Tax expense	3,537	(209)	3,328
Income tax liabilities	4,414	(209)	4,205

40. Leases

40. (a) Finance leases:

The Company has acquired office equipment and vehicles on finance leases. The lease agreements for office equipment and vehicles are generally for a primary period of 36 to 60 months. The Company has an option to renew these leases for a secondary period. Lease arrangements for land are generally for a period of 95-99 years.

The minimum lease payments and their present value in respect of the finance leases, are as follows:

	As at March 31, 2019		As at March 31, 2018	
	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments
Not later than one year	96	99	43	47
Later than one year and not later than five years	143	155	27	30
Later than five years	-	-	-	-
	239	**254**	**70**	**77**
Less: Finance charges		15		7
Total (Refer Note 16)		**239**		**70**

40. (b) Operating leases:

The Company's significant operating leasing arrangements are in respect of premises (residential, office, manufacturing facilities, depots etc.) and plant and equipment, which are for a period generally ranging between 11 months and 3 years. These arrangements are usually renewable on mutually agreeable terms.

(All amounts in INR Millions unless otherwise stated)

40. (b) Operating leases *(continued)*

Rental expense relating to operating leases:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Minimum lease payments	425	817
Contingent rent	2,510	1,885
Total rental expense relating to operating lease (Refer Note 27)	**2,935**	**2,702**

Contingent rent represents bottling charges paid under tie-up manufacturing arrangements and for leased units, where the bottling charges are determined based on the output/ volume, and includes both lease and non-lease elements. Lease elements of such arrangements are not separately disclosed as operating leases since it is impracticable to separate lease element from non-lease element.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Particulars	As at March 31, 2019	As at March 31, 2018
Within one year	172	371
Later than one year and not later than five years	108	562
Later than five years	-	313
Total	**280**	**1,246**

41. Additional Inquiry

As disclosed in the financial statements for the years ended March 31, 2017 and March 31, 2018, upon completion of the Initial Inquiry which identified references to certain additional parties and certain additional matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an additional inquiry into past improper transactions ('Additional Inquiry') which was completed in July 2016 and which prima facie identified transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's former non-executive chairman, Dr. Vijay Mallya , and other potentially improper transactions. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of the Company or its subsidiaries in prior periods. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliance with applicable laws in relation to such fund diversions.

42. Subsidiary rationalisation

(a) In relation to its subsidiaries and pursuant to its strategic objective of divesting non-core assets which began with the divestment of Bouvet Ladubay S.A.S, Chapin Landais S.A.S and United Spirits Nepal Pvt Ltd, the Company has reviewed its subsidiaries' operations, obligations and compliances, and made plans for their rationalisation through sale, liquidation or merger ("Rationalisation Process").

Consequently, during the year, the Board of Directors of the Company has approved:

(i) the divestment of Holding Company's stake in Liquidity inc.,

(ii) liquidation of McDowell & Co. (Scotland) Limited, Shaw Wallace Overseas Limited, United Spirits (Shanghai) Trading Company Limited, Montrose International S.A. and United Spirits Singapore Pte. Limited,

(iii) merger of UB Sports Management Overseas Limited with Palmer Investment Group Limited and subsequently, merger of Palmer Investment Group Limited with the Company, and

(iv) has recommended to the Board of Directors of USL Holdings Limited and Boards of Directors of three of its step-down subsidiaries to liquidate all these entities.

(b) During the quarter ended September 30, 2018, the Company entered into an agreement for the sale of its entire 51% equity holding in Liquidity Inc. and has sought approval of regulatory authorities for divesting its stake in Liquidity Inc., as well as for liquidating two of its wholly owned overseas subsidiaries, United Spirits Trading (Shanghai) Company Limited and Montrose International S.A. During the quarter ended December 31, 2018, the Company also sought

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

42. Subsidiary rationalisation *(continued)*

regulatory approval in respect of liquidating its wholly owned subsidiary, USL Holdings Limited and its three wholly owned step-down overseas subsidiaries. The completion of the above sale as well as liquidations by the Company are subject to regulatory and other approvals (in India and overseas). During this Rationalisation Process, if any historical non-compliances are established, the Company will consult with its legal advisors, and address any such issues including, if necessary, considering filing appropriate compounding applications with the relevant authorities. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliances if any, with applicable laws.

(c) On January 15, 2016, the Company had entered into an agreement for sale of its entire holding of 67,716 equity shares in United Spirits Nepal Private Limited ('USNPL'), constituting 82.46% of the paid up equity share capital of USNPL. The sale was subject to various regulatory approvals and other conditions precedent. During the previous year, the Company has secured the approval of the Reserve Bank of India under the Foreign Exchange Management Act, 1999, in respect of the sale of shares in USNPL. Following the receipt of other relevant regulatory approvals and fulfilment of other conditions precedent, on February 28, 2018, the Company completed the sale of all the 67,716 equity shares held by it in USNPL at a price of Nepalese Rupees 5,042 per share, amounting to a total consideration of Nepalese Rupees 341,424,072 (INR 213 million). This resulted in a gain on disposal of investment in subsidiary of INR 148 million which has been disclosed as an exceptional item [Refer Note 28(g)] in the previous year. The sale consideration was remitted to India following the deduction of applicable taxes in Nepal. Following the completion of this sale, the Company holds no shares in USNPL, and hence USNPL has ceased to be a subsidiary of the Company. The Company continues to have a licensing arrangement with USNPL pursuant to which, products bearing the Company's brand names will continue to be manufactured, marketed and sold in Nepal.

(d) On December 24, 2018 the Company has infused equity share capital of INR 1,177 million in Four Seasons Wines Limited (FSWL), a wholly owned subsidiary. On the same day, FSWL has repaid loans of INR 781 million and interest of INR 349 million to the Company (comprising interest of INR 110 million accrued as at March 31, 2018, interest of INR 205 million which had not been recognised as at March 31, 2018 and interest of INR 34 million for the year). Interest relating to earlier years not previously recognised amounting to INR 205 million has been taken to exceptional income [Refer Note 28(f)]. Further reversal of doubtful allowances aggregating to INR 449 million on loan and interest accrued has been taken to exceptional income [Refer Note 28(e)].

(e) On January 16, 2019, the Company completed the sale of its entire equity and preference capital in FSWL along with wine brands and FSWL's interest in its associate Wine Society of India (WSI), to Quintella Assets Limited and Grover Zampa Vineyards Limited, unrelated third parties. The shares were sold for a total sale consideration of INR 319 million. Following the completion of this sale, the Company does not hold any shares in FSWL or WSI and hence FSWL has ceased to be a subsidiary of the Company. This transaction resulted in a loss of INR 876 million which has been disclosed as an exceptional item. [Refer Note 28(g)].

43. Loan to United Breweries Holdings Limited ('UBHL')

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017 and March 31, 2018, the Company had pre-existing loans/ deposits/ advances/ accrued interest that were due to the Company and its subsidiaries from UBHL and its subsidiaries aggregating to INR 13,374 million and that were consolidated into, and recorded as, an unsecured loan through an agreement entered into between the Company and UBHL on July 3, 2013 ('Loan Agreement'). The Company has already made provision in prior financial years for the entire principal amount due, of INR 13,374 million, and for the accrued interest of INR 846 million up to March 31, 2014. The Company has not recognised interest income on said loan aggregating to INR 6,288 million for the period from April 1, 2014 to March 31, 2019 (including INR 1,269 million for the year ended March 31, 2019). The Company has offset payable to UBHL under the trademark agreement amounting to INR 292 million and INR 35 million for the year ended March 31, 2019 respectively against the aforesaid loan and other receivable from UBHL. The cumulative offset up to March 31, 2019 amounted to INR 1,358 million which comprises of interest on aforesaid loan aggregating to INR 846 million, loan receivable of INR 292 million and other receivable from UBHL aggregating to INR 220 million. Consequently the corresponding provision for loan and other receivable aggregating to INR 327 million has been reversed to 'Other Expense'.

Since UBHL had defaulted on its obligations under the Loan Agreement, the Company sought redressal of disputes and claims through arbitration under the terms of the Loan Agreement. On April 8, 2018, the arbitral tribunal passed a final award against the Company. The reasons for this adverse award are disputed by the Company, and the Company has obtained leave from the High Court of Karnataka to file a challenge against this arbitral award. The Company has on July 6, 2018 filed the

(All amounts in INR Millions unless otherwise stated)

43. Loan to United Breweries Holdings Limited ('UBHL') *(continued)*

petition challenging the said award before the Jurisdictional Court in Bangalore (the "Court"). The Court has issued notice pursuant thereto on the Official Liquidator and the hearing has commenced. Notwithstanding the arbitration award, based on management assessment supported by an external legal opinion, the Company continues to offset payable to UBHL under the trademark agreement against the balance of loan receivable from UBHL.

44. Excess managerial remuneration pertaining to earlier year

a) The managerial remuneration for the financial year ended March 31, 2015 aggregating INR 63 million and INR 153 million to the Managing Director & Chief Executive Officer ('MD & CEO') and the former Executive Director and Chief Financial Officer ('ED & CFO'), respectively, was approved by the shareholders at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 by INR 51 million to the MD & CEO and by INR 134 million to the former ED & CFO. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration. The Central Government, by letters dated April 28, 2016 did not approve the Company's applications. On May 24, 2016 the Company resubmitted the applications, along with detailed explanations, requesting the Central Government to reconsider approving the waiver of excess remuneration paid. In light of the findings from the Additional Inquiry, by its letter dated July 12, 2016, the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO and has filed a civil suit before the jurisdictional court to recover the sums from the former ED & CFO. Consequent to the notification of Section 197(17) of the Companies Act, 2013 effective September 12, 2018, the pending application of MD & CEO resubmitted to the Central Government seeking approval automatically stands abated. The Company has, during January 2019, secured the requisite approval from shareholders by way of postal ballot exercise for the waiver of excess remuneration paid to MD & CEO.

b) Certain amendments have been carried out, inter alia, to Section 198 and Schedule V of the Companies Act, 2013 by way of the Companies (Amendment) Act, 2017, which are effective from September 12, 2018 ("Amendments"), relating to the remuneration payable to directors by a company. The Company has negative free reserves and accumulated losses of approximately INR 17,845 million as of March 31, 2018.

Pursuant to these Amendments, the accumulated losses of a company are required to be set off against the profits in a given financial year while calculating the profit of the Company for such financial year under Section 198. Consequent to the aforesaid amendments, the profit of the Company (calculated in terms of Section 198) is negative for the financial year ended March 31, 2019. As a result, remuneration paid and payable to Executive Directors exceeds the limits as per Schedule V read with Section 197 of the Act for the year ended March 31, 2019 and remuneration payable to Non-executive Directors exceeds the limits as per Section 197 both read with Section 198 as amended.

The Company has, during January 2019 secured the requisite approval of the shareholders by way of postal ballot exercise for the remuneration paid/ payable to the Executive Directors and remuneration payable to Non-executive Directors for the financial year ending March 31, 2019, March 31, 2020 and March 31, 2021 or till the end of the Directors tenure of appointment/ reappointment, whichever is earlier, notwithstanding that such remuneration may exceed the limits specified under Section 197 and Schedule V of the Companies Act, 2013 as amended.

45. Regulatory notices and communications

The Company has previously received letters and notices from various regulatory and other government authorities as follows:

a) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, from the Securities Exchange Board of India ('SEBI'), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya to which the Company has responded. No further communications have been received thereafter;

b) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, from the Ministry of Corporate Affairs ('MCA') in relation to its inspection conducted under Section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. The Company had also received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. During the year ended March 31, 2018, the Company filed applications for compounding

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

45. Regulatory notices and communications *(continued)*

of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices, and requested the Registrar to drop one show cause notice based on expert legal advice received. The Company is awaiting a response from the Registrar to the aforesaid applications. The management is of the view that the financial impact arising out of compounding/ adjudication of these matters will not be material to the Company's financial statements;

c) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, from the Directorate of Enforcement ('ED') in connection with Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002, to which the Company had responded. No further communications have been received thereafter; and

d) as disclosed in the financial statements for the year ended March 31, 2017 and March 31, 2018, from the Company's authorised dealer banks in relation to certain queries from the Reserve Bank of India ('RBI') with regard to: (i) remittances made in prior years by the Company to its overseas subsidiaries; (ii) past acquisition of the Whyte and Mackay group; (iii) clarifications on Annual Performance Reports ('APR') submitted for prior years; and (iv) compliances relating to the Company's overseas Branch office, all of which the Company had duly responded to except for the letter dated January 31, 2019 from the Company's authorised dealer bank relating to clarifications on Annual Performance Reports, to which the Company is in the process of responding.

46. Dispute with a bank

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017 and March 31, 2018, during the year ended March 31, 2014, the Company decided to prepay a term loan taken from a bank in earlier years under a consortium arrangement, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The Company deposited a sum of INR 6,280 million, including prepayment penalty of INR 40 million, with the bank and instructed the bank to debit the amount from its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the stand taken by the bank and its writ petition filed on November 6, 2013 is pending before the Hon'ble High Court of Karnataka. In August 2015, the bank obtained an ex parte injunction in proceedings between the bank and Kingfisher Airlines Limited (KFA), before the Debt Recovery Tribunal, Bangalore ('DRT'), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed their objections against such ex parte order passed in proceedings in which neither the Company nor the USL Benefit Trust were enjoined as parties. In February 2016, the Company received a notice from the bank seeking to recall the loan and demanding a sum of INR 459 million. Pursuant to an application filed by the Company before the Hon'ble High Court of Karnataka, in the writ proceedings, the Hon'ble High Court of Karnataka directed that if the Company deposited the sum of INR 459 million with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets including shares pledged with the bank till disposal of the original writ petition filed by the Company before the Hon'ble High Court of Karnataka. During the quarter ended June 30, 2016, the Company deposited the said sum and replied to the bank's various notices in light of the above. The aforesaid amount has been accounted as other non-current financial asset. On January 19, 2017, the DRT dismissed the application filed by the bank seeking the attachment of USL Benefit Trust shares. During the quarter ended September 30, 2017, the bank filed an ex-parte appeal before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai against the order of the DRT. During the quarter ended December 31, 2017, the Company has been impleaded in the proceedings subsequent to the DRAT's order. The appeal is pending for final hearing. With regard to the writ petition filed before the Hon'ble High Court of Karnataka, an early hearing application was allowed and the hearing of the main matter has commenced during the quarter ended December 31, 2018 and has continued during the quarter ended March 31, 2019.

47. Receivable from Bihar government

As disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, the Government of Bihar in exercise of the powers conferred under Section 19(4) of the Bihar Excise Act, 1915 through its notification dated April 5, 2016 imposed a ban on trade and consumption of Indian Made Foreign Liquor and foreign liquor in the state of Bihar.

The notification was challenged in the Hon'ble High Court of Patna which set aside the notification by an order dated September 30, 2016, and held Section 19(4) of the Bihar Excise Act, 1915, as amended by Bihar Excise

(All amounts in INR Millions unless otherwise stated)

47. Receivable from Bihar government *(continued)*

(Amendment) Act, 2016, as ultra vires the Constitution of India. Subsequently, the Government of Bihar re-imposed prohibition by notifying a new legislation i.e., The Bihar Prohibition and Excise Act, 2016, on October 2, 2016. The Government of Bihar also preferred a special leave petition ("SLP") before the Hon'ble Supreme Court against the judgement of the Hon'ble High Court of Patna pursuant to which the Hon'ble Supreme Court has stayed the order of the Hon'ble High Court of Patna. The Company had sought refund of VAT of INR 288 million and Excise duty of INR 265 million aggregating to INR 553 million (including VAT of INR 179 million and Excise duty of INR 175 million paid by the Company's tie-up manufacturing units) from the Government of Bihar under the applicable law at that time, in respect of billed stocks returned by Bihar State Beverages Corporation Limited ("BSBCL") or stocks destroyed pursuant to the notifications.

The Company had received a letter dated August 16, 2017 from the Government of Bihar, stating that it is not liable to refund the aforesaid VAT and Excise duty under the Bihar Prohibition and Excise Act, 2016.

Thereafter, on October 17, 2017, the Company filed a writ petition before the Hon'ble High Court of Patna seeking refund of the aforesaid VAT and Excise duty, paid by the Company to the Government of Bihar.

Consequent to this, in the previous year, the Company had recognised a provision of INR 180 million towards inventory reprocessing charges and write down in the value of inventory which was disclosed as an exceptional item [Refer Note 28(a)].

During the quarter ended December 31, 2018, consequent to the order of the Hon'ble High Court of Patna in response to the above mentioned writ petition, the Company has received a refund of VAT of INR 73 million and Excise duty of INR 4 lacs from Government of Bihar. The Company is taking appropriate steps to pursue refunds of the remaining amounts of VAT as well as the Excise duty through another writ petition. The Company has provided for the balance amount receivable of INR 476 million as a matter of prudence in view of uncertainty around the amount of time it may take to recover the said amount.

On April 30, 2019, the Hon'ble High Court of Patna passed a judgment allowing the writ petition. The Hon'ble High Court of Patna held that, any objection by the Bihar State Excise to refund the advance deposits by the Company towards VAT and levies under the repealed Bihar Excise Act, 1915 and the rules framed thereunder, in absence of any transaction undertaken by the Company during the year ended March 31, 2017 (April 5, 2016 to March 31, 2017), would be violative of the Constitutional guarantee reserved for the Company under Article 265 of the Constitution of India. The Hon'ble High Court of Patna however refused to express its view on the merits of the Company's claim per se. The Hon'ble High Court of Patna has directed the Excise department to adjudicate the claims and refund any admitted amount within three months from the date of receipt / production of a copy of its order.

During the year ended March 31, 2018, the Company had received a demand from BSBCL seeking demurrage charges of INR 279 million for the stock that was lying in their warehouses post the imposition of prohibition till the same was shifted out of the state pursuant to the orders of the Supreme Court. The Company has refuted the claim and has filed a detailed response. There is no further development in this matter during the year ended March 31, 2019. The management has disclosed the exposure on account of this demand as contingent liability (Refer Note 50).

48. Difference in yield of certain non-potable intermediaries and allocated process losses

As disclosed by the Company in its published financial results for the quarter ended December 31, 2018, during the said financial quarter, the Company came across information suggesting continuing past practices that may have resulted in yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process being higher than what has been reported to the relevant regulatory authorities (the 'Authorities') as per the records being maintained in certain plants (the 'Affected Plants').

With prior information to and engagement with the Authorities, the Company also engaged independent third party experts to undertake a physical verification of the inventory of intermediates on a sample basis in the Affected Plants, and shared these reports with the Authorities. Based on the understanding/ discussion with such Authorities and advice received from external legal counsels, the company has discharged/ provided the amounts of financial obligation (which were determined to be not material to the financial statements).

Under the direction of the board of directors, the management engaged an independent law firm to conduct a review of these past practices and will initiate appropriate action, where a violation of the company's code of business conduct may have occurred. In addition the Company has also re-evaluated the existing controls and processes in this area and strengthened the same before the year end.

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

49. Capital and other commitments

Particulars	As at March 31, 2019	As at March 31, 2018
(a) Capital commitments for property, plant and equipment	1,065	696
(b) Other commitments: i. relating to advertisement, sales promotion and trade mark fee	773	1,150
ii. Towards minimum offtake commitment for purchase of bulk scotch from a related party	1,900	1,560

Notes:

a) The Company has given letters of financial support to the following subsidiaries to conduct their operations in such a manner as to enable them to meet their obligations, as and when they fall due for a period of twelve months from the balance sheet date:

i. Pioneer Distilleries Limited, ii. Sovereign Distilleries Limited, iii. Tern Distilleries Private Limited, iv. Asian Opportunities & Investment Limited, v. United Spirits Singapore Pte Limited, vi. Montrose International SA, vii. Palmer Investment Group Limited, viii. UB Sports Management Overseas Ltd, ix. USL Holdings Limited, x. USL Holdings (UK) Limited, xi. United Spirits (UK) Limited, xii. United Spirits (Great Britain) Limited, xiii. McDowell & Co. (Scotland) Limited, xiv. Shaw Wallace Overseas Limited, xv. Liquidity Inc., xvi. United Spirits (Shanghai) Trading Co. Limited.

b) The Company has given a letter of comfort to a bank, towards a loan facility amounting to INR 1,500 million availed by Pioneer Distilleries Limited (PDL), a subsidiary, from the bank. As per the letter, the Company has expressed its intention to ensure that PDL repays the outstanding amount under the facility on due date and in the event of default by PDL, to take appropriate steps to cause PDL to repay the outstanding out of PDL resources. The said letter does not constitute a guarantee by USL, as in the event of default by PDL, the bank shall have no recourse to USL.

50. Contingent Liabilities

Particulars	As at March 31, 2019	As at March 31, 2018
(a) Tax matters:		
(i) State Excise	1,980	1,861
(ii) Central Excise	2	378
(iii) Service Tax	-	233
(iv) Income Tax	7,281	7,220
(v) Sales tax and entry tax	3,509	1,216
(b) Other civil litigations and claims	1,549	2,932

Notes:

(a) **Income taxes-** Income tax matters primarily relate to exposures under transfer pricing and disallowance of certain expenses that the Company had claimed as deductions in its Income Tax returns.

(b) **Indirect taxes-** The Company has extensive operations across various states in India. The Company has identified possible exposures relating to local sales tax, state excise duty and central excise duty.

(c) **Other civil litigations and claims-** Other civil litigations relate to various claims from third parties under dispute which are lying with various courts/ appellate authorities.

(d) **Provident fund-** The Company is in the process of evaluating the impact of the Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to non-inclusion of certain allowances in the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. In the assessment of the management, the aforesaid matter is not likely to have a significant impact and accordingly, no provision has been made in the financial statements.

(e) **Use of Judgement-** Management categorizes the matters based on the probability of cash outflow, which require judgement. Management obtains the views of external consultants where necessary. Based on the assessment, management recognises liability/ provision, or discloses the matter as a contingent liability, except for matters where the probability of outflow of cash is considered remote. Due to uncertainties involved in the process, actual outflows may be different from those originally estimated.

(All amounts in INR Millions unless otherwise stated)

50. Contingent Liabilities *(continued)*

The Company may be involved in legal proceedings in respect of which it is not possible to make a reliable estimate of any expected settlement. In such cases, appropriate disclosure is provided but no provision is made and no contingent liability is quantified.

(f) Management is optimistic of a favourable outcome in the above matters based on legal opinions / management assessment. It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

51. Research expenses

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries and wages	52	57
Contribution to provident fund and other funds	5	5
Staff welfare expenses	1	1
Rent	6	5
Miscellaneous expenses	30	24
Total Research expenses	**94**	**92**

52. Dues to Micro and Small Enterprises

Particulars	As at March 31, 2019	As at March 31, 2018
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end (Refer Note 19)	269	89
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	8	17
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	1,033	230
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	38	1
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	0	4
Further interest remaining due and payable for earlier years	-	13

The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

53. Corporate Social Responsibility (CSR)

CSR amount required to be spent as per Section 135 of the companies Act, 2013 read with schedule VII thereof by the company during the current year is INR 104 million (2018: INR 36 million).

Details of actual CSR expenditure incurred:

Particulars	For the year ended March 31, 2019			For the year ended March 31, 2018		
	In cash	Yet to be paid in cash	Total	In cash	Yet to be paid in cash	Total
Amount spent during the year on:						
i) Construction/ Acquisition of assets	-	-	**-**	-	-	**-**
ii) On purposes other than i) above (Refer Note 27)	112	9	**121**	105	-	**105**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

54. (a) Details of Investments (Original cost) as per Section 186 (4) of Companies Act, 2013

i) Investment in subsidiaries:

Name of the Subsidiaries	Relationship	As at March 31, 2019	As at March 31, 2018
Domestic subsidiaries			
Royal Challengers Sports Private Limited	Wholly owned subsidiary	1,699	1,699
Four Seasons Wines Limited	Wholly owned subsidiary	-	693
Tern Distilleries Private Limited	Wholly owned subsidiary	1,127	1,127
Sovereign Distilleries Limited	Wholly owned subsidiary	4,582	4,582
Pioneer Distilleries Limited	Subsidiary	1,117	1,117
Overseas subsidiaries			
Asian Opportunities & Investments Limited	Wholly owned subsidiary	301	301
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	126	126
USL Holdings Limited	Wholly owned subsidiary	22	22
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	27	27
Liquidity Inc.	Subsidiary	119	119
Shaw Wallace Overseas Limited	Wholly owned subsidiary	14	14
Palmer Investment Group Limited	Wholly owned subsidiary	6,918	6,918
Montrose International S.A	Wholly owned subsidiary	134	134
Total		**16,186**	**16,879**

ii) Investment in associate:

Name of the associate	Relationship	As at March 31, 2019	As at March 31, 2018
Hip Bar Private Limited	Associate	270	-

(All amounts in INR Millions unless otherwise stated)

54. (b) Details of loans (gross) as per Section 186 (4) of Companies Act, 2013

Name of the borrower	Relationship	Purpose	Rate of Interest 2018-19	Rate of Interest 2017-18	Term/ Repayment schedule	As at March 31, 2019	As at March 31, 2018
Domestic subsidiaries							
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Working capital	9%	9%	Principal and interest to be repaid on July 31, 2021	2,433	2,983
Four Seasons Wines Limited [Refer Note 42(d)]	Wholly owned subsidiary	Working capital	9%	9%	Repaid on December 24, 2018	-	781
Tern Distilleries Private Limited	Wholly owned subsidiary	Working capital	9%	9%	Principal and interest to be repaid on July 31, 2021	38	22
Sovereign Distilleries Limited	Wholly owned subsidiary	Working capital	9%	9%	Principal and interest to be repaid on July 31, 2021	45	35
Pioneer Distilleries Limited	Subsidiary	Working capital / Capex funding	9%	9%	Principal to be repaid on August 5, 2026. Schedule of interest payment not stipulated.	1,354	1,354
Overseas Subsidiaries							
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Working capital / Funding towards acquisition of Bouvet Ladubay	Interest free	Interest free	Refer note (b) below	514	532
USL Holdings Limited	Wholly owned subsidiary	Working capital / Funding towards acquisition of Whyte and Mackay Limited	Interest free	Interest free	Refer note (b) below	53,685	50,987
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	Working capital	Interest free	Interest free	Refer note (b) below	20	19
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Working capital	Interest free	Interest free	Refer note (b) below	333	319
Liquidity Inc.	Subsidiary	Working capital	Interest free	Interest free	Refer note (b) below	69	66
USL Holdings (UK)Limited	Wholly owned subsidiary	Working capital	Interest free	Interest free	Refer note (b) below	174	177
Others							
United Breweries (Holdings) Limited	Unrelated	Refer Note 43	9.50%	9.50%	8 years	13,082	13,374
Total						**71,747**	**70,649**

Notes:

a) Simple interest is charged for loans to domestic subsidiaries

b) The loans granted to these companies in earlier years are interest free without any repayment terms stipulated and were largely intended towards acquisition of long term strategic investments overseas.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

55: Disclosure as per Regulation 34 (3) and 53 (f) read with Part A of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of loans/ advances/ investments outstanding as at year end

Particulars	Investments in equity at cost held as at		Gross loans outstanding as at		Maximum amount of loans and advances outstanding during the year	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Asian Opportunities & Investments Limited	301	301	514	532	558	532
Four Season Wines Limited	-	693	-	781	781	781
Shaw Wallace Overseas Limited	14	14	-	-	-	-
USL Holdings Limited	22	22	53,685	50,987	57,159	50,987
USL Holdings UK Ltd	-	-	174	177	182	177
Pioneer Distilleries Limited	1,117	1,117	1,354	1,354	1,354	1,354
Palmer Investment Group Limited	6,918	6,918	-	-	-	-
Montrose International S.A	134	134	-	-	-	-
United Spirits (Shanghai) Trading Co. Limited	27	27	20	19	21	19
McDowell & Co (Scotland) Limited	126	126	333	319	354	416
Royal Challengers Sports Private Limited	1,699	1,699	2,433	2,983	3,723	4,269
Tern Distilleries Private Limited	1,127	1,127	38	22	38	22
Liquidity Inc.	119	119	69	66	74	66
Sovereign Distilleries Limited	4,582	4,582	45	35	45	35
Hip Bar Private Limited	270	-	-	-	-	-
Total	**16,456**	**16,879**	**58,665**	**57,275**		

The aforesaid amounts are gross of provisions, if any, made based on Management assessment of recoverability. For repayment schedule and interest related terms, Refer Note 54(b).

(All amounts in INR Millions unless otherwise stated)

56. The Company does not have any derivative contracts as at March 31, 2019. The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. No provision for material foreseeable losses is considered necessary based on the review of such contracts as at year end.

57. Investment in Hip Bar, as associate

During the year ended March 31, 2019, the Company subscribed to 4,567,568 equity shares of Hip Bar Private Limited ("Hip Bar"), constituting 26% of the paid-up equity share capital of Hip Bar. The subscription price paid by the Company was INR 270 million representing INR 59.11/- (Fifty Nine Rupees and Eleven Paise) per equity share. Hip Bar, incorporated on February 20, 2015, owns and operates a web-based mobile application under the name and style of "HIPBAR", which acts as an electronic payment platform servicing the beverage alcohol industry and its consumers. Following the Company's investment, Hip Bar has became an "associate company", i.e., by virtue of the Company having a shareholding in excess of 20% in Hip Bar and by virtue of having a right to appoint a director on Hip Bar's Board.

58. Previous year figures have been regrouped / reclassified to conform to the current year's classification.

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

Pradip Kanakia
Partner
Membership number: 039985

Place : Bengaluru
Date : May 29, 2019

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

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V. K. Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Place : Bengaluru
Date : May 29, 2019

V. Ramachandran
Executive Vice President & Company Secretary

INDEPENDENT AUDITORS' REPORT

To the Members of United Spirits Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of United Spirits Limited (hereinafter referred to as the "Holding Company"), its subsidiaries and the trust controlled by it (together referred to as "the Group") and its associates [refer Notes 54 (a) and (b) to the attached consolidated financial statements], which comprise the consolidated Balance Sheet as at March 31, 2019, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information prepared based on the relevant records.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at March 31, 2019, of consolidated total comprehensive income (comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associates in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by Institute of Chartered Accountants of India and the relevant provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraphs 18 and 19 of the Other Matters paragraph below, other than the unaudited financial statements certified by the management and referred to in paragraph 20 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

4. We draw attention to the following matters:

   a) As explained in Note 43 to the consolidated financial statements, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO of the Holding Company, pursuant to the direction of the Board of Directors of the Holding Company, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Holding Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Holding Company's erstwhile non-executive Chairman and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Holding Company and/or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Group, if any, arising from potential non-compliances with applicable laws in respect of the above.

   b. As explained in Note 44(b) to the consolidated financial statements, pursuant to its strategic objective of divesting non-core assets and rationalization of the subsidiaries, the Group has commenced the rationalization process and has sought approval of regulatory authorities for divesting its stake in an overseas subsidiary and liquidating three of its wholly owned overseas subsidiaries and three of its wholly owned step-down overseas subsidiaries. The completion of the above divestment as well as liquidations by the Group are subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Group, if any, arising out of potential historical non-compliance, if established, with applicable laws, with respect to its overseas subsidiaries.

   c. As explained in Note 46(a) to the consolidated financial statements, the Managerial remuneration for the year ended March 31, 2015 included amount paid in excess of the limit prescribed under the provisions of Schedule V to the Act by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO) of the Holding Company. The Holding Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration from the former ED & CFO of the Holding Company.

d. Note 47 to the consolidated financial statements:

i) regarding clarifications sought by Securities and Exchange Board of India on matters covered by the Holding Company's Initial Inquiry and Additional Inquiry and certain aspects of the agreement entered into by the Holding Company with its erstwhile non-executive Chairman to which the Holding Company has responded;

ii) regarding various issues raised and show cause notices issued pursuant to an inspection under Section 206(5) of the Companies Act, 2013 by Ministry of Corporate Affairs/ Registrar of Companies, Karnataka, alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Holding Company had responded. Following the aforesaid show cause notices, the Holding Company received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the "Registrar") inviting the Holding Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013. The Holding Company thereafter filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and had requested the Registrar to drop one show cause notice based on expert legal advice received, for which response is awaited.

iii) regarding the ongoing investigation by the Directorate of Enforcement in connection with the agreement entered into by the Holding Company with its erstwhile non-executive Chairman and investigations under the provisions of Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Holding Company had responded; and

iv) regarding clarifications sought by Authorised Dealer banks in relation to certain queries from the Reserve Bank of India with regard to remittances made in prior years by the Holding Company to its overseas subsidiaries, past acquisition of the Whyte and Mackay group, clarifications on Annual Performance Reports submitted for prior years and clarifications on compliances relating to the Holding Company's overseas Branch office, to which the Holding Company has responded/ is in process of responding.

e. As explained in Note 48 to the consolidated financial statements, the Holding Company is in litigation with a bank ("the Bank") that continues to retain the pledge of certain assets of the Holding Company and of the Holding Company's shares held by USL Benefit Trust (of which the Holding Company is the sole beneficiary) despite the Holding Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the Bank and as directed by the Hon'ble High Court of Karnataka (the "Court"). The Court has directed the Bank not to deal with the pledged assets of the Holding Company (including Holding Company's share in USL Benefit Trust) as mentioned above till the disposal of the original writ petition filed by the Holding Company in the Court.

f. As explained in Note 50 to the consolidated financial statements, the Holding Company came across information suggesting continuing past practices resulting in differences in reporting to the relevant Regulatory Authorities of yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process, and the related actions taken by the Holding Company in this respect. The Holding Company will continue to monitor developments, if any, on this matter.

g. We draw attention to the following paragraph included in the audit report on the financial statements of USL Holdings Limited (a subsidiary of the Holding Company) issued by an independent auditor vide their report dated May 15, 2019 and in the audit reports on the financial statements of USL Holdings (UK) Limited, United Spirits (UK) Limited, United Spirits (Great Britain) Limited, McDowell & Co. (Scotland) Limited and Shaw Wallace Overseas Limited (subsidiaries of the Holding Company) issued by an independent auditor vide their reports dated May 20, 2019:

"In forming our opinion on the financial statements, which is not modified, we draw attention to the Directors' report to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern."

The note in the Directors' report as referred to above corresponds to Note 44(e) to the Consolidated Financial Statements.

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

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Assessment of the appropriateness of provisions recognised and contingent liabilities disclosed in respect of certain tax matters (Refer notes 8, 20 and 52 to the consolidated financial statements)

As at March 31, 2019, the Holding Company has significant tax exposures and is subject to periodic assessments/ challenges by tax authorities on transfer pricing, income tax and a range of indirect tax matters. Consequent to such tax assessments and demands relating to past several years, the Holding Company has paid certain amounts under protest at various dates. The Holding Company has also filed appeals with various appellate authorities against such demands.

Management judgement is involved in assessing the likelihood of ultimate outcome of the tax disputes to decide on the accounting/ disclosure requirements. In certain complex matters the probable amount of the outflows determined by management is supported by opinions obtained from external tax counsels/ experts (management tax experts).

We considered this a key audit matter as:
• The amounts involved are significant to the consolidated financial statements
• Change in the management's judgements and estimates may significantly affect the provisions recognised or contingent liabilities disclosed
• Matters of disputes pertaining to the Holding Company are complex in some cases due to the industry in which it operates and may lack clarity under tax laws.</td><td>Our audit procedures included the following:
• Understood, assessed and tested the design and operating effectiveness of the Holding Company's controls in respect of identifying potential tax exposures and the accounting and/or disclosures thereof.
• Evaluated the related accounting policy for provisioning for tax exposures/ disclosure of contingent liabilities.
• Obtained management's assessment in respect of tax demands on whether tax outflow is either probable, possible or remote.
• Along with the auditors' experts, where necessary, evaluated the management's assessment as follows:
o For the samples selected, read the correspondences received during the year from the tax authorities.
o Read views provided by the management, management tax experts as applicable.
o Assessed management's positions on significant tax exposures for reasonableness.
o Ensured completeness of litigations by inquiring with the management, review of board minutes, and review of significant legal expenses.
o Evaluated the objectivity, competence and capabilities of the management tax experts.
o Evaluated the adequacy of disclosures made in the consolidated financial statements.

Based on the above procedures, we considered the management's assessment in recognising provisions and disclosing contingent liabilities in respect of the stated tax matters, as reasonable.</td></tr>
</table>

The following Key Audit Matters were included in our audit report dated May 13, 2019, containing an unmodified audit opinion on the financial statements of Pioneer Distilleries Limited, a subsidiary of the Holding Company:

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Assessment of recoverability of Deferred Tax Asset in respect of unabsorbed tax losses and MAT credit

(Refer Note 7 to the consolidated financial statements)

Pioneer Distilleries Limited has recognised a deferred tax asset aggregating to INR 586 million in respect of unabsorbed tax losses including unabsorbed depreciation, and INR 117 million in respect of MAT credit entitlement, which is included under total deferred tax assets (net) of INR 602 million. The deferred</td><td>Our audit procedures included the following:
• Understanding and evaluating the design and testing the operating effectiveness of controls over recognition and review of deferred tax assets;
• Comparing Pioneer Distilleries Limited's profit forecasts prepared in the previous year with its actual performance during the year;
• Checking the arithmetical accuracy of the forecasts;</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
tax asset is recognised to the extent it is considered recoverable based on the Pioneer Distilleries Limited's projected taxable profits in the forthcoming years. Under Indian Accounting Standard 12 'Income Taxes', the carrying amount of a deferred tax asset is required to be reviewed at the end of each reporting period. We considered this as a key audit matter because the amount of deferred tax asset referred to above is significant to the financial statements and is based the forecast of the taxable profits of Pioneer Distilleries Limited that involve significant judgment and uncertainty of outcome. The assumptions underlying the forecast include sales growth rate which is based on projected sales volume and available capacity while cost of materials (the key component of overall cost) is based on inflation, Pioneer Distilleries Limited's bargaining position with sellers of raw materials and other productivity improvement measures planned by the management of Pioneer Distilleries Limited. These projections have been reviewed and approved by the Board of Directors of Pioneer Distilleries Limited.	• Review of key assumptions underlying the forecasts such as sales growth rate and estimated increase in the cost of materials to arrive at the projected profit in each year of the forecasts; • Checking whether the tax losses and MAT credit can be utilized within the forecasted recoupment period; • Evaluating the progress made by Pioneer Distilleries Limited in recent periods vis-a-vis the approved budgets. Based on the above procedures performed, our testing did not identify any exceptions with respect to the reasonableness of the assumptions and estimates used by the management in assessing the recoverability of the Deferred Tax Asset in respect of unabsorbed tax losses and MAT credit.
Assessment of litigations and related disclosure of contingent liabilities (Refer Note 52 to the consolidated financial statements) There are legal and regulatory matters for which there are ongoing litigations in Pioneer Distilleries Limited which are included in the aforesaid note. There is a high level of management judgement required in estimating the likelihood of outcome in such cases and the amount of ultimate liability, if any. We considered this a key audit matter as the eventual outcome of these matters is uncertain and the position taken by the management is based on the exercise of significant judgement, supported by external legal advice, where applicable.	Our audit procedures included the following: • Understanding and evaluating the design and testing the operating effectiveness of controls surrounding litigations and related disclosure of contingent liabilities; • Performing tests of details on the underlying calculations supporting the contingencies disclosed; • Reading external legal opinions obtained by management, where applicable; • Discussing the matters subjected to litigation with the Pioneer Distilleries Limited's in-house legal counsel; • Assessing, management's conclusions through our understanding of the judicial precedents set in similar cases; and • Obtaining, on a sample basis, independent confirmations from external legal counsel; • Evaluating the objectivity, competence and capabilities of external legal counsels Based on the above procedures, we considered the assessment of litigations made by the management and the adequacy of the contingent liabilities disclosure to be reasonable.

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

Other Information

6. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors, Business Responsibility Report, Corporate Governance Report and Management Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

7. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

8. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and the reports of the other auditors as furnished to us (Refer paragraphs 18 and 19 below), we conclude that there is a material misstatement of this other information, we are required to report that fact.

   We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

9. The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated changes in equity and cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. The respective Boards of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

10. In preparing the consolidated financial statements, the respective Boards of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the Group and of its associate entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any entity in the Group or its associate, or to cease operations, or has no realistic alternative but to do so.

11. The respective Boards of Directors of the companies included in the Group and of its associates are responsible for overseeing the financial reporting process of the Group and of its associates.

Auditor's Responsibilities for the audit of the Consolidated Financial Statements

12. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

13. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with reference to the consolidated financial statements in place and the operating effectiveness of such controls.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

14. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

15. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

17. We did not audit the financial statements of one trust controlled by the Holding Company and incorporated in India, whose financial statements reflect total assets of INR 41 million and net assets of INR 41 million as at March 31, 2019, total revenue of INR Nil, total comprehensive income (comprising of loss and other comprehensive income) of INR (0*) and net cash flows amounting to INR (8) million for the year then ended, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report has been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of the aforesaid trust, is based solely on the report of the other auditor.

(*) '0' indicates that the amounts involved are below INR five lakhs.

18. The financial statements of 13 subsidiaries located outside India, included in the consolidated financial statements, which constitute total assets of INR 1,258 million and net assets of INR 1,117 million as at March 31, 2019, total revenue of INR 192 million, and total comprehensive income (comprising of profit and other comprehensive income) of INR 151 million and net cash flows amounting

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

to INR 12 million for the year then ended, have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion on the consolidated financial statements insofar as it relates to the balances and affairs of such subsidiaries located outside India, including other information, is based on the reports of other auditors and the conversion adjustments prepared by the Management of the Holding Company and audited by us.

19. We did not audit the financial statements of a subsidiary incorporated in India whose financial statements reflect total assets of INR Nil and net assets of INR Nil as at March 31, 2019, total revenue of INR 112 million, total comprehensive income (comprising of loss and other comprehensive income) of INR (76) million and net cash flows amounting to INR 17 million for the year then ended, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of total comprehensive income (comprising of loss and other comprehensive income) of INR (18) million for the year ended March 31, 2019 as considered in the consolidated financial statements, in respect of two associates whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management of the Holding Company, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of the aforesaid subsidiary and associates and our report in terms of Section 143(3) of the Act including report on Other Information insofar as it relates to the aforesaid subsidiary and associates, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

    Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

20. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

    (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

    (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.

    (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act.

    (e) The matters described in sub paragraphs (a),(b), (d), (e) and (f) of paragraph 4 above titled 'Emphasis of Matter' in our opinion, may have an adverse effect on the functioning of the Group.

    (f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2019 and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act.

    (g) With respect to the adequacy of internal financial controls with reference to financial statements of the Holding Company and subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate report in Annexure A. Reporting under Section 143(3)(i) of the Act in respect of the adequacy of internal controls with reference to financial statements is not applicable to the controlled trust as it is not a company.

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

i. The Group has disclosed the impact, if any, of pending litigations as at March 31, 2019 on the financial position of the Group and its associate, in its consolidated financial statements– Refer Notes 8, 20, 45, 46, 48, 49 and 52 to the consolidated financial statements;

ii. The Group and its associate did not have any long-term contracts including derivative contracts as at March 31, 2019 for which there were any material foreseeable losses on as at March 31, 2019 - Refer Note 55 to the consolidated financial statements;

iii. The Holding Company and its subsidiary companies incorporated in India have transferred amounts required to be transferred to the Investor Education and Protection Fund by due dates during the year ended March 31, 2019 except for five instances in respect of the Holding Company aggregating to INR 1 million with delays ranging from 5 to 22 days; and

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2019.

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

Pradip Kanakia
Partner
Membership Number: 039985

Bengaluru
May 29, 2019

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 21(g) of the Independent Auditors' Report of even date to the members of United Spirits Limited on the consolidated financial statements as of and for the year ended March 31, 2019

Report on the Internal Financial Controls under Section 143(3)(i)of the Act

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2019, we have audited the internal financial controls with reference to financial statements of United Spirits Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies, which are incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Boards of Directors of the Holding Company and its subsidiary companies, which are companies incorporated in India, to whom reporting under Section 143(3)(i) of the Act in respect of the adequacy of the internal financial controls with reference to financial statements is applicable, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

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

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements of the Holding Company and its subsidiary companies, which are companies incorporated in India.

Meaning of Internal Financial Controls with reference to Financial Statements

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

disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

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

Opinion

8. In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

Pradip Kanakia
Partner
Membership Number: 039985

Bengaluru
May 29, 2019

CONSOLIDATED BALANCE SHEET

(All amounts in INR Millions unless otherwise stated)

	Notes	As at March 31, 2019	As at March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	14,182	13,714
Capital work-in-progress		1,019	1,018
Goodwill	3.2	493	361
Intangible assets	3.2	3,737	3,838
Intangible assets under development		165	-
Investments accounted for using Equity Method	4	252	-
Financial assets			
Loans	5	227	157
Other financial assets	6	1,635	1,077
Deferred tax assets (net)	7	2,900	1,714
Income tax assets (net)	8	9,787	6,069
Other non-current assets	9	4,054	4,691
Total non-current assets		**38,451**	**32,639**
Current assets			
Inventories	10	19,343	19,197
Financial assets			
Investments	11	-	1
Trade receivables	12	25,425	27,112
Cash and cash equivalents	13.1	2,164	1,419
Bank balances other than cash and cash equivalents	13.2	665	1,141
Loans	5	169	299
Other financial assets	6	2,442	2,493
Contract assets	14	105	-
Other current assets	9	2,325	3,540
Total current assets		**52,638**	**55,202**
Assets held for sale	15	-	1,417
Total assets		**91,089**	**89,258**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	1,453	1,453
Other equity			
Reserves and surplus	17	29,450	22,738
Equity attributable to the owners of United Spirits Limited		**30,903**	**24,191**
Non-controlling interests		(31)	136
Total equity		**30,872**	**24,327**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	18	7,804	7,628
Provisions	20	535	526
Total non-current liabilities		**8,339**	**8,154**

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

	Notes	As at March 31, 2019	As at March 31, 2018
Current liabilities			
Financial liabilities			
Borrowings	18	20,894	23,013
Trade payables	21		
(A) total outstanding dues of micro enterprises and small enterprises; and		278	92
(B) total outstanding dues of creditors other than micro enterprises and small enterprises		13,805	14,154
Other financial liabilities	19	2,464	6,504
Contract liabilities	14	719	850
Provisions	20	3,457	3,093
Income tax liabilities (net)	8	4,205	4,577
Other current liabilities	22	6,056	4,494
Total current liabilities		**51,878**	**56,777**
Total liabilities		**60,217**	**64,931**
Total equity and liabilities		**91,089**	**89,258**

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

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place: Bengaluru
Date: May 29, 2019

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

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V. K. Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Place: Bengaluru
Date: May 29, 2019

V. Ramachandran
Executive Vice President & Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(All amounts in INR Millions unless otherwise stated)

	Notes	For the year ended March 31, 2019	For the year ended March 31, 2018
INCOME			
Revenue from operations	23	288,725	265,559
Other income	24	692	2,189
Total income		**289,417**	**267,748**
EXPENSES			
Cost of materials consumed	25	42,545	40,396
Purchase of stock-in-trade		2,832	2,288
Change in inventories of finished goods, work-in-progress and stock-in-trade	26	657	(141)
Excise duty		195,317	179,653
Employee benefits expense	27	6,898	6,809
Finance costs	28	2,372	2,775
Depreciation, amortisation and impairment expense	3.1,3.2	2,147	1,923
Others:			
Advertisement and sales promotion		8,591	7,916
Loss allowance on trade receivables and other financial assets (net)		1,361	1,527
Other expenses	29	16,588	15,039
Total expenses		**279,308**	**258,185**
Profit before exceptional items, share of net profit of investments in associates accounted for using equity method and tax		**10,109**	**9,563**
Share of net profit/(loss) in associates accounted for using equity method		(18)	-
Profit before exceptional items and tax		**10,091**	**9,563**
Add/ (Less): Exceptional items (net)	30	26	(445)
Profit before tax		**10,117**	**9,118**
Income tax expense:			
Current tax	8	4,467	2,532
Deferred tax (credit)/ charge	7	(1,070)	171
MAT credit utilised/ (availed)	7	(116)	(104)
Total tax expense	31	**3,281**	**2,599**
Profit for the year		**6,836**	**6,519**
Other comprehensive income			
A. Items that will be reclassified to profit or loss			
(i) Exchange difference on translation of foreign operations		20	(71)
B. Items that will not be reclassified to profit or loss			
(i) Remeasurements of post-employment benefit obligations		13	134
(ii) Income tax credit/(charge) relating to these items		(5)	(46)
(iii) Share of net profit/(loss) in associate accounted for using equity method		-	-
Other comprehensive income for the year, net of income tax		**28**	**17**
Total comprehensive income for the year		**6,864**	**6,536**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

	Notes	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit is attributable to:			
Owners of United Spirits Limited		7,002	6,338
Non-controlling interests		(166)	181
		6,836	**6,519**
Other comprehensive income is attributable to:			
Owners of United Spirits Limited		29	16
Non-controlling interests		(1)	1
		28	**17**
Total comprehensive income is attributable to:			
Owners of United Spirits Limited		7,031	6,354
Non-controlling interests		(167)	182
		6,864	**6,536**
Basic and diluted earnings per share (INR)	32	9.87	8.94

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

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place: Bengaluru
Date: May 29, 2019

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

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V. K. Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Place: Bengaluru
Date: May 29, 2019

V. Ramachandran
Executive Vice President & Company Secretary

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in INR Millions unless otherwise stated)

		Notes	For the year ended March 31, 2019		For the year ended March 31, 2018	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Profit before tax			**10,117**		**9,118**
	Adjustments for					
	Depreciation, amortisation and impairment expense	3.1,3.2	2,147		1,923	
	Derecognition of goodwill on account of sale of subsidiary	3.2	(136)		4	
	Employee share-based payment expense	27	197		84	
	Loss allowance on trade receivables and other financial assets (net)		1,361		1,527	
	Loss allowance on other assets (net)	29	181		-	
	Exchange gain (net) on translation of assets and liabilities		20		(14)	
	Finance costs	28	2,372		2,775	
	Liabilities, provisions or allowances no longer required written back	24	(129)		(515)	
	Gain on disposal of property, plant and equipment (net)	24	(366)		(1,108)	
	Profit on sale of investment property	24	-		(509)	
	Interest income	24	(64)		(42)	
	Share of net (profit)/loss in associate accounted for using equity method	4	18		-	
	Exceptional items	30	(26)		445	
	Provision for impairment of capital work-in-progress	29	-		33	
				5,575		**4,603**
	Operating profit before working capital changes			**15,692**		**13,721**
	(Increase) / decrease in trade receivables		838		1,056	
	(Increase) / decrease in loans and other financials assets		(534)		(2,750)	
	(Increase) / decrease in other assets		1,612		992	
	(Increase) / decrease in contract assets		(105)		-	
	(Increase) / decrease in inventories		(146)		79	
	Increase / (decrease) in trade payables		(602)		2,512	
	Increase / (decrease) in other financial liabilities		(567)		(3,144)	
	Increase/ (decrease) in contract liabilities		(131)		-	
	Increase / (decrease) in other liabilities		1,562		481	
	Increase / (decrease) in provisions		238		435	
				2,165		**(339)**
	Cash generated from operations			**17,857**		**13,382**
	Income taxes paid (net)	8		(8,374)		(4,131)
	Net cash generated from operating activities			**9,483**		**9,251**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of property, plant and equipment and intangible assets		(1,730)		(1,843)	
	Proceeds from sale of property, plant and equipment and assets held for sale		962		1,545	
	Proceeds from sale of investment property		-		1,087	
	Proceeds from sale of subsidiaries		319		213	
	Investment in associate		(270)		-	
	Interest received		64		42	
	Net cash inflow / (outflow) from investing activities			**(655)**		**1,044**

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

	Notes	For the year ended March 31, 2019		For the year ended March 31, 2018	
C. CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings		39,700		44,486	
Repayment of borrowings		(47,787)		(57,552)	
Net proceeds from working capital loans		2,324		5,951	
Repayment of deferred sales tax liability		(27)		(18)	
Interest paid		(2,293)		(2,528)	
Net cash inflow / (outflow) from financing activities			**(8,083)**		**(9,661)**
Net increase / (decrease) in cash and cash equivalents			**745**		**634**
Cash and cash equivalents as at the beginning of the year			1,419		785
Net increase / (decrease) in cash and cash equivalents (as above)			745		634
Cash and cash equivalents as at the end of the year	13.1		**2,164**		**1,419**

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

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place: Bengaluru
Date: May 29, 2019

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

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V. K. Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Place: Bengaluru
Date: May 29, 2019

V. Ramachandran
Executive Vice President & Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in INR Millions unless otherwise stated)

A. Equity (Refer Note 16)

Particulars	Amount
Equity share capital As at April 1, 2017	**1,453**
Changes in equity share capital	-
Equity share capital As at March 31, 2018	**1,453**
Changes in equity share capital	-
Equity share capital As at March 31, 2019	**1,453**

B. Other equity (Refer Note 17)

Particulars	Attributable to owners of United Spirits Limited												Non-Controlling interest	Total
	Reserves and surplus													
	Capital reserve	Capital redemption reserve	Securities premium	Treasury shares	Central subsidy	Share based incentive reserve	Foreign currency translation reserve	Employee housing fund	Contingency reserve	General reserve	Retained earnings	Total		
Balance as at April 1, 2017	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**40**	**186**	**1**	**110**	**10,408**	**(45,248)**	**16,403**	**(25)**	**16,378**
Profit for the year	-	-	-	-	-	-	-	-	-	-	6,338	**6,338**	181	**6,519**
Other comprehensive income (OCI), net of tax	-	-	-	-	-	-	(71)	-	-	-	87	**16**	1	**17**
Derecognition of NCI portion [Refer note 52(c)]	-	-	-	-	-	-	-	-	-	-	21	**21**	(21)	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(71)**	**-**	**-**	**-**	**6,446**	**6,375**	**161**	**6,536**
Derecognition of asset	-	-	-	-	-	-	-	(1)	-	-	-	**(1)**	-	**(1)**
Share based incentives	-	-	-	-	-	20	-	-	-	-	-	**20**	-	**20**
Cross charge during the year towards share based incentives	-	-	-	-	-	(60)	-	-	-	-	-	**(60)**	-	**(60)**
Balance as at March 31, 2018 (as originally presented)	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**-**	**115**	**-**	**110**	**10,408**	**(38,802)**	**22,738**	**136**	**22,874**
Impact of change in revenue recognition policy on adoption of Ind AS 115 (Refer Note 41)	-	-	-	-	-	-	-	-	-	-	(368)	**(368)**	-	**(368)**
Restated balance at April 1, 2018	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**-**	**115**	**-**	**110**	**10,408**	**(39,170)**	**22,370**	**136**	**22,506**
Profit for the year	-	-	-	-	-	-	-	-	-	-	7,002	**7,002**	(166)	**6,836**
Other comprehensive income (OCI), net of tax	-	-	-	-	-	-	20	-	-	-	9	**29**	(1)	**28**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**20**	**-**	**-**	**-**	**7,011**	**7,031**	**(167)**	**6,864**
Share based incentives	-	-	-	-	-	116	-	-	-	-	-	**116**	-	**116**
Cross charge during the year towards share based incentives	-	-	-	-	-	(67)	-	-	-	-	-	**(67)**	-	**(67)**
Balance as at March 31, 2019	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**49**	**135**	**-**	**110**	**10,408**	**(32,159)**	**29,450**	**(31)**	**29,419**

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

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place: Bengaluru
Date: May 29, 2019

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

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V. K. Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Place: Bengaluru
Date: May 29, 2019

V. Ramachandran
Executive Vice President & Company Secretary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Group overview

United Spirits Limited ("the Company" or "USL") which is a public company domiciled and headquartered in Bengaluru, Karnataka, India, together with its subsidiaries and its controlled trust (collectively "the Group") is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wine) including through tie-up manufacturing units and through strategic franchising of some of its brands. In addition, the Group holds perpetual right to the Bangalore Franchise of Board of Control for Cricket in India – Indian Premier League (BCCI-IPL). The group also has interest in Hipbar Private Limited, an associate, which owns and operates a web-based mobile application under the name and style of "HIPBAR", which acts as an electronic payment platform servicing the beverage alcohol industry and its consumers.

These consolidated financial statements are approved for issue by the Company's Board of Directors on May 29, 2019.

Note 1 - Significant accounting policies

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

1.1 Basis of preparation of consolidated financial statements

(i) Compliance with Ind AS

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

(ii) Going concern

These financial statements are prepared on a going concern basis unless the Holding Company management either intends to liquidate any entities within the Group or has no realistic alternative but to do so, in which case the financial statements of such entities are prepared and consolidated on a liquidation basis (i.e. "break up" basis).

(iii) Historical cost convention

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

- defined benefits plans – plan assets is measured at fair value;
- share-based payment obligations measured at fair value; and
- assets held for sale measured at lower of cost and fair value less costs to sell

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III (Division II) to the Act, except for the assets and liabilities that have all been classified as current in respect of certain overseas which are in the process of liquidation.

Based on the nature of products and the time between the acquisition of asset for processing and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as twelve months for the purpose of current / non-current classification of assets and liabilities.

(iv) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing April 1, 2018:

- Ind AS 115, Revenue from Contracts with Customers
- Appendix B, Foreign Currency Transactions and Advance Consideration to Ind AS 21, The Effects of Changes in Foreign Exchange Rates
- Amendment to Ind AS 12, Income Taxes

  The Group changed its accounting policy in respect of revenue recognition during the year, following the mandatory adoption of Ind AS 115. The impact on account of this is disclosed in note 41. The other amendments listed above did not have any impact on the amounts recognised in prior period and current period, and are not expected to significantly affect the future periods.

1.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.2 Principles of consolidation and equity accounting *(continued)*

to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group except for common control transactions.

The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet, respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting [see (iii) below], after initially being recognized at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit and loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of loss in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also estimated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described in note 1.4 below.

The Group does not have any investments in joint ventures.

(iv) Changes in ownership interests

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

1.3 Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

Non-monetary items that are measured at fair value in a foreign currency, are translated using the exchange rates at the date when fair value was determined. Exchange differences arising out of these translations are recognised in the Statement of profit and loss.

1.3 Foreign currency translation *(continued)*

(iii) *Translation of Group Companies*

The results and financial position of foreign operations (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income as 'Foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.4 Property, plant and equipment and Intangible assets

Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation, and impairment loss, if any except that on adoption of Ind AS, the Group had measured Property, plant and equipment at deemed cost, using the net carrying value as per previous GAAP as at March 31, 2015. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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

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

Depreciation methods, estimated useful lives and residual value

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

Asset category	Useful life (in years)	Basis of determination of useful lives
Buildings		
- Roads	5	Assessed to be in line with Schedule II of the Act
- Buildings	30 - 60	Assessed to be in line with Schedule II of the Act
Plant and equipment*		
- Wooden casks	15	Management estimate
- Others	7.5 - 15	Assessed to be in line with Schedule II of the Act and management estimate
Furniture and Fittings	10	Assessed to be in line with Schedule II of the Act
Office Equipment		
- Computers	3	Assessed to be in line with Schedule II of the Act
- Servers*	3	Management estimate
- Others	5	Assessed to be in line with Schedule II of the Act
Vehicles*	5	Management estimate

(*) Assets taken on finance lease under these asset categories are depreciated over their estimated useful lives as stated above or the primary lease term, whichever is shorter, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Useful lives of asset classes determined by management estimate, which are generally lower than those prescribed under Schedule II of the Act are supported by internal technical assessment of the useful lives.

In respect of certain items of plant and equipment for which rates are prescribed under Schedule II of the Act, based on the number of shifts, depreciation is provided for the full year on triple shift basis, to reflect usage.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.4 Property, plant and equipment, investment properties and intangible assets *(continued)*

Disposals

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

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are depreciated using the straight-line method over their estimated useful lives. Investment properties generally have a useful life of 40 years. The useful life has been determined based on technical evaluation performed by the management's expert.

Intangible assets

On adoption of Ind AS, the Group has measured Intangible assets at deemed cost, using the net carrying value as per previous GAAP as at March 31, 2015.

Brands and Licenses

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

Computer software

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

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

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

Franchisee right

The Group, through one of its wholly owned subsidiary, owns perpetual right to the Bangalore Franchisee of Board of Control for Cricket in Indian Premier League (BCCI – IPL). Franchisee right acquired are carried at cost less accumulated amortisation and impairment losses, if any.

Research and development costs

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

Amortisation method and useful lives

The Group amortises intangible assets with finite useful life using the straight-line method over their estimated useful lives as follows:

- Licenses – over the license period
- Computer software – 5 years
- Franchisee rights – 50 years/ IPL seasons

Franchise fee payments up to March 31, 2018 (i.e. upto IPL 2017) have been capitalised and amortised over 50 years/IPL seasons as mentioned above. The franchise fee payable subsequent to IPL 2017 (20% of the franchisee income received in respect of each year) cannot be measured reliably, and is accordingly recognised in the year in which it is incurred and presented as reduction from Central rights income in the Consolidated Statement of Profit and Loss.

1.4 Property, plant and equipment, investment properties and intangible assets *(continued)*

Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, which in our case are the operating segments.

Impairment of assets

Goodwill and Other intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment atleast annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Asset held for sale

Non-current assets are classified as held for sale under current assets if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable and is expected to be completed within one year from the balance sheet date. Such assets are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of such asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of such non-current assets is recognised at the date of de-recognition.

1.5 Leases

As a lessee

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Statement of profit and 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.

1.6 Financial Instruments

A) Financial Assets:

a) Recognition and measurement

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is recognised at fair value.

Financial assets are subsequently classified and measured at amortised cost. Financial assets are not reclassified subsequent to their recognition, except if and in the period the Group changes its business model for managing financial assets.

i) Trade Receivables:

Trade receivables are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate (EIR) method net of any expected credit losses (ECL). The EIR is the rate that discounts estimated future cash income through the expected life of financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.6 Financial Instruments *(continued)*

ii) Loans

On initial recognition, Loans are measured at fair value. Since the objective is to hold these financial assets to collect contractual cash flows that are solely payments of principal and interest, these assets are subsequently measured at amortised cost using the EIR method less impairment, if any.

iii) Other financial assets:

On initial recognition, Other financial assets are measured at fair value, and subsequently, measured at the amortised cost, less impairment if any. Loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

b) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

c) Impairment of financial assets

The Group applies ECL model for measurement and recognition of loss allowance on Trade receivables and other financial assets measured at amortized cost.

In case of trade receivables, the Group follows the provision matrix approach (as permitted by Ind AS 109) wherein an amount equal to lifetime ECL is measured and recognised as loss allowance.

The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

In case of other financial assets, the Group determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognised as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognised as loss allowance.

Subsequently, if the credit quality of the financial asset improve such that there is no longer a significant increase in credit risk since initial recognition, the Group reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive (i.e., cash shortfalls), discounted at the original effective interest rate.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

ECL are measured in a manner that they reflect probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Statement of Profit and Loss under the head 'Other expenses'.

d) Income recognition

Dividend income on investments is recognised and accounted for when the right to receive the payment is established, if probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

Interest income is accounted for on a time-proportion basis using amortised cost taking into account the amounts invested and the rate of interest.

B) Financial Liabilities:

a) Recognition and measurement

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value and subsequently measured at amortised cost.

Trade and other payables

In case of trade and other payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the effective interest rate method.

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

1.6 Financial Instruments *(continued)*

b) Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

The Group did not have any financial instruments recognised at fair value through Profit and Loss/ fair value through Other Comprehensive Income anytime during the year or during the comparative year.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

1.7 Inventories

Inventories which comprise raw materials, work-in-progress (intermediates), finished goods, stock-in-trade, packing materials and stores and spares are carried at the lower of cost or net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost of inventories, weighted average cost method is used. In case of manufactured finished goods and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis. Adequate allowance is made for obsolete and slow moving items.

1.8 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances with banks that are readily convertible to known amounts of cash and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.9 Revenue recognition

Revenue comprises revenue from contracts with customers for sale of goods and income from brand franchisee royalties receivable. Revenue from sale of goods is inclusive of excise duties and is net of returns, trade allowances, rebates, value added taxes, goods and services tax (GST) and such amounts collected on behalf of third parties.

Revenue is recognised as and when performance obligations are satisfied by transferring goods or services to the customer, as below:

a. Revenue from sale of products:

Revenue is recognised on transfer of control, being on dispatch of goods or upon delivery to customer, in accordance with the terms of sale.

b. Revenue from manufacture and sale of products from tie-up manufacturing arrangements:

The Group has entered into arrangements with Tie-up Manufacturing Units (TMUs), where-in TMUs manufacture and sell on behalf of the Group. Under such arrangements, the Group has exposure to significant risks and rewards associated with the sale of products i.e., it has the primary responsibility for providing goods to the customer, has pricing latitude and is also exposed to inventory and credit risks. Accordingly, the transactions of the TMUs under such arrangements have been recorded as gross revenue, excise duty and expenses as if they were transactions of the Group. The Group also presents inventory under such arrangements as its own inventory. The net receivables from/ payable to TMUs are recognised under other financial assets/ other financial liabilities respectively.

c. Income from brand franchise arrangements

Revenue in respect of fixed income brand franchise arrangements is recognised proportionately in each period. Income from variable franchise arrangements is recognised based on the terms of the respective contracts upon sale of products by the franchisees.

d. Revenue from various contractual arrangements for central rights income, prize money, sponsorship, digital income and transfer fees

The Group earns revenue from central rights, prize money, sponsorship, digital income and transfer fees through its BCCI–IPL franchise. Revenue from providing services is recognised in the accounting period in which services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is based on the number of matches played.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.9 Revenue recognition *(continued)*

Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed price contracts in relation to BCCI-IPL, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

e. Revenue from sale of tickets

The Group earns revenue from sale of tickets for home league IPL matches. Revenue from sale of tickets is recognised in the period when the matches are played.

1.10 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and performance incentives that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services rendered up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented under 'Other financial liabilities' in the balance sheet.

(b) Post-employment obligations

The Group's defined benefit plans comprise gratuity, pension and provident fund (administered by trusts set up by the Group, where the Group's obligation is to provide the agreed benefit to the qualifying employees and the actuarial risk and investment risk if any, fall in substance, on the Group).

Pension and gratuity obligations

The net liability or asset recognised in the balance sheet in respect of for pension and gratuity (defined benefit plans) is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Provident fund

The Group operates a defined benefit provident fund plan for eligible employees. The minimum statutory rate at which the annual rate of interest is payable to the beneficiaries of such plan is administered by the Central Government. The Group has an obligation to make good the shortfall if any, in the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Group also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation.

Defined-contribution plans

These are plans in which the Group pays pre-defined amounts to publicly/Group administered funds as per local regulations and does not have any legal or constructive obligation to pay additional sums. These comprise contributions to government authorities in respect of employees' provident fund, Employees' Pension Scheme, Employees' State Insurance, Superannuation fund and National Pension Scheme. The Group's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

(c) Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields of government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Statement of profit and loss.

1.10 Employee benefits *(continued)*

(d) Share-based payments

Share based compensation benefits are provided to certain grades of employees in the form of United Spirits Limited- Stock Appreciation Rights Plan, a cash settled scheme, and various equity schemes managed by Diageo group.

Stock appreciation rights

Liabilities for the Group's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as current/ non-current provisions in the balance sheet.

Diageo group share based payment arrangements

The fair value of equity settled share options based on shares of Diageo plc. (the ultimate holding company) is initially measured at grant date and is charged to the Statement of profit and loss over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, and the credit is included in equity. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market and service conditions. It recognises the impact of revision to original estimate, if any, in profit or loss, with a corresponding adjustment to equity. Once the costs towards share option plans are recharged by Diageo group, the same is accounted for as a reduction from equity. To the extent the amount or recharge exceeds the fair value of equity shares on the date of exercise, the same is recognised in the Statement of Profit and Loss.

1.11 Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in countries where Group has taxable income. 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 consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilised.

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

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

Deferred tax on Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is reasonable certainty that the Group will pay normal income-tax during the specified period. The Group reviews the same at each balance sheet date and writes down the carrying amount of deferred tax relating to MAT credit entitlement to the extent there is no longer reasonable certainty that the Group will pay normal income-tax during the specified period.

1.12 Earnings per share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented in case of share splits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.13 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is made in respect of onerous contracts, i.e., contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contracts. Provisions are not recognised for other future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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

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

1.14 Borrowings

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

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of profit and loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

1.15 Borrowing costs

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

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

1.16 Exceptional items

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

1.17 Segmental information

The Group is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits), including through tie-up manufacturing units and through strategic franchising of some of its brands. The Executive Committee of the Group (being the Chief Operating Decision Maker) assesses performance and allocates resources for the business of the Group as a whole and hence the management considers Group's business activities as a single operating segment (viz. Beverage alcohol).

1.18 Equity

Own shares represent shares of the Group and those held in treasury by USL Benefit trust. Pursuant to order of High Court of Karnataka and Bombay, shares held in aforesaid trust have been treated as an investment.

Dividends - Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

1.19 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III (Division II) to the Act, unless otherwise stated. The sign '0' in these consolidated financial statements indicates that the amounts involved are below INR five lacs and the sign '-' indicates that amounts are nil.

1.20 Recent accounting pronouncements- Standards issued but not yet effective

(a) Ind AS 116 Leases: On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the Statement of Profit and Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The standard permits two possible methods of transition:

-Full retrospective – Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors

-Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognised at the date of initial application

The Group will adopt this standard from the financial year beginning April 1, 2019, using the modified retrospective approach.

The Group is evaluating the impact of Ind AS 116 on the consolidated financial statements.

(b) Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments: On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition -

i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and

ii) Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Group will adopt the standard on April 1, 2019 and has decided to adjust the cumulative effect in equity on the date of initial application i.e. April 1, 2019 without adjusting comparatives.

The above amendment is not expected to have a significant impact on these consolidated financial statements.

(c) Amendment to Ind AS 12 – Income taxes : On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The amendment is not likely to have any impact on the consolidated financial statements of the Group.

There are no other amendments which have been notified, that are likely to have any material impact on the consolidated financial statements of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

2. Critical estimates and judgements

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual result. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

The areas involving critical estimates and judgements are:

- Estimation of defined benefit obligation – Note 40(b)
- Estimation of provisions and contingent liabilities – Notes 8, 20, 50 and 52
- Useful life of intangible assets – Note 3.2 and Note below

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Note:

The Group holds the perpetual right to the Bangalore Franchise of BCCI IPL. Although this right is perpetual, it would be prudent to consider this having a 'finite' rather than an 'infinite' life. The limited over version of the game which was first introduced in 1970s is continuing even now after 49 years and an even shorter version (20 over) introduced in 2000s is more popular than the 50 over format. The Management has held discussion internally as well as with other experts in the field on the subject of useful life and the period of amortization. Although the Management regards the useful life as indefinite, as a measure of prudence a useful life of 50 years/ IPL seasons is considered as appropriate and the rights are amortized over 50 years/ IPL seasons having regard to the following factors:

i. The game of cricket has been in existence for over 100 years and there is no indication of interest in the game and the commercial prospects waning;

ii. The shorter version of the game is increasingly popular;

iii. The commercial exploitation of the shorter version is on an increasing scale and is expected to reach the scale which other games like soccer have reached;

iv. IPL and its teams have acquired brand status and teams are not identified with countries or geographies but with brand names; and

v. The franchisees have the intent and ability to provide the necessary financial and other resources required to obtain the expected future economic benefits from this for at least 50 years.

(All amounts in INR Millions unless otherwise stated)

3.1 Property, Plant and Equipment

	Owned						Leased [Refer Note 42(a)]			Total
	Freehold Land	Buildings [Refer notes (a) and (b) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Land	Office Equipment	Vehicles	
Year ended March 31, 2018										
Gross carrying amount										
Opening	2,595	4,414	9,470	386	233	18	131	242	14	**17,503**
Additions	-	363	2,088	22	36	2	-	3	-	**2,514**
Assets classified as held for sale	(637)	(681)	(1)	(131)	(10)	-	-	-	-	**(1,460)**
Disposals	-	(94)	(24)	(1)	-	-	-	-	-	**(119)**
Closing gross carrying amount	**1,958**	**4,002**	**11,533**	**276**	**259**	**20**	**131**	**245**	**14**	**18,438**
Accumulated depreciation and impairment										
Opening	-	319	2,224	118	114	10	44	114	6	**2,949**
Depreciation charge for the year	-	226	1,388	61	62	2	1	61	4	**1,805**
Impairment charge [Refer Note (d) below]	-	22	104	-	-	-	-	-	-	**126**
On assets held for sale	-	(42)	-	(73)	(6)	-	-	-	-	**(121)**
Disposals	-	(12)	(23)	-	-	-	-	-	-	**(35)**
Closing accumulated depreciation and impairment	**-**	**513**	**3,693**	**106**	**170**	**12**	**45**	**175**	**10**	**4,724**
Net carrying amount as at March 31, 2018	**1,958**	**3,489**	**7,840**	**170**	**89**	**8**	**86**	**70**	**4**	**13,714**
Year ended March 31, 2019										
Gross carrying amount										
Opening	1,958	4,002	11,533	276	259	20	131	245	14	**18,438**
Additions	49	395	1,063	11	153	1	-	256	-	**1,928**
Assets classified as held for sale	-	-	(6)	-	-	(1)	-	-	-	**(7)**
Re-classified from Assets held for sale [Refer Note (c) below]	605	365	2	197	54	1	-	-	-	**1,224**
Disposals	(0)	(40)	(191)	(0)	(14)	(0)	(0)	(0)	(4)	**(249)**
Disposal of subsidiary [Refer Note 44 (d)]	(11)	(197)	(170)	(11)	(4)	(0)	-	-	-	**(393)**
Closing gross carrying amount	**2,601**	**4,525**	**12,231**	**473**	**448**	**21**	**131**	**501**	**10**	**20,941**
Accumulated depreciation and impairment										
Opening	-	513	3,693	106	170	12	45	175	10	**4,724**
Depreciation charge for the year	-	240	1,517	63	103	2	3	81	1	**2,010**
On assets held for sale	-	-	(5)	-	-	(1)	-	-	-	**(6)**
Re-classified from Assets held for sale [Refer Note (c) below]	-	80	1	138	50	2	-	-	-	**271**
Disposals	-	(7)	(116)	-	(14)	-	-	-	(1)	**(138)**
Disposal of subsidiary [Refer Note 44(d)]	-	(24)	(67)	(7)	(4)	(0)	-	-	-	**(102)**
Closing accumulated depreciation and impairment	**-**	**802**	**5,023**	**300**	**305**	**15**	**48**	**256**	**10**	**6,759**
Net carrying amount as at March 31, 2019	**2,601**	**3,723**	**7,208**	**173**	**143**	**6**	**83**	**245**	**-**	**14,182**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

3.1 Property, Plant and Equipment *(Continued)* (All amounts in INR Millions unless otherwise stated)

Notes:

(a) Buildings include gross carrying amounts of INR 339 million (2018: INR 339 million) in respect of which the title deed is yet to be registered in the name of the Holding Company.

(b) Opening and closing cost of buildings includes payments below rounding off norms adopted by the Group towards fully paid shares held in a co-operative housing society for the purpose of aquiring the right of occupation.

(c) Represents assets reclassified from asset held for sale to property, plant and equipment, as the criteria for classifying assets under asset held for sale as per Ind-AS 105 are no longer met as at the year end.

(d) Represents impairment loss on buildings and on plant and equipment in respect of certain manufacturing units disclosed as exceptional item in the previous year. [Refer Note 30(b)]

Property, plant and equipment pledged as security

Refer to note 35 for information on property, plant and equipment pledged as security by the Group.

3.2 Intangible assets

	Other Intangible Assets					
	Brand	Licenses	Computer Software	Franchise Right [Refer Note (a) below]	Total	Goodwill
Year ended March 31, 2018						
Gross carrying amount						
Opening	114	38	92	3,997	**4,241**	**1,253**
Additions - Acquired	-	-	25	-	**25**	**-**
Derecognition of goodwill on account of sale of subsidiary	-	-	-	-	**-**	**(4)**
Disposals	-	-	-	-	**-**	**-**
Closing gross carrying amount	**114**	**38**	**117**	**3,997**	**4,266**	**1,249**
Accumulated amortisation and impairment						
Opening	114	6	3	186	**309**	**573**
Amortisation charge for the year	-	6	19	94	**119**	**-**
Impairment charge for the year	-	-	-	-	**-**	**315**
Disposals	-	-	-	-	**-**	**-**
Closing accumulated amortisation and impairment	**114**	**12**	**22**	**280**	**428**	**888**
Net carrying amount as at March 31, 2018	**-**	**26**	**95**	**3,717**	**3,838**	**361**
Year ended March 31, 2019						
Gross carrying amount						
Opening	114	38	117	3,997	**4,266**	**1,249**
Additions - Acquired	-	-	36	-	**36**	**-**
Derecognition of negative goodwill on account of sale of subsidiary [Refer Note 54(c)]	-	-	-	-	**-**	**136**
Disposals	-	-	-	-	**-**	**-**
Closing gross carrying amount	**114**	**38**	**153**	**3,997**	**4,302**	**1,385**
Accumulated amortisation and impairment						
Opening	114	12	22	280	**428**	**888**
Amortisation charge for the year	-	3	22	112	**137**	**-**
Impairment charge for the year	-	-	-	-	**-**	**4**
Disposals	-	-	-	-	**-**	**-**
Closing accumulated amortisation and impairment	**114**	**15**	**44**	**392**	**565**	**892**
Net carrying amount as at March 31, 2019	**-**	**23**	**109**	**3,605**	**3,737**	**493**

(All amounts in INR Millions unless otherwise stated)

3.2 Intangible assets *(Continued)*

Notes:

a) The carrying amount of franchise right as at March 31, 2019 is INR 3,605 million (2018: INR 3,717 million) and it is to be amortized over the remaining period of 39 years/ IPL seasons.The Group has estimated the useful life of the franchisee right to be 50 years/IPL seasons based on the above assessment. The actual useful life may differ depending on various circumstances. If the useful life were shorter by 5 years, the carrying amount of franchise right would be INR 3,490 million (2018: INR 3,615 million). If the useful life were longer by 5 years, the carrying amount would be INR 3,803 million (2018: INR 3,700 million). The carrying value of the capitalized rights would be assessed for impairment at every balance sheet date.

b) Management has performed an impairment assessment on the intangibles under development and determined that no impairment loss is necessary for the year.

c) Refer note 54(c) for subsidiary wise details of movement in Goodwill.

4. Investments accounted for using Equity Method

	As at March 31, 2019	As at March 31, 2018
An analysis of the Group's interests in associates is as follows:		
As at the beginning of the year	-	-
Additions (Refer Note below)	270	-
Share of profits/(losses) for the year	(18)	-
Share of other comprehensive income	-	-
As at the end of the year	**252**	**-**

None of the associates of the Group are individually material. The financial information of the associates is as follows:

	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit/(Loss) after tax	(68)	-
Other comprehensive income	-	-
Total comprehensive income	**(68)**	**-**

Note:

During the year ended March 31, 2019, the Group subscribed to 4,567,568 equity shares of Hip Bar Private Limited ("Hip Bar"), constituting 26% of the paid-up equity share capital of Hip Bar. The subscription price paid by the Company was INR 270 million representing INR 59.11 (Fifty Nine Rupees and Eleven Paise) per equity share. Hip Bar, incorporated on February 20, 2015, owns and operates a web-based mobile application under the name and style of "HIP BAR", which acts as an electronic payment platform servicing the beverage alcohol industry and its consumers. Hip Bar has been treated as an "Associate Company", i.e., by virtue of the Group having a shareholding in excess of 20% in Hip Bar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

5. Loans

	As at March 31, 2019		As at March 31, 2018	
	Current	**Non-current**	Current	Non-current
Loan to UBHL (refer Note 45)	**-**	**13,082**	-	13,374
Loans to employees	**18**	**-**	52	-
Loans to associate [refer Note 38(c)(i)]	**-**	**-**	-	314
Security deposits	**249**	**227**	309	157
	267	**13,309**	361	13,845
Less: Loss allowance				
Loan to UBHL (refer Note 45)	**-**	**(13,082)**	-	(13,374)
Loans to associate [refer Note 38(c)(i)]	**-**	**-**	-	(314)
Security deposits	**(98)**	**-**	(62)	-
	(98)	**(13,082)**	(62)	(13,688)
Total Loans	**169**	**227**	**299**	**157**

	As at March 31, 2019	As at March 31, 2018
Details of securities/ categorisation of credit risk on loans		
Loans considered good- secured	**-**	-
Loans considered good- unsecured	**494**	832
Loans which have significant increase in credit risk	**-**	-
Loans- credit impaired	**13,082**	13,374
Total	**13,576**	**14,206**
Less: Loss allowance	**(13,180)**	(13,750)
Total Loans	**396**	**456**

Refer Note 33 for information about financial risk management.

6. Other financial assets

	As at March 31, 2019		As at March 31, 2018	
	Current	**Non-current**	Current	Non-current
Balances with banks [Refer Note below]	-	757	-	743
Receivable from related parties [Refer note 38(c)(ii)]	2	-	7	-
Government grant	893	1,147	1,675	334
Receivable from Tie-up manufacturing units	1,503	756	745	228
Receivable towards sale of Property, plant and equipment	-	-	693	-
Other receivables	204	-	227	-
	2,602	2,660	3,347	1,305
Less: Loss allowance				
Government grant	-	(269)	-	-
Receivable from Tie-up manufacturing units	-	(756)	-	(228)
Receivable towards sale of Property, plant and equipment	-	-	(693)	-
Other receivables	(160)	-	(161)	-
	(160)	(1,025)	(854)	(228)
Total other financial assets	**2,442**	**1,635**	**2,493**	**1,077**

Balances with banks comprise:

(a) deposit of INR 459 million (2018: INR 459 million) with a bank in suspense account (Refer Note 48).

(b) fixed deposits of INR 296 million (2018: INR 282 million) with a bank kept under escrow pending resolution of various taxation matters.

(c) Margin money against bank guarantees INR 2 million (2018: INR 2 million).

Refer Note 33 for information about financial risk management.

(All amounts in INR Millions unless otherwise stated)

7. Deferred tax assets (net)

	As at March 31, 2019	As at March 31, 2018
Deferred tax assets		
Allowance for doubtful receivable balances	1,658	1,100
Provisions allowed on payment basis	1,220	1,033
Carried forward tax losses and unabsorbed depreciation	1,424	1,352
Indexation benefit on land	94	-
MAT credit entitlement	220	104
Others	112	68
	4,728	**3,657**
Deferred tax liabilities		
Depreciation and amortisation	1,828	1,943
	1,828	1,943
Total - Deferred tax assets (net)	**2,900**	**1,714**

Movement in deferred tax assets	Allowance for doubtful receivable balances	Provisions allowed on payment basis	Carried forward tax losses and unabsorbed depreciation	Indexation benefit on land	MAT credit entitlement	Depreciation and amortisation	Others	Total
At April 1, 2017	**1,023**	**948**	**689**	**-**	**-**	**(949)**	**70**	**1,781**
(Charged) / Credited:								
- to profit and loss	77	85	663	-	104	(994)	(2)	(67)
At March 31, 2018	**1,100**	**1,033**	**1,352**	**-**	**104**	**(1,943)**	**68**	**1,714**
(Charged) / Credited:								
- to profit and loss	558	187	72	94	116	115	44	1,186
At March 31, 2019	**1,658**	**1,220**	**1,424**	**94**	**220**	**(1,828)**	**112**	**2,900**

Notes :

(a) The Group continues to recognise deferred tax assets on carried forward tax losses and unabsorbed depreciation of Pioneer Distilleries Limited based on future business plans and cash flow projections. Based on the projections, management believes that the Company will have sufficient taxable profits in future periods that will be utilised to reverse the deferred tax assets on brought forward losses, unabsorbed depreciation and MAT credit. These projections are reviewed by the Board of Directors of Pioneer Distilleries Limited.

8. Income tax balances

	As at March 31, 2019	As at March 31, 2018
Income tax liabilities (net)		
Opening balance	4,577	3,317
Add/(less): Current tax payable for the year		
Recognised in Statement of profit and loss	4,350	2,532
Adjustment on account of adoption of Ind AS 115 in retain earnings (Refer Note 41)	(198)	-
Recognised in Other Comprehensive Income	5	46
Reclassification to advance tax (net)	-	80
	4,157	2,658
Less : Taxes paid	(4,529)	(1,398)
Closing balance	4,205	**4,577**
Income tax assets (net)		
Opening balance	6,069	3,256
Add/(less): Taxes paid (net)	3,845	2,733
Recognised in Statement of profit and loss	(117)	-
Reclassification from current tax liabilities	-	80
Interest paid on income tax	(5)	-
Adjustment on account of sale of subsidiary	(5)	-
Closing balance	**9,787**	**6,069**

Note: The above amounts include amounts paid under protest of INR 9,560 million (2018: INR 4,693 million) pertaining to various assessment years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

9. Other assets

	As at March 31, 2019		As at March 31, 2018	
	Current	Non-current	Current	Non-current
Capital advances [Refer Note (a) below]				
Considered good	-	297	-	369
Considered doubtful	-	18	-	-
Balances with government authorities [Refer Note (b) below]				
Considered good	231	1,843	1,040	2,152
Considered doubtful	65	153	-	13
Advances to suppliers				
Considered good	731	-	1,358	-
Considered doubtful	797	-	768	-
Net surplus in gratuity plan [Refer Note 40(b)C]	-	449	-	497
Pre-paid expenses	1,351	1,462	1,142	1,673
Other advances				
Considered good	12	3	-	-
	3,187	**4,225**	**4,308**	**4,704**
Less: Allowance for doubtful balances	(862)	(171)	(768)	(13)
Total other assets	**2,325**	**4,054**	**3,540**	**4,691**

Notes:

(a) Capital advances considered good includes an amount of INR 199 million (2018: INR 199 million) being advance paid towards purchase of land pursuant to an "agreement to sell" entered by Pioneer Distilleries Limited ("PDL") with the owners of the land. PDL is in the process of resolving certain matters and expects to execute the sale deed and have the same registered in due course.

(b) Balances with government authorities include amounts paid under protest amounting to INR 1,420 million (2018: INR 1,223 million)

(All amounts in INR Millions unless otherwise stated)

10. Inventories

	As at March 31, 2019	As at March 31, 2018
(Valued at lower of cost and net realisable value)		
Raw materials	1,415	1,260
[including materials in transit INR 350 million (2018: INR 113 million)]		
Work-in-progress [Refer Note (a) below]	8,226	8,902
Finished goods	6,708	6,532
[including goods in transit INR 844 million (2018: INR 981 million)]		
Stock-in-trade	859	505
[including goods in transit INR 25 million (2018: INR 106 million)]		
Packing materials	2,011	1,879
[including materials in transit INR 112 million (2018: INR 65 million)]		
Stores and spares	124	119
Total inventories	**19,343**	**19,197**

Notes:

(a) Work-in-progress (intermediates) includes stocks of maturing spirits held by a branch outside India (in custody of an overseas vendor) amounting to INR 2,784 million (2018: INR 3,506 million).

(b) As per terms of an agreement entered in earlier year with an overseas vendor, the Group had a contractual obligation to purchase certain minimum specified quantities of fresh fills. However, the Group was unable to meet the purchase commitment and consequently, the Group was required to compensate the overseas vendor for shortfall relating to the purchase commitment up to June 30, 2017 amounting to INR 244 million. During the year, consequent to receipt of regulatory approval, the Group has compensated the overseas vendor by transfer of earmarked Group's inventory which was lying at the overseas vendor's warehouse. The excess of the liability over the carrying value of inventory transferred has been presented as a gain of INR 73 million under 'Other operating revenue'. (Refer Note 23).

Additionally, the Group is carrying an aggregate amount of liability towards storage, disgorgement, blending, handling and loading charges of INR 237 million (2018: INR 164 million), which is presented under Trade Payables. The overseas vendor has written various letters to the Group, intimating that it has exercised its lien over the Group's inventory with a carrying value amounting to INR 125 million (2018: INR 84 million) held at their warehouse corresponding to the amounts owed by the Group. The Group had sought and obtained regulatory approval to discharge such liability which was received during the year. Pursuant to the receipt of such approval, the Group is in the process of settling the obligation with the overseas vendor.

(c) Amounts recognised in the Statement of profit and loss

Allowance for obsolete inventories (net) for the year amounted to INR 263 million (2018: INR 98 milllion). The net amount is recognised as an expense during the year and is included in 'cost of materials consumed' in Statement of profit and loss. Further a write down in the value of inventory of INR Nil (2018: INR 36 million) has been recognised as an expense as exceptional item.

(d) Inventories include inventory held by the tie up manufacturing units amounting to INR 1,873 million (2018: INR 1,749 million). For details of Inventories pledged as security Refer Note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

11. Investments

	As at March 31, 2019	As at March 31, 2018
Investments in mutual funds carried at FVPL		
Quoted		
SBI - Infrastructure Fund Growth [No. of units Nil (2018 : 50,000)]	-	1
Total investments	**-**	**1**

12. Trade receivables

Receivables from related parties [Refer note 38(c)(iii)]	37	6
Other Receivables	28,506	29,506
	28,543	29,512
Less: Loss allowance	(3,118)	(2,400)
Total trade receivables	**25,425**	**27,112**
Details of securities/categorisation of credit risk of trade receivables		
Trade Receivables considered good- secured	-	-
Trade Receivables considered good- unsecured	27,677	28,646
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables- credit impaired	866	866
Total	**28,543**	**29,512**
Less: Loss allowance	(3,118)	(2,400)
Total trade receivables	**25,425**	**27,112**

Refer Note 33 for information about financial risk management

13.1 Cash and cash equivalents

Balances with banks		
In current accounts	2,025	1,317
Cheques on hand	139	102
Total cash and cash equivalents	**2,164**	**1,419**

13.2 Bank balances other than cash and cash equivalents

In unpaid dividend accounts	7	9
In unpaid public deposit accounts [Refer Note (a) below]	11	16
Bank deposits due to mature within 12 months from the reporting date [Refer Note (b) below]	647	1,116
Total bank balances other than cash and cash equivalents	**665**	**1,141**

Notes:

a) Includes INR 8 million (2018: INR 9 million) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits which had matured in earlier years wherein duly discharged deposit receipts were not received from deposit holders.

b) Includes bank deposits under lien, INR 61 million (2018: INR 54 million).

(All amounts in INR Millions unless otherwise stated)

14. Contract assets and Contract liabilities

	As at March 31, 2019	As at March 31, 2018
Current		
Contract assets relating to sponsorship contracts	105	-
Total contract assets	**105**	**-**
Contract liabilities relating to sponsorship contracts	54	-
Contract liabilities relating to central rights contract	665	850
Total contract liabilities	**719**	**850**

Note :

Significant changes in contract assets and liabilities

Contract assets represent receivables with respect to IPL Season-12 matches played during the year ended March 31, 2019 that are not due. During previous year, no matches were played with respect to IPL Season-11 before March 31, 2018.

Similarly, contract liabilities represent advance received from BCCI towards unfinished IPL season. Contract liabilities have decreased due to the reduction in amounts received from customers.

The following table shows how much of the revenue recognised in the current reporting period relates to carried forward contract liabilities and how much relates to performance obligations that were staisfied in a prior year.

Revenue recognised that was included in the contract liability balance at the beginning of the year

	As at March 31, 2019	As at March 31, 2018
Contract liabilities relating to sponsorship contracts	-	-
Contract liabilities relating to central rights contract	850	-
Revenue recognised from performance obligations satisfied in the previous year	-	-

15. Assets classified as held for sale

	As at March 31, 2019	As at March 31, 2018
Property, plant and equipment (Refer Note 3.1)	-	1,417
Total assets classified as held for sale	**-**	**1,417**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

16. Equity share capital

	As at March 31, 2019	As at March 31, 2018
Authorised		
2,740,000,000 equity Shares of INR 2/- each (2018: 548,000,000 equity shares of INR 10/- each)	5,480	5,480
171,200,000 (2018: 159,200,000) Preference Shares of INR 10/- each	1,712	1,592
Nil (2018: 1,200,000) 7% Non Cumulative Redeemable Preference Shares of INR 100/- each	-	120
Issued, subscribed and paid-up	**7,192**	**7,192**
726,638,715 Equity Shares of INR 2/- each (2018: 145,327,743 Equity Shares of INR 10/- each) fully paid-up	1,453	1,453
	1,453	**1,453**

(a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2019	No. of Shares	As at March 31, 2018
Balance at the beginning of the year (Face value of INR 10/- each)	145,327,743	1,453	145,327,743	1,453
Add: Equity shares issued during the year	-	-	-	-
Impact of share split from INR 10/- to INR 2/- per share	581,310,972	-	-	-
Balance at the end of the year (Face value of INR 2/- each)	**726,638,715**	**1,453**	**145,327,743**	**1,453**

(b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of INR 2/- per share (2018: INR 10/- per share). Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any in proportion to their holdings.

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

Out of the equity shares issued by the Company, shares held by the holding Company are as below:

	No. of Shares	As at March 31, 2019	No. of Shares (Pre split)	As at March 31, 2018
Relay B V (wholly owned subsidiary of Diageo Plc.) [Refer note (j) below]	398,061,730	796	79,612,346	796
	398,061,730	**796**	**79,612,346**	**796**

(d) The Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the reporting date.

(All amounts in INR Millions unless otherwise stated)

16. Equity share capital *(Continued)*

(e) Details of shareholders holding more than 5% shares in the Company.

	As at March 31, 2019		As at March 31, 2018	
	No. of Shares	% of Holding	No. of Shares (Pre split)	% of Holding
Relay B V [Refer note (j) below]	398,061,730	54.78%	79,612,346	54.78%

(f) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestments.

(g) There are no bonus shares issued, bought back during the period of five years immediately preceding the reporting date.

(h) Details of shares in the Company held by Company, subsidiaries or associates

	As at March 31, 2019		As at March 31, 2018	
	No. of Shares	% of Holding	No. of Shares (Pre split)	% of Holding
USL Benefit trust [refer Note (k) below]	17,295,450	2.38%	3,459,090	2.38%

(i) During the year, the shareholders of the Company approved the following:

(A) Alteration of the authorized share capital of the Company by deleting and substituting it with a total capital of INR 7,192 million divided into 2,740,000,000 equity shares of INR 2/- each and 171,200,000 preference shares of INR 10/- each,

(B) Sub-division of equity shares of the Company having a face value of INR 10/- per equity share to INR 2/- per equity share and

(C) Sub-division of preference shares of the Company having a face value of INR 100/- per share to INR 10/- per preference share.

(j) On December 20, 2013, the Honorable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo Plc. setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares of INR 10/- each in the Company to Relay B V, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. have approached the Honorable Supreme Court by way of special leave petitions (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs, the Honorable Supreme Court has directed that status quo be maintained in respect of the above mentioned transaction of sale of shares to Relay B V. Such shares are included in arriving at Relay BV's shareholding in the Company.

(k) Investment as a sole beneficiary in USL benefit trust was made as per the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, upon amalgamating various companies with United Spirits Limited. The trust has been established for the exclusive benefit of the Company and holds 17,295,450 equity shares of INR 2/- face value (2018: 3,459,090 equity shares of INR 10/- face value) of the Company [Refer Note 16(h)]. As per the terms of the aforesaid scheme of arrangement, in the standalone financial statements, the Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. By virtue of definition of control, the Group has consolidated the trust in these consolidated statements and presented this as treasury shares [Refer Note 17]. Also refer Note 35(b) for assets pledged and Note 48.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

17. Reserves and surplus

	As at March 31, 2019	As at March 31, 2018
Capital reserve	5,675	5,675
Capital redemption reserve	699	699
Securities premium	45,682	45,682
Treasury shares	(1,197)	(1,197)
Central subsidy	48	48
Share based incentive reserve	49	-
Foreign currency translation reserve	135	115
Contingency reserve	110	110
General reserve	10,408	10,408
Retained earnings	(32,159)	(38,802)
Total reserves and surplus	**29,450**	**22,738**

Nature and purpose of reserves:

a) **Capital reserve:** Created pursuant to a Scheme of Amalgamation between the Company and SW Finance Co. Limited, sanctioned by the Honourable High Court of Karnataka and Honourable High Court of Bombay under the orders dated June 12, 2015 and August 28, 2015, respectively.

b) **Capital redemption reserve:** Capital Redemption Reserve is created for an amount equivalent to the nominal value of shares redeemed in earlier years by the Company (including the erstwhile Companies that were merged with the Company through several schemes of amalgamations / mergers).

c) **Securities premium:** Securities premium is credited when shares are issued at premium.The reserve is utilised in accordance with the provisions of the Act.

d) **Treasury shares:** Pursuant to the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, upon amalgamating various companies with United Spirits Limited, USL Benefit Trust (of which Company is the sole beneficiary) held 17,295,450 (post - split) shares in the Company (own shares). As per the term of the aforesaid scheme of arrangement, the Company has carried the aggregate value of such shares as per the books of the concerned transferor companies as investment in its standalone financial statements. For the purpose of consolidated financial statements such investment has been shown as treasury shares.

e) **Central subsidy:** The balance is taken over on amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended March 31, 2006 as per the terms of the arrangement approved by the Honorable High Courts of Karnataka and Bombay.

f) **Share based incentive reserve :** The share-based incentive reserve is used to recognise grant date fair value of Diageo Plc's share options under the group share-based payment arrangements. Recharges towards such arrangements are debited to this reserve.

g) **Foreign currency translation reserve:** Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in this seperate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment in a foreign operation is disposed off.

h) **Contingency reserve:** The balance is taken over on amalgamation of McDowell Spirits Limited with the Company during the year ended March 31, 2001 as per the terms of the arrangement approved by the Honorable High Court of Karnataka.

i) **General reserve:** The general reserve is created by way of transfer of profits from retained earnings for appropriation purposes. This reserve is utilised in accordance with the provisions of the Act.

j) **Retained earnings:** Retained earnings are the profits that the Group has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

(All amounts in INR Millions unless otherwise stated)

18. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2019	As at March 31, 2018
Non-current					
Unsecured					
7,500 (2018: 7,500) 7.45% Non-convertible Debentures of face value of INR 1,000,000 each [Refer Note (a) below]	December 28, 2020	Single repayment of principal at the end of term and interest payable on December 28th of each year	7.45%	7,641	7,641
Term loan from banks	Repaid on April 18, 2018	Single repayment at the end of the term of each loan	T Bill + 118bps (effectlive rate 7.35%)	-	3,522
Term loans from others	Not Stipulated	Terms of repayment not stipulated	8%	214	201
Deferred sales tax [Refer Note (c) below]	2024-25	Repayable over a period of fourteen years starting from the end of the tenth year i.e. 2010-11	Interest free	101	128
Secured					
Finance lease obligations [Refer Note 42(a) and Note (b) below]	2019 - 2022	Monthly installments	8%	239	70
				8,195	**11,562**
Less: Current maturities on non-current borrowings (Refer Note 19)					
Finance lease obligation				96	43
Term loan from banks				-	3,500
Deferred Sales tax liability				38	27
Less: Interest accrued but not due (Refer Note 19)				257	364
Total non-current borrowings				**7,804**	**7,628**
Current					
Unsecured					
Working capital loans from banks [Refer Note (a) below]	Payable on demand	Payable on demand	7.25% - 9.25%	11,965	9,660
Commercial papers issued to banks and others	April 2018 - June 2019	Single repayment at the end of the term of each commercial paper	6.57% - 7.79%	8,929	13,373
Total				**20,894**	**23,033**
Less: Interest accrued but not due (Refer Note 19)				-	20
Total current borrowings				**20,894**	**23,013**

Notes:

a) Includes interest accrued but not due as at year end.

b) Finance lease obligations are secured by hypothecation of office equipment and vehicles taken on lease [Refer Note 42(a)].

c) Sales tax collected under deferral scheme of State Government of Maharashtra for eleven years (from 1999-00 to 2009-10) and is repayable in five equal annual installments with final installment due in 2024-25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

18. Borrowings *(continued)*

Movement in debt balances

(i) Summary of total debt:

Particulars	As at March 31, 2019	As at March 31, 2018
Non-current borrowings	7,804	7,628
Current borrowings	20,894	23,013
Other current liabilities		
Current maturities of long term borrowings	96	3,543
Deferred sales tax	38	27
Interest accrued but not due	257	384
Debt	**29,089**	**34,595**

(ii) This section sets out an analysis of debt and the movements in debt:

Particulars	Finance lease obligations	Non-convertible debentures	Commercial papers	Term loan	Deferred sales tax	Working capital loans	Total
Debt as at April 1, 2017	**135**	**-**	**12,173**	**25,395**	**146**	**3,696**	**41,545**
Proceeds from borrowings	-	7,500	36,986	-	-	-	44,486
Repayment of borrowings	(68)	-	(35,771)	(21,713)	(18)	-	(57,570)
Net proceeds from working capital loans	-	-	-	-	-	5,951	5,951
Interest expense (Refer Note 28)	10	141	914	920	14	621	2,620
Interest paid	(7)	-	(929)	(879)	(14)	(608)	(2,437)
Debt as at March 31, 2018	**70**	**7,641**	**13,373**	**3,723**	**128**	**9,660**	**34,595**
Proceeds from borrowings	-	-	39,700	-	-	-	39,700
Repayment of borrowings	(87)	-	(44,200)	(3,500)	(27)	-	(47,814)
Net proceeds from working capital loans	-	-	-	-	-	2,324	2,324
Acquisition of assets	256	-	-	-	-	-	256
Effect of amortised cost	-	-	56	-	-	-	56
Interest expense (Refer Note 28)	5	559	698	98	13	879	2,252
Interest paid	(5)	(559)	(698)	(120)	(13)	(898)	(2,293)
Effect of foreign exchange restatement	-	-	-	13	-	-	13
Debt as at March 31, 2019	**239**	**7,641**	**8,929**	**214**	**101**	**11,965**	**29,089**

(All amounts in INR Millions unless otherwise stated)

19. Other financial liabilities

	As at March 31, 2019	As at March 31, 2018
Current maturities of		
Borrowings (Refer Note 18)	-	3,500
Finance lease obligation (Refer Note 18)	96	43
Deferred sales tax liability (Refer Note 18)	38	27
Interest accrued but not due (Refer Note 18)	257	384
Unpaid / unclaimed dividends (Refer Note (a) below)	7	9
Unpaid / unclaimed public deposits (Including accrued interest) (Refer Notes (a) and (b) below)	11	16
Others		
Security deposits	104	141
Liability for customer claim	127	127
Due to Tie-up manufacturing units	631	935
Capital creditors	312	222
Employee benefits payables	881	1,100
Total other financial liabilities	**2,464**	**6,504**

Notes:

(a) Investor Education and Protection Fund (IEPF) credited when due. As at March 31, 2019 no balances were due to be transferred to IEPF.

(b) Includes unclaimed public deposit which had matured in earlier years of INR 7 million (2018: INR 9 million) in case of which the duly discharged fixed deposit receipts were not received from the deposit holders.

20. Provisions

	As at March 31, 2019		As at March 31, 2018	
	Current	Non-current	Current	Non-current
Employee benefits				
Compensated absences [Refer Note (b) below]	149	420	121	415
Gratuity [Refer Note 40(b)C]	1	17	-	14
Pension liability [Refer Note 40(b) C]	2	14	2	16
Share appreciation rights [Refer Note 36]	78	84	-	81
Provision for indirect taxes [Refer Note (a) below]	3,227	-	2,970	-
Total provisions	**3,457**	**535**	**3,093**	**526**

Notes:

(a) Movement in provisions

Description	As at April 1, 2017	Additions	Amounts used/ written back	As at March 31, 2018
Indirect taxes disputes	2,565	433	28	2,970
Onerous contracts	75	-	75	-

Description	As at April 1, 2018	Additions	Amounts used/ written back	As at March 31, 2019
Indirect taxes disputes	2,970	489	232	3,227

Provision is made for probable cash outflow arising out of pending disputes / litigations with various regulatory authorities. It is not practicable for the Group to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

(b) Based on past experience, the Group does not expect all employees to avail the full amount of accrued leave or require payment for such leave within the next 12 months. However upon separation of an employee, the Group would be required to settle full amount of accrued leave due to be paid to an employee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

21. Trade Payable

	As at March 31, 2019	As at March 31, 2018
Dues to Micro Enterprises and Small Enterprises	278	92
Dues to creditors other than Micro Enterprises and Small Enterprises		
Dues to related parties [Refer Note 38(c)(iv)]	1,588	760
Others	12,217	13,394
	13,805	14,154
Total trade payables	**14,083**	**14,246**

22. Other current liabilities

	As at March 31, 2019	As at March 31, 2018
Advances from customers (Refer Note below)	1,067	825
Statutory dues	2,369	2,457
Liability for excise duty on closing finished goods inventory (net of prepaid excise duty)	2,620	1,212
Total other current liabilities	**6,056**	**4,494**

Note:

Management has settled the advance from customers at beginning of the year, by selling products against such advances. It expects to similarly settle the closing advances, during the year ending March 31, 2020.

23. Revenue from operations

	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from contracts with customers:		
Sale of products (including excise duty)	283,241	260,401
Income from brand franchise arrangements	1,848	1,493
Income from BCCI-IPL franchise [Refer Notes (a) and (b) below]	3,049	1,457
	288,138	263,351
Other operating revenue:		
Sales of scrap and by-products	389	427
Income from Government grants	-	1,669
Gain on settlement of liability with an overseas vendor [Refer Note 10(b)]	73	-
Miscellaneous	125	112
Total revenue from operations	**288,725**	**265,559**

Notes:

(a) An aggregate amount of INR 7,994 miilion (2018: *) of transaction price allocated to central rights income that are partially unsatisfied as at the year end.

* As permitted under the transitional provisions in Ind AS 115, the transaction price allocated to partially unsatisfied performance obligations as at March 31, 2018 is not disclosed.

(b) Management expects that the transaction price allocated to unsatisfied performance obligation under the central rights contract as of March 31, 2019 will be recognised as revenue over the next 4 years. Performance obligations under all other contracts are due to be satisfied within a period of 1 year and therefore as permitted under Ind AS 115, the transaction price allocated to such unsatisfied performance obligations is not disclosed.

(All amounts in INR Millions unless otherwise stated)

23. Revenue from operations *(Continued)*

(c) Pioneer Distilleries Limited ("PDL") is entitled to government grant from the State of Maharashtra for setting up projects in notified rural area under two phases. These grants are receivable in the form of VAT refunds.

Under Mega Phase II project, PDL is entitled to government grant amounting to INR 2,600 million. Upon receipt of eligibility certificates for INR Nil (2018: 1,805 million) during the year, PDL has recognised INR Nil (2018: 1,669) representing present value of such receivables INR Nil (2018: INR 1,805 million) as government grant income in the Statement of profit and loss.

During the year the PDL had received a communication from the concerned Government department, amending certain terms of eligibility ('Amended Sanction Letter'). PDL had carried out an internal assessment supported by a legal opinion in respect of the above and had filed a revised claim. Subsequently, the said Amended Sanction Letter had been further revised by the concerned Government department restoring certain terms that were amended earlier. Consequently, the Group had recognised an allowance of INR 100 million as expected credit loss on account of impairment. Further PDL has reassessed the timing of cash inflows since initial recognition and has recognised an allowance of INR 169 million during the year ended March 31, 2019. The aggregate amount of INR 269 million is disclosed under 'Loss allowance on trade receivables and other financial assets'.

(d) Reconciliation between contract price and revenue recognised

	For the year ended March 31, 2019
Contract price	297,511
Less: items offset against revenue from customers as required by Ind AS 115	(9,373)
Revenue from contracts with customers	**288,138**
(e) Dissaggregation of revenue from customers:	
(i) Categories of sale of products / brand franchise income	
Prestige and above	59,095
Popular	28,815
Others	1,862
Add: Excise duty collected from customers	195,317
(ii) Category of services - Income from from BCCI-IPL franchise	**285,089**
Central rights income	1,949
Income from sponsorship	734
Income from sale of tickets (net of discount)	328
Transfer fees	22
Royalty & licensing fee	16
	3,049
Total	**288,138**

24. Other income

	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest income on financial assets held at amortised cost	64	42
Exchange gain (net)	54	14
Gain on disposal of property, plant and equipment (net)	366	1,108
Profit on sale of investment property	-	509
Liabilities, provisions or allowances no longer required written back	129	515
Miscellaneous income	79	1
Total other income	**692**	**2,189**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

25. Cost of materials consumed

	For the year ended March 31, 2019	For the year ended March 31, 2018
Raw materials	26,572	24,502
Packing materials	15,973	15,894
Total cost of materials consumed	**42,545**	**40,396**

26. Changes in inventories of finished goods, work-in-progress and stock-in-trade

Opening inventory:		
Finished goods	6,532	5,550
Work-in-progress	8,902	9,335
Stock-in-trade	505	510
Total opening balance (A)	**15,939**	**15,395**
Closing inventory:		
Finished goods	6,708	6,532
Work-in-progress	8,226	8,902
Stock-in-trade	859	505
Total closing balance (B)	**15,793**	**15,939**
Increase / (decrease) in excise duty on finished goods (net) **(C)**	511	403
Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)	**657**	**(141)**

27. Employee benefits expense

Salaries, wages and bonus	5,951	5,880
Contribution to provident and other funds [Refer Note 40(a)]	170	187
Defined benefits plans cost [Refer Note 40(b)D]	214	279
Share based payment expense (Refer Note 36)	197	84
Staff welfare expenses	366	379
Total Employee benefits expense	**6,898**	**6,809**

28. Finance costs

Interest and finance charges on financial liabilities at amortised cost (borrowings) (Refer Note 18)	2,252	2,620
Interest- others	120	155
Total finance costs	**2,372**	**2,775**

(All amounts in INR Millions unless otherwise stated)

29. Other expenses

	For the year ended March 31, 2019	For the year ended March 31, 2018
Consumption of stores and spares	184	220
Operational expenses relating to BCCI-IPL franchise	1,503	1,090
Sub-contracting Charges	825	797
Power and fuel	249	279
Rent [Refer Note 42(b)]	2,894	2,658
Repairs and maintenance:		
Buildings	132	79
Plant and machinery	397	236
Others	340	329
Insurance	183	196
Rates and taxes	1,680	1,581
Travel and conveyance	540	464
Legal and professional	1,357	1,779
Auditor remuneration (Refer Note below)	54	61
Freight outwards	2,505	2,276
Royalty [Refer Note 38(b)(vii)]	91	105
Trade mark license fees	575	578
Remuneration to non-executive directors of the Company:		
Sitting fee	4	3
Commission	20	20
Allowance for doubtful other assets (net)	181	-
Provision for impairment of capital work-in-progress	-	33
Expense towards corporate social responsibility	123	105
Information technology and communication expenses	981	469
Administrative expenses	217	185
Distribution costs	1,395	1,370
Miscellaneous expenses	158	126
Total other expenses	**16,588**	**15,039**
Note :		
Auditors' remuneration*		
a) as auditors		
for Statutory audit	20	22
for quarterly reviews	10	12
for Certifications	6	6
b) for other audit related services	18	21
c) re-imbursement of expenses	0	0
Total payment to auditors	**54**	**61**

* Relates to the parent auditor and does not include remuneration for other component auditors (excluding goods and services tax)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

30. Exceptional items (net)

	Note	For the year ended March 31, 2019	For the year ended March 31, 2018
(a) Provision towards matters arising consequent to prohibition in the state of Bihar	49	-	(180)
(b) Impairment loss recognised on buildings and plant and equipment in relation to certain manufacturing units	3.1	-	(126)
(c) Gain / (loss) on disposal of Investment in subsidiary	44(d), 44(c)	10	148
(d) Customer claim		-	28
(e) Impairment of Goodwill	54(c)	(4)	(315)
(f) Gain on sale of brands	44(d)	20	-
Total exceptional items (net)		**26**	**(445)**

31. Reconciliation of tax expense and accounting profit multiplied by domestic tax rate in the country concerned

Profits before income tax expense	10,117	9,118
Tax calculated at the domestic rates applicable in the country concerned	2,618	3,065
Tax effects of amounts which are non deductible / taxable in calculating taxable income:		
- Loss on sale of subsidiary	142	-
- Impact of changes in tax rate	(70)	-
- Impairment of investment in subsidiaries and allowance for doubtful loans to subsidiaries (net of reversals)	23	(58)
- Unrecognised deferred tax assets on tax losses for the current year relating to certain subsidiaries	871	96
- Deferred tax assets recognised on carry forward losses and unabsorbed depreciation pertaining to earlier years	-	(507)
- Reversal of provisions/ write offs relating to certain receivables not subject to tax	(356)	(127)
- Expenses not allowable under tax	69	43
- Indexation benefit on freehold land	(94)	-
- Others	78	87
Income tax expense as per statement of profit and loss	**3,281**	**2,599**
(a) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (Refer Note below)	6,451	6,082
Potential tax benefit at rates applicable in the country concerned	1,707	2,105

Note:

The Unused tax losses are in respect of subsidiaries that are not likely to generate taxable income in the foreseeable future.

32. Earnings per share

(All amounts in INR Millions unless otherwise stated)

	March 31, 2019	March 31, 2018
Nominal value of equity shares (INR)	2/-	10/-
(a) Profits attributed to the owners of the Company	7,002	6,338
(b) Weighted average number of equity shares used as denominator (Refer Note (c) below)	70,93,43,265	70,93,43,265
(c) Basic and diluted earnings per share (INR)	9.87	8.94

Notes:

(a) There are no dilutive equity shares in the Company.

(b) In calculating the weighted average number of outstanding equity shares during the year, Company has reduced the treasury shares held by USL Benefit Trust (of which Company is the sole beneficiary), as the investment in the said trust has been accounted under a scheme approved by courts [Refer Note 16(h)].

(c) Weighted average number of equity shares for the previous year has been determined considering the effect of share split [(Refer Note 16(i)(B))].

33. Financial risk management

The Group's activities exposes it to credit risk, liquidity risk and market risk. This note explains the sources of risk which the entity is exposed to and how the Group manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks, trade receivables, loans and other financial assets measured at amortised cost	Review of receivables	Diversification of bank deposits, and monitoring of credit limits and assessment of recoverability of loans.
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – interest rate	Short-term borrowings at floating rates	Sensitivity analysis of interest rates	Diversified portfolio of fixed and variable interest rate loans
Market risk – foreign exchange	Future commercial transactions, Financial assets and liabilities not denominated in INR	Sensitivity analysis	Cash flow forecasting

The Group's risk management is carried out by treasury department under policies approved by the Board. Treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's other functions. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess funds.

(A) Credit risk

Credit risk management

Trade receivables:

Group's Credit Policy provides guidance to keep the risk of selling on credit within an acceptable level.

Group Management monitors and reviews credit limits, overdue trade receivables, provisioning and write-off of credit impaired receivables.

Trade receivables are typically unsecured and are derived from revenue earned from two main classes of trade receivables, receivable from sales to government corporations/government owned entities and receivables from sales and services to private third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

33. Financial risk management *(Continued)*

Receivables from government corporation customers amounted to INR 18,448 million and 65% (2018: INR 18,746 million and 64%) and private customers amounted to INR 10,095 million and 35% (2018: INR 10,766 million and 36%) respectively of total trade receivables, respectively, on the reporting date.

The Group uses provision matrices for each category of customers which are applied to receivables and accordingly makes allowances.

Movement in loss allowances for trade receivables is provided below:

Particulars	March 31, 2019	March 31, 2018
Balance at the beginning of the year	2,400	1,356
Loss allowance (Net)	850	1,214
Write offs	(132)	(170)
Balance at the end of the year (Refer Note 12)	**3,118**	**2,400**

Loans and other financial assets:

Other financial assets includes balances with banks, receivable from Tie-up manufacturing units, loans to associates and interest accrued on such loans.

Movement in loss allowances for the financial assets other than for trade receivables during the reporting period is provided below:

Particulars	March 31, 2019	March 31, 2018
Balance at the beginning of the year	14,832	15,361
Loss allowance (Net)	511	936
Write offs (net of write backs)	(978)	(1,465)
Balance at the end of the year (Refer Note 5 and 6)	**14,365**	**14,832**

(B) Liquidity Risk

Changes in regulations, guidelines and operating models influences liquidity risk. The Group generates enough cashflow from the current operation that provides liquidity both in the short-term as well as in the long-term. The Group has prudent liquidity risk management to ensure maintenance of required cash and/or have access to funds through adequate unutilised sanctioned banking limits from banks. The Group maintains an optimal debt mix with the products to meet both short-term and long-term funding requirements. Besides, the Group has planned monetisation of certain non-core assets to infuse liquidity and reduce debts and remains committed to maintaining a healthy liquidity, a low gearing ratio, de-lever and strengthen its balance sheet.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at end of the reporting period:

Particulars	As at March 31, 2019	As at March 31, 2018
Floating rate		
Expiring within one year (cash credit/working capital demand loans)	28,613	32,212

The above facilities may be drawn at any time and repayable on demand. The Group has fully utilized fixed rate borrowing facilities as at the end of each of the reporting periods.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

33. Financial risk management *(Continued)* (All amounts in INR Millions unless otherwise stated)

March 31, 2019

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings (Refer Note Below)	21,080	-	559	8,123	98	**29,860**
Obligation under finance lease	26	25	48	84	71	**254**
Trade payables	14,083	-	-	-	-	**14,083**
Other financial liabilities	2,073	-	-	-	-	**2,073**
Total liabilities	**37,262**	**25**	**607**	**8,207**	**169**	**46,270**

March 31, 2018

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	26,791	27	559	559	8,361	**36,297**
Obligation under finance lease	15	13	19	18	12	**77**
Trade payables	14,246	-	-	-	-	**14,246**
Other financial liabilities	2,550	-	-	-	-	**2,550**
Total liabilities	**43,602**	**40**	**578**	**577**	**8,373**	**53,170**

Note: Maturities of current borrowings have been considered here based on their contractual maturity. However, the Group expects to renew/replace these borrowings on an ongoing basis.

(C) Interest rate risk

The Group is exposed to interest rate risk on its loans from Banks and Commercial Papers (CPs) from Banks/Mutual Funds. Majority of the Group's short-term borrowings are benchmarked to Bank's MCLR (Marginal Cost of Lending Rates) and Money Market Rates. Interest rate risk arises due to uncertainties about the future market interest rate on these borrowings. The Group maintains an optimal debt mix and tenure to minimise the impact of interest rate risk.

The exposure of the Group's borrowings to interest rate changes at the end of reporting period are as follows:

	As at March 31, 2019	As at March 31, 2018
Floating rate borrowings	11,965	12,910
Fixed rate borrowings	16,527	21,074
Total borrowings	**28,492**	**33,984**

Note: Reasonable changes in interest rate is not expected to have a significant impact on the Company's profit/ loss.

(D) Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and GBP. Foreign Exchange risk arises from future commercial transactions and assets and liabilities denominated in a currency that is not the functional currency of the Company or its Subsidiaries. The risk is measured through a forecast of highly probable foreign currency cash flows.

Foreign currency risk management

The Group's risk management policy is to assess the Group's net exposures which is mainly represented by receivable and payable towards exports and imports respectively in foreign currencies.

The Group can hedge its net exposures with a view on forex outlook. Since the net exposure is currently not material, this has not been hedged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

33. Financial risk management *(Continued)* (All amounts in INR Millions unless otherwise stated)

Foreign currency risk exposure

The Group's exposure to foreign currency risk at the end of the reporting period expressed in INR millions is as follows:

	As at March 31, 2019			As at March 31, 2018		
Financial assets	**USD**	**GBP**	**Total**	**USD**	**GBP**	**Total**
Trade receivables	198	-	198	117	-	117
Balances in bank	-	-	-	-	4	4
Exposure to foreign currency risk (assets)	**198**	-	**198**	**117**	**4**	**121**
Financial liabilities						
Trade payables	35	421	456	44	411	455
Other current liabilities	-	-	-	3	-	3
Exposure to foreign currency risk (liabilities)	**35**	**421**	**456**	**47**	**411**	**458**
Net Exposure	**163**	**(421)**	**(258)**	**70**	**(407)**	**(337)**

Notes: Reasonable fluctuations in foreign exchange rates are not expected to have a material effect on the profit/loss.

34. Capital management

Risk management

Group's objectives when managing capital is to:

a) have a balanced financial profile from short term (1 year) to mid-term (3 years) for sustainable leverage, providing;
   - Headroom for future growth / expansion
   - Financial flexibility in case of adverse business cycles

b) ensure the capital structure is at competitive advantage when compared to peers and other sector players through optimum debt mix through:
   - Diversification of funding sources to manage liquidity and rollover risk
   - Financial flexibility in case of adverse business cycles

	As at March 31, 2019	As at March 31, 2018
Net Debt*	26,925	33,176
Total Equity	30,872	24,327
Net debt to equity ratio	**0.87**	**1.36**

* Net debt represents total borrowings, less cash and cash equivalents.

35. Assets pledged as security

(a) In respect of secured loans from bank and others ('lenders') obtained and repaid during earlier years, the Company has in most cases obtained no objection letters from lenders for the release of the hypothecation/ mortgage and have filed the necessary forms with Ministry of Corporate Affairs ("MCA") to reflect the release of such charge in MCA's records. In the few remaining cases, the Company is in the process of securing no objection letters from the lenders. As there are no secured loans outstanding as at March 31, 2019, no assets have been shown as hypothecated/ mortgaged as at March 31, 2019.

(b) Further the following assets have been pledged with a bank with whom the Group is involved in a litigation (Refer Note 48)

Non-current	**Notes**	**As at March 31, 2019**	**As at March 31, 2018**
First charge			
Freehold land	3.1	1,198	1,198
Buildings	3.1	668	722

35. Assets pledged as security *(Continued)* (All amounts in INR Millions unless otherwise stated)

Non-current	Notes	As at March 31, 2019	As at March 31, 2018
Lease hold land	3.1	38	39
Plant and equipment	3.1	439	525
Investments as a sole beneficiary in USL benefit trust	17	1,197	1,197
Total non-current assets pledged as security		**3,540**	**3,681**

(c) Assets pledged, as disclosed under this note does not include inventory aggregating to INR 55 million (2018: INR Nil) in custody of third party tie-up manufacturing units (TMU), which have been used for hypothecation by the said TMU.

36. Share based payments

Diageo Plc. share based plans

Diageo Plc. (Ultimate parent Company) runs various equity settled share based plans such as Diageo Performance Incentive (DPI), Diageo Executive Long Term Incentive Plan (DELTIP), Performance Share Plan (PSP) and Senior Executive Share Option Plan (SESOP) for select employees of the Company. Vesting under these plans is subject to conditions such as continuity of employment and achievement of certain other performance factors like growth in profit, growth in organic net sales, free cash flow, business productivity and individual's net promoter score. The charge for the year in respect of such plans is included in employee benefits expense amounting to INR 116 million (March 31, 2018: INR 20 million) (Refer Note 27), with a corresponding credit to share based incentive reserve in Other equity.

Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employee reward to Company's share price performance. Under this plan, Company grants stock appreciation rights (based on USL share price on the date of grant) to select employees. The grant is made in September every year. Cash pay-out equivalent to the appreciation in the value of shares will be made at the end of three years from the date of grant (the vesting period).

The fair value of the SARs was determined using the Black-Scholes model using the following inputs as at each reporting date:

	As at March 31, 2019	As at March 31, 2018
Share price at measurement date (INR per share)	553.9	625.93
Expected volatility (%)	34.06% - 34.84%	33.73% - 34.80%
Dividend yield (%)	-	-
Risk-free interest rate (%)	7.16% - 7.78%	6.15% - 6.27%

As at March 31, 2019 such outstanding SARs are 508,896 (March 31, 2018: 84,908). Refer below for summary:

Particulars	Note	Amount
Provision as at April 1, 2017		17
Charge for the year ended March 31, 2018	27	64
Provisions as at March 31, 2018	**20**	**81**
Charge for the year ended March 31, 2019	27	81
Provision as at March 31, 2019	**20**	**162**

Provision as at the year-end classified as:

Particulars	As at March 31, 2019	As at March 31, 2018
Current	78	-
Non-current	84	81
Total	**162**	**81**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

37. Segment reporting

Segment Information

The Group is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing units and through strategic franchising of some of its brands. The Executive Committee of the Company (being the Chief Operating Decision Maker) assesses performance and allocates resources for the business of the Group as a whole and hence the management considers Group's business activities as a single operating segment (viz. Beverage alcohol).

The Group has one external customer individually contributing to more than ten percent or more of the Group's revenues.

The following information discloses external revenues and non-current assets based on the physical location of the customers and assets respectively.

Geographic segment	March 31, 2019			March 31, 2018		
	India	Outside India	Total	India	Outside India	Total
Revenue from contracts with customers	287,072	1,066	288,138	262,136	1,215	263,351
Non-current assets	38,451	0	38,451	32,639	0	32,639

38. Related party disclosures

(a) Names of related parties and description of relationship

(i) Parent entities

- Diageo Plc. (Ultimate Holding Company)
- Tanqueray Gordan & Company Ltd. (Holding Company of Relay B V)
- Relay B V (Holding Company)

(ii) Fellow subsidiaries (with whom transactions have taken place during the year or in the previous year)

- Diageo Scotland Limited
- Diageo Brands BV
- Diageo Great Britain Limited
- Diageo Australia Limited
- Diageo North America Inc.
- Diageo Singapore Supply Pte Limited
- Guinness Nigeria Plc.
- Diageo Business Services India Private Limited
- Diageo Ireland Limited

(iii) Associates

- Hip Bar Private Limited (w.e.f. June 25, 2018)
- Wine Society of India Private Limited (upto January 16, 2019)

(iv) Employees' benefit plans:

- McDowell & Company Limited Staff Gratuity Fund
- McDowell & Company Limited Officers' Gratuity Fund
- McDowell & Company Limited Employees Provident Fund
- Phipson & Company Limited Management Staff Gratuity Fund
- Phipson & Company Limited Gratuity Fund
- Carew & Company Ltd. Gratuity Fund
- United Spirits Superannuation Fund
- UB Group Employee Benefit Trust
- Pioneer Distilleries Employees' Gratuity Trust

38. Related party disclosures *(Continued)* (All amounts in INR Millions unless otherwise stated)

(v) Key management personnel

- Anand Kripalu (Managing Director & Chief Executive Officer)
- Sanjeev Churiwala (Executive Director & Chief Financial Officer)

(vi) Non-executive/Independent directors

- Mahendra Kumar Sharma – Chairman
- V. K. Viswanathan
- Dr. Indu Shahani
- D. Sivanandhan
- Rajeev Gupta
- John Thomas Kennedy
- Randall Ingber
- Vinod Rao

38. (b) Summary of the transactions with related parties

	Name of the related party	Relationship	For the year ended March 31, 2019	For the year ended March 31, 2018
(i)	**Investments in equity made during the year**			
	Hip Bar Private Limited (Refer Note 4)	Associate	270	-
	Total- investments in equity during the year		**270**	**-**
(ii)	**Sale of products (including excise duty) to**			
	Guinness Nigeria Plc.	Fellow subsidiary	0	59
	Total- Sale of products		**0**	**59**
(iii)	**Royalty and brand franchise income**			
	Guinness Nigeria Plc.	Fellow subsidiary	31	-
	Total- Royalty and brand franchise income		**31**	-
(iv)	**Reimbursement of expenses from**			
	Diageo Plc.	Ultimate holding company	-	1
	Diageo Great Britain Limited	Fellow subsidiary	89	9
	Diageo Scotland Limited	Fellow subsidiary	8	30
	Diageo Brands BV	Fellow subsidiary	9	0
	Diageo Ireland Limited	Fellow subsidiary	11	-
	Total- Reimbursement of expenses received		**117**	**40**
(v)	**Purchase of stock-in-trade from**			
	Diageo Brands BV	Fellow subsidiary	1,871	1,038
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	-	30
	Total- Purchase of stock-in-trade		**1,871**	**1,068**
(vi)	**Purchase of materials from**			
	Diageo Brands BV	Fellow Subsidiary	931	559
	Total- Purchase of materials		**931**	**559**
(vii)	**Royalty expense**			
	Diageo Scotland Limited	Fellow subsidiary	-	19
	Diageo North America Inc.	Fellow subsidiary	91	86
	Total- Royalty expense (Refer Note 29)		**91**	**105**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

38. (b) Summary of the transactions with related parties *(Continued)*

	Name of the related party	Relationship	For the year ended March 31, 2019	For the year ended March 31, 2018
(viii)	**Professional charges**			
	Diageo Business Service India Private Limited	Fellow Subsidiary	232	140
	Total - Professional charges		**232**	**140**
(ix)	**Cross Charge – towards share based payments / employee benefit expense**			
	Diageo Plc.	Ultimate holding Company	2	129
	Diageo Great Britain Limited	Fellow subsidiary	65	-
	Total - Cross charge		**67**	**129**
(x)	**Other services received**			
	Information Technology expenses			
	Diageo Great Britain Limited	Fellow subsidiary	58	-
	Total - Other services received		**58**	**-**
(xi)	**Reimbursement of expenses paid to**			
	Diageo Scotland Limited	Fellow subsidiary	6	2
	Diageo Australia Limited	Fellow subsidiary	-	6
	Diageo Brands BV	Fellow subsidiary	1	3
	Diageo North America Inc.	Fellow subsidiary	-	8
	Diageo Great Britain Limited	Fellow subsidiary	42	5
	Total - reimbursement of expenses paid		**49**	**24**
(xii)	**Contribution to employee benefit plans**			
	McDowell & Company Limited Employees Provident Fund	Employee benefits plan	141	152
	United Spirits Superannuation Fund	Employee benefits plan	55	64
	Total - Contribution to employee benefit plans		**196**	**216**

38. (c) Summary of closing balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Name of the related party	Relationship	As at March 31, 2019	As at March 31, 2018
(i)	**Loan outstanding**			
	Principal amount Wine Society of India Private Limited (Refer Note 5)	Associate	-	314
	Allowance at the year end Wine Society of India Private Limited (Refer Note 5)	Associate	-	314
(ii)	**Other receivables from**			
	Diageo Ireland Limited	Fellow subsidiary	2	-
	Diageo Great Britain Limited	Fellow subsidiary	0	7
	Total- Other receivables (Refer Note 6)		**2**	**7**

(All amounts in INR Millions unless otherwise stated)

38. (c) Summary of closing balances with related parties *(Continued)*

Name of the related party		Relationship	As at March 31, 2019	As at March 31, 2018
(iii)	**Trade receivables from**			
	Guinness Nigeria Plc.	Fellow subsidiary	37	6
	Total- Trade receivables (Refer Note 12)		**37**	**6**
(iv)	**Trade payables to**			
	Diageo Plc.	Ultimate holding Company	-	58
	Diageo Brands BV	Fellow subsidiary	1,341	535
	Diageo Great Britain Limited	Fellow subsidiary	113	-
	Diageo Australia Limited	Fellow subsidiary	-	4
	Diageo North America Inc.	Fellow subsidiary	44	17
	Diageo Scotland Limited	Fellow subsidiary	1	17
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	1	1
	Diageo Business Service India Private Limited	Fellow subsidiary	88	128
	Total trade payables to related parties (Refer Note 21)		**1,588**	**760**
(v)	**Minimum offtake commitment for purchase of bulk scotch**			
	Diageo Scotland Limited	Fellow subsidiary	1,900	1,560

38. (d) Key management personnel compensation

Executive directors	For the year ended March 31, 2019		For the year ended March 31, 2018	
	Anand Kripalu	**Sanjeev Churiwala**	**Anand Kripalu**	**Sanjeev Churiwala**
Remuneration (*)	158	58	135	45
Employee share-based payments (**)	38	-	9	-
Total compensation	**196**	**58**	**144**	**45**

(*) As the liabilities for gratuity and compensated absences are provided on actuarial basis for the Company as a whole, the amounts pertaining to individual Key Management Personnel are not separately available.

(**) Based on options exercised.

Non-Executive directors	For the year ended March 31, 2019		For the year ended March 31, 2018	
	Sitting Fee	**Commission**	**Sitting Fee**	**Commission**
Mahendra Kumar Sharma	0.8	4.7	0.5	4.7
Indu Shahani	0.9	4.0	0.8	4.1
Rajeev Gupta	0.6	3.5	0.5	3.5
D. Sivanandhan	0.9	3.9	0.6	4.1
V. K. Viswanathan	0.8	3.9	0.6	3.8
Total	**4.0**	**20.0**	**3.0**	**20.2**

Note: The above amounts are reported in millions, and the decimals are rounded off to the nearest lakhs.

38. (e) General terms and conditions for transactions with related parties

Transactions with related parties are carried out in the normal course of business and are generally on normal commercial terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

39. Offsetting financial assets and financial liabilities

The Group gives volume based rebates to certain customers. Amounts payable by Group are offset against receivables from such customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet. Details of such offset is given in the below table.

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Trade receivables (gross)	28,963	30,061
Less: Incentive Payable	(420)	(549)
Trade receivables as reported (Refer Note 12)	**28,543**	**29,512**

40. (a) Defined contribution plans

Provident Fund:

Provident Fund covers substantially all permanent workmen. Contributions towards Provident Fund are made as a percentage of salary, as per regulations to a fund administered by the government authority. The obligation of the Group is limited to the extent of contributions made on a monthly basis.

Employee Pension Scheme:

Employee Pension Scheme covers substantially all permanent employees of the Group. Contributions towards Employee Pension Scheme are made as a percentage of salary, as per regulations to a fund administered by the government authority. The obligation of the Group is limited to the extent of contributions made on a monthly basis.

Employees' State Insurance:

Employees' State Insurance is a state plan which is applicable to certain employees of the Group whose salaries do not exceed a specified amount. The contributions are made based on a percentage of salary to a fund administered by the government authority. The obligation of the Group is limited to the extent of contributions made on a monthly basis.

Superannuation fund:

Certain executive staff of the Group participate in Superannuation fund, which is a voluntary contribution plan. The Group has no further obligations to the plan beyond its monthly contributions to United Spirits Superannuation Fund, the corpus of which is administered by an investment manager and is invested in insurance products.

National Pension Scheme:

Certain executive staff of the Group participate in National Pension Scheme, which is a voluntary contribution plan. The Group has no further obligations to the plan beyond its monthly contributions which are periodically contributed to a fund administered by an Investment Manager.

During the year, the Group has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds in the employee benefits expense.

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Provident Fund*	40	65
Employee's Pension Scheme	55	36
Superannuation Fund	55	65
Employees' State Insurance	11	10
National Pension Scheme	9	11
Total (Refer Note 27)	**170**	**187**

*Excluding contribution to PF made to trusts which are in the nature of defined benefit plans managed by the Group.

(All amounts in INR Millions unless otherwise stated)

40. (b) Defined benefit plans

Gratuity:

The Group provides for gratuity, a defined benefit plan (the "Gratuity Plan"), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment or upon resignation from service, of an amount based on the respective employee's last drawn salary and years of employment with the Group. Vesting occurs only upon completion of five years of service, except in case of death or permanent disability. The funds are managed by a trust administered by the Group.

Pension plan:

The Group operates a defined benefit pension plan for employees of an erstwhile merged Companies. This plan provides benefits to members in the form of a guaranteed level of pension payable for life post retirement or termination of employment. The level of benefits provided depends on their salary in the final year leading up to retirement, or termination.

Provident fund:

Certain categories of employees receive benefits from the provident fund, which is a defined benefit plan. Both the employee and the Group make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The contributions are made to McDowell & Company Limited Employees Provident Fund trust set up and managed by the Group. The trust invests in specific designated instruments as permitted by the Indian law. The Group's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the Group.

Gratuity and Provident Fund

A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO) :

	As at/ for the year ended March 31, 2019				As at/ for the year ended March 31, 2018			
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)
Obligation at the beginning of the year	1,273	2,930	3	18	1,483	2,694	8	18
Current service cost	113	141	1	-	164	152	1	-
Interest Cost	88	219	0	1	94	121	0	1
Benefit payments from plan assets	(252)	(470)	0	-	(286)	(488)	0	(2)
Transfer in/ (out)	(4)	61	-	-	-	146	-	-
Employee contributions	-	192	-	-	-	188	-	-
Benefit payments by the Group	(2)	-	(2)	(2)	(16)	-	(4)	-
Acquisition/ Divestiture	-	-	-	-	5	-	-	-
Actuarial (gain)/loss from changes in demographic assumptions	30	-	-	-	-	-	-	-
Actuarial (gain)/loss from changes in financial assumptions	6	35	(0)	0	(34)	117	(2)	1
Actuarial (gain)/loss – experience adjustments	(47)	(99)	(0)	(1)	(137)	-	0	-
Obligation at the end of the year	**1,205**	**3,009**	**2**	**16**	**1,273**	**2,930**	**3**	**18**

B. Reconciliation of opening and closing balances of the fair value of plan assets:

	As at / for the year ended March 31, 2019		As at / for the year ended March 31, 2018	
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Funded)	Provident fund (Funded)
Plan assets at the beginning of the year	1,759	2,974	1,946	2,746
Employee contributions	-	192	-	188
Transfer in/(out)	-	61	-	146
Contribution by the group	-	141	2	152
Return on plan assets	130	219	135	121
Actuarial gains/(losses)	1	(85)	(38)	109
Benefits paid	(252)	(470)	(286)	(488)
Plan assets at the end of the year	**1,638**	**3,032**	**1,759**	**2,974**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

40. (b) Defined benefit plans *(Continued)*

C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance sheet at the end of the year

	As at March 31, 2019				As at March 31, 2018			
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)
Present value of obligation	1,205	3,009	2	16	1273	2,930	3	18
Fair value of plan assets	1638	3,032	-	-	1,759	2974	-	-
Asset ceiling	-	23	-	-	-	44	-	-
Liability / (asset) recognised in Balance sheet (Refer Notes 9 and 20)	**(433)***	**-**	**2**	**16**	**(486)***	**-**	**3**	**18**
Current	-	-	1	2	-	-	-	2
Non-Current	(433)	-	1	14	(486)	-	3	16

* Comprises net Liability of INR 16 million (2018: INR 11 million) pertaining to subsidiaries and net asset of INR 449 million (2018: INR 497 million) pertaining to USL.

Liability/ (net assets) disclosed in the financial statements is as follows:

Description	As at March 31, 2019				As at March 31, 2018		
	Note	Gratuity	Pension	Provident fund	Gratuity	Pension	Provident fund
Non-current provision	Note 20	17	14	-	14	16	-
Current provision	Note 20	1	2	-	0	2	-
Non-current assets	Note 9	(449)	-	-	(497)	-	-
Liability / (net asset) recognised in Balance sheet		**(431)**	**16**	**-**	**(483)**	**18**	**-**

D. Expenses recognised in the Statement of profit and loss:

	For the year ended March 31, 2019					For the year ended March 31, 2018				
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total
Current service cost	113	141	1	-	255	164	152	1	-	317
Net interest cost										
a) Interest expense on DBO	88	219	0	1	308	94	121	0	1	216
b) Interest (income) on plan assets	(130)	(219)	-	-	(349)	(133)	(121)	-	-	(254)
Total net interest cost (a-b)	(42)	-	0	1	(41)	(39)	-	0	1	(38)
Defined benefit cost (Refer Note 27)	**71**	**141**	**1**	**1**	**214**	**125**	**152**	**1**	**1**	**279**

E. Re-measurement effects recognized in Other Comprehensive Income (OCI):

Description	For the year ended March 31, 2019					For the year ended March 31, 2018				
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total
a. Actuarial (gain) / loss due to demographic assumptions changes in DBO	30	-	-	-	30	0	0	-	-	0
b. Actuarial (gain) / loss due to financial assumption changes in DBO	6	35	(0)	0	41	(34)	117	(2)	1	82
c. Actuarial (gain) / loss due to experience on DBO	(47)	(99)	(0)	(1)	(147)	(137)	-	(0)	-	(137)
d. Return on plan assets (greater) / less than discount rate	(1)	85	-	-	84	38	(109)	-	-	(71)
e. Movement in asset ceiling	0	(21)	-	-	(21)	-	(8)	-	-	(8)
Total actuarial (gain)/loss included in OCI	**(12)**	**-**	**(0)**	**(1)**	**(13)**	**(133)**	**-**	**(2)**	**1**	**(134)**

(All amounts in INR Millions unless otherwise stated)

40. (b) Defined benefit plans *(Continued)*

F. Total cost recognised in comprehensive income:

Particulars	For the year ended March 31, 2019					For the year ended March 31, 2018				
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total
Expense recognised in Statement of profit and loss (Refer Note 27)	71	141	1	1	214	125	152	1	1	279
Remeasurements effects recognised in OCI	(12)	-	-	(1)	(13)	(133)	-	(2)	1	(134)
Total cost recognised in comprehensive income	**59**	**141**	**1**	**-**	**201**	**(8)**	**152**	**(1)**	**2**	**145**

G. Investment details of plan assets:

Description	As at March 31, 2019		As at March 31, 2018	
	Gratuity	**Provident fund**	**Gratuity**	**Provident fund**
Government securities	-	48%	-	47%
Private sector bonds	-	17%	-	16%
Public sector / financial institutional bonds	-	22%	-	26%
Special deposit scheme	-	5%	-	4%
Insurance products	99%	-	99%	-
Others (including bank balances)	1%	8%	1%	7%
Total	**100%**	**100%**	**100%**	**100%**

H. Assumptions:

	As at March 31, 2019			As at March 31, 2018		
	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)
Discount rate (per annum)	7.15%-7.30%	7.24%	7.30%	7.30%-7.40%	7.56%	7.40%
Rate of increase in compensation levels	10.00%	10.00%	NA	10.00%	NA	NA
Attrition rate	5%-13%	5%-13%	NA	13.20%	13.20%	NA
Mortality rates	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table	LIC (1996-1998 Annuitance rate)	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table	LIC (1996-1998 Annuitance rate)

*IALM: Indian Assured Lives Mortality

40. (c) Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is provided below:

Gratuity:

	Changes in assumptions		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2019	**March 31, 2018**	**March 31, 2019**	**March 31, 2018**	**March 31, 2019**	**March 31, 2018**
Discount rate	1%	1%	Decrease by 5.81%	Decrease by 4.83%	Increase by 6.51%	Increase by 5.34%
Rate of increase in compensation levels	1%	1%	Increase by 6.28%	Increase by 5.16%	Decrease by 5.73%	Decrease by 4.77%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

40. (c) Sensitivity analysis: *(Continued)*

Provident Fund:

	Changes in assumptions		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Discount rate	1%	1%	Decrease by 2.45%	Decrease by 3.63%	Increase by 4.46%	Increase by 5.82%
Rate of increase in compensation levels	1%	1%	Increase by 4.19%	Increase by 5.39%	Decrease by 2.42%	Decrease by 3.57%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

40. (d) Risk exposure:

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

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to yields of government securities; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in government securities / debt instruments 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.
Change in bond yields	A decrease in yields of government securities will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets consists of government and public sector bonds, although the Group also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective local regulations.

40. (e) Effect of the defined benefit plan on the entity's future cash flows

The Group does not expect to contribute any amounts into the plan assets during the year ending March 31, 2020 for gratuity, considering the net surplus portion as at March 31, 2019. The Group is expected to contribute INR 148 million (2018: INR 167 million) to Provident Fund during the year ending March 31, 2020.

The weighted average duration of the defined benefit obligation is 7.95 years (2018: 6.12 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

March 31, 2019	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	151	144	411	544	**1,250**
Provident fund	379	412	1,458	1,716	**3,965**
Total	**530**	**556**	**1,869**	**2,260**	**5,215**

March 31, 2018	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	204	177	473	580	**1,434**
Provident fund	351	371	1034	1,301	**3,057**
Total	**555**	**548**	**1,507**	**1,881**	**4,491**

Note: The estimates of future increase in compensation levels, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(All amounts in INR Millions unless otherwise stated)

41. Adoption of Ind AS 115

Effective April 1, 2018, the Group has adopted Indian Accounting Standard 115 (Revenue from contracts with customers) by using the modified retrospective approach. The new standard is based on the principle that revenue is recognised when control of goods or services is transferred to the customer and provides a single, principles based five-step model to be applied to all sales contracts. It replaces the separate models for goods, services and construction contracts under previous standards (Indian Accounting Standard 11 and Indian Accounting Standard 18) which was based on the concept of transfer of risks and rewards. It also provides further guidance on the measurement of sales on contracts which have discounts, rebates or incentives by applying variable consideration principles.

Based on the evaluation of commercial arrangements with customers, the Group has identified certain discounts/ rebates/ incentives to customers which need to be accounted upfront. It has also identified certain expenses, which are now required to be reduced from revenue. The Group has applied the Standard from April 1, 2018 and has adjusted the cumulative effect of adoption of Indian Accounting Standard 115 aggregating to INR 368 million (net of tax amounting to INR 198 million) in the Retained earnings as at April 1, 2018.

The impact of the application of Ind AS 115 on each financial statement line item is given below:

Particulars	March 31, 2019 (without adoption of Ind AS 115)	Increase/ (decrease)	March 31, 2019 as reported
Revenue from operations	289,712	(987)	288,725
Other expenses	17,545	(957)	16,588
Trade payables	13,487	596	14,083
Tax expense	3,490	(209)	3,281
Income tax liabilities	4,414	(209)	4,205

42. Leases

(a) Finance leases:

The Group has acquired office equipment and vehicles on finance leases. The lease agreements for office equipment and vehicles are generally a primary period of 36 to 60 months. The Group has an option to renew these leases for a secondary period. Lease arrangements for land are generally for a period of 95-99 years.

The minimum lease payments and their present value for the finance leases, are as follows:

	As at March 31, 2019		As at March 31, 2018	
	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments
Not later than one year	96	99	43	47
Later than one year and not later than five years	143	155	27	30
Later than five years	-	-	-	-
	239	254	70	77
Less: Finance charges		15		7
Total (Refer Note 18)		**239**		**70**

(b) Operating leases:

The Group's significant operating leasing arrangements are in respect of premises (residential, office, manufacturing facilities, depots etc.) and plant and equipments, which are for a period ranging between 11 months and 3 years. These arrangements are usually renewable on mutually agreeable terms.

Rental expense relating to operating lease:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Minimum lease payments	430	823
Contingent rent	2,464	1,835
Total rental expense relating to operating lease (Refer Note 29)	**2,894**	**2,658**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

42. Leases *(Continued)*

Contingent rent represents bottling charges paid under tie-up manufacturing arrangements and for leased units, where the bottling charges are determined based on the output/ volume, and includes both lease and non-lease elements. Lease elements of such arrangements are not separately disclosed as operating leases since it is impracticable to separate lease element from non-lease element.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	As at March 31, 2019	As at March 31, 2018
Within one year	172	371
Later than one year and not later than five years	108	562
Later than five years	-	313
Total	**280**	**1,246**

43. Additional Inquiry

As disclosed in the financial statements for the years ended March 31, 2017 and March 31, 2018, upon completion of the Initial Inquiry which identified references to certain additional parties and certain additional matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an additional inquiry into past improper transactions ('Additional Inquiry') which was completed in July 2016 and which prima facie identified transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's former non-executive chairman, Dr. Vijay Mallya, and other potentially improper transactions. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of the Company or its subsidiaries in prior periods. At this stage, it is not possible for the management to estimate the financial impact on the Group, if any, arising out of potential non-compliance with applicable laws in relation to such fund diversions.

44. Subsidiary rationalisation

(a) In relation to its subsidiaries and pursuant to its strategic objective of divesting non-core assets which began with the divestment of Bouvet Ladubay S.A.S, Chapin Landais S.A.S and United Spirits Nepal Pvt Ltd, the Company has reviewed its subsidiaries' operations, obligations and compliances, and made plans for their rationalisation through sale, liquidation or merger ("Rationalisation Process").

Consequently, during the year, the Board of Directors of the Holding Company has approved:

(i) the divestment of Holding Company's stake in Liquidity inc.,

(ii) liquidation of McDowell & Co. (Scotland) Limited, Shaw Wallace Overseas Limited, United Spirits (Shanghai) Trading Company Limited, Montrose International S.A. and United Spirits Singapore Pte. Limited,

(iii) merger of UB Sports Management Overseas Limited with Palmer Investment Group Limited and subsequently, merger of Palmer Investment Group Limited with the Company, and

(iv) has recommended to the Board of Directors of USL Holdings Limited and Boards of Directors of three of its step-down subsidiaries to liquidate all these entities.

(b) During the quarter ended September 30, 2018, the Company entered into an agreement for the sale of its entire 51% equity holding in Liquidity Inc. and has sought approval of regulatory authorities for divesting its stake in Liquidity Inc., as well as for liquidating two of its wholly owned overseas subsidiaries, United Spirits Trading (Shanghai) Company Limited and Montrose International S.A. During the quarter ended December 31, 2018, the Company also sought regulatory approvals in respect of liquidating its wholly owned subsidiary, USL Holdings Limited and its three wholly owned step-down overseas subsidiaries. The completion of the above sale as well as liquidations by the Company are subject to regulatory and other approvals (in India and overseas). During this Rationalisation Process, if any historical non-compliances are established, the Company will consult with its legal advisors, and address any such issues including, if necessary, considering filing appropriate compounding applications with the relevant authorities. At this stage, it is not possible for the management to estimate the financial impact on the Group, if any, arising out of potential non-compliances if any, with applicable laws.

(All amounts in INR Millions unless otherwise stated)

44. Subsidiary rationalisation *(Continued)*

(c) On January 15, 2016, the Company had entered into an agreement for sale of its entire holding of 67,716 equity shares in United Spirits Nepal Private Limited ('USNPL'), constituting 82.46% of the paid up equity share capital of USNPL. The sale was subject to various regulatory approvals and other conditions precedent. During the previous year, the Company has secured the approval of the Reserve Bank of India under the Foreign Exchange Management Act, 1999, in respect of the sale of shares in USNPL. Following the receipt of other relevant regulatory approvals and fulfilment of other conditions precedent, on February 28, 2018, the Company completed the sale of all the 67,716 equity shares held by it in USNPL at a price of Nepalese Rupees 5,042 per share, amounting to a total consideration of Nepalese Rupees 341,424,072 (INR 213 million). This resulted in a gain on disposal of INR 148 million which has been disclosed as an exceptional item [Refer Note 30(c)] in the previous year. The sale consideration was remitted to India following the deduction of applicable taxes in Nepal. Following the completion of this sale, the Company holds no shares in USNPL, and hence USNPL has ceased to be a subsidiary of the Company.

(d) On January 16, 2019, the Company completed the sale of Four Seasons Wines Limited (FSWL) along with wine brands and FSWL's interest in its associate Wine Society of India (WSI), to Quintella Assets Limited and Grover Zampa Vineyards Limited, unrelated third parties. The business was sold for a total sale consideration of INR 319 million. This transaction resulted in a loss of INR 10 million for the Group which has been disclosed as an exceptional item [Refer Note 30(c)].

(e) As stated in the Accounting policy Note 1.1 (ii), the financial statements of (i) USL Holdings Limited, (ii) USL Holdings (UK) Limited, (iii) United Spirits (UK) Limited, (iv) United Spirits (Great Britain) Limited, (v) McDowell & Co. (Scotland) Limited and (vi) Shaw Wallace Overseas Limited have been prepared and consolidated on a liquidation basis (i.e. "break up" basis) consequent to the approval of the Board of Directors of the Company recommending liquidation. Accordingly, assets and liabilities of such entities have been recognised as current at their fair value that approximate to their carrying value as at March 31, 2019. Such remeasurement did not have any material impact on the consolidated financial statements.

45. Loan to United Breweries Holdings Limited ('UBHL')

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017 and March 31, 2018, the Company had pre-existing loans/ deposits/ advances/ accrued interest that were due to the Company and its subsidiaries from UBHL and its subsidiaries aggregating to INR 13,374 million and that were consolidated into, and recorded as, an unsecured loan through an agreement entered into between the Company and UBHL on July 3, 2013 ('Loan Agreement'). The Company has already made provision in prior financial years for the entire principal amount due, of INR 13,374 million, and for the accrued interest of INR 846 million up to March 31, 2014. The Company has not recognised interest income on said loan aggregating to INR 6,288 million for the period from April 1, 2014 to March 31, 2019 (including INR 1,269 million for the year ended March 31, 2019). The Company has offset payable to UBHL under the trademark agreement amounting to INR 292 million and INR 35 million for the year ended March 31, 2019 respectively against the aforesaid loan and other receivable from UBHL. The cumulative offset up to March 31, 2019 amounted to INR 1,358 million which comprises of interest on aforesaid loan aggregating to INR 846 million, loan receivable of INR 292 million and other receivable from UBHL aggregating to INR 220 million. Consequently the corresponding provision for loan and other receivable aggregating to INR 327 million has been reversed to 'Other Expense'.

Since UBHL had defaulted on its obligations under the Loan Agreement, the Company sought redressal of disputes and claims through arbitration under the terms of the Loan Agreement. On April 8, 2018, the arbitral tribunal passed a final award against the Company. The reasons for this adverse award are disputed by the Company, and the Company has obtained leave from the High Court of Karnataka to file a challenge against this arbitral award. The Company has on July 6, 2018 filed the petition challenging the said award before the Jurisdictional Court in Bangalore (the "Court"). The Court has issued notice pursuant thereto on the Official Liquidator and the hearing has commenced. Notwithstanding the arbitration award, based on management assessment supported by an external legal opinion, the Company continues to offset payable to UBHL under the trademark agreement against the balance of loan receivable from UBHL.

46. Excess managerial remuneration pertaining to earlier year

a) The managerial remuneration for the financial year ended March 31, 2015 aggregating INR 63 million and INR 153 million to the Managing Director & Chief Executive Officer ('MD & CEO') and the former Executive Director and Chief Financial Officer ('ED & CFO'), respectively, was approved by the shareholders at the annual general meeting of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

46. Excess managerial remuneration pertaining to earlier year *(Continued)*

Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 by INR 51 million to the MD & CEO and by INR 134 million to the former ED & CFO. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration. The Central Government, by letters dated April 28, 2016 did not approve the Company's applications. On May 24, 2016 the Company resubmitted the applications, along with detailed explanations, requesting the Central Government to reconsider approving the waiver of excess remuneration paid. In light of the findings from the Additional Inquiry, by its letter dated July 12, 2016, the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO and has filed a civil suit before the jurisdictional court to recover the sums from the former ED & CFO. Consequent to the notification of Section 197(17) of the Companies Act, 2013 effective September 12, 2018, the pending application of MD & CEO resubmitted to the Central Government seeking approval automatically stands abated. The Company has, during January 2019, secured the requisite approval from shareholders by way of postal ballot exercise for the waiver of excess remuneration paid to MD & CEO.

b) Certain amendments have been carried out, inter alia, to Section 198 and Schedule V of the Companies Act, 2013 by way of the Companies (Amendment) Act, 2017, which are effective from September 12, 2018 ("Amendments"), relating to the remuneration payable to directors by a Company. The Company has negative free reserves and accumulated losses of approximately INR 17,845 million as of March 31, 2018. Pursuant to these Amendments, the accumulated losses of a company are required to be set off against the profits in a given financial year while calculating the profit of the Company for such financial year under Section 198. Consequent to the aforesaid amendments, the profit of the Company (calculated in terms of Section 198) is negative for the financial year ended March 31, 2019. As a result, remuneration paid and payable to Executive Directors exceeds the limits as per Schedule V read with Section 197 of the Act for the year ended March 31, 2019 and remuneration payable to Non-executive Directors exceeds the limits as per Section 197 both read with Section 198 as amended.

The Company has, during January 2019 secured the requisite approval of the shareholders by way of postal ballot exercise for the remuneration paid/ payable to the Executive Directors and remuneration payable to Non-executive Directors for the financial year ending March 31, 2019, March 31, 2020 and March 31, 2021 or till the end of the Directors tenure of appointment/ reappointment, whichever is earlier, notwithstanding that such remuneration may exceed the limits specified under Section 197 and Schedule V of the Companies Act, 2013 as amended.

47. Regulatory notices and communications

The Company has previously received letters and notices from various regulatory and other government authorities as follows:

a) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, from the Securities Exchange Board of India ('SEBI'), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya to which the Company has responded. No further communications have been received thereafter;

b) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, from the Ministry of Corporate Affairs ('MCA') in relation to its inspection conducted under Section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. The Company had also received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. During the year ended March 31, 2018, the Company filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices, and requested the Registrar to drop one show cause notice based on expert legal advice received. The Company is awaiting a response from the Registrar to the aforesaid applications. The management is of the view that the financial impact arising out of compounding/ adjudication of these matters will not be material to the Company's financial statements;

c) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, from the Directorate of Enforcement ('ED') in connection with Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention

(All amounts in INR Millions unless otherwise stated)

47. Regulatory notices and communications *(Continued)*

of Money Laundering Act, 2002, to which the Company had responded. No further communications have been received thereafter; and

d) as disclosed in the financial statements for the year ended March 31, 2017 and March 31, 2018, from the Company's authorised dealer banks in relation to certain queries from the Reserve Bank of India ('RBI') with regard to: (i) remittances made in prior years by the Company to its overseas subsidiaries; (ii) past acquisition of the Whyte and Mackay group; (iii) clarifications on Annual Performance Reports ('APR') submitted for prior years; and (iv) compliances relating to the Company's overseas Branch office, all of which the Company had duly responded to except for the letter dated January 31, 2019 from the Company's authorised dealer bank relating to clarifications on Annual Performance Reports, to which the Company is in the process of responding.

48. Dispute with a bank

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017 and March 31, 2018, during the year ended March 31, 2014, the Company decided to prepay a term loan taken from a bank in earlier years under a consortium arrangement, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The Company deposited a sum of INR 6,280 million, including prepayment penalty of INR 40 million, with the bank and instructed the bank to debit the amount from its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the stand taken by the bank and its writ petition filed on November 6, 2013 is pending before the Hon'ble High Court of Karnataka. In August 2015, the bank obtained an ex parte injunction in proceedings between the bank and Kingfisher Airlines Limited (KFA), before the Debt Recovery Tribunal, Bangalore ('DRT'), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed their objections against such ex parte order passed in proceedings in which neither the Company nor the USL Benefit Trust were enjoined as parties. In February 2016, the Company received a notice from the bank seeking to recall the loan and demanding a sum of INR 459 million. Pursuant to an application filed by the Company before the Hon'ble High Court of Karnataka, in the writ proceedings, the Hon'ble High Court of Karnataka directed that if the Company deposited the sum of INR 459 million with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets including shares pledged with the bank till disposal of the original writ petition filed by the Company before the Hon'ble High Court of Karnataka. During the quarter ended June 30, 2016, the Company deposited the said sum and replied to the bank's various notices in light of the above. The aforesaid amount has been accounted as other non-current financial asset. On January 19, 2017, the DRT dismissed the application filed by the bank seeking the attachment of USL Benefit Trust shares. During the quarter ended September 30, 2017, the bank filed an ex-parte appeal before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai against the order of the DRT. During the quarter ended December 31, 2017, the Company has been impleaded in the proceedings subsequent to the DRAT's order. The appeal is pending for final hearing. With regard to the writ petition filed before the Hon'ble High Court of Karnataka, an early hearing application was allowed and the hearing of the main matter has commenced during the quarter ended December 31, 2018 and has continued during the quarter ended March 31, 2019.

49. Receivable from Bihar government

As disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, the Government of Bihar in exercise of the powers conferred under Section 19(4) of the Bihar Excise Act, 1915 through its notification dated April 5, 2016 imposed a ban on trade and consumption of Indian Made Foreign Liquor and foreign liquor in the state of Bihar.

The notification was challenged in the Hon'ble High Court of Patna which set aside the notification by an order dated September 30, 2016, and held Section 19(4) of the Bihar Excise Act, 1915, as amended by Bihar Excise (Amendment) Act, 2016, as ultra vires the Constitution of India. Subsequently, the Government of Bihar re-imposed prohibition by notifying a new legislation i.e., The Bihar Prohibition and Excise Act, 2016, on October 2, 2016. The Government of Bihar also preferred a special leave petition ("SLP") before the Hon'ble Supreme Court against the judgement of the Hon'ble High Court of Patna pursuant to which the Hon'ble Supreme Court has stayed the order of the Hon'ble High Court of Patna. The Company had sought refund of VAT of INR 288 million and Excise duty of INR 265 million aggregating to INR 553 million (including VAT of INR 179 million and Excise duty of INR 175 million paid by the Company's tie-up manufacturing units) from the Government of Bihar under the applicable law at that time, in respect of billed stocks returned by Bihar State Beverages Corporation Limited ("BSBCL") or stocks destroyed pursuant to the notifications.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

49. Receivable from Bihar government *(Continued)*

The Company had received a letter dated August 16, 2017 from the Government of Bihar, stating that it is not liable to refund the aforesaid VAT and Excise duty under the Bihar Prohibition and Excise Act, 2016. Thereafter, on October 17, 2017, the Company filed a writ petition before the Hon'ble High Court of Patna seeking refund of the aforesaid VAT and Excise duty, paid by the Company to the Government of Bihar.

Consequent to this, in the previous year, the Group had recognised a provision of INR 180 million towards inventory reprocessing charges and write down in the value of inventory which was disclosed as an exceptional item [Refer Note 30(a)].

During the quarter ended December 31, 2018, consequent to the order of the Hon'ble High Court of Patna in response to the above mentioned writ petition, the Company has received a refund of VAT of INR 73 million and Excise duty of INR 4 lacs from Government of Bihar. The Company is taking appropriate steps to pursue refunds of the remaining amounts of VAT as well as the Excise duty through another writ petition. The Group has provided for the balance amount receivable of INR 476 million as a matter of prudence in view of uncertainty around the amount of time it may take to recover the said amount.

On April 30, 2019, the Hon'ble High Court of Patna passed a judgment allowing the writ petition. The Hon'ble High Court of Patna held that, any objection by the Bihar State Excise to refund the advance deposits by the Company towards VAT and levies under the repealed Bihar Excise Act, 1915 and the rules framed thereunder, in absence of any transaction undertaken by the Company during the year ended March 31, 2017 (April 5, 2016 to March 31, 2017), would be violative of the Constitutional guarantee reserved for the Company under Article 265 of the Constitution of India. The Hon'ble High Court of Patna however refused to express its view on the merits of the Company's claim per se. The Hon'ble High Court of Patna has directed the Excise department to adjudicate the claims and refund any admitted amount within three months from the date of receipt / production of a copy of its order.

During the year ended March 31, 2018, the Company had received a demand from BSBCL seeking demurrage charges for the stock that was lying in their warehouses post the imposition of prohibition till the same was shifted out of the state pursuant to the orders of the Supreme Court. The Company has refuted the claim and has filed a detailed response. There is no further development in this matter during the year ended March 31, 2019. The management has disclosed the exposure on account of this demand as contingent liability (Refer Note 52).

50. Difference in yields of certain non-potable intermediates and allocated process losses

As disclosed by the Company in its published financial results for the quarter ended December 31, 2018, during the said financial quarter, the Company came across information suggesting continuing past practices that may have resulted in yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process being higher than what has been reported to the relevant regulatory authorities (the 'Authorities') as per the records being maintained in certain plants (the 'Affected Plants').

With prior information to and engagement with the Authorities, the Company also engaged independent third party experts to undertake a physical verification of the inventory of intermediates on a sample basis in the Affected Plants, and shared these reports with the Authorities. Based on the understanding/discussion with such Authorities and advice received from external legal counsels, the company has discharged/provided the amounts of financial obligation (which were determined to be not material to the consolidated financial statements).

Under the direction of the board of directors, the management engaged an independent law firm to conduct a review of these past practices and will initiate appropriate action, where a violation of the company's code of business conduct may have occurred. In addition, the Company has also re-evaluated the existing controls and processes in this area and strengthened the same before the year end.

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

51. Capital and other commitments

Particulars	As at March 31, 2019	As at March 31, 2018
(a) Capital commitments for property, plant and equipment	1,127	761
(b) Other commitments: i. relating to advertisement, sales promotion and trade mark fee	773	1,150
ii. towards minimum offtake commitment for purchase of bulk scotch from a related party	1,900	1,560
iii. relating to BCCI-IPL franchise	816	1,000

(All amounts in INR Millions unless otherwise stated)

52. Contingent liabilities

Particulars	As at March 31, 2019	As at March 31, 2018
(a) Tax matters		
(i) State Excise	1,995	1,876
(ii) Central Excise	2	378
(iii) Service Tax	350	583
(iv) Income Tax	7,305	7,277
(v) Sales Tax and Entry Tax	3,509	1,216
(b) Other civil litigations and claims	1,555	2,966

Notes:

(a) **Income taxes –** Income tax matters primarily relate to exposures under transfer pricing and disallowance of certain expenses that the Company had claimed as deductions in its Income Tax returns.

(b) **Indirect taxes –** The Group has extensive operations across various states in India. The Company has identified possible exposures relating to local sales tax, state excise duty and central excise duty.

(c) **Other civil litigations and claims –** Other civil litigations relate to various claims from third parties under dispute which are lying with various courts/ appellate authorities.

(d) **Provident fund –** The Group is in the process of evaluating the impact of the Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to non-inclusion of certain allowances in the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. In the assessment of the management, the aforesaid matter is not likely to have a significant impact and accordingly, no provision has been made in the financial statements.

(e) The below matters are considered as contingent liabilities in PDL, a subsidiary, however the amounts in respect thereof are not determinable:

i. PDL has filed a petition before the High Court of Judicature at Bombay Bench at Aurangabad challenging multiple demands raised by Water Resource Department, State of Maharashtra levying increased water charges and an interim relief against any coercive steps has been received. It is not practical to estimate the potential effect of this claim, but based on legal advice obtained, PDL's management believes that it is not probable that a significant liability will arise.

ii. PDL has filed a petition before the High Court of Judicature at Bombay Bench at Aurangabad challenging the notification increasing the transport pass fees on its raw material and an interim relief has been received. It is not practical to estimate the potential effect of this claim, but based on legal advice obtained, PDL's management believes that it is not probable that a significant liability will arise.

(f) Use of Judgement

Management categorizes the matters based on the probability of cash outflow, which require judgement. Management obtains the views of external consultants where necessary. Based on the assessment, management recognises liability/ provision, or discloses the matter as a contingent liability, except for matters where the probability of outflow of cash is considered remote. Due to uncertainties involved in the process, actual outflows may be different from those originally estimated.

The Group may be involved in legal proceedings in respect of which it is not possible to make a reliable estimate of any expected settlement. In such cases, appropriate disclosure is provided but no provision is made and no contingent liability is quantified.

(g) Management is optimistic of a favourable outcome in the above matters based on legal opinions management assessment. It is not practicable for the Group to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

53. Research expenses

	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries and wages	52	57
Contribution to provident fund and other funds	5	5
Staff welfare expenses	1	1
Rent	6	5
Miscellaneous expenses	30	24
Total research expenses	**94**	**92**

54. Interest in Other Entities

(a) Subsidiaries/Controlled Trusts

The subsidiaries consolidated in these financial statements are set out below. Unless otherwise stated, they have share capital consisting of equity shares that are held by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation is also their place of business.

Name of the Entity	% of ownership interest		Country of Incorporation	Principal business activity
	March 31, 2019	March 31, 2018		
Subsidiaries :				
Pioneer Distilleries Limited	75	75	India	Manufacture and sale of Spirits
Royal Challengers Sports Private Limited	100	100	India	BCCI – IPL franchise
Four Seasons Wines Limited (upto January 16, 2019) – [Refer Note 44(d)]	-	100	India	Manufacture and sale of wines
Tern Distilleries Private Limited	100	100	India	Dormant
Sovereign Distilleries Limited	100	100	India	Dormant
United Spirits Nepal Private Limited (upto February 28, 2018) – [Refer Note 44(c)]	-	82.46	Nepal	Manufacture and Trading of IMFL
United Spirits Singapore Pte Ltd.	100	100	Singapore	Dormant
McDowell & Co. (Scotland) Limited	100	100	Scotland, U.K.	Dormant
Asian Opportunities and Investments Limited	100	100	Mauritius	Dormant
Palmer Investment Group Limited	100	100	British Virgin Islands	Dormant
Shaw Wallace Overseas Limited	100	100	U.K.	Dormant
UB Sports Management Overseas Limited	100	100	Jersey Islands	Dormant
Montrose International S.A.	100	100	Panama	Dormant
USL Holdings Limited	100	100	British Virgin Islands	Dormant
USL Holdings (UK) Limited	100	100	U.K.	Dormant
United Spirits (Shanghai) Trading Company Limited	100	100	China	Dormant
United Spirits (UK) Limited	100	100	U.K.	Dormant
United Spirits (Great Britain) Limited	100	100	U.K.	Dormant
Liquidity Inc.	51	51	USA	Dormant
Controlled trust :				
USL Benefit Trust	100	100	India	Investment in share of the company

(All amounts in INR Millions unless otherwise stated)

54. Interest in Other Entities *(Continued)*

(b) Interest in Associates

Set out below are the associates of the Group. However, these are not material to the Group. The Entities listed below have share capital solely consisting of equity shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The Group accounts for its interests in these associates using the Equity method. Further, these are unlisted and hence no quoted prices are available.

Name of entity	% of ownership interest 2019	% of ownership interest 2018	Country of incorporation	Principal business activity
Wine Society of India Private Limited (upto January 16, 2019) – [Refer Note 44(d)]	-	33	India	Promotion of wine business in India
HIP Bar Private Limited [effective June 25, 2018 (Refer Note 4)]	26	-	India	Operates a web based alcohol distribution mobile application under the brand name HIPBAR

54. (c) Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The Group has performed an assessment for impairment of goodwill on acquisition of subsidiaries owing to continuing losses incurred by certain subsidiaries and decline in the value of underlying net assets held by certain subsidiaries, based on which Group has recognised impairment charge on goodwill on acquisition pertaining to the relevant subsidiaries mentioned in the below table during the current and previous year.

The Group's cash-generating units (CGU) have been determined as individual subsidiaries. The Group has determined recoverable value or value in use whichever is higher of the CGU, as fair value, less cost of disposal. The Company has used the 'cost approach' valuation technique for determining fair value of its investment in subsidiaries using Level 3 inputs.

The entity wise detail of goodwill and impairment charge, if any recognised is set out below:

Description	McDowell (Scotland) Limited	Sovereign Distilleries Limited	Four Seasons Wines Limited	Total
Carrying amount of Goodwill as at April 1, 2018	**13**	**484**	**(136)**	**361**
Net assets of the subsidiary	392	251	-	**643**
Total	**405**	**735**	**(136)**	**1,004**
Derecognition on disposal	-	-	136	**136**
Recoverable amount	405	731	-	**1,136**
Shortfall/(Surplus) over carrying value	-	4	-	**4**
Impairment allowance for the year [Refer Note 30(e)]	**-**	**(4)**	**-**	**(4)**
Carrying amount of goodwill as at March 31, 2019	**13**	**480**	**-**	**493**

Description	United Spirits Nepal Private Limited	McDowell (Scotland) Limited	Tern Distilleries Private Limited	Sovereign Distilleries Limited	Four Seasons Wines Limited	Total
Carrying amount of Goodwill as at April 1, 2017	**4**	**13**	**73**	**726**	**(136)**	**680**
Net assets of the subsidiary	**-**	392	270	299	427	1,388
Total	**4**	**405**	**343**	**1,025**	**291**	**2,068**
Derecognition on disposal	(4)	-	-	-	-	(4)
Recoverable amount	-	405	248	783	435	1,871
Shortfall/(Surplus) over carrying value	-	-	95	242	144	481
Impairment allowance for the year [Refer Note 30(e)]	**-**	**-**	**73**	**242**	**-**	**315**
Carrying amount of goodwill as at March 31, 2018	**-**	**13**	**-**	**484**	**(136)**	**361**

Note: Any changes in fair value of the underlying assets held by the subsidiaries would have an equivalent effect on the impairment charge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

54. (d) Details on Non-Controlling Interest (NCI)

Set out below is summarised financial information for all the subsidiaries in which there is a non-controlling interest. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised Balance Sheet:

Particulars	Liquidity Inc.		Pioneer Distilleries Limited	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
Non-current assets	-	66	4,234	3,767
Current assets	7	7	1,531	2,150
Total assets	**7**	**73**	**5,765**	**5,917**
Non-current liabilities	(167)	(158)	(2,295)	(2,216)
Current liabilities	(127)	(120)	(3,886)	(3,446)
Total liabilities	**(294)**	**(278)**	**(6,181)**	**(5,662)**
Net assets	**(287)**	**(205)**	**(416)**	**256**
Accumulated non-controlling interest (NCI)	**(21)**	**(21)**	**(10)**	**157**

Summarised Statement of Profit and Loss:

Particulars	Liquidity Inc.		Pioneer Distilleries Limited	
	For the year ended March 31, 2019	For the year ended March 31, 2018	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue	-	0	1,428	3,047
Profit/(loss) for the year	(0)	(3)	(671)	700
Other comprehensive income	-	0	(1)	4
Total comprehensive income	(0)	(3)	(672)	704
Total comprehensive income allocated to NCI	-	0	(167)	176

Summarised Statement of cash flows:

Particulars	Liquidity Inc.		Pioneer Distilleries Limited	
	For the year ended March 31, 2019	For the year ended March 31, 2018	For the year ended March 31, 2019	For the year ended March 31, 2018
Cash flows from operating activities	0	0	(909)	(143)
Cash flows from investing activities	0	0	(114)	(507)
Cash flows from financing activities	0	0	1,024	649
Net increase/(decrease) in cash and cash equivalents	0	0	1	(1)

There were no transactions with non-controlling interests in the year ended March 31, 2019 and March 31, 2018

54. (e) Share of profit and assets of subsidiaries/associate

Name of the entity	Net assets, i.e., total assets minus total liabilities		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	% of consolidated net assets	Amount	% of consolidated profit/(loss)	Amount	% of consolidated other comprehensive income	Amount	% of consolidated total comprehensive income	Amount
Parent Company								
United Spirits Limited	73.4%	22,657	98.3%	6,716	100.0%	28	98.3%	6,744
Overseas Subsidiaries								
Asian Opportunities and Investments Limited	0.1%	22	(0.1)%	(4)	0.0%	-	(0.1)%	(4)
Liquidity Inc.	(0.4)%	(109)	0.0%	(0)	0.0%	-	0.0%	(0)

(All amounts in INR Millions unless otherwise stated)

54. (e) Share of profit and assets of subsidiaries/associate *(Continued)*

Name of the entity	Net assets, i.e., total assets minus total liabilities		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	% of consolidated net assets	Amount	% of consolidated profit/(loss)	Amount	% of consolidated other comprehensive income	Amount	% of consolidated total comprehensive income	Amount
McDowell & Co. (Scotland) Limited	1. 3%	391	(0.2)%	(12)	0.0%	-	(0.2)%	(12)
Montrose International S.A.	0.3%	86	1.3%	86	0.0%	-	1.3%	86
Palmer Investment Group Limited	0.0%	2	1.2%	85	0.0%	-	1.2%	85
UB Sports Management Overseas Limited	0.0%	1	(0.0)%	(2)	0.0%	-	0.0%	(2)
United Spirits Singapore Pte. Ltd.	(0.0)%	(12)	(0.0)%	(3)	0.0%	-	(0.0)%	(3)
United Spirits (UK) Limited	0.0%	3	(0.0)%	1	0.00%	-	0.0%	1
USL Holdings Limited	1.5%	463	0.0%	1	0.00%	-	0.0%	1
USL Holdings (UK) Limited	0.2%	49	(0.0)%	(1)	0.00%	-	(0.0)%	(1)
United Spirits (Shanghai) Trading Company Limited	0.0%	3	0.0%	0	0.00%	-	0.0%	0
United Spirits (Great Britain) Limited	0.6%	199	0.0%	0	0.00%	-	0.0%	0
Shaw Wallace Overseas Limited	0.1%	19	0.0%	0	0.00%	-	0.0%	0
Sub-total		**1,117**		**151**		**-**		**151**
Indian Subsidiaries/controlled trust								
Four Seasons Wines Limited	-	-	(1.1)%	(76)	3.6%	1	(1.1)%	(75)
Pioneer Distilleries Limited	6.2%	1,908	(7.4)%	(504)	(3.6)%	(1)	(7.4)%	(505)
Royal Challengers Sports Private Limited	15.2%	4,694	12.4%	848	0.0%	-	12.4%	848
Sovereign Distilleries Limited	0.8%	251	(0.9)%	(60)	1.0%	-	(0.9)%	(60)
Tern Distilleries Private Limited	0.8%	235	(0.8)%	(54)	0.0%	0	(0.8)%	(54)
USL Benefit Trust	0.1%	41	-	-	-	-	-	-
Sub-total		**7,129**		**154**		**0**		**154**
Minority interest in subsidiaries								
Liquidity Inc.	(0.1)%	(21)	0.0%	0	0.00%	-	0.0%	0
Pioneer Distilleries Limited	(0.0)%	(10)	(2.4)%	(167)	(3.6)%	(0)	(2.4)%	(167)
Sub-total		**(31)**		**(167)**		**(0)**		**(167)**
Associates								
HIP Bar Private Limited [effective June 25, 2018 (Refer Note 4)]	-	-	(0.3)%	(18)	0.0%	0	(0.3)%	(18)
Wine Society of India Private Limited (upto January 16, 2019) – [Refer Note 44(d)]	-	-	-	-	-	-	-	-
Total	**100.0%**	**30,872**	**100.0%**	**6,836**	**100.0%**	**28**	**100.0%**	**6,864**

Note: Net assets given above exclude inter-company balances and treasury shares. Share in profit or loss, other comprehensive income and total comprehensive income are as per the financial statements of respective entities adjusted with exchange gain/(loss) on restatement of inter-company loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions unless otherwise stated)

55. Long term contracts, including derivative contracts

The Group does not have any derivative contracts as at March 31, 2019. The Group has a process whereby periodically all long term contracts are assessed for material foreseeable losses. No provision for material foreseeable losses is necessary based on the review of such contracts as at year end.

56. Previous year figures have been regrouped/reclassified to conform to the current year's classification.

As per our report of even date attached

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

Pradip Kanakia
Partner
Membership number: 039985

Place: Bengaluru
Date: May 29, 2019

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

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V. K. Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Place: Bengaluru
Date: May 29, 2019

V. Ramachandran
Executive Vice President & Company Secretary

Notes

Notes

Talisker Distillery, Isle of Skye, Scotland.

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